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2025 CONTAINER SHIPPING OUTLOOK

Navigating the crosscurrents

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Well, that went better than expected.

With some 3 million 20-foot-equivalent units (TEU) in new capacity poised to come online in 2024, carriers went into the year anticipating a reversion to the chronic overcapacity that has long weighed on the industry's profitability.

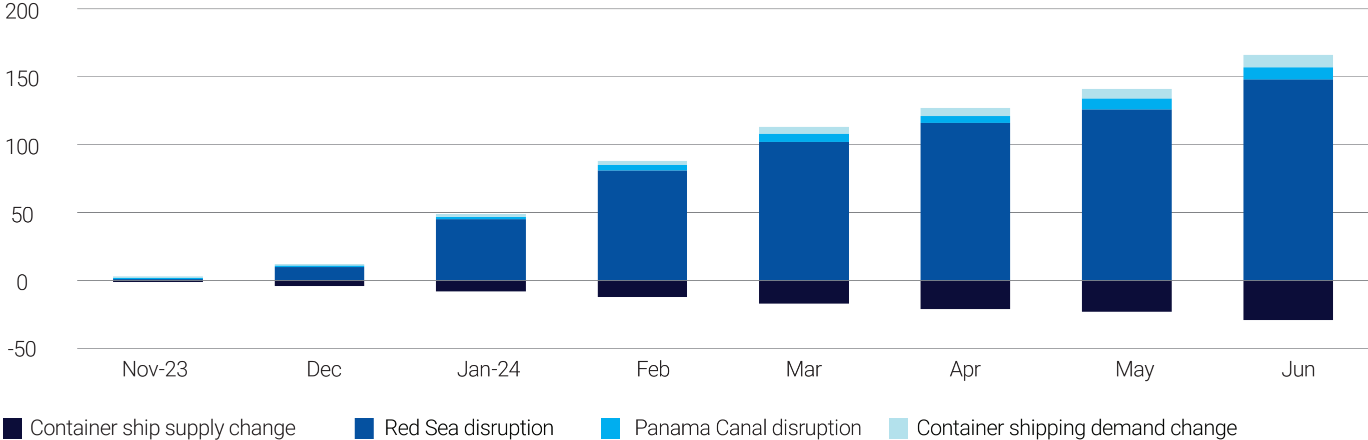
But market fundamentals changed drastically in November 2023, when Houthi rebels in Yemen launched a campaign of attacks on Red Sea shipping. Virtually overnight, 7-8% of global capacity was diverted as Red Sea cargoes were rerouted around the Cape of Good Hope. The move added two weeks to transit times along the Far East-Europe lane and resulted in a 40% increase in emissions. Schedule reliability, which had made a heartening recovery in the latter half of 2023, reverted to around 50%.

The detour also drained the market of excess capacity, and tight supply drove rates upward with the China Containerized Freight Index (CCFI) rising up to 150% from the start of the crisis to July 2024 [Figure 1]; port congestion reduced available capacity by an additional 2%. Thanks to the rate rises, carriers that went into 2024 expecting to post annual losses ended the year strongly profitable. Maersk, for example, issued guidance in February 2024 that it expected annual losses of as much as $5 billion; by October 2024 it had alerted investors to expect EBIT of as much as $5.7 billion.

The final tally, reported In February 2025, was $6.5 billion in EBIT. Hapag-Lloyd, which in March 2024 warned of losses of as much as $1.1 billion, posted $2.8 billion in EBIT.

FIGURE 1: CHINA CONTAINERIZED FREIGHT INDEX: IMPACT OF PANAMA CANAL AND RED SEA DISRUPTIONS

Cumulative percentage change and its breakdown, November 2023–June 2024



Source: UN Trade and Development (UNCTAD) calculations, based on data provided by Clarksons Research, Shipping Intelligence Network and Maritech Services Limited, Sea.
Note: Cumulative changes from October 2023. Seasonally adjusted. The sum of the four presented components does not fully add up to the combined impact because other logistics shock is not included in the figure. See the Review of Maritime Transport 2024 technical note 1, for the estimation methodology.

As 2024's results make plain, predicting the future of container shipping is a fool's errand. Losses can turn into profits virtually overnight, just as today's sure winners could become tomorrow's also-rans if market fundamentals turn against them. Rather than trying to predict what's coming next, container shipping stakeholders might better focus on maintaining a high level of operational readiness. Strong crosscurrents are buffeting the industry, and the advantage will go to operators capable of adjusting rapidly and efficiently to fast-changing conditions.

