

Container lines make \$5.4bn profit amid Red Sea disruption



After six consecutive quarters of falling profits, container lines rebounded in the first quarter 2024 with rate support from geopolitical disruption.

Gary Howard | May 22, 2024

Container line earnings have been on a downward trajectory since the peak of pandemic-induced rate hikes in the second quarter of 2022. The downward spiral brought a net loss across the largest container lines in the last quarter of 2023, and earnings forecasts predicted dire losses for 2024.

Total container line profits in the first quarter 2024 rebounded, however, from a \$700m loss in Q4 2023 to a \$5.4bn profit in the first quarter, according to figures from the McCown Container Results Observer.

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The main support for container line earnings was higher rates owing to disruption in the Red Sea and the subsequent rerouting of vessels and absorption of excess tonnage - a factor mentioned in individual earnings reports and many market updates and analyses since late 2023.

“[The Asia to Europe] lane represents some 25% of global container miles and the one-third increase in typical voyage distance has the effect of shrinking worldwide capacity 8%,” said McCown.

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The change in global trade flows has led to congestion in some Asian ports as higher volumes and shifting patterns affect infrastructure and inland operations in certain regions.

The report noted increased volumes as a favourable influence on earnings, with a 9.2% increase on-year in the Q1 2024, the strongest quarterly growth since the pandemic.

The market continues to look positive for container lines in the second quarter, with spot container rates up by over 30% in recent weeks as peak season approaches. Analysts have also noted a difficult contract renewal period due to market uncertainty, as current tight capacity is balanced against the potential oversupply of tonnage should the Red Sea situation ease.

Lines will take their own approaches to managing risk in the Red Sea, but Maersk has said it will continue to route via the Cape of Good Hope for the foreseeable future.

Comparing individual lines results in Q1 2024 against Q1 2023 showed a divergence in fortunes among the largest container lines. Maersk moved from the largest quarterly profit in Q1 2023 of \$2.18bn to the only loss at -\$166m. Evergreen, Yang Ming, HMM, and ZIM all reported higher profits in Q1 2024 than Q1 2023, however.

Looking at the year as a whole, earnings for the 12 months to March 2024 were \$16.4bn, down from a \$171.1bn profit for the year ending Q1 2023, said McCown.

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