

# TRANSPACIFIC EASTBOUND TRADE

## MARKET SUMMARY & OUTLOOK

FEBRUARY 8<sup>th</sup>, 2023

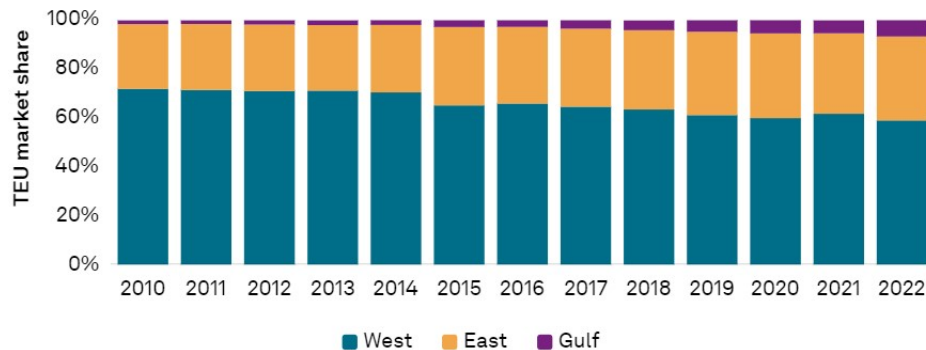
### KEY DEVELOPMENTS IN THE LAST TWO WEEKS....

- Supply: Blank sailings returning to normal pre-holiday levels...
- Demand: Slow export volume recovery from Lunar New Year holiday weighs on rates...
- Operational: ILWU/PMA stalemate threatens to bleed into contract negotiation season...

### CHART OF THE WEEK

#### US West Coast ports cede share amid ILWU negotiations

Market share of containerized US imports from Asia by US coast



Notes: 2022 YTD  
Source: PIERS, S&P Global

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### STATE OF THE TRADE – FEBRUARY 8<sup>th</sup>, 2023

To no one's surprise, rates have softened slightly coming out of the holiday as export recovery in China, and most of Asia, continues slowly. Rates have edged lower in recent days but carriers avoided a more significant downturn in rates due to more than 80 blank sailings in late January and early February, which is more than any two-week period on record. Load factors were higher-than-expected over the past two weeks but as capacity returns to the trade rates begin to slip once again.

There now appears to be little concern over Covid-19 related supply chain disruptions in China. The central government has further loosened controls and monitoring over the holiday, and the market is returning to pre-holiday capacity levels – which means blank sailings removing 20-25% of weekly capacity. Volume-wise, Asia-US import volumes in January were down 22% year-on-year – a 300,000 TEU difference. Import volumes last month were 2 percent higher than January 2019.

Negotiations between the ILWU and PMA remain stalled as accusations of productivity slowdowns by the union emerged in late January. Although truckers in both the Los Angeles and Oakland area have reported more 'unit breaks' and equipment checks than normal, overall truck turn time metrics in LA are improving in early February when compared to a month ago. The stalemate draws on as east coast and gulf ports continue to gain market share on USWC ports, potentially altering the course and content of 2023 BCO contract negotiations.

## CARRIER LOAD-FACTORS AND DEMAND TRACKER – FEBRUARY 8<sup>th</sup>

### 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: 90-95%

Rate Trend next week:

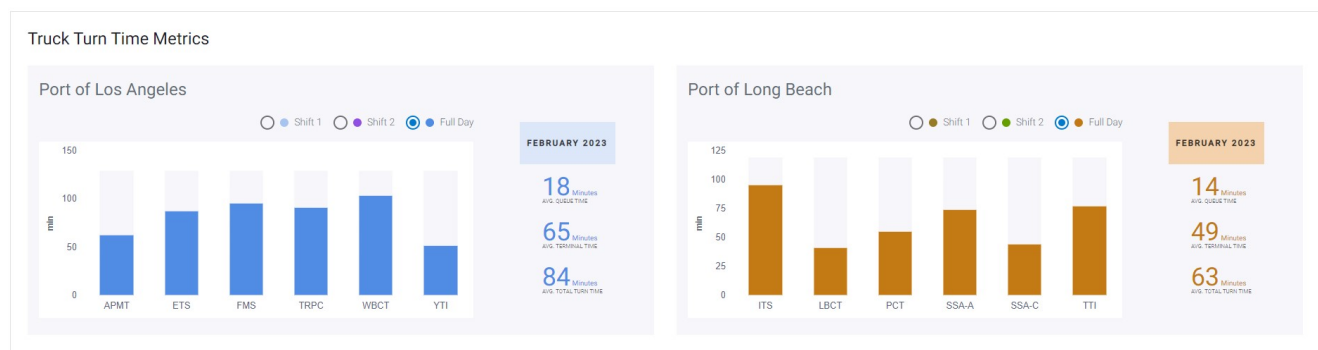
## VESSELS AT ANCHOR (CURRENT) + 2 WEEK TREND BY PORT

