

Container rates drop to unsustainable levels, Maersk CEO says



FILE PHOTO: CEO of AP Moeller - Maersk, Vincent Clerc attends a press conference as the company presents the annual accounts for 2023, in Copenhagen, Denmark February 8, 2024. Ritzau Scanpix/Thomas Traasdahl/via REUTERS/File Photo© Thomson Reuters

COPENHAGEN (Reuters) -The global container shipping market faces overcapacity in the coming years and the rates paid by customers have fallen to an unsustainable level, Maersk CEO Vincent Clerc told the group's annual meeting of shareholders on Thursday.

Maersk last month warned that container shipping overcapacity would hit profits this year, in contrast to the record earnings achieved in the wake of the pandemic.

"Freight rates have fallen significantly since the good years of 2021 and 2022, and have fallen actually to an unsustainable level," Clerc said.

German rival Hapag-Lloyd separately on Thursday said the global oversupply of container ships and the crisis in the Red Sea will force it to cut costs in 2024, adapting sailings and ports following an 83% fall in net profit.

Container rates jumped in December and early January as vessel attacks in the Red Sea forced companies to redirect ships away from the Suez Canal to a much longer journey around Africa, but have since faded as available capacity still exceeds demand.

An influx of new container ships last year added 9% to the industry's global capacity, which is expected to increase by another 11% this year and a further 7% in 2025, Maersk said.

In contrast, Maersk's fleet has remained constant in size in the same period.

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Maersk president on navigating the challenges of global shipping

"Demand growth, slow-steaming, ship recycling will have to offset over time this overcapacity so that we can get back to a healthy earnings level," Clerc said.

Maersk, which last year announced it would cut 10,000 jobs, told the AGM it would continue to focus on keeping costs in check.

The company's policy of paying a dividend to shareholders of 30% to 50% of underlying net earnings remains in place, board Chair Robert Maersk Uggla said.

(Reporting by Terje Solsvik, editing by Louise Rasmussen and Jane Merriman)