

# Container Market Update Webinar

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Lars Jensen  
CEO, Partner

Vespucci Maritime



# Major regularity trade uncertainty

A firehose of new tariff announcements from the US

- 10% on China, then 20%
- 25% on Mexico and Canada, then paused, then re-instated, then partially paused
- 25% on steel and aluminum
- 25% steel on some autos and autoparts
- ..... And more
  
- Abolition of de minimis, then paused
  
- Reciprocal tariffs – Doomsday on 2<sup>nd</sup> April
  
- Retaliation implemented from China and Canada
  
- EU has vowed to retaliate
  
- China+Japan+S.Korea have now made a joint alliance to retaliate



# Red Sea crisis is again full-on

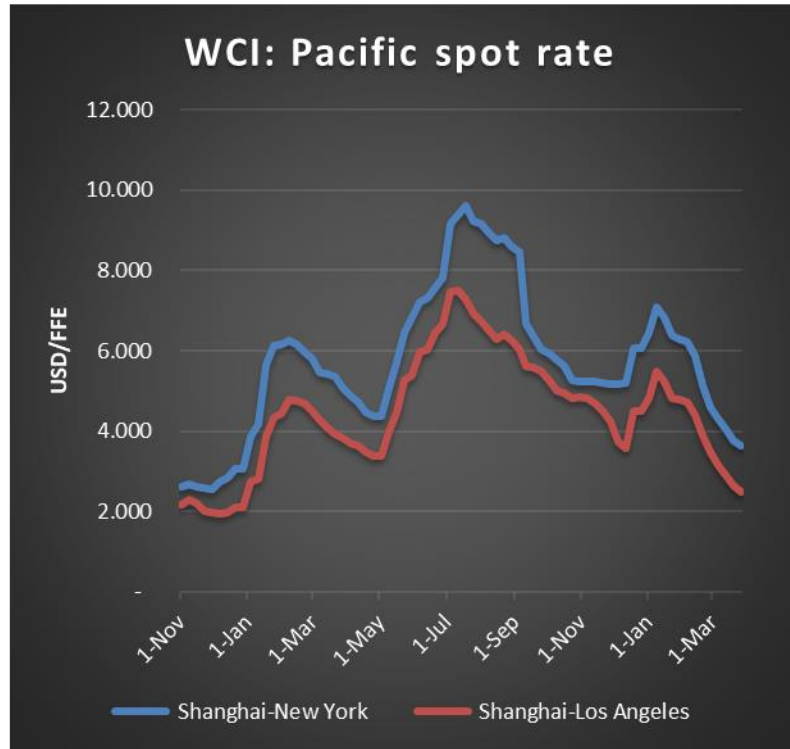
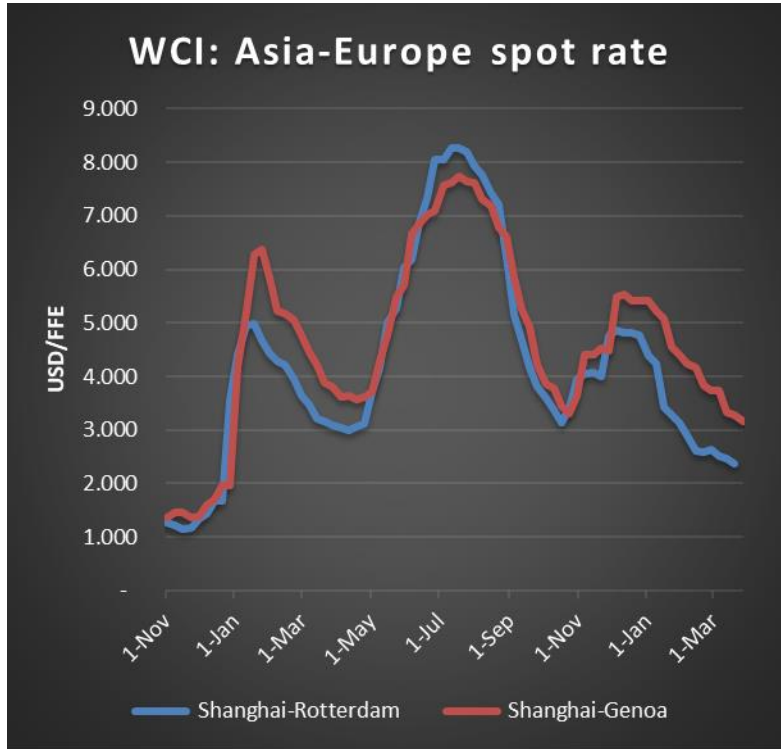
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- US aerial attacks on Houthi locations for a bit over 2 weeks
- Israel/Gaza ceasefire no longer in effect
- Houthis have stated they will again attack vessels
- Will US attacks be effective?
- They did perform aerial attacks for 6 months during 2024 with no effect in terms of creating a safe passage
- UK and Israel also did attacks on Houthi positions in 2024 – with no effect in relation to a safe passage

