



# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

MAY 11, 2022

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

- Supply: Blank sailings stabilize as carriers begin to accept the reality of slower volume growth
- Demand: April volumes down sharply year-on-year as retailers recalculate inventories and forward demand
- Covid-19: Shanghai lockdown extended; Covid disruptions likely to persist through the entire year



### STATE OF THE TRADE – MAY 11, 2022

As the calendar flips to May the words ‘rate normalization’ might become a more frequently-used catchphrase, as demand levels wobble while weekly capacity deployment stabilizes in the transpacific trade. While the expectation was that carriers would undergo ‘massive’ blank sailings during Shanghai’s extended lockdown and due to the overall malaise in demand, the opposite holds true as announced blank sailings for the month of May are at their lowest levels since the start of the pandemic. Although average load factors are below 100%, revenues – both new contract and FAK – remain historically-high, and even with the continued possibility of spot-rate erosion carriers remain wildly profitable on a per-voyage basis. This might explain the lack of urgency to blank more sailings in May, especially since several carriers are in the midst of launching new or upgraded services. Despite media reports of rates “free-falling” or in a “nose-dive”, average moving FAK rates still have only declined by between 1-3% since Lunar New Year. Due to the wide range between low-to-high rates amongst carriers, respective FAK rate reductions are not reflective of such a “free fall” as some might believe. Shanghai’s ongoing lockdown continues to present major headwinds for a market which is on the cusp of its traditional peak season, and there is some sentiment that restrictions similar to those ongoing in Shanghai could persist in China for the remainder of the year. Although Shanghai’s benchmark for reopening was the May labor day holiday, that milestone has been pushed back to the early-June Dragon Boat holiday, or perhaps later. In the US, productivity gains in Los Angeles / Long Beach have been offset by challenges with empty container returns in the New York / New Jersey area. Vessel congestion is rising in New York, but continues to improve in LA/LB, Savannah, and Charleston (next page). Truck turn times and average dwell for vessels awaiting berth in LA/LB remains stable.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – MAY 11, 2022


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

Average Vessel Utilization: 90-95%

Rate Trend next week:  



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

Average Vessel Utilization: 90-100%

Rate Trend next week: 

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

Average Vessel Utilization: 90-100%

Rate Trend next week:  

## VESSELS AT ANCHOR – UPDATE AS OF WEEK 19

- Los Angeles / Long Beach: 32 @ anchor / drifting
- Oakland: 13 @ anchor
- Seattle / Tacoma: 0 @ anchor
- Charleston: 7 @ anchor
- Savannah: 6 @ anchor
- New York / New Jersey: 17 @ anchor
- Houston: 9 @ anchor
- Norfolk: 12 @ anchor

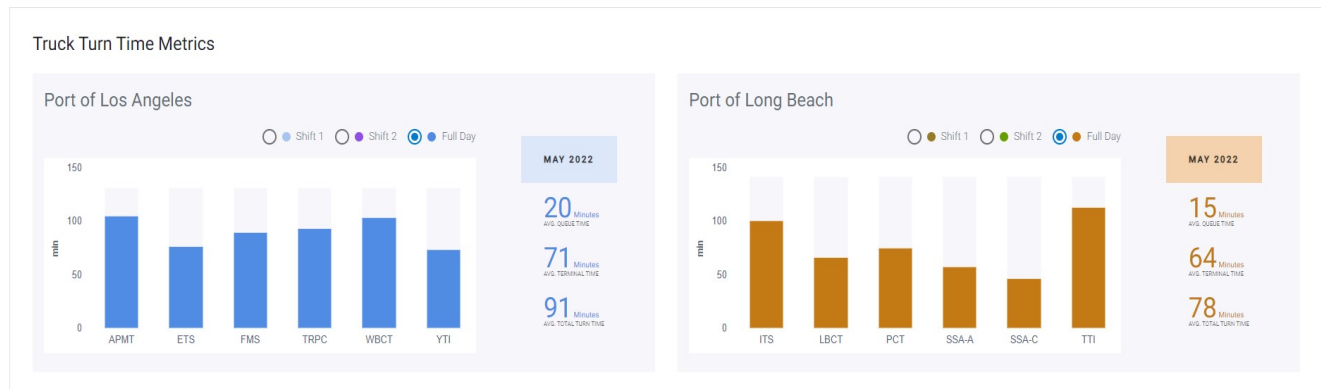
## VESSELS AT ANCHOR – 2-WEEK TREND BY PORT

