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Drewry cautions on carriers' cost-cutting plans

Oceanfreight carriers' roadmap for recovery has centred on cutting costs faster than unit revenues are falling. And while this was successfully achieved in 2014, the lack of attention paid to lifting rates is threatening to send many carriers back into the red, said Drewry Maritime Research in this week's Container Insight Report.

Earlier this year, Drewry's Container Forecaster reported that the container industry had made a collective operating profit of approximately US\$6 billion last year, up from \$2.7bn in 2013. "While this looks good as a headline number, profits were sparsely spread between carriers and the overall margin was still very slim at roughly 2.8% of industry revenue," said Drewry in its Insight report.

The analyst commented that it did not expect carriers to deviate from their cost-cutting plans. "At present we think carriers can make a similar overall profit to last year as costs are being helped by lower bunker fuel and some network improvements through the mega-alliances.

However, this forecast could easily be derailed as freight rates in many Asia export trades are in a tailspin, and if this persists we will undoubtedly have to trim it back significantly," said Drewry.

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