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Container Shipping Outlook: Beyond the Downturn

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TPM²⁴
by **S&P Global**

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the global liner fleet

	Feb 2024	Feb 2022	Feb 2020
number of liner ships worldwide:	6,813	6,319	6,144
liner fleet capacity:	28.82 Mteu	25.38 Mteu	23.28 Mteu
year-on-year fleet growth:	8.9%	4.7%	3.7%
inactive fleet (capacity share):	0.8%	0.4%	6.2%
confirmed newbuilding orders (capacity):	6.99 Mteu	6.15 Mteu	2.35 Mteu
vessel order book as % of fleet capacity:	24.6%	24.6%	10.1%
container ship fleet average age:	14.2 years	13.4 years	12.6 years
container ship fleet weighted age:	11.5 years	10.7 years	10.0 years

Is the liner sector headed towards oversupply?

Focus on the **supply** side of the container market:

819 ships
on order

6.99 Mteu
on order

24.6%
of fleet

It may look like answer is 'yes' but in reality...



yes



no



It depends...

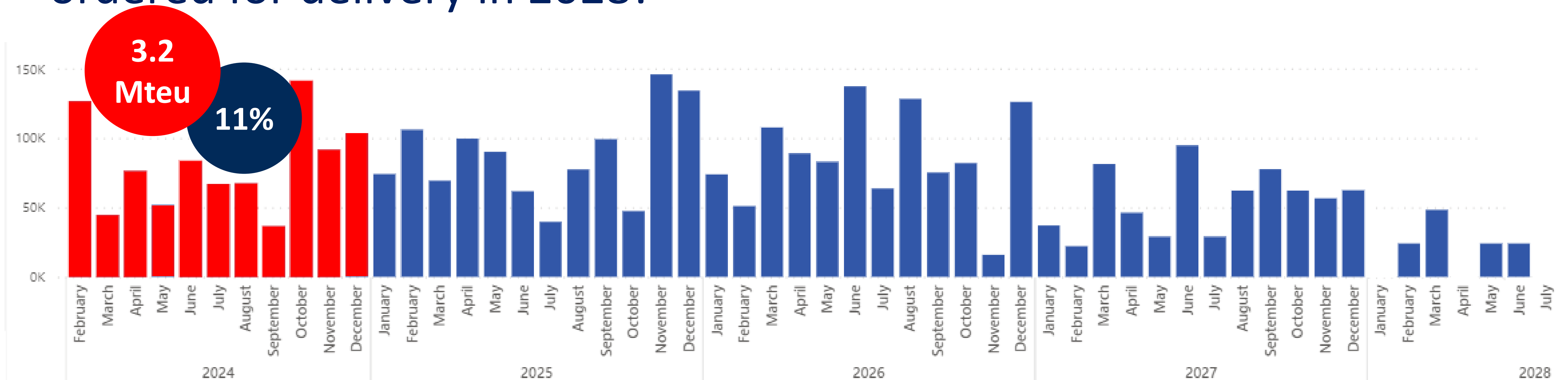
...on the time frame, the route and other factors.

Why is the big order book not as 'crazy' as it looks?

- newbuilding delivery timeline

1

The newbuilding pipeline stretches out futher than ever: some ships are ordered for delivery in 2028!



Newbuilding prices have increased **50%** over the last three years! We expect low ordering in 2024-2025 and thus low(er) deliveries past 2026.

Why is the big order book not as 'crazy' as it looks?

