

SHAPIRO FREIGHT

REPORT

Trans-Pacific Ocean U.S. Imports

FEBRUARY 2018



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TRANS-PACIFIC OCEAN U.S. IMPORTS

2018 | FEBRUARY

OCEAN CARRIER UTILIZATION STATS

For late January to early February sailings, ocean carriers reported another considerable cargo surge as Chinese manufacturers look to clear warehouse floors before Chinese New Year, February 16th. Overall, January volumes increased steadily to create a favorable “crescendo” for the carriers. Volumes were particularly strong to the US East Coast with carriers averaging 99% vessel utilization, leaving shippers to complain about rolled bookings and reduced allocations. The West Coast numbers, though less robust, were solid, averaging at about 96% vessel utilization.

FEBRUARY 2018: STEAMSHIP JEKYLL AND HYDE, RATE ENVIRONMENT, VOID SAILING SUMMARY

STEAMSHIP JEKYLL AND HYDE: TWO SUPPLY STORIES TO WATCH IN 2018

Jekyll

The industry was impressed to witness both COSCO and Yang Ming push scheduled vessel deliveries into 2019 to suppress a sizable portion of their planned supply surges. These puzzle pieces fit into a global 2018 forecast for carriers of 5% capacity growth, which represents nearly 1.5M TEUs. Current industry forecasts call for a 5-6% increase in market demand, and this has many industry pundits reveling in the potential for a somewhat balanced supply and demand picture for the first time in almost a decade.

BCOs and NVOs have grown used to rates at or below steamship costs and could face tougher negotiations in the spring should the carriers maintain their disciplined appetite for new capacity. Interestingly, the current idle fleet stats reveal that less than 2% of global tonnage lies idle; this should also be a positive sign for carriers trying to control capacity gains to take advantage of any 2018 uptick in demand.

Hyde

When you look more closely at the 5% capacity increases planned for 2018, you see that the supply surge is highly

weighted toward the first six months of the year. In January, a record 250,000 TEUs entered the global market, and this was during winter deployment season. From January to July, roughly 80% of 2018's scheduled supply additions will occur. For the US Transpacific, it will be essential to keep an eye on the speed of vessel cascading from the Asia-Europe trade to the US trades. If it happens rapidly, the spring negotiations may once again be very difficult for the carriers.

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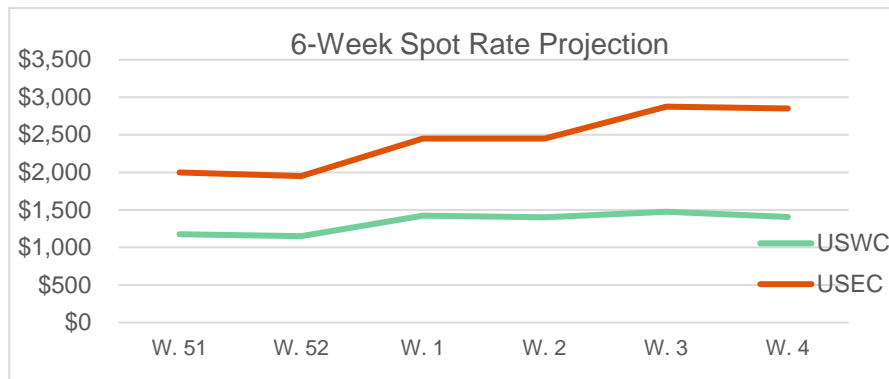
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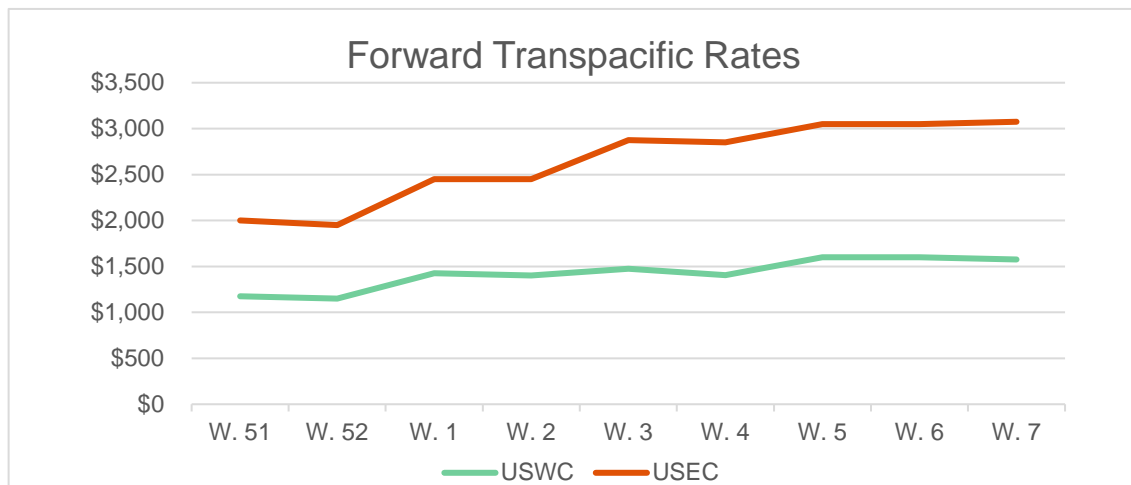
The big bet in 2018 is on the demand side. While forecasts call for 5-6% growth globally, the US trade was all but anemic in November and most of December 2017. This led to the freefall of spot rates to end 2017 with rates 40% lower than the same period in 2016. Overall, this is hardly a strong carrier foundation for 2018... though the 3-4 weeks before Chinese New Year certainly offer the carriers some confidence and some hope that they can maintain the face of Jekyll and keep Hyde at bay.