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

## PORT OF LA / LB KPI TRACKER

**Average Time Awaiting Berth:** 2.6 days

### Truck Turn Times



## 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 4 May  
**Summary by Trades**

Trade	Capacity Change	WK 18	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25	WK 26
Asia to PS	TEU Adjustment	-48084	-70544	-34954	-28760	-10990	-6310	-6310	-6310	-6310
	Total Number	-7	-10	-5	-4	-3	-2	-2	-2	-2
% of Total Capacity Adjustment		-16%	-24%	-12%	-10%	-4%	-2%	-2%	-2%	-2%

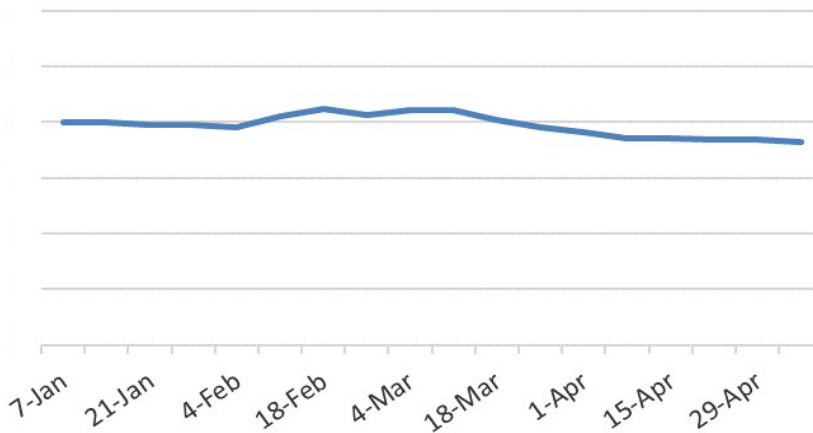
Trade	Capacity Change	WK 18	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25	WK 26
Asia to PN	TEU Adjustment	-34090	-41904	-26060	-15600	0	0	0	0	0
	Total Number	-6	-7	-4	-3	0	0	0	0	0
% of Total Capacity Adjustment		-28%	-35%	-21%	-13%	0%	0%	0%	0%	0%

Trade	Capacity Change	WK 18	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25	WK 26
Asia to AW+GC	TEU Adjustment	-14214	-28214	-2970	-19600	0	-16147	0	0	0
	Total Number	-2	-2	-1	-2	0	-2	0	0	0
% of Total Capacity Adjustment		-6%	-12%	-1%	-8%	0%	-7%	0%	0%	0%

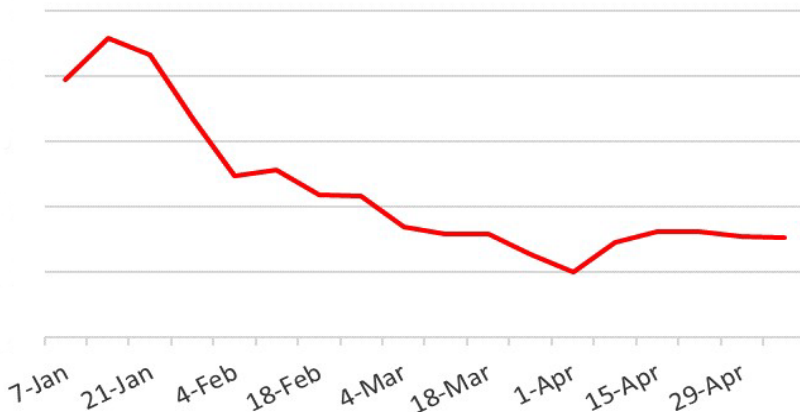
TOTAL ALL USA	Capacity Change	WK 18	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25	WK 26
	TEU Adjustment	-96388	-140662	-63984	-63960	-10990	-22457	-6310	-6310	-6310
	Total Number	-15	-19	-10	-9	-3	-4	-2	-2	-2
% of Total Capacity Adjustment		-15%	-22%	-10%	-10%	-2%	-3%	-1%	-1%	-1%

