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Container Ship Orders Hit Four-Year Low

No new orders for nine months; world fleet shrinks on scrapping, delayed deliveries

The container ship order book is down to its lowest point since 2005 as ocean carriers and charter ship owners impose a buying freeze in a bid to rein in capacity amid plunging freight rates and shrinking cargo volumes.

The 30-year growth in the global container fleet also is stalling as increasing numbers of older vessels are scrapped and shipyard deliveries slow down.

The number of box ships on order at the beginning of August fell below 1,000 for the first time since February, to stand at 990 vessels with a combined capacity of 5.27 million TEUs, according to Clarkson, the leading London shipbroker.

The order book is equivalent to 41.6 percent of the existing world fleet, measured in TEUs.

The intense downward pressure on container shipping has led to a complete stagnation in orders for new ships, Clarkson said. "Nine consecutive months have now passed in which zero new box ship capacity has been placed on order"

Ocean carriers and owners are estimated to have spent around \$100 billion on containership orders between 2006 and 2008.

The growth in the liner fleet has almost stalled in recent weeks, with total capacity deployed on liner services increasing by only 10,000 TEUs in July, according to Alphaliner.

This is the lowest month-to-month growth recorded by the Paris-based consultant since it started tracking the box ship fleet ten years ago.

The containership fleet itself grew by only 20,000 TEUs in July, with 15 vessels totaling 73,600 TEUs delivered, while 34 ships of 54,000 TEUs were scrapped.

The number of box ships sold for demolition so far this year has passed 275,000 TEUs with increasing numbers of larger vessels heading for breakers yards. Of the 148 ships scrapped this year, 85 were controlled by carriers while charter owners accounted for 63 vessels.

While carriers and owners face a growing surplus of capacity, with 1.34 million TEUs, or 10.4 percent of the world fleet currently unemployed, they also risk a shortage of small and medium-sized vessels within a few years.

There are "striking" imbalances in the world order book, according to Alphaliner. While orders for ships

over 4,000 TEUs represent 62.8 percent of the existing fleet, the figure for vessels under 4,000 TEUs is just 11.3 percent.

The fleet of ships under 3,000 TEUs will stagnate over the next three years as deliveries will only compensate for the scrapping of elderly vessels without allowing any demand-driven fleet expansion, according to Alphaliner.

It may be time to order smaller ships "although such a conclusion can be shocking in the current over-supplied market," the Paris consultant concedes.

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