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Sea-Intelligence Sunday Spotlight

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Executive Summary

2018-Q4 North America West Coast volumes

Total throughput in the six largest North America West Coast ports grew 7.5% in 2018-Q4, the highest in the analysed 2013-2019 period. Laden imports grew 9.0% Y/Y, also the highest in the analysed period, and a clear indication of front loaded cargo into Q4.

Transpacific peak excess rate is gone

Analysis of the impact of oil prices upon the spot rates in the Transpacific trade shows that the unusually strong peak season rates have now disappeared, and rate levels are back to normal.

Overview of Transatlantic blank sailings

Blank capacity for 2019-Q1 is slated to be the lowest in the first quarters across 2013-2018 on NEUR-NAEC and MED-NAEC, while no blank sailing is planned for 2019-Q1 on EUR-NAWC.

Content

Weekly Indicators

28 Jan-3 Feb 2019

Port of Los Angeles

December 2018 Container volumes

903,258 TEU
+15.9% Y/Y

Port of Savannah

December 2018 Container volumes

351,366 TEU
+8.7% Y/Y

Port of Melbourne

December 2018 Container volumes

256,572 TEU
+4.0% Y/Y

Port of Montreal

December 2018 Container volumes

143,695 TEU
+16.8% Y/Y

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Editorial: Happy Year of The Pig!

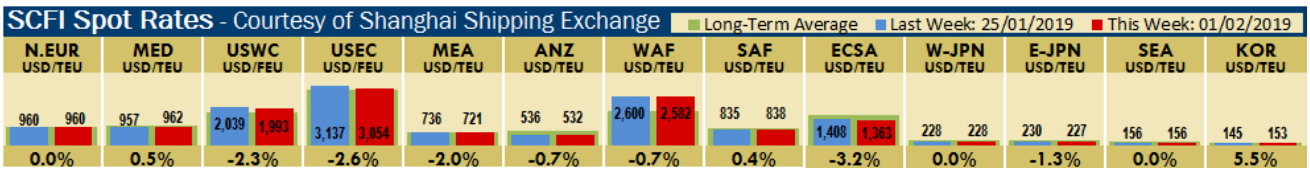
This coming Tuesday, February 5th marks the start of the Chinese New Year, which this year is the Year of the Pig, the 12th of the 12-year cycle of animals which appear in the Chinese zodiac. A completely random, but very scientific website told us that: "According to the Chinese astrology, 2019 is a great year to make money, and a good year to invest! 2019 is going to be full of joy, a year of friendship and love for all the zodiac signs; an auspicious year because the Pig attracts success in all the spheres of life."

Well, that's finally some good news, as the past 10 years have not been too kind to the liner shipping industry. While we shall not assail the exactitude of the above prediction, it does seem like a few challenges need to be handled, before we can crack open the now very dusty Champaign bottles… The major challenge of 2019 will likely be the preparation for the 2020 IMO low-sulphur regulations, where, as we have stated before, 2019 will be the battle of the BAF, as carriers implement new Bunker Adjustment Formulas (BAFs) to handle the impact of the higher bunker oil prices.

No-one knows exactly what the additional cost will be, but it is very likely to be more than USD 10bn per year for the liner shipping industry and thus far above what the carriers can weather themselves. As we have stated many times, these added fuel costs ned to be furthered on down the supply chain. If carriers do not manage to pass the cost onto shippers, then we will likely see a complete liner shipping crash in early 2020, as carriers will simply not be able to operate many of their services. The disruptions from such a crash is likely to be considerably costlier than the increase in freight rates from the new BAF mechanisms.

As we're closing in on the all-important Transpacific contracting season, we should start to get the first signs of whether carriers are meeting massive push-back or general acceptance of the new BAF structures. As we have note before, most of the major carriers seem to have gone for simplicity over detailed accuracy in their new BAF models, and this seems like a wise choice when the focus is on wide and fast adoption. It is, in our opinion, more important that the shippers can understand the BAF formulas, rather than the BAF formula perfectly capturing the added cost in detail.

We wish all our readers a very happy Chinese New Year, and sincerely hope that "2019 is going to be full of joy, a year of friendship and love for all", and that we will sail somewhat safely into the challenges of 2020.



2018-Q4 North America West Coast volumes

Total throughput in the six largest North America West Coast ports grew 7.5% in 2018-Q4, the highest in the analysed 2013-2019 period. Laden imports grew 9.0% Y/Y, also the highest in the analysed period, a clear indication of Q1 cargo front-loaded into Q4.

While most of 2018 has been somewhat disappointing for the ocean liners, the Transpacific trade received considerable industry attention for an exceptionally strong peak season, especially when compared to the pre-peak season.

While several industry commentators had assumed that this could be an effect of the 1st round of Trump Administration tariff hikes on Chinese goods, but as we noted in our analysis of the North America West Coast handling volumes for 2018-Q3 in Issue 385 of the *Sunday Spotlight*, that was not the case. Laden imports grew only 1.7% Y/Y in 2018-Q3, which was the lowest third-quarter Y/Y growth in the 2013-2018 period; the volume contraction in 2016-Q3 notwithstanding. As we covered in several different analyses, the strong 2018 peak season on Transpacific was not so much driven by outside market forces, but rather engineered by the carriers through an extensive blank sailings programme.

However, in our analysis in issue 385, we also noted that the January 1st increase in tariffs from 10% to 25% would likely force shippers to change their sourcing patterns and front-load 2019-Q1 volumes into 2018-Q4, as the slack season would allow for a higher degree of flexibility, that the peak season did not afford due to tight capacity management by the carriers.

There is still about a week to go until the 2018-Q4 Transpacific demand figures will be published by Container Trade Statistics (CTS), so in this article we will analyse the 2018-Q4 handling volumes published by the six largest North America West Coast ports, and see if the total port handling data suggest a possible front-load of Transpacific Q1 volumes into Q4.

Methodology

This analysis is based on the operating statistics for throughput, import, export, and empty handling container data

published by the ports of Long Beach, Los Angeles, Oakland, Prince Rupert, Vancouver, and the Northwest Seaport Alliance (Ports of Seattle and Tacoma).

