

# Container shipping heading for \$10 billion loss in 2024: Drewry



*The total global container shipping orderbook is closing on 30 percent of the existing fleet. Photo credit: lam\_Anuphone / Shutterstock.com.*

**Greg Knowler, Senior Editor Europe | Apr 25, 2023, 10:54 AM EDT**

The container shipping industry will report a \$10 billion loss in 2024 as new contracts are signed at significantly lower rates and a flood of new ships results in effective capacity growth of 25 percent this year, according to the latest estimate from consultancy Drewry.

It is an astonishing comedown from the before-tax profit of \$296 billion reported by carriers in 2022 and the \$16.5 billion profit expected from the industry this year, Simon Heaney, senior manager for container research at Drewry Maritime Research, said during a webinar Tuesday.

“The annual results hide the fact that carrier profitability has been on quite a significant downward slope ever since the start of the second half of last year,” Heaney said. “If you break the results down by quarter, you'll see that profitability halved in the fourth quarter of last year, from \$81 billion in the third quarter down to \$42 billion.

“In the final three months of the year, we even saw the first case of red ink on the income statements ... when Wan Hai posted a small net loss for the period,” he added.

Drewry is predicting the cellular fleet will grow 4.7 percent this year, but with low ship scrapping and without the capacity-stripping effect of port congestion, the increase in effective capacity this year will be 25 percent. Effective capacity refers to the actual slots available to the market rather than the sheer size of the cellular fleet.

“The orderbook for this year and next is still vast and is about to land with much bigger vengeance very soon,” Heaney said. “Demolitions and the idle fleet are still well below where we had expected them to be at this stage of the year, and without those building blocks, the recent uptick in both spot rates and charter prices is transitory in our view.

“As the newbuilds flood in, the pressure [on rates and the charter market] will be something of an irresistible force,” he added. “That will sort of stop that arrow from pointing too far up.”

## **‘Natural correction after a very turbulent period’**

The total global orderbook is closing on 30 percent of the existing fleet, with a record amount of capacity on order, according to data from SeaWeb, a sister company of the *Journal of Commerce* within S&P Global. About 2.5 million TEU will hit the water this year, 3 million TEU next year, and 1.7 million TEU in 2025.

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Drewry noted that underlying factors determining capacity utilization and rate levels remained “incredibly weak” in global container shipping markets, and especially on the east-west trades. However, despite the tumbling rates, Heaney said the slowdown in container shipping was “a regression to the mean, rather than a dismal collapse.”

“We need to bear that in mind that it is a natural correction after a very turbulent period, and as the market settles, there is going to be some striking year-over-year declines that will catch the eye,” he told the webinar.

US imports from Asia fell 31 percent year over year in March to just over 1 million TEU, with overall first-quarter imports of 3.5 million TEU down 30 percent, according to data from PIERS, a sister product of the *Journal of Commerce* within S&P Global.

European imports from China in February were down 21 percent year over year, the latest data available, after a drop of 16.4 percent in January, according to Container Trades Statistics (CTS). Overall volume from Asia to North Europe over the first two months of the year was down 27 percent at 1.45 million TEU.

## Rates on the rise

Carriers have recently seen moderate success in pushing rates higher, most notably on the trans-Pacific in the past week after some of the main carriers on the eastbound route implemented general rate increases (GRIs) on April 15.

Spot rate levels from Asia to the US West Coast rose 28 percent last week to \$1,600 per FEU, highest since Nov. 1, 2022, according to Platts, a sister company of the *Journal of Commerce* within S&P Global. Rates from Asia to the US East Coast were up 21.5 percent last week to \$2,400/FEU.

The Drewry World Container Index reported a slight uptick in rates — about 7 percent last week — from Shanghai to North Europe and the Mediterranean. Other indices, such as Xeneta and Platts, also recorded a slight increase in Asia-Europe rate levels.



3M	6M	2Y	YTD	MAX
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Yet even as the spot rate plunge is arrested, Heaney was not convinced that the market has finally turned positive.

“Some of the reasons for the recent turnaround don't really fill me with enough confidence to be able to call the bottom of market just yet on spot rates,” he noted.

Drewry expects container port throughput this year to grow about 1 percent, a slight improvement from the March estimate of 0.4 percent. However, Heaney said although the growth rate is very low, it is still building on the huge 7 percent growth recorded in 2021.

“The end of lockdowns and the period of artificially stimulated high growth, with massive inventory, restocking, and much greater spending on goods, all related to COVID, could never be sustained, but to keep adding to it, even if by small amounts, suggest that the markets still have some underlying strength,” he said.

Container availability platform Container xChange noted in its European outlook released Tuesday that the market appears to have bottomed out, although a host of challenges remain.

“While the overall economic outlook for Europe brings signs of rebound, the container logistics industry in general is grappling with many struggles, like depots being overwhelmed, rates bottoming out, the global banking crisis, and overshooting demurrage and detention costs,” according to the outlook.

“Companies are struggling to find their feet on the ground, and it will still take a few months before the demand recovers,” Container xChange added.

*Contact Greg Knowler at [greg.knowler@spglobal.com](mailto:greg.knowler@spglobal.com) and follow him on Twitter: [@greg\\_knowler](https://twitter.com/greg_knowler).*

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