

# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

MAY 25, 2022

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

- Supply: East Coast blank sailings edge up as congestion takes a toll at NY/NJ and Shanghai
- Demand: South China demand stagnant as SE Asia suffers from lack of capacity and equipment
- Covid-19: Shanghai eyeing June 1 re-opening; manufacturing continues to gain momentum



### STATE OF THE TRADE – MAY 25, 2022

The industry continues to await a grand re-opening in Shanghai, but manufacturing and export has quietly plugged along and has steadily increased in the last several weeks, as indicated by air freight exports picking up steam. Major manufacturers including HP, Dell, and Tesla are back in near-full swing as workers remain in contained zones and out of public circulation. A more gradual reopening of public transportation, offices and places of business in Shanghai is expected on or around June 1<sup>st</sup>. Meanwhile, although exports remain fluid to a degree, intra-Asia feeder networks and container distribution remains severely compromised, creating vastly different market conditions around the region. South China, for example, sees overall weaker conditions – likely the result of capacity injection as well as more tepid retailer demand in May, which is in turn softening west coast and IPI freight rates. On the other side of the coin, Southeast Asia exports are suffering significant delays, severe capacity restraints, and insufficient empty container inventories, causing spot-rates to stay at elevated ‘premium’ levels. A slight uptick in blank sailings – particularly to the US East Coast where congestion is growing worse – has impacted the availability of direct-call capacity in ports such as Cai Mep, Vietnam. News that the International Longshoremen & Warehouse Union (ILWU) is seeking a break in negotiations with the Pacific Maritime Association (PMA) over its soon-to-be expiring contract on July 1<sup>st</sup> will likely spur greater demand for capacity to US East Coast ports as shippers keep a wary eye on negotiations. While there are no outward indications of an impending labor disruption, traditionally the ILWU has sought to extend negotiations beyond contract expiry so as to avoid being tied down by the ‘no strike’ clause in a valid contract. It is being interpreted that the ILWU’s request to suspend talks is an attempt to slow-walk negotiations through contract expiration on July 1<sup>st</sup>, when thereafter the ILWU would be able – in theory – to exert greater leverage in negotiations through work actions, slowdowns, etc. However, the extent of such leverage should be questioned in light of the high profile nature of this year’s negotiation, and the direct involvement of the current administration.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – MAY 25, 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: 95-100%

Rate Trend next week: 

## VESSELS AT ANCHOR – UPDATE AS OF WEEK 21

- Los Angeles / Long Beach: 32 @ anchor / drifting
- Oakland: 5 @ anchor
- Seattle / Tacoma: 1 @ anchor
- Vancouver: 7 @ anchor
- Charleston: 1 @ anchor
- Savannah: 19 @ anchor
- New York / New Jersey: 20 @ anchor
- Houston: 9 @ anchor
- Norfolk: 8 @ anchor

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

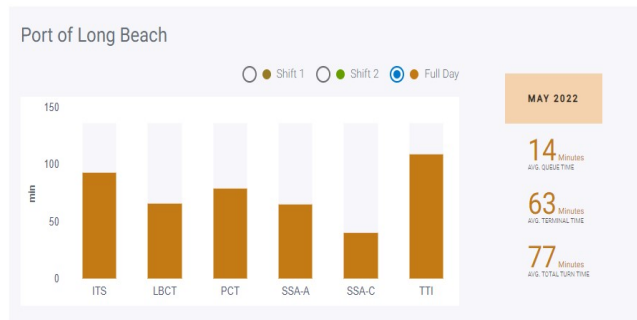
Los Angeles / Long Beach	↔
Oakland	↓
Seattle / Tacoma	↔
Charleston	↓
Savannah	↑
New York	↑
Houston	↓
Norfolk	↓

## PORT OF LA / LB KPI TRACKER

**Average Time Awaiting Berth:** 1.2 days

### Truck Turn Times

Truck Turn Time Metrics



## 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 16 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	-83334	-37326	-55390	-28640	-23162	-6310	-11962	-6310
	Total Number	-7	-11	-6	-7	-5	-4	-2	-3	-2
% of Total Capacity Adjustment		-16%	-28%	-13%	-19%	-10%	-8%	-2%	-4%	-2%