There is only one methodological choice that needs to be accounted for in this article. The Northwest Seaport Alliance (NWSA) explicitly states domestic volumes from Alaska and Hawaii. Since the other ports do not state domestic volumes separately, we assume that these volumes are included in their total volume figures. As such, we have decided to include the domestic volumes for the NWSA into their total handled volumes for each month. This methodological choice only affects the 'total handled volumes' figure for NWSA.

Furthermore, although the ports of Seattle and Tacoma did not operate under the banner of an alliance prior to October 2014, we have been able to find combined throughput figures for NWSA for 2013-Q4 and 2014-Q4. For 2012-Q4, we have summed up the volumes of the ports of Seattle and Tacoma and have categorised them as 'Northwest Seaport Alliance'. This only affects the 2013 Y/Y percentage change for NWSA for all metrics of handled volumes.

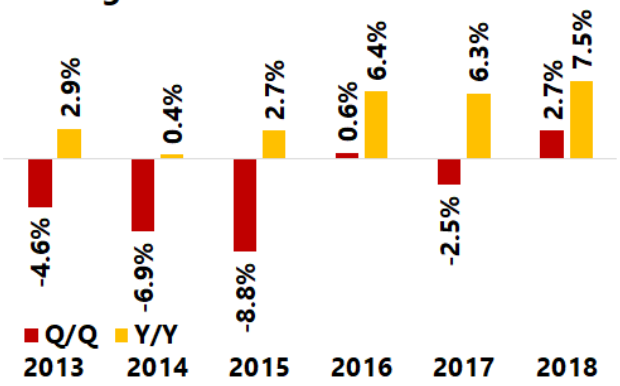
Since these six ports handle the vast majority of the North America West Coast cargo, we will, for ease of analysis, refer to them as 'North America West Coast', instead of saying, 'the six biggest ports in North America West Coast'.

Figures

Figures A1-A4 show the Q/Q and Y/Y percentage changes in the respective metrics of handled volumes for each fourth quarter in the 2013-2018 period. Figure A5 shows the Y/Y percentage changes in the respective metrics of handled volumes in 2018-Q4 for each of the six ports that form the basis of the analysis.

Developments in total handled volumes

Fig. A1: Total Handled Volumes



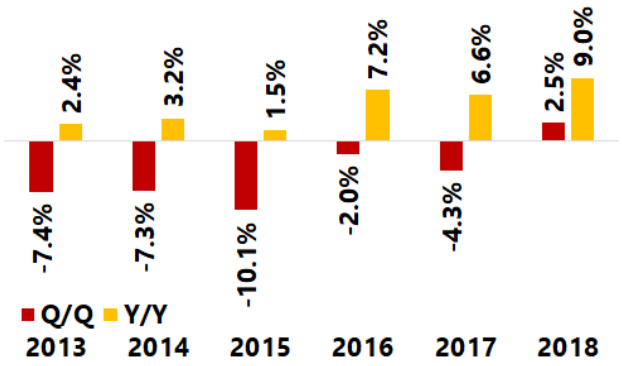
Total handled volumes for the North America West Coast increased by 7.5% Y/Y in 2018-Q4, which was the highest

fourth-quarter Y/Y increase in the analysed period, but notably not by a massive margin compared to 2017-Q4, where the Y/Y increase in 2018-Q4 is 1.2 percentage points higher. Compared to the average 2013-2017 Q4 Y/Y change of 3.7%, the difference is a much higher 3.8 percentage points.

On a Q/Q level, 2018-Q4 total handled volumes grew by 2.7%, which is only the second time that we have seen total handled volumes increase Q/Q – the only other time being a modest 0.6% growth in 2016-Q4.

Developments in laden imports

Fig. A2: Laden Import Volumes

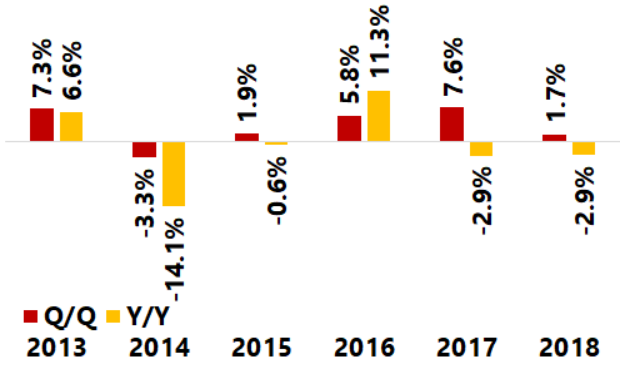


While the 2018-Q3 North America West Coast laden import volumes did not indicate any significant level of front-loading, the 2018-Q4 volumes certainly do. As the Y/Y demand growth for most of 2018 has been largely stagnant, there is little to suggest a sudden surge in laden import volumes would be caused by anything other than the possible scenario of front-loading Q1 volumes into Q4.

If we look at the Y/Y growth in laden imports, the 9.0% increase in 2018-Q4 is the highest across all analysed years, surpassing 2017-Q4 by 2.4 percentage points, and the 2013-2017 average by 4.8 percentage points. Furthermore, 2018-Q4 was the only quarter to see laden imports grow Q/Q, with all previous years seeing a Q/Q drop in laden imports in the fourth quarter.

Developments in laden exports

Fig. A3: Laden Export Volumes

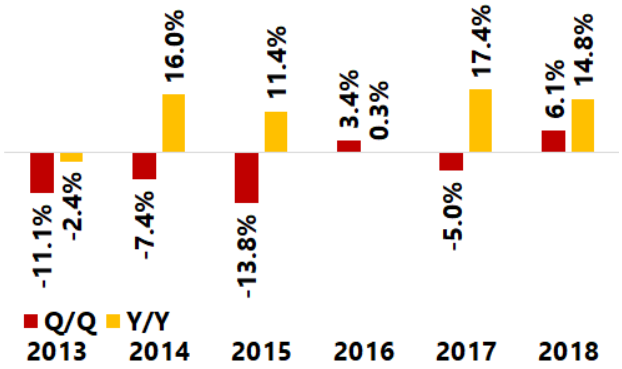


North America West Coast laden exports dropped by -2.9% Y/Y in 2018-Q4, the same Y/Y contraction as in 2017-Q4. In comparison, the average 2013-2017 fourth-quarter Y/Y growth was 0.1 percentage points. On the other hand, of the fourth-quarters where laden exports

grew Q/Q, 2018-Q4 saw the lowest growth of 1.7%, considerably lower than the 7.6% growth in 2017-Q4 and also lower than the 2013-2017 average of 3.9%.

