



TRANSPACIFIC EASTBOUND TRADE

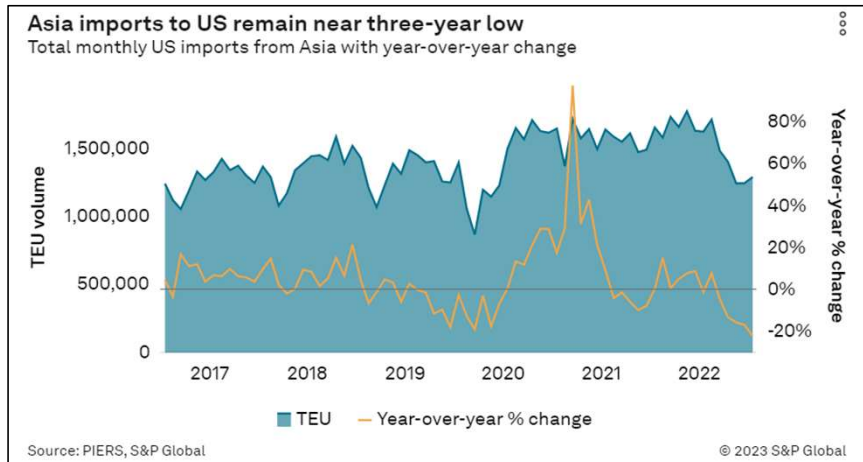
MARKET SUMMARY & OUTLOOK

February 22nd, 2023

KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Weekly blank sailings have returned to pre-Lunar New Year holiday levels, but still may not be enough to stabilize rates...
- Demand: January import volumes register YOY drop of -23 percent compared with January 2022...
- Operational: ILWU/PMA resume talks as ILA/USMX get a head start on their own contract discussions ahead of 2024 expiration...

CHART OF THE WEEK



STATE OF THE TRADE – FEBRUARY 22nd, 2023

Vessel load factors have dropped across-the-board in mid-February as carriers restored capacity following the post- Lunar New Year blank sailing schedules. Accordingly, rates remain wobbly in the midst of a significant volume downturn in early 2023. Asia-US containerized volumes in January fell by 22-percent year-on-year, to their lowest levels since June 2020, and more comparable to January 2017 import volume levels. Effective capacity in February – though some 20-percent (140,000 TEU) less than a year ago – remains well above demand levels as of late-February. Port congestion and berth-delays in the US continue to improve and as a result transit times are beginning to normalize.

MSC announced an extension of its Sentosa service to the subcontinent ports of Mundra, Nhava Sheva, and Colombo, while ZIM will be upsizing its ZXB service and adding a call in Kingston. SM Line will be slightly upsizing its CPX service and adding a Portland call in addition to Long Beach, which is served from central and north China calls. Meanwhile, Maersk has suspended its TP20 service as carriers continue to wrestle with oversupply in the trade. Blank sailings have returned to between 20-25% of market capacity in February, and while carriers are hopeful for a gradual recovery in demand heading toward March, they are also facing big decisions regarding deployment as annual service contract negotiations kick-off.

West Coast union members (ILWU) and their employers (PMA) are back at the negotiating table despite the unresolved T-5 jurisdictional dispute in Seattle, which remains in the hands of the National Labor Relations Board (NLRB). Across the country, the International Longshoreman's Association (ILA) and the group representing ocean carriers and marine terminals on the East and Gulf coasts are set to begin talks on a new six-year master contract ahead of the contract's expiration in 2024.

CARRIER LOAD FACTORS AND DEMAND TRACKER – FEBRUARY 22nd

Asia-to-Pacific Southwest (PSW)

Average Load Factor: 80-90%

7-Day Rate Trend: ↓

Asia-to-Pacific Northwest (PNW)

Average Load Factor: 80-85%

7-Day Rate Trend: ↓

Asia-to-US East Coast & Gulf (USEC)

Average Load Factor: 85-95%

7-Day Rate Trend: ↓

Summary

Load factors to all destinations are down following the resumption of normal capacity patterns. Utilizations to the Pacific Northwest are overall weaker than those to Pacific Southwest and US East Coast / Gulf. Demand is slowly improving but still lagging capacity levels, and rates continue to trend down for the coming week.

