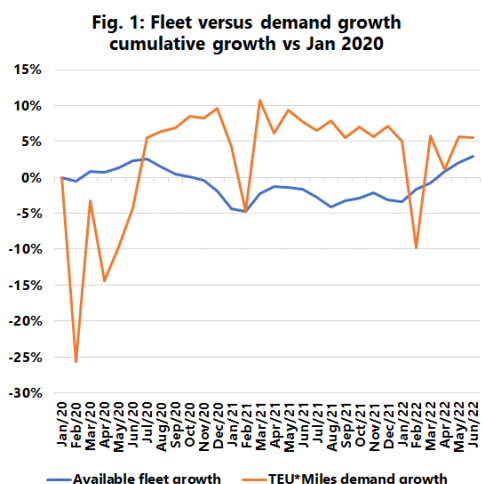# Excess global demand almost eliminated

In the first article of issue 578 of the *Sunday Spotlight*, we analysed what the removal of capacity from the market (by virtue of vessel delays) means for the effective growth in the global fleet, and its impact on the global supply/demand balance.

As a starting point, we modelled the underlying structural fleet growth, also accounting for the unavailability of global fleet due to vessel delays. While nominal fleet grew at a steady rate of roughly 4% Y/Y in 2020-2022, there was a substantial decline in the available fleet as delays started to become severe, with a sizeable difference between the two.

Fig. 1: Fleet versus demand growth cumulative growth vs Jan 2020

As a better basis for comparing global demand to global fleet size, we used TEU*Miles. Figure 1 shows the cumulative growth in available fleet size and demand in TEU*Miles versus January 2020. The large spikes in demand in February 2021 and 2022 are purely a Chinese New Year effect, and do not signal any underlying shifts.

It becomes evident that the extreme strength in favour of the carriers in 2021 is driven by a consistently higher cumulative demand growth than the available fleet. This effect began in July 2020 and has only begun to taper off in recent months. In fact, demand was consistently 10% higher than capacity from November 2020 to January 2022. However, the gap has been narrowing, and is now down to 2% versus the pre-pandemic levels.

All in all, what the data shows is that the extreme spikes in freight rates in 2021 were indeed driven by a situation where demand suddenly exceeded capacity at a global level, primarily driven by the unavailability of capacity. The recent trend towards normalisation has in turn also been primarily driven by gradual improvements in schedule reliability and vessel delays, and as long as improvements continue, we should expect that the supply/demand balance will also continue to decline, and freight rates will be under increasing downwards pressure.

--- 000 --- END OF PRESS RELEASE --- 000 ---

All quotes can be attributed to: Alan Murphy, CEO, Sea-Intelligence.

For more information, please contact: ia@sea-intelligence.com, am@sea-intelligence.com