

MARKET UPDATE

JULY 2022

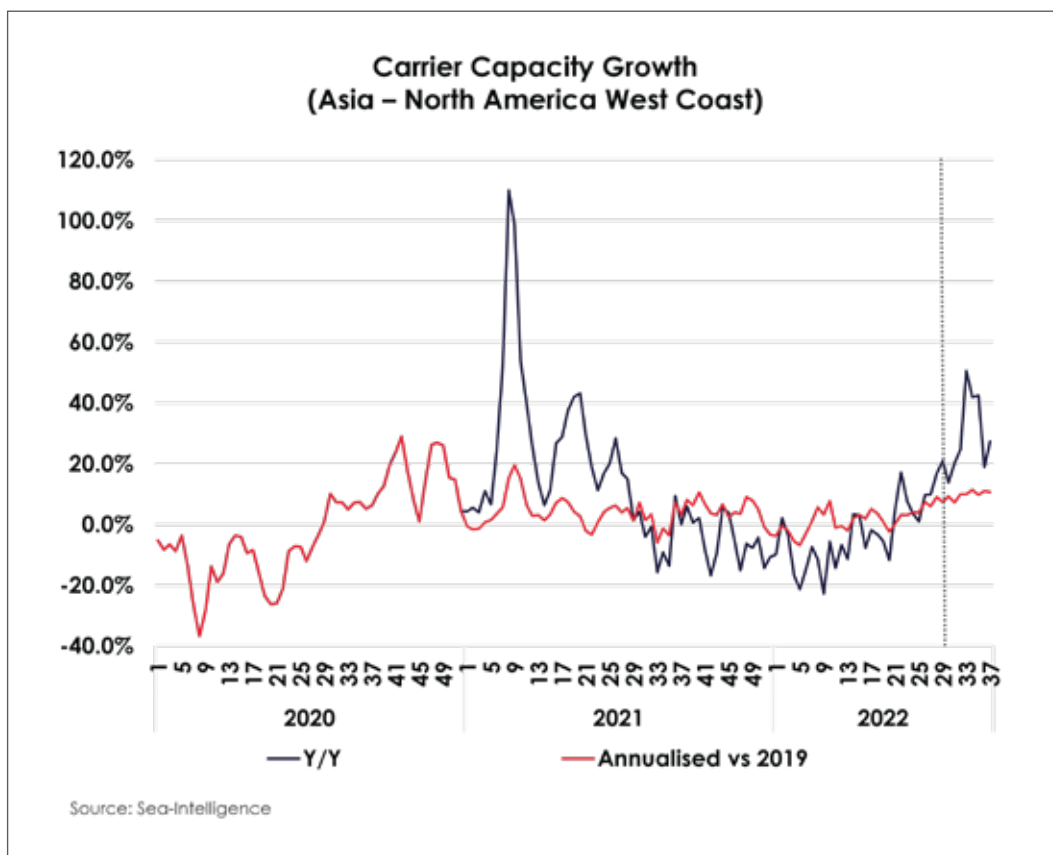


MARKET UPDATE – JULY 2022

As the shipping industry enters the busiest time of the year, the sharp decline in ocean freight rates in recent months coupled with multiple reports on the high level of inventory in retailers' warehouses, are signaling a peak season that may not be as strong as many expect. While the talks around the unsustainable consumer demands continue, ports and retail trade associations are remaining optimistic and expecting volume to remain high in the second half of 2022. In our July publication, we delve into the outlook for ocean capacity growth and the U.S. retail imports for the months ahead and discuss global supply chain operations and how Century's solutions can provide supply chain resilience, however your supply chain strategy may be evolving.

CENTURY SPOTLIGHT

With many territories around the world having fully re-opened, industry data suggests that signs of an imminent end to the previously booming consumer demand are becoming more evident. According to the latest report released by maritime analysts, the growth of ocean capacity appears to be on a declining trend, with the annualized growth rates nearing the 2019 pre-pandemic level.



