

MSC's vintage fleet holds key to liner shipping's demolition derby

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One in five of the global container fleet is ripe for demolition, with the world's largest liner, Mediterranean Shipping Co (MSC), accounting for nearly 25% of all boxships aged 20 or over, according to new analysis from Alphaliner. As such, MSC's decision when to scrap and in what quantity could affect the fortunes of many other lines looking at the overcapacity projections plaguing the container sector for the coming years.

In total, 145 of the 330 secondhand liner vessels that MSC bought since it embarked on a record box ship buying spree in August 2020 are aged 20 years and older.

The world cellular fleet aged 20 and over currently counts around 1,200 vessels for a total capacity of about 2.9m teu, representing just over 20% of the total fleet of cellular ships and 10.5% of transport capacity, according to Alphaliner.

Container shipping is entering a once-in-a-generation fleet renewal with a record orderbook delivering into a fleet that is primed for much demolition with shipping organisation BIMCO reporting two weeks ago boxships now have reached the highest average age on record.

“Container ships have reached their highest average age yet at 14.2 years, the highest average age of the three main shipping sectors. The dry bulk fleet has an average age of 11.9 years whereas tankers on average are 12.8 years old,” commented Niels Rasmussen, chief shipping analyst at BIMCO.

Data from Clarksons Research shows there are 902 containerships on order, an all-time high, equivalent to 25% of the extant fleet.

Despite the significant downturn experienced in container freight rates during the past 15 months, recycling of ships during 2023 has remained low compared with the past 10 years. In the first nine months, 57 ships have been recycled compared to 81 on average during the previous 10 years.

The urge to scrap will likely grow as container shipping faces many quarters of red ink coming up and with Clarksons data showing that 2.5% of the fleet today is already above 25 years old.

Container carriers are forecast to report a combined loss of \$15bn in 2024, according to the latest Container Market Annual Review and Forecast from UK consultants Drewry.

Drewry predicts it will not be until 2026 that fleet and demand growth will be in sync.

Analysts at Sea-Intelligence, meanwhile, have suggested that 2026 is too optimistic.

The year 2028 is the earliest for overcapacity absorption of all the new capacity flowing out of yards in Asia, according to analysis from Sea-Intelligence, which is in line with the play-out after the global financial crisis.

Describing the current cycle, Sea-Intelligence noted: "This would imply an eight-year span, which is, in essence, the same as the cycle from the financial crisis until balance was again restored in 2017."

Carriers with the largest fleets of 20+ years old tonnage (owned tonnage only)

carrier	ships
MSC	212
Maersk (Group)	48
Evergreen	36
Tanto Intim Line	23
Hapag-Lloyd	20
Salam Pasifik Indonesia	19
COSCO (Group)	18
CMA CGM (Group)	16
Arkas	16
Pacific International Lines	16
- others -	258

Source: Alphaliner