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MARKET UPDATE

OCTOBER 2022

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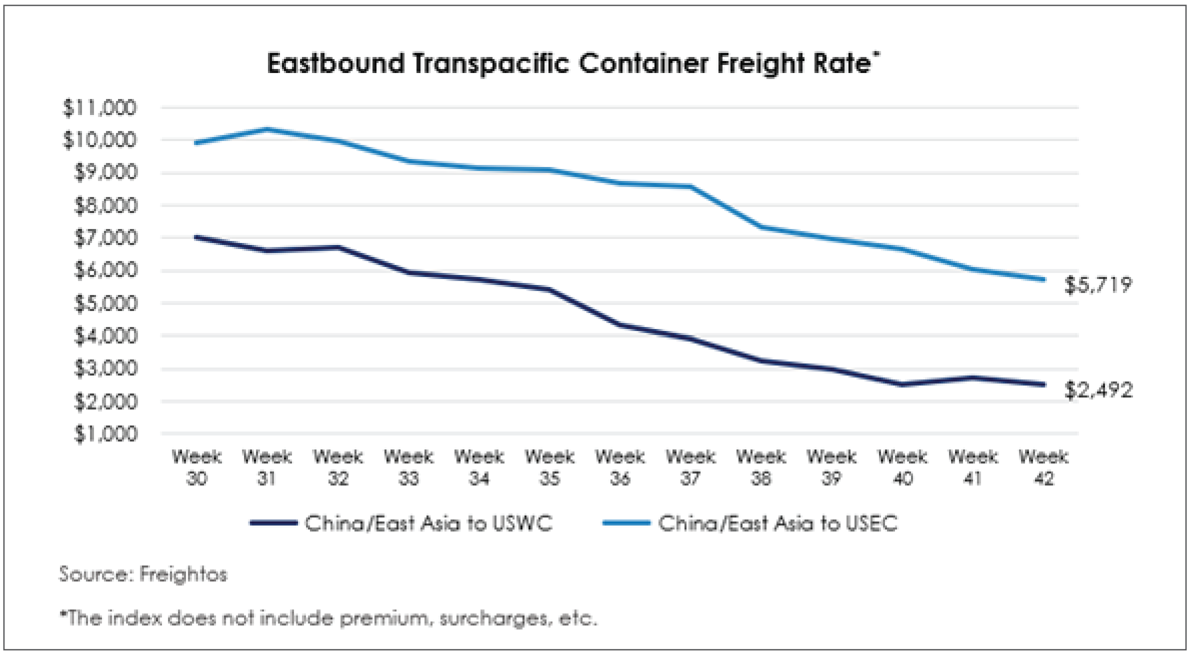
As mounting inflation and rising energy costs continue to weigh on consumer appetite for spending, the uncertain economic outlook is leading to further downward pressure in the ocean freight market. The widened imbalance between low consumer demand and surplus carrier capacity has led to the steepest decline in ocean freight rates since the start of the COVID-19 pandemic. In our October Market Update, we discuss the cooling freight rates and the ongoing shift of volumes to the Atlantic coast as risks of labor unrest on the Pacific coast continue.

CENTURY SPOTLIGHT

Amid the fear of a global recession, the transpacific ocean freight rates are plummeting faster than ever following shrinking consumer demand and the inventory build-up at destination warehouses. The cost of moving a container from East Asia to North America, which once soared above $20,000 in September 2021, has been tumbling since April this year and seeing double-digit percentage drop in recent days. According to the latest industry index, the freight rates on the major ex-Asia trade lanes took a further dip in October, with Asia-US West Coast rates having dropped to $2,492/FEU, representing an 86% decrease as compared to the same timeframe last year. On the spot market, we also see aggressive pricing competition amongst the NVO carriers, who are slashing China-USWC rates substantially.

While carriers have aggressively reduced the Asia-USWC rates, the transpacific freight costs to the U.S. East Coast still remain comparatively high despite moderated demand. Although Asia-USEC rates have registered an accumulated reduction of 67% since April this year, the shipping cost to the Atlantic coast is still 111% higher than pre-pandemic 2019, whereas Asia-USWC prices are 82% higher in comparison to 2019. As of week 43, Asia-USEC prices were at $5,719/FEU according to the industry index, which is consistent with what we are seeing in the spot market.



Many believe the persistently stronger rates to the East Coast can be attributed to the cargo diversion following the labor unrest and prolonged longshore contract negotiations taking place along the West Coast ports. Although port operations have continued during the ongoing negotiations, cargo flow in the United States' largest maritime gateway can be potentially endangered should the talks between the port workers and the terminal operators fail. Further complicating the situation is the threat of a rail strike that could paralyze the supply chain. The East Coast and Gulf Coast ports have seen a significant increase in the cargo throughout through September this year, with U.S. imports from Asia increasing 11.8% and surging 29.2%, respectively. On the other hand, imports moving through the West Coast, where the traditionally predominant ports reside, recorded a slight decline of 1.7% during this period.

