Box lines' margins worsen past pre-Covid levels

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The largest liner operators' latest financials show that their average operating margins have plunged to a very slim 1.5% in Q3 2023, lower than the average of 2.4% in 2019, the year before the Covid-19-fuelled boom began, according to Alphaliner.

China's COSCO Group continued to lead the pack for another quarter, with an operating margin of 15.8%, assisted by a sweeping cost-cutting programme which has reduced its expenditure. In terms of earnings, the group was in line with other carriers, with revenue falling 60%, as volumes did not increase.

Overall, five carriers reported operating profits and positive margins for Q3 2023: COSCO, Evergreen, Hapag-Lloyd, ONE and HMM.

In Q3 2023, Maersk Line, Yang Ming, Wan Hai and ZIM reported losses, with the US-listed ZIM again incurring the lowest margin, of negative 16.7%.

Alphaliner stated that the Israeli carrier is burdened by the high fees on its chartered fleet, and has heightened exposure to the spot market where tumbling freight rates are wiping out gains from increased volumes.

As confirmed in the previous earnings results, the trend in volumes continued to be positive as demand picks up. Carriers showed higher liftings in Q3 2023, compared with Q3 2022 and Q2 2023.

With 95% of its fleet consisting of chartered-in tonnage - the highest in the industry, with most carriers usually operating a more balanced fleet of owned and chartered vessels - ZIM continues to struggle with peak rates signed during the pandemic.

Among the ships on charter, the Haifa-based company has the 9,469 TEU ZIM Yantian and ZIM Shanghai fixed until June and July 2025 at a firm US$72,700 per day. This compares to a typical charter rate of US$36,000 for ships of this type today.

More carriers are likely to join the loss-making ranks in the fourth quarter, as Maersk Line, Hapag-Lloyd, ONE and ZIM have admitted the possibility of losses in 4Q 2023.

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