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# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

DECEMBER 2<sup>nd</sup> 2021

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

- Supply: Operational blank sailings up to 150,000 TEU per week expected to continue in December
- Demand: Pre-Lunar New Year cargo surge is beginning with tighter space conditions than two weeks ago
- Covid-19: No Omicron-related restrictions to report but authorities remain vigilant on detection of new strain
- Chinese New Year starts early this year, February 1, 2022.


### STATE OF THE TRADE – DECEMBER 2, 2021

Just as the market was taking a deep breath following the traditional Christmas peak season, demand is beginning to stir again as the 8-week pre-Lunar New Year cargo rush begins in early December. Already carriers are indicating an increase in booking volumes under Premium rates as shippers gear up for the second peak season of the transpacific shipping calendar. China production activity has increased during the second half of November and is expected to continue through December, while in southern Vietnam factory output continues its modest yet steady gains, now at nearly 70 percent capacity and climbing. Although output could mitigate in the coming weeks and months if Omicron outbreaks are detected, real demand remains robust as big box retailers and their suppliers are respectively sitting on anywhere from 10,000 to 25,000 FEU-worth of order backlog, despite slower trade conditions in the last eight weeks. Vessel congestion in LA / LB is increasing again, with more than 100 vessels in the queue as of early this week. The ports of Los Angeles / Long Beach implemented a new queuing process that reduces the number of vessels in San Pedro Bay, but when including all ships waiting further afield, total number of ships waiting for berths was 104 as of Monday November 28<sup>th</sup>. On the opposite coast, the number of vessels waiting for berth in Savannah has reduced from 23 two weeks ago to 18 this week, yet Charleston is seeing an increase (8 total) as more carriers skip Savannah and go directly to Charleston. FAK and Premium rates have remained relatively-stable throughout the past two weeks following a spate of increases, and while there are some isolated rate increases scheduled for December 1<sup>st</sup>, the majority of carriers are extending current FAK and Premium rates through at least mid-December. Co-load / wholesale market rates are starting to see increases, however, as some shippers start to re-activate this option as volumes increase. Co-load rates are climbing particularly in North China and Southeast Asia, two locations that suffer from chronic under-supply.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – DECEMBER 2


#### 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: 

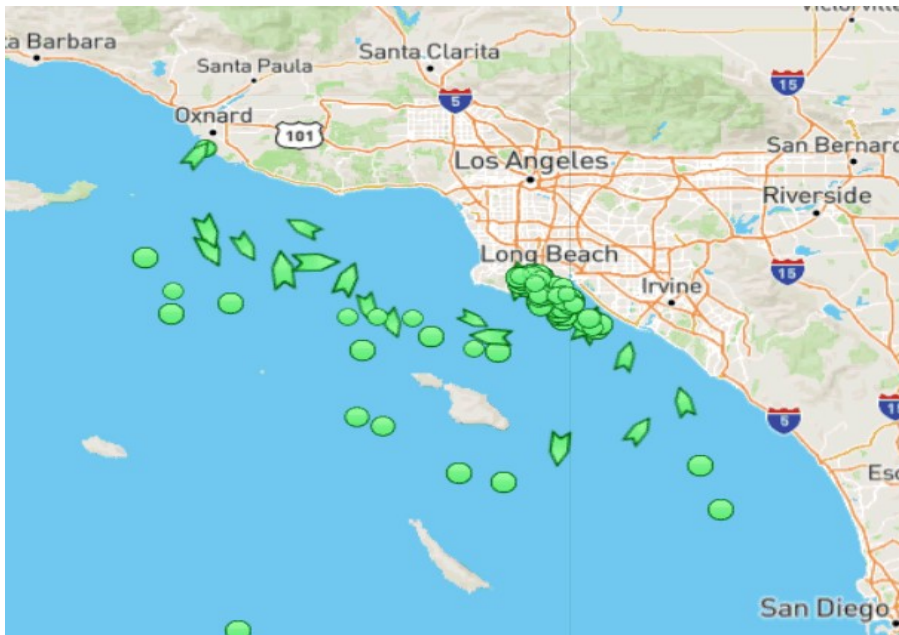
**VESSELS AT ANCHOR – UPDATE AS OF WEEK 48**

- Los Angeles / Long Beach: 51 @ anchor, 53 @ drift / waiting
- Oakland: 8 @ anchor, 3 @ drift
- Seattle / Tacoma: 1 @ anchor
- Charleston: 7 @ anchor, 1 @ drift
- Savannah: 18 @ anchor
- New York / New Jersey: 4 @ anchor
- Houston: 6 @ 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:



## SHORT-TERM TRANSPACIFIC CAPACITY TRACKER

\*\* Weeks with "0" or positive numbers indicate deployment of extra loaders which may offset blank sailings