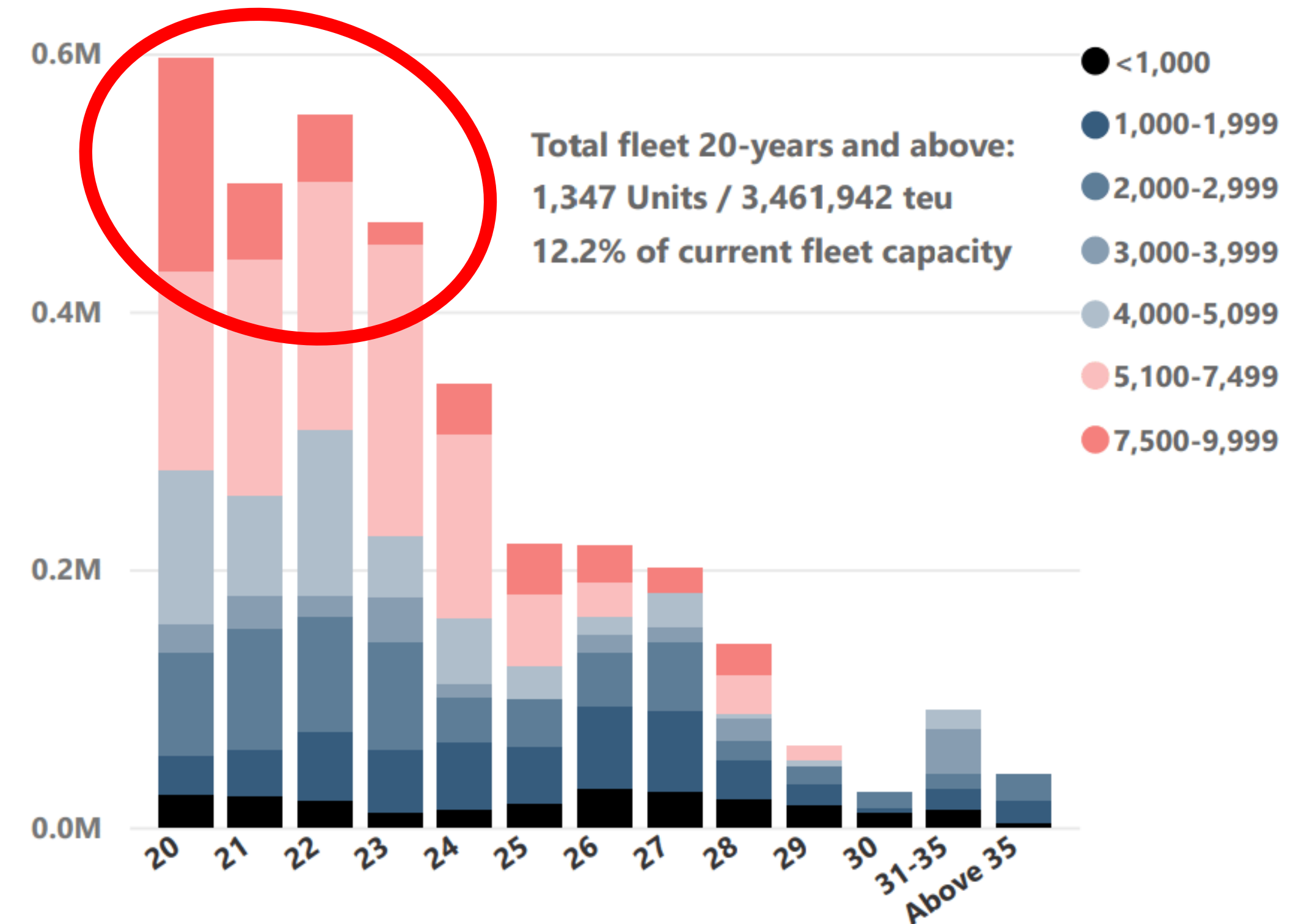
- fleet age

2

For the **first time ever**, a fair number of VLCS will reach the end of their service lives.