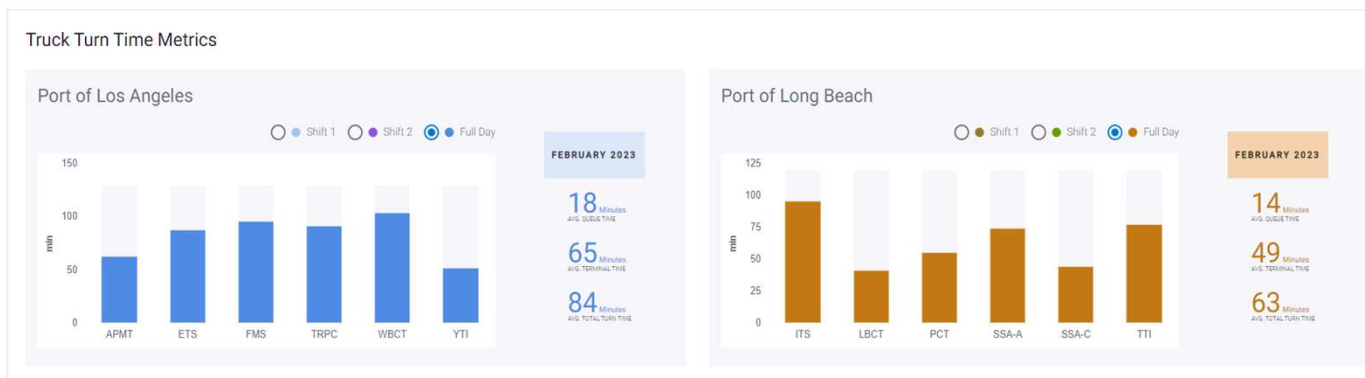
VESSELS AT ANCHOR (CURRENT) + 2-WEEK TREND BY PORT

Port (Vessels at Anchor)	Vessels @ Anchor Trend
Los Angeles / Long Beach (0)	↓
Oakland (4)	↑
Seattle / Tacoma (0)	↔
Charleston (0)	↔
Savannah (4)	↓
New York (0)	↔
Houston (1)	↔
Norfolk (0)	↓

PORT OF LA / LB METRICS

- Average Time Awaiting Berth: 1.8 day
 - (+0.8 days since last report)
- 30-day Average Time At Berth: 4.3 days
 - (-0.4 days since last report)
- Truck Appointment Success Rate (all terminals): 48%
 - (unchanged since last report)

TRUCK TURN TIMES LA / LB



SHORT-TERM CAPACITY TRACKER

** Weeks with "0" or positive numbers indicate deployment of extra loaders which may offset blank sailings

TP Capacity Adjustment

Updated 20 Feb

Summary by Trades

Trade	Capacity Change	WK 6	WK 7	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13
Asia to PSW	TEU Adjustment	-76910	-65080	-47170	-52960	-23200	-36920	-31920	-37420
	Total Number	-9	-7	-7	-5	-3	-4	-3	-4
% of Total Capacity Adjustment		-29%	-25%	-18%	-20%	-9%	-14%	-12%	-14%