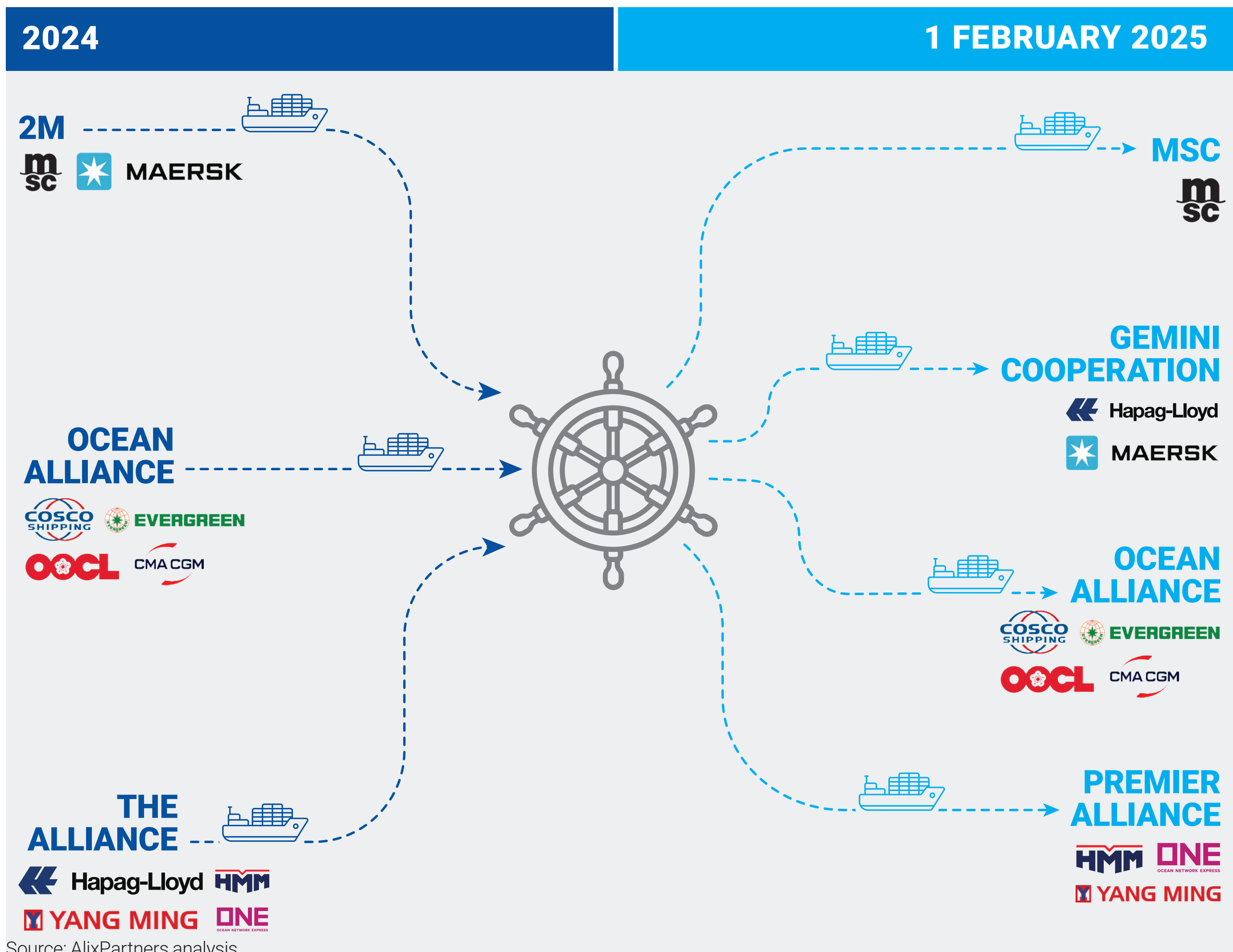
Can carriers sustain their strong performance in 2025?

Much depends on the timing of a resolution to the Red Sea crisis. The Houthis' January 20 announcement that they would limit their attacks to Israeli-flagged carriers has not sparked a stampede back to the region by other carriers, and the industry consensus—that there will be no resolution in the first half of the year—has not shifted. But whenever the crisis is resolved, the return of diverted capacity and the addition of a massive supply of newbuilds could swamp the supply-demand balance, drive rates down, and tip profits into losses. (In fact, most ocean carriers on the Transpacific Eastbound lane extended their spot rates in January 2025 through the end of the month, signaling an erosion in carriers' pricing power even before the industry enters what is historically its weakest month of the year.)

