

# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

JULY 13, 2022

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

- Supply: Blank sailings to US West Coast creep up again in July as rates slip further
- Demand: Not showing signs of impending surge as consumer uncertainty moderate order levels
- Covid-19: Mass-testing resumes in Shanghai as cases back on the rise


### STATE OF THE TRADE – JULY 13, 2022

With peak-season conditions still slow to materialize, blank sailings to the US West Coast have increased in early July to levels not seen since port congestion was at its worst point in Los Angeles / Long Beach in 2021. Although key metrics such as number of vessels waiting for berth (26) and average number of days to berth (less than 2 days) remain favorable, the number of blank sailings in the Asia-PSW lane in the first three weeks of July – a total of 20 voyages comprising some 130,000 TEU – indicate that congestion is back on the rise, but also that carriers are more proactively trying to manage short-term supply. After all, congestion and wait times at US East Coast ports such as New York / New Jersey and Savannah now exceed those in LA/LB, yet with stronger overall demand fewer blank sailings to the east coast have been undertaken in early July – just 8 in the first two weeks of the month totaling 68,000 TEU. West Coast spot rates are losing value at a much faster pace than that of US East Coast and Gulf spot rates, and with BCO's starting to make more noise about the gap between contract and current FAK rates, carriers might be compelled to remove more capacity in an effort to prevent the Spot-to-Contract rate gap from widening even further than it already has. In so doing, however, carriers may run a very high risk of removing too much capacity before possible peak season volumes materialize in August, effectively a repeat of spring 2020 when the post-lockdown export recovery took the carriers – who had cancelled dozens of sailings - by surprise. With imports hitting lower growth levels due to last year's high-base effect, the decision may seem like an easier one to make this time around, especially given how much capacity has increased in the Transpacific over the past twelve months. Overall space availability from Asia base ports continues to improve, but downline schedules (and therefore space) may be affected if congestion worsens and delays lengthen at US East Coast ports. Currently a combined 67 ships are anchored outside of Savannah and NY/NJ, the highest number since the pandemic. Despite the improvements in vessel congestion and reduced delays to berth at LA/LB, average container dwell times have increased to 7 days at LA/LB over the past week, and the number of containers dwelling nine days or longer is up 20% in the past 12 days and at their highest levels since November of 2021. A significant cause of the increased average dwell time is said to backups at rail ramps and delayed return of trains to handle rail-bound containers from the port.

### CARRIER LOAD-FACTORS AND DEMAND TRACKER – JULY 13, 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 28

- Los Angeles / Long Beach: 24 @ anchor / drifting
- Oakland: 5 @ anchor
- Seattle / Tacoma: 8 @ anchor
- Vancouver: 5 @ anchor
- Charleston: 0 @ anchor
- Savannah: 43 @ anchor
- New York / New Jersey: 24 @ anchor
- Houston: 16 @ anchor
- Norfolk: 4 @ anchor

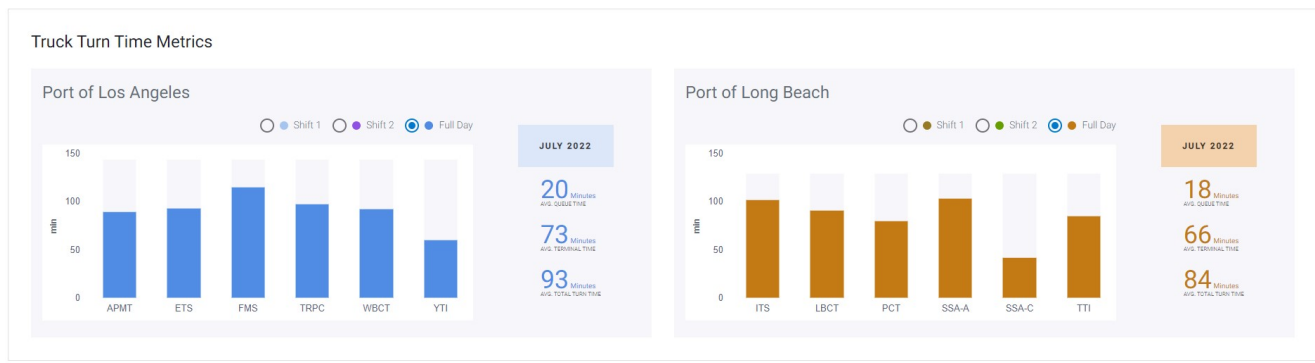
### VESSELS AT ANCHOR – 2-WEEK TREND BY PORT

