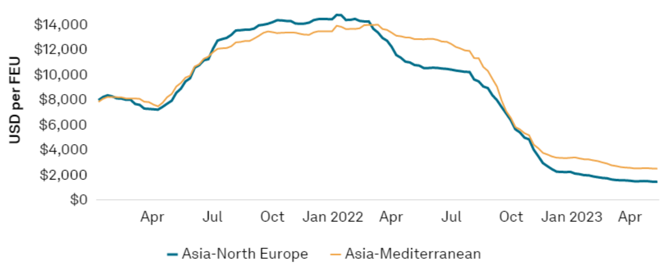
# OCEAN MARKET UPDATE

**MAY 2023**

## CURRENT STATE

- Containerized imports from Asia to the Mediterranean reached their highest volume since January 2019, according to Container Trades Statistics (CTS). The volume from Asia to the Mediterranean increased by 22% year over year and offered capacity during the month shot up by 166,000 TEUs to 613,111 TEUs as carriers reinstated sailings blanked in February. First-quarter volume on the Asia-North Europe and Asia-Med routes is heavily impacted by Chinese New Year. In the first quarter, the Asia-Med trade lane handled 1.47 million TEUs, representing a 6% year-on-year increase. However, a closer look at the numbers reveals a significant difference in import growth between the East and West Mediterranean. While East Med/Black Sea imports rose by 16% to 786,421 TEUs, West Mediterranean volume experienced a nearly 4% decline. Overall containerized imports from Asia rose by 18%. Specifically, volume from China increased by 32%, while imports from North Asia grew by 28%




- U.S. container import volumes reached 2,020,197 TEUs in April 2023. That is a 9.0% increase M/M. Comparing volumes to April 2022, TEU volume was down 17.8% Y/Y, but up 5.3% from pre-pandemic April 2019. The strong growth in container import volume in April continued to track to 2019 volumes for the first four months of 2023 with a difference of 1.5% for the same period in each year. Examining the increase in import volumes from March to April in the previous six years, April 2023 volumes show a representative increase from March of the same year. Moreover, the average delay for LATE vessel arrivals continued to decrease, dropping by -0.26 days M/M in March 2023 to 5.03 days. It is now only marginally higher than at the same point in 2020, and a significant -2.41 days lower Y/Y.

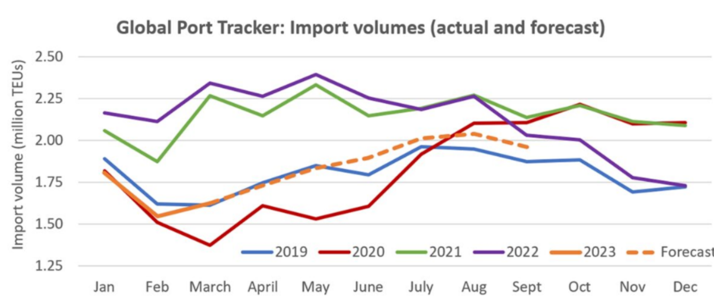
- Longshore labor and employers at the ports of Los Angeles and Long Beach have reached agreement on manning requirements for non-automated terminals. The two sides reached agreement on manning needs at the three automated terminals in Southern California several weeks ago. Coastwide negotiations in San Francisco will now turn in earnest to the two major issues yet to be settled — wages and pension benefits. When a tentative coastwide agreement is reached, ILWU locals up and down the West Coast will wrap up discussions on remaining issues at their ports. Then the entire coastwide agreement will be distributed to the ILWU membership. ILWU local officers will discuss the contract with their rank and file before they vote on it.

## MARKET FORECAST

- Shanghai Containerised Freight Index (SCFI) were reported to decline by 1.5% week-on-week, while China containerised freight index fell by 1.2%, mainly due to weaker Intra-Asia rates due to competition intensified amid slower than-expected China recovery. Spot rates are losing momentum due to a demand-supply imbalance. However, in recent first-quarter reports, shipping companies unanimously stated that they were able to secure contracts at profitable levels. Shipping companies also noted that the current spot freight rates, which are below costs, cannot be sustained in the long run. Consequently, industry participants will have an incentive to more aggressively blank sailings and slow steam to tame oversupply and support freight rates.

- Political tensions between the U.S. and China are contributing to lower container shipments between the world's two largest economies, on top of an already-underway reshaping of global trade. There is a de-leveraging of trade between the U.S. and China going on and many companies in the U.S. are trying to reduce the number of future imports coming from China. The share of container boxes arriving in the U.S. from China has fallen by about 10 percentage points over the past year. As a result, the U.S. is establishing stronger ties with other trade partners including Europe. The world's two largest economies have been steadily becoming less interdependent over the past year. This was largely due to the widespread slowdown in the global economy which was particularly acute for containers as the demand boom reversed during the pandemic. In fact, U.S.-China decoupling is currently being worsened by geopolitics. The U.S. has been importing more from Europe. Additionally, shipping flows from the Mediterranean, India and Southeast Asia into the U.S. have also been bolstered.

- U.S. ports are seeing a rise in import cargo volume after a near three-year low in February. However, it is also forecasted that import volumes will remain below last year's levels, owing to economic uncertainty and other supply chain challenges such as trucker shortages and difficulties in getting empty containers back to terminals. Import volumes compared to the previous year have been decreasing at many ports since the previous year. The decrease in exports from China further emphasizes the slowdown in consumer goods demand. Moreover, with economic uncertainty continuing, the impact on trade is clear. While April numbers are not yet reported, projections indicate a decline of 23.4% year-over-year to 1.73 million TEUs, with May and June forecast at 1.83 million TEUs and 1.9 million TEUs, respectively. The third quarter of 2023 is expected to total 6 million TEUs, down 7.2% from the same time last year, and the first nine months of the year would total 16.5 million TEUs, down 17.8% year-over-year.




*Sources: Container-News, Decartes, Freightwaves, gCaptain, Journal of Commerce (JOC), Sea-Intelligence*