

TRANSPACIFIC EASTBOUND TRADE

MARKET SUMMARY & OUTLOOK

JUNE 22, 2022

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: June 2022 saw 100,000 TEU per week more capacity than June 2021, with more on the way in July
- Demand: Stable in June; the long-anticipated Shanghai surge has not (yet) materialized
- Covid-19: No significant restrictions reported in June



STATE OF THE TRADE – JUNE 22, 2022

As the recent slide of spot rates confirms, the Transpacific trade is currently in a state of structural oversupply, and this despite an average of nearly 100,000 TEU per week lost to blank sailings in June. Ironically, June 2022 capacity figures reveal a 17 percent increase – or roughly 100,000 TEU per week – compared to one year ago. The Asia-US East Coast trade has now gone 13 weeks without an average spot-rate increase, while the Asia-US West Coast trade has seen stable or declining rates each week since March – the longest stretch in over one year. In fact, the period of May and June 2022 was the first time in over *two years* that average spot rates declined for two consecutive months. Although US containerized import volumes increased in the second quarter – reaching a record 1.74m TEU in May - closer examination reveals that much of this growth was due to an easing of backlogged containers and the unwinding of vessel congestion at LA/LB, as opposed to a more organic demand surge. Shanghai's long anticipated re-opening and cargo surge continues to underwhelm, and estimates are now that full export productivity may not be reached until August, a forecast that given today's economic environment may not come to fruition at all. Meanwhile, new services continue to roll out – the latest announcement from Mediterranean Shipping Company (MSC) of a new North & Central China / Korea to US Gulf & Southeast service which will debut in July with 5,000 TEU vessels. Tensions among shippers remains high regarding potential disruption at west coast ports in July, even after the ILWU and PMA pledged to continue negotiating in good faith beyond the July 1 contract expiration date, if necessary. Although the backlog of vessels at Los Angeles / Long Beach continues to improve, rail dwell times at all major west coast ports has increased sharply, with average dwell times of 14 days in Seattle, 13 days in Oakland, and 9 days at LA / LB. Rail ramps at Chicago and Dallas are now discharging containers directly into stacks as chassis shortages significantly slow productivity. The congestion is delaying the return of trains to the west coast, where the dwell times will only further increase.

CARRIER LOAD-FACTORS AND DEMAND TRACKER – JUNE 22, 2022



Asia-to-Pacific Southwest (PSW)

Average Vessel Utilization: 90-95%

Rate Trend next week:  



Asia-to-Pacific Northwest (PNW)

Average Vessel Utilization: 90-95%

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 25

- Los Angeles / Long Beach: 19 @ anchor / drifting
- Oakland: 6 @ anchor
- Seattle / Tacoma: 7 @ anchor
- Vancouver: 5 @ anchor
- Charleston: 0 @ anchor
- Savannah: 26 @ anchor
- New York / New Jersey: 12 @ anchor
- Houston: 7 @ anchor
- Norfolk: 2 @ anchor

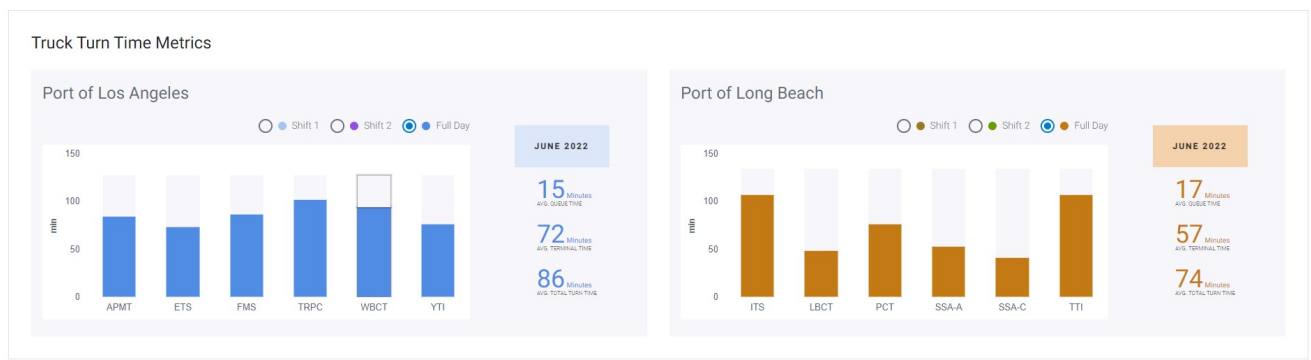
VESSELS AT ANCHOR – 2-WEEK TREND BY PORT

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

PORT OF LA / LB KPI TRACKER

Average Time Awaiting Berth: 2.1 days (-0.2 days since last report)

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 17 Jun
Summary by Trades

Trade	Capacity Change	WK 22	WK 23	WK 24	WK 25	WK 26	WK 27	WK 28	WK 29	WK 30
Asia to PS	TEU Adjustment	-71766	-52278	-22182	-46030	-56442	-22640	-8840	-8840	-8840
	Total Number	-10	-7	-6	-7	-10	-4	-3	-3	-3
% of Total Capacity Adjustment		-24%	-18%	-7%	-15%	-19%	-8%	-3%	-3%	-3%

