

SHAPIRO FREIGHT

REPORT

Trans-Pacific Ocean U.S. Imports

JANUARY 2020



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TRANS-PACIFIC OCEAN U.S. IMPORTS

2020 | JANUARY

OCEAN CARRIER UTILIZATION STATS

In mid to late January, ocean carriers reported stronger-than-expected utilization ratios. On the eve of the Lunar New Year holiday, the USEC, USWC and the Pacific Northwest are all displaying a robust fill factor of 100%. The increase in carrier load factors across the board is majorly attributable to shippers attempting to beat the week-long holiday in China, in addition to a continued blank sailing strategy implemented by the carriers through February.

JANUARY 2020: BIGGER PICTURE AND CURRENT RATE ENVIRONMENT

State of Trade

As the Chinese New Year (CNY) holiday approaches, the Transpacific market has seen a much stronger-than-expected cargo surge. This has caused many rollovers and delays with some carriers claiming to be over-booked by as much as 70% for key services. The Asia-US East Coast lane has been especially hard-hit as shippers seek to rush their final orders prior to the week-long holiday in China. As we all know, the disruptions certainly last longer than the actual holiday week. In early 2020, due to relatively “quiet” demand during Q4 2019, many transportation providers (notably the trucking industry) allowed workers to go on vacation early and have struggled to meet pre-CNY demand, which has compounded supply chain dislocations and delays.

Despite the cargo surge and resulting space shortages, spot rates have remained fairly stable in January with only Gulf and East Coast rates increasing modestly. This of course only fuels (pun intended) more debate on the arbitrary nature of sulfur surcharges as a large part of overall ocean costs. While there will continue to be container backlogs during and after the holiday, some carriers are signaling that early February will witness the start of spot-rate decline in the traditional slack period following CNY.

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That said, carriers are instituting a very aggressive blank sailing program in late January and early February with as much as 42% of total Transpacific capacity voided in some weeks. This should help carriers extend their run of relative supply-demand equilibrium for a few weeks after CNY.

Rolling Out the **Red** Carpet for Chinese New Year

Yes America, Chinese New Year, also known as Lunar New Year and Spring Festival, is more than a reason to watch your shipping budget go into the **red**. In fact, for over 3600 years since the Shang Dynasty, 16-20% of the Earth's population paints the town (and the country) **red** as a means of participating in 15 **red**-letter days of celebration. And folks, the color **red** carries a heavy load in Chinese culture: **red** symbolizes happiness, beauty, vitality, good luck, success, and good fortune while also warding off evil spirits!

And, at no time of year is **red** more prominent than Chinese New Year. In many countries beyond China (including Chinatowns throughout North America and Europe), the people are on **red** alert to create dazzling "**red**-light districts" (and we don't mean THAT kind). In Chinese folklore, a terrible **red**-eyed **red**-necked monster-dragon named Nian appeared during the new moon to eat villagers, especially children (including a few **red**headed step-children). But, the monster could not cut through **red** tape while being caught **red**-handed destroying villages and consuming the delicious **red** meat of children. Why? The Nian monster was horribly afraid of the color **red** and of loud noises (like **red**-hot firecrackers!) From these fantastic beginnings, many colorful traditions have sprung. Here is small sample:

1. Sweeping and Cleaning the House, Sweep Away Bad Luck
2. Spending MUCH More than a **Red** Cent on New Year Shoes and Clothing
3. Family Reunion Dinners, Dressed in **Red**
4. Eating Jiaozi (Dumplings) or Tangyuan/Niangao (Rice Pudding)
5. Exchanging **Red** Envelopes
6. Pasting **Red** Spring Festival Couplets and Red Cut-Outs, Hanging **Red** Lanterns
7. **Red**-hot Fiery Firecrackers and Burning Bamboo
8. Famous CCTV New Year Gala
9. Going by Bus, Train, or **Red**eye Flight to Visit Relatives

(In China, the Citizens Log Up to 4 BILLION Trips During CNY!)

A Moment of More Serious Reflection

To begin this Year of the Rat, let us raise the **red** flag and be on **red** alert as we get more news of the outbreak of the coronavirus in China. Our hearts and prayers extend to China as we learn about quarantines and travel restrictions on the eve of the Spring Festival, most people's favorite time of year.

