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How the Houthis fired liner earnings to extraordinary highs

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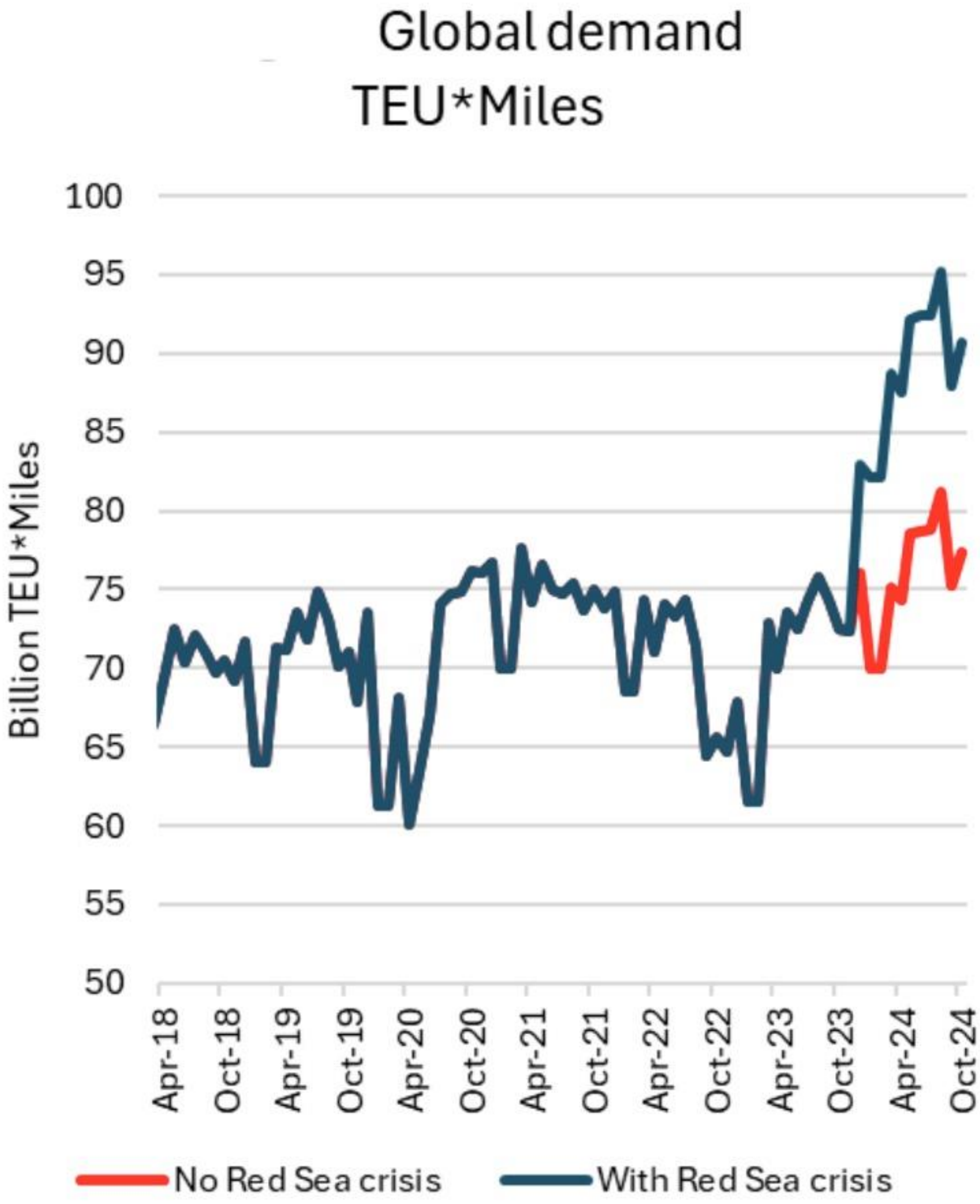
US Navy

No shipping sector has profited more this year from the ongoing Red Sea crisis than the container industry. The Houthis in Yemen have delivered the most profitable year in the history of liner shipping aside from the covid era earlier this decade.

