Slowdown signs - Global container shipping industry in dire straits

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According to Drewry Shipping Consultants, 2009 will be the toughest test yet for the global container shipping industry and further casualties among operators are a real possibility. It added that long held industry rules have changed or become skewed because the downturn happened so dramatically that the existing supply demand mechanics in all trades have faltered at the same time, leaving no bright spots for the industry.

Drewry said that four container operators, including China's SYMS and SA Independent Liner Services of South Africa, failed in late 2008. Although carriers have been reducing capacity through suspension of a number of high-profile east west services, the gap between supply and demand is still too big.

Drewry has revised its estimate for 2008 global container traffic growth to 152.8 million TEUs, up 7.2% YoY, down from growth of 8.6% in its September report. It projects meager expansion of 2.8% for 2009, which it said is backed by the year on year throughput decline currently in evidence at the southern China Port of Shenzhen.

Mr Neil Dekker editor of the Container Forecaster said that "Shipping lines and ship owners are in a precarious position since they can do almost nothing to determine freight rates, charter rates and asset values for their ships. Even at such low prices, it is not a buyer’s market for potential charterers or ship purchasers because demand and credit lines have dried up."

Mr Dekker said that "Even with some tonnage taken out of the market in 2010-12 through cancellations and increased annual slippage factors playing a part, this is not helping the global supply demand balance to any significant extent. Our supply demand index forecasts for the next four years are now very pessimistic, indeed, and it is expected to fall by 7% this year and by a further 3.6% in 2010."

(Sourced from Journal of Commerce)