Adding to the uncertainty are two developments whose impacts on the shipping market remain to be seen: the emergence in 2025 of newly configured shipping alliances, and the imposition of tariffs by the new U.S. administration in—as well as likely retaliatory moves by the targets of the tariffs.

First, the alliances: from three alliances as of the end of 2024, the industry will reshuffle into three alliances plus one go-it-alone operator, MSC. Nothing new there—a certain amount of churn is characteristic of such combinations. [Figure 2] But the implications for rates from the latest reshuffle are ominous. The shift to three alliances plus MSC will reduce market concentration significantly. Add in a 9-10% increase in capacity and it's clear that the reopening of the Red Sea would trigger a step-change in competition to "fill the ship." The likely upshot: plunging rates, and a reversion to the chronic overcapacity that has long been the bane of the industry.

FIGURE 2: CONTAINERS IN CONTROL: FLEET CONSOLIDATION HELPS CONTAINER LINERS SUPPORT FREIGHT RATES



Source: AlixPartners analysis

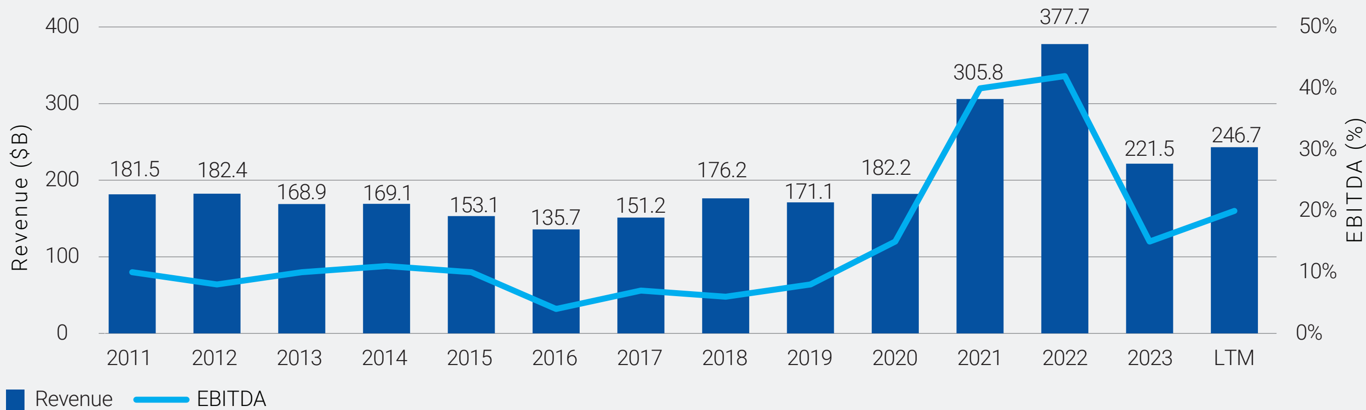
At least as important as the new alliances' effect on rates, though, is the impact that the Gemini Cooperation's operating model—which moves cargoes through a hub-and-spoke network rather than sailing port-to-port—could have on how carriers do business. If alliance members successfully execute their strategy and fulfill their promise to rapidly achieve 90% reliability with their hub-and-spoke model, they could offer carriers a viable alternative to port-to-port sailings. The effect on container shipping operations could be nothing short of revolutionary.

Meanwhile, the imposition of new tariffs by the U.S. and other major trading nations have the potential to disrupt industry norms. The announcements and orders issued by the new U.S. administration have already proven to have impacted markets, representing a growing need for companies to adapt quickly to shifts in the regulatory landscape. Shippers need to understand how to navigate these changes to mitigate business risks and capitalize on potential opportunities.

A PICTURE OF FINANCIAL HEALTH

The 15 liner companies in our sample—consisting of every major carrier that publicly reports its financial results—remain in sound condition despite the retreat in revenues from the high of 2022. The carriers posted aggregate 2024 EBITDA of $36 billion, up from $23 billion the prior year, a margin of 19%, as against 15% in 2023. [Figure 3]

FIGURE 3: REVENUE VS EBITDA



Source: CapIQ financial data, AlixPartners analysis

The carriers' five-year spending spree, during which they deployed the financial windfall reaped during the pandemic, came to an end in 2024. Cash reserves shrank for the second time since 2019, ending the year around $70 billion, down from $73 billion at the end of 2023. Yet the $20 billion in CapEx investments reported by the companies in our sample was one of the largest annual outlays in history.

