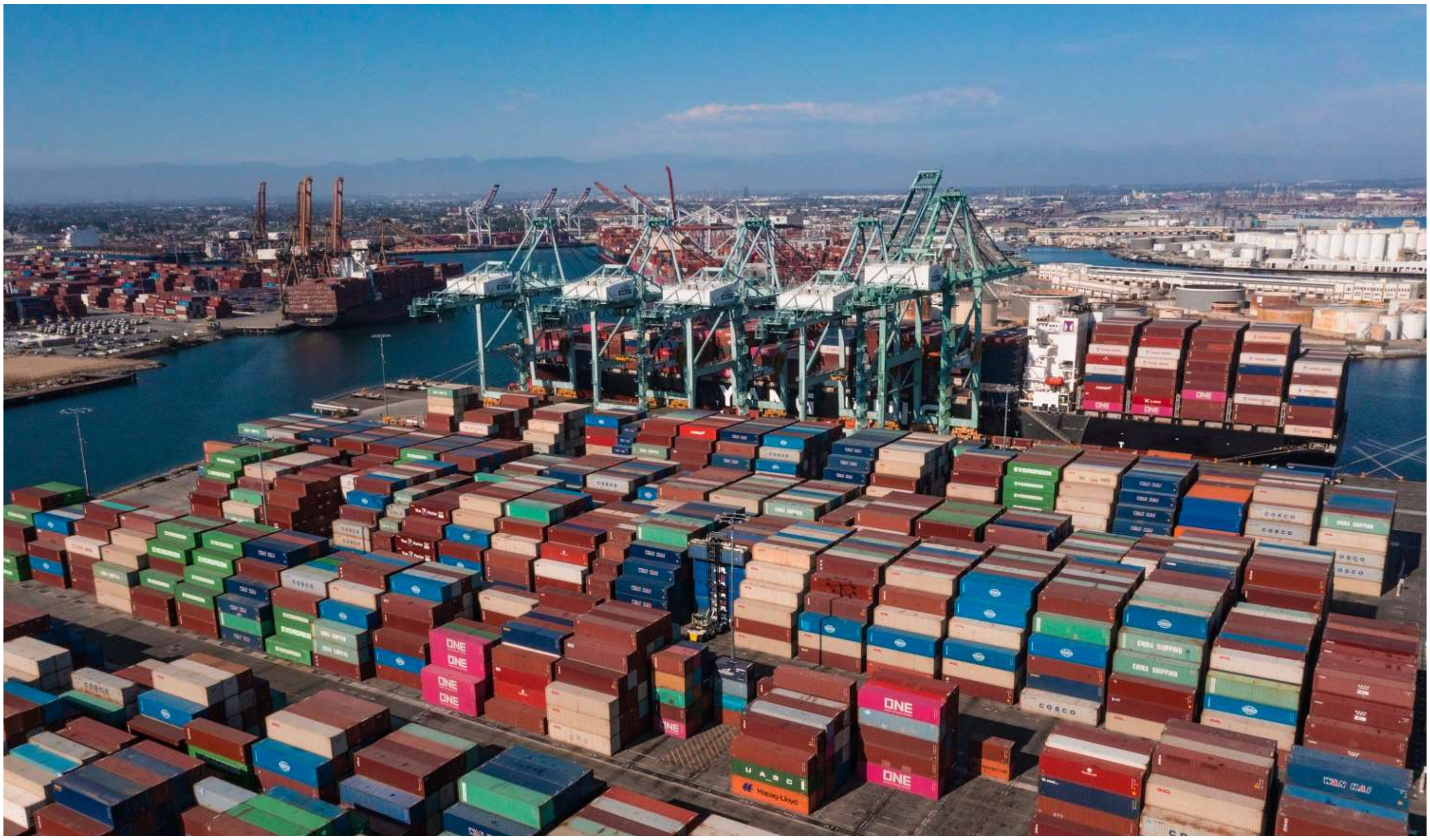
S&P Journal of Commerce

Strong imports, low blanks extend peak season on eastbound trans-Pacific



Spot and freight-all-kinds (FAK) rates are about twice what they were a year ago, but carriers are imposing general rate increases effective Nov. 1. Photo credit: Jorge Villalba / Getty Images.

Bill Mongelluzzo, Senior Editor and Laura Robb, Associate Editor | Oct 30, 2024, 3:00 PM EDT

An extended peak season on the eastbound trans-Pacific is manifesting in unusual strength for imports from Asia, coming as carriers signal atypically low blank sailings for November and seek higher rates.

Import demand from Asia, which typically tapers ahead of Black Friday sales, is holding steady, fueled by resilient retail sales, tariff concerns and the mid-January expiration of the tentative labor agreement at US East and Gulf coast ports.

