SHAPIRO FREIGHT

# REPORT

## *Trans-Pacific Ocean U.S. Imports*

MARCH 2019

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## *TRANS-PACIFIC OCEAN U.S. IMPORTS*

2019 | MARCH

### OCEAN CARRIER UTILIZATION STATS

For late February to early March sailings, ocean carriers reported a slight decline in utilization ratios across the board. The USEC, USWC and Pacific Northwest are all displaying fill factors between 80-95%, which represents a 5-10% decrease in all regions when compared to fill factors from late January to early February. The carriers' implementation of void sailings post-CNY have failed to offset the effects of dwindling Q1 2019 demand, which is the result of the tariff-induced demand surge that barraged the 2018 market. Compared to the 2018 post-holiday season, carriers anticipate a longer struggle to reach tolerable, post-holiday utilization ratios.

### MARCH 2019: THE BIGGER PICTURE AND CURRENT RATE ENVIRONMENT

### PUTTING THE PADLOCK ON LOCKED RATES

As we march into April and contract season, let's lock-down our thoughts on ocean carrier knowns and unknowns:

***The Unknowns:***

1. Having controlled capacity very effectively since Q3, 2018 (especially through the strategic use of blank sailings), are the alliances committed to supply-side controls?

**Answer: Very Probably Yes**

2. With new vessels totaling over 800,000 TEUs scheduled to deploy in 2019, will vessel scrapping levels increase to help mitigate this supply surge? With low sulfur in mind…

**Answer: Very Probably Yes**

3. Will shipper demand rebound by Q2, 2019 after the pre-shipping mania of 2018?

**Answer: Completely Unknown**

4. Having witnessed a steep and steady decrease of 20-25% for rates to both coasts since Chinese New Year (despite aggressive use of void sailings), will the carriers find a way to boost spot rates in March ahead of annual contract negotiations?

**Answer: Probably Yes**

*The Knowns:*

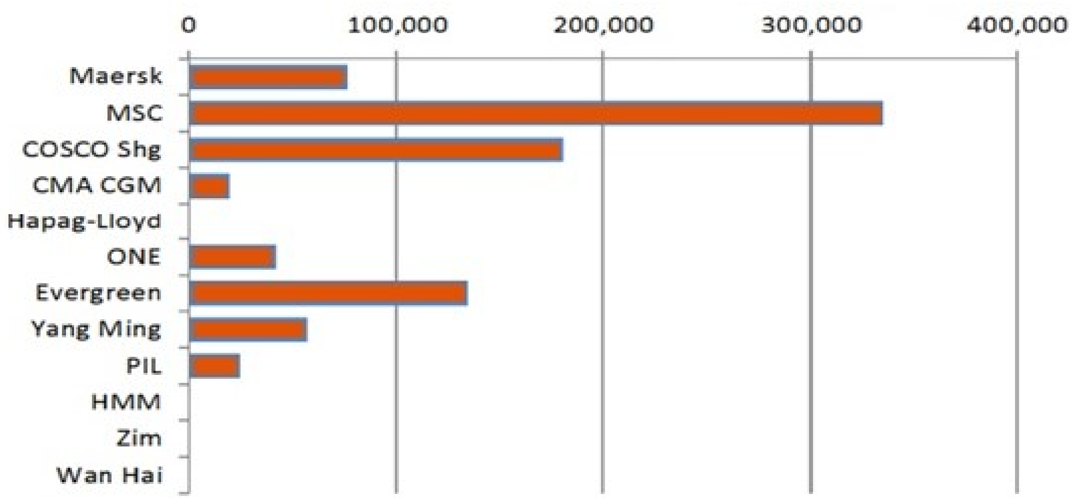
1. With IMO 2020 low sulfur compliance and added costs, overall fuel increases, and the delicious taste of Q3 and Q4 2018 profits in mind, have the ocean carriers finally put a padlock on "all-in locked-down" contract rates?

**Answer: Absolutely Yes!**

Let's be honest, we would-be wardens have been bragging about imprisoning the carriers with our amazing negotiation skills for years. Historically, we pressed and pressed our "prisoners" for no GRI, no PSS, and BAF included deals. At this point, the ocean carriers have declared their freedom from the lock-down deal. We may get a concession on GRI, or maybe it will come on the PSS clause; but, at the end of the day, we are not going to be able to fix the fuel and the market-based surcharges in one deal.

