DynaLiners Trades Review 2024

Adjusting to New Realities

Dynamar

Dynamar Shipping Information & Consultancy EST.1981

Darron Wadey
Author
Senior Shipping Analyst/Consultant

Morgan Douglas
Author
Shipping Analyst

Frans Waals
Editor
Senior Shipping Consultant

Published and distributed by
Dynamar B.V.

Scan here to visit www.dynamar.com now!

FOREWORD

Dear DynaLiners Readers,

Welcome to this year's DynaLiners Trades Review, which is titled 'Adjusting to New Realities'. Looking back at 2023, this is a natural follow on from 2022's 'Age of Transitions', which suggested that some of the fundamentals of the container sector will, within a relatively short time, be noticeably different.

Some of this transition has been forced by circumstance, such as the Ukraine/Russia conflict and Israel/Hamas/Houthi/Red Sea situation. These have led to temporary workarounds within the container shipping system that have already or are beginning to exhibit degrees of permanence. This implication of this is what were previously 'abnormal' situations are now the 'normal'.

We are also seeing the embedding of other new realities. Hastened by regulations new and impending, plus a push from the shipper's sector, the energy transition - which still has its teething problems - is now a reality.

Gone too - and well and truly - are the hyper profits of 2021 and 2022. Yet, although the profits are well down, they are still in the hundreds of millions as container shipping lines have also invested heavily in planes, trains and automobiles (or the shipping of), alongside the more prosaic vessels and container terminals. Having striven hard for operational efficiencies in the lost decade of 2011-2020, together with the scale of activities the carriers have built up, are these sizeable profits now also part of the new reality, whatever the market weather?

The stories and themes of 2023, plus a little bit of 2022 and even some of 2024, are covered in the following pages. Throughout, they are supported by the usual array of tables and graphs you have come to expect to give you as complete a picture as is possible.

Putting together this Review and the whole DynaLiners portfolio is a team effort. As such, may we point you to the always sterling efforts of Frans Waals (Editor, DynaLiners portfolio), Evan van Kleef (DynaLiners Monthly), Michele Camm, Morgan Douglas and Rocio Sevillano.

Our final word goes to our loyal advertisers. Without them, this document you are reading now (and its predecessors) would not be possible.

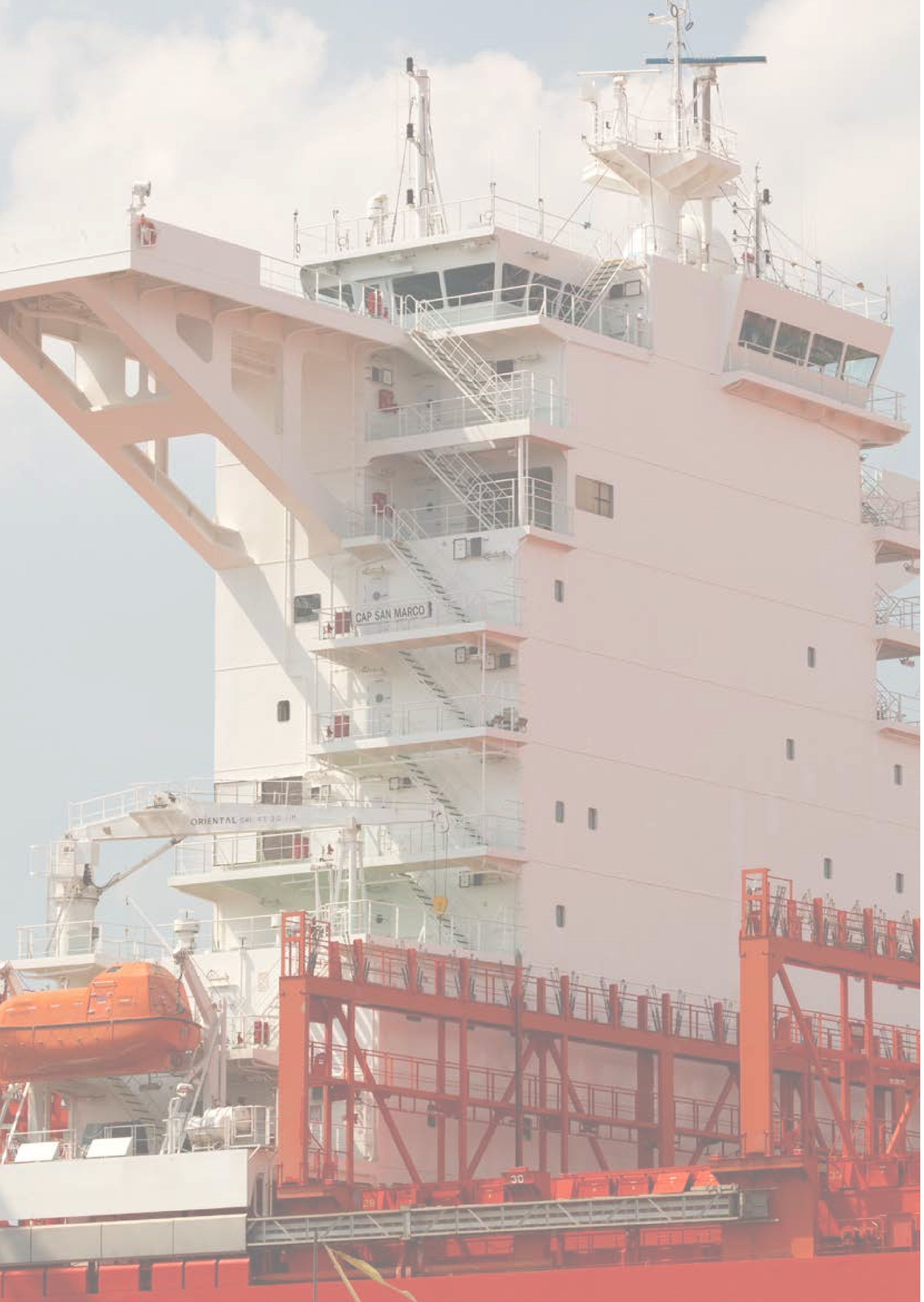
We wish you all pleasant reading, and a safe and healthy 2024 and 2025,