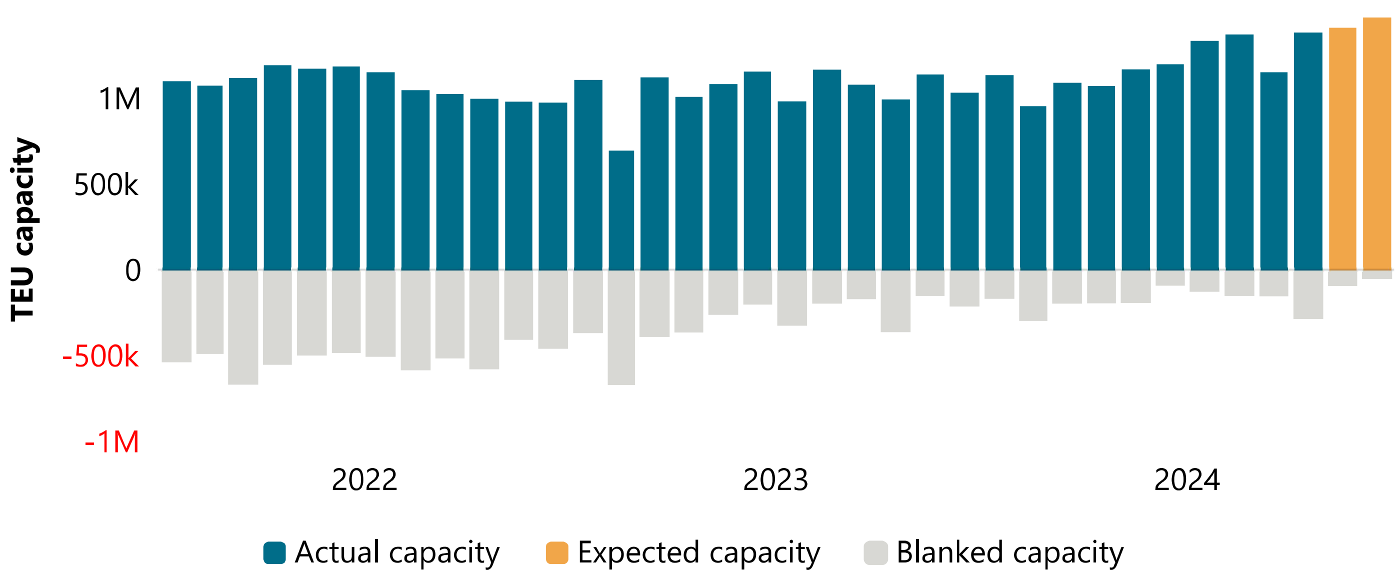
About 5.4% of the total capacity into the West Coast is forecast as of now to be blanked in November, according to data from maritime intelligence firm eeSea. The figure is about 8.1% on the East Coast. That's down from the 11.5% blanked capacity observed in November of 2023 for ex-Asia imports into both regions.

Next month's blanks are down sharply from 16% to the West Coast and 21% to the East Coast in October, according to the eeSea data.

"What we are seeing is a fairly robust November," a carrier executive who did not want to be identified told the *Journal of Commerce* Wednesday. "For four weeks out, bookings look strong."

Asia to USWC blank sailings to decline sharply in November

Container ship capacity deployed from Asia to US West Coast, with historical blanked capacity, capacity estimates and blank sailings already announced.



Notes: as of Oct. 30, 2024

Source: eeSea

6M 2Y YTD MAX

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And that is keeping rates afloat and far higher than where they were a year ago.

The spot/freight-all-kinds (FAK) rate from Asia to the West Coast as of Oct. 28 was $4,200 per FEU, up 133% year over year, according to Platts, a sister company of the

Journal of Commerce within S&P Global. The East Coast rate of $4,300 per FEU is up 87% from October 2023.

Despite the elevated rates, carriers are notifying forwarders of general rate increases (GRIs) of about $500 to $600 per FEU they will attempt to pass on from Nov. 1. Normally, spot and FAK rates drop in the final two months of the year after holiday merchandise has been shipped from Asia.

Peak season demand and vessel load factors have been strong this summer and fall. US imports from Asia in September totaled 1.72 million TEUs, up 16.7% year over year and hovering near a two-year high, according to PIERS, a sister product of the *Journal of Commerce* within S&P Global.

Forwarders and carriers say import volumes have remained robust in October.

“I think carriers are surprised at how full they were in October,” said Rachel Shames, vice president of pricing and procurement at the forwarder CV International.

The National Retail Federation’s Global Port Tracker has forecast a year-over-year increase of 3.1% in US imports in October.

