

OCEAN MARKET UPDATE

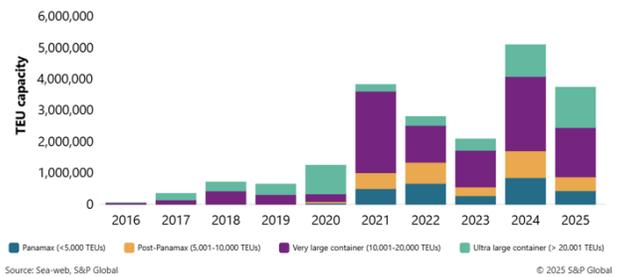


CURRENT STATE

After months of diversions around the Cape of Good Hope due to Red Sea security risks, ocean carriers are cautiously reassessing a return to Red Sea and Suez Canal routings, though operators stress that any moves remain limited and reversible rather than a full normalization. Maersk has begun testing the waters by routing a single westbound vessel through the Bab al-Mandeb Strait following the Israel-Hamas ceasefire, which has coincided with a pause in Houthi attacks and lower war-risk insurance premiums. However, freight forwarder acceptance remains a key constraint. For example, Hapag-Lloyd recently dropped plans to reinstate a Suez routing on its India-US East Coast TPI service after failing to secure sufficient cargo backing. Largely due to concerns over insurance liabilities, it has been difficult to obtain the necessary sign-off. This divergence highlights a growing disconnect between carrier readiness and cargo-owner risk tolerance, with forwarders increasingly acting as the gatekeepers to any sustained Suez recovery. As a result, current Red Sea transits remain largely experimental and service-specific, rather than embedded into core network planning. While some carriers such as CMA CGM and Evergreen are pursuing limited or planned returns (including CMA CGM's scheduled restart of a Suez-based Indamex rotation from January) widespread normalization remains uncertain. Even a partial return to Suez risks triggering a 'ship surge' into Europe, as vessels from both the longer Cape route and shorter Suez passage converge on ports such as Rotterdam, Antwerp, and Hamburg. This could increase congestion and schedule disruption, with knock-on effects for inland transport and inventory flows.

A surge of ultra-large vessel deliveries over the past two years has cascaded capacity from the main Asia-Europe trades into secondary lanes, spreading structural overcapacity as Red Sea diversions, Panama Canal constraints, and alliance reshuffling in 2025 forced carriers to redeploy vessels worldwide. As new alliance networks reached a steadier operational state in the second half of 2025, mid-size ships were permanently absorbed into trades such as the Mediterranean-US East Coast and Asia-East Coast South America, while growth in Asia-Mediterranean slowed as the lane approached saturation. Analysts caution that this reshuffling has created a deeper structural imbalance in the global fleet, with oversupply concentrated in large vessels and a looming shortage of aging sub-5,000-TEU ships that are essential to feeder and intra-regional networks, a gap that could become more visible if Red Sea transits fully resume.

Majority of vessels on order are in the 10,000-plus TEU segment
Global container ship fleet order book development by ship size each year

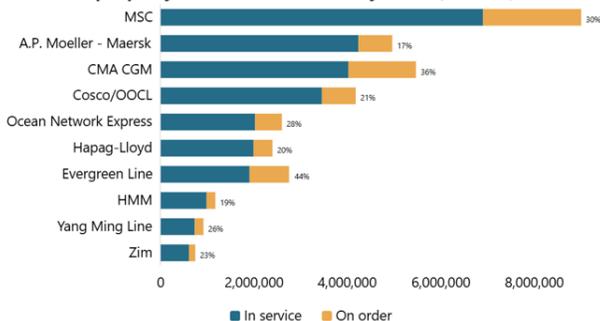


MARKET FORECAST

The Premier Alliance has unveiled its updated 2026 network, maintaining rerouted services around southern Africa to avoid the Red Sea due to ongoing security risks, while emphasizing flexibility, safety, and reliability amid geopolitical uncertainty. Members ONE, HMM, and Yang Ming said they are closely monitoring conditions in the Red Sea and Suez Canal, with no large-scale return to the shorter route seen as imminent despite some market optimism. Analysts note continued concerns over the threat posed by Houthi militants, though CMA CGM has announced limited Suez transits on its Indamex service. As shippers assess the new network, schedule reliability remains a key focus, with Premier Alliance performance improving slightly but still weak in 2025. However, fewer port calls in the 2026 design and additional vessel capacity from HMM are expected to support better on-time performance and greater operational stability.

Despite fewer container ship deliveries scheduled for 2026 than 2025, their market impact is expected to be more disruptive as slowing demand, softening rates, and saturated absorption capacity increase pressure toward widespread vessel idling and eventual scrapping. While 1.48 million TEUs will be delivered in 2026, much larger waves of capacity are coming (2.3 million TEUs in 2027 and 3.4 million TEUs in 2028) far outpacing projected demand growth of just 2.5%-3.5% in 2026. Temporary absorbers such as port congestion, Red Sea diversions, and faster sailing speeds have masked overcapacity, but these factors are fading and insufficient long term. With global volume growth slowing to multi-year lows and minimal idling or scrapping to date, rising operating costs and weaker rates make aggressive capacity withdrawal increasingly unavoidable, pointing to significant idling and scrapping of aging vessels unless demand unexpectedly surges.

Container ship capacity in service and on order by carrier (Sea-web)



Chinese New Year 2026 is expected to create a longer and more diffuse disruption period than in past years, as manufacturers begin moving inventory earlier and pre-holiday surges spread over multiple weeks. Major ports like Shanghai and Shenzhen, along with high-dependency sectors such as electronics, textiles, toys, and automotive, are likely to face sustained congestion and capacity pressures. Overall freight demand may be softer than in previous peak years, moderating extreme rate spikes, but geopolitical tensions in China-Taiwan, conflicts in Ukraine and the Middle East, and potential shifts in U.S. trade policy add additional unpredictability. Shippers and logistics providers are increasingly focusing on early planning, flexible routing, nearshoring, and AI-driven scenario modeling, reflecting a strategic shift toward anticipating disruptions and building resilience rather than simply reacting to them.

Source: S&P Global

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Sources: Alphaliner, Journal of Commerce (JOC), The Loadstar, Freightos Terminal, Sea-Intelligence, Container-News.com, Seatrade Maritime, Descartes, Splash247