



# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

FEBRUARY 24<sup>th</sup> 2022

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

- Supply: Fewer blanks and more extra loaders in February put some strain on carrier fill factors
- Demand: Slower-than-expected recovery in February expected to leak into March
- Covid-19: Suzhou lockdown has little effect on sea freight exports – for now

### STATE OF THE TRADE – FEBRUARY 24, 2022

Despite fading hopes of a 2021-like ‘bounce-back’ after the Lunar New Year holiday, carriers taper blank sailings in the second half of February in the hope for a faster volume recovery in March. Although rate levels have not been impacted by the slower-than-expected recovery, access to lower rate classifications such as FAK – particularly to US IPI locations – is more abundant as March approaches. February fill factors remain in the upper-90’s to 100 percent range but largely due to such an aggressive blank sailing program over the first two weeks of the month. Extra loaders from ZIM, as well as newcomers Sea Lead and BAL, are also taking some of the steam out of the recovery; this as blank sailings drop significantly in late February to below 20 percent of nominal trade capacity, down from 30-40 percent earlier in the month. Compared to pre-pandemic years, 2021 post-holiday recovery would be considered satisfactory, but with February YOY capacity growth exceeding 20 percent and with expectations high after last year’s quick recovery, the 2022 post-holiday market appears underwhelming by comparison. Wholesale/co-load rates to the US west coast have dropped by 25-30 percent from many China origins. However, co-load rates have not changed in February from areas suffering more structural space shortages (such as Haiphong, Vietnam), and are expected to *increase* on March 1<sup>st</sup>. Carriers are weighing March 1<sup>st</sup> general rate increases but at this point it seems unlikely that market momentum will allow them to follow through with significant rate hikes. A Covid-related lockdown in the city of Suzhou – a manufacturing hub for semiconductor companies - could have an effect on markets (especially air exports) in the weeks ahead as chip production slows, but there is no immediate impact to sea freight export demand. Covid infection rates are still hampering US terminal and trucking activity, with trucker and labor shortages at the ports of New York / New Jersey resulting in longer turn times. The number of ships at anchor is reducing overall, and while some ports are seeing a rise in the number of vessels waiting for berths, the number of ships at anchor/drift outside LA/LB is at its lowest since early October.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – FEBRUARY 24, 2022

#### 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 7**

- Los Angeles / Long Beach: 75 @ anchor / drifting / slow steaming
- Oakland: 14 @ anchor
- Seattle / Tacoma: 4 @ anchor
- Charleston: 30 @ anchor
- Savannah: 5 @ anchor
- New York / New Jersey: 6 @ anchor
- Houston: 10 @ anchor

**VESSELS AT ANCHOR – 2-WEEK TREND BY PORT**

<b>Los Angeles / Long Beach</b>	
<b>Oakland</b>	
<b>Seattle / Tacoma</b>	
<b>Charleston</b>	
<b>Savannah</b>	
<b>New York</b>	
<b>Houston</b>	

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 21 Jan  
Summary by Trades

Trade	Capacity Change	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to PS	TEU Adjustment	-78230	-68295	-83642	-17190	-60596	-28402	-36426	-14334	-11644	0
	Total Number	-11	-8	-8	-3	-7	-4	-2	-1	0	
% of Total Capacity Adjustment		-26%	-23%	-28%	-6%	-20%	-10%	-12%	-5%	-4%	0%