Rate Environment:

We witnessed a steady increase in demand in January, which allowed the carriers to impose and hold GRI's in place three separate times through Feb 1, 2018.



Looking ahead, we expect about a \$200 per container rate increase. Please note the following chart for forward-rates:



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Special: Void Sailing Summary – February 2018

As of January 26th 2018, and following the Chinese New Year peak in February, carriers will adjust capacity accordingly:

Asia to US West Coast Services

Week	Alliance/Carrier	Service	Rotation	Capacity (TEU)
7	ZIM	ZMP	SEA/CHN-PNW	4,250
8	Ocean	SC1/PRX/PCS1/AAS2	SCHN-PSW	14,000
8	Ocean	PCC1/CC9/AAC4/HIX	CCHN-PSW	7,800
8	Ocean	PCC2/CPS/CC5/HRX	N/CCHN-PSW	9,000
8	Ocean	PNW1/NP4/DAS	SCH-PNW	6,000
8	THE	PS6	N/CCHN-PSW	7,500
8	THE	PS7	SCHN-PSW	9,200
8	2M	TP2/Jaguar	SEA-SCHN-PSW	6,500
8	2M	TP8/Orient	N/CCHN-PSW	11,500
8	2M	TP9/Maple	S/CCHN-PNW	6,500
8	2M	TP6/Pearl	SCHN-PSW	13,000
9	THE	PS7	SCHN-PSW	9,200
9	THE	PS5	CCHN-PSW	5,700

- Week 7: voided capacity equals 2% of Asia-USWC market supply
- Week 8: voided capacity equals 27% of Asia-USWC market supply
- Week 9: voided capacity equals 6% of Asia-USWC market supply

Asia to US East Coast Services

Week	Alliance/Carrier	Service	Rotation	Capacity (TEU)
7	Ocean	PEX3/PG6/GME2	S/CCHN-US GULF	5,100
8	Ocean	PE2/CECP/AWE2	C/S-CHN-VN-NYC-BOS-ORF	8,500
8	THE	EC3	S/CCHN-SAV-JAX-CHS-ORF	7,700
8	2M	TP12/Empire	S/CCHN-NYC-BAL-NFK	8,500
9	THE	EC2	N/CHN-NYC-BOS-ILM-SAV	8,000
9	2M	TP10/Amberjack	N/CCHN-SAV-CHS-ILM-JAX	4,500
9	2M	TP16/Emerald	S/CCHN-ORF-CHS-MIA	8,500
9	ZIM	Z7S	SCHN/SEA-NYC-ORF-SAV	5,000
9	ZIM	ZCP	NCHN-SAV-CHS-ORF-NYC-HFX	8,400
10	THE	EC3	S/CCHN-SAV-JAX-CHS-ORF	7,700

- Week 7 voided capacity equals 4% of Asia-USEC market supply
- Week 8 voided capacity equals 18% of Asia-USEC market supply
- Week 9: voided capacity equals 25% of Asia-USEC market supply
- Week 10: voided capacity 5.5% of Asia-USEC market supply

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