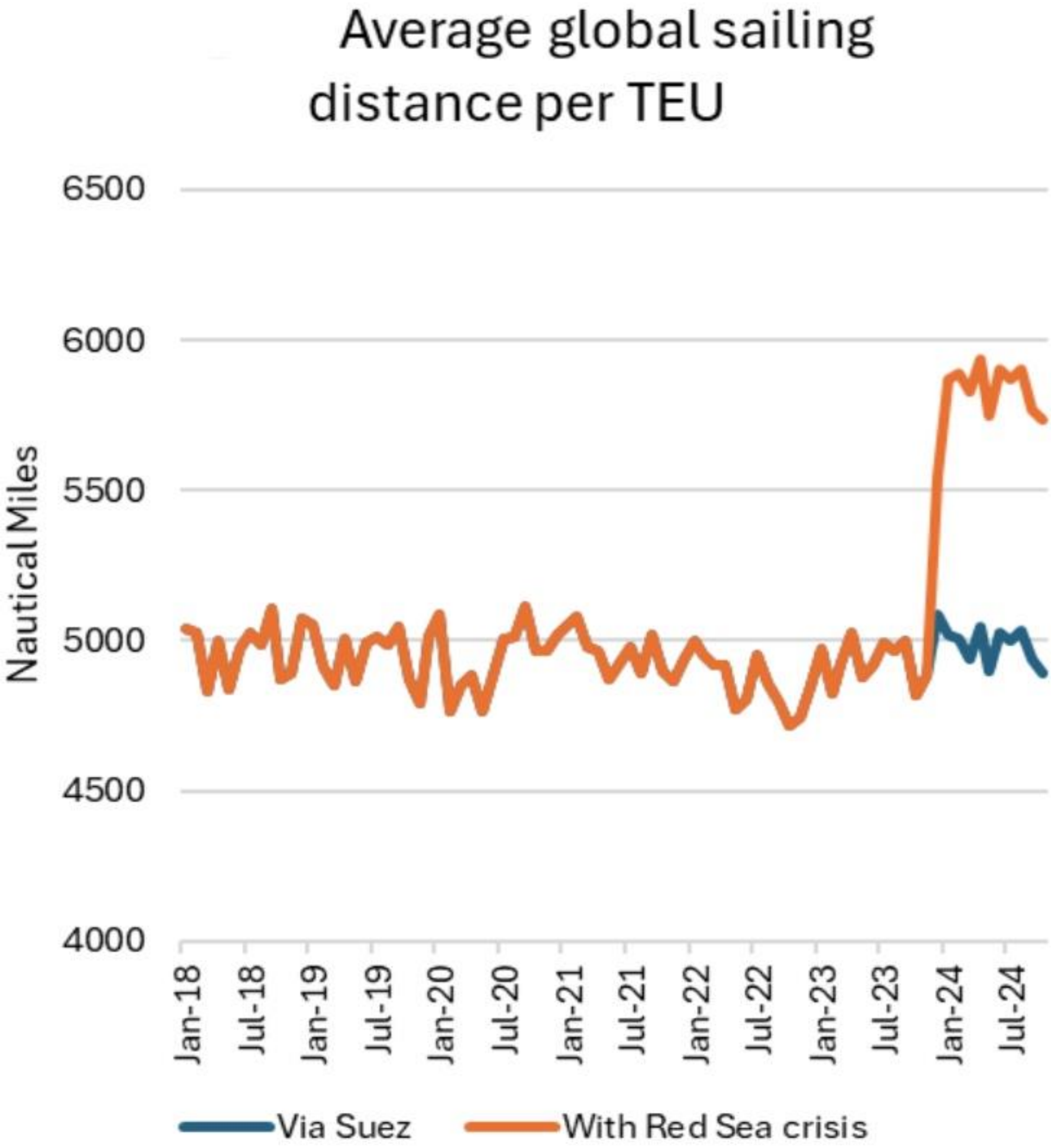
Putting perspective on how the Red Sea shipping crisis has buoyed earnings, analysts at Sea-Intelligence have shown their subscribers how the sector would have fared this year with and without the instability in the Middle East.



Source: Sea-Intelligence

The impact of the Red Sea crisis continues to impact global container shipping to a very significant degree.

From a container shipping demand perspective, global teu-miles are up 25% year-on-year, Sea-Intelligence stated in its latest weekly report, and an even more “staggering” 32%, when focusing solely on the headhaul trades between global regions.



