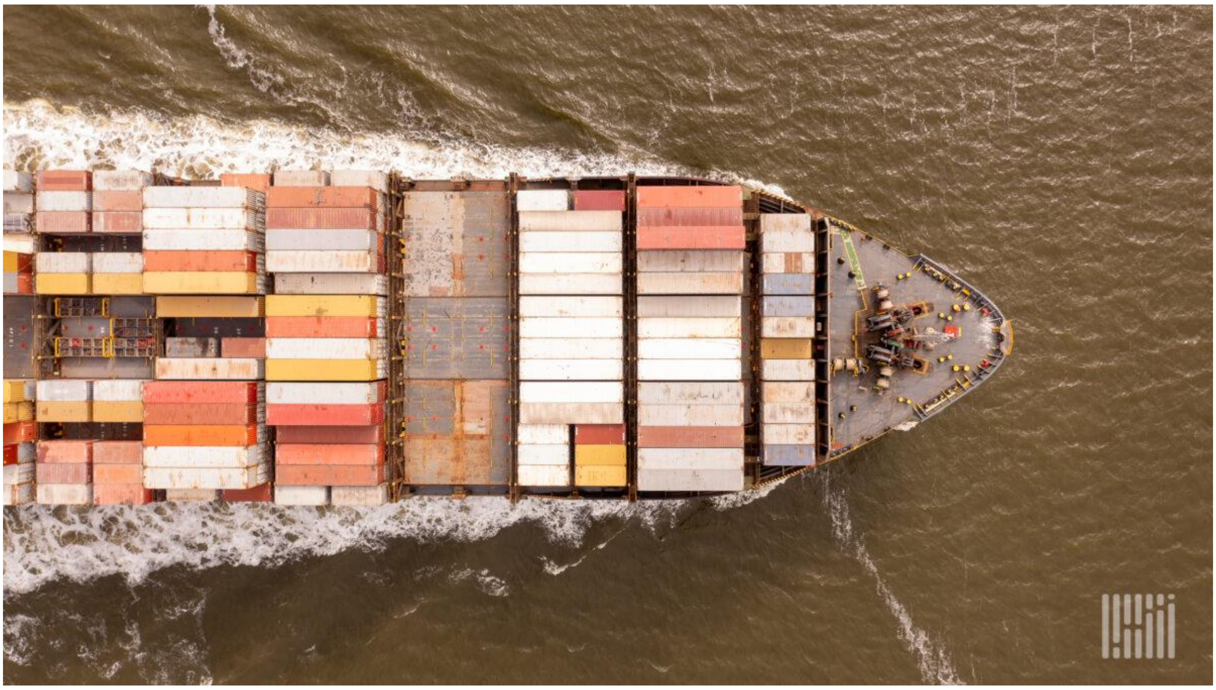
US container imports robust in February; inbound volume forecast dicier

IOTI.USA is coming out of its steepest Lunar New Year drop on record

[Joe Antoshak]