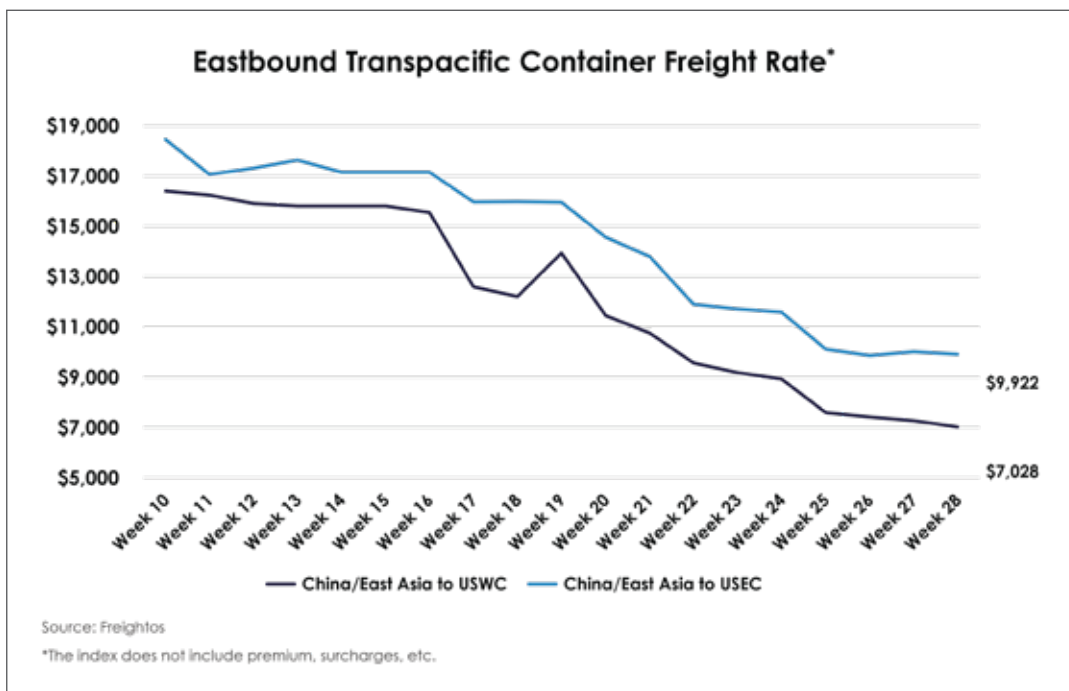
Currently, the growth in ocean capacity for Asia-North America West Coast trade is 13.7% above the same period last year and 9.3% above the pre-COVID days in 2019. The demand growth is projected to show an uptick in the coming weeks, but at a more moderate pace in comparison to the previous year.

Despite the reportedly weakened consumer demands, the National Retail Federation (NRF), the largest trade organization representing American retailers, is expecting the retail sales in the second half of the year to remain consistently vigorous, or at least not as steep of a decline as some fear. According to NRF’s latest report, retail imports for July are estimated at 2.31 million TEU, with a 5.3% year-on-year increase. August volume is forecast at 2.26 million TEU (-0.5% YoY); September at 2.12 million TEU (-0.8% YoY), October also at 2.12 million TEU (-4.1% YoY), and November at 2.06 million TEU (-2.5% YoY).

In the ever-changing world of supply chain, we expect to see more retailers shifting from an inventory-based strategy that focuses on product availability and beginning to shift focus back to effective cost controls to move freight smarter and cheaper. Flexibility and advance cargo planning will also continue to remain the key for successful supply chain management regardless of seasonality factors. Our teams of logistics professionals at Century are always happy to discuss how we can support your needs in the fast-approaching peak season and beyond!

OCEAN UPDATE

- Downward pressure on ocean freight rates persists due to the looming uncertainty around consumer demands. Although transpacific freight rates remain largely consistent from Asia, prices have fallen slightly further. Data from our NVO department shows that spot rates from China are currently at \$7,454/FEU to USWC and \$10,446/FEU to USEC. According to the industry index which excludes premiums and surcharges, as of week 28, transpacific container rates for exports from East Asia/China to USWC and USEC remained at US\$7,028/FEU and US\$9,922 /FEU, respectively.