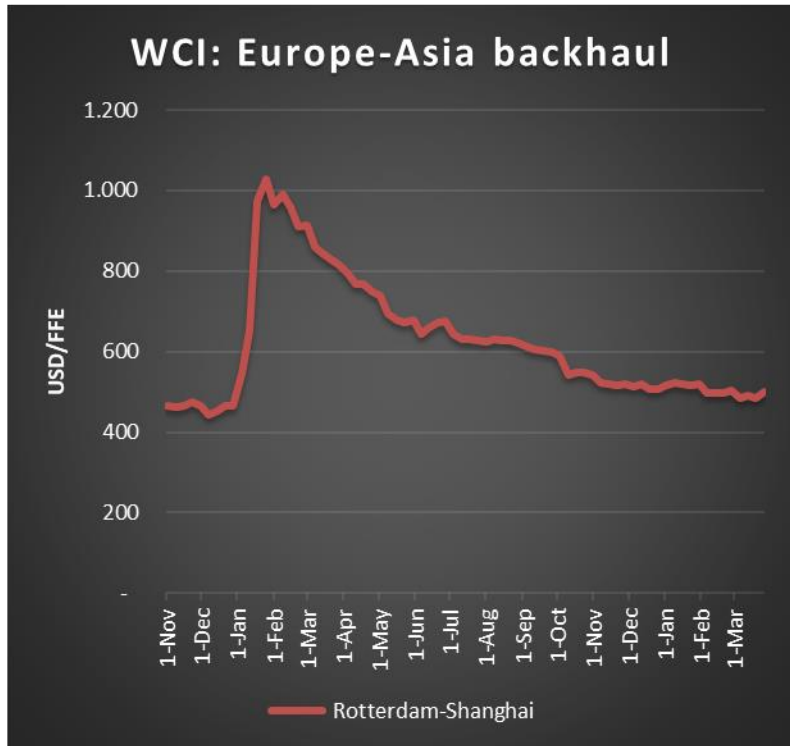
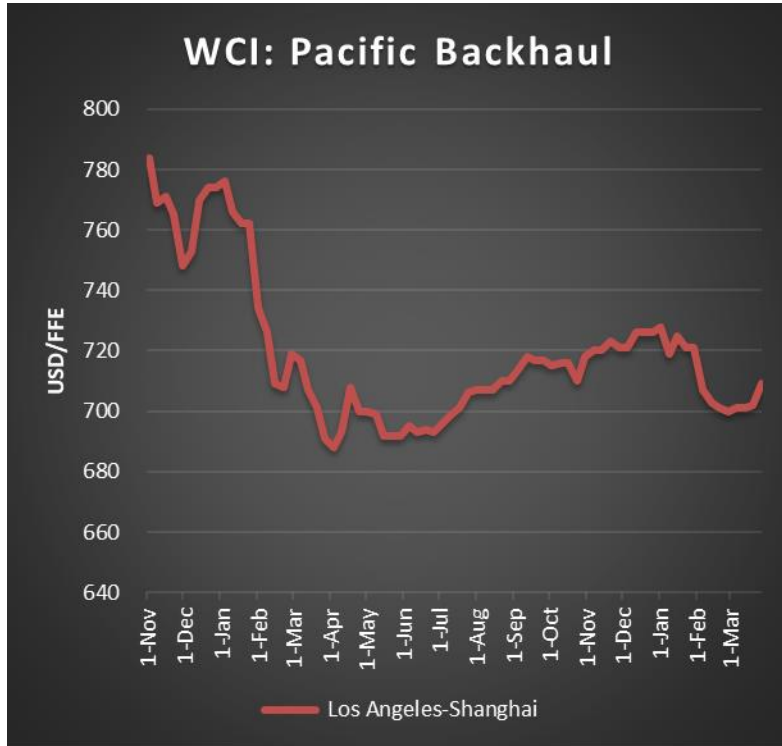


