

SUPPLY CHAIN MARKET UPDATE FOR AMCHAM

2022 September

2022/9/13

Prepared by Yusen Logistics Supply Chain Solution



Yusen Logistics
Wechat Account



Monthly Supply Chain Update

- **Active WeChat group** with ongoing discussions
- **Highest attendee levels** of all committee events in CY22
- **Monthly webinar:**
 - 2nd Tuesday of each Month; 10:30 – 11:00 am
 - 30 Minute quick review of what's happening in Supply Chain Logistics
- Join us! **Vice Chair position** is open and waiting for you!



Ocean Freight Trend



Airfreight Trend



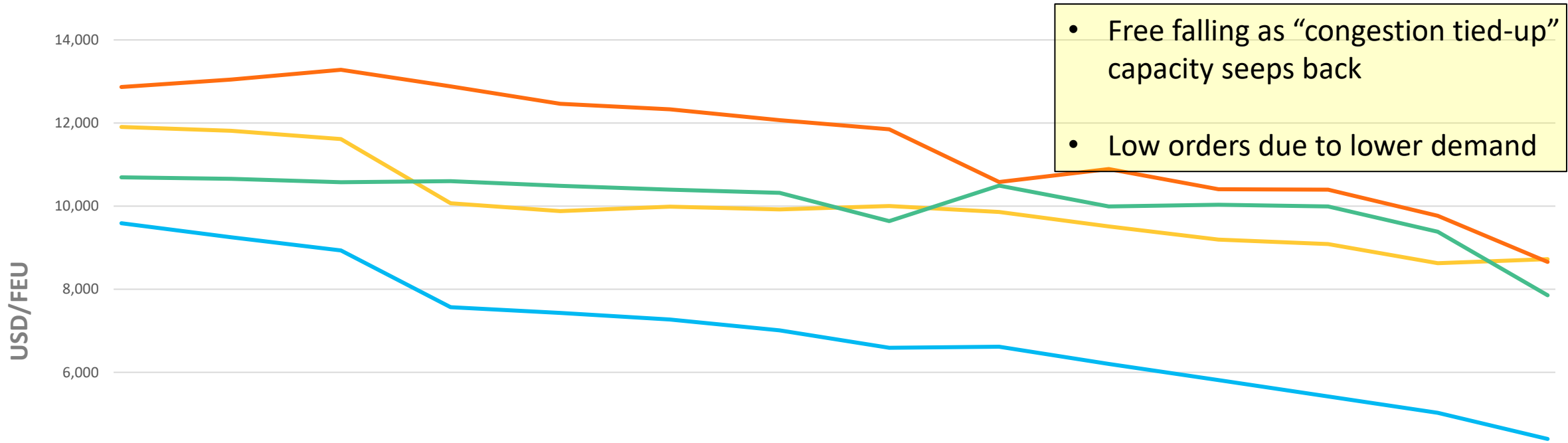
**Supply Chain
News Tracker**



**ILWU Negotiation
Update**

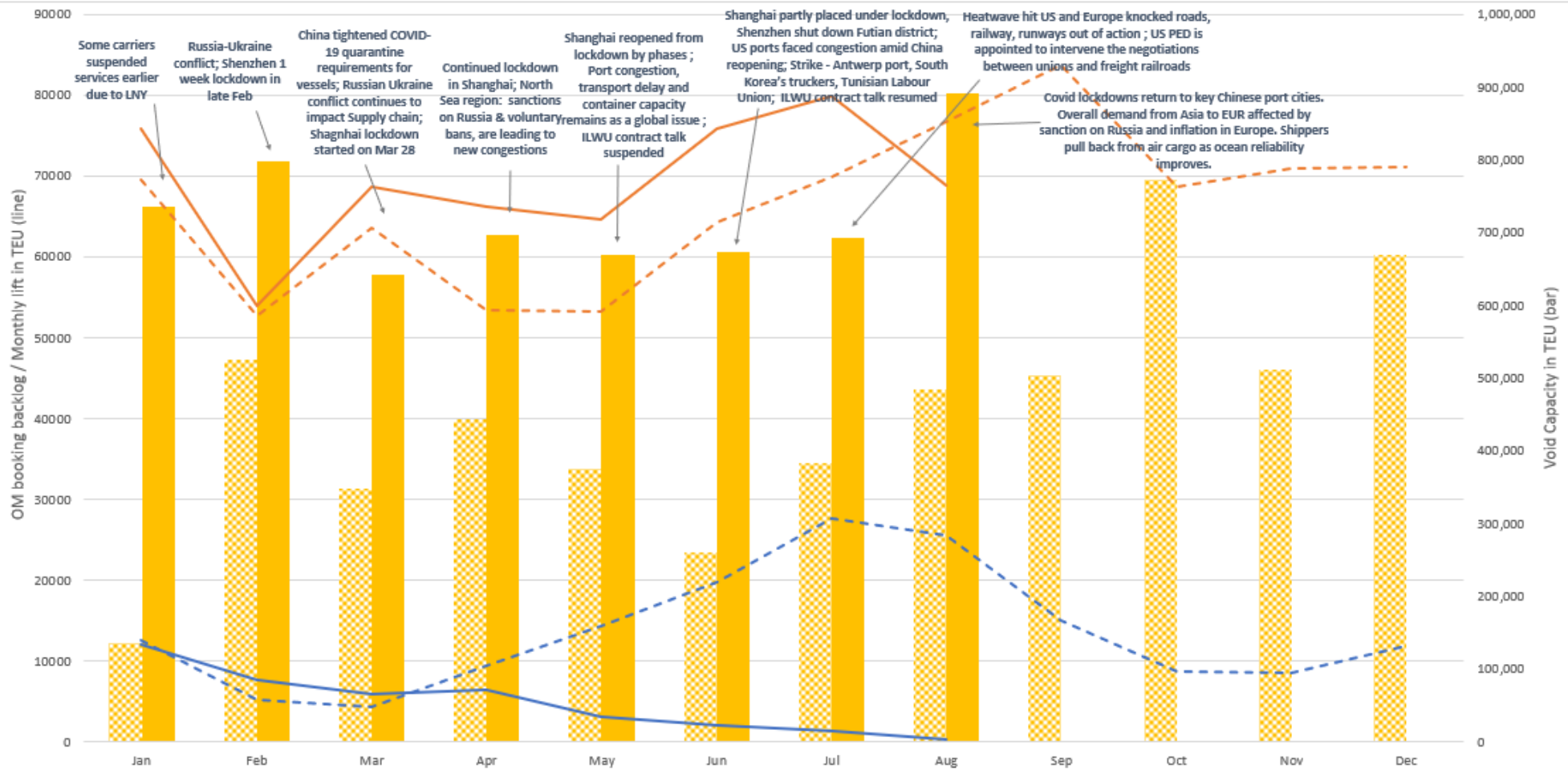


Freightos Baltic Global Container Index (FBX) in Past 3 Months



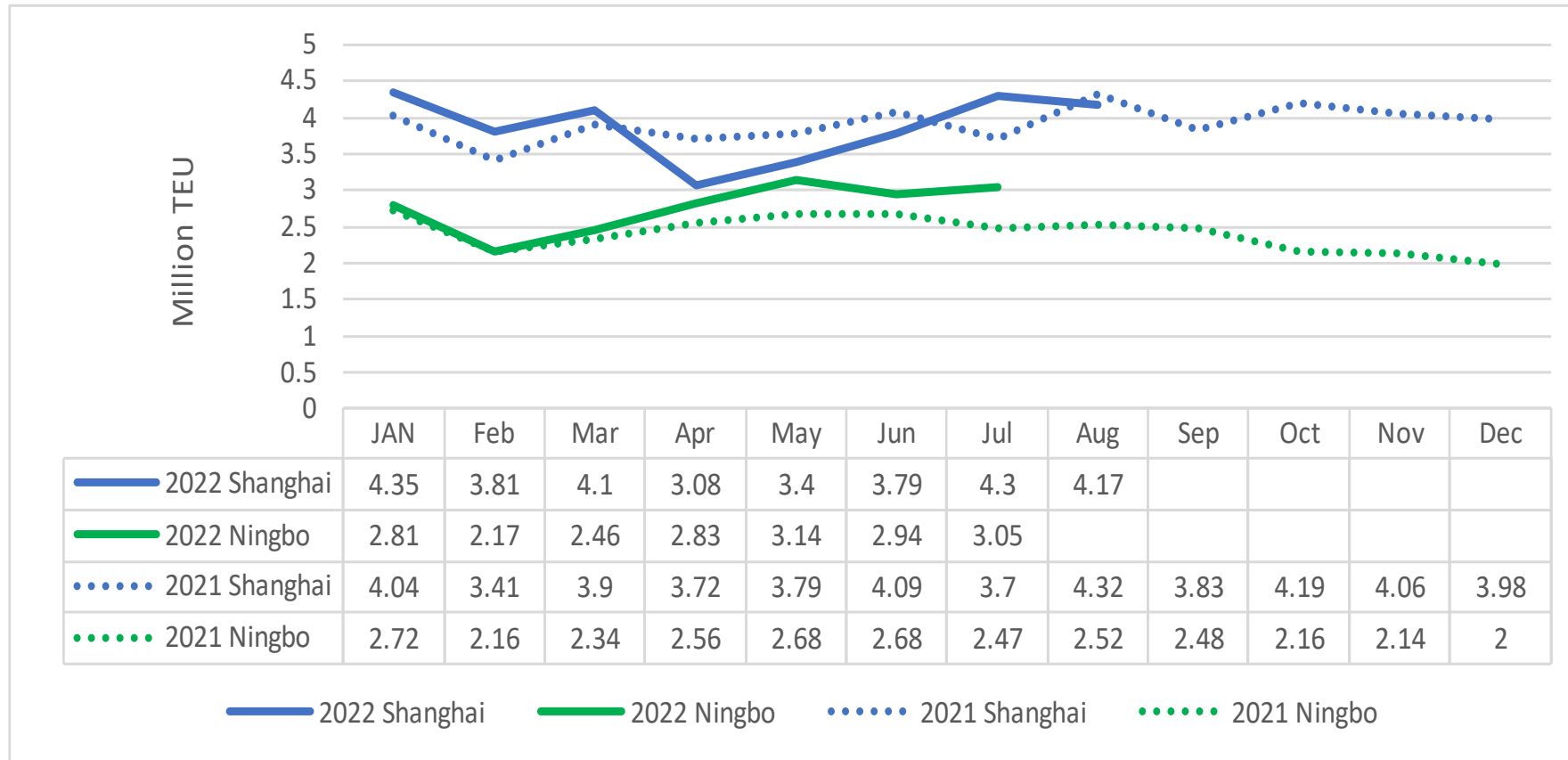
	6/10/2022	6/17/2022	6/24/2022	7/1/2022	7/8/2022	7/15/2022	7/22/2022	7/29/2022	8/5/2022	8/12/2022	8/19/2022	8/26/2022	9/2/2022	9/9/2022
China/East Asia to North America West Coast	9,588	9,252	8,934	7,568	7,430	7,273	7,013	6,593	6,617	6,202	5,815	5,423	5,025	4,399
China/East Asia to North America East Coast	11,908	11,815	11,615	10,072	9,881	9,986	9,921	10,003	9,862	9,515	9,193	9,087	8,630	8,724
China/East Asia to North Europe	10,692	10,660	10,575	10,604	10,490	10,398	10,320	9,641	10,494	9,991	10,033	9,992	9,384	7,857
China/East Asia to Mediterranean	12,867	13,046	13,284	12,885	12,466	12,329	12,070	11,848	10,583	10,894	10,406	10,396	9,767	8,656

High Capacity Management, PO Trend change, No cargo backlog



- = 21 voided cargo capacity
- = 22 voided cargo capacity
- = 21 PO trend
- = 22 PO trend
- = 21 Cargo Backlog
- = 22 Cargo Backlog

Container throughput of Shanghai Port and Ningbo Port Combined



Laden & Empty
moves

April/May
throughput was
↓ down **15.9% yoy**

April/May/June
throughput was
↓ down **1.7% yoy**

July throughput
↑ was up **19.1%**
yoy

Source: Ministry of Transport of China <https://www.mot.gov.cn/tongjishuju/gangkouhuowulvketl/>
SIPG <https://www.portshanghai.com.cn/tjsj/index.jhtml>