12.2% / 3.5 Mteu = 20+ years

27.4% / 7.9 Mteu = 15+ years

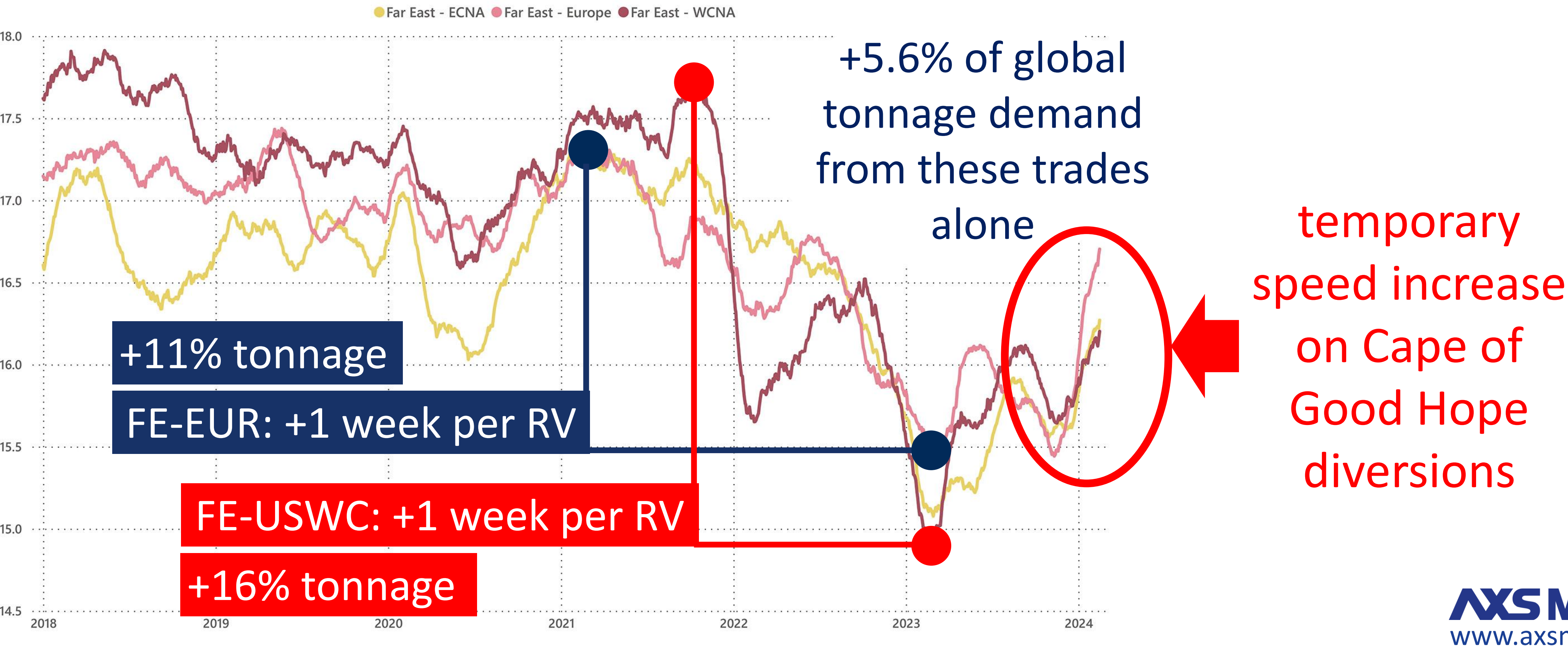


These ships are 'old' tech, designed for another era with big engines and fast hulls. Most will not live much past 20 years. Unlike small oldies in recent years – these ships will have **'nowhere to go'**.

Why is the big order book not as 'crazy' as it looks?