# Strong rate downturn

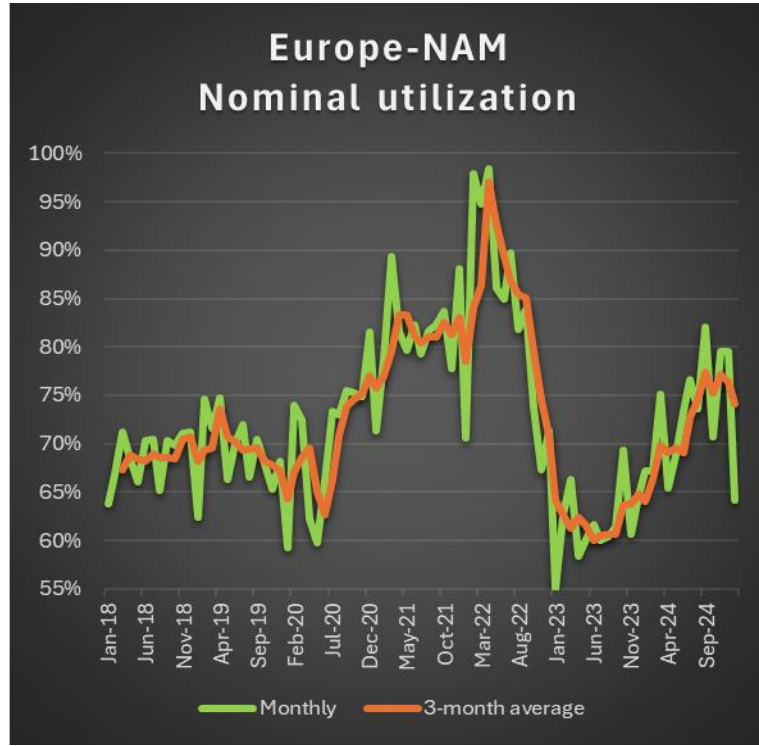
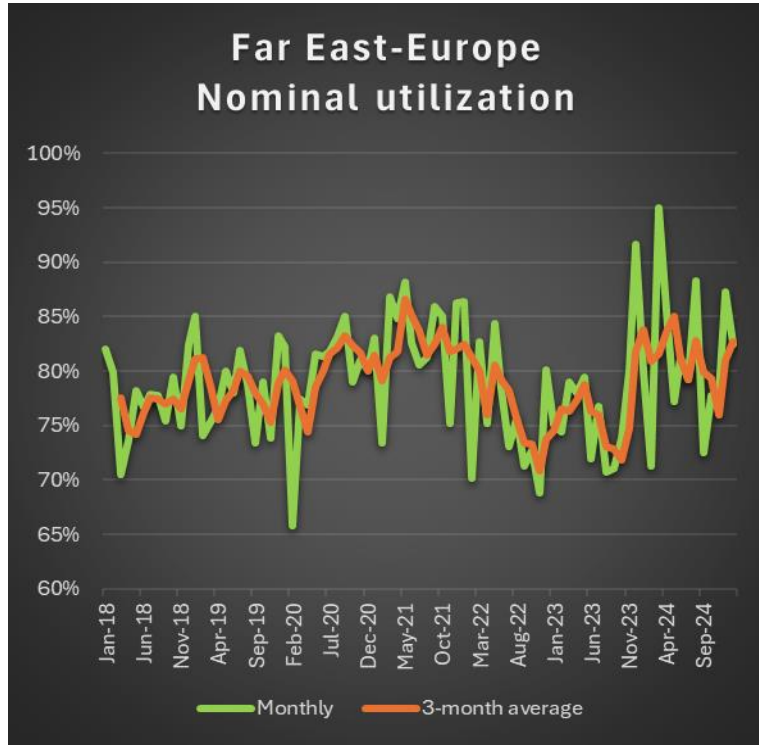
## Asia-Eur still high, but USWC trending quite low