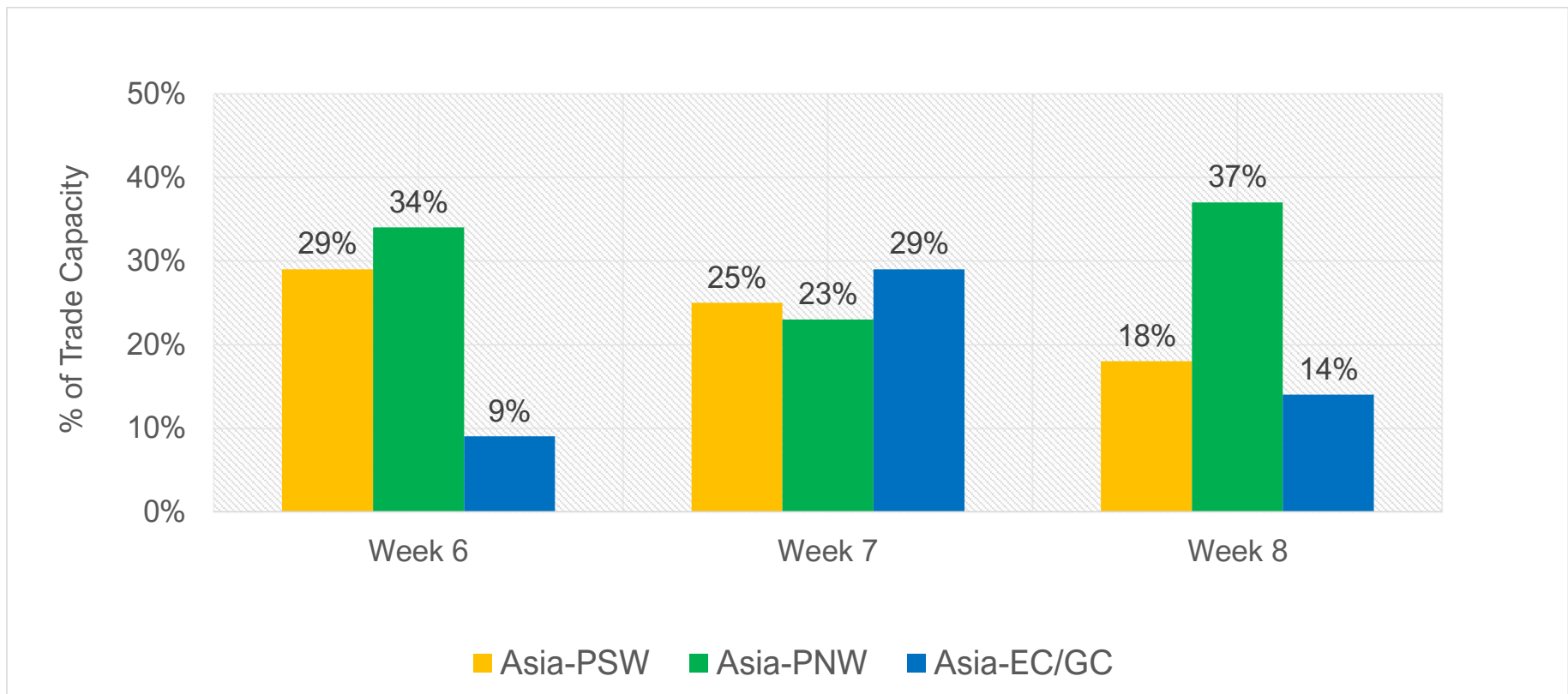
Trade	Capacity Change	WK 6	WK 7	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13
Asia to PNW	TEU Adjustment	-34790	-23045	-37920	0	-30650	0	-22050	0
	Total Number	-4	-3	-5	0	-3	0	-2	0
% of Total Capacity Adjustment		-34%	-23%	-37%	0%	-30%	0%	-22%	0%

Trade	Capacity Change	WK 6	WK 7	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13
Asia to AW+GC	TEU Adjustment	-21610	-71140	-33780	-46410	-12470	-43600	-11470	-26500
	Total Number	-3	-7	-5	-4	-3	-4	-2	-2
% of Total Capacity Adjustment		-9%	-29%	-14%	-19%	-5%	-18%	-5%	-11%

TOTAL ALL USA	Capacity Change	WK 6	WK 7	WK 8	WK 9	WK 10	WK 11	WK 12	WK 13
	TEU Adjustment	-133310	-159265	-118870	-99370	-66320	-80520	-65440	-63920
	Total Number	-16	-17	-17	-9	-9	-8	-7	-6
% of Total Capacity Adjustment		-22%	-26%	-20%	-16%	-11%	-13%	-11%	-11%

