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Can carriers continue to weather the low rates storm?

Carriers weathered a storm of low rates in the first quarter to deliver some of the best profits in recent times. Will big newbuild deliveries and rising costs mean that was the peak, asks Drewry Maritime Research in its latest Container Insight Report.

The maritime analyst pointed out that the first quarter of 2015 was the most profitable for the container industry in four years with a preliminary estimated operating margin of about 8%.

“Unlike in previous quarters when only a handful of lines – usually Maersk Line and CMA CGM – made significant headway, this time every one of our 10 sample carriers were in the black,” said Drewry, adding that the big question is whether carriers can repeat that trick.

According to Drewry, volumes that disappointed in the first quarter of the year would pick up as the industry moved into the traditional second and third quarter peak seasons but the number of newbuild ships that are scheduled to be delivered from June onwards will weigh heavy on the supply-demand balance.

From June onwards there will be a minimum of 100 000 TEUs per month joining the world containership fleet, with July seeing twice that amount. Drewry noted that in total there were 35 ships of 10 000 TEUs or more that would need to find a home in the East-West trades by the year’s end.

The analyst concludes that the pressure to fill those new ships and maintain market share will continue to suppress freight rates through the remainder of the year. With costs now rising the chances of carriers beating their first quarter performance seems remote.

“By focusing on costs, which are largely out of their control, carriers are subject to the whims of the energy market. They will need the peak season to exceed expectations to achieve ship load factors that will support rate increases. Otherwise their income statements will turn red once again.”

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