Ocean Capacity and Rate Trend

Trade	Capacity*	Notes
Asia-North America	Open	<ul style="list-style-type: none"> • Demand to TPEB is soft. Shippers booking under FAK/bullet rates which are lower than annual contract rates. • Capacity seeping back into the market as “congestion tie-up” impact is alleviated. • Slide of vessel schedule / blank sailing will continue in Sep due to US ports congestion & schedules delay. • FAK & bullet rate continue to drop due to low demand in the market. • USEC ports are facing more port congestions as more cargo shifted there to avoid unexpected impact in USWC ports due to ILWU PMA negotiation. Negotiation continues • USWC GRI: USD1,000/FEU was effective Sep 1. Quantum is much smaller than usual summer GRI. • USEC GRI: USD1,000/FEU was effective Sep 1. Quantum is much smaller than usual summer GRI.
Asia-Europe	Normal	<ul style="list-style-type: none"> • Overall demand affected by sanction in Russia and inflation in Europe. China resumed from lockdown but not much improvement. • Spot rates down about 20% since July. • Continuous capacity withdrawal from the market due to vessel delay, mainly caused by EU terminal congestion, situation is getting worse. • Weak North Europe (NEUR) market, many carriers are open to spot rate discussion while Mediterranean rate starts to slide since July. • An 8-days strike at Felixstowe port ended with no agreement reached, the union is warning for further action. • Equipment is very tight in Asia, especially for outports (feeder ports) and South China. • Carriers are also increasingly restricting equipment flow to destinations with serious congestion, like UK, and prioritizing equipment to higher profit lanes/customers or destination with faster turnover time.
Asia-Latin America	Open	<ul style="list-style-type: none"> • Market becomes stable to Mexico (MX)/ West Coast South America (WCSA) / East Coast South America (ECSA). • No major cargo rush before China Golden week in this year due to soft demand caused by high inflation in LATAM countries. • ECSA rates will be reduced by around USD700/40’ from Sep 7. WCSA and MX rates will be reduced by around USD600/40’HC from Sep 7. • 40NOR shortage in some of POLs in China such as Qingdao / Ningbo / Shanghai. • 40’HQ is very limited for LATAM trade in Asia and situation is critical for feeder ports and South China. • Customers on LATAM is more openly using NOR and this one is also start getting tight as well.

*Based on actual utilization/loading factors of carriers - Extremely Tight : >110% / Tight : 100-110% / Normal : 90-100% / Open : 80-90% / Wide open : <80%

Ocean Capacity and Rate Trend

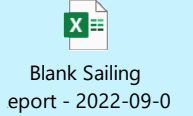
¹East Asia; ²South Asia & Oceania; ³China; ⁴Japan; ⁵Oceania

Trade	Capacity*	Notes
EAS ¹ to SAO ²	Normal	<ul style="list-style-type: none"> Soft market demand. Capacity: Space to Southeast Asia is open.
CN ³ to JP ⁴	Normal	<ul style="list-style-type: none"> Stable market demand. OOCL KTX2/KTX3 omit call Shekou , cargo accept transship via HKG.
EAS ¹ to OCE ⁵	Normal	<ul style="list-style-type: none"> Soft market demand. ASL is planning a new service CN <-> AUS , tentative schedule by the end of Sep.
EAS ¹ to India	Normal	<ul style="list-style-type: none"> Increasing demand in Sept. Carriers prefer light cargoes.
SAO ² to EAS ¹	Tight	<ul style="list-style-type: none"> High market demand. Capacity update: Space situation is getting better and wide range of FAK rate indication in September.
SAO ² to SAO ²	Tight	<ul style="list-style-type: none"> High market demand Space is still tight, and some carriers are facing sailing schedule delay. Wide range of FAK rate indication in September 40' shortage in Philippines.
SAO ² to JP ⁴	Tight	<ul style="list-style-type: none"> High market demand. Tight space. Rate: remain stable in September.
SAO ² to OCE ⁵	Tight (ex SAO)	<ul style="list-style-type: none"> High market demand. Space remains tight. Carriers selectively consider offering NAC rates. FAK rates remains in the same level since last month. NAC offer with long validity is higher than FAK. Congestion around 3-6 days, Adelaide is the worst taking 6 days
SAO ² to India	Tight (ex SAO)	<ul style="list-style-type: none"> High market demand. Carriers focus on 40' light weight cargoes. Price remains unchanged. Average port congestion is 2-3 days in India

*Based on actual utilization/loading factors of carriers - Extremely Tight : >110% / Tight : 100-110% / Normal : 90-100% / Open : 80-90% / Wide open : <80%

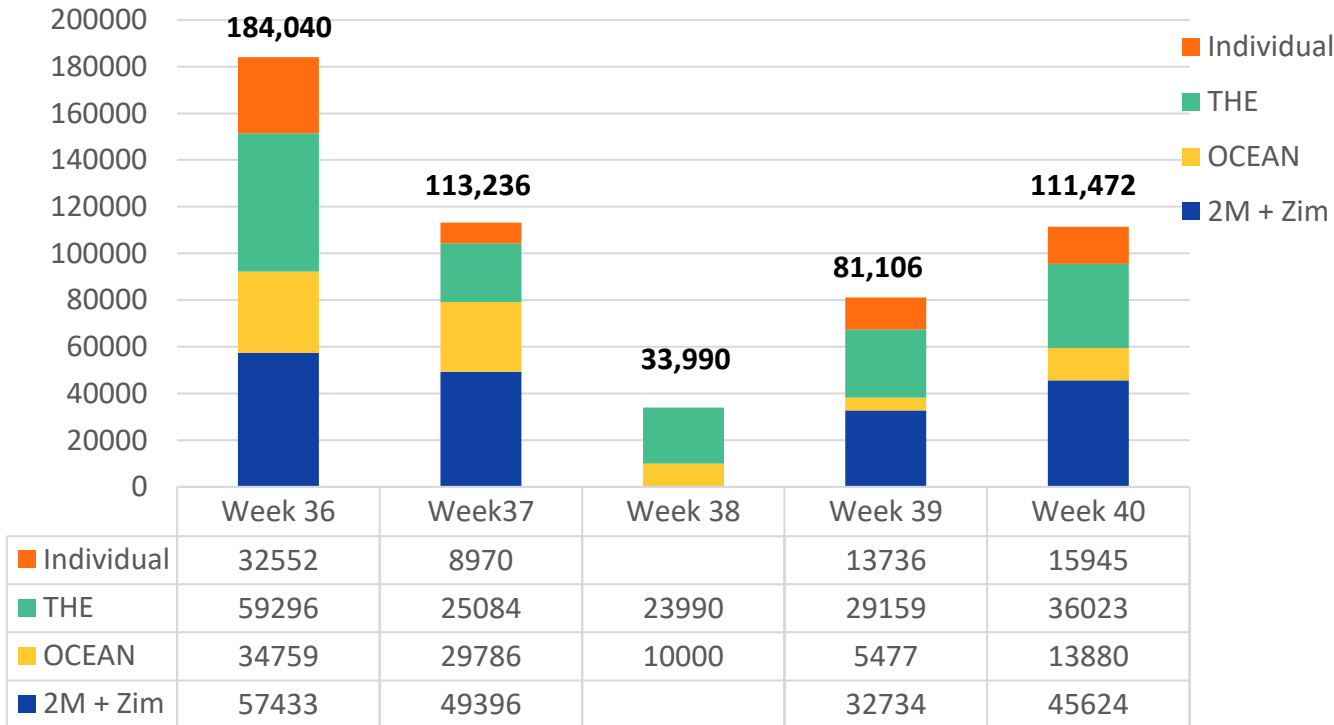
Blank Sailing on Asia-North America lane

