

Container shipping: sailing through uncertainty and looming overcapacity

Forward sailing conditions for container shipping are currently looking unstable. If the Red Sea reopens over the course of 2025, we expect the tide to turn and excess capacity to surface. But that requires months of recalibration, which will likely keep margins positive. Meanwhile, US trade action and uncertainty is rattling supply chains once again



The potential resumption of the Suez route will be the most important factor to keep an eye out for in 2025

After extraordinary years, 2025 won't be a quiet one for container shipping

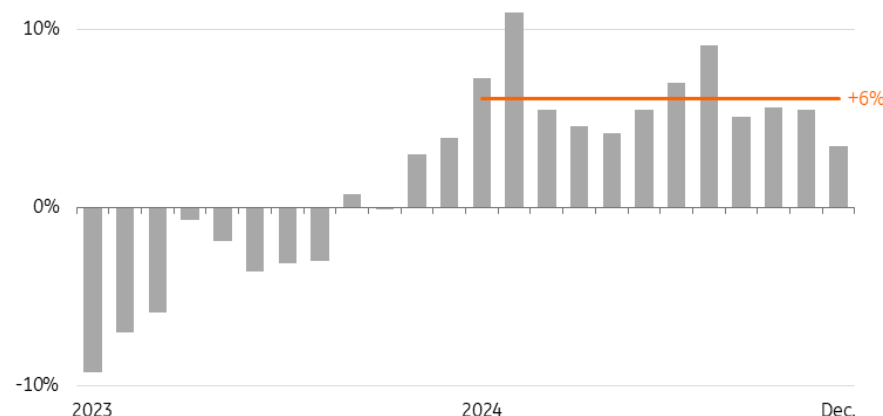
The global container shipping sector has navigated unprecedented market swings over the past few years. The lingering impact of the pandemic, supply chain shifts due to sanctions and extreme weather, and rerouting through the Red Sea have all directed the course of the sector.

As highlighted in our general shipping outlook, 2025 will be dominated by geopolitics bringing ongoing uncertainty. The potential resumption of the Suez route will be the most important factor for 2025. The year began with 85-90% of container volume still avoiding the Red Sea. However, if Houthi attacks remain absent for longer and stability returns to the Middle East, container liners

might choose to resume transits. Nevertheless, recalibrating sailing routes, port operations, and capacity will take us well into the year. Meanwhile, import tariffs and [potential US actions to curb Chinese hegemony in shipbuilding](#) are pushing up costs and leading to shifts in demand and sailing schemes (port calls and vessel deployment).

Global container throughput continues its growth through 2024

Global container throughput development in % YoY



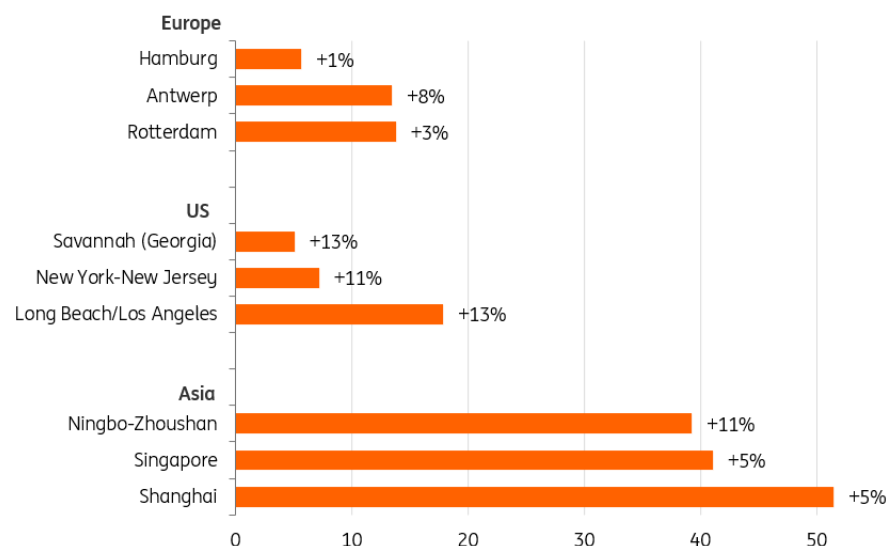
Source: RWI/ISL, ING Research

Global container volume recovered on stronger consumer spending

Global container box trade recovered from the post-pandemic correction of late 2022 and 2023. Consumer spending on goods picked up, supported by the recovery of purchasing power. This pushed container throughput across the world to an average growth of 6% in 2024. A thriving economy, along with frontloading to anticipate trade tariffs, sent throughput growth in US ports on both the east and west coasts into double digits, while Chinese ports continued to handle significantly more containers. Frontloading still continued at the start of the new year. Europe showed a bleaker picture, although figures signalled a positive development, especially compared to sluggish commodity trades.