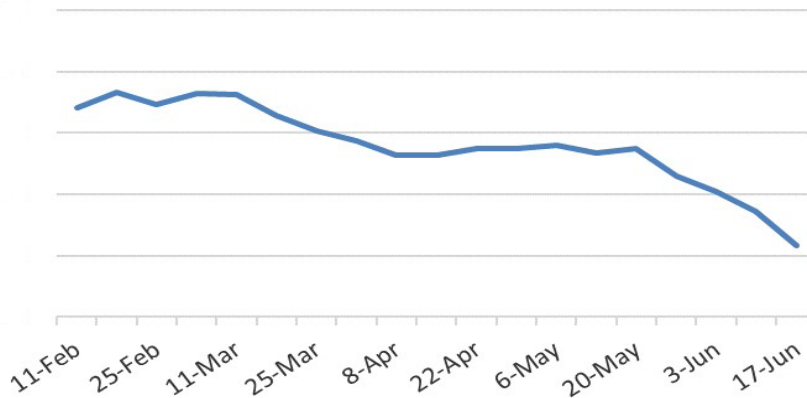
Trade	Capacity Change	WK 22	WK 23	WK 24	WK 25	WK 26	WK 27	WK 28	WK 29	WK 30
Asia to PN	TEU Adjustment	-29712	-30250	-42072	-20790	-23986	-4590	-4590	-4590	-4590
	Total Number	-6	-5	-7	-4	-5	-2	-2	-2	-2
% of Total Capacity Adjustment		-24%	-25%	-35%	-17%	-20%	-4%	-4%	-4%	-4%

Trade	Capacity Change	WK 22	WK 23	WK 24	WK 25	WK 26	WK 27	WK 28	WK 29	WK 30
Asia to AW+GC	TEU Adjustment	-7422	-31005	-20416	-13978	-1372	6496	0	-2970	0
	Total Number	0	-3	-3	-2	0	0	0	-1	0
% of Total Capacity Adjustment		-3%	-13%	-8%	-6%	-1%	3%	0%	-1%	0%

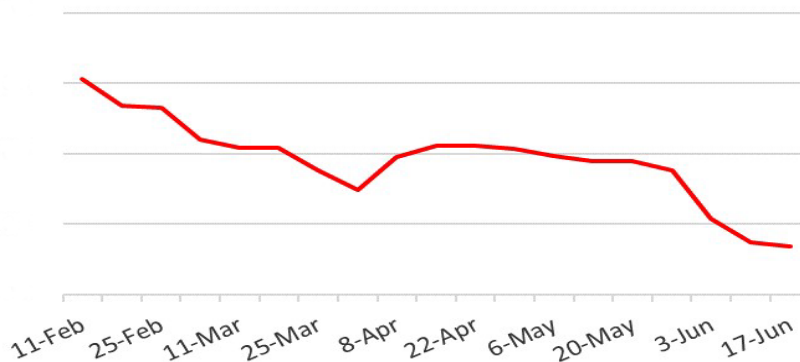
TOTAL ALL USA	Capacity Change	WK 22	WK 23	WK 24	WK 25	WK 26	WK 27	WK 28	WK 29	WK 30
	TEU Adjustment	-108900	-113533	-84670	-80798	-81800	-20734	-13430	-16400	-13430
	Total Number	-16	-15	-16	-13	-15	-6	-5	-6	-5
% of Total Capacity Adjustment		-16%	-17%	-13%	-12%	-12%	-3%	-2%	-2%	-2%

SHANGHAI CONTAINERIZED FREIGHT INDEX AS OF JUNE 22

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



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



MARKET OUTLOOK & FORECAST – JUNE 22 – JULY 5

Carriers will gradually restrict IPI-bound bookings in the coming weeks as railroads and ports struggle with growing dwell times, congestion, and rail car displacement. This could result in even more downward pressure on west coast CY rates as carriers would be forced to backfill allocation left open by fewer IPI bookings. **Rates will most likely not increase on July 1st** but we price-in a modest increase on July 15th due to uncertainty regarding projections beyond 4-weeks and potential labor disruptions on the west coast. However, with additional capacity to debut in July, and with blank sailings showing few if any signs of increasing in the coming weeks, carriers will be hard-pressed establish momentum toward any meaningful rate increase either in early- or mid-July. **Congestion at rail ramps and associated dwell times of inland-bound containers will continue to worsen before it improves,** as chassis shortages result in grounding and stacking of containers. This will delay the repositioning of badly-needed rail cars to the west coast, as containers remain on cars for longer-than-planned while more IPI-bound containers are discharged at ports every day. It is not out of the question to see IPI container dwell times on the west coast exceed three weeks by the end of June.

FORWARD FAK RATE PROJECTIONS – AS OF JUNE 22