- Ocean carriers have announced GRIs for eastbound cargo from Asia to the United States and Canada, with an effective date of August 15. \$1,000 and \$1,125 will apply to each 40' and 40'HC container, respectively.
- COSCO Shipping has announced a new direct service connecting the Beibu Gulf in southwestern China and the North American West Coast. This new intercontinental route will provide 4,950 TEU capacity to importers sourcing from south China with main vessel calls at the ports of Qinzhou (Guangxi), Hong Kong, and Vancouver. The estimated transit time is about 20 days.
- Yang Ming, Wan Hai, and Pacific International Lines (PIL) jointly launched a new weekly Far East-Latin America service (SA8) to connect China and Korea with the West Coast of South America. With a round trip of 70 days, a fleet of eight 2,400-3,700 TEU vessels will be deployed on this new service. The port rotation is as follows: Ningbo - Shanghai - Qingdao - Pusan - Manzanillo (Mexico) - Lazaro Cardenas (Mexico) - Puerto Quetzal (Guatemala) - Buenaventura (Colombia) - Valparaiso (Chile) - Ningbo
- To further strength its Intra-Asia network, MSC has introduced a new weekly service named Pertiwi. Four 2,500 TEU vessels will operate under this service route to offer an annualized capacity of over 20,000 TEUs. The service rotation: Busan - Qingdao - Incheon - Dalian - Tianjin Xingang - Vung Tau - Laem Chabang - Singapore - Tanjung Pelepas - Jakarta - Panjang - Singapore - Tanjung Pelepas - Busan
- Taiwanese liner Yang Ming has welcomed its newest 11,000 TEU container vessel YM Tutorial, which will be deployed to serve under the transpacific West Coast route PS6. The port rotation for the 1st voyage of YM Tutorial in PS6 is Qingdao - Ningbo - Pusan - Los Angeles - Kobe - Qingdao
- Hapag-Lloyd has announced a rotation change for its Southeast India – Europe Express (IEX) service linking Europe and the Indian Subcontinent. The call at Piraeus, Greece, which was previously dropped, will be reinstated starting from September. The temporary omissions of Visakhapatnam and Le Havre will continue due to local operational challenges.





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Century Express holds contracts with multiple ocean carriers and helps you realize schedule flexibility for your shipments. With Century Express as your NVOCC partner, you will have complete visibility of your shipments in VMS® as our NVOCC division leverages VMS® as the operating platform. We also consolidate NVOCC invoicing with your existing invoicing, keeping the number of documents issued for multiple services transparent and at a minimum. We engage with each carrier alliance and other independent carriers to ensure that we can provide choices and backup options to our customers. In addition, you can even leverage our LCL freight forwarding services to explore new sourcing opportunities in countries where you are not currently shipping to/from or have a contracted carrier. Contact your Century Representative today to learn more!

PORT UPDATE

- The contract negotiation between the International Longshore and Warehouse Union (ILWU) and Pacific Maritime Association (PMA) continues following the predicted expiration of the previous contract in early July. On July 22, both parties announced that they have reached a tentative agreement on terms relating to health benefits, which is an important part of the contract under negotiation. We expect to see a temporary volume shift from the West Coast ports to the ports on the East Coast or Gulf Coast while the negotiations continue for other terms.
- The congestion issues in the twin ports of Los Angeles and Long Beach have shown signs of improvement as more shipments are reportedly now being diverted eastward. As of week 29, there were 22 and 21 vessels waiting respectively in Los Angeles and Long Beach. The southern California ports have once again delayed the assessment of surcharges for idling import containers for another week to July 29.
- Operations at the Port of Oakland have resumed after grinding to a standstill following protests by independent truckers against California's Assembly Bill 5 (AB5), relating to worker classifications. With the demonstration now taking place at a designated "free speech zone", port officials said they will be working to address the container backlog.

- Overflowing import volume, vessel bunching, extra loaders, and crane reconstruction continue to make vessel berthing a challenge in Savannah. As of week 29, there were 41 vessels waiting outside of the port for a berthing window, with an estimated waiting time of 10 to 15 days.
- Cargo flow has significantly improved at the Port of Charleston. There are currently only 12 ships at offshore anchorages and the berthing wait time is estimated to be 0 to 1 day. However, the ongoing chassis shortage in Charleston may cause a delay in container pick-ups and deliveries and extend the drayage lead time to/from rail facilities.
- We continue to see ongoing congestion in New York and Newark as a result of on-dock issues. The current vessel waiting time is 0 to 2 days at APM Terminal and 1 to 3 weeks at PNCT Terminal due to severe berthing delays.
- As Shanghai emerges from a two-month lockdown, the container volume flowing through Shanghai Port has rebounded to at least 98% of the pre-lockdown level. The average vessel waiting time is currently 1 to 2 days, which represents nearly a 50% reduction in comparison to April this year.
- Port operations in Yantian remain at a desirable level with an overall yard utilization at 78%. The current laden container delivery acceptance is ETB-7, while vessel waiting time ranges from 0.5 to 2 days.
- The backlog at German ports that built up during the previous labor strikes and the ongoing labor shortage are leading to vessel delays in North European gateways. The ongoing congestion is causing downstream impacts and delayed vessel sailings back to Asia. Longer vessel berthing is expected during this time.