Global container ports showed solid growth in 2024, especially in Asia and US

Throughput in m. TEU in 2024 + growth in 2024 in %, in the 3 largest containerports per region



Source: Port authorities, ING Research

2025 still offers some upside for container traffic – headwinds drag on 2026

Protectionist headwinds are expected to slow container trade later on in 2025, but the year has started on a strong note. The largest port in the US – Long Beach, LA – has seen a wave of incoming containers, right before the 10% additional tariff on imports from China came into force. The world's largest container port, in Shanghai, also reported a strong start to the year partly driven by strong intra-Asia trade. While some of the stockpiling will likely be reversed later, we still expect container volumes to grow some 3% year-on-year, as consumer spending is expected to continue rising on the back of improved purchasing power.

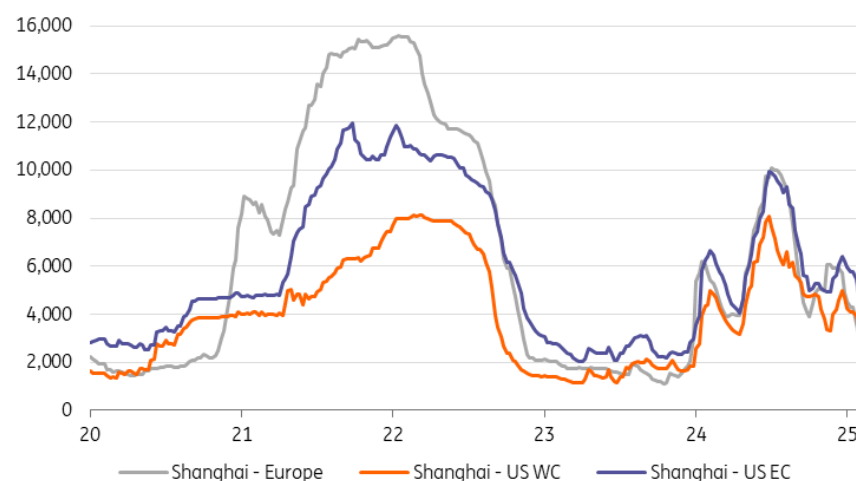
In 2026, cost-raising tariffs and retaliation will drag more severely on container volumes, potentially leading to a contraction. But supply chain restructuring and adjustment is also expected, creating resilience. You can read more about the range we expect for (seaborne) trade growth in our general shipping outlook.

Container spot rates on their way back to 'normality'

The composite global container index (CCFI) remained elevated throughout 2024 due to the longer-than-expected rerouting around the Cape of Good Hope. This consumed up to 10% extra capacity and resulted in ongoing delays and congestion. Nevertheless, spot rates on the Shanghai-Europe route fell to around \$3,000 per 40ft container in February, which translates to a real-term pre-pandemic rate of less than \$2,500. This indicates that price premiums for short-term contracts have diminished significantly compared to previous levels. Spot rates to the US moved in the same direction. While the low season effect explains part of this, the demand/supply balance is also weakening.

Container spot rates in retreat and much lower than over the pandemic

Port to port containerised spot freight rates on major routes in \$ per FEU (40 ft container)



Source: Clarksons, ING Research,

*Last data point: 02/21/25

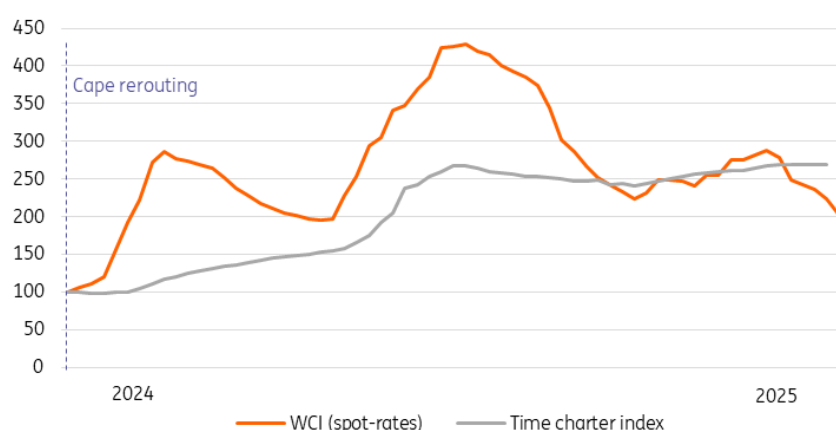
Contract freight rates still elevated, providing comfort for 2025 results

Roughly half of the global container volume is contracted out to shippers, usually in contracts lasting one to two years, but also six months given the current uncertainty. This is likely where most of the liner profits will come from in 2025. Most large shippers rely heavily on the contract market, which stabilises costs and offers a specific volume of slots. Small shippers without a large and steady flow of cargo are often dependent on the spot market. However, logistics service providers and large retailers also act as intermediaries to fix rates for clients.

