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More than one boxship newbuild delivering every day this year

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Liner shipping has entered 2024 in unexpected rude health thanks to the massive diversions away from the Red Sea soaking up tremendous capacity and putting spot rates at highs not experienced ever before outside of the covid era.

Nevertheless, the liner industry will have to contend with another record deluge of new deliveries, which could cap any earnings spurt.

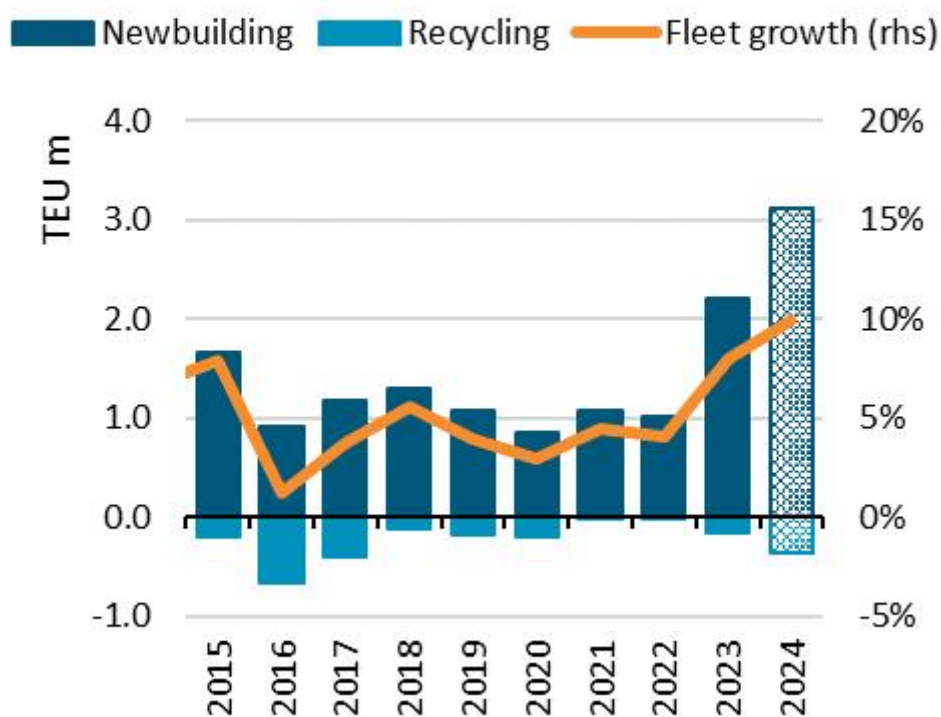
In 2023, shipyards delivered 350 new containerships with a total capacity of 2.2m teu, beating the previous record from 2015 when 1.7m teu was delivered. The 2023 record is now likely to be soundly beaten this year.

“Although owners, as well as the liner operators, are currently benefiting from the irregular events in the market out of the Red Sea as well as the Panama Canal, then it may be prudent to remember the 3.1m teu in extra capacity that is expected to deliver in 2024, with around 140 vessels due in the first quarter,” analysts at brokers Braemar noted earlier this week, a topic which has subsequently been picked up by Niels Rasmussen, chief shipping analyst at BIMCO.

Fear rather than facts could be driving the rise in container markets rise

“In 2024, 478 container ships with a capacity of 3.1m teu are scheduled for delivery, beating the 2023 record by 41%. The container fleet capacity is therefore expected to grow by 10% in 2024,” said Rasmussen. Extrapolating the BIMCO data shows 1.31 boxship newbuilds are delivering each day, every day this year.

Container ship fleet development



Source: BIMCO, Clarksons Research

BIMCO expects recycling of ships to increase in 2024 but the fleet could still grow by nearly 2.8m teu and by end 2024 exceed 30m teu for the first time in history.

While BIMCO is forecasting the container fleet capacity will grow 10% this year, the shipping organisation warned today that container trades are expected to grow significantly slower, increasing the demand for ship capacity by 3-4% in 2024.

In the meantime, the average sailing speed of container ships has reduced from 14.3 knots in 2022 to 13.9 knots in 2023 and could fall further in 2024, according to Rasmussen.

