
TRANSPACIFIC EASTBOUND TRADE

MARKET SUMMARY & OUTLOOK

OCTOBER 13, 2021

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: New transpacific services continue to roll out in October as US port congestion persists
- Demand: Post-China National Day demand wobbles as carriers open more space under FAK rate levels
- Covid-19: Southern Vietnam productivity back to approximately 30% following easing of restrictions

STATE OF THE TRADE – OCTOBER 12, 2021

Recovery of export volumes out of China following its October 1st holiday remains somewhat sluggish as shippers gain more access to lower-than-premium rate tiers, and as carriers abandon any notion of mid-October rate increases. Load factors remain stable, if somewhat weaker than a month ago, and although carriers open more FAK space to shippers than previously, base rates have not decreased thus far in the month of October. While demand slowly recovers, the number of transpacific services continues to increase – with COSCO launching *two* new BCO-oriented shuttle services to the US West Coast this month. Wholesale/co-load rates, and rates of some small independent carriers such as BAL, have declined by some 25% since late September. Regardless, FAK rates on alliance carriers have remain unchanged thus far in October, as carriers downgrade more bookings from Premium-level rates to FAK-levels – serving as an organic rate reduction in the process.


The number of blank sailings has stabilized in October with little changed since the last report, and slightly fewer vessels sit at anchor in the LA/LB port complex compared to two weeks ago. However, average days at anchor is lengthening - now up to 11.3 days from 10.8 days two weeks ago, and the congestion is not expected to abate much in the coming weeks, regardless of the lower container volumes expected.

Covid-19 restrictions in parts of Southeast Asia have been relaxed, but infrastructure and capacity constraints prevent a swifter recovery from taking place. In the southern part of Vietnam, factory productivity is estimated at only 30%, as a shortage of workers returning from lockdown slow the recovery of the manufacturing sector. The recovery is expected to continue for at least another month.

CARRIER LOAD-FACTORS AND DEMAND TRACKER – OCTOBER 12


Asia-to-Pacific Southwest (PSW)

Average Vessel Utilization: 95-100%

Rate Trend next week: 


Asia-to-Pacific Northwest (PNW)

Average Vessel Utilization: 95-100%

Rate Trend next week: 

Asia-to-US East Coast (USEC)

Average Vessel Utilization: 95-100%

Rate Trend next week: 

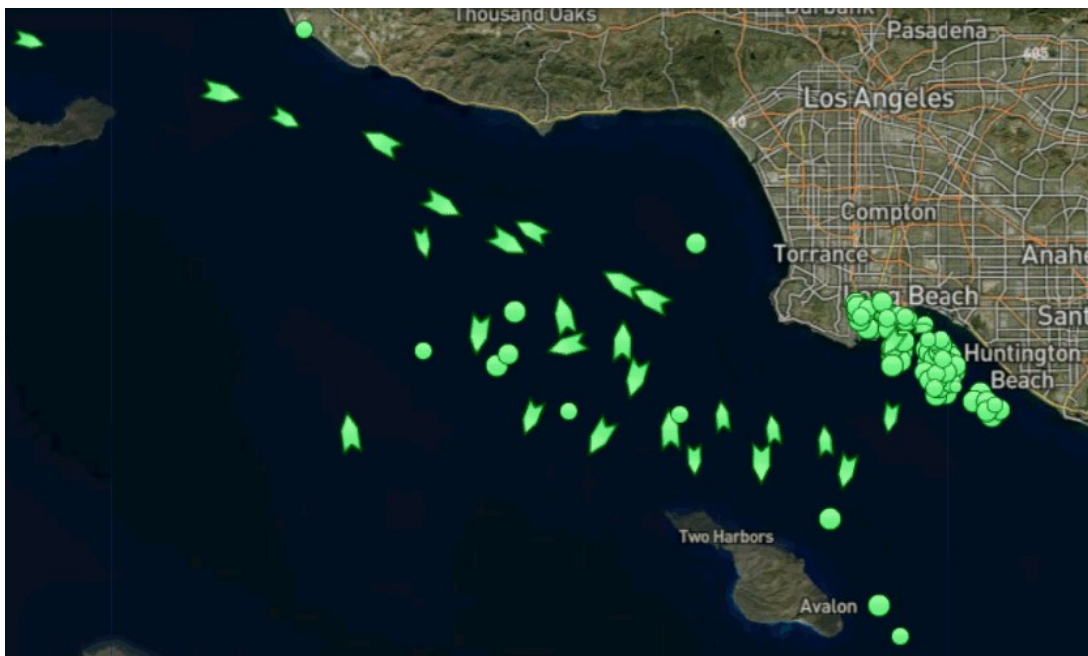
VESSELS AT ANCHOR – UPDATE AS OF WEEK 41

- Los Angeles / Long Beach: 56 @ anchor; 13 vessels drift
- Oakland: 5 @ anchor, 1 vessel drift
- Seattle / Tacoma: 14 vessels @ anchor
- Charleston: 1 vessels @ anchor
- Savannah: 24 vessels @ anchor
- New York / New Jersey: 4 vessels @ anchor

VESSELS AT ANCHOR – 2-WEEK TREND BY PORT

Los Angeles / Long Beach	↓
Oakland	↑
Seattle / Tacoma	↑
Charleston	↓
Savannah	↓
New York	↓

Los Angeles / Long Beach snapshot:



MARKET OUTLOOK & FORECAST – OCTOBER 12 - 28

Current market conditions should continue throughout the remainder of October, and while carriers have announced hefty rate increases for November 1st, likelihood is that ***current rate levels will be further extended into November unless demand suddenly re-emerges***. Carriers' floor-level rate structure – FAK – will remain unchanged, but if the market situation continues as today, carriers may start to reduce Premium rates. By doing this, carriers buffer the impact to overall rate erosion and will be able to preserve FAK rate levels – which sit several thousand dollars below Premium rates - for a longer period of time and until such time that the recovery in exports – assuming that happens – allows the carriers to resume recent commercial patterns.

PROJECTED AVERAGE FAK RATES – AS OF OCTOBER 12