

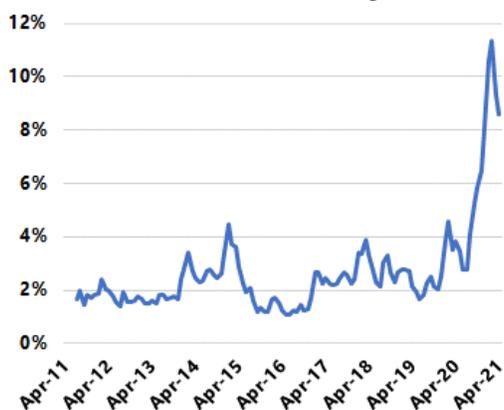
Vessel delays equal the removal of all ULCVs from the market

As there is no global container shipping boom (a topic also covered in this week's Sunday Spotlight), the current shortage of vessel capacity (and of empty containers) must primarily be driven by supply-side effects. As more capacity is currently deployed than ever before, the shortage must in turn be caused by poor utilisation of the deployed assets, specifically due to the unprecedented levels of congestion and the resulting vessel delays.

To investigate how much capacity the vessel delays effectively are removing from the market, we followed a simple approach. As an example, a carrier offers a 6-week roundtrip service with 6 x 10,000 TEU vessels. If vessels are then 5 days late on the head-haul and 2 days on the back-haul, it increases the round-trip to 7 weeks, requiring one additional 10,000 TEU vessel to compensate for the delay-induced loss of capacity. So to maintain the same weekly capacity, the carrier defacto needs to increase nominal capacity by 16.7%. The effect of this is exactly the same, as if market demand had increased by 16.7%, as that would have required the same injection of net capacity in the market.

Using data from Sea-Intelligence's industry-leading Global Liner Performance (GLP) and Trade Capacity Outlook (TCO) databases, we found that while 2-4% of capacity is usually "lost" to vessels delays, approximately 25% of the capacity deployed on Transpacific in January-April 2021 has been soaked up by vessel delays, far outpacing the 17% soaked up by the 2015 US West Coast labour dispute. While Asia-Europe has seen less dramatic congestion and delays, a full 11% of the capacity deployed in the first four months of 2021 was soaked by vessel delays.

Fig. 1: Absorption of global fleet due to delays



From a global perspective, at the height of the congestion in February 2021, almost 12% of global container capacity was absorbed by vessel delays and in April this was still at 8.6%. In nominal terms, this means that in February 2021, a full 2.8 Million TEU of nominal vessel capacity was absorbed due to vessel delays, and in April 2021 this has only abated slightly to 2.1 million TEU. For comparison, the entire global fleet of Ultra-Large Container Vessels of 18,000 TEU and above, has a combined capacity of some 2.7 million TEU. Hence, in very real terms, the congestion problems in 2021 is of

such a magnitude, that the effect is the same as if the entire industry had decided to remove all Ultra-Large Container Vessels from the fleet, without adding any new vessels.

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