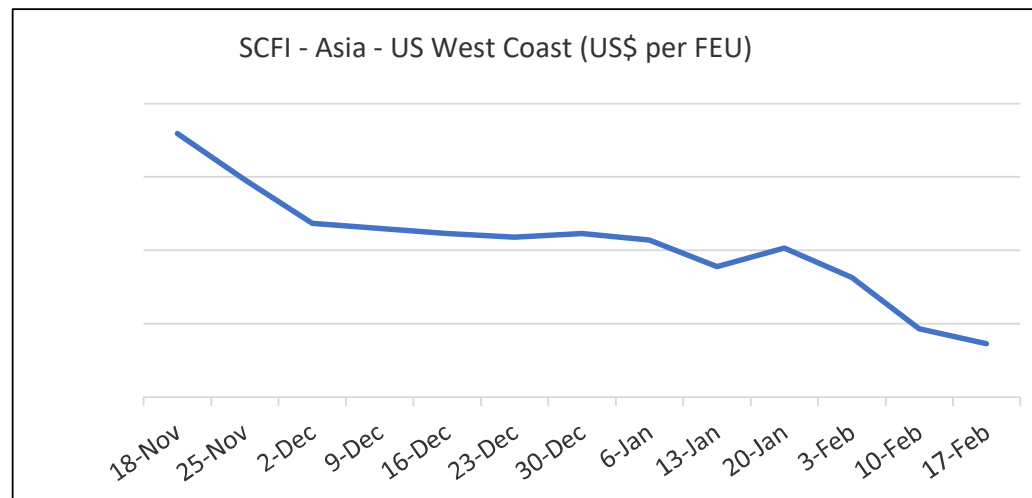
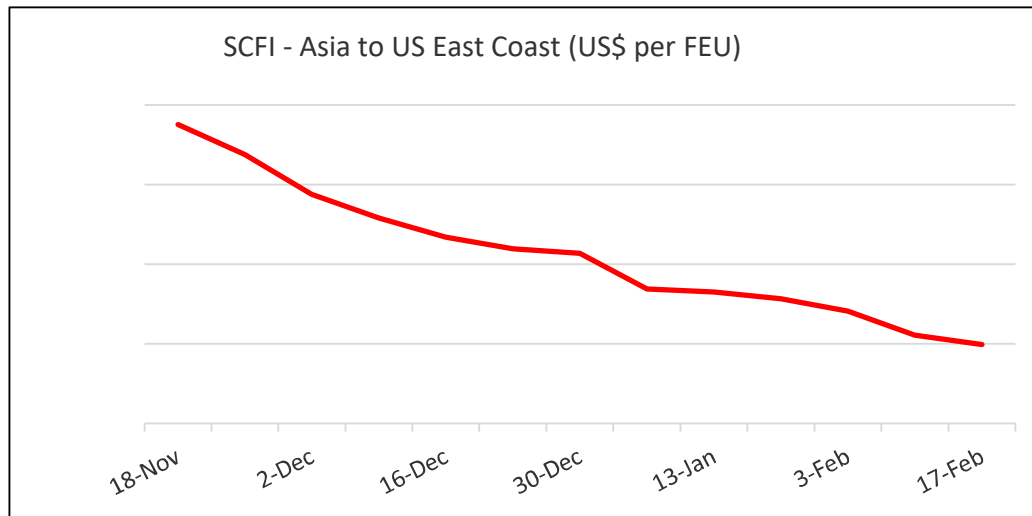
3-WEEK ROLLING BLANK SAILING SUMMARY: % OF CAPACITY BY CORRIDOR

Asia-PNW continues to see the most capacity cancelled while Asia-East / Gulf Coast blanks moderate. Asia-PSW blanks are relatively stable, between 20-30% of operating capacity



MARKET RATES / INDEX UPDATE

Current Average Rates as of February 22nd (all shipper types)



MARKET OUTLOOK & FORECAST – FEBRUARY 22nd – MARCH 8th

Rates will not increase on March 1st. Current dynamics are not supportive of a potential increase on March 1st, and market rates will likely continue to erode further in the coming two weeks, and possibly beyond. **At this stage, a March 15th GRI on spot rates is highly questionable** as load factors continue to struggle, despite capacity controls. Forecasts for late February and March are improving, but still not reflecting strong enough demand to prevent rates from falling further, albeit at a similar ‘slow burn’ that we have seen over the past weeks. Blank sailings will continue at the same pace as current, and **we are not ruling out longer-term service suspensions as spot rates sink further**, as evidenced already by Maersk’s decision with its TP-20 service as well as niche carrier Wan Hai Lines, who recently suspended its AA7 service (Asia-to-US East Coast).

FORWARD SCFI PROJECTION – FEBRUARY 22nd