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

### PORT OF LA / LB KPI TRACKER

**Average Time Awaiting Berth:** 1.7 days (-0.4 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 5 Jul  
**Summary by Trades**

Trade	Capacity Change	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
Asia to PS	TEU Adjustment	-58550	-73818	-61790	-36290	-40730	-13840	-13840	-13840
	Total Number	-9	-11	-10	-6	-6	-4	-4	-4
% of Total Capacity Adjustment		-20%	-25%	-21%	-12%	-14%	-5%	-5%	-5%

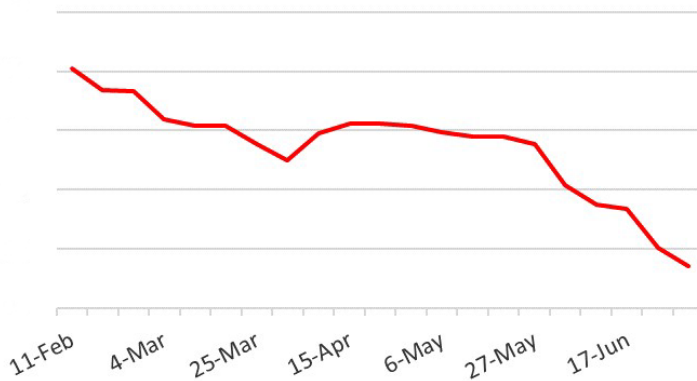
Trade	Capacity Change	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
Asia to PN	TEU Adjustment	-41450	-25996	-39030	-28590	-20790	-4590	-4590	-4590
	Total Number	-7	-6	-7	-5	-4	-2	-2	-2
% of Total Capacity Adjustment		-34%	-21%	-32%	-24%	-17%	-4%	-4%	-4%

Trade	Capacity Change	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
Asia to AW+GC	TEU Adjustment	-26683	-42002	-19500	-21762	0	0	-2970	0
	Total Number	-3	-5	-3	-3	0	0	-1	0
% of Total Capacity Adjustment		-11%	-17%	-8%	-9%	0%	0%	-1%	0%

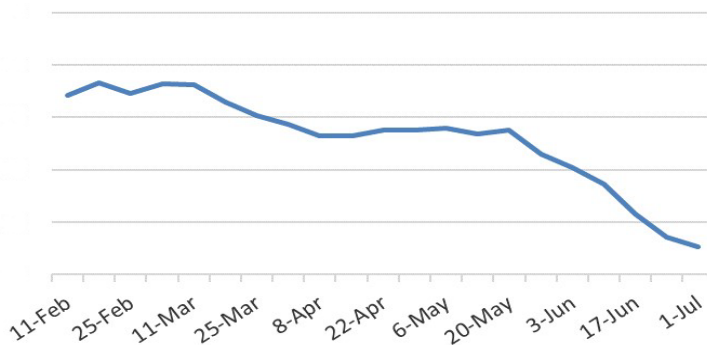
TOTAL ALL USA	Capacity Change	WK 27	WK 28	WK 29	WK 30	WK 31	WK 32	WK 33	WK 34
	TEU Adjustment	-126683	-141816	-120320	-86642	-61520	-18430	-21400	-18430
	Total Number	-19	-22	-20	-14	-10	-6	-7	-6
% of Total Capacity Adjustment		-19%	-22%	-18%	-13%	-9%	-3%	-3%	-3%

