

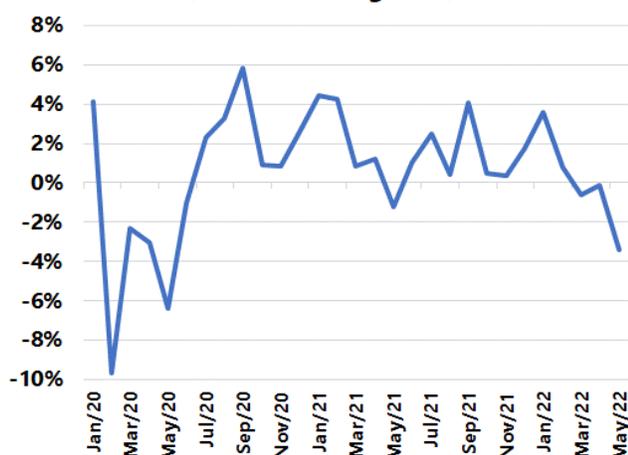
Distance impact turning negative

In the first article of issue 574 of the *Sunday Spotlight*, we looked at the development of the average distance a laden TEU moves, as well as its impact on global vessel capacity. The underlying data has been sourced from Container Trade Statistics (CTS), overlapped with our own calculations on sailing distances and TEU*Miles.

As a starting point, we looked at the sailing distances on the head-haul and saw a sharp drop during the initial phase of the pandemic, followed by a swift rebound in the second half of 2020. That elevated level was maintained all the way to early 2022, whereafter there was a notable decline. Assuming constant sailing speeds, an increase in sailing distances would also result in a commensurate increase in the need for vessel capacity.

At the start of the pandemic, the need for vessel capacity dropped by more than 6%, which was met with blank sailings by the carriers. As the market rebounded, the sailing distance effect resulted in the need for 1% additional vessel capacity, on top of any impact the volume growth in itself contributed. This effect was quite stable from mid-2020 until January 2022. However, from February 2022 the effect has shifted and has become negative. The latest data from May 2022 shows a negative effect of -1.0%.

Fig. 1: Added capacity needed to match distance change (Headhaul+Regional)



If we factor in the regional trades as well, figure 1 then shows the impact on the need for additional vessel capacity. During the pandemic market disruptions in the period mid-2020 to January 2022, the distance impact was a need for 2.1% additional capacity – on top of any capacity injection needed to cater for trade growth in itself. However, the developments into 2022 have shifted to become negative, and in May 2022 we now see a distance impact, where there is now a reduced need for vessel capacity of -3.4%, as a consequence of shortening distances.

As the current market is clearly on a downwards trajectory in terms of supply/demand balance, this shift in sailing distance impact once more becomes an added element, pushing the development – this time downwards.

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