On behalf of the DynaLiners Team,

Darron Wadey

Author

TABLE OF CONTENTS



ADJUSTING TO NEW REALITIES

Introduction

The theme of this edition's Review of 2023 is 'Adjusting to new realities' and in that regard can be considered a natural follow-on to last year's Review (of 2022), titled 'An age of Transition'. The new realities that emerged from that transitory period conflicted with each other. On the one hand normality had, or so it seemed, returned to the container shipping market. Yet on the other, the sector had to expect the unexpected.

In terms of normality, demand levels had settled back and rates had adjusted accordingly. The hyperactivity of 2021-22 had definitely gone and, with a veritable tsunami of new container shipping capacity expected, nervous eyes were being cast towards the immediate future.

Geopolitically, the container shipping sector had adjusted fully to the Ukraine/Russia war, which, it was now clear, had evolved ominously into a battle of attrition. Judging by Russia's port throughputs, its maritime supply chains had realigned due to the sanctions placed on the country. As most of the world's shipping lines complied with the sanctions regimes, alternative options, smaller in scale, not necessarily as frequent, with some offering direct deepsea connections, were now the norm.

Container shipping also adjusted to the latest unexpected geopolitical challenge. This came from the Israel/Hamas conflict that started in October 2023. The initial impacts upon the sector were marginal and localised to either Israeli ports or some gestures of support elsewhere that refused entry to Israel connected vessels for example.

This all changed when Houthi rebels in western Yemen, these controlling one side of the southern Red Sea, started a campaign of standoff attacks upon vessels wishing to enter or leave the Red Sea. Initially ships with believed Israel interests were attacked, but this soon expanded to others.

The shipping solution was simple: avoid the Red Sea and sail around the Cape of Good Hope. It was a new reality. It was also asset intensive, but with a ready supply of new tonnage being delivered, disruptions were kept to a relative minimum. An unintended consequence of this situation was a spike in rates well into 2024, perhaps a reflection of shippers and cargo interests fearing a return to the under capacity of 2021.

Elsewhere, and somewhat more prosaic but no less fundamental for it, the energy transition now moved from being nascent to reality. Vessels able to burn LNG as an alternative to heavy fuel oil or similar were being delivered with regularity and scale. The end of 2023 also saw the arrival of the very first methanol-fuelled containership. It was soon joined by others, including the start of a series of substantial 16,000+ TEU vessels.

Cargoes

Global volumes in 2023 were estimated by Dynamar to have stagnated within the 175-176 million TEU range. The difference was a marginal gain of around 500,000 TEU. In a historical context, it was still the third highest total as estimated, being beaten by only 2021 and 2019, but over the longer term had brought the five-year compound annual growth rate (CAGR) to zero. For the decade, the CAGR shrank to 1.5%. Both were the lowest period CAGRs noted since at least 2012.