## A LOOK AT NEW VESSEL DELIVERIES FOR 2019

*Scheduled newbuilding deliveries in 2019 (in TEU)*

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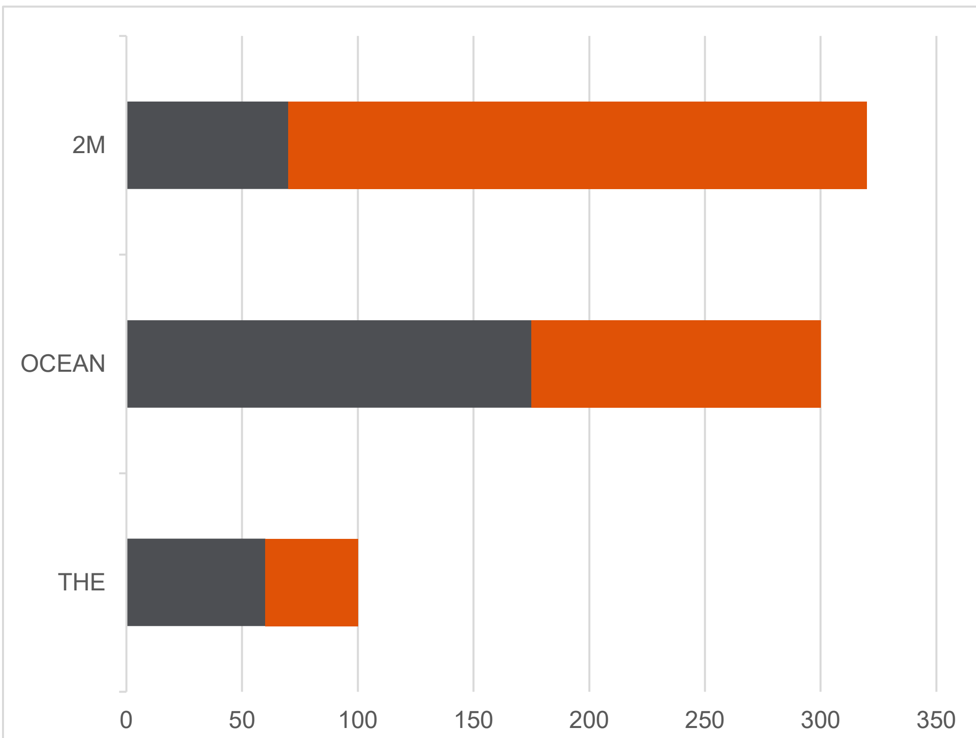
*2019 Vessel Deployment Program*

- **Maersk:** 1 x 20,000; 3 x 15,000
- **MSC:** 7 x 11,000; 5 x 14,000; 8 x 23,000
- **COSCO:** 6 x 19,000; 4 x 14,000
- **EMC:** 6 x 20,000
- **YML:** 4 x 14,000
- **ONE:** 3 x 14,000

*>13,000 TEU newbuilding deliveries in 2019 by Alliance (in TEU thousands)*

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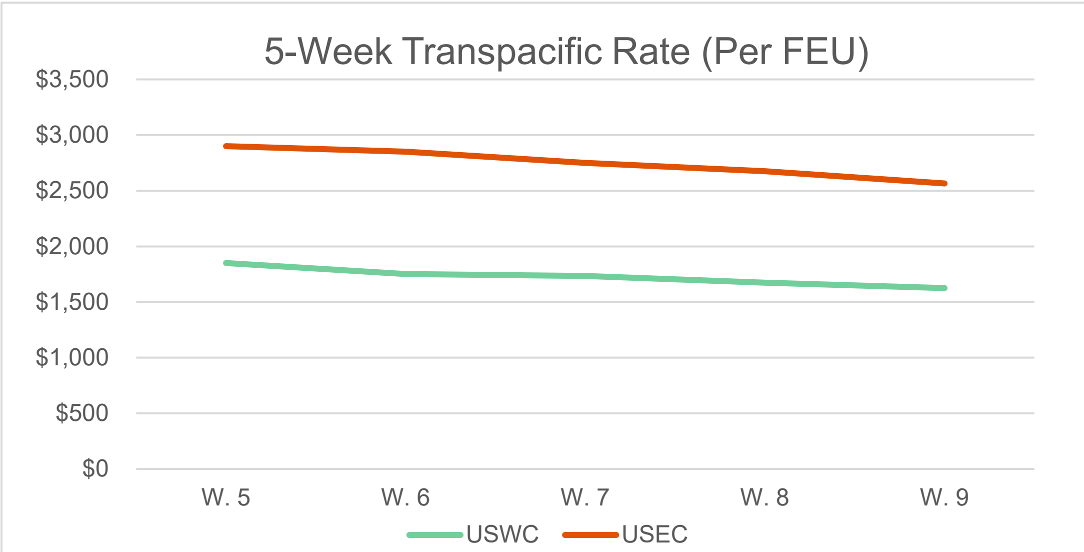
## March 2019, Rate Trends

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




We have also estimated future rates here: