Sea Freight News

October 3, 2022

Peak Season Fails to Surface

In what is typically the peak season, demand is waning globally as high inflation and continued interest rate hikes impact industrial action and discretionary consumer spending. U.S. and European inflation levels are at record highs of 8.3% and 7.4% respectively, excluding food and energy costs, prompting the Organization for Economic Cooperation and Development to issue a warning about an increased risk of recession in major world economies.

Export volumes from China continue to decline, dropping 14.6% YOY, with exports from Hong Kong plunging to levels not seen since the pandemic began. China's economic slowdown is also weakening domestic demand, with imports down 8.3%. Import volumes have fallen 2.3% to the U.S, and 4.5% to Europe. West Coast import volumes plummeted 45%, the lowest since the 1980s, as shippers continue to redirect to East and Gulf Coast ports, who have seen volumes increase 12% YOY. U.S. export volumes saw a modest decline of 0.9%. The wait space for U.S. exports has improved slightly but varies by tradelane.

Factories in Asia and Europe are scaling back production amid declining orders and economic headwinds. In China, factory output has dropped sharply as its economy struggles with COVID outbreaks, weak consumption, energy cuts, and a worsening property crisis. The energy crunch and soaring operating costs in Europe have forced manufacturers to curtail production, with energy intensive industries, such as metal producers, hit hardest. Manufacturing activity in the U.S. eased in September, although new export orders have declined.

The weakening demand is providing some relief for vessels and port operators. Schedule reliability is slightly improving with 27.1% of vessels now sailing on time, an 11% improvement YOY. Average vessel delays have dropped to 10 days. Overall port congestion in the U.S. and North Europe is showing signs of easing, resulting in a slight decrease in vessel waiting times. While we are seeing improvement in Los Angeles, Long Beach, and Hamburg, yard density levels remain high, causing low port productivity.

The global spot market continues to free fall. Rates from China to the U.S. West Coast saw the largest decline, dropping to the lowest level in two years. The market is unlikely to bottom out as carriers look to mitigate further rate erosion through capacity management strategies. After significant pushback from shippers, some carriers are reopening negotiations to make downward adjustments to contracted rates.

KEY DEVELOPMENTS

Supply: Despite aggressive moves by carriers to pull capacity, space is more readily available than it has been in a very long time.

Demand: The peak season is falling flat as the market continues to cool.

Equipment: Container and chassis shortages continue to plague U.S. and European ports and IPI origins.

Blank Sailings: In the weeks following Golden Week, carriers have removed roughly 20%-30% of global capacity.

Port	Vessel Backlog	Average Wait Time
Boston	0	0 days
LA/LB	11	6 days
NY/NJ	21	6-35 days
Seattle	9	9 days
Oakland	21	14-15 days
Houston	26	10 days
Savannah	34	10-20 days
Norfolk	8	7 days
Charleston	2	2 days

Upcoming Holidays

Holiday	Country	Date Observed
Golden Week	China	October 1 - 7
Unity Day	Germany	October 3
Foundation Day	S. Korea	October 3
Columbus Day	U.S.	October 11
Public Holiday	Thailand	October 12 – 14

Rotation Changes

- **Matson** closes is seasonal China-California Express (CCX) loop amid a collapse in spot rates on the tradelane
- **MSC** temporarily suspends bookings for its Transpacific Sequoia (TP3) loop, effective immediately
- **Maersk** will suspend its Transpacific TP28 service on Oct. 3
- **Hapag Lloyd** will omit New York on its East Coast 4 (EC4) loop and will remove Halifax, CA on its East Coast 5 (EC5) loop, adding New York as an ad-hoc call
- **CMA CGM** has suspended its Golden Gate Bridge (GGB) service

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Market Outlook

Market	Trade Lane	Capacity	Demand	Rates	Equipment	Schedule Reliability	T/S Reliability	Origin Backlog
Asia	China – North America	↑	↓	↓	→	→	↓	→
	China – Europe	↑	↓	↓	→	↓	↓	→
	South Asia – North America	→	→	↓	↓	↓	→	→
	South Asia - Europe	→	↓	↓	↓	↓	→	→
North America	North America – China	↓	↓	↓	↓	→	↓	↓
	North America – South Asia	↓	→	↓	↓	↓	↓	↓
	North America – Europe	→	↑	→	↓	↓	↓	↓
	North America - Oceania	↑	→	→	↓	→	↓	↓
Europe	Europe – North America	→	→	→	↓	↓	↓	↑
	Europe – China	↑	↓	↓	↓	↓	↓	↑
	Europe – South Asia	↑	→	↓	↓	↓	↓	↑
	Europe - Oceania	→	→	↑	↓	↓	↓	↑

Major Disruptions

- Strikes at the UK's ports of Felixstowe and Liverpool between **September 19 and October 3** are and will continue to have a major impact on vessel scheduling and nationwide landside operations
  - Service backlogs are expected to impact Northern European ports, increasing congestion levels
- Ports across the U.S. and Europe are struggling with a pile-up of empty containers destined for China, hindering landside operations
  - The situation is expected to worsen as carriers remove even more capacity
  - Elsewhere, exporters can't find enough of them
- U.S. exports are likely to be affected by the strong dollar, which will make the cost of American goods more expensive for foreign buyers
- Russia's announcement of a military mobilization will fuel global inflation, putting more pressure on global supply chains

Announcements

- Reminder: Higher Customs user fees went into effect on **October 1**
- Maersk to slow the pace of vessels to save on fuel costs as the demand bubble bursts
- **AP Moller-Maersk Terminals** shelves Rotterdam terminal expansion due to surging steel, material, and labor costs, raising concern over longer-term capacity
- Forced Labor enforcement actions up significantly
  - In August, CBP targeted 838 entries, valued at $266m, for suspected use of forced labor in their production
  - Targeted goods were subject to the Uyghur Forced Labor Prevention Act and WROs, although a breakdown of the detained items or points of origin was not provided
- The FDA is accepting food facility registration renewals through **December 31, 2022**
- The Suez Canal has announced a 15% fee increase for all crossings, beginning in **2023**

Thank You

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