

Freight Market Update

September 8, 2022



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Speakers



Nathan Strang
Director, Ocean Trade Lane
Management
Flexport



Kyle Beaulieu
Director, Ocean Strategy and
Carrier Development
Flexport



Connor Helm
Sr. Associate Ocean Trade
Lane Management,
Flexport



Today's Agenda

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1.0

Operations Update

The Ports, How is it Going?

US West Coast

- Significant decrease in vessels off the coast of LA/LB -> terminal increase gate closures
- Local dwell continues to improve
- Rail dwell continues to be a bottleneck with trains being metered, containers being sent to off-dock yards

US East Coast/Gulf

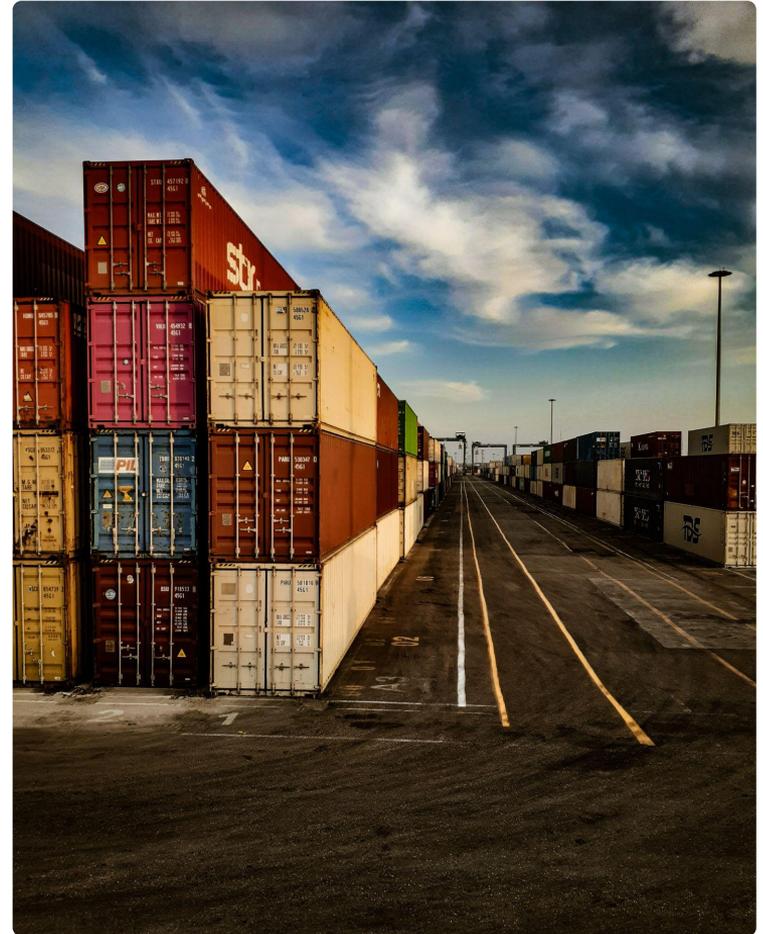
- Savannah/Houston combined have 55 vessels awaiting berths
- Some carriers have stopped taking import bookings to Dallas due to congestion
 - Expects to “persist for several weeks”

Canada

- Wet port rail dwell has improved slightly over last week but major congestion issues remain

In the News

- [US Freight Rail Crisis](#)
- [ILWU 26 - Possible Strike](#)
- [Warehouse Bottlenecks Are Snarling U.S. Supply Chains](#)



Vessels, Wait Time, Rail Dwell

Port	Vessels Waiting	Average Wait for Berth	Rail Backlog (median, all locations)	Specific Call-Outs
LA/LB	8 ↓	1 days ↓	19 days ↑	Local dwell at 6 days Rail dwell up to 60 days seen
OAK	14 →	15 days →	12 days ↑	90% yard utilization
SEA/TAC	1 →	2 days →	16 days ↑	SEA: 20 day rail dwell TAC: 12 day rail dwell
VAN	15 ↓	14-48 days →	7 days ↓	
PRR	2 ↓	2 days →	4 days ↓	
NY/NJ	18 ↑	6 days ↓	10 days ↓	APM: 1-3 day vessel wait time PNCT: 1-3 week vessel wait time
NOR	0 ↓	1 day →	4 days →	
CHS	0 ↓	1 days →	6 days →	
SAV	42 →	13 days →	3 days ↓	Wait times can be up to 17 days for Class 2 ships
HOU	23 →	13 days ↑	N/A	