- vessel speed and 'dynamic' route capacity

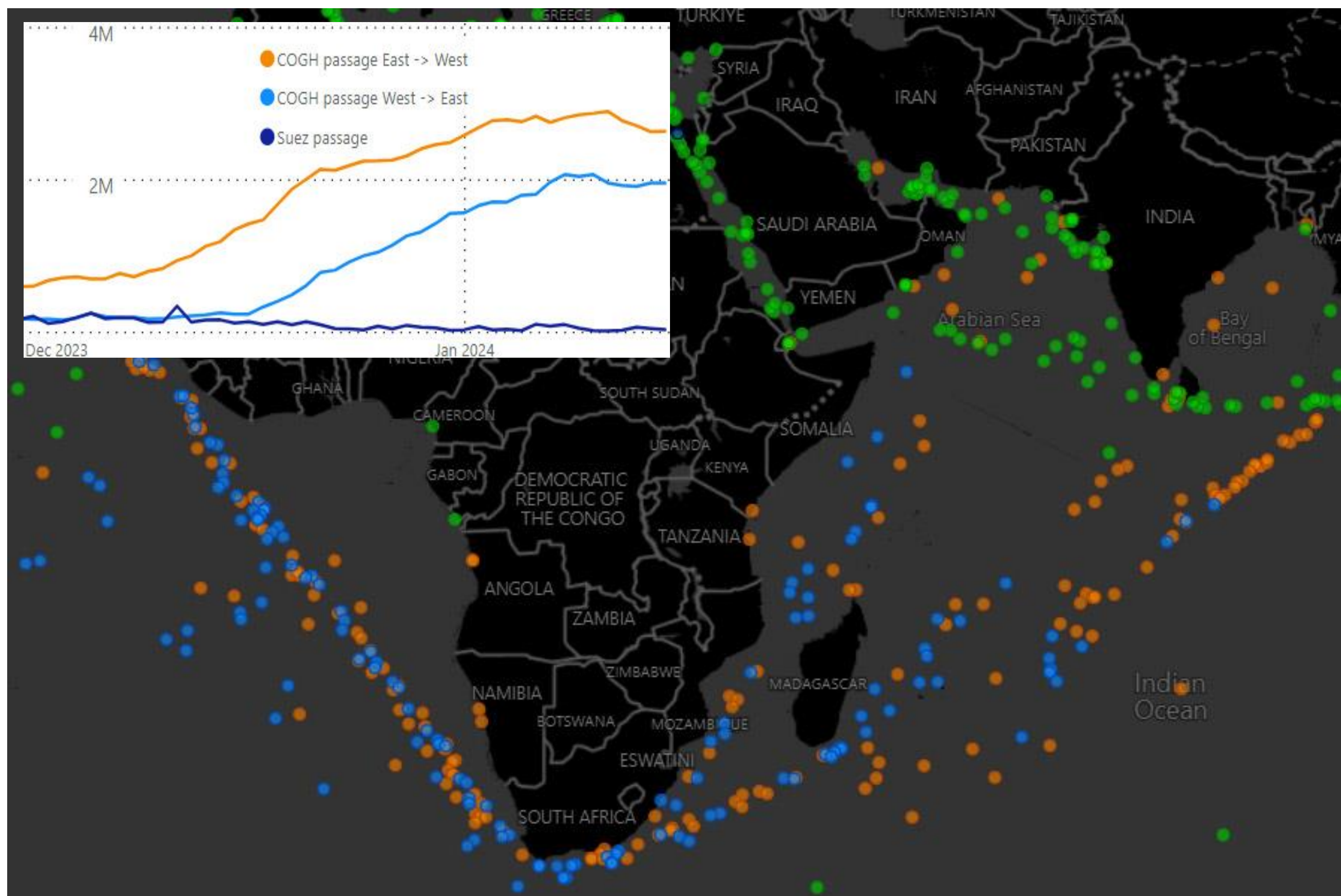
Ships are sailing more slowly, and it takes more tonnage to carry the same volume of cargo from A to B.



Why is the big order book not as 'crazy' as it looks?

- temporary vessel diversions: Suez, Panama and Red Sea

Currently, additional teu miles are 'created' from Red Sea, Suez Canal and Panama Canal diversions.



FE-EUR: +2 weeks per RV

+16% tonnage

FE-USEC: +2 weeks per RV

+16% tonnage*

+4% of global
tonnage demand
from these trades
alone

*for Atlantic-routed services that do not use the Panama Canal. FE-USEC loops comprise a mix of Panama, RTW, and Suez/Cape of Good Hope routings.

Why is the big order book not as 'crazy' as it looks?

- the 'green transition' needs new ships (CII)

Global fleet capacity is still expected to increase, but many of the new ships will be for replacement, not for growth. The industry's decarbonization targets require a speedy renewal of the fleet.