Please refer to the below illustration for Century’s assessment of the operating status at the major origin ports throughout Asia.



LANDSIDE UPDATE

- Much of China has been blanketed by an extreme heatwave that is likely to persist across large parts of China through late August . As a result, the surge in power demand has led to some warehouses reducing their inbound and outbound volume and/or shortening their operating hours. We have taken safety measures across our China CFS network to ensure the well-being of our operators while maintaining our productivity levels.
- Cross-border trucking between Hong Kong and China remains limited. As Hong Kong's coronavirus cases are showing signs of rebounding, there are long queues at customs. The feasibility of cross-border delivery requests will be reviewed on a case-by-case basis.



ASIA PACIFIC LOCAL UPDATE

- The COVID situation in China has largely stabilized but more new cases have been identified in the northwestern province of Gansu and Guangxi in southwestern China. The country is reportedly considering relaxing the COVID-19 measures conditionally for visa access, testing policies, and inbound international travels.
- Fuel supplies have gradually resumed in Sri Lanka. The local government has accelerated the fuel distribution process, with priority given to the public transport and education sectors. Century's local team has confirmed that all ports, including ocean terminals (SAGT, CICT and JCT), airports, customs, and warehouses, are operating without disruption. However, delays for air freight are expected due to flight cancelations. Our Colombo team will continue to work remotely and remain reachable via VMS®, e-mail, and telephone.
- The period from July to September is when the risk of tropical cyclones and monsoons traditionally peaks. Although our teams have not received reports of severe impacts or service disruptions caused by tropical storms at this time, we will continue to follow local weather forecasts closely and ensure all precautionary measures are taken as needed.

TRADE & ECONOMIC HIGHLIGHTS

- Following four years of negotiation, the European Union and New Zealand have successfully concluded a free trade agreement. The agreement will save businesses €140 million in duties each year and is expected to increase the flow of goods and services between the two regions by 30%. In 2021, bilateral trade in goods between the EU and New Zealand was worth nearly €7.8 billion.

CENTURY SOLUTIONS

Besides our suite of tools in VMS® that power your supply chains every day, the following solutions we offer provide you with alternatives to maximize the efficiency in your supply chain operations and mitigate the ongoing industry challenges.

- **Warehouse Storage** – Besides the normal CFS cargo flow through our warehouse network, we can also work with you to take on dedicated storage space to accept vendor deliveries based on their production schedules. This can help to alleviate pressure at vendor facilities while also ensuring that your cargo can be dispatched as soon as carrier space becomes available.
- **Value-added Services** – The wide range of value-added services we provide at origin CFS, such as pick and pack, consolidation, labeling, and palletization gives you a one-stop solution for greater supply chain efficiency. Century can build direct store loads from our Asia CFS facilities to bypass transloads/DCs and streamline inbound delivery.
- **Origin Trucking Solution** – With support from your carriers, we can arrange trucking to alternate ports where carrier space may be more readily available, allowing for greater flexibility in space planning to achieve forecasted departure dates.
- **Destination Services** – Our physical network in North America extends beyond the primary shipping hubs in California. Our coverage in the Pacific Northwest and the East Coast gives you alternative storage and transload options, as well as other destination services such as pick and pack and cross-dock services throughout the United States and Canada.
- **Customs Clearance & Brokerage** – Our team of licensed brokers and compliance experts will handle your documentation and clearance process directly with US Customs. As your trusted trade compliance partner, we help you avoid costly delays at the border and penalties for misfiling.

Contact our sales representatives today to understand how we can develop a customized solution to meet your supply chain needs! We will continue to work together with your teams to navigate these unique shipping times through every step in the supply chain.

Disclaimer: The information contained in this newsletter was provided by our partners across Asia and referenced from online sources that were not specifically authorized for third-party usage. The aim of this publication is for informational purposes only. While Century endeavors to validate the authenticity of the stipulated information, Century is not responsible for its accuracy and completeness and does not accept liability or responsibility for any actions taken upon reliance.

Sources:

1. Sea-Intelligence: Downward pressure on rates demand driven?
2. US ports achieve container import record in May 2022
3. Hapag-Lloyd
4. EU and New Zealand agree free trade deal



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