Los Angeles / Long Beach (0)	
Oakland (1)	
Seattle / Tacoma (0)	
Charleston (0)	
Savannah (5)	
New York (0)	
Houston (2)	
Norfolk (2)	

## PORT OF LA / LB METRICS

- **Average Time Awaiting Berth:** 1 days (no change since last report)
- **30-day Average Time At Berth:** 4.7 days (+0.1 days since last report)
- **Truck Appointment Success Rate** (all terminals): 48% (-1% 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 05 Feb Summary by Trades

Trade	Capacity Change	WK 5	WK 6	WK 7	WK 8	WK 9
Asia to PSW	TEU Adjustment	-138480	-76910	-43620	-54600	-22700
	Total Number	-16	-9	-5	-7	-2
% of Total Capacity Adjustment		-53%	-29%	-17%	-21%	-9%

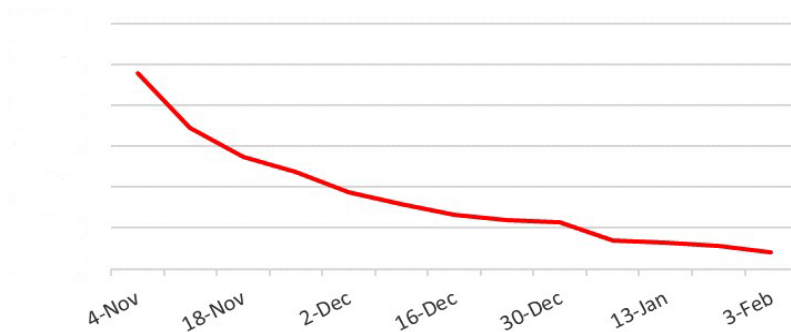
Trade	Capacity Change	WK 5	WK 6	WK 7	WK 8	WK 9
Asia to PNW	TEU Adjustment	-35599	-34790	-23120	-36450	-6730
	Total Number	-6	-4	-3	-4	-1
% of Total Capacity Adjustment		-35%	-34%	-23%	-36%	-7%

Trade	Capacity Change	WK 5	WK 6	WK 7	WK 8	WK 9
Asia to AW+GC	TEU Adjustment	-131650	-21610	-71140	-33780	-37410
	Total Number	-13	-3	-7	-5	-3
% of Total Capacity Adjustment		-55%	-9%	-29%	-14%	-16%

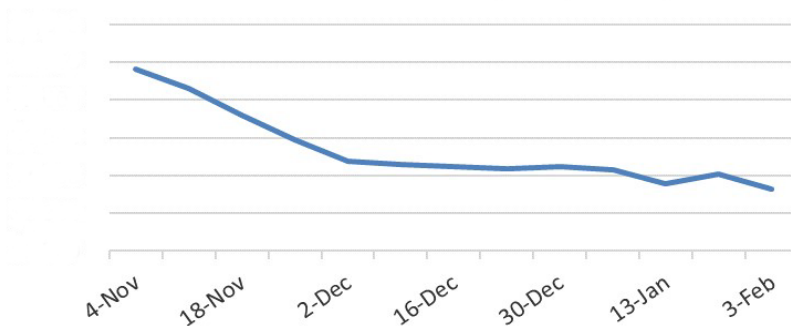
TOTAL ALL USA	Capacity Change	WK 5	WK 6	WK 7	WK 8	WK 9
	TEU Adjustment	<b>-305729</b>	<b>-133310</b>	<b>-137880</b>	<b>-124830</b>	<b>-66840</b>
	Total Number	<b>-35</b>	<b>-16</b>	<b>-15</b>	<b>-16</b>	<b>-6</b>
% of Total Capacity Adjustment		<b>-51%</b>	<b>-22%</b>	<b>-23%</b>	<b>-21%</b>	<b>-11%</b>

## SHANGHAI CONTAINERIZED FREIGHT INDEX AS OF FEBRUARY 8<sup>th</sup>

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



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



## MARKET OUTLOOK & FORECAST – FEBRUARY 8<sup>th</sup> – 22<sup>nd</sup>

Overall Asia export forecasts for the duration of February are underwhelming, suggesting that carriers will continue to manage short term capacity aggressively to prevent further rate erosion. However, ***with no chance for rate increases in February, spot rates are expected to fall further as the month goes on.*** The late-February / early-March period is an important benchmark for assessing potential contract rate levels, so carriers may be more likely to make a push for rate increases on March 1<sup>st</sup> and to reverse the downward momentum. However, ***general forecasts are not reflecting a significant bump in demand before the end of February,*** and equilibrium in the trade will again be dependent upon how much short-term capacity carriers rationalize in February. Assuming blank sailing activity returns to (and stays at) pre-holiday levels, i.e. 20-25% of market capacity per week, the result would be an even ***larger capacity overhang than before the holiday, and the stronger likelihood that spot rates will soften further into March.***

## FORWARD SCFI PROJECTION – AS OF FEBRUARY 8<sup>th</sup>

