OCEANAIR

Sea Freight News

August 2023

The ocean freight market appears to have hit rock bottom and is beginning to bounce back in some regions, according to the latest report from the Baltic Exchange. U.S. import volumes are expected to reach 2 million TEUs in August - the highest level in nearly a year - as retailers prepare for the upcoming holiday season. With imports from China falling 11.1% in July, Mexico has edged up as the U.S.'s top trading partner, accounting for 15.4% of total imports. Imports from Germany and South Korea saw the largest volume increases, up 12.8% and 12.5% respectively. Meanwhile, total exports fell $0.2 billion in June, the most recent data published, led by lower sales of pharmaceutical preparations, civilian aircraft, and industrial supplies/ materials, including oil and natural gas.

China's economic growth fell much faster than economists expected in July, with imports down 12.4% and exports tumbling 14.5%. The contraction in export activity marks the largest decline since the start of the pandemic in 2020 and follows on the heel of June's 12.4% fall. David Chao, Invesco's global market strategist, said the export miss was driven by lower prices rather than lower volumes, but warned that the outlook for the coming weeks appears weak when looking at other export-related data, including export orders. Meanwhile, domestic demand in the world's second largest economy continues to deteriorate, with imports of American goods falling 11.1%.

European imports were down 12% MoM, driven by continued inflation, macroeconomic uncertainty, and geopolitical flux. Imports from China saw the largest decline, contracting 39.5%.

Carriers have begun shifting capacity out of the Transatlantic trade as rates sink below pre-pandemic levels. According to Alphaliner, MSC remains the largest carrier on the trade, with a market share of 37.9%, followed by Hapag Lloyd at 20%, and Maersk and CMA CGM, with 9.6% and 8.4% respectively.

Global schedule reliability, which had been consistently improving since the beginning of the year, saw its first decline with only 64.3% of vessels arriving on time. However, the average delay improved with late vessels arriving 4.36 days late. According to Sea-Intelligence, MSC was the most dependable carrier at 70.6%, followed by Maersk at 69.6%. HMM was the least reliable carrier at 48.3%. The other six major carriers ranged between 50% - 60%.

KEY DEVELOPMENTS

Demand: Overall demand remains stable, with some markets performing better than others.

Supply: Capacity remains in a chronic over-supply. Carriers have responded to the sluggish demand by tightening and slimming down vessel space, cancelling port calls, and slow steaming, resulting in higher rejection rates.

As a result, shippers are waiting longer to get on a vessel, with many having to book six weeks ahead to secure space.

Blank Sailings: Carriers have cancelled 5% of sailings in weeks 32 - 36, mostly on the Transpacific trade. However, carriers will likely cancel additional sailings – at short notice - in an attempt to support the recent rate hikes.

Rates: After a 16-month freefall, global spot rates have spiked almost 12% - the largest increase in more than 2 years – with Transpacific rates edging above contract rates for the first time since 2022. Meanwhile, long-term rates continue to fall, reaching a two-year low after tumbling 9.5% in June.

Upcoming Holidays

Holiday	Country	Date(s)
National Day	Singapore	August 9
Multiple	BD, EU, IN, and KP	August 15
Summer Bank Holiday	UK	August 28
National Day	Vietnam	September 1 – 4
Labor Day	U.S. and CA	September 4

For a more comprehensive list of holidays, please click **here**.

In Other News

Fitch downgrade highlights investor worries about US fiscal picture
Reuters

Fitch's downgrade of the U.S. credit rating is likely to exacerbate unease about the country's debt position, political polarization and the global standing of the U.S. dollar … **Read more**

Market Outlook

Market	Trade Lane	Capacity	Demand	Rates	Origin Performance: Equipment	Origin Performance: Reliability	Origin Performance: Congestion
Asia	China – North America	🔴	🟢	⬆	🟢	🟡	🟡
	China – Europe	🔴	🟡	⬆	🟢	🟢	🟢
	South Asia – North America	🔴	🟢	⬆	🟢	🟡	🟡
	South Asia – Europe	🔴	🟡	⬆	🟢	🟢	🟢
North America	North America – Asia	🟢	🟡	⬇	🟢	🟢	🟡
	North America – Europe	🟢	🟡	⬇	🟢	🟢	🟢
Europe	Europe – North America	🟢	🟡	➡	🟢	🟢	🟢
	Europe – Asia	🟢	🟡	⬇	🟢	🟢	🟢

Announcements

- Canadian West Coast dockworkers approve new contract, officially ending labor dispute
  - While the work stoppage is now over, it is expected to take several weeks to clear the vessel backlog and at least two months for the railroads to clear out the pileup of containers
- Carriers have announced FAK rate hikes on the Asia-North Europe tradelane, effective **mid-August**
  - However, analysts say market volumes are not enough to support the rate increases
- **Maersk** and **ONE** eye cost-saving measures amid stagnant demand
  - Plans include more slow-steaming and blank sailings, utilizing larger vessels to reduce unit costs, equipment repositioning, and returning surplus leased shipping containers
- Savannah’s Garden City Terminal has reopened after a $250m expansion project, boasting 25% more throughput capacity and berth space to accommodate two neo-panamax vessels simultaneously or one 20,000 TEU vessel
- Port Houston’s new Wharf 6, featuring a new 1,000-foot-long wharf with three new neo-Panamax container cranes, is expected to be fully operational in October

Major Disruptions

- Flooding, landslides wreak havoc across southeastern Bangladesh, significantly disrupting shipping
  - The waist-high flood waters have submerged businesses, ports, and ICDs, with Chittagong among the hardest hit

Forecast

Booking data from FreightWaves SONAR points to healthy U.S. import levels throughout August, into September. On the global market, Global Port Tracker expects a slight dip in volumes between September and October, followed by a sharp uptick in November and December. However, Maersk’s CEO Vincent Clerc warns of a downturn in global trade, with container volumes falling by as much as 4% amid surging inflation, tightening monetary policies, and inventory destocking. Clerc predicts that the drawdown of inventories will take longer in the U.S. than in other regions but expects the U.S. economy to “outperform European ones.”

Overall rates are expected to peak mid-month before coming down slightly in the second half of the month, especially if carriers upgrade to larger vessels. The anticipated influx of capacity later this year, combined with mediocre demand and resolved port congestion, point to a downward trajectory for freight rates through the end of year.

Thank You

Please note the information contained in this publications is compiled from a variety of sources - including trade publications, local media outlets, federal agencies, and partner agents - and is based upon information available at the time of writing. This information is provided to our valued clients for informational purposes only, and we do not accept liability or responsibility for reliance on the information contained herein.

www.oceanair.net

OCEANAIR, Inc.
5 Centennial Drive, Suite 400
Peabody, MA 01960

Phone
781.286.2700

Email
solutions@oceanair.net