



# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

JUNE 9, 2022

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

- Supply: Blank sailings increase to PNW but stabilize to PSW and EC in anticipation of increased volumes
- Demand: Still underperforming with rates softening, but anticipation builds for Shanghai revival by late June
- Covid-19: Shanghai re-opening started June 1<sup>st</sup>; port congestion and berth wait times return to normal status



### STATE OF THE TRADE – JUNE 9, 2022

Through the first 22 weeks of the year, the Shanghai Containerized Freight Index (SCFI) has already recorded week-to-week reductions on 16 occasions (Asia-to-US East Coast) and 11 occasions (Asia-to-US West Coast) respectively, after registering week-to-week declines only 9 times the entirety of 2021. Overall export volumes from Asia are now consistently below market capacity –despite ongoing operational blank sailings which are removing an average of 100,000 TEU per week from the trade. FAK and Premium rates continued their slip over the last half of May and into early June, as carriers extended rates into mid-June with many positioned at the mid- and high-range adjusting rates closer to market averages. Indeed carriers who had positioned themselves at the higher range of the market before can no longer effectively sell a premium, and are now being forced to reduce rates in what is being seen as a new compression of market rates. Shanghai reopened on June 1<sup>st</sup>, but the unwinding of supply chain entanglements, transportation ramp-up and raw material procurement and delivery means full output will still not be reached until late June at the earliest. Carriers' hold on current rates remains tenuous, and for the first time since pre-pandemic we start to see multiple rate adjustments over a 7-day period. However, as in our last update space from certain locations remains critical, with Southeast Asia feeder networks still in disarray. While space on mother vessels may be available, short-leg (feeder) space in many South and Southeast Asia origins is in scarce supply due to ship displacement and backlog. Booking lead times in some of these markets remains at 3 weeks or longer, but on a positive note the market is seeing somewhat fewer Premium rate applications than earlier in May. Capacity continues to stabilize - with the exception of the Asia-Pacific Northwest (PNW) trade. Due to berth congestion in Vancouver, carriers have had to undertake more operational blank sailings in order to restore delayed schedules. Average dwell days at anchorage in Vancouver in May was improved compared to April, but still exceeded 7 days. Load factors on US west coast-bound loops are markedly lower than that of US east coast-bound loops as shippers continue cargo diversions to east coast DC's ahead of the July 1 contract expiry of the ILWU/PMA labor contract. Following the ILWU's request to delay talks in May, negotiations have resumed and the relatively quiet environment is seen by industry leaders as positive news in the negotiation process.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – JUNE 9, 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 23

- **Los Angeles / Long Beach:** 30 @ anchor / drifting
- Oakland: 9 @ anchor
- Seattle / Tacoma: 2 @ anchor
- Vancouver: 5 @ anchor
- Charleston: 3 @ anchor
- Savannah: 17 @ anchor
- **New York / New Jersey:** 18 @ anchor
- Houston: 10 @ anchor
- Norfolk: 9 @ anchor

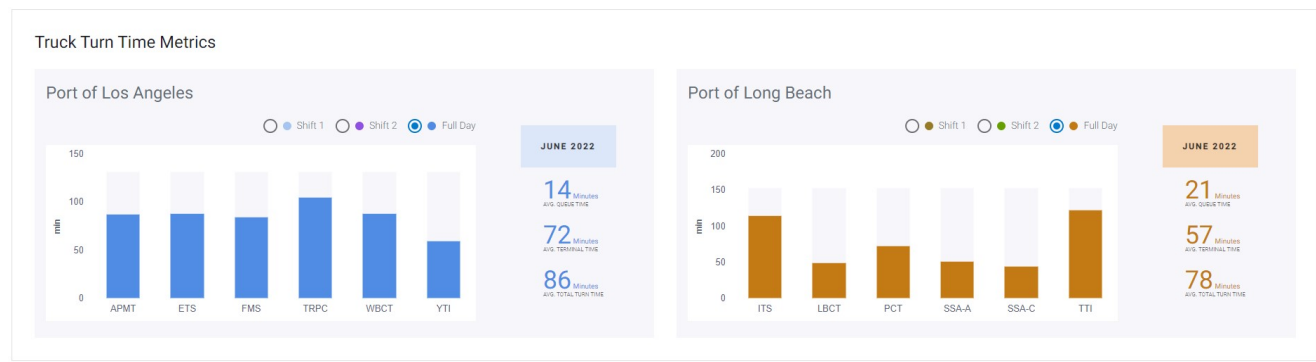
## VESSELS AT ANCHOR – 2-WEEK TREND BY PORT