-  Improvement over last week
-  Consistent over last week
-  Deterioration over last week

Source: MarineTraffic, Port Websites, Flexport Analysis



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TPEB Update

TPEB Ocean Freight Rates are Dropping, Rapidly

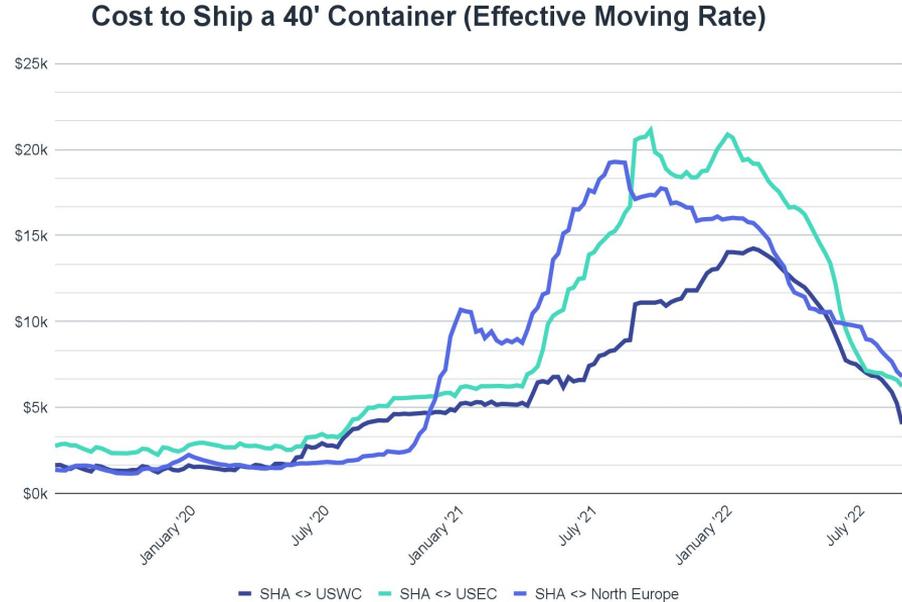
Rates have dropped fast since August 1

Declines in the month on Shanghai Container Index show:

- Nearly 40% to USWC
- Over 10% to USEC
- Over 15% to North Europe

Lowest levels on TPEB since Fall 2020

How did we get here?



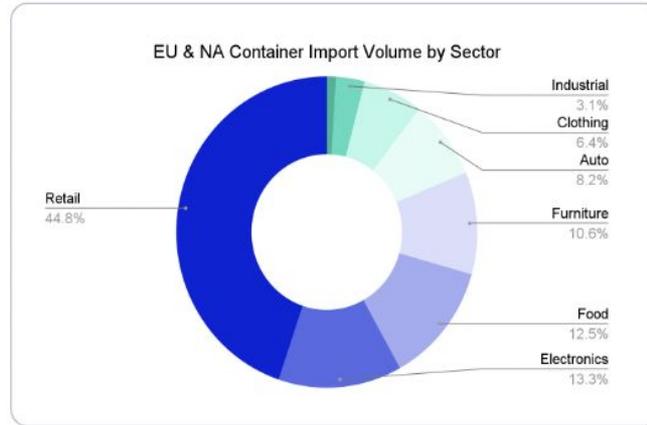
Sources: Shanghai Shipping Exchange, Flexport Analysis



Demand Review

Mid-Summer Signs of Excess Inventory

Saw in late June that there was **excess inventory in sectors accounting for 80% of historical import volume**



