

Container shipping market outlook for 2024

Container shipping is under pressure from large amounts of new capacity coming into the fleet, however, events in the Red Sea are boosting spot rates at least in the short-term.

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In the second part of our 2023 shipping market outlook series we are focusing on the container sector with Maritime Strategies International (MSI) analyst Daniel Richards. Speaking to the Seatrade Maritime Podcast Richards says the headline takeaway is that container shipping will struggle with overcapacity in 2024.

You can listen to the full interview as a podcast in the player above

How bad is overcapacity going to be in 2024?

“There are different ways that you can model demand and supply in the container industry., but across the models that ourselves and others use, in general, the balance between demand supply next year in 2024 is expected to be among the worst years seen over recent decades,” Richards says.

On the demand side last year saw a slight contraction for the third time in the last four years while the supply side grew at 8%. In 2024 demand is expected to rebound with MSI expecting 4% growth. “However, supply growth is still going to be north of 7% year-over-year and its cumulative impact of new deliveries far outpacing removals in the fleet, and the ability of liner services to absorb them, it is going to lead to probably major problems about where your capacity in 2024.”

Volume of newbuilding orders last year

For the year as whole 1.9 million teu of new capacity was ordered although there was a significant slowdown in the second half of the year. "There are still some rumours out there, but some relatively sizable orders and there is going to be continued ordering as some carriers feel the need to start placing orders for alternatively fueled vessels," he explains.

Red Sea disruption

The interview was recorded in the latter part of December 2023 and the Red Sea security situation and its impact has been a fast moving one in the weeks that followed. At the time Richards commented : "You're starting to see some diversions away from the Red Sea major carriers announcing that they're pausing transit through the Red Sea, but we don't yet know yet how long that will last and how long that disruption will go on for."

Panama Canal restrictions

While Richards notes some service diversions by container lines, he does not see a huge impact from the waterway's restrictions on the sector. "But in general, the sort of global aggregate impact of the Panama Canal doesn't seem that significant. A relatively small number of container ships transmitted every year, and the Suez routing or around the Cape of Good Hope remains an alternative," he says.

Container freight rates

At the time of the interview spot freight rates were down to levels at the eve of the pandemic, while broader average freight rates sat at levels slightly above the period prior to the pandemic.

Richards explains: "We'd expect a broadly similar picture over the course of next year as at the time of writing. It's probably likely that there'll be some possibly

temporary, and possibly more durable spike in short term freight rates because of the situation in the Red Sea. But that isn't going to affect every trade and it isn't necessarily going to affect the freight rates tied to the volumes carriers move under contract."