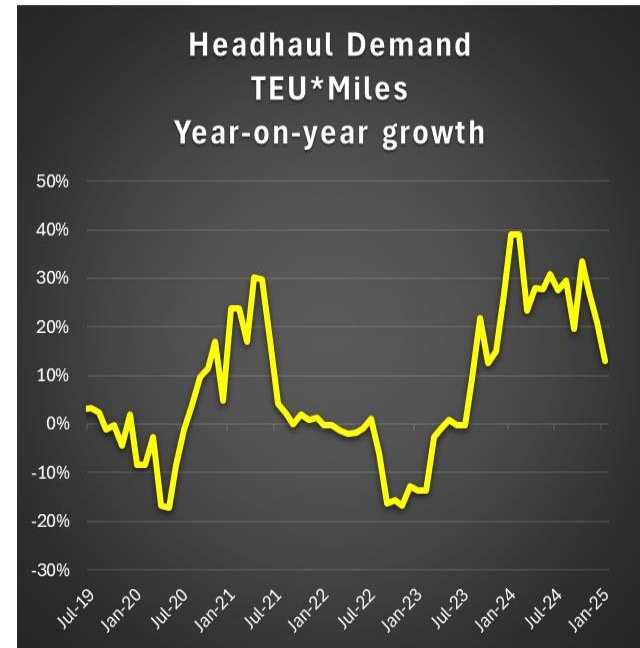
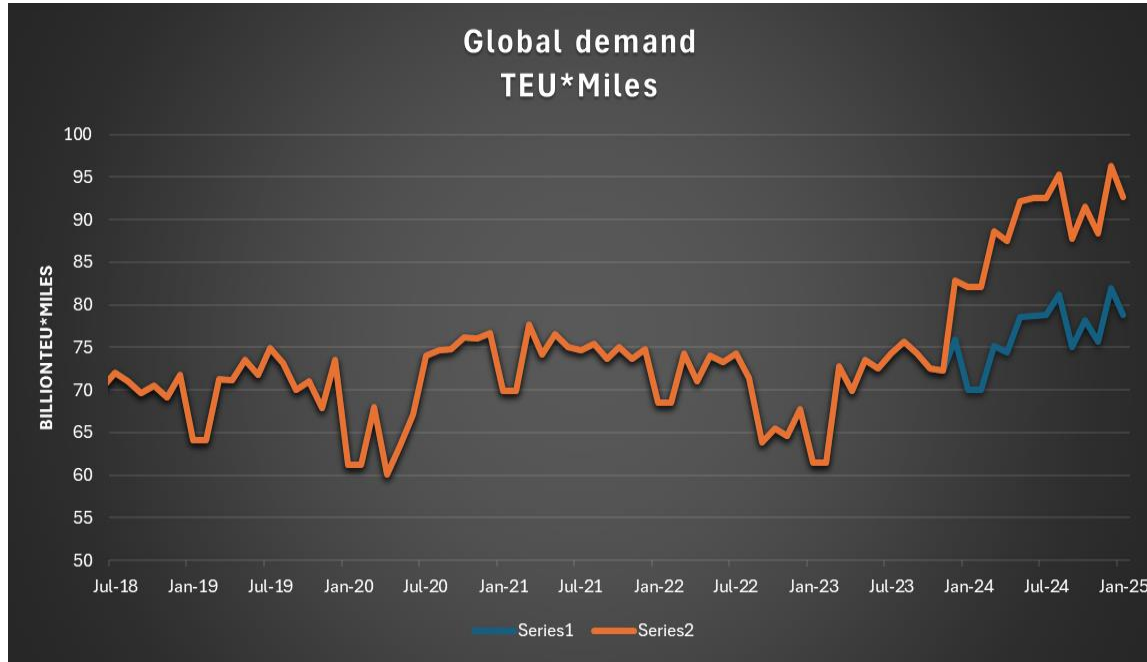
# ...however US backhaul trending up