Developments in total empties handled

Fig. A4: Total Empties Handled



Total empty container volumes grew by 14.8% Y/Y in 2018-Q4, 2.6 percentage points lower than the 17.4% Y/Y growth in 2017-Q4. In comparison, the average 2013-2017 fourth-quarter Y/Y growth was considerably lower at 8.5%. On the other hand, the 6.1% Q/Q growth in 2018-Q4 was only the second time that empty container volumes had grown Q/Q in the fourth-quarter, with the only previous time being a 3.4% growth in 2016-Q4. In comparison, the average 2013-2017 fourth-quarter Q/Q contraction was -6.8%.

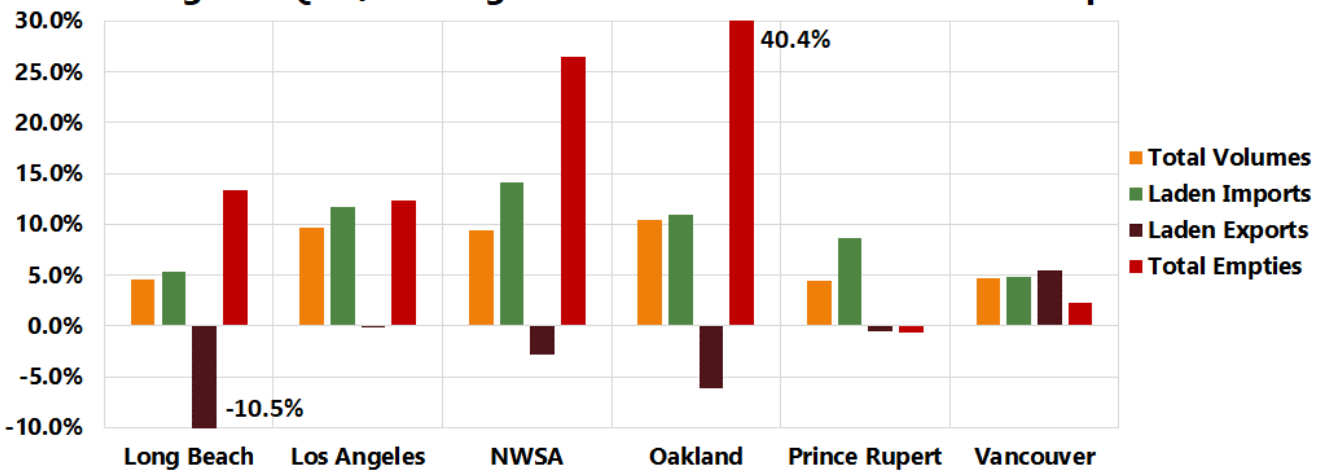
Third quarter updates on individual ports

(Please note that for this section, all growth rates, unless otherwise mentioned, are Y/Y for 2018-Q4, while all historical comparisons are with the fourth-quarters of the respective years.)

Long Beach saw total handling volumes grow by 4.6% Y/Y and laden import volumes grow by 5.3% Y/Y, both of which were the second-lowest fourth-quarter Y/Y growth rates out of the six analysed ports in 2018. That said, for Long Beach, the Y/Y growth in laden imports in 2018-Q4 was the second-highest in the 2013-2018 period, after the extraordinary Y/Y growth rate of 19.7% recorded in 2017-Q4. Laden exports declined by -10.5% Y/Y, which is the second-highest fourth-quarter Y/Y contraction in the 2013-2018 period (lowest: -13.5% in 2014-Q4).

Los Angeles saw fourth-quarter total handling volumes grow 9.6% Y/Y and laden import volumes grow by 11.8% Y/Y, both of which are the second-highest Y/Y growth rates of all the analysed ports in 2018-Q4. They were also the second-highest Y/Y growth

Fig. A5: Q4 Y/Y changes in handled volumes in individual ports



rates for Los Angeles in the 2013-2018 period, after the staggering +20% Y/Y growth rates in 2016-Q4. Total laden export volumes remained largely unchanged, with a marginal -0.1% Y/Y decrease in 2018-Q4, while the empty container volumes grew by 12.3% Y/Y in 2018-Q4.

The **Northwest Seaport Alliance** saw total handling volumes grow by 9.4% Y/Y, the second-highest fourth-quarter Y/Y growth for the port in the 2013-2018 period. Laden imports grew by 14.2%, which was not only the highest Y/Y growth among the six ports in 2018-Q4, but was also the second-highest for the port in the 2013-2018 period. Laden exports on the other hand declined by -2.8% Y/Y, while total empty container volumes grew by 26.5% Y/Y, the highest fourth-quarter Y/Y growth for the port in the 2013-2018 period.

Port of **Oakland** recorded the highest Y/Y growth in total handled volumes of the six ports in 2018-Q4, of 10.5%. It was also the highest Y/Y growth for the port in the 2013-2018 period, by a considerable margin, given that the average fourth-quarter Y/Y growth in total handled volumes was a meagre 0.3%. Laden imports grew by 11.0% Y/Y in 2018-Q4, which was also the highest fourth-quarter Y/Y growth for the port in the 2013-2018 period. Total empty container volumes also grew Y/Y, by a staggering 40.4%, which is unprecedented for the port in the 2013-2018 period. On the other hand, laden exports declined by -6.1% Y/Y.

Total handled volumes in **Prince Rupert** grew by 4.4% Y/Y in 2018-Q4, while

total laden imports grew by 8.6% Y/Y. Given past years' growth rates, none of these figures were spectacular. Laden exports declined by -0.5% Y/Y in 2018-Q4, which was only the second time that there was a fourth-quarter Y/Y decline in laden exports. Empty container volumes also declined Y/Y in 2018-Q4, by -0.6%.

Vancouver saw total handled volumes grow by 4.7% Y/Y, while laden imports grew by 4.8% Y/Y in 2018-Q4. While the Y/Y growth in total imports in 2018-Q4 was higher than the 2013-2017 average of 3.8%, the Y/Y growth in laden imports was 0.8 percentage points lower than the 2013-2017 average of 5.6%. Of the remaining two metrics, laden exports grew by 5.5% Y/Y, while empty containers grew by 2.3% Y/Y in 2018-Q4.