“The imbalance between supply and demand is set to widen in 2024. However, prolonged disruption in the Red Sea, forcing ships to sail via Cape of Good Hope, could tighten the supply/demand balance. Another 3m teu are meanwhile scheduled to be delivered during 2025-2026 and unless recycling increases significantly, the market imbalance appears set to return once the Red Sea situation is resolved,” Rasmussen said.

According to HSBC, the liner diversions, with more than 80% of ships on Asia-Europe trades heading around South Africa, have pushed spot rates on the Shanghai Containerized Freight Index (SCFI) to all-time highs, outside of the covid era.

Data on Xeneta's platform indicate that spot market freight rates will continue to climb, reaching \$8,000 per feu on Asia to Mediterranean and North Europe in less than a week.

"Shippers should prepare for a situation where lower paying cargoes will get rolled as unfair as it may seem," warned Peter Sand, Xeneta's chief analyst.

According to analysis by UK consultants Maritime Strategies International (MSI), the increase in freight rates is greater than can be justified by increased costs from diverting via the Cape of Good Hope, with MSI's container expert Daniel Richards suggesting this was down to a combination of panic, or an attempt to secure space in the coming weeks when vessels will be delayed returning to Asia.

"Fear rather than facts could be driving the rise in container markets rise," Richards said.

"Should the crisis remain unresolved in the next couple of weeks, elevated spot rates could lead to higher contract rates as liners are negotiating their annual contracts with retailers. This could potentially help prevent the sector profits from declining too much vs the expectations before the disruptions," a new shipping report from HSBC argued.

Shipping analysts at Jefferies have raised their liner outlook for the year, citing the Red Sea disruptions leading to a much tighter market balance.

"The sudden change in fleet schedules has reduced near-term capacity and squeezed spot rates higher," Jefferies noted in a recent note to clients.

Jefferies expects spot rates to remain well-supported in the near term but reckons the ongoing squeeze will abate as schedules are adjusted and more ships become available. However, Jefferies believes freight rates will likely establish a higher floor than previously expected given the overall disruptions and carriers can now expect to post positive margins in 2024.

Analysts at Linerlytica, an Asia-based consultancy, expect elevated rates to hold through January and February as capacity will remain tight in the next six weeks.

Containership Fleet ,000 Teu	Year End				01-Jan-24		Orderbook & Delivery Schedule					
	2020	2021	2022	2023	No.	,000teu	No.	,000teu	% Fleet	2024	2025	2026+
100-2,999 teu (Feeder)	4,288.9	4,461.4	4,674.8	4,917.4	3,451	4,917.4	286	458.4	9.3%	352.8	73.5	32.0
3-5,999 teu (Intermediate)	4,724.0	4,741.3	4,782.1	4,925.2	1,116	4,925.2	105	442.0	9.0%	303.8	72.1	66.1
6-7,999 teu (Intermediate)	1,804.6	1,804.6	1,804.6	1,972.6	294	1,972.6	77	558.2	28.3%	436.4	121.8	0.0
8-11,999 teu (Neo-P'max)	5,781.4	5,932.9	6,097.2	6,101.0	650	6,101.0	92	867.2	14.2%	174.2	332.6	360.4
12-16,999 teu (Neo-P'max)	4,007.8	4,405.0	4,815.7	5,636.9	400	5,636.9	227	3,396.2	60.2%	1,500.3	1,119.9	776.0
17,000 &+ teu (Post-P'max)	3,103.1	3,432.8	3,600.3	4,275.8	204	4,275.8	50	1,154.7	27.0%	405.2	173.7	575.7
TOTAL FLEET	23,709.8	24,778.0	25,774.7	27,829.0	6,115	27,829.0	837	6,876.7	24.7%	3,172.8	1,893.6	1,810.3
TOTAL M. DWT	282.7	294.3	305.8	328.7		328.7		75.5	23.0%	35.3	20.6	19.7
Avg Speed Index (2008=100)	73.9	75.5	74.4	72.3						2023 avg speed vs 2022 avg: -2.8%		

12-16,999 TEU 'Neo-Panamax' includes some ships which are too large to transit the expanded locks of the Panama Canal based on current official dimension restrictions.

Source: Clarksons Research