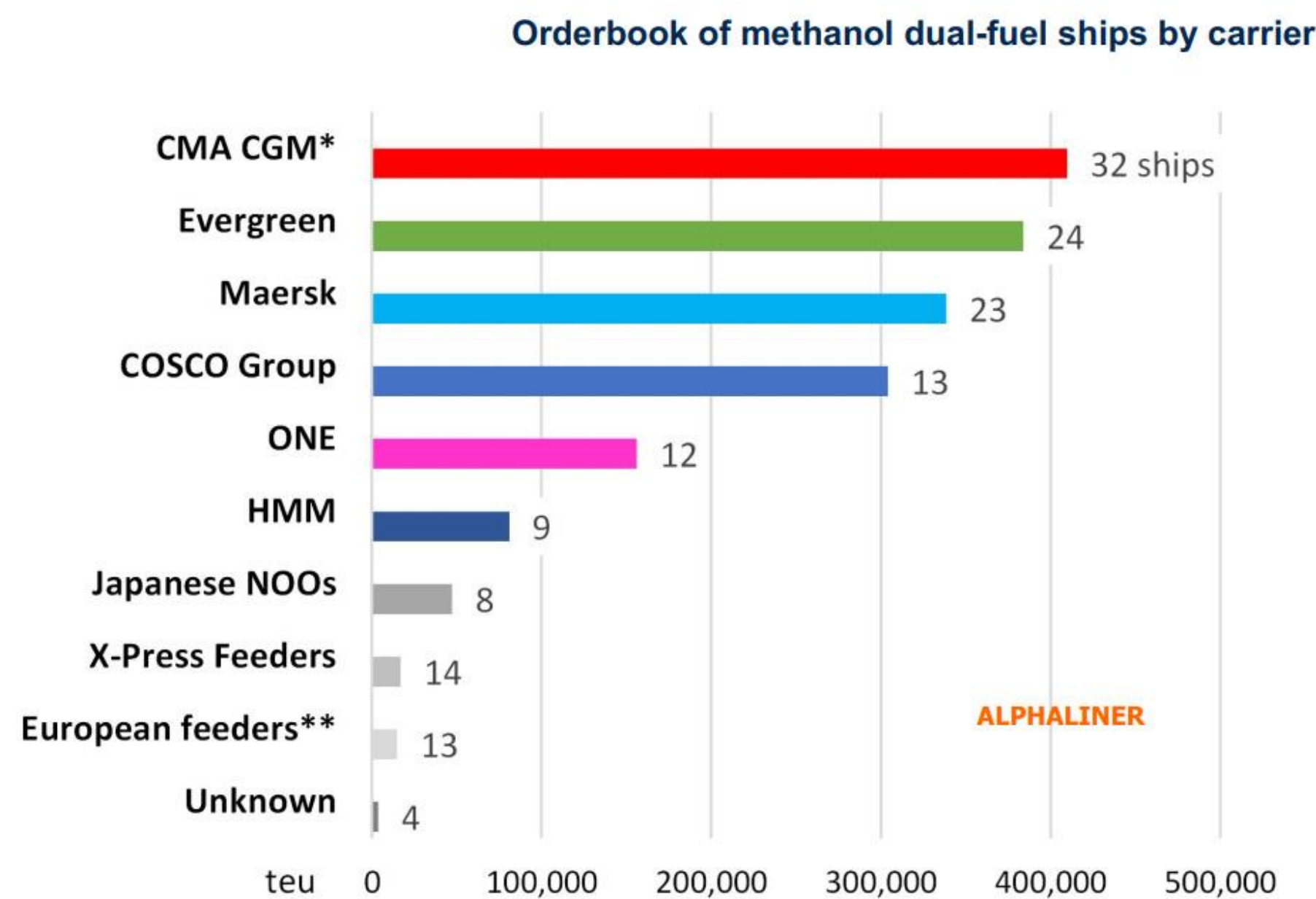
Together, methanol (1.76 Mteu / 25%) and LNG-powered (2.29 Mteu / 33%) container ships now account for 58% of the vessel orderbook.

The tightening CII regulations will force older tonnage to sail even slower, be converted at great expense or leave the fleet.

Methanol propulsion is gaining momentum, and it might take over from LNG as the preferred alternative fuel.

Zero-carbon methanol is, however, very expensive.

The high cost of 'green' fuel will further incentivize slow steaming and thus 'absorb' extra tonnage.