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

## PORT OF LA / LB KPI TRACKER

**Average Time Awaiting Berth:** 2.3 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 6 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	-17182	-38500	-21260	-6310	-6310	-6310	-6310
	Total Number	-10	-7	-5	-5	-5	-2	-2	-2	-2
% of Total Capacity Adjustment		-24%	-18%	-6%	-13%	-7%	-2%	-2%	-2%	-2%

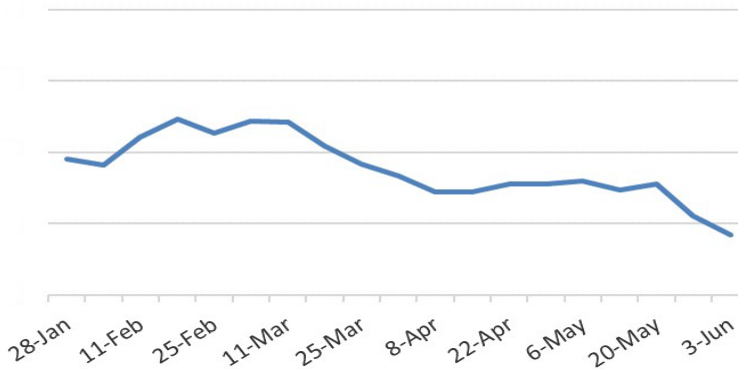
Trade	Capacity Change	WK 22	WK 23	WK 24	WK 25	WK 26	WK 27	WK 28	WK 29	WK 30
Asia to PN	TEU Adjustment	-29712	-30250	-42072	-23000	0	0	0	0	0
	Total Number	-6	-5	-7	-3	0	0	0	0	0
% of Total Capacity Adjustment		-24%	-25%	-35%	-19%	0%	0%	0%	0%	0%

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	-32534	-13978	-1372	-2970	0	-2970	0
	Total Number	0	-3	-4	-2	0	-1	0	-1	0
% of Total Capacity Adjustment		-3%	-13%	-14%	-6%	-1%	-1%	0%	-1%	0%

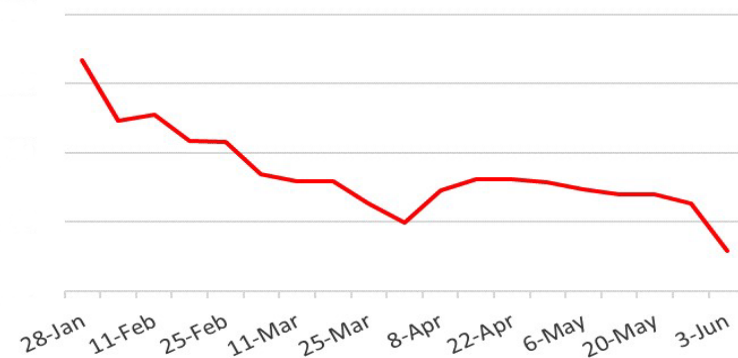
TOTAL ALL USA	Capacity Change	WK 22	WK 23	WK 24	WK 25	WK 26	WK 27	WK 28	WK 29	WK 30
	TEU Adjustment	-108900	-113533	-91788	-75478	-22632	-9280	-6310	-9280	-6310
	Total Number	-16	-15	-16	-10	-5	-3	-2	-3	-2
% of Total Capacity Adjustment		-17%	-17%	-14%	-12%	-3%	-1%	-1%	-1%	-1%