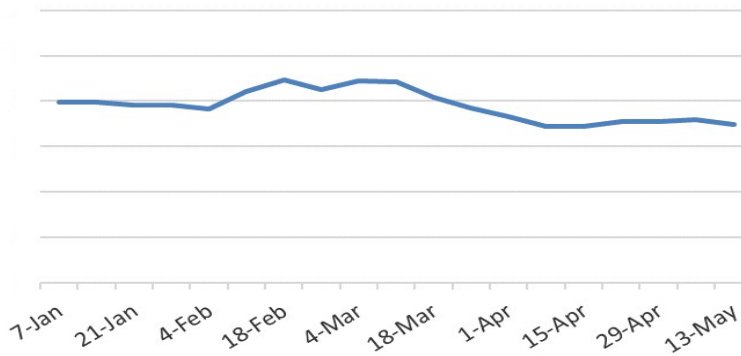
Trade	Capacity Change	WK 18	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25	WK 26
Asia to PN	TEU Adjustment	-34090	-41904	-28432	-33474	-6800	-5652	-8400	-12452	0
	Total Number	-6	-7	-5	-6	-1	-1	-1	-2	0
% of Total Capacity Adjustment		-28%	-35%	-23%	-28%	-6%	-5%	-7%	-10%	0%

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	-45982	0	-33975	-8204	0	0
	Total Number	-2	-2	-1	-5	0	-4	-1	0	0
% of Total Capacity Adjustment		-6%	-12%	-1%	-20%	0%	-15%	-4%	0%	0%

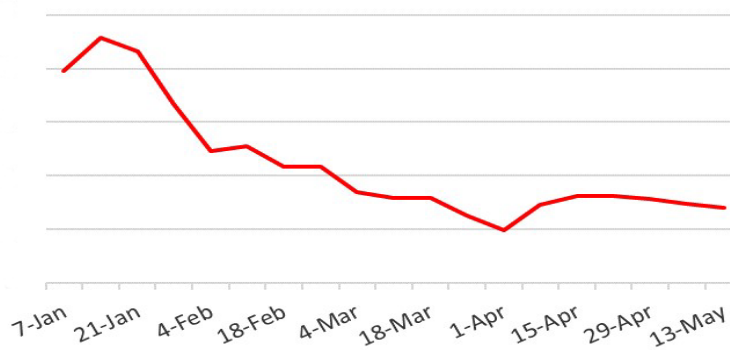
TOTAL ALL USA	Capacity Change	WK 18	WK 19	WK 20	WK 21	WK 22	WK 23	WK 24	WK 25	WK 26
	TEU Adjustment	-96388	-153452	-68728	-134846	-35440	-62789	-22914	-24414	-6310
	Total Number	-15	-20	-12	-18	-6	-9	-4	-5	-2
% of Total Capacity Adjustment		-15%	-24%	-11%	-21%	-5%	-10%	-4%	-4%	-1%

## SCFI RATE INDEX AS OF MAY 25

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



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



## MARKET OUTLOOK & FORECAST – MAY 25 – JUNE 7

As carriers finalize new capacity deployment in May, pockets of oversupply are emerging in the South China market – despite the continuation of blank sailings (which accounted for over 400,000 TEU in May, or just under 18% of total capacity deployed). The potential impact of a full Shanghai re-opening and export surge from Central China, whose export backlog is said to be over 250,000 TEU, has cast a shadow over the medium-term and has the potential to reverse the current spot rate malaise. As labor negotiations on the US West Coast and port congestion on the US East Coast move ever closer to the fore, ***we expect rates to the US West Coast to remain somewhat fluid under shaky demand conditions***, while ***rates to the US east coast ports should remain firm*** as demand remains relatively strong. Rates may still slip a bit as carriers re-position their rates in response to some recent rate actions by competition. Although May’s transpacific capacity registered a 16% increase over a year ago, April-to-May month-on-month capacity in the trade shrunk by -2.3%, underscoring a more fundamental oversupply situation. However, assuming export volumes from Shanghai continue their climb through the end of May and into June, load factors should recover as retailers begin their peak season push.

## FORWARD FAK RATE PROJECTIONS – AS OF MAY 25

