



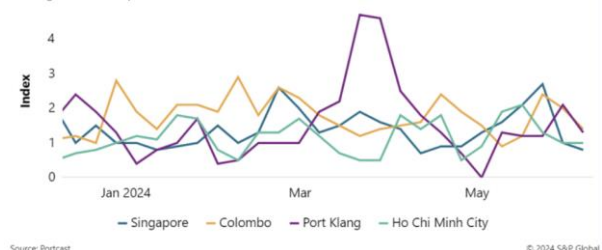
CURRENT STATE

- Trans-Pacific container lines have seized on early signs of peak season demand by implementing seasonal surcharges ahead of schedule, significantly higher than usual. This departure from the norm includes seeking PSS amounts double those of previous years, reflecting a market environment akin to the COVID era, according to industry insiders. Amid fixed-rate contracts negotiated earlier in the year at lower prices compared to current spot, carriers are striving to narrow the gap through these surcharges. Despite the regulatory requirement to disclose PSSs 30 days in advance, final rates often undergo negotiation as the implementation date nears.
- Shippers and forwarders on the Trans-Atlantic trade are facing the unfamiliar possibility of strike action at ports along the US East and Gulf coasts this fall following the breakdown of contract talks this week. Contingency measures by cargo owners to get ahead of any potential disruption could see the trans-Atlantic following the same path as the heavily disrupted trades out of Asia. Peter Sand, chief analyst at rate benchmarking platform Xeneta, said although a strike at East and Gulf coast ports would be unprecedented, shippers will be preparing for such an eventuality. "While frontloading of cargo doesn't show up in the demand numbers yet, or in freight rates, troubles on the USEC and Gulf coasts is the most anticipated disruption in 2024," he told the Journal of Commerce Thursday.
- For over a year the Panama Canal has been operating below capacity due to the severe drought. But The Panama Canal Authority has just announced another increase in the number of daily transits through the canals locks as rainfall continues in the region. This decision comes in light of the current and forecasted water levels in Gatun Lake driven by the arrival of the rainy season. By July 22, it is scheduled that there will be two additional transits added to the daily capacity. The Panama Canal Authority will continue to monitor weather conditions, ready to make further capacity increases should the rainfall in its watershed continue to increase.
- The Port of Baltimore has now fully reopened after the cleanup following the collapse of the Francis Scott Key Bridge caused by the vessel Dali on March 26. The U.S. Coast Guard has officially lifted all restrictions on the Fort McHenry Channel, allowing 24-hour commercial vessel traffic. While export dwell times at the Port remain high due to clearing of the container backlog, Project44 reports that since the reopening, import container dwell times and vessel berthing times at Baltimore have stabilized, indicating normal port operations. During the closure, containers rerouted to ports like New York, Norfolk, and Newark-Elizabeth faced increased dwell times due to logistics challenges, resulting in demurrage charges. But rerouting has ceased, alleviating further costs.
- Over the first four months of 2024 there was a 1 million TEU increase in ship capacity delivered into the global container shipping market, which now shows to have made almost no difference to the effective capacity provided to the market according to maritime consultancy Drewry. This is driven from the longer voyages around Africa to avoid the Red Sea combined with the port congestion in Asian and European hubs creating unseasonably strong demand to fill all available capacity on both Asia-Europe and Trans-Pacific trades. Carriers on Asia-North Europe increased the number of ships deployed on the route by 24% and total capacity by 17% to compensate for the longer routes around southern Africa, resulting in only a 2% increase in the effective capacity per month to 1.1 million TEUs, Drewry noted in a market report Monday. The data is even more stark on the Asia-North America East Coast route. Carriers increased the number of ships by 9% during the first four months, but this resulted in no increase in the effective capacity per month. It was a point made by Hapag-Lloyd CEO Rolf Habben Jansen in a media briefing recently when he said despite the additional vessels in Asia-Europe strings, the longer voyages and port congestion at both ends of the trade meant "in reality, we have less weekly capacity available." The supply-demand imbalance has led to skyrocketing spot rates.

MARKET FORECAST

- The prospect of a strike this fall by dockworkers along the US east and Gulf coasts has leapt with news that the International Longshoremen's Association (ILA) has halted negotiations with employers, citing concerns over APM Terminals using automated gates. The ILA is the largest dockworker union in the US. It was meant to be sitting down for talks with the United States Maritime Alliance (USMX), who represent port operators, to discuss a master contract that is due to expire at the end of September. The ILA said yesterday it canceled the talks with USMX after discovering that APM Terminals and Maersk have been utilizing an auto gate system, which autonomously processes trucks without ILA labor. This system, initially identified at the Port of Mobile, Alabama, is reportedly being used in other ports as well. A spokesperson for the ILA stated, "Here we go again. This is another example of USMX members unilaterally circumventing our coast-wide master contract. This is a clear violation of our agreement with USMX, and we will not tolerate it any longer." "There's no point trying to negotiate a new agreement with USMX when one of its major companies continues to violate our current agreement with the sole aim of eliminating ILA jobs through automation," said international president Harold Daggett, who serves as chief negotiator for the union. The ILA said it will not meet with USMX until the auto gate issue is resolved. The port standoff on the east coast mirrors what took place on the west coast for much of 2022 and 2023. Last June, a deal was finally struck for a six-year labor contract at 29 west coast ports, ending a fraught 13 months of stalled negotiations, walk-outs and cargoes emigrating to alternate locations. The ILA's master contract with maritime employers is set to expire on September 30, and if no agreement is reached by then, the union has vowed to strike for the first time in 50 years. Port strikes are making headlines around the world with walkouts across major ports in France and Germany this month.
- Singapore, the world's second-busiest container port, is facing critical congestion issues exacerbated by a shortage of ships and containers. Currently, containerships are experiencing delays of up to seven days to berth. Globally, port congestion has tied up approximately 7% of the fleet, contributing to carrier rate increases. The congestion in Singapore is primarily due to diversions caused by the Red Sea crisis and shipping lines bypassing the less congested Port Klang in Malaysia. Typically, ships can berth upon arrival or wait up to half a day in normal circumstances. However, severe congestion has now forced some carriers to skip their scheduled Singapore calls, exacerbating congestion downstream. Linerlytica forecasts worsening congestion throughout June, prompting liner operators to secure additional containers and extend ship charters beyond September. This congestion is particularly affecting Asia-Europe services, influencing trading on China's container futures market, which closed higher due to increased uncertainty and costs. Overall, the bottleneck in Singapore underscores broader global port congestion issues, impacting shipping schedules, costs, and trade flows across regions.
- As uncertainty hangs over Canada's rail system being shut down by a strike, shipping lines on the transpacific trade have begun to cancel calls to the country's main pacific gateways, Vancouver, and Prince Rupert. There are 14 port swaps and diversions away from Canada into US gateway ports confirmed from week 24 onward, as well as three completed since mid-May. At Prince Rupert, just three have so far been announced for the period. Ports on Canada's Atlantic coast was expecting just seven. "Further delay to the strike action, and/or government intervention, means an indefinite extension of measures taken by carriers to predict this impact, creating a persistent shadow of doubt on the weeks ahead," eeSea warned.

Congestion at Southeast Asian ports adds delays to longer Asia-Europe voyages
The ratio of the current median vessel waiting time for the week to median of the weekly vessel waiting times at the port for the last six months



Sources: Journal of Commerce (JOC), gCaptain, The Loadstar, Splash247.com