## SCFI RATE INDEX AS OF MAY 11

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



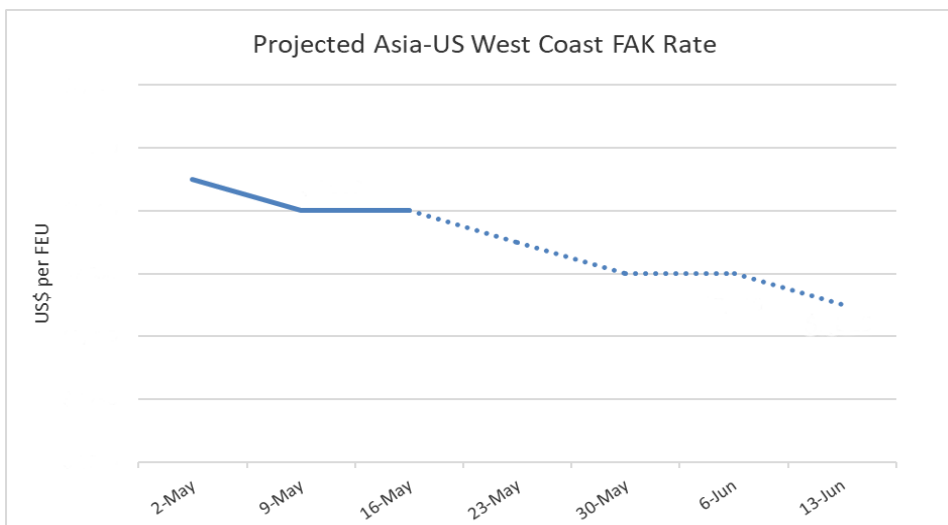
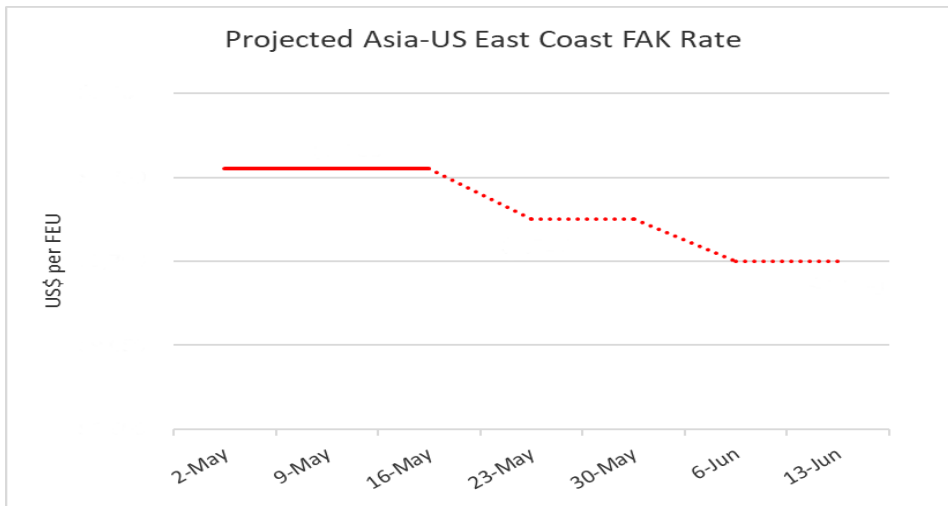
SCFI - Asia to US East Coast (US\$ per FEU)



