

Containership supply squeeze expected to end in four months

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ONE of the world's largest ship financiers has forecast the pace of recovery for the global boxship market to moderate once the peak season ends after October, as large numbers of new ships flood the global fleet in 2010 and 2011.

DVB Bank said the current containership supply squeeze — which has helped double time charter earnings in three months and drag secondhand prices 30% higher this year — is unlikely to last beyond the next four months.

The downbeat assessment reflects growing concern about the fragility of the boxship sector recovery, at a time when shipping lines have seen freight rates and demand on premier shipping lanes rebound to pre-crisis levels for the traditional peak season.

Instead, the high number of boxship newbuildings, many of which had their delivery deadlines delayed after volumes collapsed on major trading lanes in 2009, will weigh down any time charter rates recovery, according to the bank's latest report on the container sector, released yesterday.

In what has been hailed as a remarkable and largely unexpected turnaround after shipping lines were devastated by a 10% decline in world trade in 2009, boxship time charter rates have soared in the last three months. Most of the inactive tonnage placed in lay-up from late 2008 has also been reactivated and is now trading.

Underpinned by the widespread use of super-slow steaming, which has effectively absorbed an estimated 350,000 teu of capacity from the global fleet, time charter

rates have not only surged, but a supply shortage has developed for some categories of ships.

However, DVB Bank's Panamax Container Vessel Market Outlook said it expected this supply squeeze to be "short term".

"The vast majority of the orderbook is expected to be delivered in 2010-2011 and there is still a long way to go to reach a healthy demand supply balance," the report concluded.

Nearly 2m teu of newbuilding capacity is expected to be delivered in 2010, 40% higher than 2009, according to DVB Bank.

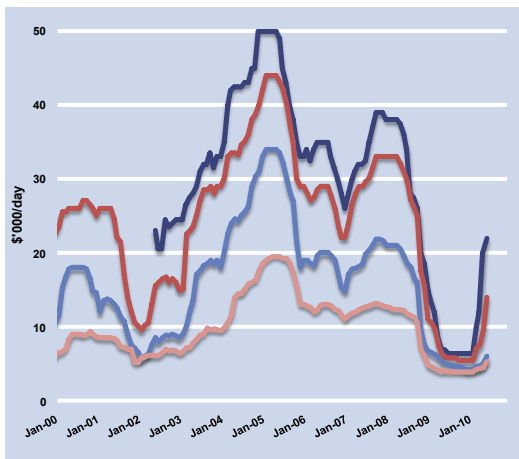
Although one-year time charter rates for panamax tonnage were fixed at nearly \$17,000 per day this month, from levels of \$6,500 per day seen in February, these were only half the deals done at the market peak, around mid to late-2008.

The latest weekly report from container consultancy Alphaliner also underlined the dramatic rise in active containership capacity this year. The global fleet, now at nearly 4,900 ships, saw active capacity grow by 15% in the first six months to 13.3m teu, according to Alphaliner's weekly report.

This included 740,000 teu of capacity from new ships, and 1.2m teu from idle ships that have been brought back from lay-up. Some 110,000 teu was removed from the fleet through scrapping or conversions, the report said.

The largest fleet increase was seen for Chilean line CSAV, whose active capacity has jumped by 51% this year, less than 18 months after the start of a major restructuring programme that brought it back from the brink of bankruptcy. ■

CONTAINER VESSEL TIME CHARTER RATES



Panamax 4,400 teu Sub-Panamax 2,000 teu
Panamax 3,500 teu Handysize 1,000 teu

Source: Clarksons, DVB