Maersk increased the contracted share of its ocean business from 60% in 2020 to 75% in 2024. Other liners are more active in the spot market, but several have pursued a larger share of contracts as well. At the end of 2024, the Drewry East-West contract index indicated 27% higher rates year-on-year for one-year tenors.

Container spot rates dropped below time charter rates

Global container spot rates vs. time charter rates (index 11/30 = 100)



Source: Drewry, Clarksons, ING Research,
Latest data point 02/20/25

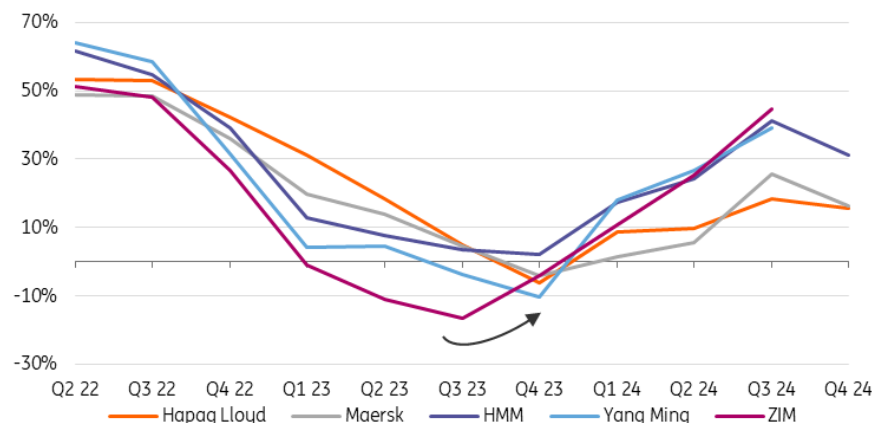
Vessel charter rates keep up remarkably well

Larger container carriers typically charter 40-55% of their fleet capacity to maintain flexibility. Charter rates for container vessels in the range of 3,500-8,500 TEU have shown more resilience than short-term freight rates and still stand at \$41,000-74,000 per day on 24-month contracts, as shown by the [Harper Petersen index](#). On average, containership earnings of \$43,000 per day are still hovering around double last year's level as of mid-February, when it was still unclear whether the Red Sea would soon reopen. Hiring vessels to service in the restructured alliance sailing schemes may play a role here. These vessel hiring rates are also reflected in elevated second-hand and newbuild prices.

The question is how long this will hold given the increasing supply pressure, but owners up for recontracting can still lock in the higher rates. A far lower order book for vessels under 8,000 TEU, and especially feeders under 3,000 TEU, offers support for this segment. The trend of diversification in the sourcing and lengthening of supply chains will likely include more smaller ports, which will lead to more demand for the feeder segment.

Container liner profits rebounded strongly in 2024 on persistent re-routing around Africa

Operational profit (EBIT) of selected container liners per quarter YoY



Source: Company reports, ING Research

Profitability delivered its third best year on record on prolonged re-routing

Container liner profitability reversed the downward trend in 2024 after enduring rerouting. This has sent profits into strong double digits again and far beyond liners expectations prior to the year. Performance for 2025 will heavily depend on reopening of the Red Sea, but it does look less prosperous. If the detours continue until the end of the year, it will again be a convincingly profitable year for the industry – but if resumptions start over the course of the year, freight rates will likely weaken across the board in the run up to 2026. Nevertheless, industry profitability is at least likely to remain above par in 2025.

Global containership orderbook starts 2025 with record high

Total new container vessel capacity on order in mn. TEU per year



Source: Clarksons, ING Research

Flood of new capacity is going to make waves

Strong tailwinds have sent orders for new vessels soaring since 2021, with carriers rushing to secure future market share. Decarbonisation and the ambition to introduce alternative fuels are additional considerations. Recent examples of new orders include 12 dual-fuel methanol vessels (14,000 TEU) for Cosco, 11 dual-fuel LNG vessels (24,000 TEU) for Evergreen, and 13 vessels ranging from 8,000-15,000 TEU for Yang Ming. Generally, MSC and CMA CGM have the most vessels on order, [both with a whopping 100](#).