The carriers' aggregate debt expanded modestly, to $89 billion from $85 billion in 2023. Interest coverage is a healthy 9x—far below the 36x coverage ratio of 2022 but still well above the skinny ratios that prevailed from 2010 through 2019. And there is plenty left in the vaults: The carriers' cash balances are three time the average from the ten years pre-pandemic and higher than they have been in decades, leaving them well-prepared to weather any decline in rates.

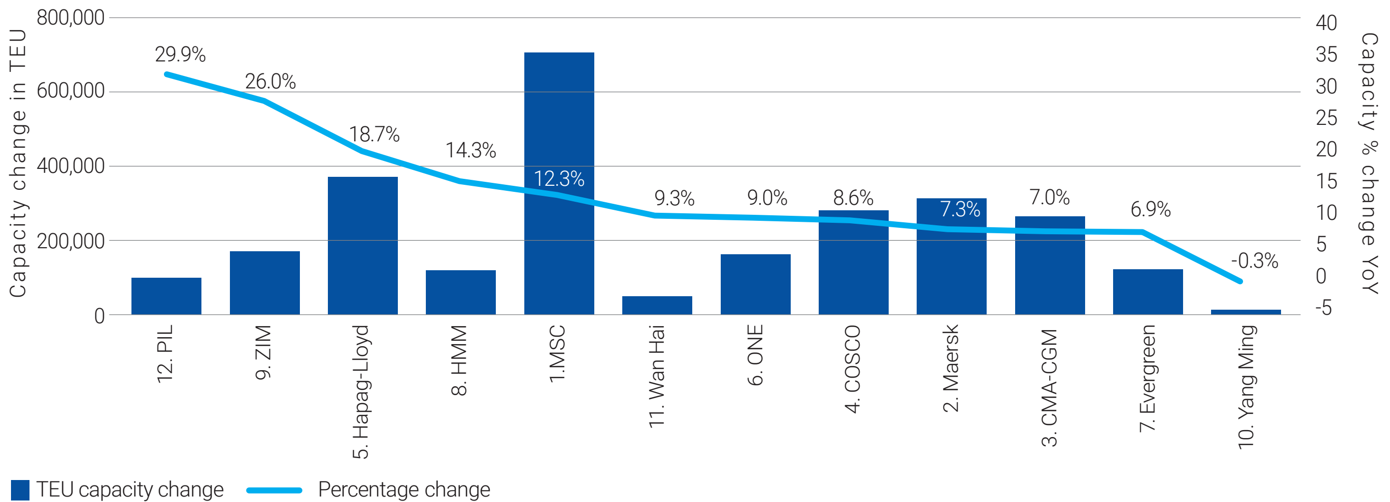
A QUESTION OF CAPACITY

Prior to the outbreak of the Red Sea crisis, carriers and shippers alike in 2024 were preoccupied with concerns about overcapacity and its effect on rates. And for good reason: in 2024, total additional ocean capacity rose by nearly 11%, or about 3 million TEU, most of which was absorbed by European trade lanes, where the total fleet grew 31% year-on-year. Capacity deployed on Asia-North America routes increased by only 2.9% during the same period. And in what could be the start of something big, capacity along South American trade lanes grew 22% year-on-year, as the trend toward near-shoring and friend-shoring gathered momentum.

All but one of the top 15 carriers added capacity in 2024. [Figure 4] MSC was the most aggressive acquirer, reflecting its determination to become the industry's largest player. It added 692,000 TEU to its fleet in 2024, a 12% increase, compared with average growth of 7% for the 12 companies in our sample. The newbuilds acquired included 26 Neo-Panamax vessels of 15,400–16,600 TEU, which are well-suited to MSC's standalone strategy. The world's number two operator, Maersk, last year expanded its fleet by 7% after two consecutive years of reductions.

The carrier took delivery of 23 newbuilds in 2024, including seven methanol-powered Equinox-class ships, each with capacity of 16,592 TEU.

FIGURE 4: CAPACITY CHANGE OF THE TWELVE LARGEST CARRIERS: JAN 2025 VS JAN 2024



Source: Alphaliner

Industry-wide, more than 200 new vessels will come online in 2025. After accounting for expected deletion, about 2 million TEU capacity will be added to the fleet, a 6% increase. Global shipping demand, on the other hand, is projected to post only 2-3% growth. Once the Red Sea crisis is resolved, the supply-demand dynamic will shift in favor of shippers, and rates could fall as quickly as they rose.

