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Global ocean volume in Q3 beat pandemic record: Blue Alpha Capital

A total of 136.7 million TEUs were moved worldwide in the first nine months, up 6.3% year over year. Photo credit: ABCDstock / Shutterstock.com.

Greg Knowler, Senior Editor Europe | Nov 21, 2024, 9:47 AM EST

The 47 million TEUs transported by ocean carriers in the third quarter comprised the highest quarterly volume on record, besting the previous high set in 2021 at the height of the pandemic by just over 2%, according to the founder of global equity firm Blue Alpha Capital.

John McCown wrote in his quarterly market report this week that volume data from Container Trades Statistics (CTS) also showed that for the first nine months of 2024, the 136.7-million-TEU volume moved worldwide was up 6.3% year over year and 1.5% above the first nine months of 2021.

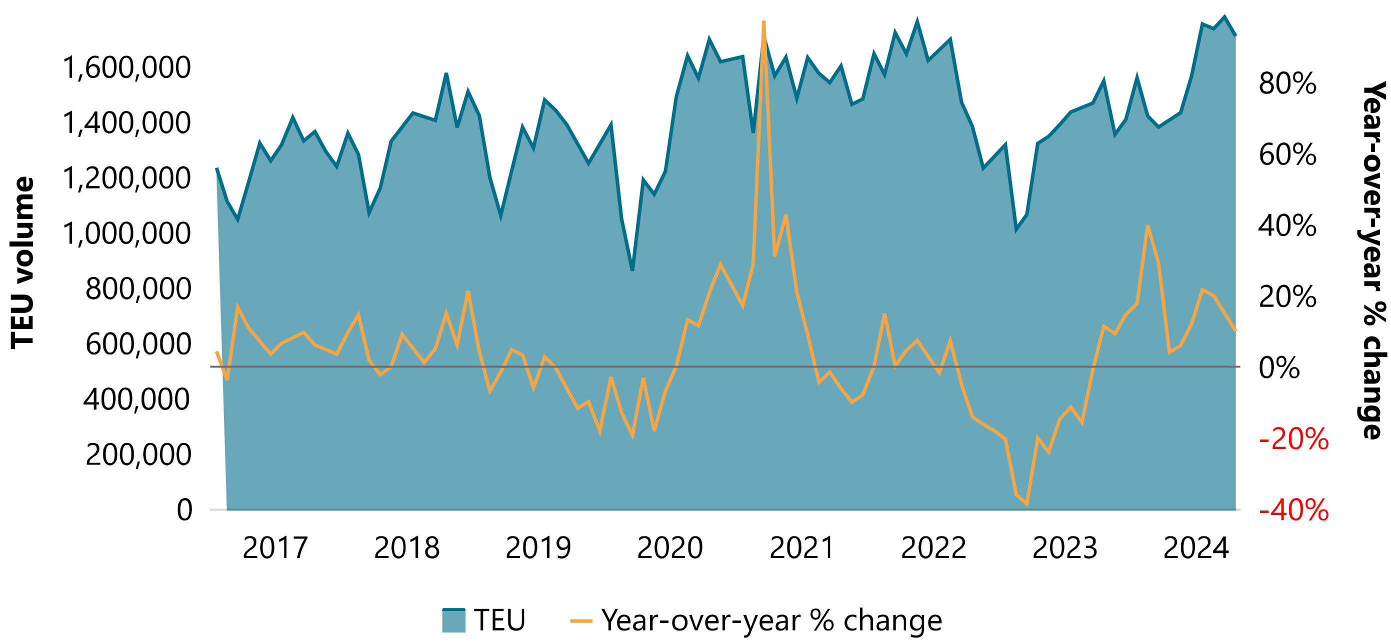
The robust volume was accompanied by higher rate levels that saw the average revenue per load assessed by CTS up 52.5% in the third quarter year over year and 23.4% higher compared with the second quarter.

“Driven by the capacity tightening resulting from the Red Sea situation and augmented by robust volume, the sector moved to a $5.4 billion Q1 profit that was doubled in the second quarter and more than doubled in the third quarter,” McCown said.

Average global spot rate levels in the third quarter recorded by the Shanghai Containerized Freight Index (SCFI) of $3,074 per TEU were more than double the year-ago period and up 19% from the second quarter.

US imports from Asia up sharply through October

Total monthly TEU volume of US containerized imports from Asia, with year-over-year change



Source: S&P Global

3M 6M 1Y 2Y YTD MAX

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McCown said the carriers’ third-quarter net profit of $26.8 billion was up 164% sequentially over the second quarter and almost nine times higher year over year. It was also more than twice what the container shipping industry earned in any full pre-pandemic year, he noted.

The three consecutive quarters of exponential net profit growth this year followed an industry loss of $700 million in the last three months of 2023.

Maritime consultancy Drewry has estimated that container shipping will report a pre-tax profit of $50 billion this year, up from $28 billion in 2023. While it is a fraction of the $298 billion recorded in 2022, the carriers will enter an uncertain 2025 in solid financial health.

"Stronger-than-expected volume has certainly buoyed rates, but much of the recent pricing strength remains tied to the Red Sea situation that is effectively absorbing 8% of worldwide capacity," McCown wrote.

Tariffs on China 'now more of a reality'

Looking ahead to next year, McCown said in addition to continued diversions around southern Africa to avoid the Red Sea, US President-elect Donald Trump's stated intention to impose tariffs of 60% and more on Chinese imports and 10% to 20% on all other imports iss now more of a reality.

The tariffs would also follow a possible second strike by the International Longshoremen's Association (ILA) when its tentative contract extension expires on Jan. 15.

