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# Trans-Pacific carriers slashing NVO allocations as spot rates spike

*Spot rates in the Asia-US trade are rising again this week as carriers impose a general rate increase of about $1,000 per FEU. Photo credit: AlmitraTR / Shutterstock.com.*

**Bill Mongelluzzo, Senior Editor | May 14, 2024, 4:17 PM EDT**

Trans-Pacific container carriers are slashing — or in some cases even eliminating — allocations to non-vessel-operating common carriers (NVOs) for fixed-rate bookings as they concentrate on booking cargo at much more lucrative spot rates that have increased by more than half since early April.

Forwarders typically secure about 20% to 25% of the container volumes in their annual trans-Pacific service contracts as “named-account” bookings, according to several NVOs. Some of the largest NVOs get 30% of their minimum quantity commitments in those fixed-rate agreements, while smaller forwarders are limited to less than 20%.

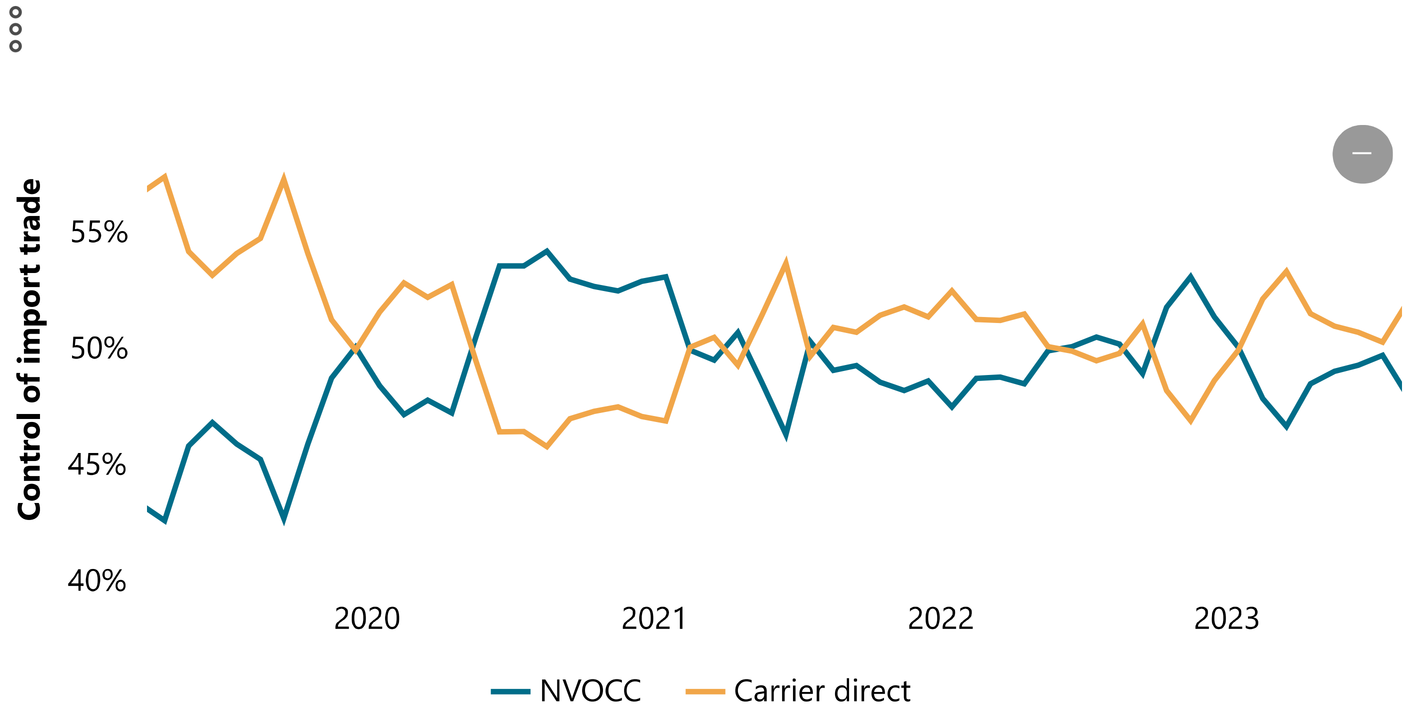
Forwarders' fixed-rate bookings will diminish further as spot rates in the Asia-US trades skyrocket. Effective Wednesday, carriers intend to implement a general rate increase (GRI) of as much as $1,000 per FEU, which would raise average spot rates from Asia to the US West Coast to $5,000 per FEU if successful, forwarders told the *Journal of Commerce* this week. That's up from $2,680 per FEU on April 5, according to Platts, a sister product of the *Journal of Commerce* within S&P Global.

Carriers have the leverage to implement these rate hikes while restricting the number of containers booked under NVOs' much lower named-account rates because space on vessels leaving Asia in May is extremely tight and carriers are rolling some shipments to subsequent voyages, Jon Monroe, an adviser to NVOs, told the *Journal of Commerce* Tuesday.

"I'm expecting two to three rolls" for some containers, Monroe said, which causes another problem for NVOs. They may be getting the bookings they request, but it's taking two or three weeks to get their containers loaded onto vessels leaving Asia, he said.

The "crazy high" spot rates — which Platts pegged at $4,600 per FEU from Asia to the US West Coast as of May 13 — are driving some carriers to limit NVOs' named account bookings to well below 20% of their total liftings, said Christian Sur, executive vice president of ocean freight contract logistics at the NVO Unique Logistics International.

Another forwarder who asked not to be identified said some carriers are completely cutting off named-account bookings for small and midsize NVOs while at the same time reducing the named-account bookings larger forwarders already negotiated in annual service agreements.

