







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