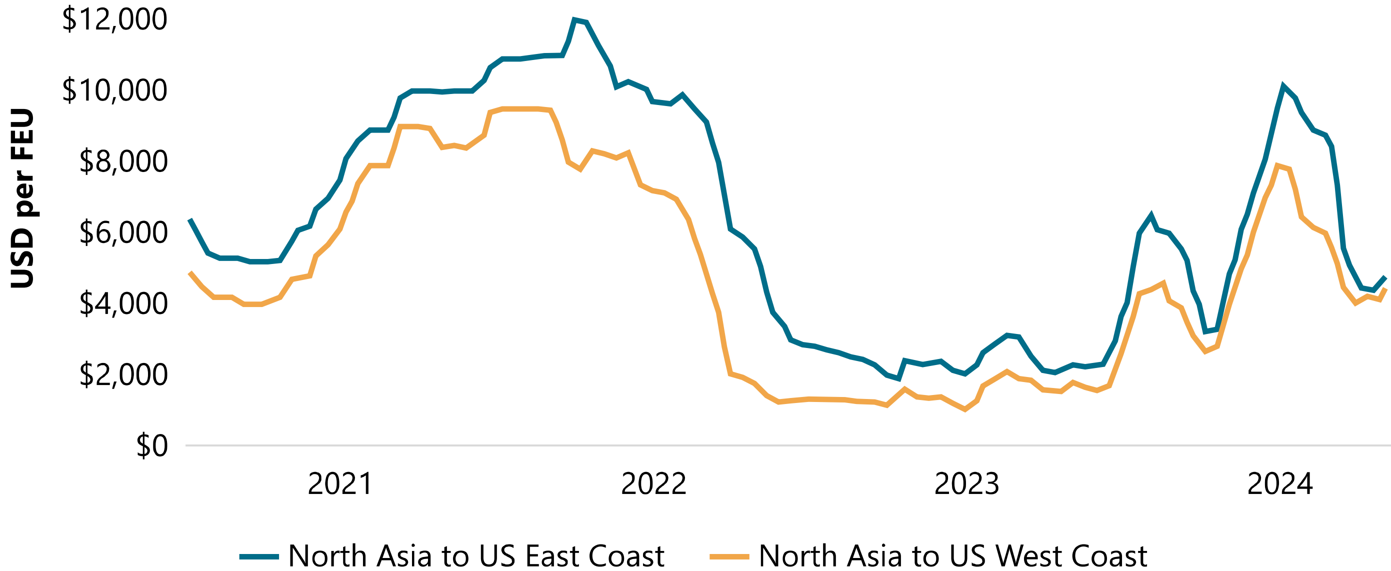
“Ships are full, especially to the West Coast,” said a second US-based carrier executive.

Several factors driving trans-Pac demand

Forwarders attribute the strong volumes to the frontloading of shipments to East and Gulf coast ports ahead of a possible second strike by the International Longshoremen’s Association (ILA) when its extended contract expires on Jan. 15. Retailers are also concerned about a possible spike in tariffs on imports from China, depending on the outcome of Tuesday’s US presidential election. The frontloading of spring merchandise before an early Lunar New Year in Asia on Jan. 29 is also keeping imports strong.

“There’s a triple convergence of events,” said James Caradonna, executive vice president at the forwarder M&R Spedag Group. Caradonna said some retailers are content to bring merchandise into their warehouses early and pay the storage fees rather than risk having their freight caught up in supply chain bottlenecks.

Asia spot rates to US East, West coasts nearing parity
Container rate from North Asia to US East and West coasts in USD per FEU



Source: Platts, S&P Global

3M 6M 2Y YTD MAX

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The combination of strong demand and the modest blank sailings from Asian load ports is keeping vessel space tight.

"There's definitely some tightening," said Kurt McElroy, executive vice president of the forwarder Kerry Apex. "[Customers] are booking two to three weeks in advance, especially from South China."

'Erosion' in peak season surcharges

Forwarders and carriers told the *Journal of Commerce* that because vessel space is likely to remain tight through November and into December, peak season surcharges (PSSs), which are applied to fixed-rate contracts known as named-account (NAC) rates, are likely to remain in play even though the eastbound trans-Pacific is technically not in the traditional peak season. However, the $2,000 PSS that many forwarders have been paying since May 1 is softening.

The first carrier executive said PSSs effective Nov. 1 are in the market at about $1,800 per FEU, with other carriers charging $1,000 to $1,200 per FEU.

"We've seen erosion," the source said. "[Customers] are putting a lot of pressure on us."

On the other hand, while some carriers are opening up more vessel space for named-account bookings, not all forwarders are getting as much of the lower-priced space as they would like, said Christian Sur, executive vice president for ocean freight contract logistics at the forwarder Unique Logistics International.

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