SHAPIRO FREIGHT

REPORT

Trans-Pacific Ocean U.S. Imports

APRIL 2018

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TRANS-PACIFIC OCEAN U.S. IMPORTS

2018 | APRIL

OCEAN CARRIER UTILIZATION STATS

For late March to early April sailings, ocean carriers ironically reported very doggish liftings to begin The Year of the Dog. Utilization averages for both U.S. coasts failed to reach even 90%, though there were certainly pockets of demand improvement. The average utilization to the U.S. West Coast was about 84% while the East Coast barely averaged 82%. Utilization numbers are expected to lurch somewhat wildly in the coming weeks, but it is difficult to imagine ocean carriers holding on to any large rate increases/GRIs in the short term.

APRIL 2018: OCEAN CARRIER PROFITS, 2017 VS. 2016, THE TRADE WAR BLUES, APRIL 2018 RATE ENVIRONMENT

OCEAN CARRIER PROFITS, 2017 VS. 2016

As financial results for 2017 trickle in, it appears the steamship industry achieved profits of approximately $7B in 2017. This is a fine result following an absolutely abysmal 2016. To give this picture a bit of color, please have a look at the following chart:

Carrier	2017 Profit/Loss:	2016 Profit/Loss:
CMA CGM	$701M Profit	$452M Loss
Maersk	$541M Profit	$376M Loss
Cosco	$423M Profit	$1.4B Loss
Zim	$50M Profit	$163M Loss
Hapag Lloyd	$34M Profit	$103M Loss
Yangming	$11M Profit	$492M Loss
Hyundai	$1.1B Loss	$595M Loss

The Trade War Blues

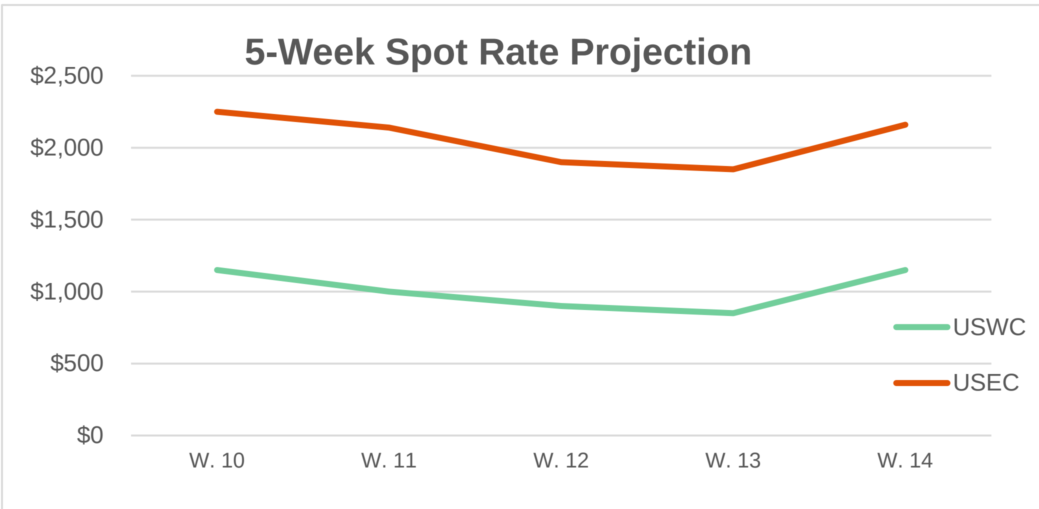
All eyes are focused on potential escalations or diminishments in the current saber rattling over trade between the U.S. and China, with close to 7% of Transpacific import ocean volume already on the table. It is difficult to imagine worse timing for the steamship lines as they are already face the enormous challenge of matching growing supply to questionable demand.

The potential "good news" for carriers is that the commodities currently targeted by U.S. tariffs are of high value and often travel by airfreight. The initial list of products being considered for tariff hikes is valued at $50B a year and includes commodities from the following sectors: aerospace, information and communication technology, robotics, machinery products, and steel/aluminum. The Chinese retaliation, valued at closer to $60B a year, is aimed at cotton, certain metals, soybeans, and many other agricultural goods. The situation is certainly tense, but it is difficult to estimate the likelihood of an all-out trade war at this juncture.

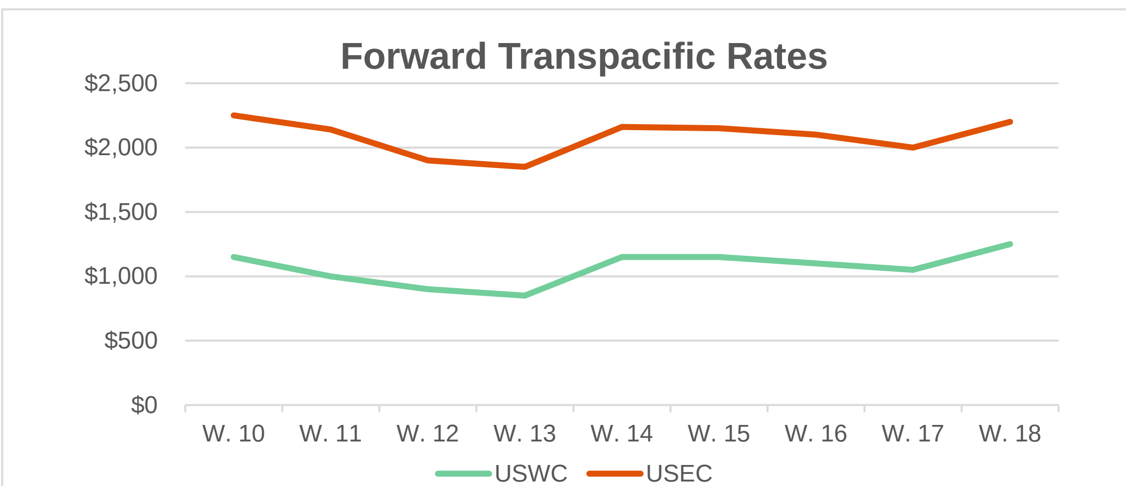
April 2018 Rate Environment

Between March 23rd and March 30th, spot rates rallied just slightly and moved to about $1150 for the U.S. West Coast and above $2150 for the U.S. West Coast. When compared to the same timeframe in 2017, the $200 plus improvement in rates was still 23.8% lower for the U.S. West Coast and 16.3% lower for the U.S. East Coast. With trade jitters and potentially soft demand, most industry pundits believe that the recent rate gains will not be held for long in April. That said, it is likely that U.S. importers will rush their imports slightly in an effort to avoid future tariff increases, which bodes well for carriers seeking demand in the short term.

Please have a look at the rate picture for the recent past here:



We have also attempted to estimate future rates here:



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