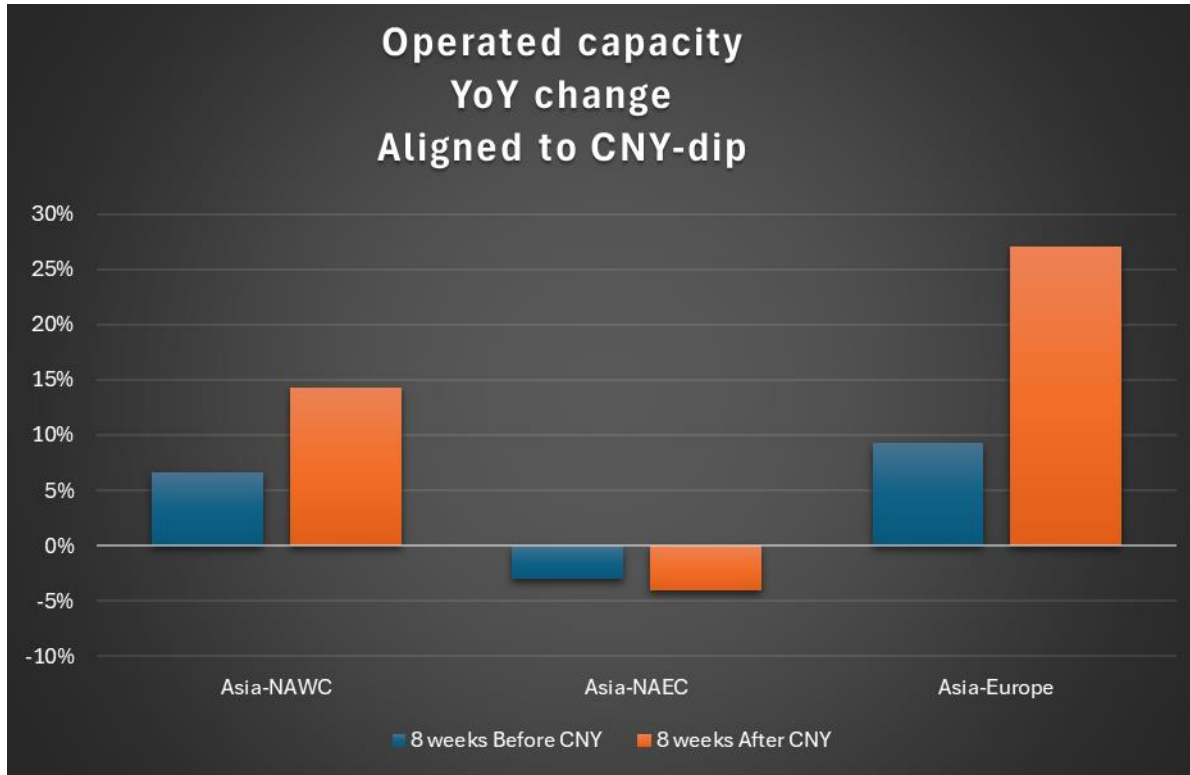
# Utilization shifts downwards



# Demand remains strong



# Carriers not controlling capacity

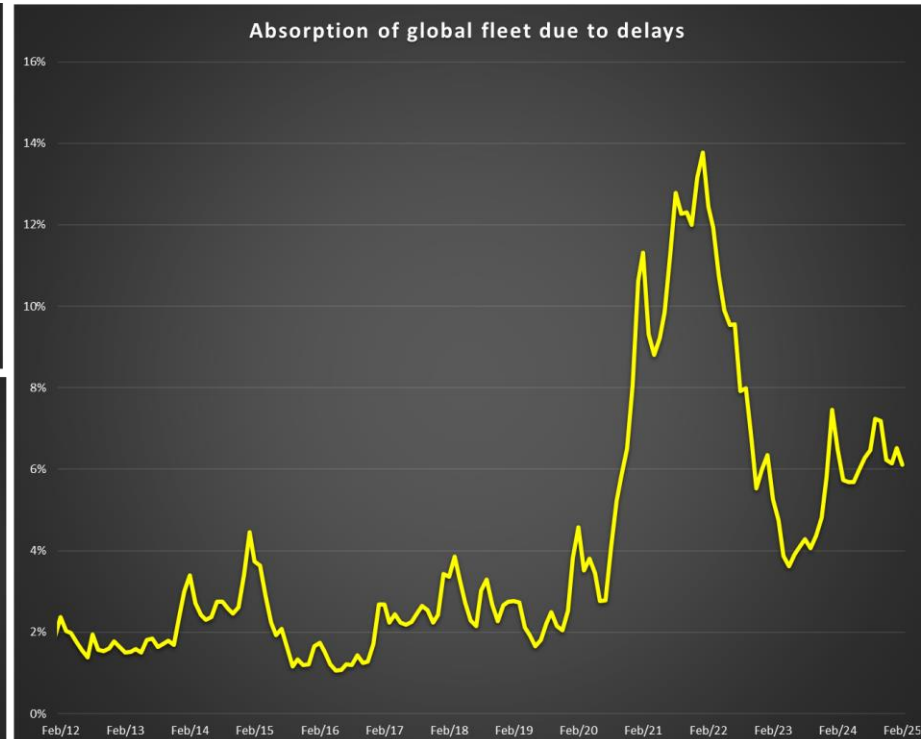
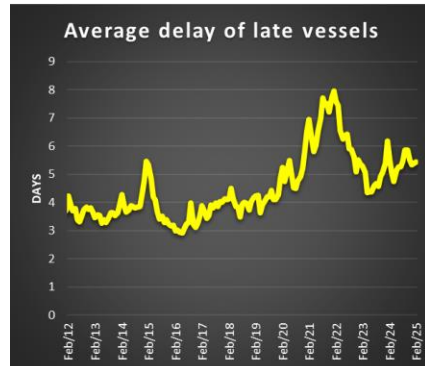