Source: Sea-Intelligence

"From a supply perspective, the 10% growth in the global container vessel fleet in 2024 is insufficient to cope with the TEU*Miles demand impact from the Red Sea crisis, due to the longer sailing distances," Sea-Intelligence noted. Consequently, the idle fleet is effectively zero, on a same level seen at the height of the pandemic, while vessel scrapping has been negligible throughout the year.

"All this tells us that effectively every vessel which can be used to carry containers is indeed being used. There is no buffer in the system," Sea-Intelligence stressed, warning that shippers need to be aware of any developments that could soak up capacity.

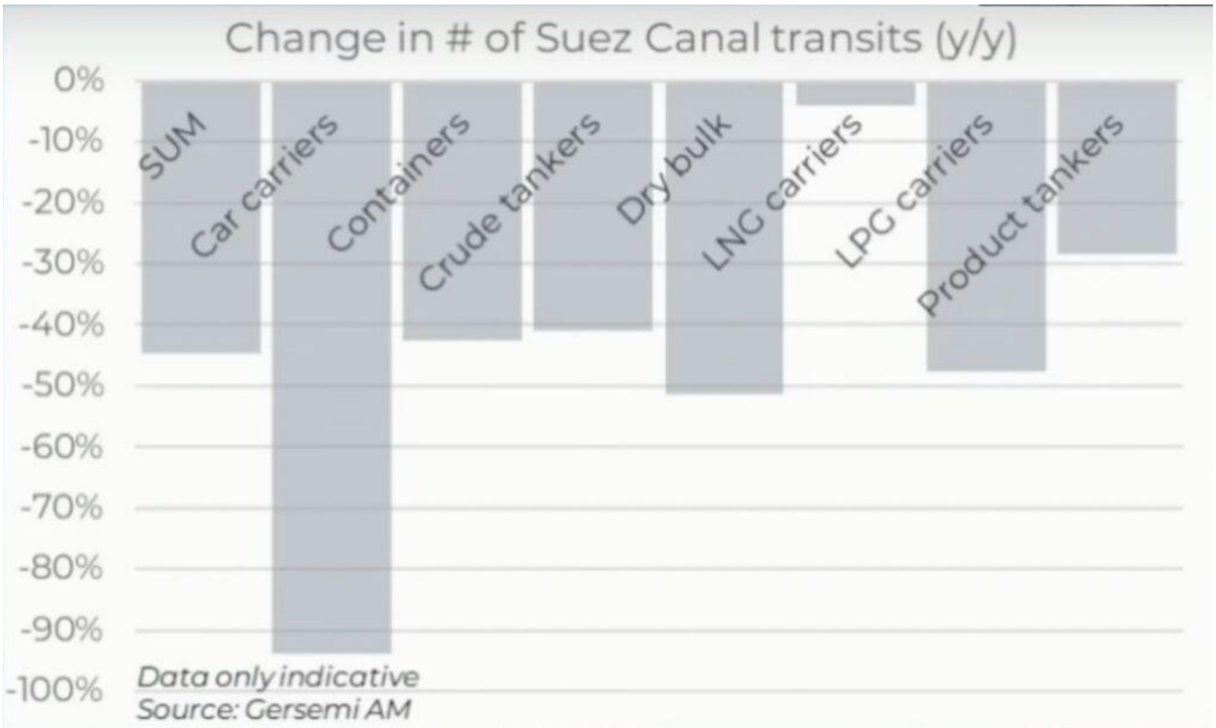
There is no buffer in the system

The opening weeks of 2025 pose plenty of potential supply chain kinks that could stretch capacity further. These include a possible strike on the US east and Gulf coasts from January 15, the inauguration of Donald Trump as US president five days later, an early Chinese New Year starting on January 29 and the February 1 start of the Gemini Cooperation and the Premier Alliance.

Data from Gersemi Asset Management (see chart below) shows containerships have seen the greatest rejig of trading patterns thanks to the ongoing Houthi campaign against merchant shipping in the Red Sea and the Gulf of Aden.

Alphaliner reported last month that proportionally, the ongoing Red Sea crisis has had a bigger impact on boxship employment than covid, helping propel earnings to remarkable highs this year.

US-based Blue Alpha Capital estimates suggest liner shipping made a combined $26.8bn profit in Q3, more than twice what the container shipping industry earned in any previous full year outside of the covid era.



Source: Gersemi Asset Management