Blank sailing report (including other trade lanes)

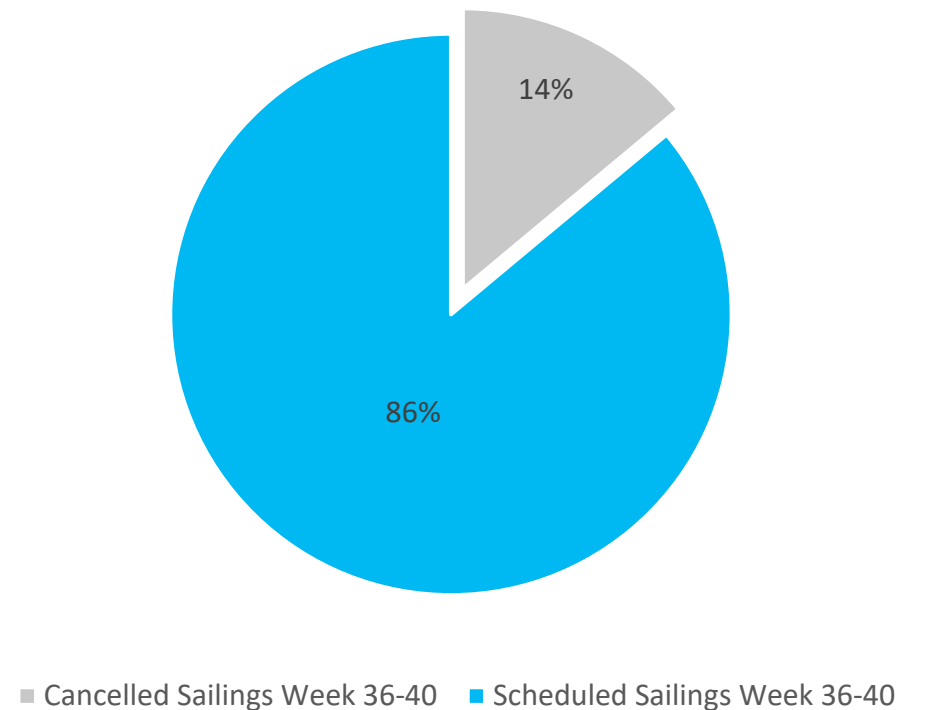


Between week **36-40**, Drewry sees a total of **523,844TEU** voided, with a total of 57 blank sailings, 39 from Asia to the West Coast of North America and 18 from Asia to the East coast of North America, out of 409 scheduled sailings. This represents a **14%** sailing cancellation rate.

Asia to North America Voided Capacity (TEU/ per week)