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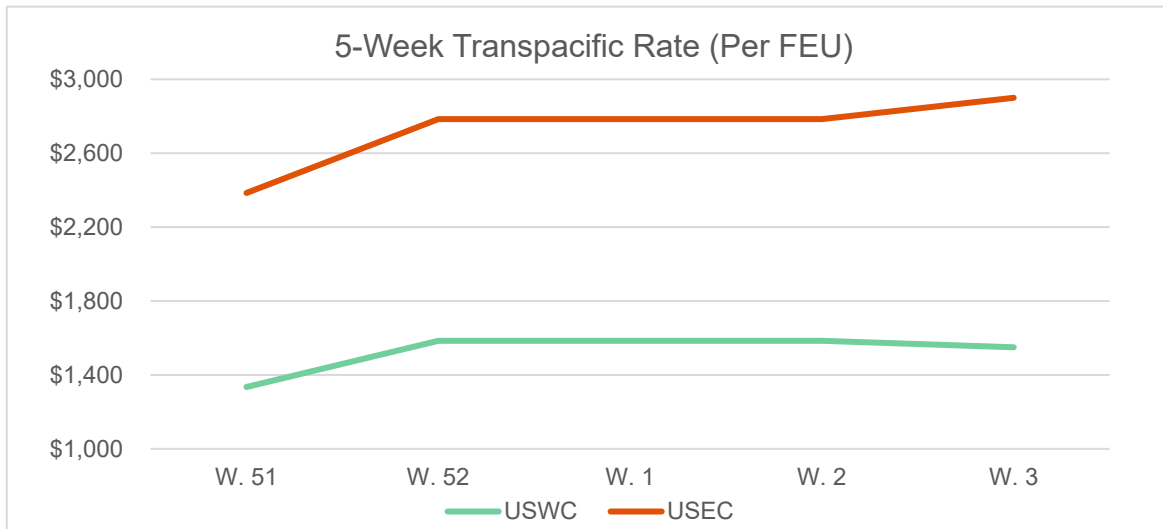
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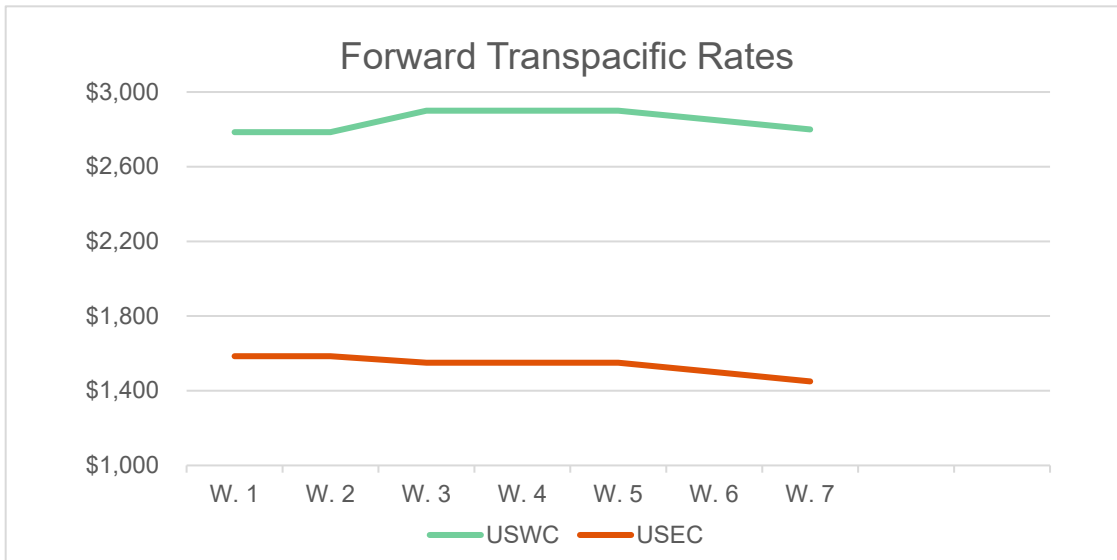


JANUARY 2020 RATE TRENDS

Please have a look at the rate picture for the recent past here:



We have also estimated future rates here:



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