



# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

JULY 21, 2021

### KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Port congestion worsening, particularly at Los Angeles / Long Beach, Savannah, and Vancouver
- Southeast Asia supply chains hammered by Covid Delta-variant lockdowns
- FAK and Premium rates on the way up again as carriers announce congestion surcharges in August
- Rail operations temporarily suspended at Vancouver gateway and at UP's Chicago Global IV


### STATE OF THE TRADE – JULY 21, 2021

As predicted, the summer peak season export push from Asia is causing an increase in ship- and cargo-congestion at US ports, while Covid restrictions in Southeast Asia threaten to derail exports in July and August altogether. The number of vessels at anchor at major US gateway ports has increased over the past two weeks (next page) as new services and independent extra loaders emerge in Asia. Cargo backlog – and specifically booking backlog at origin is showing no improvement versus past months, as booking cycles are still 3-4 weeks pre-ETD, while empty container shortages and late vessels continue to delay exports from Asia. Blank sailings have crept up in July versus earlier estimates, with over 130,000 TEU voided in the second half of July, while early August blanks accumulate. As of July 20<sup>th</sup>, over 85,000 TEU (and counting) is scheduled to be voided in the first two weeks of August. The continuation of the operational blank sailings and compounding congestion – which will only result in even more blank sailings downline – is mitigating the effects of nominal capacity growth during the summer months. New services by Matson and new transpacific entrants China United Line and BAL Container Lines are positive steps, but the aggregate capacity deployed each week among the new services, along with scattered few extra loaders, still only claws back about 15 percent of the total capacity lost through the recurrence of blank sailings. Downstream effects of the ongoing series of supply chain kinks – most recently the Union Pacific's decision to close its Chicago Global IV intermodal facility for about one week starting on Sunday July 18<sup>th</sup> – is a perpetual cycle of congestion and blank sailings throughout the remainder of summer as inland container volumes stagnate at ports. Around the same time as the UP's decision, the other main container rail service providers – BNSF, CSX, and Norfolk Southern - announced volume limitations into the Midwest as well. This will further strain resources (chassis, truck power, warehousing) on the coasts and inevitably cause even more severe upstream delays at cargo gateways.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – JULY 21


#### Asia-to-Pacific Southwest (PSW)

Average Vessel Utilization: 100%

Rate Trend next week: 


#### Asia-to-Pacific Northwest (PNW)

Average Vessel Utilization: 100%

Rate Trend next week: 

#### Asia-to-US East Coast (USEC)

Average Vessel Utilization: 100%

Rate Trend next week: 

## VESSELS AT ANCHOR – UPDATE AS OF WEEK 28

- **Los Angeles / Long Beach:** 18 vessels @ anchor
- **Oakland:** 16 vessels @ drift; 14 @anchor (total 30)
- **Charleston:** 5 vessels @ anchor
- **Savannah:** 15 vessels @ anchor
- **New York / New Jersey:** 1 vessels @ anchor
- **Vancouver:** 16 vessels @ anchor

Los Angeles / Long Beach snapshot:



## SHORT-TERM TRANSPACIFIC CAPACITY TRACKER

### TP Capacity Adjustment Summary by Trades

Trade	Capacity Change	WK 26	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
Asia to PS	TEU Adjustment	-35391	-16812	-21837	-57510	-40620	-22092	-44640	0	-10077
	Total Number	-4	-2	-2	-5	-3	-2	-4	0	-1
% of Total Capacity Adjustment		-13%	-6%	-8%	-21%	-15%	-8%	-17%	0%	-4%