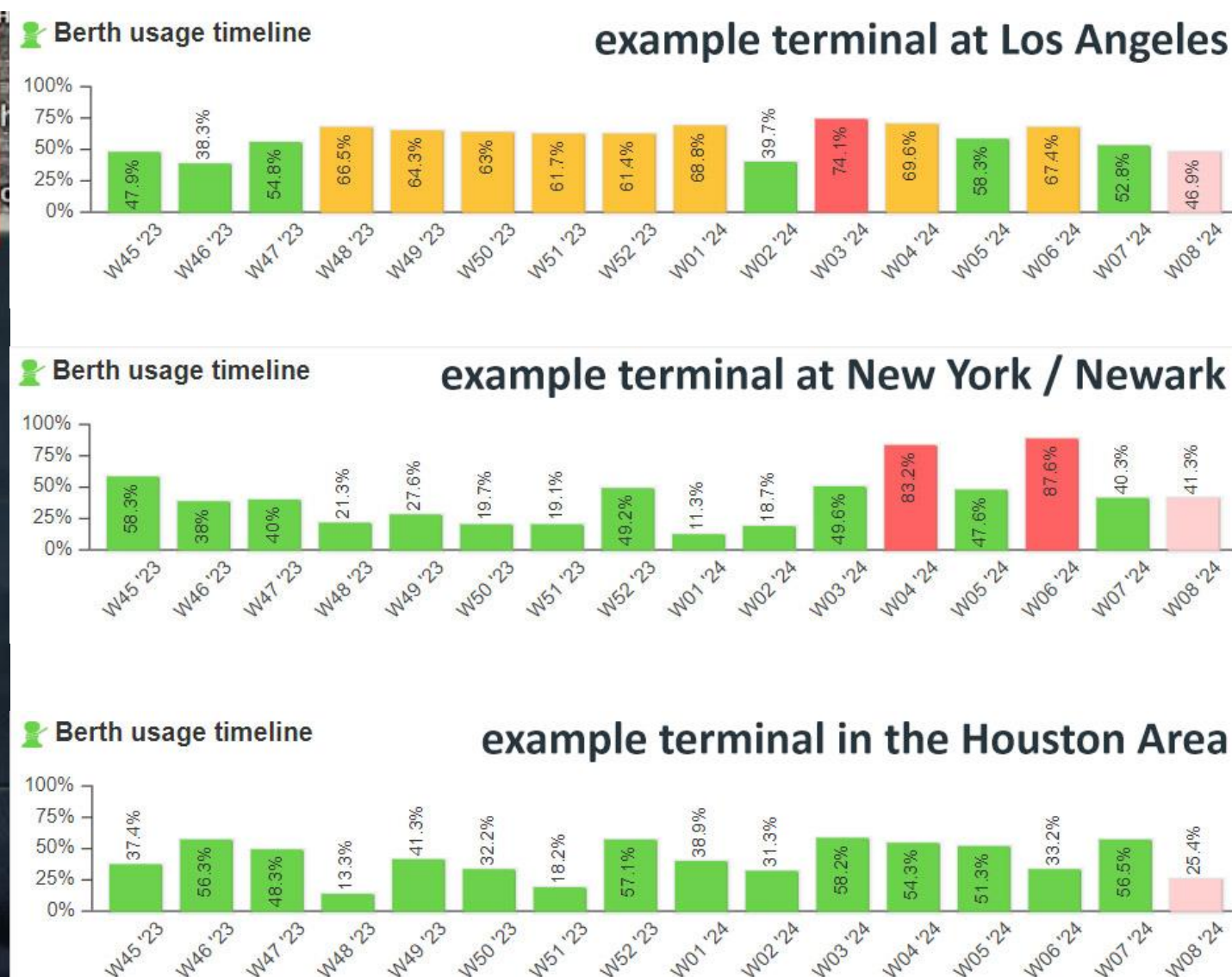
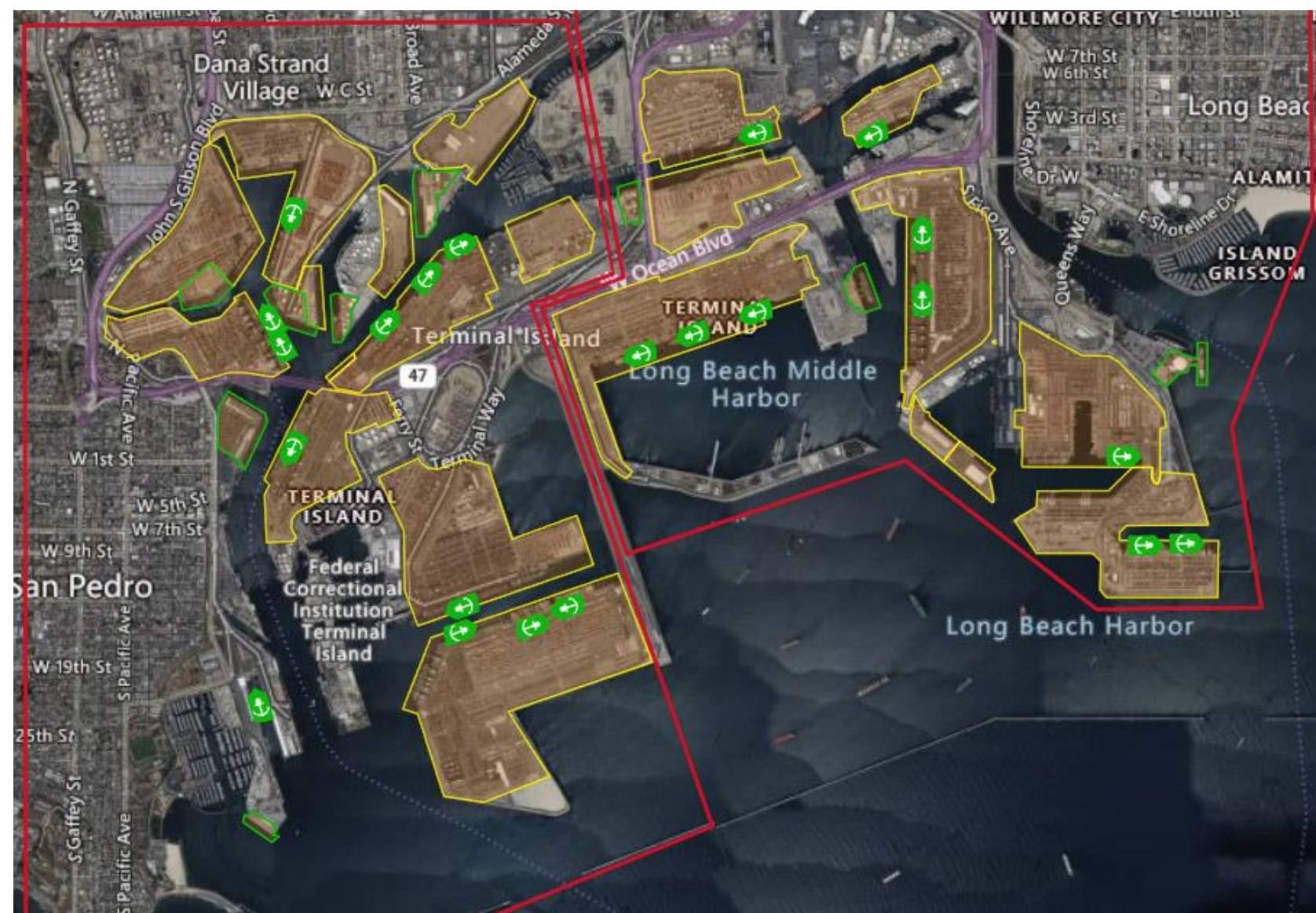


Why is the big order book not as 'crazy' as it looks?

- bottlenecks and infrastructure constraints

6

Some trade lanes are constrained by bottlenecks in and around port.
The number of additional volumes these ports can handle is limited.



USWC port capacity is limited, and vessel traffic cannot divert easily.

Transpacific capacity cannot be increased 'at will'.

Additional vessels / slow steaming can increase reliability more than capacity.

Alphaliner data shows that the capacity bottleneck is often not at the quayside, but rather lies at the container yard, depots, rail, trucking, delayed pickups, hinterland infrastructure, etc.

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