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Global container shortfall at 4mn, tightness to remain

02 Jun 21, 18:42 - Metals, Freight

London, 2 June (Argus) — The global container industry has a 4mn shortfall because of higher-than-expected demand and production halts throughout Covid-19, and conditions are unlikely to change this year, a senior executive at logistics group DP World said at the Bureau of International Recycling's World Recycling Convention this week.

Container production was essentially paused in April-June last year on forecasts of reduced demand and lower activity, DP World chief network officer Andrew Hoad said at the virtual event.

Approximately 3.5mn-4mn twenty-foot equivalent units (TEU) of new containers are injected into the container industry each year, which means nearly 1mn new boxes were lost last year amid the second-quarter factory closures.

Hoad said the global fleet is calculated to be 70mn-75mn TEUs, with around 50mn of these "totally serviceable under any circumstance" as they are less than 14 years old.

"If it's a 50mn TEU global serviceable fleet and the factories closed down for a quarter and you lose 1mn [containers], then you have lost 2pc of your global fleet," he said.

The 2pc decline along with higher demand and restocking were compounded by widespread congestion, which requires an additional 10pc of box capacity to be available to offset the decline in boxes on the water. Consequently, the global container logistic system is estimated to be facing a shortfall of 4mn boxes.

Hoad said there were miscalculations over the impacts of Covid-19 on economic activity last year.

"I don't think I've ever seen an event where so many forecasters got it so wrong," he said. Some of the forecasts outlined included expectations that the world would close down, demand would disappear, ships would be anchored and there would be no need for additional containers so construction activity in key economies would be halted.

"But of course, exactly the opposite happened where demand went through the roof," Hoad said. "And I don't think it's too much of an exaggeration to say that the world has run out of containers."

Covid-related closures a year ago led to many containers going to atypical locations, which upset the normal market balance and placed additional pressure on the logistics chain.

Restocking last year along with a sharp increase in demand as economies restarted then led to container congestion, exacerbating existing issues.

The ability to get access to containers in certain industries — including recycled metal — that have either low-rated freight or ship to inconvenient geographies has become a "critical, competitive weapon", Hoad said.

Carriers' main focus now is turning containers around to get them back to China as quickly as possibly and many are shying away from their traditional approach of "double-dipping" — taking surplus boxes to alternate destinations en route.

Hoad said that DP World does not see the global container freight scenario changing in 2021 and that it expects tightness to persist throughout the year.

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