If orders for sectors with excess inventory are cut by

10%



+45K TEUs (+8%)
of available Import
weekly capacity

Will be opened up for North
America and Europe imports

Sources: Seabury, Flexport Analysis



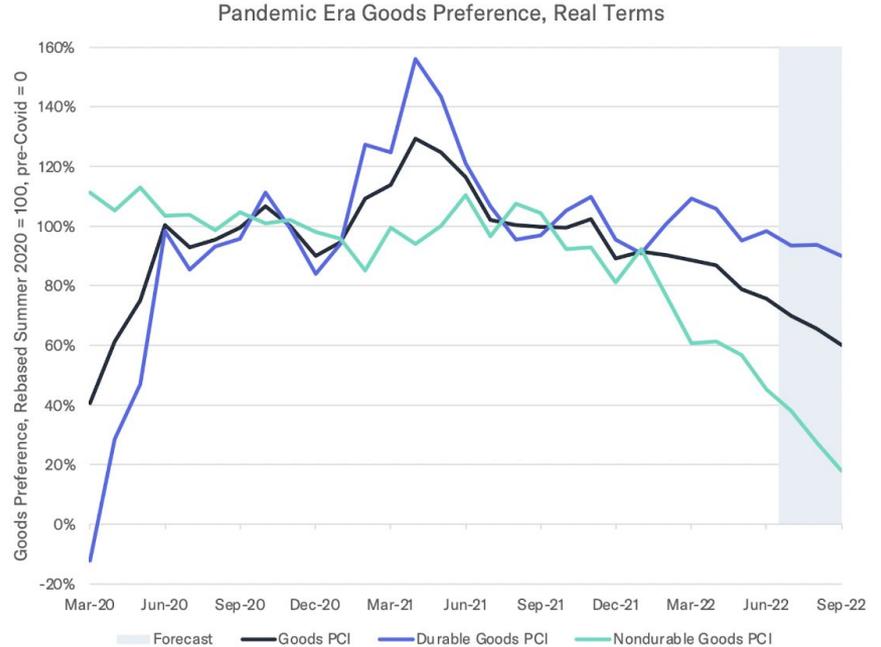
Demand Review

Purchasing Behavior is Returning to “Normal”

Flexport Post-Covid Indicator

- Purchasing signals indicate that U.S. consumers are still prioritizing goods over services, but numbers are in decline
- Projected **demand for goods** is expected to **close to June 2020 levels** by September
- When taking inflation into account, **purchasing behavior is back to April 2020**

Purchasing Heading Back to 2020 Levels



Sources: Flexport Post-COVID Indicator, August 16, 2022



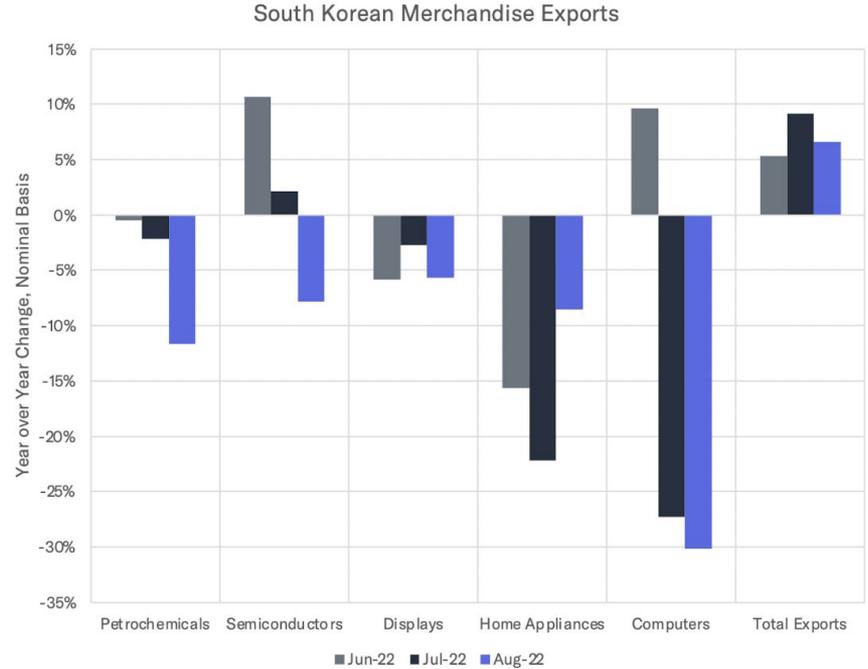
Demand Review

First Major August Trade Data Released

- South Korea is first country to release its trade data for August
- Though total exports have a YoY increase, major sectors experienced a decline in August

Did other countries experience similar drops?