Still more ships are on the way. Carriers ordered a record amount of TEU in 2024—2.3 million TEU (another record) in the third quarter of 2024 and an additional 1.5 million TEU in the fourth. As of Jan. 1, 2025, the industry's order book stands at 780 vessels, or 8.5 million TEU.

China has become the main builder of container vessels, its shipyards accounting for 69% of the TEU capacity in the global order book. South Korea, once the undisputed leader in this sector, has been relegated to second place, with an orderbook share of 23%. In 2024, China's yards bagged a staggering 3.6 million TEU of orders, versus Korea's 0.66 million TEU.

Compared with Korea, the Chinese yards offer customers a cost advantage, and several of the yards have committed to massive capacity expansion projects that have created numerous newbuilding slots for 2027 and beyond.

RATES SETTLE BACK TO EARTH

Ocean rates at the outset of 2024 looked set to continue the downward drift that prevailed through much of 2023. But as the attacks in the Red Sea intensified, rates shot upward in the second quarter of the year, peaking in July at a level comparable to the pandemic era before starting to ease at year-end.

In addition to the Red Sea crisis, several other exogenous events influenced rates in 2024. Labor actions, including a three-day strike by the International Longshoremen's Association, caused shippers to front-load inventory ahead of the September 30 contract expiration. But the relatively speedy settlement of the strike kept rates in check, as did capacity additions and the industry's own adaptation to the reroutings.

Looking ahead, Asia-Europe shippers remain hesitant to return to Suez Canal transit in 2025. Carriers, their profits booming, will likely exercise caution in returning to the Red Sea. But a full return to the Suez Canal depends not only on the carriers' risk assessment, but on that of their insurers as well.

As soon as insurers cancel their war risk premiums, a rapid return of shipping to the Red Sea will likely follow, accompanied by an equally rapid decline in rates.

Reliability: Is 50% the new normal?

> The bad news is the ship hasn't arrived; the good news is it hasn't left yet.
>
> **JOHN ASHBERY**

The American poet's logical slipknot pretty much sums up the shipping industry's schedule reliability woes.

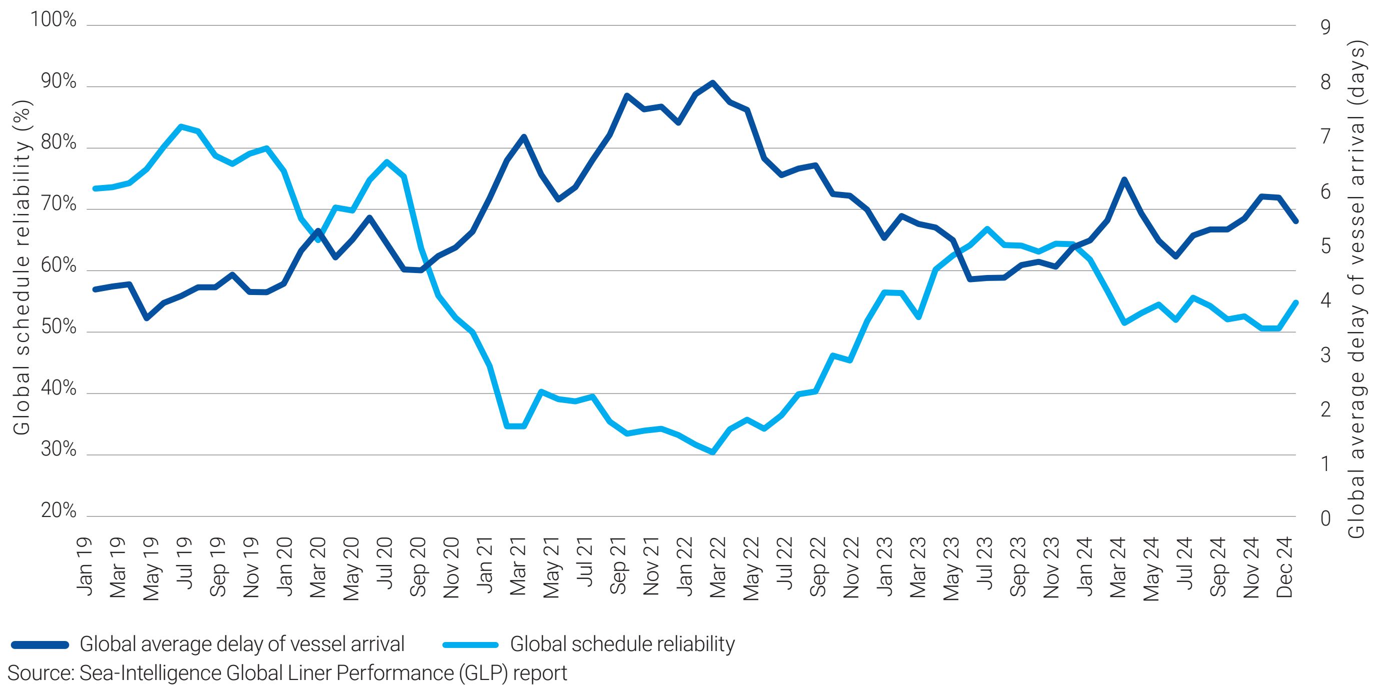
Reliability bobbed up and down within the 50-55% range in 2024, roughly 10% lower than 2023 and well below the 80% reliability that prevailed through much of 2019, before the onset of the pandemic.