Development of worldwide full container trade

Year	TEU	Growth y-o-y	CAGR 5-yr	CAGR 10-yr
2023	**175,600,000**	**0.3%**	**0.0%**	**1.5%**
2022	175,100,000	-4.5%	0.3%	2.3%
2021	183,300,000	5.9%	2.4%	2.8%
2020	173,100,000	-1.6%	2.2%	2.3%
2019	175,900,000	1.5%	3.2%	3.3%
2018	173,300,000	3.9%	3.2%	4.3%
2017	166,800,000	5.0%	3.9%	2.7%
2016	158,900,000	2.3%	2.7%	2.7%
2015	155,300,000	1.5%	2.3%	3.6%
2014	153,000,000	7.0%	3.9%	4.6%
2013	143,000,000	0.0%	4.9%	5.0%
2010	131,200,000	11.0%	3.8%	8.5%
2005	102,000,000	10.7%	12.8%	-
2000	60,500,000	-	-	-
1995	41,200,000	-	-	-
1990	25,700,000	-	-	-
1985	16,800,000	-	-	-
1980	11,400,000	-	-	-

Estimates and forecasts. CAGR = Compound Annual Growth Rate (average annual growth rate)

Shipping capacity

The contrast between cargoes and container shipping capacity could not have been starker. With the expected capacity explosion well and truly under way, in 2023, global capacity expanded by eight percent to finish on 28.5 million TEU. Whilst the rate of increase was by no means the fastest ever, the addition of some 2.1 million TEU was. The number of extra ships (+267) was the third highest.

Development of global containership fleet capacity

Year	Total TEU	Growth y-o-y	CAGR 5-yr	CAGR 10-yr
2023	**28,528,669**	**8.2%**	**4.6%**	**4.9%**
2022	26,375,300	4.1%	4.2%	4.6%
2021	25,344,800	4.6%	4.2%	4.8%
2020	24,236,200	2.6%	3.7%	5.0%
2019	23,614,000	3.9%	4.6%	5.6%
2018	22,730,000	5.7%	6.2%	5.7%
2017	21,510,000	4.0%	6.2%	6.3%
2016	20,680,000	2.1%	6.9%	6.9%
2015	20,258,000	7.6%	8.2%	8.3%
2014	18,822,000	12.0%	7.6%	8.7%
2013	17,764,000	5.7%	6.4%	9.0%

As of 31 December of each year. Relates to available capacity with no account taken of any that may have been temporarily withdrawn . Analysis based on data sourced from Alphaliner.

Reinforcing this, in 2023, shipping capacity grew at a rate that was 7.9 percentage points stronger than the rate of cargo growth and came on top of an 8.5 point differential in favour of capacity for 2022. These were the two widest capacity dominant differences since 2009's 14.5 points. On average, the differences have been 3.3 points in favour of capacity growth for the last decade, and 3.7 points since 2005.

It is understandable, then, if cargoes are static whilst shipping supply expands, that rates might be pressurised.

Capacity growth against volumes growth

Year	Capacity	Volumes	Difference
2023	**8.2%**	**0.3%**	**+7.9pts**
2022	4.1%	-4.5%	+8.5pts
2021	4.6%	5.9%	-1.3pts
2020	2.6%	-1.6%	+4.2pts
2019	3.9%	1.5%	+2.4pts
2018	5.7%	3.9%	+1.8pts
2017	4.0%	5.0%	-1.0pts
2016	2.1%	2.3%	-0.2pts
2015	7.6%	1.5%	+6.1pts
2014	12.0%	7.0%	+5.0pts
2013	5.7%	0.0%	+5.7pts

Year-on-year growth rates. Analysis based on data sourced from Alphaliner.

Rates

After freight rates had declined slowly in the second half 2022, this negative development sped up substantially through most of 2023. As a result, the annual averages for five main rate indices showed, at best, a forty-three percent decline, year-on-year, with the worst performing indices three-quarters down. Whilst such returns suggested a collapse of rates, more accurately they were the adjustment back to something approaching pre-COVID normality. None of the indices escaped this adjustment; thus the new reality was, actually, the old normality.

Rate Indices developments

	'23/'22	'22/'21	'21/'20	2023	2022	2021
CTS (Europe export, 7 trades)	-43%	+41%	+56%	90	157	111
CTS (Europe import, 7 trades)	-56%	+99%	+18%	67	153	77
NCFI (Far East exp., 21 trades)	-74%	-19%	-n/a-	708	2,761	3,421
CCFI (Far East export, 9 trades)	-66%	+7%	+185%	940	2,798	2,616
WCI (11 East-West trades)	-16%	+250%	+53%	6,377	7,586	2,170

All are composite annual averages. CTS = Container Trade Statistics; SCFI = Shanghai Containerized Freight Index relates to overall; CCFI = China Containerized Freight Index; WCI = World Container Index.

Costs

Another adjustment that took place in 2023 came from the prices of bunker fuel. Whilst the energy transition is well and truly underway, oil-based fuels are still the dominant fuel type for shipping. With the supply-chain now fully adjusted to the new realities brought about by the Ukraine/Russia conflict, bunker prices had softened as from the third quarter of 2022.

For 2023, the year-on-year annual averages showed strong declines although heavy fuel oil prices in Rotterdam appeared to have held better than in other ports, especially Long Beach where they contracted by more than a quarter. For the Very Low Sulphur option, there was remarkable uniformity with prices down 22-23% across the five supply points.

