Fitch upgrades container shipping outlook – but not because of containers

Ratings firm underscores diversions, trade uncertainty

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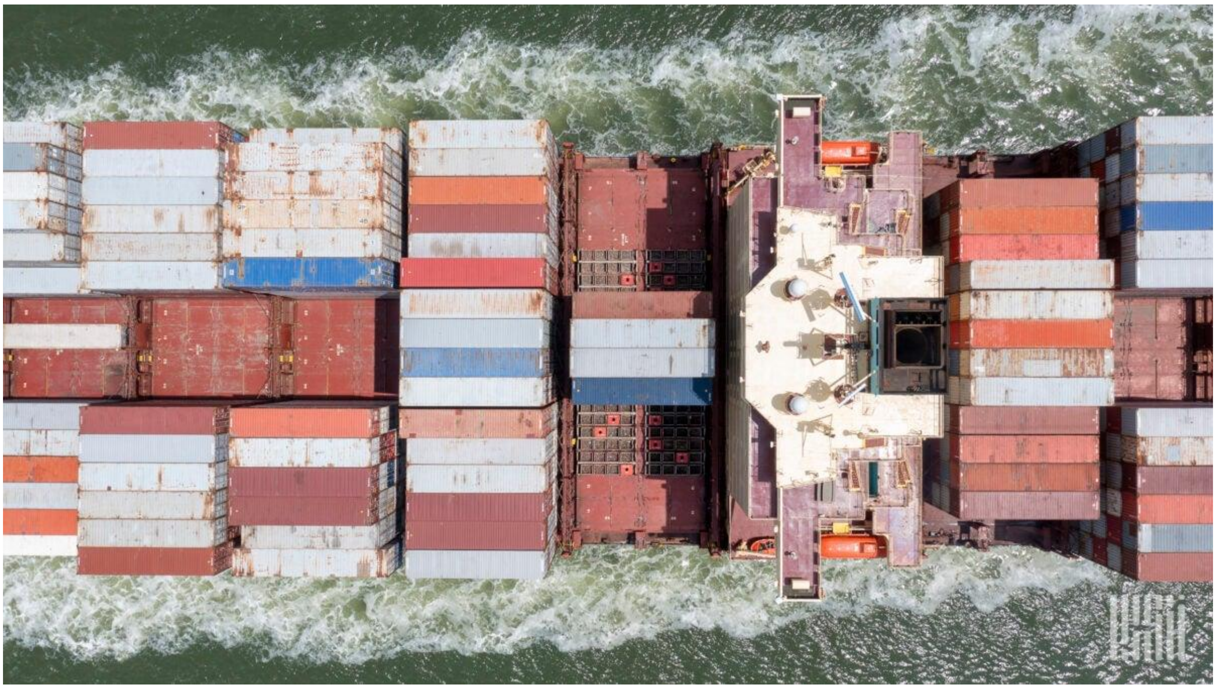
Monday, December 16, 2024



Container ship Maersk Denver, at Galveston Texas(Photo: Jim Allen/FreightWaves)

A major ratings firm is improving its outlook for global container shipping — but the improvement has less to do with boxes than it does with other commodities.

Fitch Ratings over the weekend changed its outlook for global container shipping to “stable” from “deteriorating,” as a downward trajectory is partly offset by stable to improving performance in subsectors including tankers and bulk shipping.

“Shipping remains one of the most exposed sectors to geopolitical conflicts due to several choke points on key trade routes, its vital role in global supply chains and its limited ability to adjust effective capacity in the short term,” Fitch said in an introduction to its 2025 forecast report. “Global shipping benefitted in 2024 from a continuation of existing conflicts (e.g. tankers from the Ukraine war) and emergence of new situations (Red Sea disruption for container shipping). The reduction of geopolitical risks may normalize elevated freight rates, although this is likely to take some time after any dispute resolution.”

Major container and tanker lines since late 2023 have rerouted vessels away from the Red Sea — a key trade route to and from Asia via the Suez Canal — and on longer voyages around the Horn of Africa after Houthi rebels based in Yemen began attacking shipping they claimed was linked to Israel.

While those attacks in general have moderated over the past several months, American military forces twice this month defeated Houthi attacks on U.S.-flagged merchant and naval ships.

It is not yet clear how the reelection of Donald Trump, a supporter of Israeli Prime Minister Benjamin Netanyahu, and the collapse of the Assad regime in Syria could affect the Red Sea situation.

The diversions have added as much as two weeks' sailing time to some container services linking Asia, Europe, the Mediterranean and the U.S.; taken vessel capacity out of the global market; and raised shipping rates.

"Trade policy changes, particularly likely following the U.S. 2024 election results, present a visible risk in 2025 that could reduce demand for shipping companies," said Fitch. "'Just in case' supply chain planning could still lead to a short-term spike in demand. Re-routing trade lanes may mitigate this demand risk."

Fitch forecasts the tanker and dry bulk markets to remain stable, with improvement in the former.

"Container shipping is on track to reach an oversupply situation in 2025 with new vessel deliveries and this is likely to keep reducing freight rates," the agency added.

Stricter emissions regulations by the European Union continue to pose medium- to long-term risk, Fitch said, through higher compliance costs and requiring investment in both operating assets and supporting infrastructure. Dual-fuel ships have become commonplace as vessel operators place new orders with shipyards.

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