The most notable drop follows the start of the Red Sea crisis in November 2023, which drove reliability down from the 60-70% range observed for most of 2023.

As of December 2024, Maersk had the highest 2024 monthly average reliability at 54%, followed by Hapag-Lloyd (52%), Evergreen (52%), and MSC (51%). [Figure 5]

That recent performance underscores the sheer ambitiousness of the Gemini alliance's claim that its hub-and-spoke can achieve 90% reliability within a matter of months.

FIGURE 5: GLOBAL SCHEDULE RELIABILITY



Source: Sea-Intelligence Global Liner Performance (GLP) report

Still, with industry reliability so poor, the alliance's service offering drew interest in advance of its official launch on Feb. 1, 2025. The Gemini Cooperation says it will improve reliability by reducing the number of port calls to eight or nine large ports where one or the other alliance member controls operations, from around a dozen.

Smaller shuttle vessels will then deliver cargoes to their final ocean destination.

That operating model increases complexity as well as costs compared with more traditional port-to-port service, but shippers that place a high value on reliability may be willing to accept the higher charges. Nonetheless, geopolitical tensions, labor disputes across multiple geographies (Canada, Europe, the U.S.) and of course the Red Sea closure all take their toll on reliability, and the issue seems sure to bedevil carriers through 2025 at least.

SUSTAINABILITY REMAINS ELUSIVE

Sustainability, in one form or another, has long been on the agenda of shippers, carriers, local and national governmental authorities, and shipyards.

Shippers are now stepping up the pressure on carriers to modify and decarbonize their fleets, with more than 40 large shippers, including Amazon, IKEA, and Nike, forming the Zero Emission Maritime Buyers Alliance (ZEMBA) to increase their leverage over carriers and shipyards. In recent months, ZEMBA has invited tenders for vessels powered by e-fuels, after earlier issuing an RFP for vessels fueled by liquid biomethane derived from waste.

Cleaning up the fleet, though, is a very heavy lift. At present, over 90% of vessels on the water operate on high-emission fuels, mainly bunker fuel, the dirtiest, most high-sulfur petroleum derivative on the market. No wonder, then, that fuel and energy transition is the dominant sustainability topic, as it arguably will have the largest impact of all the measures available to improve sustainability in the ocean container ecosystem.

To date, however, no long-term alternative to bunker fuel has been established as a clear front- runner. Orders for LNG and LNG dual-fuel ships led 2024 demands for alternative-fueled ships, with methanol propulsion systems a distant second. Ammonia-powered propulsion systems are under development. In addition, hydrogen fuel cells and battery-powered electric ships have been ordered to support short-distance routings, but their systems' low energy density, compared with alternative propulsion systems, limits their viability for long voyages. Nuclear power systems are probably a non-starter because of the sizable regulatory and infrastructure challenges they present.

Other items on shippers' sustainability agenda include noise-limiting measures to protect marine life from noise pollution, and improved handling of ballast water to prevent the spread of invasive species. Regulators, meanwhile, are pressing shipyards to build ships that can be more effectively recycled during end-of-life scrapping.