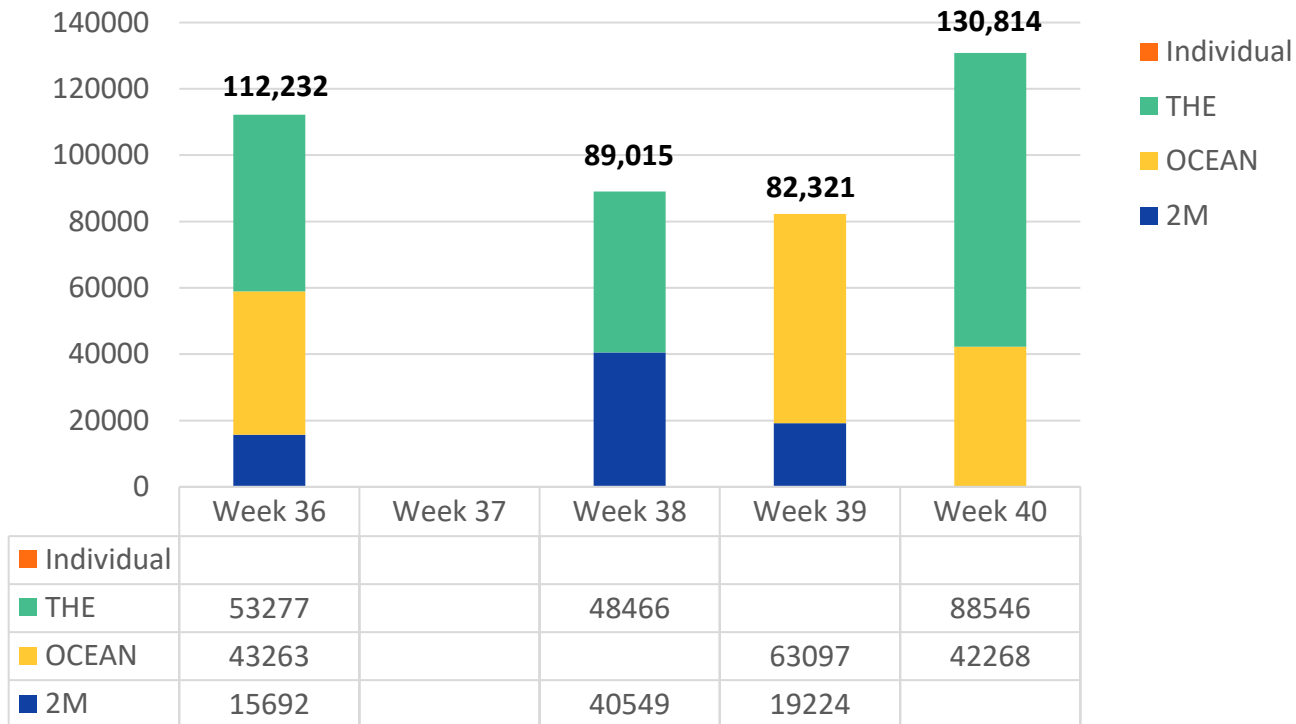
Cancelled vs Scheduled Sailings



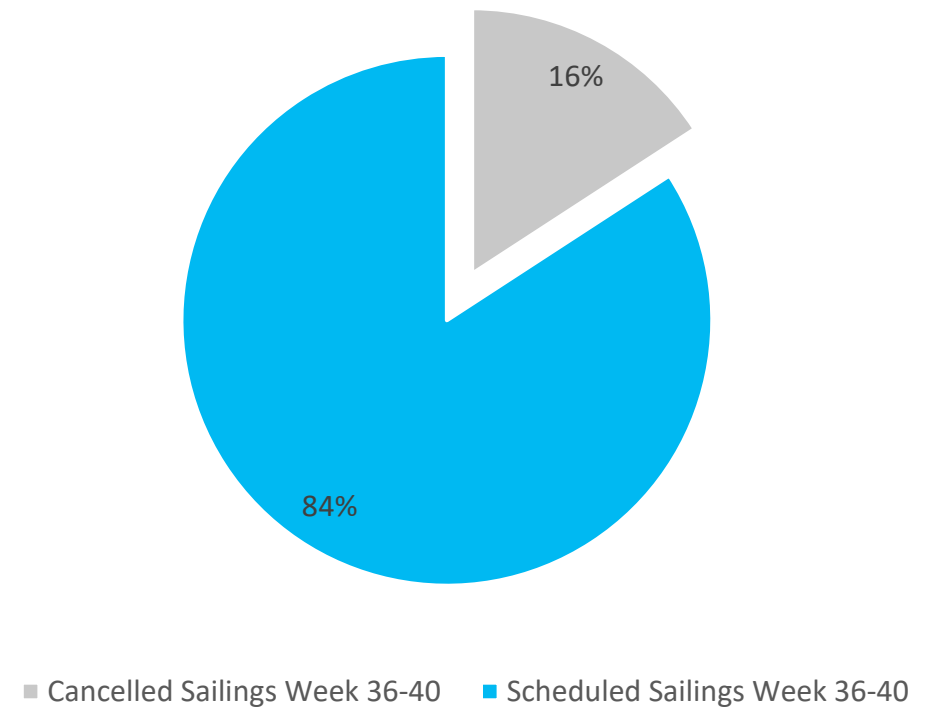
Blank Sailing on Asia-Europe & Mediterranean lane

Between week 36-40, Drewry sees a total of **414,382 TEU** voided, with the total of 25 blank sailings, 9 from Asia to Mediterranean and 16 from Asia to Europe out of 158 scheduled sailings. This represents **16%** sailing cancellation rate.

Asia to Europe + Asia to Mediterranean Voided Capacity (TEU/ per week)



Cancelled vs Scheduled Sailings



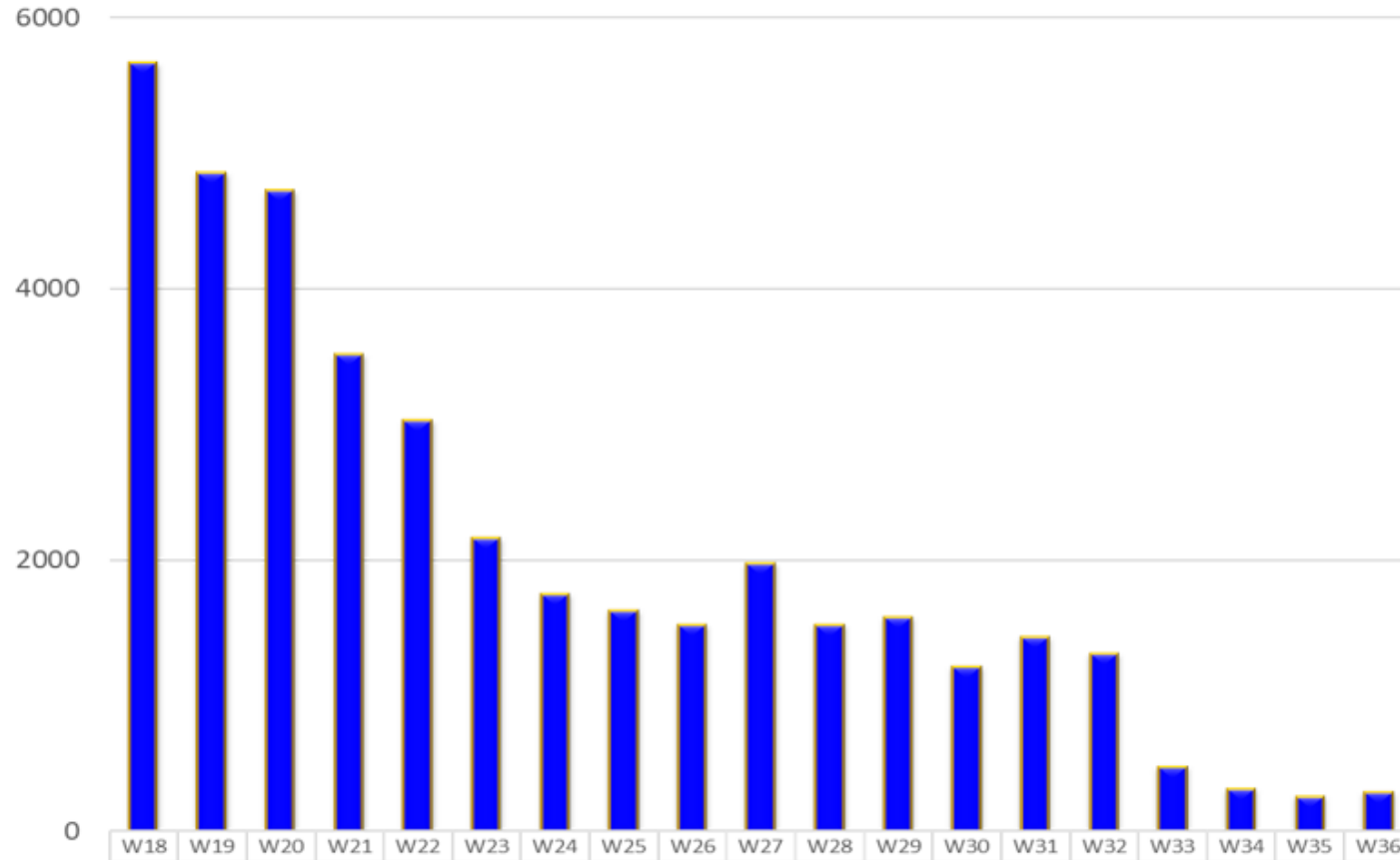
Asia Port Conditions

Port	Condition (Last update:2022/09/08)	Comments
Shanghai	Congestion	<ul style="list-style-type: none"> WGQ: berth waiting time around 2 days due to back log from port closure for 66 hrs when typhoon HINNAMNOR hit YS1: berthing delay around 2 days. Port closed 55 hrs due to typhoon
Ningbo	Heavy Congestion	<ul style="list-style-type: none"> Waiting time around 3 days. Port closed for 80 hours due to typhoon
Qingdao	Normal	<ul style="list-style-type: none"> Minor berthing congestion occasionally
Shekou	Normal	<ul style="list-style-type: none"> Port operations normal with minimal waiting time within half a day. Terminal start to accept laden gate in from ETB -7 days.
Nansha	Normal	<ul style="list-style-type: none"> Almost no congestion, occasional delay berthing
Yantian	Normal	<ul style="list-style-type: none"> Berthing waiting time within half a day.
Hong Kong	Normal	<ul style="list-style-type: none"> Slight congestion, within half a day
Manila	Heavy Congestion	<ul style="list-style-type: none"> Waiting time about 3 days at north port, South port about 4 days due to accumulating backlog
Pusan	Minor Congestion	<ul style="list-style-type: none"> BNCT waiting time is more than 1 day. Port close for 46 hours early this week due to typhoon, and expect more back log because port to close on Sept. 10 to 11 for holiday
Port Kelang	Normal	<ul style="list-style-type: none"> Berthing delay within 1 day.
Singapore	Normal	<ul style="list-style-type: none"> Berth waiting time improve to around 1 day with bunching arrival
Ho Chih Minh	Minor congestion	<ul style="list-style-type: none"> Waiting time is about 1.5 days

