SHAPIRO FREIGHT REPORT

Trans-Pacific Ocean U.S. Imports

JANUARY 2018

SHAPIRO FREIGHT REPORT

TRANS-PACIFIC OCEAN U.S. IMPORTS

2018 | JANUARY

OCEAN CARRIER UTILIZATION STATS

For late December to early January sailings, ocean carriers reported a notable cargo surge as importers, especially retailers, began to rebuild inventories before Chinese New Year (February 16). Frankly speaking, early December was a nightmare for the steamship industry as they allowed capacity supply to increase during a traditionally slow time of year and saw rates decline to almost 40% lower than 2016 December levels. The rebound of shipping volume was particularly notable to the US East Coast with a few carriers reporting 98-99% vessel utilization.

The West Coast numbers actually spiked briefly and then settled into an average of 95% utilization. Experts surmise that the lack of true winter allocation programs indicates that service differentiation and new rotation implementations are somewhat more important than short term profits for many carriers.

JANUARY 2018: DEMAND EXPECTATIONS, RATE ENVIRONMENT, AND A GLIMPSE AT POST-CHINESE NEW YEAR RATES

Demand Expectations for 2018:

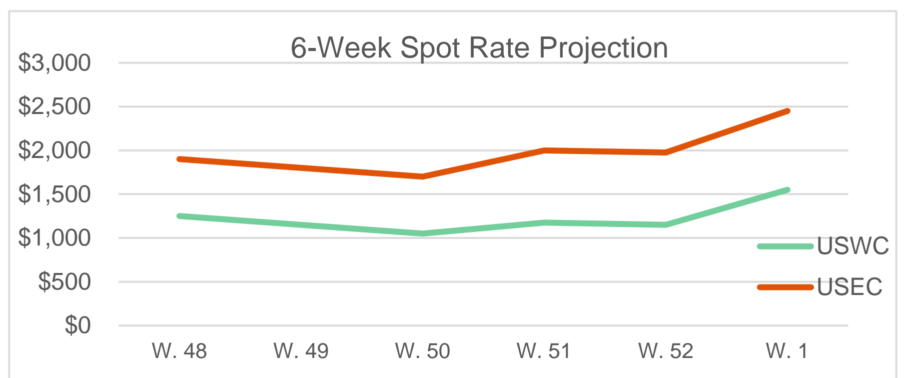
	2016	2017	2018
Global GDP:	2.5% increase	3.1% increase	3.2% increase
Global Volume:	2.0% increase	4.6% increase	4.9% increase
US GDP:	1.5% increase	2.1% increase	2.7% increase
US Import Vol:	2.1% increase	3.7% increase	4.5% increase
Transpacific US:	2.9% increase	4.5% increase	6.0% increase

As we and others have said over and over (and over), the key for the steamship lines is to consider the positive potential for coming demand in the spirit of cautious rationalism. Too many times in the past, the lines have become intoxicated by their market share aspirations and the average vessel size of their fleet. Yes, cost cutting is of paramount significance, but it will also be crucial for the industry to control supply.

Without a doubt, the broad fundamentals are in place for continued demand development, but there are many "wild cards" in that equation. Even a small demand slump will be very difficult for the carriers to overcome without dumping prices.

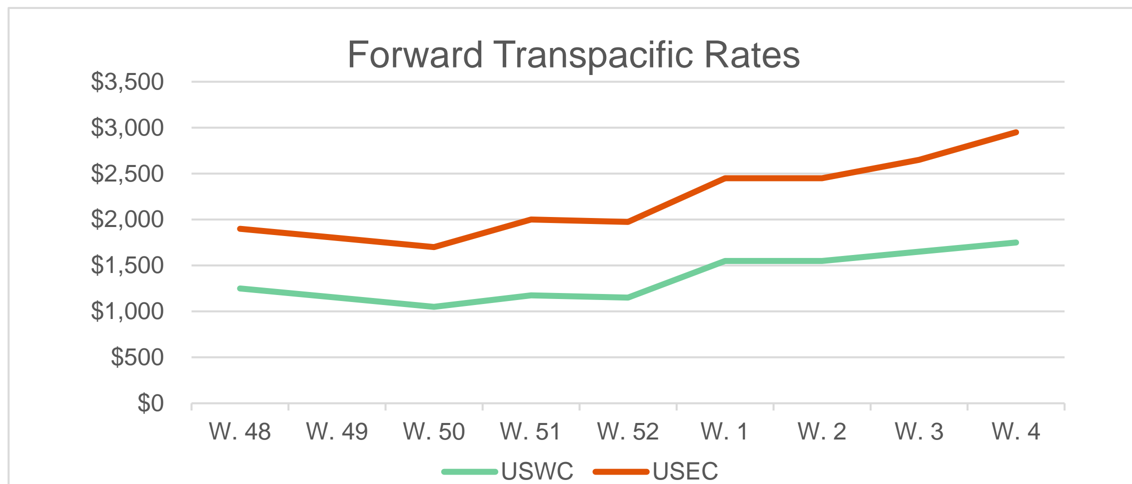
Rate Environment:

2018 opened with a $400-$500 GRI largely holding for the US East Coast. Despite their infrequent use of void sailings, the carriers rode a cargo surge to their first successful GRI implementation in months.



SHAPIRO
1215 E. Fort Ave, Ste 201
Baltimore, MD 21230
www.shapiro.com

Many experts expect a second GRI on January 15th with some rate erosion as we march into February. Please note the following charts for forward-rates:



A Glimpse at Post-Chinese New Year Rates:

Though demand numbers are expected to be quite robust, the carriers will likely struggle to control capacity enough to hold onto their rate gains far beyond February.

This should lead to a buyers' market for spot rates in March though the carriers do have a history of attempting to push up rates just before the annual contract negotiations occur in April-May.

Many industry pundits are keeping a close eye on contract season 2018 as NVOCCs now control above 43% of transpacific volumes. It seems likely that some ocean carriers will adjust their allocation strategy and thus their negotiation strategy to best fill their increasingly enormous vessels.

SHAPIRO
1215 E. Fort Ave, Ste 201
Baltimore, MD 21230
www.shapiro.com