NORTH AMERICA

1. **Tariffs, tariffs, tariffs:** Another trade clash to come? Canada and Mexico managed to win a reprieve from the new administration's tariff threat in early February—but a trade war is still underway as of the publishing of this report. Washington has moved ahead with levies on Chinese imports, prompting China to retaliate with its own tariffs, including hits to American energy and technology companies. The European Union should consider strategies to proactively prepare and mitigate risks. This uncertain atmosphere poses a threat to import and export volumes on both East and West U.S. coasts.
2. **Mexico manufacturing projects in jeopardy**: Far East Asia-to-Mexico trade lanes could see a drop in container volume as manufacturers pause expansion plans in Mexico, awaiting further clarification of US trade policy.
3. **Panama Canal becomes a political football**: U.S. pressure on Panama to reduce its alleged Chinese influence and legal disputes over canal operations are raising tensions around this crucial waterway. Meanwhile, the severe droughts that limited vessel traffic throughout 2024 persist into 2025, driving shippers to seek alternative routes, with negative impacts on container trade efficiency and costs on the U.S. East Coast.

SOUTH AMERICA

1. **The next expansion frontier:** Ocean carriers and investors (both financial and strategic operators) looking for return on investments have helped the South America deal flow recover since 2022. The subcontinent appears (as it has been for years) to be the next frontier in the global economic landscape for vertical integration or geographical expansion, thanks to a combined GDP of over $4 trillion, large consumer markets and work force, and attractively priced assets.
2. **U.S. Tariffs as a driver of global footprint shift:** As tariffs loom over trade lanes and threaten to push volumes to alternate routes, shippers and operators are coming to view South America as a conflict-free alternative to Mexico. Look for increasing manufacturing and connectivity investments in Brazil and Chile in 2025.
3. **Connectivity concentration**: Between inland and maritime hubs, physical supply chains in South America can be complex and are mostly driven by product vocation (e.g., export grains vs durable goods) and local regulations (e.g., Argentina and Brazil's policies focus on shifting volume away from major traditional hubs in favor of more regional operations). With the continent opening further to external capital, look for increased investment in infrastructure and operational improvements around major hubs, such as Santos in Brazil and San Antonio in Chile.
4. **Panama Canal headaches:** The canal offers South American exporters the fastest and most cost-effective route to Asian markets, allowing them to quick access to Pacific markets. Administrative friction and chronic congestion could result in longer delays and higher freight costs in 2025.

MIDDLE EAST

1. **Red Sea crisis:** High utilization at the port of Dammam as cargoes are redirected from Jeddah is straining available capacity. Elsewhere, ports across the Arabian Gulf and the Red Sea are grappling with overcapacity resulting from large-scale infrastructure projects in multiple countries in the region.
2. **Lane connectivity:** The Red Sea crisis has impaired connectivity between Middle Eastern ports and Asia. One leading carrier, for example, has reduced its direct links from seven Middle Eastern ports to Asia to just one, and feeder-ship activities have increased. Once trans-Suez Canal networks are re-established, connectivity is expected to improve, reducing the reliance on feeders.
3. **Alliance dynamics:** The formation of new alliances has led to reshuffling of hub terminals. Carriers will need to consider investing in terminals, which enhances their attractiveness but adds complexity to expansion projects. The Gemini Cooperation's hub-and-spoke model, for example, requires fast, automated, and congestion-free operations to handle growing volumes and maintain reliability. Many of the Gulf Cooperation Council (GCC) ports remain underutilized and require efficient operations and competitive costs to secure hub status in global networks.

EUROPE

1. **New Europe-centric shipping alliances:** With MSC, Hapag-Lloyd, and Maersk all concentrated in Europe, the continent will be directly impacted by the ongoing reshuffling of alliances—perhaps more so than other parts of the world.
2. **Connections to the Middle East and the GCC:** Changes in alliances in early 2025 might create a three-pronged ripple effect in EMEA: (i) **Terminal reshuffling:** The formation of new shipping alliances has led to some reshuffling of hub terminals, although no major structural shifts have been observed. (ii) **Increased pressure on hub ports:** The hub-and-spoke model announced by Gemini emphasizes the need for fast, automated, and congestion-free operations to handle growing volumes and maintain reliability. While many GCC ports remain underutilized, efficient operations and competitive costs are crucial for securing hub status in global networks, which provides relative advantage to European operations. (iii) **Partnership opportunities:** The integration of feeders into mainliner networks presents an opportunity for ports to establish frequent and synchronized shuttle services that demonstrate high reliability and seamless operations to potential partners.
3. **The threat of tariffs: Is Europe next?** Given the ongoing dynamics unfolding, Europe should proactively prepare in case they are faced with a similar situation. The implications in the short to medium term are mostly around the import market from Asia. European shippers may have the opportunity to acquire off-price excess capacity.
4. **A potential Red Sea crisis resolution:** This would benefit European ports and shippers with much lower transit times.