In early 2025, the order book stood at 27% of the installed base in capacity (around 750 vessels and a record level of 8.3m TEU). The majority of this comes from Chinese shipyards. A wave of vessels has already started to come in, with a 10% TEU-capacity expansion in 2024 and another 6% expected for 2025.

Trend of larger vessels seems to be over

The trend of ever-larger vessels has weakened as they might become suboptimal for logistics and supply chains, which have to align with huge call sizes and associated ripple effects. Additionally, nautical accessibility becomes more important with supply chains diversifying. As a result, the majority of the vessels currently on order are of the sub-largest size, up to 18,000 TEU. Shipowners' record order books for container vessels [have prompted downturn warnings](#).

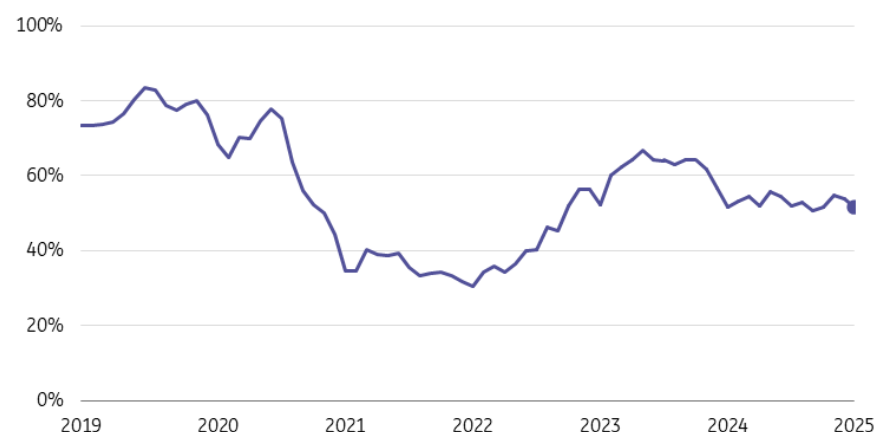
Restructuring of alliances marks a recalibration of sailing schedules

An important restructuring of the liner sector began in February with the formation of the Gemini alliance between Maersk and Hapag Lloyd. This marked the end of the 2M alliance between MSC and Maersk and led to restructuring within THE Alliance as Hapag left the cooperation. The Gemini alliance is set to concentrate on hubs (with fewer port calls) and has vowed to offer clients up to 90% arrival reliability, which requires significant effort and dedication given the current poor average of just over 50%. This likely means that more slack in the loops is needed to deal with uncertainties.

[The block exemption regulation \(CBER\) for container shipping, which was terminated by the EU in April 2024](#), forces alliances to act more carefully. Container liners pool capacity within alliances and this means that alliances will face stricter scrutiny to make sure they operate in line with competition law for their various operations.

Arrival performance of container vessels still low amid ongoing Red Sea diversions and 'frontloading'

Reliability container vessels worldwide (share of vessels arriving on time)



Source: Sea intelligence

Congested and inefficient supply chains still capacity consuming – clearing takes time

At the start of 2025, ports around the world still faced congestion, particularly in the European ports of Rotterdam, Barcelona, and Algeciras. The [World Bank supply chain stress index](#) shows that over 2m TEU capacity is blocked due to waiting times at ports. This is close to the pandemic highs and accounts for over 7% of the 30m TEU fleet capacity. Consequently, [ocean timelines](#) (from cargo readiness to departure at the port of destination) from China to Northern Europe are close to 75 days in early 2025. This means it will take time to clear the backlog.

Options to manage overcapacity but more spot rate pressure likely

The Red Sea resumption won't be an overnight exercise. But if one larger liner returns, others will likely follow. This will surface overcapacity which has been built up in the backdrop. As soon as occupation rates drop, more stringent capacity management becomes urgent. The most important factors in play for capacity discipline are slowing sailing speeds, taking out older vessels and blanking sailings (i.e., where a cargo ship's call at a port is cancelled), as we discuss in our general shipping outlook.

Catch-up demolitions could reduce capacity by over 5%

Demolition has dramatically slowed in the last five years amid a hunger for capacity. Scrapping figures totalled 0.4% annually compared to 1.6% annually in the five years prior. This means container liners kept many older vessels in the loop and postponed replacements. After the Red Sea transits resume, we can therefore expect a surge in demolitions of older, less efficient tonnage. This could reduce fleet capacity by 5-6%. The average age of the global container fleet stands at 13.8 years, close to a record level, despite the delivery of many new vessels over the last two years.