Chemicals, Electronics Exports in a Downturn



Source: Flexport calculations based Ministry of Trade, Industry and Economy data.

Sources: South Korea's Canary Sings - Flexport Weekly Economic Report, Sept 62, 2022



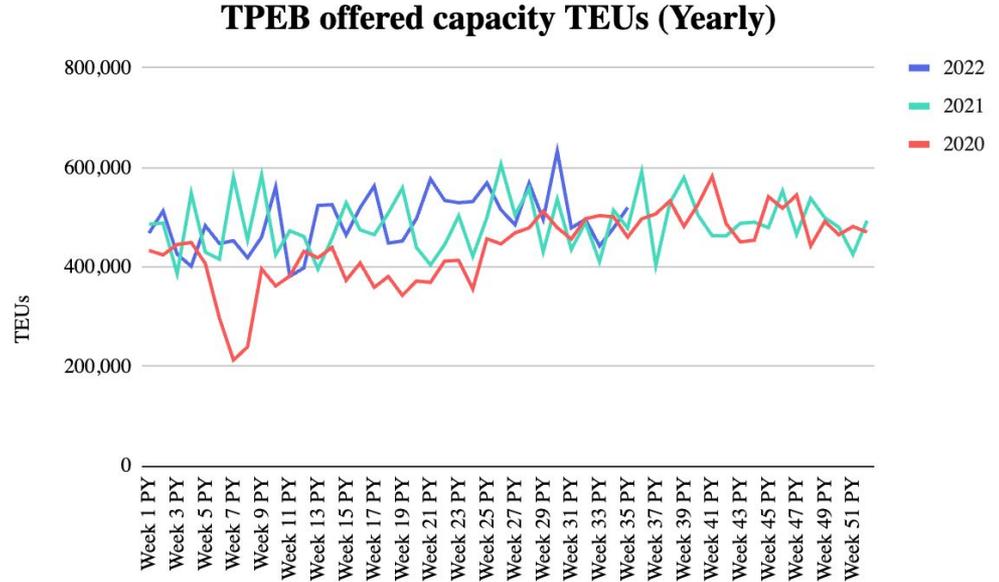
Supply Review

Supply has been “Steady”

- Q3 was relatively stable, with capacity similar to Q2
 - Week over week sailings remain unpredictable

Total Effective Capacity Similar to Prior Seasons

- Congestion still sapping capacity out of the market, but overall TEU capacity similar or higher than Q3 the last two years



Sources: Flexport / Sea-Intelligence Data



Supply Review

Ocean Transit is Improving

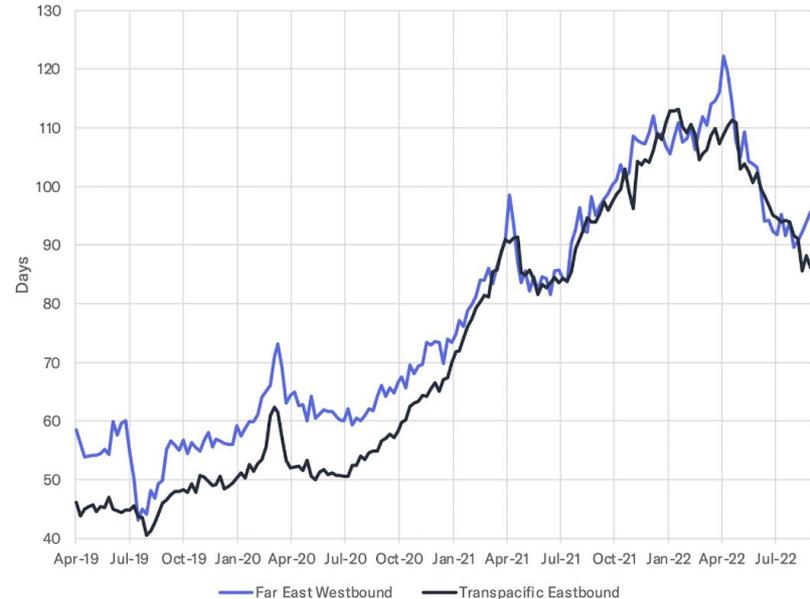
- TPEB has improved steadily over last 4 months
- FEWB generally seeing similar improvements