ASIA-PACIFIC

1. **Tariffs and the potential impact on transpacific exports/imports:** Container lines with intra-Asia short sea lanes have already seen increased demand in the last couple of years thanks to increased floods of raw materials and components flowing out of China for assembly in Southeast Asia.
2. **Gaza and the Red Sea Crisis resolution:** The long-term reshaping of routes will continue to be highly relevant for Far East Europe trade lanes in 2025. Stakeholders are anticipating at least a temporary reopening of the Suez Canal, which would cut two weeks off current transit times. This lane carries 30% of the world's container freight, more than any other route, and transit times were stretched by 30% due to the need to circumnavigate the Cape of Good Hope. Reopening the Suez would generate a supply check that would resonate throughout the entire industry.
3. **Local geopolitical conflicts:** There is potential for rapid if somewhat under-the-radar growth in 2025 of sanctions-busting container shipping. Already, small, fast-growing container lines are plying secondary routes to feed cargoes into the Middle East, and from there to Iran and Russia.

Pivotal questions from industry peers and key stakeholders for the container industry in 2025 are also part of our deep dive into each region.

We look forward to discussing concerns relating to these areas more fully with you.

IMPLICATIONS FOR STAKEHOLDERS

Carriers

The Red Sea crisis will remain the central concern of carriers until it is resolved. As much as 30% of global trade traveled via the Red Sea in 2023. Forced by the crisis to travel instead via the Cape of Good Hope, vessels travel 30% longer distances, leading to higher fuel consumption, a 40% increase in CO2 emissions, and capacity reductions of about 7-8%. The squeeze created a rate bonanza for carriers—the CCFI doubled, and the SCFI more than tripled from October 23 to July 2024, and rates are still up significantly since the outbreak of the crisis. But those salad days may be coming to an end, as heightened competition and excess capacity work together to drive rates downward.

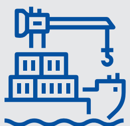
The uncertainty around the resolution of the crisis, as well as the certainty that other disruptions will emerge, require carriers to engage in detailed scenario planning and build flexibility into their operations so that they can quickly change course as events demand. And as always, they need to keep a close eye on costs, up 20-30% since 2019, and ensure that the cash they earned in 2024 is deployed properly. The need for cost reduction will likely drive adoption of AI and machine learning tools for efficiency gains in both specific use cases and more general operational applications.

Shippers

Chastened by the experience of the past five years, shippers are diversifying supply chains and developing relationships with multiple suppliers across different regions. The most forward-looking are partnering with key suppliers to plan alternative transportation modes or shipping routes, minimizing the potential impacts of any disruption, and leveraging data and analytics to predict disruptions and respond proactively with real-time insights.

Shippers should be wary of over-reliance on a single carrier or forwarder to mitigate the risk of disruptions. Depending on the volumes moved along each of the trade lanes that a shipper uses, we recommend concentrating volume between one to two partners and allocating some volumes to a reliable forwarder that can step up in the event of disruption.

Shippers should also test carriers' and alliances' strategies to improve schedule reliability to enable them to plan with greater confidence and reduce delays and uncertainty.



3PLs and freight forwarders

Logistics service providers have become critical for smaller shippers to help them navigate an increasingly volatile sector. The latest tariff announcements specific to North America render freight forwarders and customs brokers even more crucial players in the trade ecosystem. Their niche will remain secure as long as they continue to meet their customers' needs. Like the carriers, 3PLs and forwarders (especially non-asset operators) will be focused on cost reduction, applying AI and machine leaning tools to specific elements of their activities to promote efficiency gains.

Investors

Multiple carriers revised their earnings guidance sharply upward throughout 2024, as expectations shifted over the course of the year from heavy losses to strongly positive returns. In the near term, investors in container shipping lines scan expect returns to remain positive. Over the medium term, we expect more volatility as incremental capacity comes online and the Red Sea crisis abates. Bear in mind, though, that there is always another disruption just over the horizon.

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CONCLUSION

Geopolitical conflict and trade tend to follow each other. Revamped shipping alliances and sharply divergent strategies arrive on the market. Capacity veers from barely adequate to overwhelmed. It's a turbulent world out there for container shipping stakeholders. With no sure sense of the market's direction in 2025, the best option for stakeholders is to step up their data and analytics capabilities and get good at course correcting on the fly.

Fortune favors the nimble, well-informed and, well-prepared.

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