



## Peak Season Comes Early as Spot Rates Continue to Soar

The peak season has officially arrived as retailers pull forward back-to-school and holiday orders to avoid supply chain disruption and prevent inventory shortfalls.

Even though demand is not extremely high, a capacity crunch and equipment shortages have created a perfect storm that has fueled a shocking spike in global spot rates, up 12% WoW and 181% compared to the same week last year. Carriers will also likely look to impose a range of surcharges to recoup operating expenses inflated by the delays, such as congestion fees or bunker surcharges.

“As more shippers start a peak season early, they create a capacity shortage and rates go up, causing other shippers to join the early stampede,” said Lars Jensen of Vespucci Maritime. Some shippers are even double- or triple-booking the same container to secure space, and in the process they’re “creating the crunch they hope to avoid.”

With the gap between spot and contract rates widening, “carriers will prioritize shippers paying the highest rates. That means cargo belonging to shippers paying lower rates on long term contracts is at risk of being left at the port. It happened during the Covid-19 pandemic, and it is happening again now,” said Peter Sand, Chief Analyst at Xeneta.

Meanwhile, congestion continues to grow at key ports across Asia and the Mediterranean, with Singapore, Port Klang, Tanjung Pelepas, and Dubai experiencing significant delays. In order to recover schedules, some vessels are skipping port calls, exacerbating problems and upending schedules at downstream ports. Major Chinese ports – including Shanghai, Ningbo, Qingdao, and Guangzhou - are also experiencing vessel bunching, with berthing delays now at a three-year high.

According to a recent report from Bank of America, the congestion and resulting delays have tied up more than 2% of the world’s containership fleet, further reducing the already tight capacity, which has been stretched for more than 5 months due to the Red Sea crisis.

The delays and omissions have also created container repositioning challenges, with empty containers piling up at ports across the western Mediterranean, Sri Lanka, and the UAE, while Asian ports – including China, India, and Singapore - struggle with critical box shortages.

## KEY DEVELOPMENTS

**Demand:** Global demand continues to increase while carriers work to clear the backlogs in Asia; however, volumes are not “surging” as they did during the pandemic.

**Supply:** Capacity out of Asia continues to tighten, with space on most trades failing to keep up with demand. However, capacity will begin to this month as carriers add extra loaders.

**Blank Sailings:** Carriers have cancelled 7% of sailings between Weeks 24-28, with 53% occurring on the Transpacific, 29% on Asia – Europe, and 18% on the Transatlantic trades.

**Rates:** Global spot rates continue to soar, surpassing levels reached between May 2021 – August 2022. Carriers are pushing premium (diamond service) rates to secure space guarantees.

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## Upcoming Holidays

Holiday	Country	Date(s)
Dragon Boat Fes.	China and Taiwan	June 10
<b>Father’s Day</b>	<b>International</b>	<b>June 16</b>
Hari Raya	India, Singapore, and Malaysia	June 17
Midsummer	Finland and Sweden	June 21 - 22

For a more comprehensive list of holiday closures, click [here](#).

## Rotation Changes

- **ONE** exits the jointly operated India-North America (**Indamex**) service, offers new standalone India-U.S. East Coast (**WIN**) service
  - Karachi • Hazira • Nhava Sheva • Mundra • Damietta • Algeciras • New York • Savannah • Jacksonville • Charleston • Norfolk • Damietta • Jeddah
- **Maersk** will suspend its Asia–U.S. East Coast (**TP20**) service
  - The last eastbound sailing is set to depart Shanghai on **June 13** and the final westbound voyage will depart Newark on **July 17**
- **COSCO** and **OOCL** launch new Pacific North West (**CPV**) service
  - Ningbo • Shanghai • Vancouver • Seattle • Lianyungang



## Market Outlook

Origin	Tradelane	Capacity	Demand	Rates
Asia	Asia – U.S. East Coast	●	↑	↑
	Asia – U.S. West Coast	●	↑	↑
	Asia – Europe	●	↑	↑
U.S.	U.S. East Coast – Asia	●	→	→
	U.S. West Coast - Asia	●	→	→
	U.S. East Coast – Europe	●	→	→
Europe	Europe – U.S. East Coast	●	→	↓
	Europe – Asia	●	→	↓

Operational Performance				
Equip	Backlogs	Origin Congestion	Transship Congestion	Schedules
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●

## Major Disruptions

- Supply chains in S. Germany have been severely disrupted as catastrophic flooding and landslides cripple train routes and trucking operations; more rain is expected in the coming days
  - Parts of the Rhine have also been closed to container traffic as water levels have exceeded safe passage levels
- Container and chassis shortages have been reported at U.S. IPI locations, with significant shortages reported in Chicago, Cleveland, Minneapolis, and St. Paul
- Since early May, almost 70% of BCOs with long-term contacts have had containers rolled, were pushed onto the spot market, or are being forced to renegotiate higher priced contracts, according to a [recent survey](#) conducted by Freightos

## Forecast

In the near term, market conditions are likely to worsen before they get better due to multiple factors, including vessel bunching, transit delays, forced blanked sailings, capacity and equipment shortages, and elevated rates. In addition, rates are expected to rise further mid-month as carriers levy GRI and peak season surcharges.

Looking further ahead, industry insiders expect the uptick in demand is temporary and that the peak season will end earlier than usual, as evidenced by a recently released [survey](#) which showed China’s factory activity slowed more than expected in May amid a drop off in new orders. However, rates are unlikely to fall lower than their April floor, unless Red Sea traffic resumes.

## Announcements

- Canada braces for possible border services [strike](#), which could start as early as **June 7**
  - Union leaders warn a work stoppage could cause “significant disruptions to the flow of goods, services, and people at Canadian ports of entry”
  - While the country’s border cannot be completely shut down by a labor action, as nearly 90% of border agents are deemed essential workers, work “slowdowns” should be expected
- The Panama Canal has increased the maximum draft on the Neopanamax locks from 44’ to 45’, effective immediately
- The full reopening of Baltimore’s shipping channel has been delayed until **June 8 – 10** due to complications in removing the final piece of the Francis Scott Key Bridge
- Maersk** has announced changes to the way it bills customers for fuel-related surcharges, effective **July 1**
  - Two separate surcharges - the bunker adjustment factor (BAF) and the low sulfur surcharge (LSS) - will be rolled together into a new Fossil Fuel Fee (FFF) surcharge; specific details are yet to be announced
- Portland, OR’s Terminal 6 will continue providing container services following an announcement of state funding to keep operations open
- Bangladesh’s Chittagong to open newly built Patenga Container Terminal (PCT) on **June 10**, adding an additional 500,000 TEU container handling capacity annually



# Thank You

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