



CURRENT STATE

- Vessel delays due to port congestion have slightly reduced in the China-North Europe trade but increasingly disrupted North Europe – U.S liner services. Container ships deployed between China and North Europe currently need 97 days on average to complete an entire round voyage, which is only four days less than in mid-May. Asia–Europe container trade volumes that have fallen 4.8% year over year in the first half of 2022, coupled with steadily declining spot rates reflecting loosening space on ships, are raising warnings of overcapacity.
- Congestion has worsened in the North Europe – U.S East Coast trade, where carriers get a double whammy on both sides of the Atlantic Ocean. Increased waiting times in some U.S East Coast ports add to the vessel's delays experienced in the big North European hubs.
- Demand for container transport is declining slightly. At the same time, new numbers on the three major tradelanes, Asia-US, Asia-Europe, and Europe-US, reveal that utilization of capacity is also diving, thereby continuing to put downward pressure on spot rates.
- Spot freight rates, in general, reached their peak in September 2021, although some trades followed a different pattern, such as the trans-Atlantic, which peaked in May 2022. But the extreme increases in spot rates last year were not matched in the contract market. As spot rates began to come down in the fourth quarter of 2021, carriers adjusted contract rates upward, a trend that continued into the second quarter of 2022. The substantial demand growth seen in 2020–21 has also waned, replaced with much lower growth rates but maintained for now at levels that far exceed those before the COVID-19 pandemic.
- Port workers at Felixstowe started an eight-day strike on 21 August regarding a dispute about a pay increase. Ocean carriers are making contingency plans in case the strike at the UK's biggest container port is not a one-off.
- Port operatives at the Port of Liverpool will strike over an "inadequate" 7% pay offer, according to the British trade union Unite. In a ballot with an 88% turnout, 99% voted for strike action. The dates of the strikes have not yet been announced.
- The water level at a critical waypoint on the Rhine River is poised to steady at an extremely low level this week as a climate crisis compounds Europe's worst energy supply crunch.

MARKET FORECAST

- The container shipping market is in the process of reverting to normality. Depending on how the data is viewed, this process may have begun as early as September 2021 but will likely not reach its endpoint until mid-2023. Along the journey, there will be quite a few bumps in the road.
- Schedule reliability is expected to improve, which will release more capacity into the system and, in turn, continue to push rates downwards.
- The improvement of supply chain bottlenecks will release large amounts of empty containers into import markets, especially North America. But even when the market eventually normalizes, it will not necessarily return to pre-pandemic normality. Contract frameworks are gradually shifting toward mutual commitments, and head-haul freight rates will likely remain above their pre-pandemic averages.
- Overwhelming US import demand has outstripped the supply of chassis throughout the last two years. From August 2020 through July 2022, total containerized US imports topped 2.3 million TEU in 21 of 24 months.
- Shortages of marine chassis may persist until 2024 as North American chassis manufacturers have run into production delays in 2022 for the second consecutive year.
- Many experts believe that because of the disruption at Felixstowe, trade will be diverted to smaller ports in the United Kingdom but also other international ports, including Wilhelmshaven, Germany.
- U.S West Coast dockworkers and their marine terminal employers reached a tentative deal on health benefits at the end of July. A growing number of sources close to the 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.
- California's "Truck and Bus Regulation" takes effect on January 1, 2023, and will ban trucks that are model year 2009 or older. That is expected to reduce drayage capacity by more than 20%, according to the California Trucking Association (CTA). The California drayage fleet could shrink by up to a quarter early next year when a new clean truck rule takes effect, compounding the repercussions of the state's already implemented AB5 worker classification law.
- Measuring the impact of AB5 on truck capacity since it became enforceable in late June is especially difficult, mainly because the state labor and revenue agencies charged with enforcing the rule have taken no overt actions yet against truckers.
- Surge in shipbuilding is raising potential oversupply concerns. In 2020, orders for container ships fell to their lowest number in a decade, and dry bulk and tanker orders experienced similar slumps. Both 2021 and 2022 saw an uptick in orders, and shipping analysts now predict that 2023 will again see high levels of orders across all sectors, raising concerns of a potential oversupply. Demand for newbuilds is such that many shipyards are finding it increasingly difficult to accommodate new orders.

Sources: *Container News, The Loadstar, Alphaliner, Shippingwatch, gCaptain, JOC*