The economic slowdown has promoted many supply chain professionals to reassess their strategies and shift focus from product availability back to effective cargo movement and cost controls. While the rapidly changing spot market and the fierce rate reductions have presented opportunities to yield savings in ocean freight spends through freight cost management, we are also seeing more customers leveraging origin value-added services such as DC Bypass to avoid the more expensive destination labor costs. Your Century Account Manager and/or Sales Representative are at your disposal for further discussions on how we can help you move freight smarter and cheaper!

OCEAN UPDATE

- CMA CGM has announced the launch of their new US-South America service, which will commence its maiden voyage on December 20th, 2022. The weekly service, designed to offer competitive transit times for fresh fruit and other perishables with minimum 500 plugs per vessel, will traverse the Panama Canal and offer a direct connection between the West Coast of South America and the US East Coast. Port calls in Colombia, Ecuador, Peru, Chile and Jamaica, are included in the service along with US ports in New York, Pennsylvania and Florida. Connections to the US Gulf, South American East Coast, Mediterranean and Northern Europe will be available via Kingston and Cartagena.

- MSC have temporarily suspended their Sequoia service under 2M until further notice citing significantly reduced demand for shipments from China into the US West Coast in recent weeks. According to MSC, the action has been taken to strengthen their offered transit times and reliability, with the suspension intended to alleviate existing port congestion and reduce waiting times for berthing in Los Angeles. Shipping on the Sequoia service will be merged with MSC's Jaguar service which follows the following port rotation: Shekou – Nansha – Yantian – Ningbo – Shanghai – Long Beach – Busan.

- MSC merged their 2M Eagle service into their Maple service in late October as a solution to the rail congestion and berthing restrictions in Vancouver, Canada, which have been causing reliability issues and extended transit times for both services throughout the past year. The newly merged service covers ports in Vancouver and Prince Rupert, and enables MSC to offer stable weekly departures from Asia at competitive transit times whilst reducing the current waiting times in Vancouver. The service's maiden voyage set sail on October 28th, and includes the following port calls: Xiamen – Yantian – Ningbo – Shanghai – Busan – Yokohama – Vancouver – Prince Rupert – Yokohama – Busan.

CENTURY EXPRESS® – YOUR TRUSTED NVOCC PARTNER

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 Port of Liverpool is undergoing a third strike in two months after nearly 600 dockworkers staged a walkout over a dispute regarding wage demands. The strike began on October 24th and will last for two weeks until November 7th. The current strike, organized by Unite Union members, comes after the most recent unsuccessful wage negotiations with Peel Ports Group (PPG). Freight delays and cancellations have been common at the Port of Liverpool since the strikes first began in mid-September, and the anticipated further reduction in port productivity, relating to this latest strike, means that shipping ETAs should be expected to be delayed even further.

- San Pedro Bay twin ports of Long Beach and Los Angeles will postpone the potential assessment of the "Container Dwell Fee' for another four weeks until November 21st. Since the program was first introduced in October last year, the ports have seen a "combined decline of 46% in aging cargo on the docks" according to the California Association of Port Authorities.

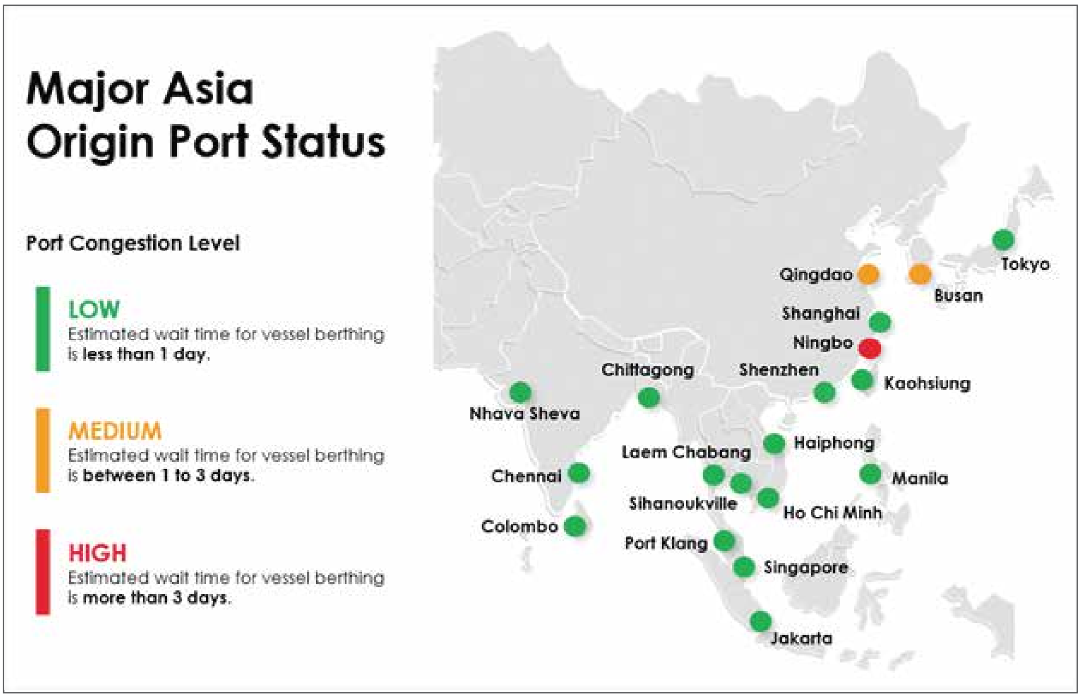
- Port of Savannah waiting time is 9 days on Class 1 and 19 days on Class 2. There are currently 31 cargo vessels waiting at port. Berth capacity remains limited during the port's major two-year reconstruction project, which is expected to be completed in June-2023. Terminal capacity utilization is currently at 70%. The average dwell for imports is 9.8 days whilst the average Dwell for exports 12.6 days.

