

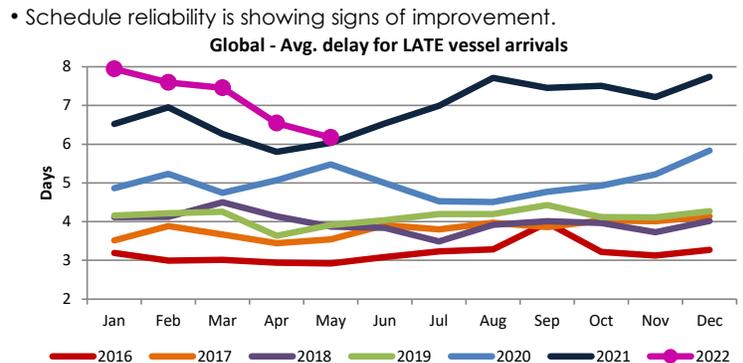


CURRENT STATE

- Negotiations between ILWU and PMA continue past the expiration date on July 1. While there will be no contract extension, cargo will keep moving, and normal operations will continue at the ports until an agreement can be reached. Both sides understand the strategic importance of the ports to the local, regional, and U.S. economies and are mindful of the need to finalize a new coast-wide contract as soon as possible. Both parties issued a joint statement that day saying cargo handling at West Coast ports would continue without disruption while talks continued.
- Hundreds of truckers protest AB5 at Southern California's busiest ports. AB5 intends to limit the deployment of independent contractors and will classify them as employees instead.
- AB5 is a law that went into effect statewide in the U.S. at the start of 2020. It is viewed as significantly restricting a worker's ability to be classified as an independent contractor.
- The U.S.A. President Biden signed an executive order preventing a national strike by US railway workers that would have crippled already-stressed containerized supply chains. According to the statement released by the Association of American Railroads (AAR), railroads remain committed to reaching an agreement that provides their employees with well-deserved compensation increases that keep them among the best paid in the nation. While a formal strike is likely off the table, for now, other forms of protest are possible in the interim, such as reducing the speeds of trains or other measures known as "working to the letter" of a contract and nothing more, a tactic that dockworkers have used in the past when negotiations with US ports hit a snag.
- After a record year of freight demand in 2021, carriers playing in the spot market benefited from a blank check when naming rates while capacity was quite limited. In summary, a significant mismatch between supply and demand allowed carriers to reap record profits from increasingly desperate shippers.
- US imports in June went down 11% sequentially — by 55,280 TEUs — from imports in May. However, ships with a total capacity of 91,664 TEUs were waiting in Los Angeles' offshore queue at the end of June.
- US imports from Asia totaled 1.69 million TEU last month, a new record for June. On a month-to-month basis, June imports were down 2% from 1.72 million TEU in May. After a year of dealing with supply chain headaches, shippers broadly elected to raise their contract rates. Consequently, contract rates began to rise in the fall of 2021 and took off at the beginning of 2022. At the start of March, when spot rates began to experience a slower growth rate, contract rates had risen more than 23% yearly.
- A port worker strike hit several major German ports following the collapse of the latest round of negotiations to resolve a protracted collective bargaining agreement dispute. The strike is set to continue to a dispute over collective working agreements.
- At this stage, negotiations are still ongoing between the parties. There could be changes to the scheduled strike action at the very last minute, including the possibility of an agreement being reached and the strike being canceled.

MARKET FORECAST

- America is facing the twin threats of rail and trucker strikes just as signs emerge that its ports on both coasts are overloaded. The ongoing negotiations between dockworker unions and employees on the US west coast are also fraying nerves for many involved in supply chains. A work stoppage would exacerbate congestion at US ports on all coasts and complicate strained supply chains. Meanwhile, a protest against the new state law, AB5, set many truckers on strike in California.
- US retailers urge ports to prepare for strong H2 imports. US retailer's project continued strong imports at least through November. However, volumes during the summer-fall peak shipping season are forecasted to be down slightly from the record cargo that moved through the country's ports last year. According to the Global Port Tracker, US Retailers expect monthly imports in the second half of the year to remain at or near record levels.
- US imports in 2021 increased 17.4% over the previous annual record set in 2020. Global Port Tracker each month revises its forecast from the last month as greater clarity on imports is achieved. The most recent report projected that imports in July would increase 5.3 percent year over year; last month's forecast was for an increase of 4.8 percent in July.
- Although volume is expected to decrease in the second half of 2022, new forms of disruption are emerging, such as industrial action in trucking in Vancouver, Canada, U.S. railroads, and European ports. Other problems continue to emerge, which include U.S. intermodal rail service.
- Chassis providers, intermodal providers, and western US railroads are all leaning on shippers to find a solution to the overcrowded warehouses, emphasizing the role of cargo owners in keeping terminals fluid.
- Supply chain challenges are expected to continue throughout the remainder of this year.
- Schedule reliability is showing signs of improvement.



- Although this year's high-demand and tight-capacity dynamic create challenges, the risks can be minimized by planning.
- Consumer demand continues to be at its peak. Nevertheless, there is still a shortage of shipping capacity, equipment, and labor. Therefore, the increasing consumer demand is not being met efficiently, and the challenges will likely last until December. According to Sea-Intelligence, if there is no change in the capacity and demand pattern, the shrinking shipping capacity could last up to three years. Additionally, the industry is expecting a higher demand for goods before the holiday season, and because of that, the companies will start their shipping processes earlier than usual.
- A growing number of sources close to the ongoing West Coast longshore labor negotiations believe that while several challenging issues remain to be resolved, the likelihood is growing that a deal will be reached in August or September with little disruption occurring on the docks.

Sources: Shippingwatch, JOC, Splash24/7, Freightwaves, American Shipper, Sea Intelligence, Maritime Executive