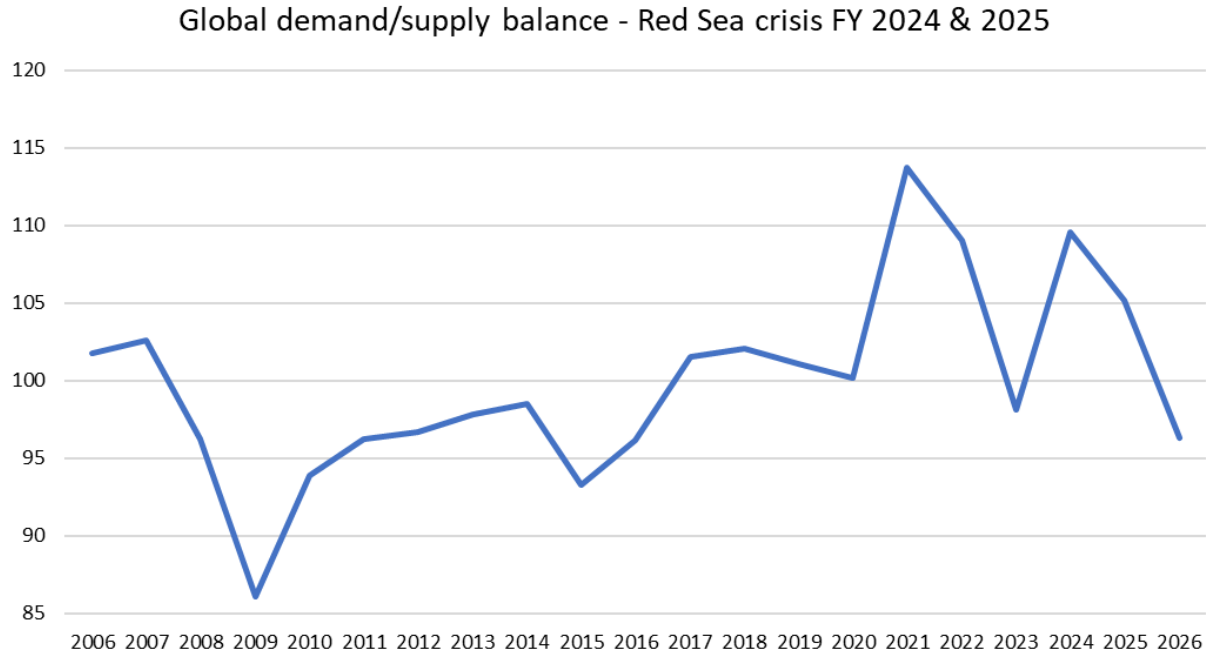
# Reliability remained poor in February

Positive indications from new alliance services in February:

