

# Sea Freight News

January 6, 2023



## Beijing's anti-virus reversals, high inflation, and soaring interest rates to provide pain points in the year ahead

Exports from China continue to plunge, with factory output in December the slowest in 13 years as COVID-19 infections swept through production lines across the country. The COVID surge spreading across the country has driven people indoors, with many factories forced to shut down or cut production as workers fall ill, components become scarce, and orders dry up. With China's PMI falling for a third straight month to 47.0%, a decrease of 1.0% from November, many factories have decided to start the CNY holiday early.

Elsewhere, manufacturing continues to contract amid the economic uncertainty. In Vietnam, Asia's fastest growing economy, PMI fell for a second straight month to 46.4%. U.S. manufacturing has also fallen for a second straight month, down to 48.4% from 49.0% in November. Meanwhile, Germany's PMI rose to 47.1%, marking a third MOM increase. While still below the 50 mark (an indicator that manufacturing activity is shrinking), the pace of erosion is slowing.

Carriers are expected to begin curtailing capacity on the Transpacific and Asia-Europe tradelanes after the CNY holiday, redeploying vessels to the more lucrative Transatlantic trade. With capacity expected to grow 9% in 2023, when a flood of newbuilds is scheduled to hit the water, carriers will be challenged to balance supply with demand. One option is to deploy most vessels and lengthen transit times by 'slow steaming.' The slower vessel speeds will also help to address the new IMO 2023 carbon reduction regulation. But any measures that carriers take to mitigate overcapacity - blank sailings, slow steaming, or service suspensions - will lead to continued disruption and rate instability.

Overall schedule reliability continues to improve, with 56.6% of vessels arriving on time - the highest since August 2020, but still well below the pre-pandemic average of 74%. MSC lead the pack, with 63.4% of vessels arriving on time, while Yang Ming had the lowest score at 42.5%. Average delays have also improved, down to 5 days from January 2022's peak of 7.95 days.

At the start of the year, overall spot rates inched up marginally, ending 43 consecutive weeks of decline. While some lanes posted increases, other major tradelanes continue to post decreases. As we head further into 2023, shipping analysts expect small week-on-week reductions due to the excess capacity and weaker freight volumes as the global economy continues to deteriorate amid persistently high inflation and waning consumer confidence.

## KEY DEVELOPMENTS

**Supply:** Capacity remains in excess and is expected to grow 9% in 2023 when newbuild vessels hit the water.

**Demand:** Export volumes continue to contract in all major markets, with exports from China showing the largest drop in what is normally the pre-CNY rush.

**Blank Sailings:** Carriers have blanked 17% of sailings through Week 4, with 54% on the Transpacific, 24% on Asia-Europe, and 22% on the Transatlantic. Further blank sailings from Asia - up to 50% - are expected in the weeks following CNY.

Port	Vessel Backlog	Average Wait Time
Boston	Normal	Normal
Charleston	Normal	Normal
Houston	7	6 days
LA / LB	Normal	Normal
NY / NJ	1	1 - 2 days
Oakland	5	0 - 14 days
Savannah	6	0 - 5 days
Seattle	Normal	Normal



## Upcoming Holidays

Holiday	Country	Date(s)
MLK Day	U.S.	Jan. 16
Tet Holiday	Vietnam	Jan. 20 - 26
CNY	China	Jan. 22 - Feb. 5
Lunar New Year	Indonesia, Malaysia, Singapore, and S. Korea	Jan. 22-24

## Rotation Changes

- **COSCO/OOCL** launches new Southeast Asia - India - U.S. East Coast service, branded AWES, effective January 6
  - Singapore • Laem Chabang • Cai Mep • Mundra • New York • Norfolk • Boston
- **Hapag Lloyd** returns its EC5 service to its former rotation
  - Laem Chabang • Vung Tao • Singapore • Colombo • Halifax • New York • Jacksonville • Savannah • Norfolk



## Market Outlook

Market	Trade Lane	Capacity	Demand	Rates	Performance		
					Equipment	Reliability	Congestion
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

- Portugal’s dockworkers stage prolonged nationwide strike
  - The strike is slated to last until **January 30**
  - Lingering delays are likely to persist weeks after the industrial action ends as port workers clear the backlogs
- Container pickup, loading, and drayage in China have been negatively impacted by the COVID surge, leading to significant delays and higher transport costs
- Port Houston to impose daily \$45 import container dwell fee on long-dwelling containers, effective **February 1**

## Announcements

- Two recent **FMC rulings** open the door for more ‘unfair’ detention and demurrage cases to be brought
  - In its decisions, the FMC waived D&D fees leveraged by carriers and rail operators that were incurred:
    - on holidays or when a motor carrier has no ability to return equipment due to a port closure, or
    - when containers or chassis were unavailable

## Service Suspensions - Until further notice

Carrier	Service	Region	Rotation
MSK	TP28	USEC	Ningbo • Houston • Norfolk
MSK/MSC/ ZIM	TP23/Liberty/ ZSE	USEC	Tanjung Pelepas • Cai Mep • Yantian • Charleston • Savannah • NY
COSCO	AWE6	USEC	Qingdao • Shanghai • Ningbo • Yantian • Vung Tau • Singapore • NY
ONE/HPL/ YML/EMC	IEX/IMX	USEC	Bin Qazim • Nhava Sheva • Damietta • NY • Norfolk
MSC	Mustang	PSW	Shanghai • Busan • Portland • LA
MSK/MSC	TP3/Sequoia	PSW	Ningbo • Shanghai • LA
ZIM	ZX2	PSW	Laem Chabang • Cai Mep • Yantian • LA • Tacoma
ZIM	ZX3	PSW	Kaohsiung • Shanghai • Ningbo • Oakland • LA
COSCO	SEAX	PSW	Shanghai • Fuqing • Xiamen • Yantian • LB
ONE/HPL/ YML/EMC	FP2	PSW	Jeddah • Singapore • Laem Chabang • Cai Mep • HK • Yantian • LA • Oakland
MSK	TP7	PNW	Shanghai • Yantian • Seattle • Prince Rupert
MSK/MSC/ ZIM	TP9/Eagle/ ZP9	PNW	Kaohsiung • Xiamen • Yantian • Ningbo • Shanghai • Busan • Vancouver • Seattle
ZIM	ZMP	PNW	Cai Mep • Yantian • Xiamen • Ningbo • Shanghai • Pusan • Vancouver
ZIM	ZNP/ZEX	PNW	Pusan • Shanghai • Ningbo • Xiamen • Yantian • LA • Vancouver
CMA	GGB	PNW	Kaohsiung • Yantian • Shanghai • Oakland
COCSO/CMA	CENX/GLX	PNW	Qingdao • Shanghai • Prince Rupert



# Thank You

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