Container lines still sit on a pile of cash after windfall industry profits of around \$300bn in 2021 and 2022, as well as the third most profitable year on record in 2024. This surge in profits has driven new vessel orders and encouraged several liners – including MSC, CMA CGM, and Maersk – to invest in terminal and hinterland operations. This strategic effort aims to integrate and leverage end-to-end supply chain services, allowing them to diversify their exposure. Generally, liners are able to withstand losses for quite a while, which poses a risk when rates sink and liners aim to maintain market shares.

How have three of the largest container liners performed?

Maersk

A.P. Moller-Maersk (Maersk) reported growth in its top line and profitability for the full-year 2024. During the year, the company saw revenues of \$55,482m, up 8.6% YoY, and EBITDA of \$12,128m, up 26.5% YoY. In the Ocean container shipping segment in FY24, Maersk had revenue of \$37,388m, up 11.1% YoY, and EBITDA of \$9,186m, up 32.4% YoY. The company noted that the Ocean segmental results were driven by higher container demand and elevated freight rates during the year. According to Maersk, Ocean's profitability was underpinned by a significant increase in freight rates of 17% YoY, reflecting the developments in the Red Sea and strong volume demand, with volumes transported of 24.6m TEU, up 3.6% YoY. This led to high fleet utilisation rates of 96%, up 4.1 percentage points YoY. Segmental operational expenses, excluding bunker costs, were up slightly (+2.0%) YoY, mitigating the impact of additional bunker consumption related to the re-routing of the network south of the Cape of Good Hope.

Maersk also provided guidance for FY25, including the target underlying EBITDA range of \$6.0-9.0bn. This target is based on the company's expectation that global container volumes will grow by approximately 4% in 2025 and that Maersk will grow in line with the market. Also, for the purposes of the financial guidance, the company assumes that the Red Sea route will reopen mid-year for the low end of its guidance, and will re-open at the end of the year for the high end of its guidance. Maersk also cautioned that the outlook for 2025 is subject to considerable macroeconomic uncertainties which might impact both container volumes and freight rates. Overall, the company anticipates that 2025 is likely to show a greater supply-demand imbalance, with new fleet deliveries and potential Red Sea re-opening during the year – but that the supply would be offset to a large extent by strong market demand, factors reducing effective capacity (scrapping, idling, slow steaming, etc.) and possible interim port congestion from vessels arriving simultaneously after the Red Sea re-opening.

Hapag-Lloyd

At the end of January, Hapag-Lloyd published its preliminary financial and operational figures for FY24. In 2024, the shipping company saw revenues of \$20.7bn, up 6.7% YoY, and EBITDA of \$5.0bn, up 4.2% YoY. During the year, container volumes transported amounted to 12.5m TEU, up 5.0% YoY, and the realised freight rate was \$1,492/TEU, flat YoY. Hapag-Lloyd noted that the volumes transported increased despite the re-routing of the traffic via the Cape of Good Hope and the associated longer voyage times.

CMA CGM

At the end of February, CMA CGM released its headline numbers for FY24. The company pointed out

that 2024 witnessed an increased demand for maritime container shipping, boosted by stronger-than-expected world trade and inventory rebuilding, whereas global capacity faced a negative shock from geopolitical tensions, including in the Red Sea and the Gulf of Aden. In full-year 2024, CMA CGM had revenues of \$55.5bn, up 18.0% YoY, and EBITDA of \$13.4bn, up 49.3% YoY. In the Shipping segment, the company had revenues of \$36.5bn, up 16.2% YoY, and EBITDA of \$11.2bn, up 51.9% YoY. During the reported year, the company carried 23.6m TEU's, up 7.8% YoY, while its EBITDA margin was supported by higher average revenue per TEU for the year of \$1,549, up 7.7% YoY. In 2024, CMA CGM took delivery of 12 new LNG-fueled vessels. The company has invested nearly \$20bn to order LNG and methanol-powered ships to have 153 vessels capable of using low-carbon energies (biogas, boimethanol and synthetic fuels) in its fleet by 2029 with a view of achieving Net Zero Carbon by 2050. Earlier, CMA CGM mentioned that its third quarter of 2024 was marked by the deployment of artificial intelligence across the company's various activities with the aim of enhancing the customer service.

In terms of outlook for 2025, CMA CGM expects that global trade for goods will grow in line with the global economic growth expected at around 3%. At the same time, a potential introduction of higher tariffs by the United States could have an impact on trade and could lead to a reorganisation of global supply chains over the medium term. CMA CGM also mentioned that container shipping market in 2025 will also be shaped by deliveries of new vessels and developments around the Red Sea routes. Against this backdrop, the company expressed confidence in its ability to deal with various challenges thanks to its business diversification and solid current financial position.

Author

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by

the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.