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## A 'COVID environment without COVID'

Eastbound trans-Pacific spot rates are rising once again in anticipation of the May 15 GRI, just as they did following a May 1 GRI, and carriers have filed yet another GRI for June 1.

The rapid escalation of pricing is reminiscent of the spike in spot rates that took place in 2021–22 during the COVID-19 pandemic. Those rate hikes resulted from a combination of strong consumer demand that sent US imports from Asia soaring and supply chain bottlenecks that reduced effective capacity, Monroe said.

"This is the basic COVID environment without COVID," he said.

Forwarders are bearing the brunt of carriers' push for spot rate bookings over fixed-rate bookings because carriers wrap up most of their annual service contract

negotiations with retailers and other importers before signing contracts with NVOs, Monroe explained.

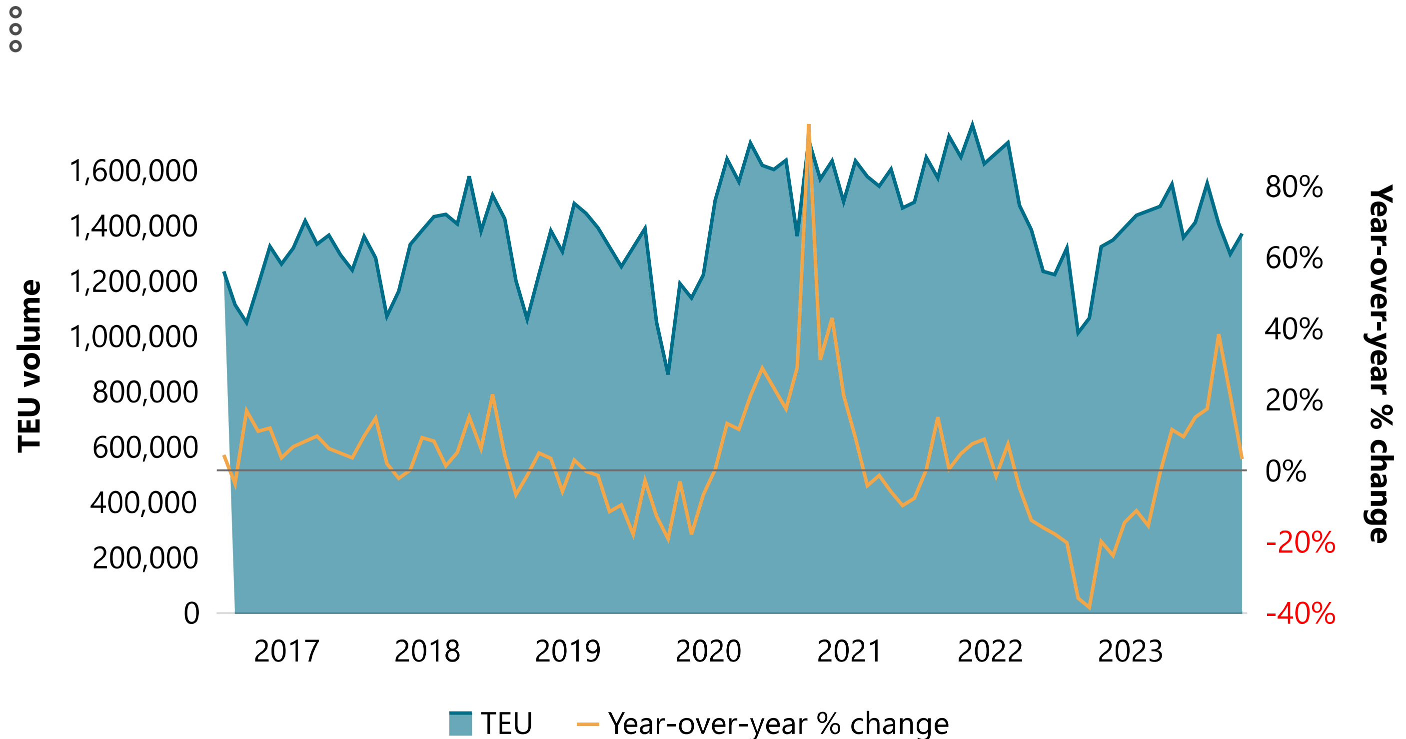
"It's not a level playing field," he said.

As a result, NVOs' share of the eastbound trans-Pacific trade is declining. Through April, NVOs handled 46.7% of containerized US imports from Asia, excluding less-than-containerload volumes, down from 49.7% for the full year in 2023, according to PIERS, a sister product of the *Journal of Commerce* within S&P Global.

The pricing environment is getting more complicated as the spread between spot and named-account rates widens, said James Caradonna, executive vice president of the forwarder M&R Spedag Group, adding that the current differential of approximately $3,000 per FEU is already "unhealthy."

The gap between fixed and floating rates will likely increase further if the combination of growing demand and shrinking supply drives spot rates even higher.

US imports from Asia surged 19.1% year over year to 5.6 million TEUs in the first four months of 2024, according to PIERS. Retailers are forecasting continued year-over-year import growth through the first half and into the traditional fall peak shipping season.

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At the same time, vessel space at load ports in Asia is tightening as carriers continue to cancel sailings, according to Alan Murphy, CEO of Sea-Intelligence Maritime Analysis.

"Trans-Pacific capacity into the West Coast has seen a reduction versus plan of some 14%, whereas the trade into the East Coast has seen a reduction of 11%," Murphy said in Sea-Intelligence's Sunday Spotlight newsletter.

*Contact Bill Mongelluzzo at bill.mongelluzzo@spglobal.com.*

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