Development of annual average bunker prices

	HFO			VLSFO		
	'23/'22	2023	2022	'23/'22	2023	2022
Average	**-17%**	**483**	**579**	**-22%**	**616**	**795**
Rotterdam	-7%	479	517	-22%	575	736
Singapore	-11%	471	529	-23%	626	808
Houston	-18%	466	572	-22%	592	757
Long Beach	-26%	516	698	-23%	673	878
Hong Kong	-11%	494	556	-23%	636	821

Source: Ship & Bunker

The exceptionally high vessel charter rates of 2022 were clearly unsustainable with 2023 providing the second straight year of strong capacity growth. After entering the year considerably depressed compared with one year earlier, they did manage a modest rally for the April-June period before sinking again and finishing 2023 much weaker than at the start. Overall, the comparatives with 2023 showed substantial contractions and was the first time since 2019 that the composite overview index was down year-on-year. Yet while the difference was substantial, rates were still twice the level of the 2017-20 period.

Development of annual average charter indices

	'23/'22	'22/'21	'21/'20	2023	2022	2021
Index	**-72%**	**+30%**	**+334%**	**217**	**770**	**591**
BOXi	-74%	+21%	+371%	126	475	391
Contex	-73%	+30%	+358%	708	2,580	1,991
Harpex	-70%	+33%	+295%	1,063	3,504	2,638
HRCI	-72%	+39%	+315%	1,218	4,296	3,095

Overview index (top row) based upon average of individual index scores with 2017 set as 100

For two generic capacity classes of ships, newbuild prices reflected contrasting fortunes. Over the course of 2023, the newbuild price of a 23,000 TEU containership averaged USD 224 million, which was eight percent better than for 2022. The smaller 2,750 TEU ships continued on from the pattern established at the end of 2022 when prices started to gradually slip back. As a result, for the whole of 2023 they were around one percent down.

Results

A selection of carriers who combined to control two thirds of global container shipping capacity at the end of 2023 saw very different results than they had enjoyed for the previous two years.

The container liner revenue generated by this group more than halved to USD 154 billion. Operating result was even worse with an eighty-three percent drop to USD 28 billion, whilst net result was even worse again, contracting by close to ninety percent to USD 16 billion. In fact, for the full-year, a couple of the surveyed carriers had posted a net loss.

With the carriers making much less money, but shipping marginally more cargo, the financial returns per container were similarly weaker. Revenue per TEU came in at USD 1,173 (-53%), of which just USD 107 was turned into pure profit (-90%).

Major container carriers, summary performance figures

Year	'23/'22	2023	2022	2021
Revenue	-52%	153,828	317,183	264,311
Operating profit	-83%	28,498	169,830	132,951
Net Result	-89%	16,051	140,571	108,714
Liftings (TEU x 1,000)	0%	126,506	125,965	131,747
Revenue per TEU	-53%	1,173	2,485	2,006
Op. Profit per TEU	-84%	217	1,335	1,009
Net Result/TEU	-90%	107	1,097	825

Based upon data sourced from: CMA CGM, CoscoSL, Eimskip*, Evergreen, FESCo, Hapag-Lloyd, HMM, Log-In Logistica, Maersk, Matson, ONE, RCL, Samudera, SITC, Wan Hai, Yang Ming and ZIM, accounting for an average of 70% of globally operated TEU capacity. Financial figures in USD x million, excepting per TEU which are USD x 1. Revenue and operating results are container liner activities, or as close as possible, net results are consolidated group. ONE is based upon financial year ending March 31 the following year. Liftings and succeeding Per TEU figures include estimates for Eimskip at between 204,000-208,000 TEU .

Backing up the hypothesis that the new reality was also the old normality, the aggregated net result of the selected carriers was in line with that of 2020. In fact, that older year was also very good for the carriers with 2018-2019 seeing an average of barely USD 2.0 billion each. Either there is some more adjusting still to come or maybe the new reality is also one of generally better profitability than before.

Leading container carriers, aggregate annual results, net

Year	Growth	Total
2023	**-88.6%**	**16,051**
2022	+29.3%	140,571
2021	+674.5%	108,714
2020	+840.6%	14,037
2019	-42.2%	1,492
Total 2019-2023	**-**	**280,865**
Average 2019-2023	-	56,173

Based upon data sourced from: CMA CGM, CoscoSL, Eimskip*, Evergreen, FESCo, Hapag-Lloyd, HMM, Log-In Logistica, Maersk, Matson, ONE, RCL, Samudera, SITC, Wan Hai, Yang Ming and ZIM. Figures are USD million.

INDEX OF TABLES AND FIGURES

Dynamar B.V.
Robijnstraat 74
P.O. Box 440
1800 AK Alkmaar
The Netherlands

Phone: +31 72 514 7400
E-mail: info@dynamar.com
Website: www.dynamar.com