*Based on avg terminal waiting time – Heavy congestion: 3 days or more, Congestion: 2 -2.5 days, minor Congestion: 1.5 days, Normal: 1 day or less

Supply Chain Solutions Customers Backlog Status

Snapshot of Backlog as of Sep 09, 2022



- **Almost no frustrated cargo**
- Amost no space or equipment restrictions
- Capacity management in overdrive

Source: Yusen Internal Research

Air Freight Market Updates

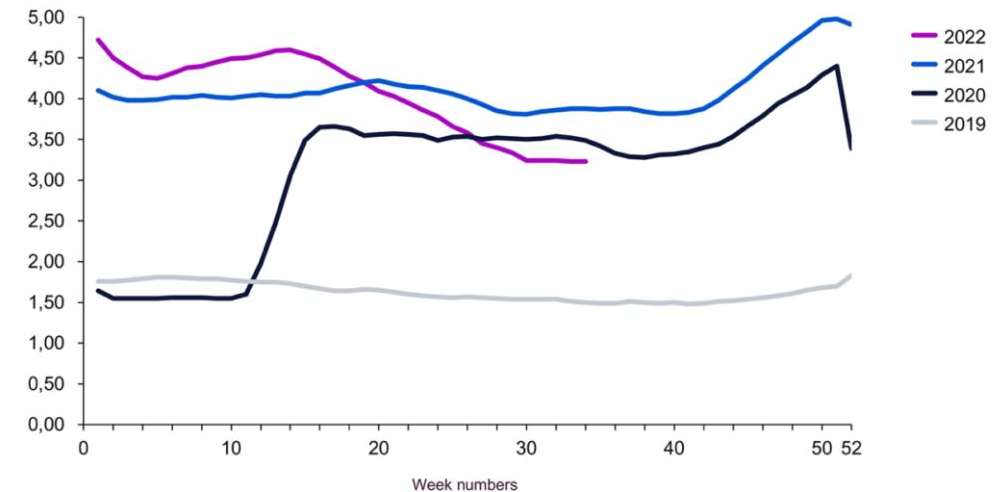
Air Cargo Tracks Near Pre-COVID Level

IATA data shows that **air cargo traffic in July fell by 9.7%**, year on year, in cargo tonne km terms – **the fifth month in a row to register a drop off compared with a year earlier**. Looking at regional performance, Asia Pacific airlines saw their air cargo traffic decrease by 9% year on year in Jul. The association pointed out that global goods trade continued to recover in Q2 and the additional easing of COVID-19 restrictions in China will further boost recovery in coming months. While maritime will be the main beneficiary, air cargo is set to receive a boost.

Global air cargo volumes slowed their decline in Aug, raising holiday peak hopes, according to the latest weekly analysis from Clive Data Services. Freight rates are still far above pre-pandemic levels, but gradual correction continues, Xeneta says.

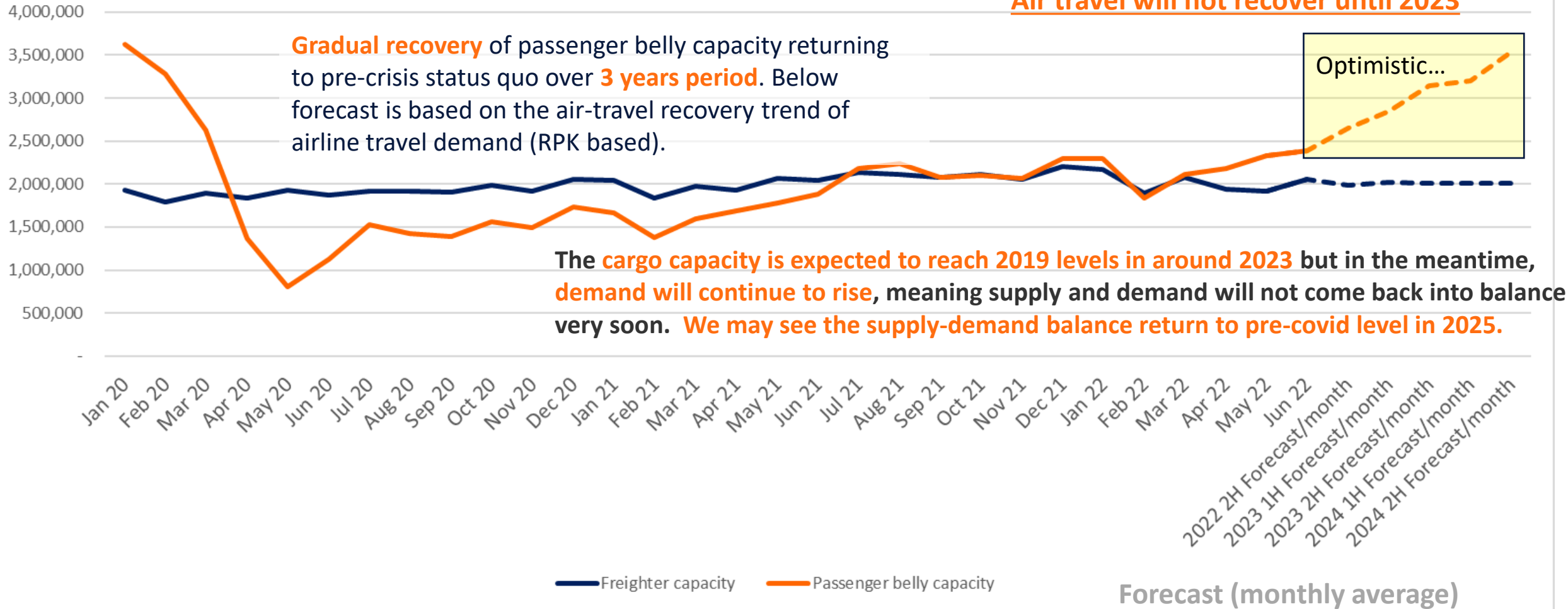
Worldwide air cargo tonnages dropped again slightly in the final few days of Aug and into early Sept after rebounding in the last full week of last month, figures from WorldACD reveal. However, on a two-week basis they stand slightly above their levels in mid-Aug, suggesting a possible stabilization of demand, albeit below last year's elevated levels.