- In South China, the estimated vessel waiting time averages at one day in both Yantian and Shekou. In Shanghai, the average vessel berthing time is 0-0.5 day and 1 day in Yangshan and Waigaoqiao, respectively. Yard density is at a desirable level.

- Terminal utilization at the Port of Charleston is as follows: 55% at WWT, 52% NCT, and 38% at HLT. The port is operating at a desirable capacity and there are currently no vessels waiting to enter. The average wait for berthing is currently at less than a day. The port has recovered back to normal operating levels following its temporary closure due to Hurricane Ian earlier in October.

- Cargo moving through the Port of Montreal will be subject to a Low Water Surcharge effective November 1st following the latest forecasts by the Canadian Coast Guard predicting a further drop in water levels in the St. Lawrence River. The surcharge comes amidst an already concerningly low level of water in Montreal's major river, with recent reports showing a significant decrease in volume following the summer period. The surcharge is applicable to the St. Lawrence Container Service – Route 1 (AT1) and 2 (AT2) Westbound. The current charge is $150 USD per TEU. The port of Montreal reserves the right to adjust the surcharge at short notice if water levels drop beyond the current predictions.

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



LANDSIDE UPDATE

- After the first US national rail strike in 30 years was seemingly averted following a tentative agreement brokered by President Joe Biden in September, the ratification vote process has not been completely smooth. The BMWED, the US's third largest rail union representing 11,000 workers, rejected the agreement citing the number of paid sick days as the key reason. Despite six other unions voting to accept Biden's deal, BMWED's rejection has renewed fears of a strike commencing during the critical period just before the holiday season. Negotiations are set to continue until the agreed "cooling-off period" ends on November 19th.

ASIA PACIFIC LOCAL UPDATE

- The National Health Commission of China reported 4,278 active Covid-19 cases with 2,659 areas designated as 'high-risk' as of the end of October 2022. Roughly 40% of 'high-risk' areas can be found in the Xinjiang autonomous region in the country's far west. The major port cities in China do not have many 'high-risk' areas at this time. For more information, visit the Century webpage to see our weekly China Covid-19 update. Around 207 million people in China are currently being impacted by some level of Covid-related lockdown, with notable new restrictions being imposed on residents in Guangzhou, Xining and Wuhan. A Covid rebound following China's Golden Week in early October is being cited as the main cause behind the recent increase in cases. Pork exports in Hubei province has been severely impacted as the recent outbreak in Wuhan has been linked to the local pork supply chain.

- Cargo flow in Ningbo's Beilun district is recovering following the lifting of the government-imposed lockdown on October 28th. All business activities are resuming, including transportation functions, with truck drivers now only requiring a 24-hours negative Covid test and a green health code to enter warehouse facilities.

TRADE & ECONOMIC HIGHLIGHTS

- China's export growth weakened in September following cooling global consumer demand whilst its imports rose by 0.3%, representing a rebound from the recent economic growth contractions. Export growth rose 5.7% to $322.8 billion USD, down from a 7% growth rate during August. The export growth slowdown is attributed to the dampening of consumer demand by the Federal Reserve and central banks in both Europe and Asia via raising interest rates to tackle the multi-decade high inflation. Exports from China to the US shrank 11.6% over the last year to $50.8 billion USD. Exports from China to the European Union have also fallen, now at $47 billion USD, representing a 23.9% decrease on the previous year. China's global trade surplus has widened by 26.4% since September 2021, now standing at $84.74 billion USD as of September 2022.

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, labelling, 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 is 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. Freightos Baltic Index
2. LA-LB cargo flow improves amid diversions linked to prolonged labor talks
3. Hapag-Lloyd
4. Maersk
5. Port of Los Angeles
6. China's exports weaken in September, imports up 0.3%

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