## MARKET OUTLOOK & FORECAST – MAY 11 – MAY 24

With Shanghai’s protracted lockdown showing little signs of resolving itself within the month, and the less-than-clear path forward regarding this and similar Covid-restrictions taking place in China, **demand levels will remain compromised in May**. As blank sailings appear to have stabilized and net transpacific capacity is expected to increase during the course of May with new and upgraded services, **sentiment is stronger for a more steady decline in spot/FAK rates as the month progresses**. Current FAK rates should initially be extended by carriers until the end of May, but we expect a continuation of the same rate jostling we have seen over the past few weeks, especially among the carriers who had entered the spring positioned on the higher-end of the rate spectrum. While there remains downward movement of rates at the lowest tiers, **carriers situated in the middle and higher rate-tiers will bring their rates closer to the lower tier levels**. More importantly, average FAK-Contract rate ratios are already at inversion point – meaning many long-term contract rates are above current FAK rates, which **may cause some BCO’s to seek price relief through spot/FAK markets**.

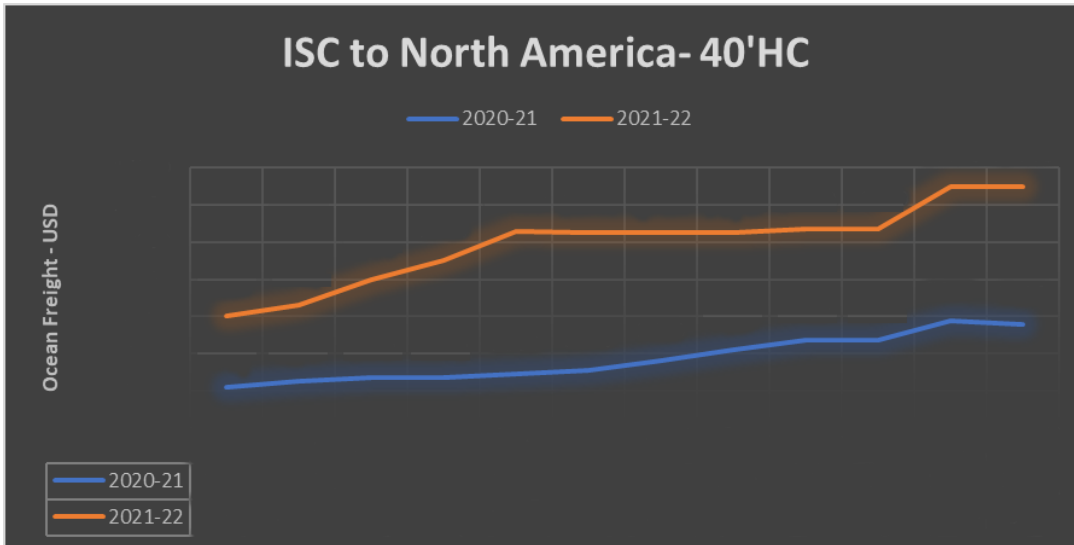
## FORWARD FAK RATE PROJECTIONS – AS OF MAY 11



## **INDIA-US MARKET SUMMARY**

- India merchandise export values have increased in April 2022 of over 24% year-on-year
- Container stocks remain stable at gateway ports and ICD's
- INDAMEX service will continue to omit Savannah and Charleston until mid-May at the earliest

## **RATE UPDATE**



## **MARKET OUTLOOK – MAY / JUNE 2022**

Exports are expected to remain bouyant at least through the end of Q2, with rate levels stabilizing but still close to 200% higher than contract rate levels one year ago. Container availability has improved across-the-board, with major gateways and ICD's seeing larger stocks of empty containers. Space to the US West Coast has eased as a peripheral effect of the slowdowns from China, but space outlook from India remains uncertain as it would be closely tied to any recovery in China. Longer term restrictions and lockdowns in east Asia may benefit sourcing potential in India as importers seek alternatives.