TRANSPACIFIC EASTBOUND MARKET – MORE RATE INCREASES, TIGHT SPACE & GOLDEN WEEK PLANNING

During our series of market updates, we have been reporting about the many obstacles plaguing the Transpacific Eastbound market. This has included void sailings, rate increases, equipment shortages and the ongoing tight space each week, all still relevant in the transportation market today. When we last reported, we mentioned that the market had reached critical levels in many areas. Here are the highlights to continue monitoring closely, especially as you continue your shipping plan. There is also a need for heightened awareness with regards to the delays and additional costs involved.

The floating rate (spot rate) market for ocean freight from Asia to the USA continues to reach new record highs. Another General Rate Increase was successfully implemented on September 1st to all major USA destinations. The carriers have already announced further increases effective October 1st, just as the Golden Week holiday in China begins. The carriers continue to display their priority of increasing revenue and profit and not chasing volume or market share that typically deflate the rate levels.

The steamship lines are advising that vessels will be full and likely to be overbooked the entire month of September. We continue to urge our clients to book 3 to 4 weeks in advance to significantly improve the chance of securing space as well as avoiding container rolling that is taking place. Based on the timing and the Golden Week holiday in China starting October 1st, there will be a rush of bookings out of China for the last half of September in order to accommodate getting the orders out of the factory before the Golden Week holiday. This timing also coincides with what will be the cutoff period for many importers to make vessels that will arrive in time to the USA in order to get holiday merchandise in and on the store shelves. This is particularly true for US East Coast and inland point destinations, particularly in the Midwest, which have longer transit times to accommodate for. The carriers have also reported significant volumes being shipped by many of the largest BCO’s, such as Walmart. A great deal of this volume was not forecasted in advance and during contract negotiations earlier this year and has hit the pipeline quickly. This is unfortunately giving the carriers no choice but to reduce space for other BCO’s and NVOCC’s that contribute regularly to their weekly services and strings and will see some of their space squeezed.

Several Carriers have advised of equipment imbalances throughout many Asia origins. Shortages of 40’High Cube and 45’containers have been advised, with carriers working to substitute other equipment and make short term adjustments on rates to accommodate the use of different equipment.

Delays and Congestion are now further evident in key inbound ports such as Vancouver and Prince Rupert. Rail car shortages have been the subject of delays, increasing scheduled transit times up to two weeks, to their inland destinations. Some carriers have even delayed their vessel arrival as a result to help minimize the congestion and let some efficiency stabilize before adding more volume. Recent weeks of the inbound volume surge as well impact from the port strikes in Montreal, minimizing rail car repositioning to the Pacific Northwest region, have contributed to this obstacle. Combined, these events have severely handicapped the Canadian routing and vessel strings from Asia at a very critical time. The strike at the Port of Montreal officially ended on August 21st, but the backlog of over 11,000 containers could take several weeks to clear out and will likely continue to have some impact on rail car repositioning, needed for Eastbound rail shipments.
US West Coast ports continued to be monitored closely as the surge of inbound volumes continue. Congestion is always the worry at this stage of the shipping season, especially at the terminals within the ports of LA/Long Beach. Not only does the congestion impact the inbound flow of containers from the terminals, but it has been a big problem with regards to returning the empty containers back. This has been evident in the past few weeks and compounded by chassis shortages as well. It has become more common to see delays in returning the empty containers, as reported by the drayage truckers, who are citing their inability to get timely appointments from the terminals in order to make the timely return. This has caused an uproar and controversy in the community where driver efficiency is now significantly impacted while customers face the surprise charges of container detention that is being asssed by the steamship lines as well as truckers having to charge yard storage and extra chassis days to keep the empty containers in their container yards. Contributing to this issue are large retailers and their distribution centers, sitting on chassis for days into weeks, while waiting for the containers to be unloaded. This is likely to be a common theme, should chassis shortages begin to be reported in other regions on the USA.

Airfreight from China and other Asia markets are due to see an increase in demand again as the window shrinks on getting holiday goods in timely and ocean freight obstacles remain constant, which will directly limit options or begin to risk longer transit times. The Golden Week in China, starting October 1st, will also contribute to a surge in product before the factories close for the holiday. It is likely that after the Golden Week holiday, another surge of air freight could begin. There is continued fear of another COVID-19 wave this Fall season which is also raising concerns about PPE materials and a proactive need to replenish or increase inventory. As witnessed before, airfreight rates will increase as there is still a constraint on capacity. Improvements have been made that are allowing more passenger planes to be converted into cargo aircraft, and even some U.S. based airlines have been approved to participate on routes from and to China. However, should the demand be high, it will not be enough.

Chinese National Day is celebrated on October 1st every year, in order to commemorate the founding of the People’s Republic of China. It is then expanded into a seven-day holiday that lasts from October 1st to the 7th, which is referred to as 'Golden Week' in China. This year, the holiday is scheduled for one additional day, therefore lasting until October 8th for many.

We must continue to advise that there is still a great deal of uncertainty in the coming weeks and challenges to endure, some that are unforeseen at this time. We do highly recommend that you prepare for continued disruptions, volatility in costs, likely congestion, and increased delays. This should still be exercised on a global basis. Please do your best to plan 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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