

Containers

Scheduled capacity on main box tradelanes still at 'unsustainable levels'



Sam Chambers • November 21, 2023 0 429 2 minutes read



With less than six weeks to go before the end of 2023, scheduled capacity post-Golden Week on both the transpacific and Asia-Europe container is currently at "unsustainable levels", according to new analysis from Danish liner consultancy Sea-Intelligence.

Asia-North America west coast scheduled capacity is up 24.9 percentage points compared to 2019, Asia-North America east coast is up by 31.9% compared to 2019, Asia-North Europe is up by 10.7%, and the Asia-Mediterranean trade lane is up by 36%, according to data from Sea-Intelligence.

"With these levels of capacity growth, and absent any real demand growth, there are pretty much two ways in which this plays out," Sea-Intelligence suggested in its latest weekly report. "Either the carriers announce a massive blank sailings program between now and the end of the year, which will reduce capacity, but will not go down well with the shippers as it will leave them scrambling to manage these sudden supply-side disruptions. Or the carriers ride this wave of high capacity

injection and the likely downwards pressure on freight rates into the new year, and compensate for it during Chinese New Year."

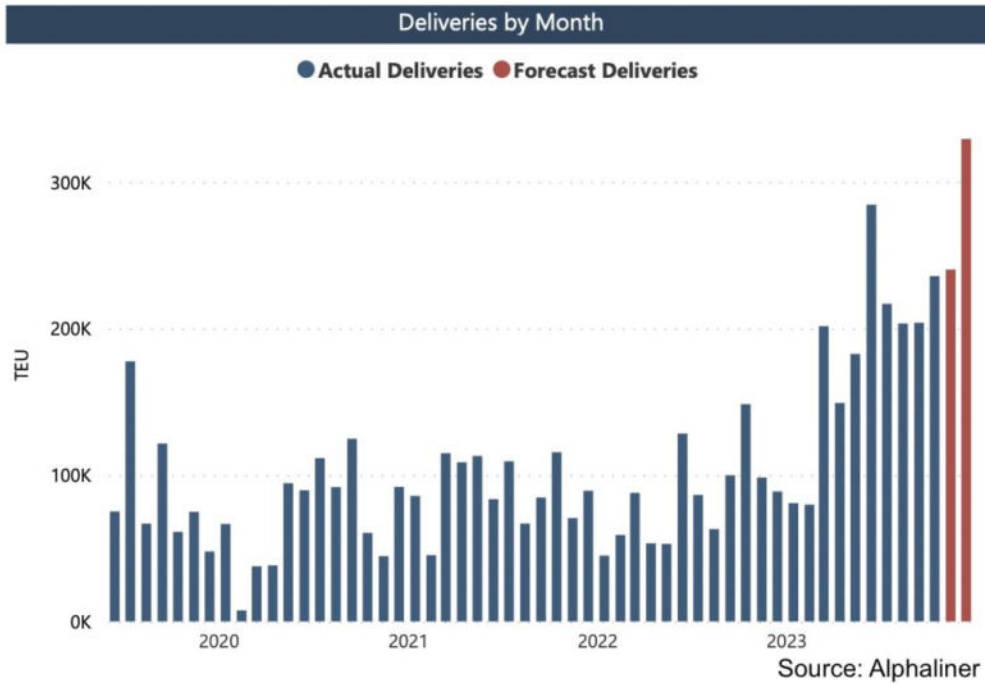
Commenting on the Sea-Intelligence report, John McCown, who heads up Blue Alpha Capital, told *Splash*: "My impression is that the use of blank sailings by carriers is more consistent and tied to the pulse of what they see in their markets."

"Blanked sailings are the short-term answer, with lines cutting ships from loops wherever they can. But it seems inevitable that lay-ups and period charter negotiations will be the next tactics as the liner industry seeks to absorb so many new ships, as scrapping older tonnage cannot offset the behemoths being delivered," stated the most recent [container markets report](#) carried in sister title, *Splash Extra*.

Looking ahead, a new report published today by Container xChange predicted: "In 2024, the shipping industry will grapple with reduced demand and oversupply, potentially leading to fierce competition, reduced profits, and possible mergers and acquisitions. Although container schedule reliability is improving, persistent challenges remain. Blank sailings are expected to rise in response to market volatility, while imbalanced container availability, driven by economic crises, may continue in certain regions."

Softer demand and a big increase in capacity mean that 2024 is "shaping up to be a car crash" for the container shipping industry, analysts at British consultancy Drewry warned recently. Drewry has forecast a 93% decline in operating profit for the industry this year, falling to \$20bn and then for liners to record a collective loss of around \$15bn in 2024.

The global containership fleet passed 28m teu last week. According to analysis from Linerlytica, more than one new ship has been delivered each day since June this year, with the same pace to continue through the next 12 months.



“Carriers are facing a difficult time maintaining recent freight rate gains in the face of the capacity influx, with vessel scrapping and idling remaining at very low levels,” Linerlytica noted yesterday.

Still, very few ships have been sent for scrap despite the advanced average of the box fleet and the declines seen in freight rates throughout the year. Alphaliner records show just 68 boxships have been scrapped this year.