Conclusion

2018-Q4 Y/Y volume growth in North America West Coast of 7.5%, was the highest across the analysed 2013-2018 period. Compared to 2018-Q3, Q/Q growth in total throughput was not only the highest across the analysed period, but was also positive for only the second time. Laden imports grew by 9.0% Y/Y, the highest Y/Y fourth-quarter growth in the analysed period, and also 2.4 percentage points higher than 2017-Q4. The Q/Q laden volume growth in 2018-Q4 was also the only positive fourth-quarter Q/Q growth in the analysed period. This is the clearest indication that at some level, shippers *did* front-load 2019-Q1 cargo into 2018-Q4 ahead of the expected-but-not-(yet)-materialised tariff increase on January 1st.

Transpacific peak excess rate is gone

Analysis of the impact of oil prices upon the spot rates in the Transpacific trade shows that the unusually strong peak season rates have now disappeared, and rate levels are back to normal.

As we have covered on several previous occasions in Sea-Intelligence Sunday Spotlight, the Transpacific head-haul trade saw an unusually strong peak season in 2018, when assessed by the strength of the spot rate levels.

However, one aspect which has an impact on this, which we are incorporating today, is the development in the oil price.

Fig.1: Bunker fuel price

Figure 1 shows the development of the bunker fuel price as measured by Bunker Index for IFO380 bunker fuel prices as a global average.

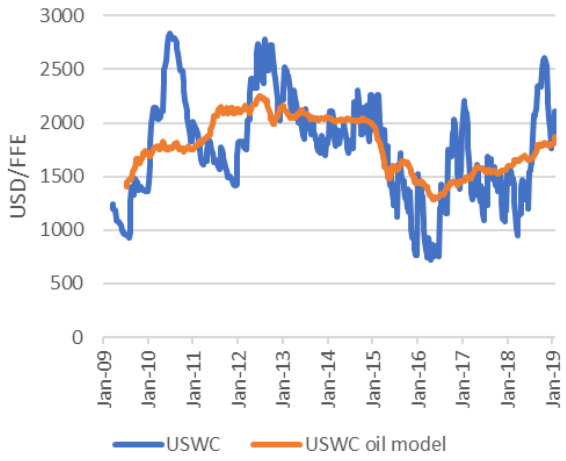
It is clear to see how the constant increase in oil price since the bottom in 2016 was abruptly halted, having reached a peak of 528 USD/ton in end-October 2018.

As oil price is a key component of the carriers' costs, clearly the change in oil price also influences the rate development. We have therefore taken a closer look at this dynamic for the Transpacific trade in this week's Sunday Spotlight.

First of all, we need to look at the degree of correlation between the oil price and the spot rate. And to that extent we calculate the correlation between fuel prices and spot rates at different lag times. This is important, as the rate development will only reflect changes in the oil price at a lagged time, partially because the bunker price changes take time to incorporate into pricing mechanisms between carriers and shippers, and partly because the carrier themselves are also "hit" at a slightly

lagged time, as they do not fuel every individual vessel every day.

Fig.2: USWC spot rate versus oil model

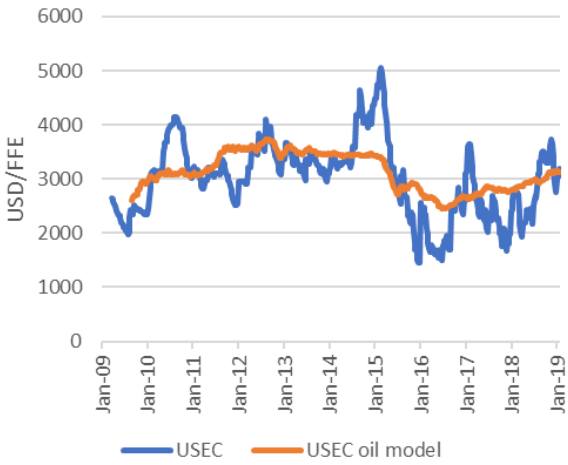


Furthermore, as we are especially interested in the developments since the market bottom in 2016, our correlation analysis is done on the dataset ranging from March 2009 to December 2015. This is done to ensure any conclusions made about the period 2016-2019 is not skewed due to inclusion of this data.

Looking at this correlation, we find that for the US West Coast (USWC), the strongest correlation is seen at a lag time of 16 weeks and 24 weeks for the US East Coast (USEC).

For the USWC the correlation is 48% and for the USEC the correlation is 45%. This means, in rough terms, that approximately half of the rate development can be explained by the fuel price developments.

Fig.3: USEC spot rate versus oil model

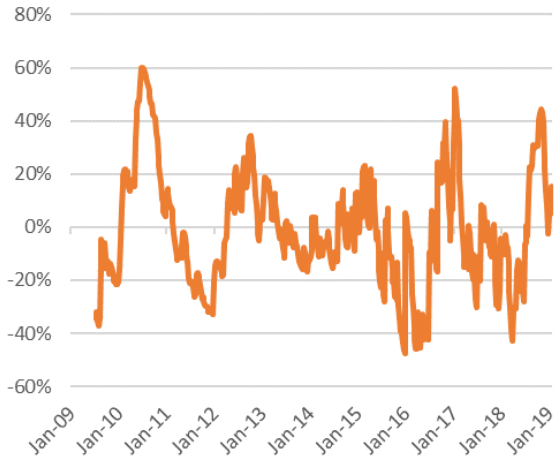


If we use these lagged correlations to calculate the expected oil price in order to compare this with the actual developments, we get the results shown in figures 2 and 3.

As can be seen, the developments predicted purely by the fuel price reflect the underlying trend developments very well, but do not capture the major peaks and troughs seen throughout the period. This is not unexpected, as the oil price would serve as an underlying "ground swell" linked to cost developments, whereas the peaks and troughs are instead controlled by supply and demand swings – as well as any "emotional" factors which may come into play.

This means that we can now also calculate the deviation from the oil price model. For the US West Coast this is shown in figure 4. The deviation has been calculated as a percentage in order to properly compare over time periods of widely fluctuating freight rates.

