



## What is just beyond the horizon for shipping in the rest of 2021 & 2022?

Looking within a short-term horizon, the outlook for container shipping over the next 2-3 months appears relatively well-known, although certainly not well-liked by shippers. In essence, we will continue to see a situation of bottleneck problems, capacity shortages and high pressure on rates. This is, hopefully, not a surprise to anyone now.

The International Monetary Fund (IMF) has just published their new global economic outlook, and they have revised economic growth projections for 2021 and 2022 upwards. They now expect global GDP to grow 6.0% in 2021 and 4.4% in 2022. For the U.S, the growth expectation for 2021 is higher at 6.5%, while for China and India it is much higher at 8.4% and 12.5% respectively.

This means that strong container demand growth is anticipated to persist through not only 2021 but also 2022 based on these economic projections.

The very high freight rate level presently is sustained by severe bottleneck effects, and the problematic issue is that the ripple effects from the Suez incident will further postpone the ability to re-balance container flows as well as handle port congestion. In all likelihood, the bottlenecks might not be removed until sometime during Q3 2021 at the earliest and this might not be until Q4 2021.

Carriers do have more vessels on order and have placed orders for basically a million TEUs of vessel capacity over the past couple of months. However, these new orders will only be delivered in 2023-2024. This has caused charter rates for container vessels to grow rapidly. This implies that carriers expect a tight market for vessels in the next couple of years.

For Q3, and possibly into Q4, we will continue to see a very tight market in terms of capacity and freight rates will see a continued pressure to remain at very elevated levels. The main driver is shippers who in the present environment prioritize supply chain resilience more than transactional freight costs.

Coming into late 2021 and further for 2022 the bottlenecks will disappear, and a more normal supply/demand environment will emerge. This will cause a reduction in freight rate levels, but due to the continued strong demand growth and modest delivery of new vessels the reduction is unlikely to be at the same levels as seen before the pandemic.

Reference: [morethanshipping.com](https://www.morethanshipping.com)