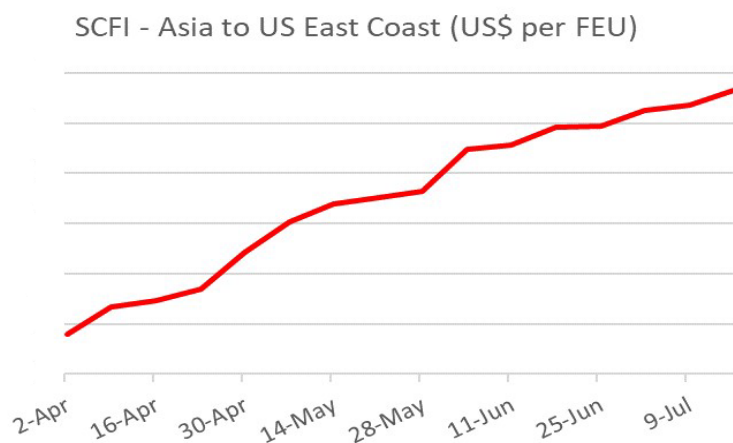
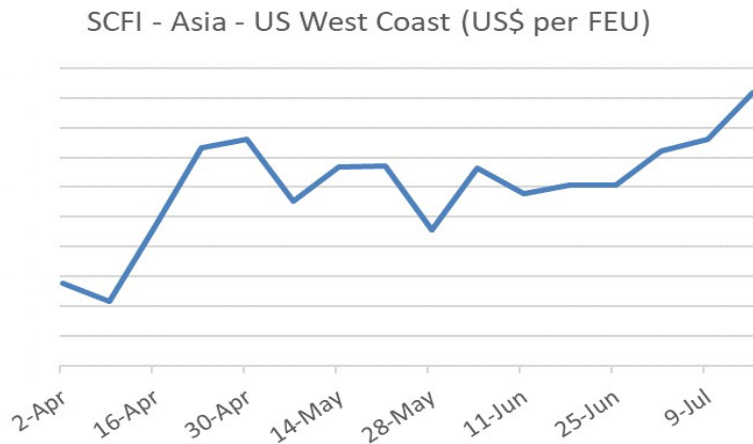
Trade	Capacity Change	WK 26	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
Asia to PN	TEU Adjustment	-18272	-5700	-12900	-8968	-17100	0	-8400	0	-8600
	Total Number	-1	-1	-2	0	-2	0	0	0	-1
% of Total Capacity Adjustment		-15%	-5%	-11%	-7%	-14%	0%	-7%	0%	-7%

Trade	Capacity Change	WK 26	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
Asia to AW+GC	TEU Adjustment	-6724	-32515	-6724	-10000	0	0	-11108	0	-8450
	Total Number	-1	-3	-1	-1	0	0	-1	0	-1
% of Total Capacity Adjustment		-3%	-17%	-3%	-5%	0%	0%	-6%	0%	-4%

TOTAL ALL USA	Capacity Change	WK 26	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
	TEU Adjustment	-60387	-55027	-41461	-76478	-57720	-22092	-64148	0	-27127
	Total Number	-6	-6	-5	-6	-5	-2	-5	0	-3
% of Total Capacity Adjustment		-10%	-9%	-7%	-13%	-10%	-4%	-11%	0%	-5%

## MARKET RATES / INDEX UPDATE

Current Average FAK Rates (not incl Premium Surcharges) as of July 21



## MARKET OUTLOOK & FORECAST – JULY 21-AUG 4

**Space for IPI-bound shipments will be scaled down in the coming weeks, which will cause secondary/coload-market IPI rates to spike.** As rail productivity out of Vancouver also remains compromised due to the effects of forest fires, shippers will see cargo quickly pool especially at west coast ports where the restrictions affect a much greater volume of inbound containerized cargo each week. Trucking and transload resources will be further stretched as importers seek alternatives to rail moves. On the Covid front, **the Delta variant will continue to limit cargo flow from Southeast Asia as these countries expand their respective lockdowns.** This will cause many suppliers to postpone orders and production to August or beyond as production, landside transportation, human resources, and customs operations temporarily downsize. In Vietnam, 20-25 percent of all factories will not be able to comply with the government's requirement to provide quarantine, room, board, and Covid testing for workers. This will result in late / cancelled orders and a likely surge in August (at the earliest), assuming the lockdowns work and the number of infections will recede in the coming weeks. Many carriers have adjusted their South China allocations to afford more space from Yantian to shippers delayed after the port temporarily closed in June, but at the same time FAK, Premium, and spot rates will continue to move upwards as we get into August. Voided capacity appears to be similar in August than than what we have seen in July, further complicating the recovery from South China and Southeast Asia.

**PROJECTED AVERAGE FAK RATES – AS OF JULY 21, 2021**