Less Need for Inventory “In-transit”

- Steady improvements in congestion has decreased turnaround times at origin, on the water, and at destination
- Cargo is arriving at transit times similar to early 2021

Ocean Delivery Times in Decline

Cargo Ready Date to Destination Port Departure, to 9/4/22



Sources: Flexport Research

Sources: Flexport Ocean Timeliness Indicator



Utilization Below Peak Levels

Utilization has decreased below “full” capacity thresholds

- Demand lower than 2021
- Supply in-line or higher than 2021

Utilization is lowest to USWC, therefore rates are dropping the fastest

A race for pre-Golden Week Cargo

For TPEB,
if utilization
is **90-95%**,
capacity is
fully utilized

For FEWB,
if utilization
is **80-90%**,
capacity is
fully utilized



Recommendations

1 See how floating market plays out

2 Plan for Increased October Blank Sailings

3 Prioritize unloading cargo at destination

4 Look for other supply chain service improvement opportunities



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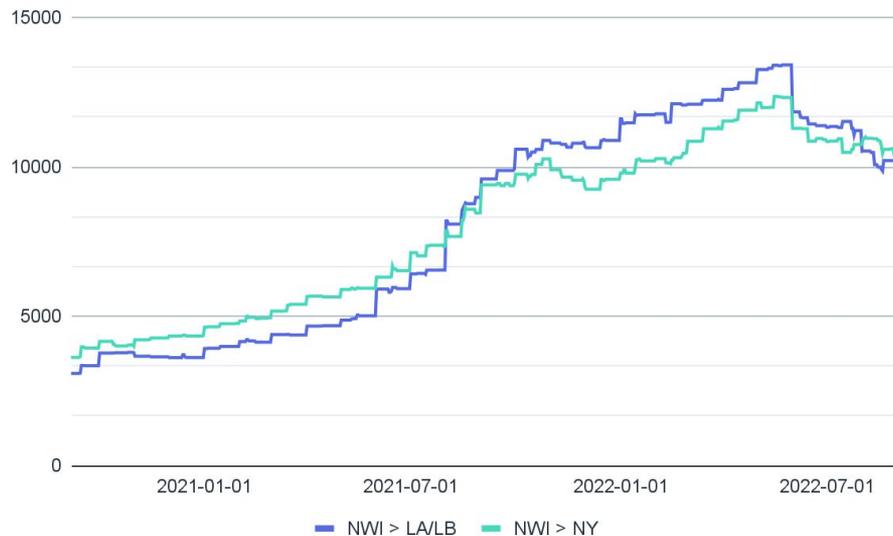
Indian Subcontinent Market Update

Comparing Rate Trends in ISC vs TPEB

Rates are beginning to fall but have held strong for most of 2022

ISC specific services have not followed the rate trends of TPEB, while shared services have seen TPEB-like drops

- Sustained demand for direct services in a price driven market
- Less overall capacity on the ISC trade



Source: Xeneta



Overview of the ISC Market

Demand

Surge experienced throughout 2021 into 2022
has softened

Capacity

Drop in demand + Normalizing sailing
schedules = more capacity

Rates

Drop in demand + Increasing capacity
= Rate reductions

Outlook

Where do we go from here?



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Q&A

flexport.

Thank You.