Gemini: 94%  
MSC: 80%  
Premier: 60%



# Baseline if Red Sea crisis is not resolved in 2025



BUT: Increasingly high uncertainty related to sudden US market downturn

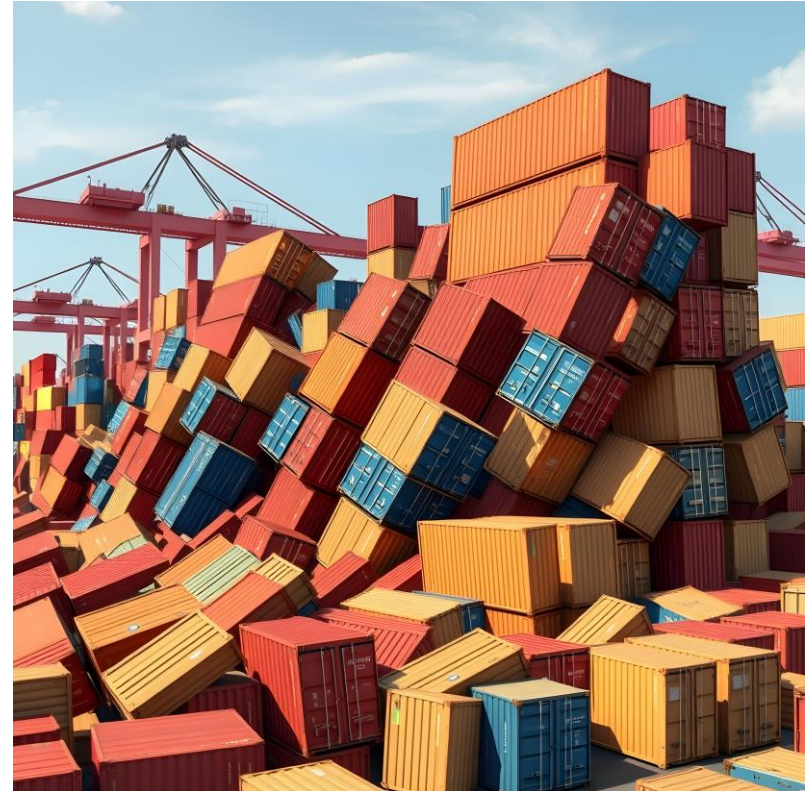
# Red Sea re-opening

**Port congestion**  
**Shortage of trains, truck and barge**  
**Pressure on warehouses**

**Sharp drop in demand**

**2-3 months later: Shortage of empty containers in Asia**

**And then a collapse in freight rates**

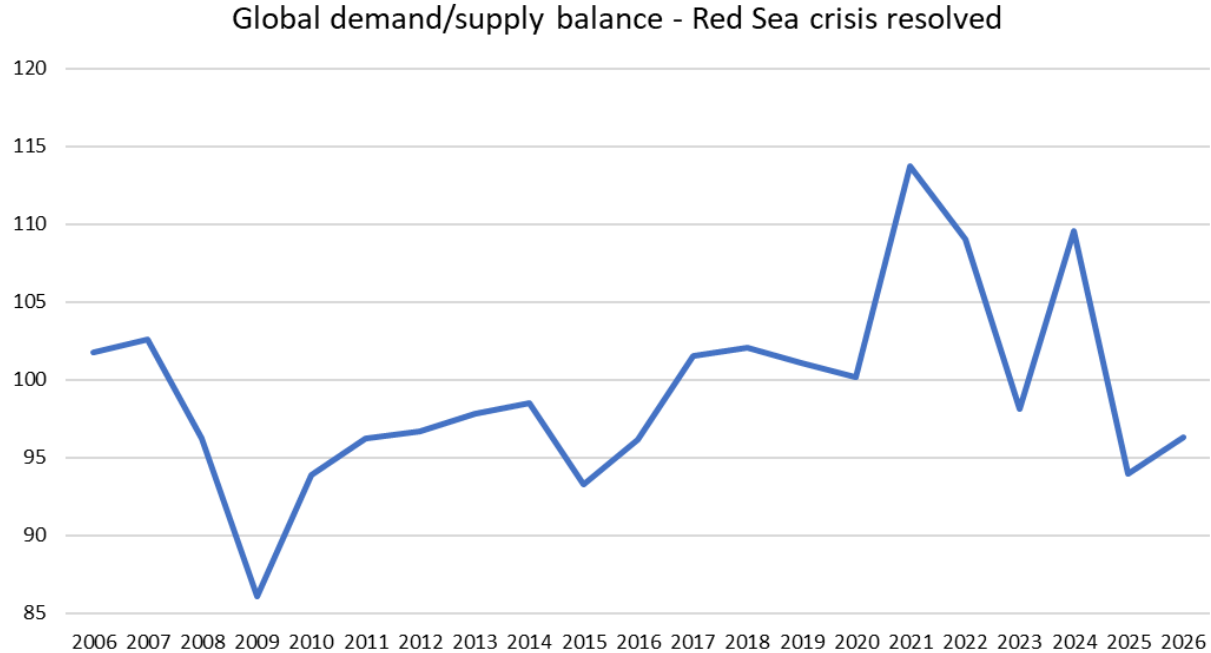


# The drivers of post-Red Sea overcapacity

- Q4 2023 clearly had overcapacity, spot rates reached pre-pandemic levels and carriers were loss-making
- Short-term congestion keeps a tight market, but once congestion is resolved:
- Global capacity has grown 10.5% and global demand has grown 6.2% in TEU
- Reliability likely to improve – can add another 2-4% capacity
- Temporary demand drop in Asia-Europe
- Scrapping likely to be an effect delayed at least 4-6 months



# Baseline if Red Sea crisis is resolved in 2025



BUT: Increasingly high uncertainty related to sudden US market downturn

# America First suggestions

- Ships for America in December
- USTR 301 in February
- USTR: My estimate presently is a cost of 24 Billion USD, provided no changes
- USTR: Mandate to use US-flag, US-built vessels. Unclear this is even physically possible
- Draft Executive Order

Supply chain stakeholders will react by changing the setup to minimize costs. This could include:

- Fewer portcalls per string in the US
- More cargo through Canada and Mexico
- Possible closure of several niche carriers
- More TS cargo via the Caribbean
- Creative use of intermediary companies
- Essentially focus on lowest cost compliance



# Geopolitical challenges

- Red Sea / Gaza
- Russia/Ukraine war
- Panama Canal
- Canada 51<sup>st</sup> state
- Greenland
- Taiwan
- South China Sea



# Decarbonization and Environment

- 2025 will see two meetings in MEPC to agree on binding measures for decarbonization
- The formula for the global carbon tax on marine fossil fuels appear to be skewed when comparing savings in USD versus savings in CO2
- Regionalization risks creating major loopholes





# Possible maritime disrupters in 2025

- Bottlenecks in US government functions such as US Customs
- US recession
- EU demand boom
- Escalation in Middle East to encompass Suez Canal itself
- Taiwan crisis resulting in blockage of Taiwan straits



# Get ready for 2025

