Container shipping in 2025 - the postponed apocalypse?

At this time last year many container shipping analysts were talking in apocalyptic terms about the market, and this year a similar narrative is emerging.

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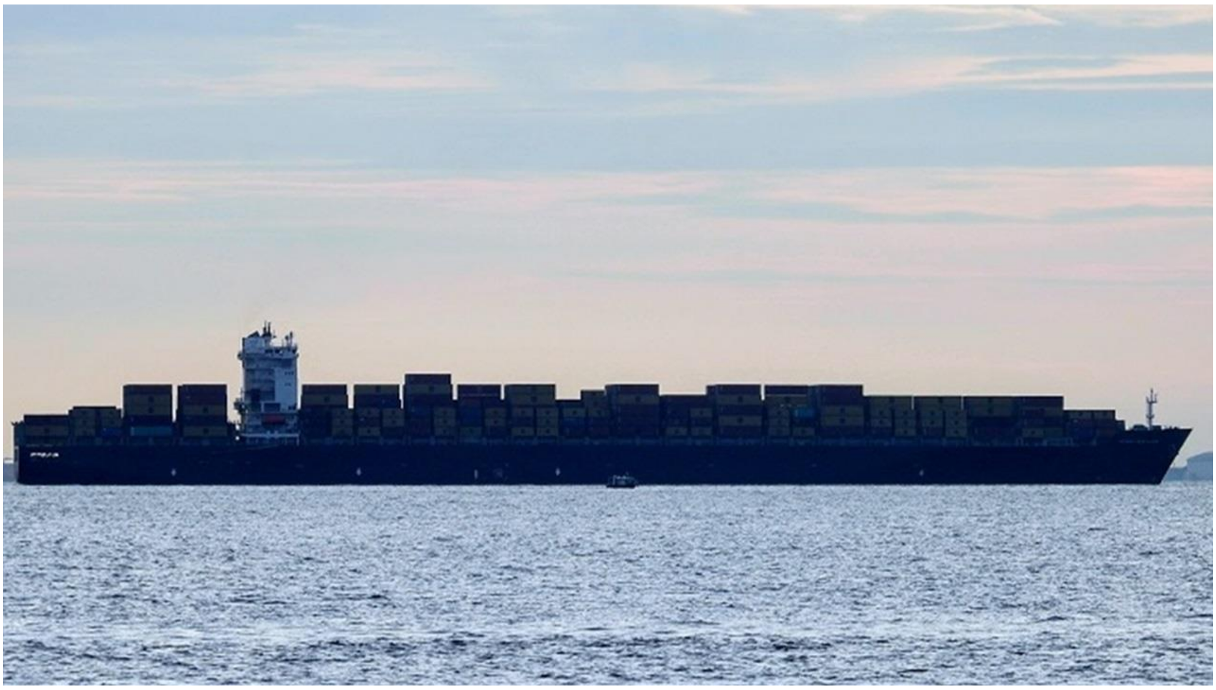

Credit: Marcus Hand

The forecasts of doom do come with the proviso that no unexpected and calamitous event disrupts the market again.

As with last year, market fundamentals point to a major collapse in freight rates as the equilibrium in the supply and demand equation is tilted firmly in favour of shippers, if one takes just a superficial glance at the figures.

Darron Wadey, an analyst at Dynamar, and an author of DynaLiners Trades Review 2024, published last week, wrote: “Despite new vessels being delivered at an unprecedented rate in 2023 and into 2024, what still remains on the orderbook is of such a magnitude that capacity can do nothing else than expand.”

According to the DynaLiners Review another 470 ships, totalling about 3.2 million teu are still to be delivered this year alone.

“Should scrapping resume - which is a possibility - it will be marginal when compared to what is coming in,” said Wadey, “The decade average for scrapping is 247,000 teu, meaning that the global container shipping fleet could grow to more than 31.4 million teu, an annual increase of 10%. This is six points stronger than cargoes might grow at.”

This market calamity was all set to happen this year, Wadey told *Seatrade Maritime News*: “We should have had a downturn already: the capacity growth spikes of 2008, 2010 and 2015 were followed immediately by market downturns and carriers making substantial losses. This has not happened after the post-Covid boom due to how shippers have reacted to the Red Sea situation and other disruptions."

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Shipping lines, however, "are optimistic that the current market 'has legs'" said Wadey with some of those carriers now revising their 2024 income projections upwards. In fact, both Hapag-Lloyd and Maersk raised their full year forecasts on the strength of a Q3 showing, according to Linerlytica, but the consultant does not believe that carriers can make a 1 November GRI stick.

"I can't shake the feeling that what we have seen this year is more a case of bringing cargoes forward to avoid potential dislocation from Red Sea diversions or US dockworker strikes rather than an underlying growth in demand."

Nevertheless, Wadey concedes that the US election could see a further boost to cargo levels as shippers seek to avoid tariff hikes, promised by both presidential candidates, but with Donald Trump signalling an import regime that is far more restrictive than Kamala Harris's version.

"The potential for new US tariffs on Chinese goods could see a spike in freight rates and shippers rushing to frontload imports. Will we see continued demand growth from China to Mexico as a 'back door' into the US? The threat of further strike action at ports on the US East Coast and Gulf Coast in January also looms large," according to Xeneta's 2025 outlook, co-authored by chief analyst Peter Sand and senior shipping analyst Emily Stausbøll.

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Xeneta is warning of a number of other potential spanners in the supply and demand works, highlighting tensions in the Taiwan Strait and in Bangladesh and the potential for the Middle East crisis to spread across the region, including to the Persian Gulf.

Meanwhile, Xeneta argues that shippers have far more in their favour today than at previous periods of tension through the sheer scale of data available which allows logistics managers to monitor individual freight corridors and to benchmark carriers for schedule reliability.

The question is whether container shipping will become a buyers' market next year? And the answer to that, according to Wadey is "not necessarily".

He points out that while shippers will clearly enjoy lower rates, should there be no other disruptions to global supply chains, in a situation where there is severe overcapacity there will need to be a reduction of supply.

That will mean cutting back on fleets and will include operational measures such as skipping sailings, sliding schedule weeks – which are both utilised in an overheating market – or cancelling services altogether.

"The upshot," said Wadey "is that service levels will suffer. With poor service levels already a common complaint of shippers, the question is whether they and perhaps regulators or politicians will stand for it, especially after an extended period of bumper carrier profits."