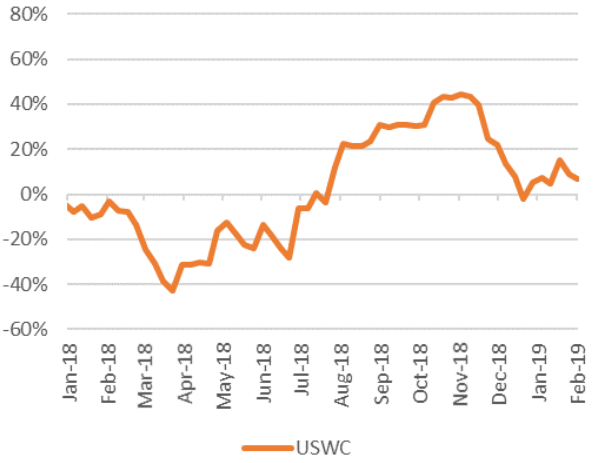
Fig.4: USWC deviation from oil model



As we can see from figure 4, the fluctuations can be significant, but tend to revert back to the mean. We had a period in 2017-18 where the freight rates were clearly below what the oil price model indicated they should be, and have previously described how indeed the carriers were struggling to pass through the fuel price increases.

However, in peak season 2018 this changed for the Transpacific. Figure 5 shows the same data as figure 4, but zoomed into only looking at the developments since January 2018.

Fig.5: USWC deviation from oil model



From figure 5 we can see how the onset of the very strong 2018 peak season reverses the trend, and freight rates move significantly above the level indicated by the fuel prices.

However, we can also see from figure 5 that this strength disappeared as we came into 2019. Presently, only a minor positive deviation of 7% remains.

For the US East Coast, we find most of the same developments, with the data shown in figures 6 and 7.

As we can see, the overall magnitude of the deviations on the USEC tend to be slightly less pronounced than for the USWC.

Fig.6: USEC deviation from oil model

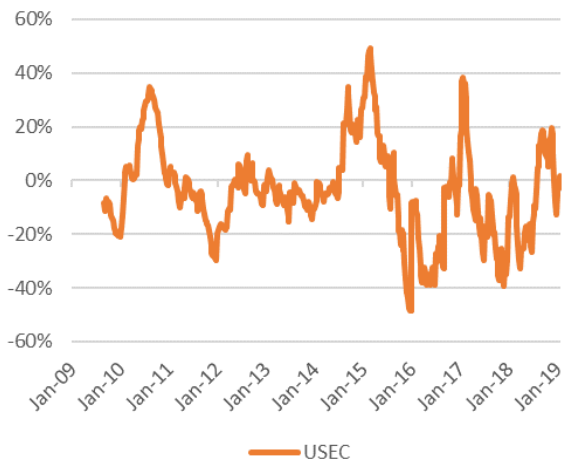
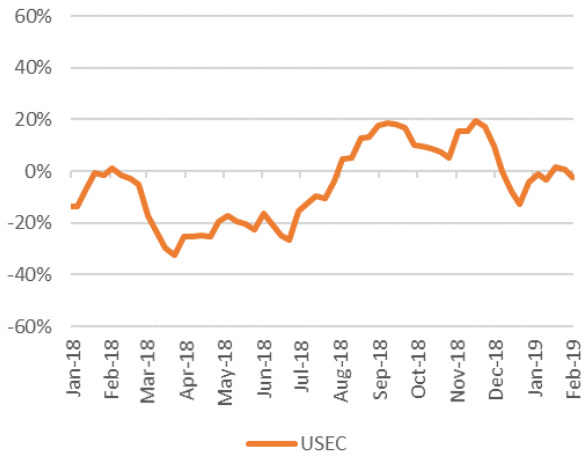


Fig.7: USEC deviation from oil model



For the developments since January 2018, we again find the pattern of under-performance until the peak season arrives. Then we see the increase, but for the US East Coast rates, the deviation from the underlying oil model was only about half of what we saw for the USWC.

Furthermore, we also see how the deviation recently has become negative again, showing that the rate levels to the USEC are presently 2% below the levels explainable by the fuel prices.

Conclusion

Overall the data shows that spot rates on the Transpacific right now are well in line with what could be expected by the underlying fuel price developments.

This is due to a combination of two factors. One being that spot rates have declined. USWC is down from a peak of 2,606 USD/FFE on November 2nd, to now being at 1,993 USD/FFE. USEC is down from a peak of 3,739 USD/FFE on November 16th, to now being at 3,054 USD/FFE.

The other factor is the lag time between oil price changes and the freight rate impact. This means that both trades are still feeling the impact of the increasing fuel prices back in autumn 2018. For the USWC, the declining oil prices will begin to have an impact from mid-March 2019, and for the USEC this impact from the fuel will be felt from mid-May.

This in turn means that for the next few months, the Transpacific spot rates will experience a cross-pressure, which is partially a positive momentum on rates from the lagged oil prices, and partially the seasonal negative momentum from the Chinese New Year slowdown.

Overview of Transatlantic blank sailings

Blank capacity for 2019-Q1 is slated to be the lowest in the first quarters across 2013-2018 on NEUR-NAEC and MED-NAEC, while no blank sailings are planned for 2019-Q1 on EUR-NAWC.

In our recent analyses, we have focused heavily on the Transpacific and Asia-Europe trade lanes, as they are arguably *the* two most important deep-sea trades in this industry.

In this issue of the *Sunday Spotlight* however, we will shift our focus to the Transatlantic trade and analyse the quarterly blank sailing capacity reductions on the three Transatlantic Westbound trade lanes (as outlined in the methodology) for the 2013-2018 period, while also looking at the capacity slated to be blanked in 2019-Q1.

We would like our readers to know that this analysis is not about how much capacity was blanked vs. how much is needed to be blanked; instead we are only interested in the comparison of the historical trends of blank sailings on these three trade lanes.

Methodology

The data for this article has been sourced entirely from SeaIntel's weekly Trade Capacity Outlook (TCO) database, where each week we track the vessels and capacities deployed across all services on the major deep-sea trade lanes, as well as provide a 12-week outlook for how capacity will unfold, based on named vessel schedules published by the carriers.

This article will focus on the following Transatlantic trade lanes:

- North Europe to North America East Coast (NEUR-NAEC)
- Mediterranean to North America East Coast (MED-NAEC)
- Europe to North America West Coast (EUR-NAWC)

We have decided to analyse only the Westbound trade lanes on the Transatlantic, as deployed capacity is identical on either direction. Our choice of direction does not signify any methodological choice or importance.

Furthermore, we acknowledge that we are well into Q1, and some sailings have already been blanked. However as two-thirds of the quarter is yet to pass,

and for ease of analysis, we will refer to 2019-Q1 blank sailings as 'slated' instead of referring to them in the past.

