Has container shipping's bubble burst?

Rates on the major trade lanes are continuing to trend downwards, even as the carriers curb small amounts of capacity from services with fears of an economic downturn, war and consumers losing confidence.

Nick Savvides, Europe correspondent

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Credit: Alexas Fotos via Pixabay

This week's World Container Index was down 3%, dragged down by the 9% Pacific rate decline, and Drewry said it expects rates to continue falling as capacity ramps up, even though there appears to have been a mini spike in this week's Asia to Europe trade with a 2% rate rise, and some action on capacity. Meanwhile the Shanghai Containerized Freight Index lost another 5% over the previous week sit at 1,436 points on 7 March.

Consultant Linerlytica reported this week that, "Carriers are finally taking action to curb capacity increases in their bid to reverse the recent freight rate slide, with MSC confirming the withdrawal of the transpacific Mustang service while also redeploying its largest 24,000 teu ships from the Asia-North Europe to the Med and West Africa routes."

Meanwhile, the OCEAN Alliance has also delayed plans to launch a new Asia-North Europe string in March, with the Premier Alliance also expected to postpone the launch of two Pacific strings scheduled to start in May.

Initial signs are that the economic climate is cooling as the lines tentatively reduce capacity on some key services. The most pronounced reduction is on the Pacific with a 5% decline in capacity, this month compared to February, according to MDS Transmodal data.

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Although this is not a major fall in capacity on the trade, this year's March total of 1.686 million teu is 81,000 teu fewer than last month, it is still 16% higher than a year ago and could be a precursor to larger cuts in services.

On the Asia to Europe trades the decline is less pronounced, down 34,000 teu, or 2%, from February's 1.53 million teu, compared to 1.496 million teu last month, the fall in capacity could mark the beginning of a more major decline.

Darron Wadey, a consultant at Dynaliner's, said: "If indeed it is true [that capacity is falling] it is not a surprise and would appear to herald what the fundamentals have been pointing to for a long time, namely, a period of substantial overcapacity."

According to Wadey from the end of 2020 to the end of 2024, global container shipping capacity increased by more than a third whilst global cargo volumes grew by less than 10%

"Maritime congestion, be that through epidemic or endemic, and the lengthening of supply chains (arising from the Red Sea situation) can only absorb so much of that difference," he added, while also pointing out that, "The Cape of Good Hope diversionary route is already saturated."

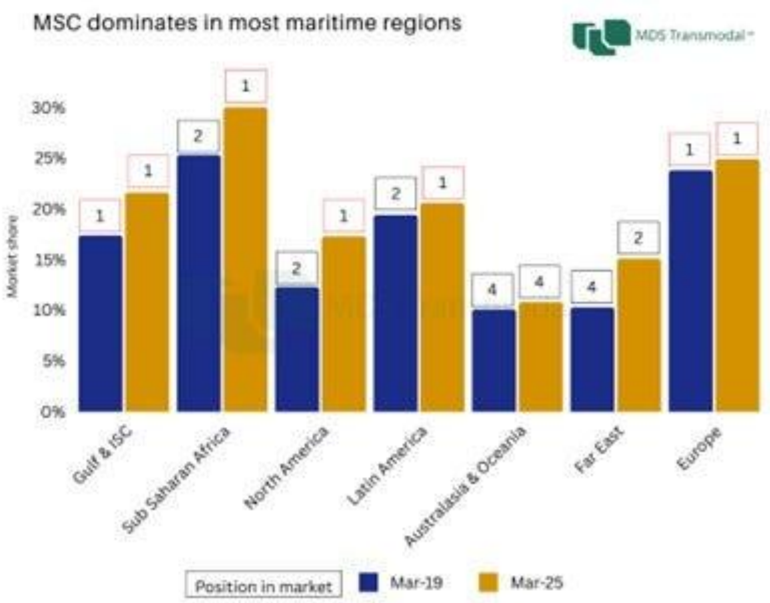
Sustained and widespread cuts to services have not yet occurred, and Wadey believes that carriers will first blank sailings, before laying up ships.

Related:[MSC the big winner as Hutchison loses interest in global ports]

"We're not there yet, but when we add on top of inherent overcapacity the imposition of trade tariffs around the world that, by their nature, dampen down cargo movements, such a scenario is not inconceivable," said Wadey.

One carrier that may avoid the worst excesses of a long hard winter is the Switzerland based MSC, which this week agreed in partnership with BlackRock to buy an 80% stake in international terminal portfolio of CK Hutchison, an acquisition that will make it the largest private port operator in the world, as well as the largest container line.

MDS Transmodal consultant Antonella Teodoro revealed MSC's dominant position in most of the significant global trades.



“This chart highlights MSC’s commanding presence in the global shipping industry by showcasing its deployed capacity and market position across key regions as of March 2025 compared to March 2019. The data underscores MSC’s leadership, with the company holding the first position in most major markets and continuing to expand its influence,” explained Teodoro.

MSC’s major acquisition, if completed, in buying CK Hutchison’s international portfolio may improve service reliability and offer the carrier more control.

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It is uncertain that the boosts to the bottom lines of the top carriers seen in the last five years may yet insulate them from the chill headwinds currently blowing across the global economy. Wadey believes that sustained and deep service cuts, of the type seen after the 2008 currency crisis are not on the cards yet. But neither are the blooms of a new spring dawning.

“Rather than the green shoots of spring, what we are seeing now could be the first frost of a long and hard winter,” said Wadey. How long is anyone’s guess.