## SHANGHAI CONTAINERIZED FREIGHT INDEX AS OF JULY 13

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



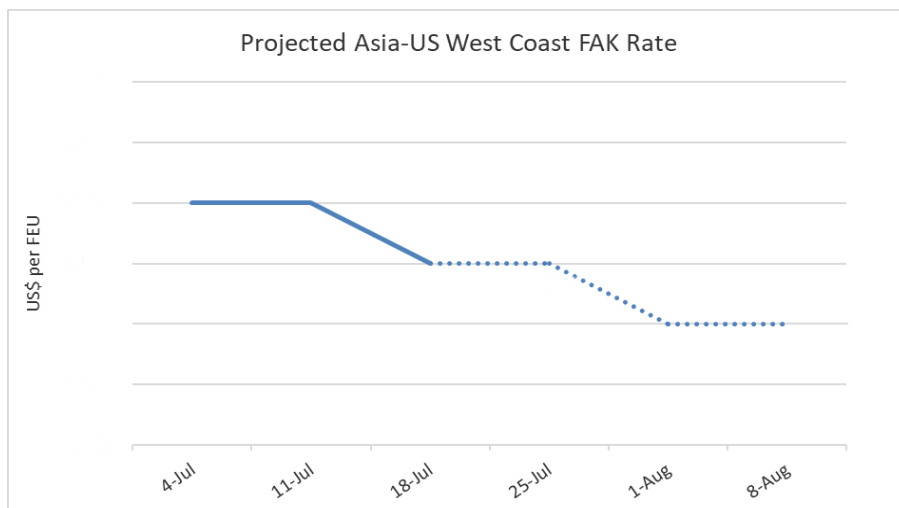
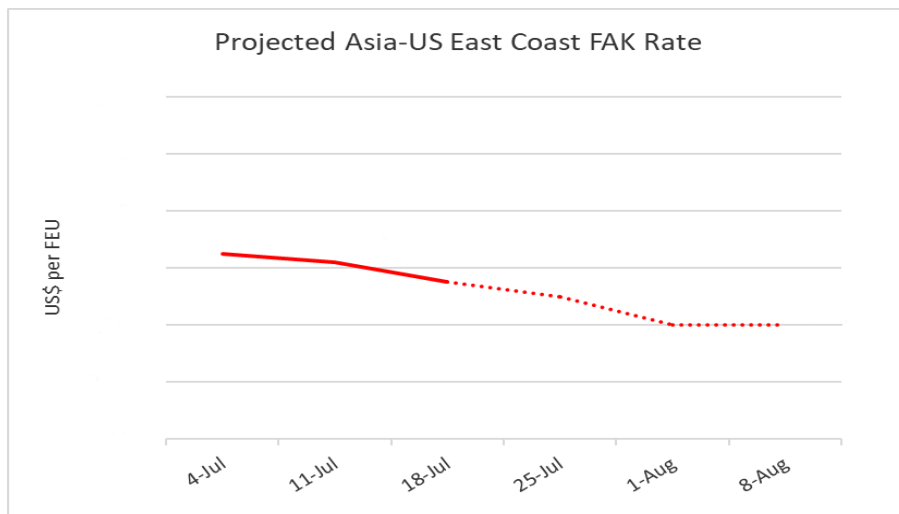
SCFI - Asia - US West Coast (US\$ per FEU)



## MARKET OUTLOOK & FORECAST – JULY 13 - 27

***We do not expect rates to increase in mid-July.*** Rather, and despite continued blank sailings, spot rates should weaken as the month progresses. While current trade dynamics should remain stable throughout the remainder of the month, the current capacity overhang will prevent carriers from increasing rates in the middle of July and may put any GRI program for August 1<sup>st</sup> in jeopardy. On the other hand, ***expectation is that blank sailings will increase throughout the course of this month and next, especially if demand does not increase well beyond current levels.*** With Shanghai re-introducing Covid testing, there is some concern over renewed restrictions or lockdowns but thus far there is nothing else to suggest that will take place. The ILWU/PMA contract negotiations have overrun the contract’s July 1<sup>st</sup> expiry date, and to this point there are no reports of coordinated or intentional productivity or labor issues at US west coast ports. However, with the increased dwell times in the LA/LB terminals, ***productivity is slowing, which will increase the number of vessels at anchor, and consequently the number of blank sailings in the coming weeks.*** As such, and in tandem with ongoing congestion at east coast ports, the medium-term capacity picture is more complicated, and we cannot rule out a potential pivot to an under-supply scenario in August, if export volumes from Asia surge as operational blank sailings increase.

## FORWARD FAK RATE PROJECTIONS – AS OF JULY 13



## **SPECIAL INSERT – FOCUS INDIA**

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

- June 2022 merchandise exports from India grew by 16.78% compared with May 2021
- Freight rates to the US continue to soften in May and June, and into July as volumes soften somewhat
- Space to US East Coast continues to ease, and west coast space has opened as well in early July
- Equipment availability at gateways and ICD's remains stable

### **MARKET OUTLOOK – JUNE**

- Empty container availability will remain stable through July
- Slower volume growth expected in July, and, as such rates will continue to soften
- Previously reported Overweight Surcharge application now weaker, and mitigations expected
- Space will remain generally available for the duration of July
- Rates will most likely not increase in July
- Carriers may attempt to apply an intermodal surcharge effective August 1<sup>st</sup>; quantum TBD