



November 17, 2023

The Transpacific Eastbound Trade Shows Some Sparkel During the First Half of the Fourth Quarter, but Remains Fuzzy Going into 2024

As volumes continue to decline out of Asia, ocean carriers continue to void more sailings as well as implement their winter deployment schedules, use smaller vessels and consider string suspensions over the next few weeks. It is likely this will continue just beyond Chinese New Year which will start February 10, 2024. This will maintain an artificial supply and demand allowing carriers to continue their practice of rolling containers as needed, while hoping to keep rates in line or above breakeven operating costs as best as possible. There was modest success by the carriers surrounding Golden Week in October, that included a short-lived general increase in November, as volumes appeared to display a small rebound, but as the peak for holiday goods has now passed, volumes will certainly decrease sharply and rates are likely to fall as 2023 concludes. E-commerce products will now represent the significant amount of goods moving, primarily to U.S. West Coast ports. The balance of volume moving now will be seasonal items or some minor replenishment, while others will get an early start on increasing inventory levels for Spring merchandise.

The Panama Canal drought continues to worsen and has now reached very critical levels as Gutan Lake, which feeds the canal with fresh water, did not receive the rain needed during the rainy season and the water levels continue to decrease. With the lower water levels, restrictions have been implemented, such as reduced weights per vessel, and fewer ships being allowed to transit each day, which in recent reports is now less than 31 transits per day compared to normal operations and will continue to decrease. Some have predicted the number of transits to be below 20 per day as we approach January. The bottleneck of ships is growing and the changes in the reservation system were implemented in order to help accommodate the situation. While many carriers have built in some of the anticipated extra time to pass through the canal into their transit times, the overall performance of arrivals to East coast ports moving eastbound through the canal are starting to be impacted and reflecting delays of 3 to 5 days. As an alternative, ocean carriers are recommending routing through the Suez Canal when available. Traditionally, routing via the Suez Canal equals longer transit times to the U.S. East Coast, but with increasing delays and the continued decrease in vessel utilization through the Panama Canal, the alternative is more reliable looking forward.

Air Freight is now in high demand for the just in time shippers before the holiday season, with rates increasing each week in the past month and particularly out of most China and S.E. Asia airports. In China, rates have now increased to double digit levels per kilogram as demand has grown. E-commerce goods are also showing strong contribution to this season's airfreight services.

OFFICE LOCATIONS

**Moonachie, NJ (201-478-4600) * Long Beach, CA (562-435-2327) * Schaumburg, IL (630-860-0782)
Hong Kong • Shenzhen • Guangzhou • Shanghai • Ningbo • Nanjing • Dalian • Tianjin • Qingdao • Xiamen • Taiwan • Vietnam,
Cambodia, Indonesia, India**

www.shipamerican.com