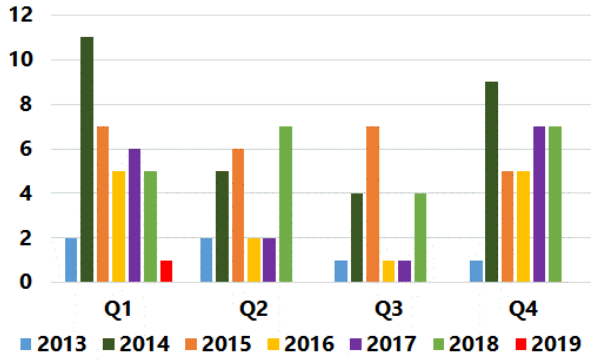
Figures

Figures C1, C3, and C5 show the number of sailings that were blanked on the respective trade lanes for each year in the 2013-2018 period. Figures C2, C4, and C6 on the other hand show the capacity reduced, as a percentage of total capacity. The percentage of capacity reduced has been calculated by assigning the blank sailings a 'capacity' equal to the average of the previous 12 sailings on the service. This value (Blanked Cap) was then added to the offered capacity for the respective week to get the total expected capacity for that week (Total Cap). Percentage of capacity reduced was hence calculated as: (Blanked Cap / Total Cap) * 100%.

North Europe to North America East Coast

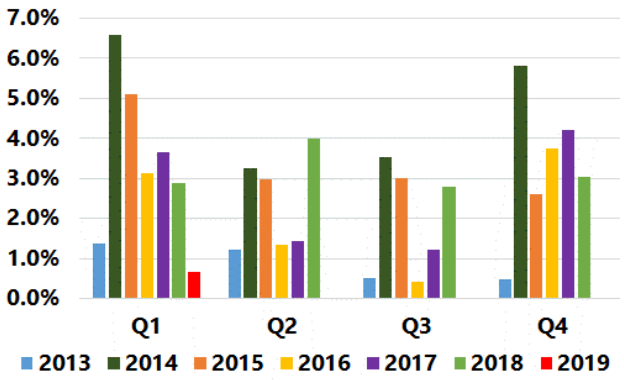
Not counting 2019-Q1, on the North Europe to North America East Coast trade lane, both Q1 and Q4 have seen an almost similar number of blank sailings in the analysed period, with a total of 36 sailings blanked in Q1 and 34 in Q4, over the 2013-2018 period. That said, only 1 sailing is slated to be blanked in 2019-Q1, which will be the lowest Q1 figure on the trade lane in the analysed period. The Q3 peak season on the other hand has seen the lowest number of blank sailings across the analysed period.

Fig. C1: NEUR-NAEC Blank Sailings



If, however we look at blank sailings from a different angle, carriers blanked the highest number of sailings in 2013 and 2014, totalling 29 and 25, while only 13 and 16 sailings were blanked in the following two years. In 2018, we saw carriers resort to blank sailings again as a means of managing capacity, as 23 sailings were blanked in that year.

Fig. C2: NEUR-NAEC Blanked Cap



Unsurprisingly, both Q1 and Q4 have seen the highest percentage of total capacity blanked in the analysed period, with the largest single-quarter percentage of blanked capacity coming in 2014-Q1, of 6.6%. In 2019-Q1 however, only 0.7% of the total capacity is slated to be blanked, which is not only the lowest in Q1, but is also among the lowest across all analysed quarters. In comparison, the 2013-2018 average percentage of blanked capacity in Q1 was 3.8%.

Looking at it from a different perspective, 4.8% and 3.4% of the total capacity was taken out in 2013 and 2014, respectively, followed by 2.2% and 2.6% in the following two years. In 2018 we saw the percentage of blanked capacity increase back to 3.2%, closer to the 2014 level.

Mediterranean to North America East Coast

On the Mediterranean to North America East Coast trade lane, the difference in the total number of blank sailings across all quarters is relatively narrow as 45 sailings were blanked in the 2013-2018 period in both Q1 and Q3, while 39 sailings were blanked in Q2, and 37 in Q4. If, however, we look across the years, then we see a declining trend in blank sailings from 2015-2017, going from 37 in 2015 to 25 in 2017. In 2018, the trend *was* reversed, but only marginally, as 26 sailings were blanked instead.

In 2019-Q1 however, only 5 sailings are slated to be blanked, which is the lowest Q1 figure in the analysed period. If we look at the trend in the first quarter blank sailings across the analysed period, we can see that the number of blank sailings has been gradually coming down in recent years, from 8 in 2013-2015 to 7 in 2016 and 2017.

Fig. C3: MED-NAEC Blank Sailings

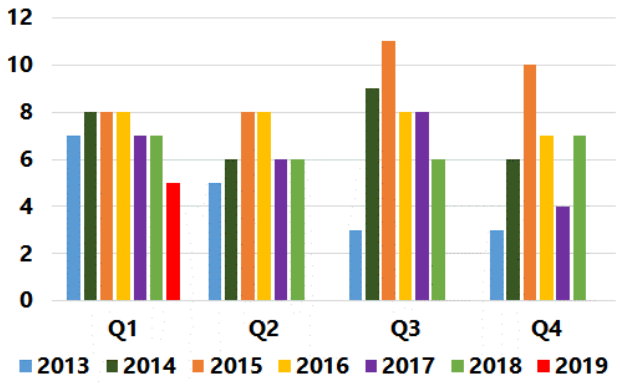
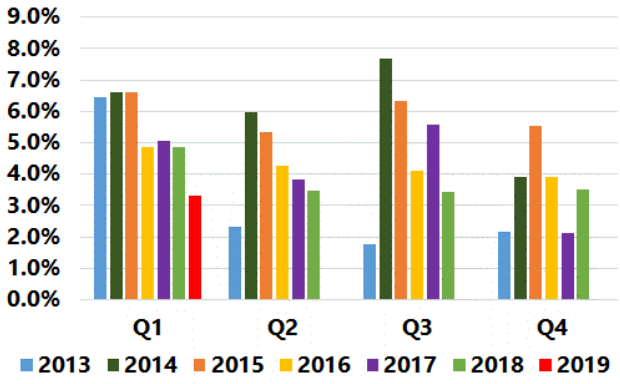