"The combined impact of those two, happening at the same time, would indeed be a perfect storm for the sector," McCown warned. "My hope is that reason prevails and that the supposed silver bullet of tariffs was more about campaigning and less about administering."

Global bank HSBC also highlighted tariffs and ILA industrial action as catalysts for strong volume development on the US import trades for the rest of the year and into 2025.

"We expect the looming US East [and Gulf] coasts labor union strike and an earlier Lunar New Year [Jan. 29] to drive cargo frontloading into the year-end," HSBC said in a market update. "Separately, following the election of Donald Trump, we expect further frontloading due to potential tariff concerns to keep near-term freight rates elevated."

US imports from Asia were up 10.5% year over year in October, according to PIERS, a *Journal of Commerce* sister product within S&P Global.

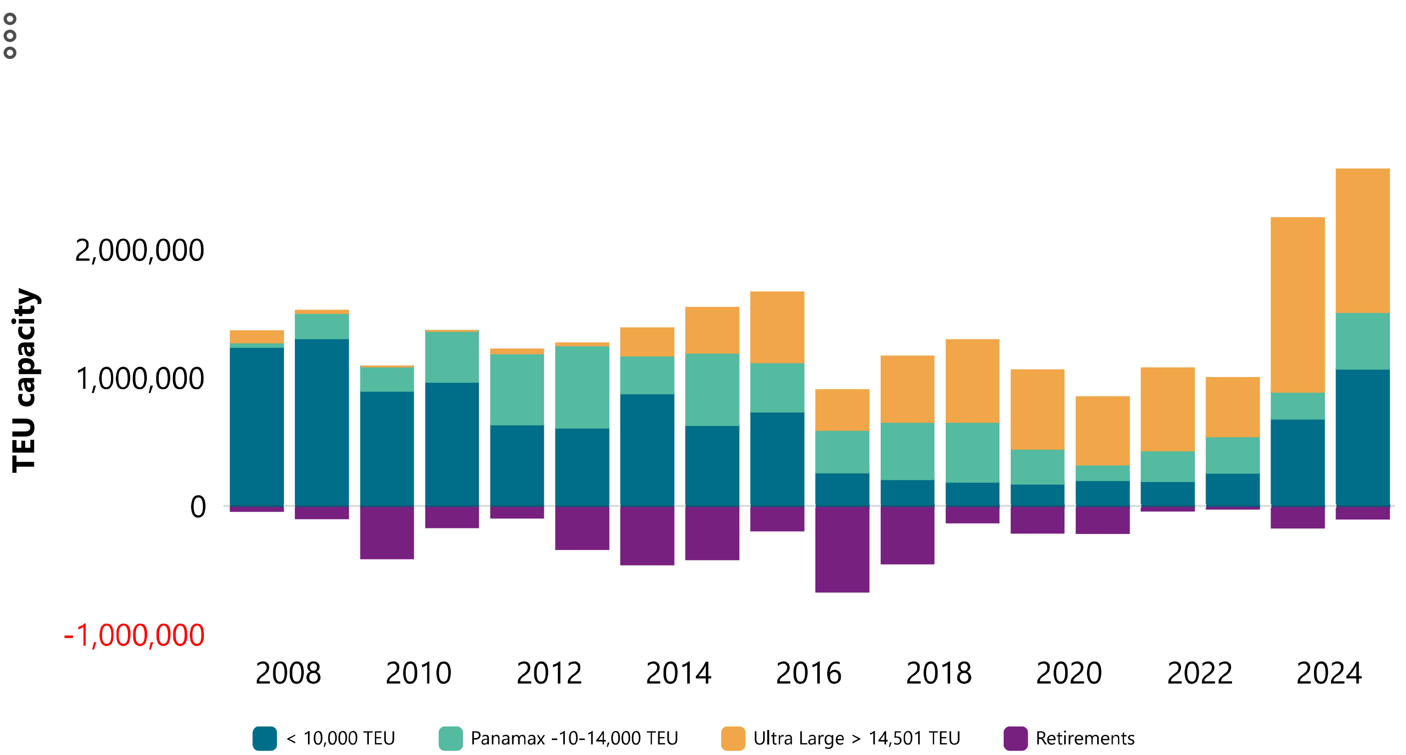
'Meaningful uplift to 2025 earnings'

Carriers will reap the benefits of elevated rate levels on the east-west trade lanes, which HSBC believes will see 2025 contract rates on Asia-Europe rising sharply compared with this year, providing "meaningful uplift to 2025 earnings."

Potentially standing in the way of continuing profitability is shipping supply, with the order book approaching 30% of the in-fleet capacity. Data from shipping association BIMCO has forecast cargo volume this year will grow between 4% and 5% against 16% growth in capacity.

Scrapping of older tonnage at low levels despite wave of deliveries

Global container ship fleet development by ship size each year



Source: S&P Global

5Y 10Y MAX

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However, assuming Red Sea diversions last through 2025, container shipping analyst Clarksons estimates that nominal fleet capacity growth will slow from over 10% to 5% against estimated 18% growth in TEU-mile demand in 2024 and 3% growth in 2025.

"While supply growth still exceeds demand and we continue to assume freight rates to trend lower in 2025 as our base case, we think the pace of supply delivery and demand from frontloading indicates that near-term freight rates may not capitulate as the market feared," HSBC noted in its report.

Ocean carriers are also becoming more optimistic in their capacity outlooks for next year as the Red Sea diversions absorb capacity. Maersk CEO Vincent Clerc told analysts in a third-quarter earnings call that demand would remain solid into 2025 and the supply-demand balance could be smoothed out by carriers pulling on the capacity management levers of increased scrapping and slow steaming.

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