Air cargo rates from Europe to North America (USD/kg)



The decline in rates across the Atlantic has stalled in August.

Available Capacity - metric tons (Worldwide)



China Airfreight Forwarder Ranking (1st Half of CY22)

China Export (Asia Pacific)			
Rank	Forwarder Name	Chargeable Weight (Tons)	Market Share
1	Direct Sales & Unknown Agents	16,492	6.7%
2	DHL Global Fwdg	10,824	4.4%
3	Kintetsu	9,402	3.8%
4	Nippon Express	7,366	3.0%
5	Harmony Shipping & Fwdg	7,014	2.8%
6	DHL Express	6,283	2.5%
7	Harvest Int'l Freight	6,266	2.5%
8	Dimerco	5,856	2.4%
9	OCS	5,595	2.3%
10	DHL Sinotrans	4,634	1.9%

China Export (All Destinations)			
Rank	Forwarder Name	Chargeable Weight (Tons)	Market Share
1	Direct Sales & Unknown Agents	65,857	6.8%
2	DHL Global Fwdg	54,329	5.6%
3	Unknown Agents via GSA	40,752	4.2%
4	Apex Logistics Int'l	34,131	3.5%
5	Expeditors Int'l	33,121	3.4%
6	DHL Express	29,788	3.1%
7	DB Schenker	29,344	3.0%
8	Harmony Shipping & Fwdg	24,786	2.6%
9	CTS Int'l	20,437	2.1%
10	AWOT Global	18,787	1.9%

China Import (Asia Pacific)			
Rank	Forwarder Name	Chargeable Weight (Tons)	Market Share
1	Nippon Express	23,545	10.1%
2	Kintetsu	12,974	5.6%
3	Yusen Logistics	10,495	4.5%
4	Morrison Express	10,309	4.4%
5	DHL Global Fwdg	7,801	3.4%
6	Direct Sales & Unknown Agents	7,481	3.2%
7	DB Schenker	5,380	2.3%
8	NNR Global Logistics	5,325	2.3%
9	Functional Air Service	3,405	1.5%
10	Aion Cargo Solutions	2,727	1.2%

China Import (All Destinations)			
Rank	Forwarder Name	Chargeable Weight (Tons)	Market Share
1	DHL Global Fwdg	44,735	7.6%
2	DB Schenker	36,245	6.1%
3	Unknown Agents via GSA	34,242	5.8%
4	Kuehne + Nagel	31,146	5.3%
5	Nippon Express	27,052	4.6%
6	Direct Sales & Unknown Agents	25,113	4.2%
7	DSV / Panalpina	24,345	4.1%
8	Kintetsu	20,962	3.5%
9	Expeditors Int'l	16,220	2.7%
10	Bollere Logistics	13,051	2.2%



*Data Source:
WorldACD

Notes:

*Asia Pacific includes China (includes Hongkong/Macau/Taiwan), Japan, Korea, Indonesia, Malaysia, Myanmar, Cambodia, Philippines, Singapore, Thailand, Vietnam, Australia, New Zealand.

*The data from World ACD do not include all airlines in market.

A large graphic on the left side of the page, consisting of a semi-circle with an orange outer ring and a white inner circle. The text 'SUPPLY CHAIN NEWS TRACKER' is written in bold, black, uppercase letters across the white circle.

SUPPLY CHAIN NEWS TRACKER

Chengdu lockdown likely to be extended

Chengdu reported 121 cases on Sept. 6, the latest round of mass testing is completed. Residents are waiting to see if the lockdown for most of the city will be extended...

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Indo-Pacific agree on better supply chain communication

The Indo-Pacific Economic Framework countries will share information and, through a dedicated center for such purposes, work together in the event of disruption...

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more](#)

Dutch - Rail unions announce more strike action

Rail unions have announced a new series of regional strikes, beginning on Friday in the north west and west of the country. On Sept.13, trains will not be running in the east, south and north, to be followed by the middle of the country on Sept.15...

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more](#)

Port of New York and New Jersey delay late container fee

The port is saying they are not going live with the container fee they had planned for Sept.1. Right now empty boxes are sitting at the port for around 30 days...

[Read
more](#)

A simple black and white icon of a computer monitor with a stand.

[Global Covid19
measures,
please visit here](#)



ILWU AND PMA CONTRACT NEGOTIATION

2022/09

Prepared by Yusen Logistics Supply Chain Solution

By the numbers

29 ports on the U.S. West Coast with ILWU workers.

22,000 dockworkers covered by the ILWU collective bargaining agreement.

70 ocean carriers and marine terminal operators the PMA represents in the collective bargaining process ([read](#)).

In past negotiations, the union engaged in work slowdowns after July 1 in order to gain leverage.

In 2002, the PMA responded to ILWU slowdowns with an employer lockout of dockworkers that resulted in West Coast ports being shut for 10 days. At least 150 vessels are backed up on the West Coast, with more than 100 of those in Los Angeles-Long Beach. ([read](#)).

In 2008, there were no serious work slowdowns, and a contract deal was reached later in the summer.

In 2014, negotiations prolonged for eight months beyond expiry and featured work slowdown. The ILWU refused to extend the previous contract and later on, began an orchestrated program of work slowdowns and shorting employers key skilled workers. This led to employer retaliation that included elimination of night and weekend work ([read](#)).



May 12

Negotiation began

International Longshore & Warehouse Union (ILWU) Pacific Maritime Association (PMA), the organization that represents port employers, started the negotiation.

ILA, the largest union of maritime workers in North America, said the union will “fight tooth and nail” against further marine terminal automation in the US. ILA’s spokesperson reiterated the ILA’s opposition to handling any automated ships that call the East and Gulf coasts ([read](#)). PMA stood by the push for automation ([read](#)).

June 1

Talk resumed

Neither the PMA nor the ILWU have indicated what the major contract issues are this year, although union resistance to the spread of automation is most likely a sticking point, as it has been in previous negotiations dating back to 2002 ([read](#)).

May 23

Contract talk suspended

ILWU requested a suspension of talks with the PMA, until June 1 ([read](#)).

JoC said it was informed months ago by a member of the “port envoy task force” created last June by the Biden administration that “slowdowns or employer lockouts,” unlike in previous negotiations, “will not be tolerated this year.” In the event that a strike does take place, ports around North America, including in Canada and Mexico, are also preparing to act as scab labor by taking in shipments originally bound for the US West Coast. The next five weeks are critical ([read](#)).