Fig. C4: MED-NAEC Blanked Cap



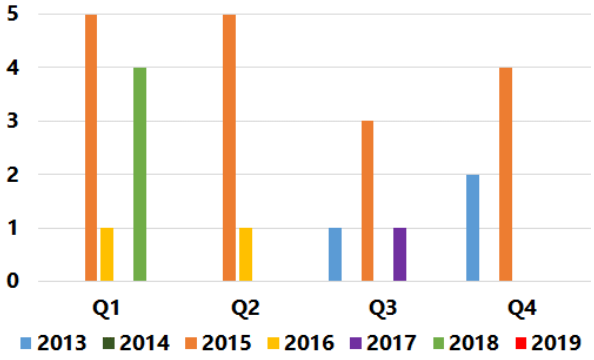
In percentage terms, 3.3% of the total capacity is slated to be blanked in 2019-Q1, the lowest Q1 figure in the analysed period, and 2.4 percentage points lower than the 2013-2017 Q1 average of 5.7%. What is also interesting to note, is that despite the same number of blanked sailings in 2014-2016, the difference is blanked capacity, especially in 2016 is stark. While 6.6% of the total capacity was taken out in 2014 and 2015, the number dropped to 4.9% in 2016, which means that on average, smaller vessels were blanked in 2016 than in the previous two years.

If we look at the percentage of capacity blanked from a yearly perspective, we can see a decreasing trend since 2014, with the percentage of blanked capacity dropping from 4.8% in 2014 to 2.6% in 2018.

Europe to North America West Coast

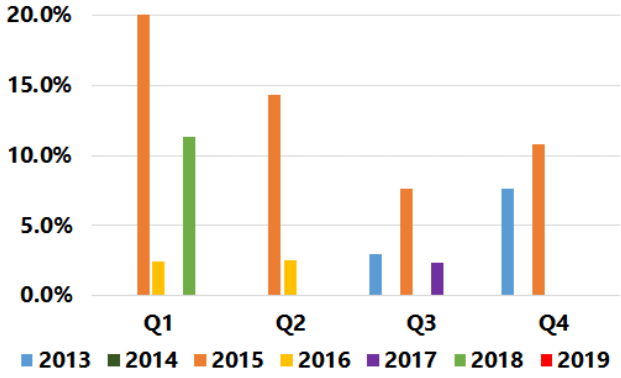
Apart from in 2015, where carriers blanked sailings in every quarter, for a total of 17 blanked sailings across the entire year, carriers have not blanked sailings regularly on the Europe too North America West Coast trade lane.

Fig. C5: EUR-NAWC Blank Sailings



The relatively fewer number of services may be a reason behind this, as there are currently three services deployed on this trade lane, and all else equal, a blank sailing would mean a 1/3rd reduction in trade lane capacity for that week. There have been no blank sailings planned for 2019-Q1 so car, while the last blank sailing on this trade lane was in 2018-Q1.

Fig. C6: EUR-NAWC Blanked Cap



In terms of the percentage of total capacity that was blanked, 13.2% was blanked quarterly on average in 2014, which was the only year to see a blank sailing in every quarter. In 2018-Q1,

11.3% of the total capacity was blanked, after which there has been no blank sailing, and none planned for 2019-Q1.

Conclusion

The North Europe to North America East coast trade lane saw the largest capacity cuts in Q1 and Q4, while the difference between the four quarters was marginal on the Mediterranean to North America East Coast trade lane. Blank sailings on the Europe to North America West Coast trade lane, however, have been sporadic. Slated blanked capacity for 2019-Q1 is the lowest in the first-quarters across the analysed years on both Europe to North America East Coast trade lanes, while the Europe to North America West Coast trade lane has no planned blank sailing for 2019-Q1 yet.

Carrier Service Changes

Ocean Alliance revises the port rotation of Asia-Red Sea service

As already indicated in the planned changes of Ocean Alliance's Day 3 Product, Ocean Alliance will revise the port rotation of the REX/RES1/RSX/RS1/FRS/RES-service, by dropping the port call at Tanjung Pelepas. The carriers have now revealed the first sailing with the modified port rotation. The service is currently operated by COSCO (RES1), CMA CGM (REX), Evergreen (FRS), PIL (RES) and OOCL (RS1), while APL (RSX) is a slot charterer. There are nine vessels deployed on the service, with an average vessel capacity of 13,500 TEU.

The revised port rotation of the REX/RES1/RSX/RS1/FRS/RES-service will be as follows *(13 port calls)*:

Xingang – Qingdao – Ningbo – Nansha – Shekou – ~~**Tanjung Pelepas**~~ – Singapore – Jeddah – Sokhna – Aqaba – Jeddah – Port Klang – Ningbo – Xingang.

The first vessel with the revised port rotation is "COSCO Shipping Kilimanjaro", which is due to depart from Xingang on February 2nd.

Yang Ming and APL launch a new Northeast Asia-Southeast Asia service

Yang Ming and APL will launch a new Intra-Asia service, which will connect Northeast Asia to Southeast Asia. Yang Ming will brand the service "KVM", while APL will brand it "NS1", thus replacing its existing NS1-service with this cooperation. There will be three vessels deployed on the KVM/NS1-service, with an average vessel capacity of 1,800 TEU.

The port rotation of the KVM/NS1-service will be as follows *(9 port calls)*:

Kwangyang – Busan – Kaohsiung – Ho Chi Minh City – Port Klang – Singapore – Haiphong – Kaohsiung – Kwangyang.

The first vessel sailing on the service has not been named yet. It is scheduled to depart from Kwangyang on February 21st.

Tehran-A to start new Iran-India service

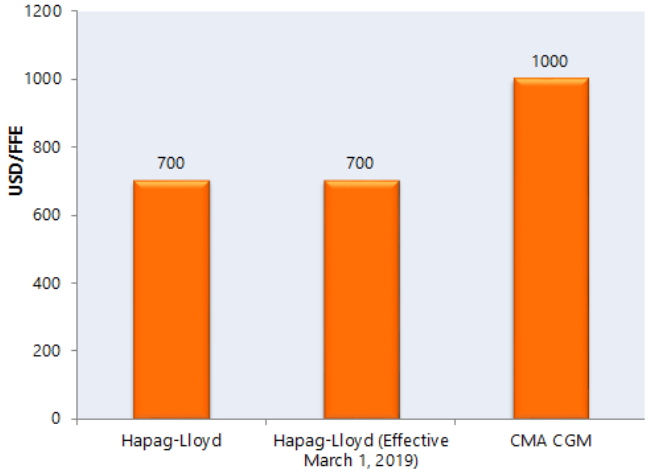
Tehran-A will start a new fortnightly service to connect Iran to India with a single 3,700 TEU vessel. The port rotation of the new service is expected to be as follows *(6 port calls)*:

Nhava Sheva – Mundra – Kandla – Chabahar – Bandar Abbas – Nhava Sheva.