### TP Capacity Adjustment Updated 23 Nov Summary by Trades

Trade	Capacity Change	WK 44	WK 45	WK 46	WK 47	WK 48	WK 49	WK 50	WK 51	WK 52
Asia to PS	TEU Adjustment	-105462	-90359	-75430	-59502	-74102	-65588	-67240	-37163	-52102
	Total Number	-11	-11	-10	-8	-9	-11	-8	-5	-5
% of Total Capacity Adjustment		-36%	-31%	-26%	-21%	-26%	-23%	-23%	-13%	-18%

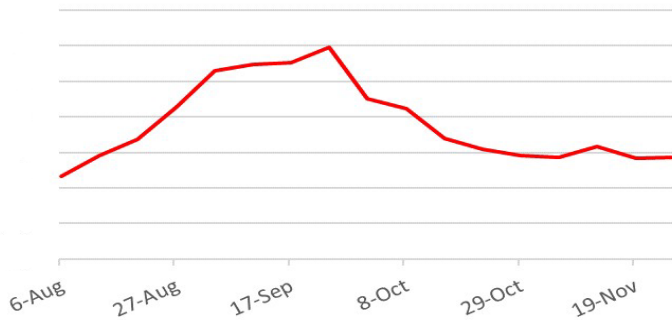
Trade	Capacity Change	WK 44	WK 45	WK 46	WK 47	WK 48	WK 49	WK 50	WK 51	WK 52
Asia to PN	TEU Adjustment	-30386	-23599	-35980	-30176	-19275	-13743	-6492	0	0
	Total Number	-3	-2	-3	-3	-4361	-2	-1	0	0
% of Total Capacity Adjustment		-27%	-21%	-32%	-27%	-17%	-12%	-6%	0%	0%

Trade	Capacity Change	WK 44	WK 45	WK 46	WK 47	WK 48	WK 49	WK 50	WK 51	WK 52
Asia to AW+GC	TEU Adjustment	-30038	-19297	-33167	-33749	-22754	-13492	0	-23600	-13400
	Total Number	-3	-3	-3	-3	-2	-1	0	-3	-2
% of Total Capacity Adjustment		-15%	-10%	-17%	-17%	-12%	-7%	0%	-12%	-7%

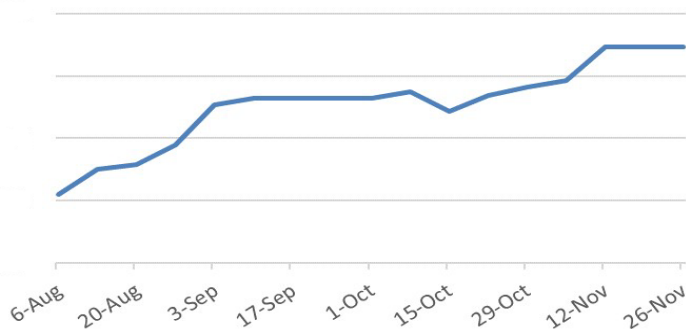
TOTAL ALL USA	Capacity Change	WK 44	WK 45	WK 46	WK 47	WK 48	WK 49	WK 50	WK 51	WK 52
	TEU Adjustment	-165886	-133255	-144577	-123427	-116131	-92823	-73732	-60763	-65502
	Total Number	-17	-16	-16	-14	-4372	-14	-9	-8	-7
% of Total Capacity Adjustment		-28%	-22%	-24%	-21%	-19%	-16%	-12%	-10%	-11%

## SCFI RATE INDEX AS OF DECEMBER 2

SCFI - Asia to US East Coast (US\$ per FEU)



SCFI - Asia - US West Coast (US\$ per FEU)



## MARKET OUTLOOK & FORECAST – December 2-13

With demand picking-up, **space will get tighter in the coming weeks** and we will see **Premium and Co-Load booking activity increase** as carriers once again struggle with handling the demand in an environment of chronic capacity shortages. Carriers are in consensus that operational blank sailings will continue for the medium- to long-term in the range of 100,000 TEU to 150,000 TEU per week – which represents up to 25 percent of total capacity deployed in the transpacific. Coincidentally, real year-on-year November 2021 capacity was 25.5%, meaning **operational blank sailings now routinely offset any capacity growth the market has achieved in the past 12 months**. These headwinds will make it all-but-impossible for importers to avoid another cargo backlog as we progress through December and into the apex of the pre-Lunar New Year peak season in early January. While it is debatable whether FAK rates will increase mid-December (we believe they will), **the co-load market is set to soar** as shippers start scrambling for any available space well ahead of the holiday. The increased demand starting now will prove problematic for terminals later this month, as the vessel backlog will likely maintain, with terminal space, chassis, and rail capacity strained as well with no marked improvement before the end of the month.

## PROJECTED AVERAGE FAK RATES – AS OF DECEMBER 2

