



May 16, 2022

**THE CALM BEFORE THE STORM AS SHANGHAI PREPARES TO EXIT COVID LOCKDOWN**

**Shanghai continues its lockdown which has been in place for over six weeks. The government has tentatively set a date of June 1<sup>st</sup> for major restrictions to be lifted.** Gradual easing of the restrictions is targeted to begin around May 21<sup>st</sup> and with plans to manage the situation in stages. If COVID cases do not increase again, it is very hopeful that normalization will begin to be experienced by mid-June.

**Analysts predict that once Shanghai comes back online, its local domestic transportation and international transportation to the U.S. and the world, will begin a course of significant challenges.** Shanghai has been at the top of the world's largest and busiest ocean ports for years and held that top spot going into the COVID lockdowns. The surge of product that has been unable to move in recent weeks out of Shanghai, plus the window getting closer to traditional peak season period in the U.S. is certain to maximize vessel utilization and impact both transit time and congestion in the form of future delays.

**Ocean carriers continue their VOID sailing and port omission strategies across many strings on the Transpacific Eastbound trade.** Current scheduling has been to accommodate the dropping exports out of China, predominantly impacted by Shanghai and other regions in China that have experienced recent lockdowns. Future void sailings are likely to continue in the weeks to come when Shanghai volumes surge and carriers look to maintain their practice of controlling capacity, increasing efficiencies and keeping vessel schedules on time.

**The ports of Los Angeles and Long Beach report strong volumes in April as the Port of Long Beach set a new monthly record.** Loitering and anchored container vessels remain within the mid-thirty level while waiting to berth. While at a low point from past months, this many vessels waiting to get into the terminal and unloaded, is still a concern and will heighten once volumes begin to rise again.

**US East Coast ports remain highly congested as waves of vessels continue to arrive at key ports** such as New York - New Jersey, Norfolk, Charleston, and Savannah. Vessels at anchor remain at higher-than-normal levels. Combined with chassis and driver shortages, conditions will remain problematic for timely delivery of containers. Recent increases in East Coast volumes are still relative to fears of a potential work stoppage, should the West Coast labor talks turn negative at any stage before the July 1<sup>st</sup> expiration of the current contract. Further complicating East Coast ports like New York-New Jersey are the inability for drayage providers to return empty containers back to the port terminals due to a lack of space, something that has been an ongoing hinderance at West Coast ports like Los Angeles and Long beach. The impact is creating congestion and extra costs for importers left paying detention charges and extra chassis fees as a result.

**A twenty-hour strike at the port of Colombo concluded with operations returning to normal late last week.** Vessels were not permitted to berth or depart during this time as port staff halted all activities. The port has experienced significant disruption in recent months, driven by political unrest and economic constraints. Colombo has served as a key transshipment port for the Indian Subcontinent Region and other Asian countries such as Bangladesh. Concern remains high that there will be future labor unrests which will have significant impact on supply chains that rely on this port.

**Inland US rail ramps will remain a concern once volumes increase and congestion mounts.** Chicago rail ramps have had chassis issues as a result of importers holding on to equipment too long while waiting to be unloaded at warehouses and distribution centers. As we reported previously, the BNSF at Logistics Park (Elwood, IL) ran out of chassis for several days a few weeks back, forcing containers to be offloaded and placed on the ground, a practice that only creates further obstacles and delays. To compound matters, drayage providers that have their own private chassis waited in long lines for several hours the past couple of weeks to get containers lifted off at the same BNSF facility.

As usual, we must continue to advise that there is still a great deal of uncertainty ahead and major challenges to endure, some that are unforeseen at this time and which has been proven between each of our News Flashes and guidance to our clients. We do highly recommend that you continuously review your supply chain and keep preparing for continued disruptions, volatility in costs, increased congestion, and long delays. Please continue to book your shipments weeks in advance as we have guided. Providing forecasts of your shipments is ideal. Due to volatility around the globe, this advice can be applied to all modes at this time. Please do your best to plan well in advance and communicate with all parties involved in your transactions. Do not hesitate to contact us should you have questions or need further guidance.

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