## SCFI RATE INDEX AS OF JUNE 9

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



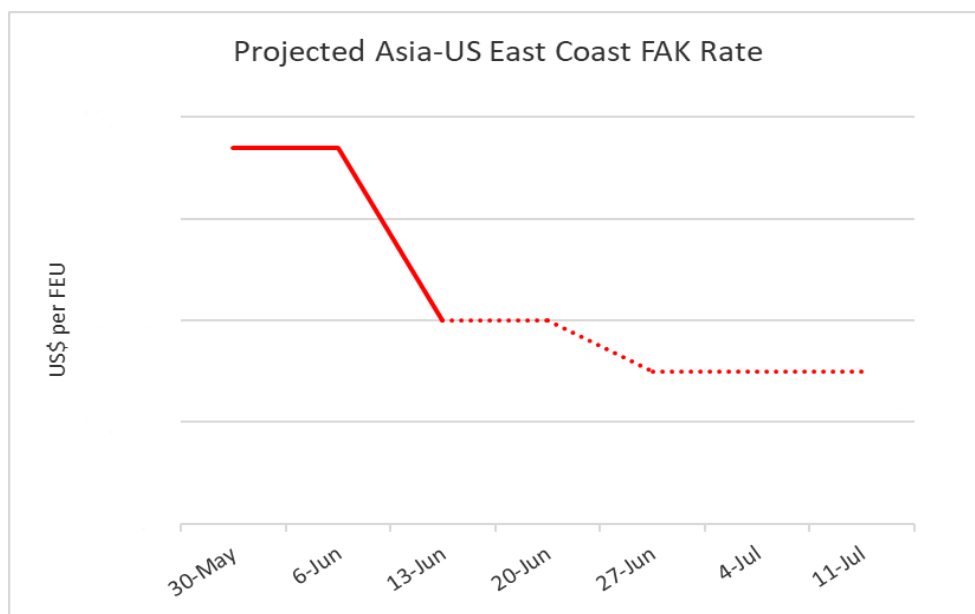
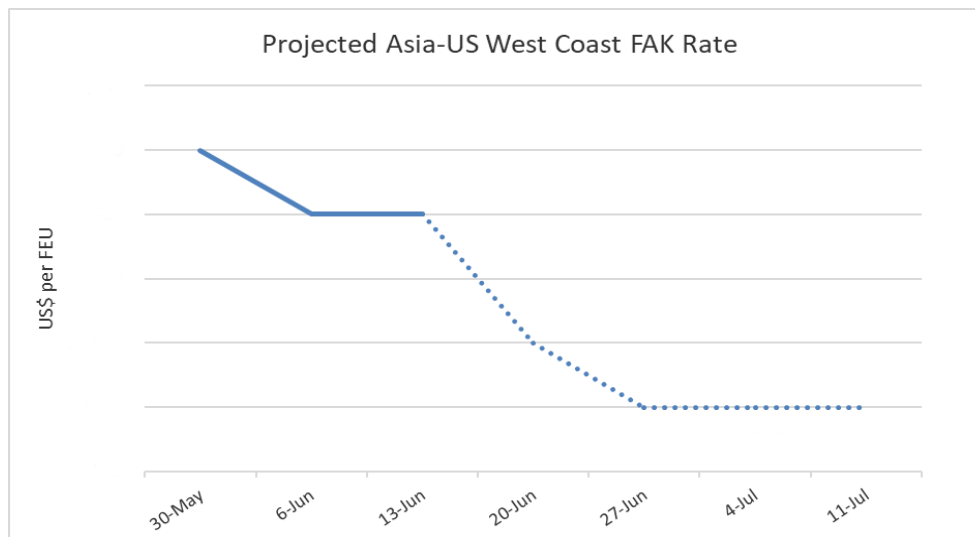
SCFI - Asia to US East Coast (US\$ per FEU)



## MARKET OUTLOOK & FORECAST – JUNE 9 - 21

**Spot/FAK rates will not increase on June 15<sup>th</sup>.** This being said, there is some confusion in the market relative to the direction the trade will go over the coming weeks. While organic demand has weakened over the past month, **we are reluctant to conclude too quickly that the trade is in a longer-term structural oversupply** until the impact of a fully reopened and export-operational Shanghai can be accounted. Given current conditions following the reopening of transport networks, we estimate that the earliest the market will see full velocity of containerized exports from Shanghai will be the last week of June. **If the recovery is strong, and if organic holiday season exports build during the same period, carriers might be able to successfully halt rate erosion by July 1<sup>st</sup>.** There is also the continued pressure in South and Southeast Asia, markets that are seeing some – but not enough – relief from tight feeder/short-leg space and container shortages. However, carriers are expanding their cargo canvassing into secondary markets in the hope to help back-fill space left unfilled by weaker export conditions in China. **If a recovery in Shanghai – and the trade as a whole - fails to jump-start a volume re-balancing, then the run of week-to-week rate declines will continue through late June and into July.**

## FORWARD FAK RATE PROJECTIONS – AS OF JUNE 9



## **SPECIAL INSERT – FOCUS INDIA**

### **INDIA – US MARKET UPDATE - JUNE**

- May 2021 merchandise exports from India grew by 15.5% compared with May 2020
- Freight rates to the US also softening in light of weaker volumes and recent supply increases
- Space to US East Coast has eased, and carriers have retrained focus on driving more FAK volume
- Equipment availability at gateways and ICD's remains stable

### **MARKET OUTLOOK – JUNE**

- Empty container availability will remain stable through June
- Overweight surcharges might be rolled back as carriers consider more incentives to drive freight volumes
- Space will remain generally available through early July when traditional peak season commences
- Rates will most likely not increase in June