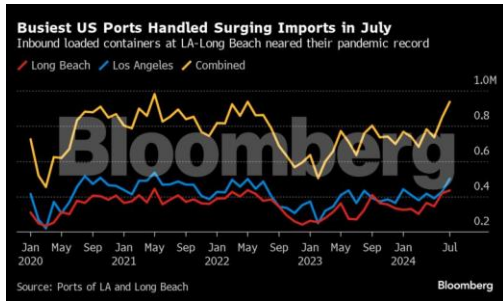




### CURRENT STATE

• Despite concerns over a cooling economy, the Port of Los Angeles and Long Beach experienced one of their busiest months ever in July, approaching the record highs of May 2021. The surge in import volumes is fueled by retailers stocking up before potential U.S. tariffs on Chinese goods and the possibility of a strike at East & Gulf Coast Ports, adding to the usual pre-holiday ordering rush. Southern California's marine terminals are managing the high volumes well, though capacity constraints are emerging. Namely the ports are seeing an increased on-dock dwell time now up to 4-6 days as well as increased congestion for both imports and exports. Data indicates that any significant strike could severely delay port operations. With the upcoming tariff changes and potential political shifts, companies are eager to import goods before new tariffs might be imposed, which could be exacerbated if former President Trump were to return to office. While U.S. container imports are on track to match pre-pandemic levels, concerns remain about whether the current high demand will continue, especially if consumer spending slows. Despite the congestion issues the ports are seeing, port efficiency remains high, and it is uncertain if the peak in imports has been reached or if demand will persist, depending largely on broader economic conditions.



- Maersk and MSC, both key members of the 2M Alliance, are modifying their European port schedules to tackle congestion issues following a record-breaking surge in ocean shipping demand from China to North Europe. In response to June's unprecedented volume of 800,000 TEUs—causing a notable spike in spot rates—the two shipping giants are implementing changes across multiple services on this route. Some ports they will skip altogether, while others they will look to adjust routings to less congested ports. These adjustments are aimed at improving schedule reliability and adapting to the severe port congestion in Europe. Despite a recent 1.6% decrease in average spot rates since late July, the high rates observed between April and July suggest ongoing supply chain challenges. Analysts anticipate that while demand may stabilize, issues related to winter weather, upcoming Chinese New Year, and seasonal patterns could sustain pressure on freight rates and logistics, potentially leading importers to overorder to mitigate risks of future shortages.
- On Friday, August 9<sup>th</sup>, an explosion occurred aboard a Yang Ming vessel that closed the port of Ningbo's Beilun Phase III Terminal for 60 hours. Reopening at midnight on Monday, August 12<sup>th</sup>, Reports suggest the explosion came from dangerous goods being held in a non-operating refrigerated container. All crew members and on-site personnel were safe with no casualties reported. Luckily, this did not severely affect vessel and container handling operations at the port as a whole. But berthing schedules had to be adjusted as the terminal is working to catch up from the three-day closure which has caused further congestion and delays. Reports now suggest that the NSBCT terminal is currently operating with a 3+ day berthing delay while the station where the incident occurred is still shut for investigation and cleanup. All other terminals at The Port of Ningbo have stabilized and are reporting a 1.5-2-day berthing delay due to the incident. It is also said that this has slightly affected other ports throughout the region as ships have been re-routed elsewhere causing minor congestion.

(\*\*Most Carriers have suspended bookings under DG classes # 4.2, 4.3, 5.1 and 5.2 until further notice\*\*)

### MARKET FORECAST

- Canada's labor regulators ruled disruption to the nation's rail system would not significantly threaten public safety, opening the door for a strike or lockout to occur as early as Aug. 22 — if negotiations fail. The board ordered a 13-day cooling off period, which created a two-week window before any labor disruption can occur. This provides time for the Teamsters Canada Rail Conference to continue talks with Canadian National Railway and Canadian Pacific Kansas City. Negotiations resumed Aug. 7. However, talks between the parties have yet to yield a new contract, to replace the one that expired at the end of last year. The slow progress has led some stakeholders to remain pessimistic of a disruption-less resolution. As fears build, Canada's major railroads have also reported a loss of international freight business. CPKC EVP and chief marketing officer pointed to the possibility of a strike as the cause of the railroad's Q2 international volume dropping 9% from just a year ago. The Teamsters said in a statement the union would provide the necessary 72-hour advance notice in the event of any strike action. Sticking points to getting a labor deal done include wages, crew scheduling and fatigue management, according to the union. Meanwhile, CPKC said in statement, it will lock out the Train and Engine division and TCRC - Rail Traffic Controller division on Aug. 22, unless a new labor deal is negotiated, or the parties agree to binding arbitration.
- Ocean carriers have now announced a Peak Season Surcharge (PSS) on the Trans-Atlantic Westbound Trade for September 1<sup>st</sup>. This is in a bid to turn around the declining rate levels that have fallen steadily for months despite the increased volumes on the trade lane. Even with volume growing 7% in the first half of 2024, according to PIERS, this is the first attempted price increase announced on the trade since February. Capacity has outpaced demand on the trans-Atlantic for much of the year, although some of the larger vessels on the trade were moved to the trans-Pacific and Asia-Europe routes to take advantage of much higher rates. Carriers on the trans-Atlantic have kept blank sailings to a minimum all year despite the overcapacity. It is believed by some that any upcoming rate increases will not stick unless there is a significant increase in the number of blanked sailings, a strengthening of demand or port disruptions.
- The agreement between the International Labor Association (ILA) and the United States Maritime Alliance (USMX) for US East Coast port workers expires on September 30, with ILA threatening a strike starting October 1 if no new deal is reached. In lieu of the possible strike, Sea-Intelligence provided some projections to see the impact that a strike would have. Sea-Intelligence projects that a strike could severely disrupt container volumes, estimating 2.3 million TEUs to be handled in October, with 74,000 TEUs processed daily at US East Coast ports. Once a strike is over, the next big hurdle would be to clear the backlog of containers on top of the normal volumes. To estimate how long it would take to clear the backlog, Sea-Intelligence first looked to estimate the excess capacity available at the Ports by looking at the maximum volume handled in a one-month period vs. the expected volumes for October 2024. Using this formula, they are predicting East Coast ports to have 13% excess capacity meaning it would take roughly 6 days to clear the backlog for a 1-day strike. A 1-week strike would not clear for roughly a month and a half and a 2-week strike would have a backlog into early 2025.
- Government ports in India face potential major disruptions if negotiations fail to prevent an indefinite dockworker strike starting 28 August. The strike threat arises as India is pushing for port flow enhancements to handle increased export volumes that are accruing. Union leaders from a federation of six labor groups have unanimously voted for industrial action, citing unresolved issues related to wages, productivity-linked rewards, and bonuses after numerous unsuccessful negotiations with port authorities over the past three years. The unions also criticize the government's push for privatization, which they argue threatens job security. There are currently no scheduled negotiations, but as a routine procedure, union representatives expect an invitation from the chief labor commissioner for conciliatory talks in the coming days, ahead of potential direct government-level intervention. Any port disruption could make supply chains more challenging for Indian shippers already hit hard by the Red Sea crisis, which has sent vessel schedules off-kilter and ocean freight rates unusually high on some routes.

Sources: Alphaliner, Journal of Commerce (JOC), The Loadstar, Freightos Terminal, Sea-Intelligence, Contaiier-News.com, Bloomberg, CMA Weekly Reader