

SHAPIRO FREIGHT

REPORT

Trans-Pacific Ocean U.S. Imports

MAY 2018



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TRANS-PACIFIC OCEAN U.S. IMPORTS

2018 | MAY

OCEAN CARRIER UTILIZATION STATS

For most of April sailings, ocean carriers reported increasingly positive news for vessel utilization ratios. The average vessel “fill factor” for both US coasts sat between 95-97% with a few carriers reporting 100%. It is somewhat difficult to gauge the long-range demand indication implied in April’s utilizations since the steamship industry employed “blank sailings” beginning in late March and throughout April to restrain capacity and to re-phase rotations for some alliance strings.

suppression of capacity in April as an equal contributor to April’s rate increases. Furthermore, May will usher in capacity increases of 4-5% as alliances upgrade services and add larger vessels in rotation. Adding to the capacity swell is independent carrier, SM Line, which will launch a new service to the Pacific Northwest. When you factor in very low scrapping levels vs. 2016-17, the steamship industry is banking on a true and steady uptick in demand to stave off rate erosion and a return to profit struggles.

IS THE COSCO-ORIENT OVERSEAS DEAL SINKING?

As Sino-US trade relations intensify, there is new scrutiny from the Committee of Foreign Investment in the United States (CFIUS) which must approve COSCO’s planned takeover of OOCL even though COSCO has passed all anti-trust hurdles. At issue is OOCL’s Long Beach

MAY 2018: A POSITIVE SIGNAL FOR HYUNDAI MERCHANT MARINE? | DOES THE STEAMSHIP BUSINESS HAVE THE CAPACITY TO CHANGE? | IS THE COSCO-ORIENT OVERSEAS DEAL SINKING | MAY RATE ENVIRONMENT

A POSITIVE SIGNAL FOR HYUNDAI MERCHANT MARINE?

After a dreadful 2017 loss of over \$1B and two solid years of bad press, Hyundai announced a new building program that will launch 20 large containerships and 250,000 TEUs of new capacity. The move signals Hyundai’s plans to re-enter the Far East to Europe and the Transpacific markets as an operator and not just a wholesaler of slot charter space on the 2M. The trade is still eyeing Hyundai closely for improvements in their financial performance overall.

DOES THE STEAMSHIP BUSINESS HAVE THE CAPACITY TO CHANGE?

After seeing rates rebound 10-20% in April, the steamship industry pointed to steady demand momentum as a very positive sign. It didn’t hurt that the lines were also negotiating annual contracts with BCOs and NVOs!

Many industry pundits point to void sailings and

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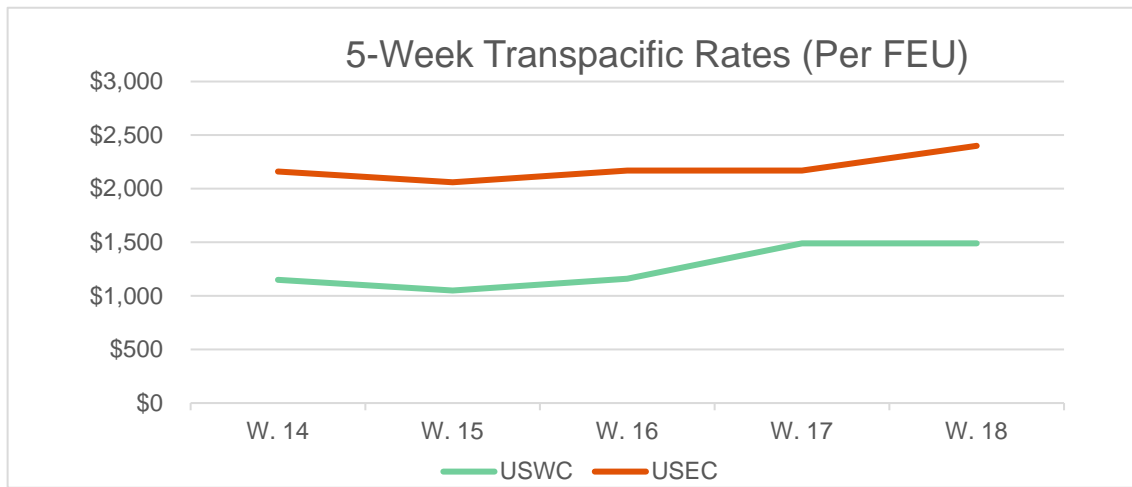


Container Terminal which would come under COSCO control if the purchase goes through. COSCO already owns two terminals in Los Angeles/Long Beach, and the CFIUS has announced a June 30th deadline for their ruling on the matter.

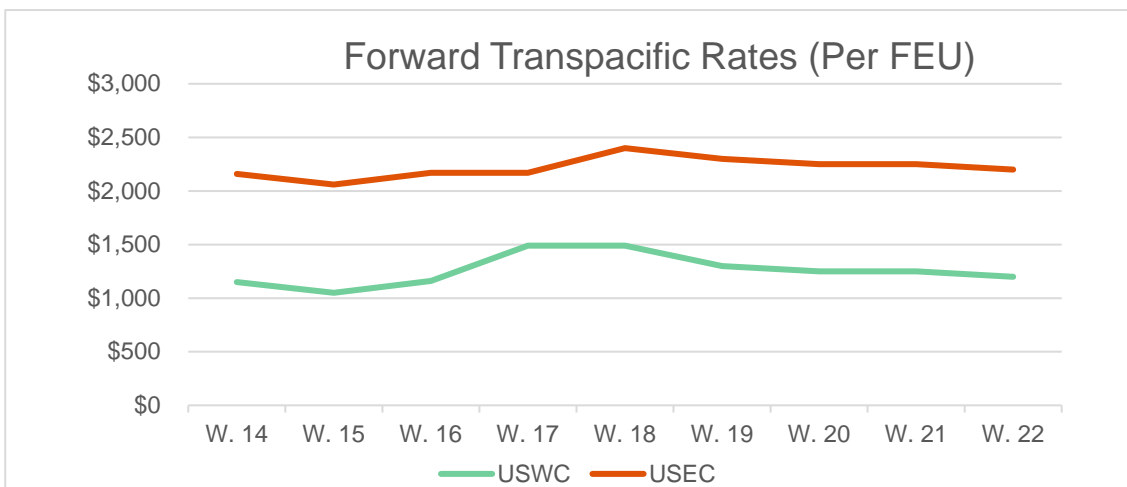
March 2018 Rate Environment:

As stated above, spot rates rallied in April and increased 10-20%. The positive momentum for the lines continued into May and the trade experienced a \$300/FEU largely successful GRI. As we march into May, there are signs that demand is not strong enough to fill quickly increasing capacity.

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



We have also estimated future rates here:



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