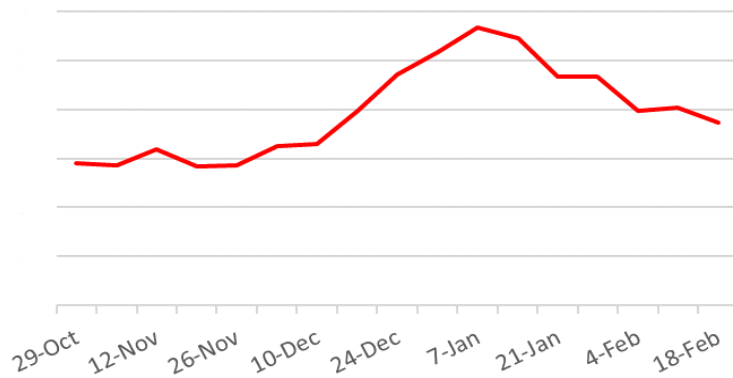
Trade	Capacity Change	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13	WK 14	WK 15	WK 16	WK 17
Asia to PN	TEU Adjustment	-35035	-24550	-6000	-35000	-2060	-2060	-6000	0	0	0
	Total Number	-6	-4	-1	-4	-1	-1	-1	0	0	0
% of Total Capacity Adjustment		-32%	-22%	-5%	-32%	-2%	-2%	-5%	0%	0%	0%

Trade	Capacity Change	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13	WK 9	WK 10	WK 11	WK 12
Asia to AW+GC	TEU Adjustment	-25688	-30617	-12118	-6800	0	0	0	0	0	0
	Total Number	-2	-3	-1	-1	0	0	0	0	0	0
% of Total Capacity Adjustment		-12%	-14%	-6%	-3%	0%	0%	0%	0%	0%	0%

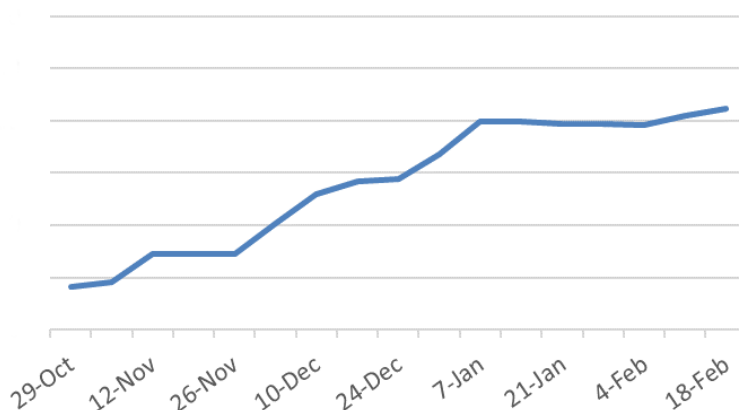
TOTAL ALL USA	Capacity Change	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13	WK 9	WK 10	WK 11	WK 12
	TEU Adjustment	-138953	-123462	-101760	-58990	-62656	-30462	-42426	-14334	-11644	0
	Total Number	-19	-15	-10	-8	-8	-5	-5	-2	-1	0
% of Total Capacity Adjustment		-22%	-20%	-16%	-9%	-10%	-5%	-7%	-2%	-2%	0%

## SCFI RATE INDEX AS OF FEBRUARY 24<sup>th</sup>

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



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



## MARKET OUTLOOK & FORECAST – FEBRUARY 24 - MARCH 9

**As blank sailings draw down into March and capacity increases, carriers face their first supply/demand test of the post-pandemic market.** Demand is still expected to improve in March, but it is clear that cargo backlogs are at their lowest levels in months and there is less urgency among shippers to move cargo ‘at any cost’. Capacity is expected to increase further in March, with recent congestion easing (read: fewer blank sailings) and the launch of a spate of extra loaders and new- and upgraded-services starting in March. **While we do not expect the rate-floor to decrease in the coming two weeks, carriers will continue to release more space under FAK-rates than in past months, especially from locations where capacity is ample.** Carriers whose rates sit at the highest arc of FAK ranges may bring rates more in line with market averages, but no seismic rate activity is expected to take place. Southeast Asia and smaller outports may still suffer from elevated rates and space shortages, however, as structural capacity issues including erratic feeder schedules and main-line port omissions continue. Carriers will continue to release more space to inland (IPI) locations, in an effort to both yield higher revenues and reduce equipment congestion at destination ports, particularly LA/LB.

## PROJECTED AVERAGE FAK RATES – AS OF FEBRUARY 24