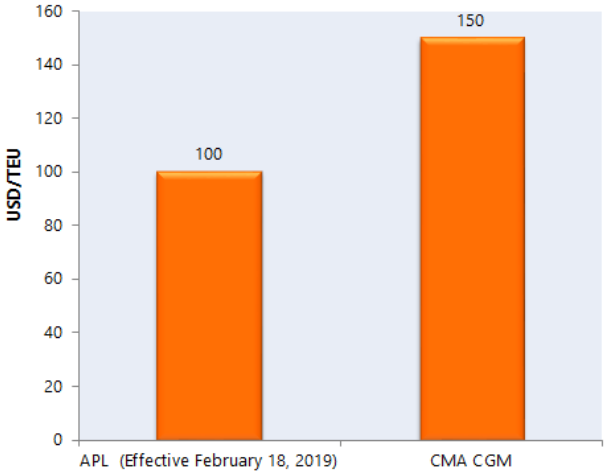
The vessel deployed on the service has not been named yet. Its first sailing from India is expected to occur in mid-February, with the exact date to be announced.

Carrier Rate Announcements

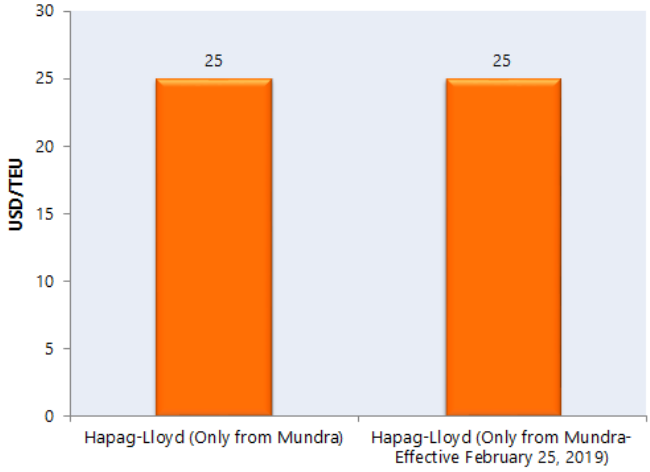
Asia-North America (EB) - Effective February 15, 2019
PLEASE NOTE: ORANGE BARS REPRESENT RATE INCREASES



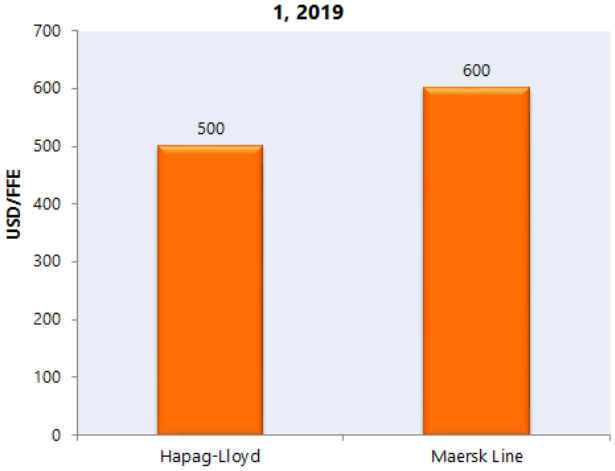
Asia-Middle East Gulf (WB) - Effective February 15, 2019



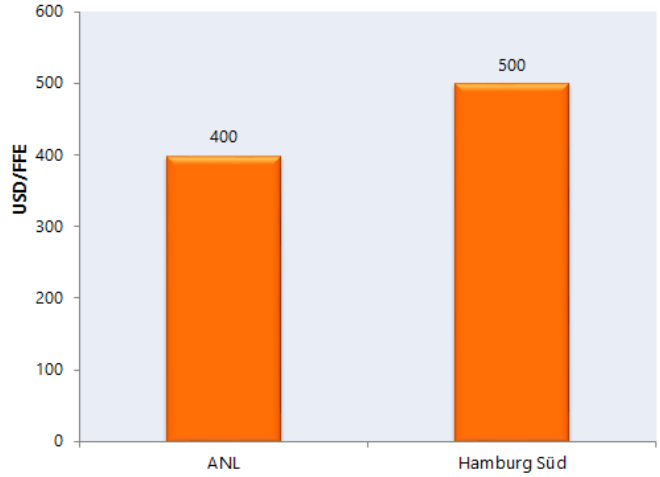
India-MEA (WB) - Effective February 11, 2019



ISC/MEA-North America (EB) - Effective March 1, 2019



North America-Australia/New Zealand (EB) - Effective February 15, 2019



Trade lane	Carrier	Rate increase	Effective date
Asia-Caribbean/Mexico/Central America/WCSA (EB)	Hapag-Lloyd	1500 USD/TEU	February 15, 2019
Asia-ISC (WB)	CMA CGM	100 USD/TEU	February 15, 2019
Asia-West Africa (WB)	CMA CGM	500 USD/TEU	March 1, 2019
Asia-East Africa (WB)	CMA CGM	200 USD/TEU	March 1, 2019
North America-Asia (WB)	HMM	100 USD/FFE	March 1, 2019
North America-MEA/ISC (WB)	Maersk Line	250 USD/FFE	March 1, 2019
Trade lane	**Carrier**	**Rate level**	**Effective date**
ISC/MEA-Mediterranean (WB)	MSC	1050 USD/TEU	February 5, 2019
ISC/MEA-North Europe (WB)	MSC	1050 USD/TEU	February 5, 2019
Mediterranean-North America (WB)	MSC	1625 USD/FFE	February 17, 2019
Europe-Central America/Caribbean (WB)	MSC	1800 EUR/TEU	February 17, 2019
North Europe-North America (WB)	MSC	2250 USD/FFE	February 17, 2019

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