

Sea Freight News

April 2023



Mounting tensions between the U.S. and China are contributing to lower trade volumes between the world's two largest economies. In March, imports of Chinese goods fell 7.4% and accounted for only 31.6% of total U.S. imports. Meanwhile, China's total exports soared 14.8% YOY, suggesting accelerated manufacturing activity in other Southeast Asian countries, such as South Korea and Vietnam. Carriers are also now expressing interest in those markets as the U.S. works to establish stronger ties with other trade partners.

U.S. import volumes have rebounded over the last three weeks after a modest 6.9% increase in March. West Coast ports continue to see lower volumes than their East and Gulf coast counterparts, and the Easter weekend shutdown in LA/LB raised even more alarms among importers already diverting cargos away. While industrial freight, heavy equipment, and motor vehicles/parts continue to perform well, commodities such as clothing, electronics, furniture, and construction materials are seeing sharp declines. This explains why the Transatlantic trade is performing better than the Transpacific markets. Meanwhile, exports to Europe continue to soften, with weak consumer demand and inflated energy costs contributing to the bearish landscape.

In Europe, demand is making a comeback due to a surge in solar panels and electric vehicles from Asia. Carriers have yet to adjust capacity despite vessel utilizations running at a three-year high, making space difficult to come by and increasing the likelihood of rollovers.

Global schedule reliability continues to improve, with 57% of vessels now arriving on time. The average delay for late vessels has also slightly decreased, down to 5.3 days. Taking a look landside, many ports have cleared the pandemic-induced backlogs, but pockets of congestion remain, mostly at major transshipment hubs.

Carriers are aggressively managing capacity as we head into the Transpacific contract season, where negotiations have stalled amid market uncertainty. In addition to blanked sailings, carriers are slow steaming, taking longer routes, and idling vessels to soak up capacity. Speeds have been reduced to 13.5 knots, down from the typical average speed of 14.5 knots and less than the 14.1 knots during the pandemic, removing 4.5% total capacity from the market. An additional ~230,000 TEU has also been removed due to a spike in the number of idled vessels – a number not seen since the 2015 downturn.

KEY DEVELOPMENTS

Demand: Global demand remains generally flat.

Supply: Capacity management strategies have balanced out overall supply and demand dynamics, with global load factors now running between 85% - 100%.

Blank Sailings: Blanked sailings have kicked into overdrive as carriers look to mitigate further rate erosion.

Rollovers: Cargo rollovers are on the rise due to the raft in blank sailings.

Rates: While the overall spot market appears to have bottomed out, with rates on most tradelanes holding steady, carriers successfully implemented a GRI on the China – North America trade. This suggests that rates are not just stabilizing but are most likely on a recovery path due to the aggressive capacity management strategies.

Labor Actions: Strikes across Europe may lead to congestion at major ports across the continent and will likely impact trucking operations for final delivery. Delays and congestion surcharges should be anticipated.



Upcoming Holidays

Holiday	Country	Date(s)
Labor Day	China	Apr 29 – May 3
Labor Day	Asia and Europe	May 1
Golden Week	Japan	May 3 - 5
Multiple	BG, DK, MX, and NL,	May 5
Multiple	CZ, FR, SK, and UK	May 8

For a more comprehensive list of holidays, please click [here](#).

Rotation Changes

- **The Alliance** will drop the Asia – U.S. West Coast (PS8) loop on **May 15**; **HMM** to take over the service, rebranded as (PSX) – Shanghai • Kwangyang • Busan • Incheon • Long Beach • Oakland
- **Oceanus** launches new Florida Gulf Express (FGX) service – Cartagena • Colombia • SeaPort Manatee • Freeport • Veracruz
- **HMM** launches new direct service from Tianjin to Europe – Tianjin • Algeciras • Rotterdam • Hamburg • Antwerp
- **ZIM** adds six vessels to its North American – South America Colibri XPress (CXP) service



Market Outlook

Market	Trade Lane	Capacity	Demand	Rates	Origin 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

- U.S. West Coast services are now under-supplied as carriers overplayed blank sailing strategies, leading to significant delays for both laden imports and exports
- Los Angeles and Long Beach are experiencing slower productivity levels due to ripple effects of the Easter weekend labor action
 - Productivity will likely erode further as tensions mount between the ILWU union workers and PMA
- Widespread civil unrest continues to cause nationwide supply chain disruptions in France
 - This is causing cargo flow delays, with many carriers rerouting to nearby ports, including Antwerp
 - Continued industrial action at oil refineries is significantly impacting domestic services across the country, with many service stations experiencing fuel shortages
 - As the unrest shows no signs of abating after the pension reform bill was signed into law, delays and disruptions are expected to continue and likely worsen in the weeks to come

Announcements

- Carriers have signaled their intentions for a May GRI on the Asia – North America trade
- **MSC** announces it will not assess D&D or per diem charges on days that a terminal is closed for business, including holidays, weekend, or other port closure events

Forecast

Despite the economic and geopolitical uncertainty, many industry experts are anticipating improved dynamics in Q2, with U.S. cargo volumes expected to ramp up heading into May and climbing steadily throughout the summer. Spot rates on most major tradelanes are expected to rise over the next few weeks as carriers perfect the formula to bring capacity in alignment with demand. In addition, many analysts are anticipating monthly GRI increases through the end of October.



Thank You

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