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**HMM, Yang Ming report first quarter losses**

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It was a loss-making start to 2020 for Yang Ming, and revenue will remain under pressure through a difficult second quarter. Photo credit: Shutterstock.

Asian carriers Yang Ming and HMM continued their run of quarterly losses, with the coronavirus disease 2019 (COVID-19) impact on Chinese volumes dragging down their first quarter results.

Both carriers — loss-making through 2019 — are receiving state aid to help maintain liquidity through a crisis in demand brought on by COVID-19, with HMM set to receive $382 million from the South Korean government, and Yang Ming’s board earlier this month approving a private placement of 300 million shares to raise capital.

HMM reported an 18.7 percent decline in the first quarter of container volume to 890,000 TEU, but cost-saving efforts and the securing of higher-yield cargo allowed revenue to remain flat at $1 billion, the carrier said in a statement. While HMM reported a net loss of $55 million, it was still a 63.2 percent improvement on the same quarter last year.

However, the carrier warned that the outlook for the year was uncertain. “The knock-on effects of the COVID-19 pandemic still persist,” HMM said in its earnings statement this week. “Trade volumes are expected to be weakened as a result of demand-side impacts in the US and Europe, as well as continued lockdowns worldwide. Rising concerns over the US-China trade tensions related to geopolitical risks also can intensify the situation.”

Taiwanese carrier Yang Ming Line reported a $27.15 million loss in the first quarter, with revenue falling 1 percent to $1.15 billion. Volume was down 4 percent year over year to 1.24 million TEU, while bunker fuel costs went up 5 percent as the IMO 2020 low-sulfur fuel regulation was implemented on Jan. 1.

“Coupled with the slow resumption of production after Lunar New Year, and the proactive service and space reduction plan instituted by THE Alliance in response to the COVID-19 outbreak, container business earnings were weaker than expected,” the carrier said in a statement.

**Canceled sailings also blanking revenue**

Yang Ming is bracing for a difficult second quarter during which it expects reduced revenue because of large scale capacity withdrawals. However, according to credit agency Taiwan Ratings Corps, the carrier’s link to the government will remain intact and the company will continue to benefit from favorable borrowing costs and liquidity support from banks in Taiwan. The state owns 48 percent of Yang Ming.

Despite the uncertain market outlook for the year, Alphaliner noted that both Yang Ming and HMM will raise their capacity over the next two years. Yang Ming is set to receive 14 new ships of 12,000 TEU each, and 10 ships of 2,800 TEU in 2020–22, while HMM will receive 12 new ships of 23,000 TEU — two of which have been delivered in the past weeks — and eight units of 15,000 TEU in the next 18 months.

The ships will sail into a bleak container shipping environment. Simon Heaney, container research senior manager at Drewry Shipping Consultants, said the anemic volume growth rates of 2019 will make way for double-digit slumps during the third and fourth quarter.

“The strength of the recovery will depend on the economic recovery measures and whether consumer confidence can be supported,” Heaney said in a Drewry webinar this week. “We are seeing some countries starting to relax lockdown measures, but it is unlikely you will see an immediate return to business in the near term.”