Container lines face a year of two halves: HSBC

A gradual unwinding of Cape of Good Hope transits could give container carriers a decent first half, but a much weaker second half of 2025.

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Credit: Marcus Hand

In its latest Global Freight Monitor HSBC Global Research says its base case is that lines to take until the mid-2025 to revert their networks between Asia – Europe/Med and US East Coast to transiting via the Red Sea and Suez Canal rather than diverting via the Cape of Good Hope, which help keep the supply of tonnage tight in the first six months of the year.

Spot rates have fallen sharply in recent weeks ahead of the current Lunar New Year holidays in Asia. On top of this the report by HSBC noted, "The recent ceasefire in Gaza, the pause in merchant ship attacks in the Red Sea by the Houthis, and the release of Galaxy Leader crew by the Houthis will likely firm up sentiment towards peace being restored in the region and weigh further on spot freight rates."

However, while these factors have weighed on container shipping spot rates in recent weeks the report points to a number of factors that should stem the tide and give "decent" H1 profits for lines.

"Beyond the LNY (Lunar New Year), we argue that blank sailings, alliance reshuffle, and uncertainties around Trump's tariffs could likely cushion against a hard landing in spot rates. With little incentive for liners to revert to the Red Sea, we think liners could still see decent 1H25 earnings but profits should deteriorate in 2H25," HSBC said.

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Certainly, major lines including Maersk, MSC, Hapag-Lloyd, and CMA CGM have indicated that they will not be making an immediate return to Red Sea transits.

Working on a base case of mid-year return to the Red Sea HSBC said that 10.5% capacity growth is implied for 2025 versus a volume growth of 2.7% and reduction in teu miles.