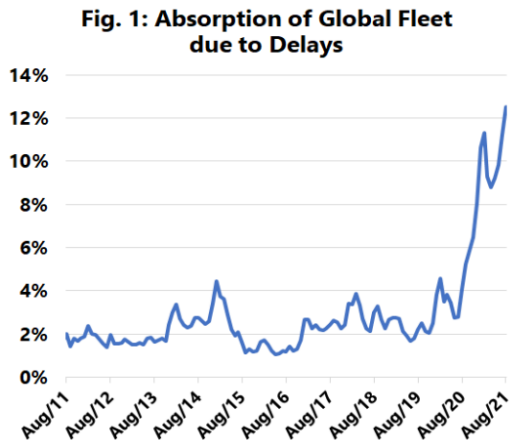


12.5% of the global capacity now unavailable

In issue 534 of the *Sunday Spotlight*, we used data from our *Global Liner Performance (GLP)* and *Trade Capacity Outlook (TCO)* databases, to gauge the impact that congestion and vessel



delays have had on the global deployed liner capacity.

Figure 1 shows the global impact. At the previous height in February 2021, 11.3% of global capacity was absorbed by delays, dropping to 8.8% in April, but escalating once more in the following months. We are now at a point where 12.5% of the global capacity was unavailable in August due to delays. In nominal terms, this means that in August 2021, a full 3.1 million TEU of nominal vessel capacity was absorbed due to delays.

To put this into perspective, the insolvency of Hanjin in 2016, which was the world's 8th largest carrier at that time, removed only 3.5% of the global capacity, and that too for only a short time, until the vessels came fully back into circulation with new owners or charterers. The current situation is therefore akin to a scenario of 3½ Hanjins all going bankrupt at the same time – with no immediate outlook for the vessels getting back at sea. Another comparison is that a 12.5% global capacity removal, is the equivalent of removing a fleet slightly larger than either CMA CGM or COSCO, the 3rd and 4th largest container lines.

Building more vessels will not materially solve the problem right now, due in part to the time between order and delivery of 2-3 years, and in part because injecting more vessels would run the risk of compounding the existing bottleneck problems.

How long will this take to resolve? The US West Coast labour disruptions in 2015 saw normal operations resume after 6 months. This means that at best, this is a timeframe which should be expected, bringing us to April 2022, assuming the resolution starts now. It could then be feared that because this problem is global and not just confined to US West Coast, the time frame might be even longer, not to mention the impact any future port closures and other disruptions might have. Therefore, with the current operational challenges, it appears that a realistic timeframe for reversal to full normality stretches at least to the end of 2022.

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All quotes can be attributed to: Alan Murphy, CEO, Sea-Intelligence.

For more information, please contact: ia@sea-intelligence.com, am@sea-intelligence.com

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