June 8

Importers called on Biden to be involved in the negotiation

The American Apparel & Footwear Association, the Retail Industry Leaders Association, and the Travel Goods Association jointly sent a letter to President Biden, urging the administration to engage in the negotiations to ensure the needs of both the workers and the ports are met and further backups, delays, and inflationary costs are avoided ([read](#)).

Jun 10

Biden met with union

Biden met with port and labor officials, including executive directors of both the ports of Los Angeles and Long Beach, to discuss supply chain challenges and highlight the White House's efforts—including the passing of the Bipartisan Infrastructure Law ([read](#)).

Jul 1

Contract expires, talks enter new phase

Union dockworkers at West Coast shipping ports failed to reach an agreement with cargo carriers and terminal operators, but both sides committed that “normal operations will continue at the ports,” according to a joint statement - the two groups pledged that “cargo will keep moving” until an agreement is reached. Observers say union leaders have taken two dayslong breaks in the talks, which has slowed progress. ([read-1](#), [read-2](#))

Jun 14

ILWU and PMA issued joint statement

The statement says they are committed to negotiating a new contract without disruption as they expect talks to extend beyond the July 1 expiration of the existing deal. “Neither party is preparing for a strike or a lockout,” according to the spokesperson. Tuesday's statement noted that it is “typical” that a new contract agreement is not reached by July 1 and that negotiations continue beyond the expiration of the existing deal ([read-1](#), [read-2](#)).

Jul 26

Parties report progress on health benefits

ILWU and PMA issued a joint statement on Tuesday announcing the tentative deal on what the statement described as “an important part of the contract.” Details regarding the tentative agreement related to maintenance of health benefits (MOB) are not being released ([read](#))

- **Current agreement expires on July 1, 2022 ([read](#))**
- Increasing opposition to automation makes for a likely problem when it comes to negotiating the next contract ([read](#)).
- It is anticipated that the union will aggressively seek to roll back terminal operators' rights to automate and thereby densify limited terminal acreage, especially at the ports of Los Angeles and Long Beach ([read](#)).
- Port automation debate intensifying amid West Coast labor talks. Whether West Coast dockworkers will attempt to reverse course on allowing some automation during recently suspended contract talks with employers is still unclear, but recent developments suggest that the highly contentious issue is coloring those negotiations. Just two days after negotiations began, in a show of support to West Coast dockworkers, ILA President Harold Daggett said the union will continue to fight against further marine terminal automation. ([read](#))
- Observers of the labor negotiations have said it is becoming increasingly unlikely that they would be a contract agreement before the July 1 expiration ([read](#)).
- West Coast longshore employers and dockworkers engaged in negotiations for a new contract are discussing a proposal that would allow marine terminals to open their gates at 6 a.m. The potential change has the support of truckers who work the ports ([read](#)).
- It is reported that the union has alternative labor actions at its disposal to potentially throttle the speed of the West Coast's ports. The threat of a deliberate "slowdown" has caused Seattle-based freight companies to divert cargo away from the Port of Seattle. Not only have companies begun to preemptively divert some cargo away from the West Coast — US imports of Asian products through the West Coast plummeted in the early parts of 2022, according to the Journal of Commerce — but U.S. demand for imports is declining. ([read](#))



- Vessel volumes continue to grow at U.S. East Coast and Gulf Coast ports including Savannah and Houston, according to the CNBC Supply Chain Heat Map, as labor talks on the West Coast threaten to cause more supply chain issues. “Carriers bulked up their service network on all water routes from China to the U.S. East Coast in a bid to get closer to the market and avoid congestion in Los Angeles/Long Beach and on inland multimodal links. But the increase from 19 vessel services per month in 2020 to almost 30 per month now is still causing serious challenges for ports on the East Coast.” ([read](#))
- The head of the US’s busiest port said he doesn’t foresee strikes at about 30 West Coast maritime hubs even as the labor contract for 22,000 dockworkers is about to lapse on Friday without a new deal. “Anything’s possible but it will not happen,” Port of Los Angeles Executive Director Gene Seroka said about the potential for a strike in an interview on Bloomberg Television Wednesday. The port is giving the union and employers “as much room as they need to negotiate and the rest of us are just moving all this cargo through the nation’s largest gateway.” ([read](#))
- On the day the last contract expired, more than 150 industry groups sent a letter addressed to President Joe Biden asking for engagement on the issue ([read](#)).
- ILWU, PMA likely to reach new West Coast contract in August–September: sources. There have been no known slowdowns thus far at West Coast ports. And despite the expiration of the prior contract on July 1, under US labor law the union and management are still under a “duty to bargain in good faith” with each other, which means that that neither side can initiate a strike or lockout until an impasse is declared in the negotiations. ([read](#))
- White House won’t get directly involved in either bargaining process ([read](#))
- Industry player: we're preparing for massive rerouting of cargo to both U.S. Gulf Coast and U.S. East Coast. ([read](#))



- The White House is monitoring labor negotiations “as closely as they can be watched without being a point of interference,” Port and Supply Chain Envoy Gen. Stephen Lyons said last week ([read](#)).
- Fitch said the negotiations affect 29 West Coast ports, the largest of which are Port of Los Angeles and Port of Long Beach, which together handle roughly 30% of US container volume ([read](#)).
- JOC: A growing number of sources close to the negotiations believe that while several difficult issues remain to be resolved, the likelihood is growing that a deal will be reached in August or September with little disruption occurring on the docks. While neither party has been discussing the issues under negotiation, marine terminal automation and ILWU job jurisdiction are believed to be on the agenda ([read](#)).
- Although both PMA and ILWU have assured that operations will continue unhindered, shippers “are still skeptical of the future” and persist in moving logistics operations away from the West and towards the Gulf and East Coasts. There was a drop of 19% in the time the vessels spent at berth at USWC. Despite improvements on the USWC, concerns remain that the AB5 law restricts independent truckers from the labour market. This, combined with a successful ILWU contract, could mean a return to long queues the USWC ports ([read](#)).
- **August 22nd:** An alleged **dispute over which union will handle equipment maintenance** at a Port of Seattle terminal is said to be bogging down negotiations. Sources told The Wall Street Journal that ILWU will not move on to negotiating on major issues like wages until the dispute is settled ([read](#)).
- **A union representing security guards at the ports of Los Angeles and Long Beach authorized a strike**, with no date set. While the security guard contract is separate from the coast-wide longshore contract also currently being negotiated, officials are working feverishly to avoid a strike given the possibility that dockworkers would honor any security officer picket lines, thus shutting down affected terminals ([read](#)).



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INSIGHT INTO ACTION

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