Tuesday, March 12, 2024

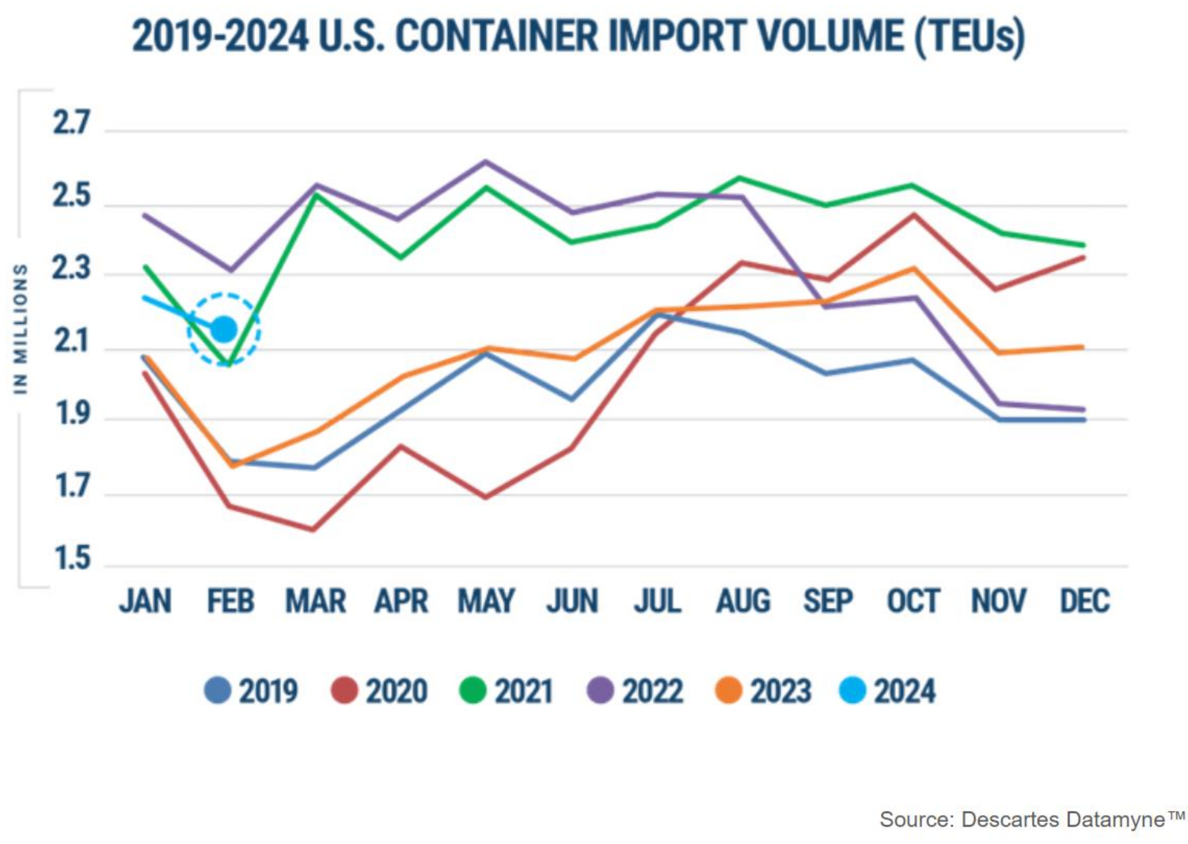


U.S. container import volumes in February were down 6% compared to January but were stronger than expected year over year. (Photo: Jim Allen/FreightWaves)

February's U.S. container import volumes decreased 6% from January — a better-than-expected performance as the sector enters its slow season. But other signs point to potential softness in domestic freight in March and April.

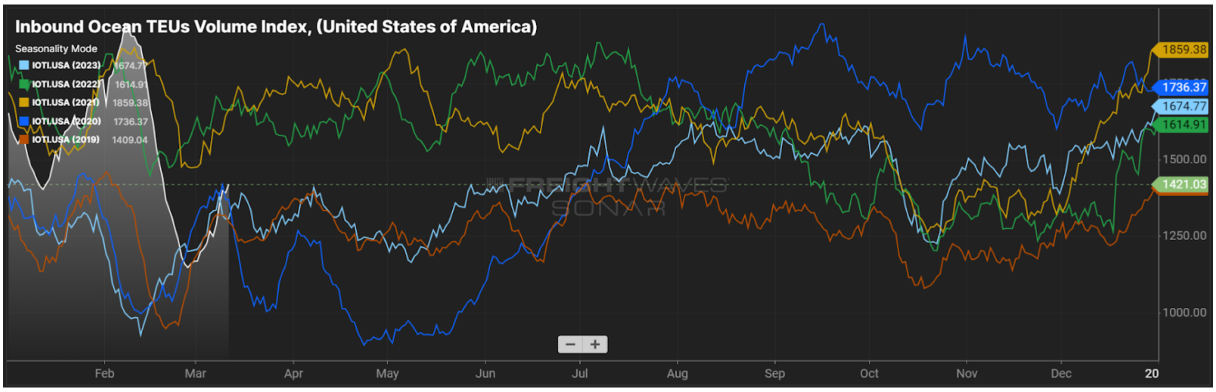
The 2.14 million twenty-foot equivalent units imported in February represent a 23.3% year-over-year increase, according to the latest monthly report from supply chain intelligence firm Descartes. That growth is real, but it isn't quite as dramatic as it seems.

Last year, the Chinese Lunar New Year began Jan. 22. Holiday festivities include eight days off from work, which causes a temporary shutdown in the country's manufacturing sector. This means the effect on imports would have filtered into the February 2023 data. This year, meanwhile, the holiday began Feb. 10, which effectively pushed the dip into March.



Adjusting for Lunar New Year by comparing only the first 15 days of February, the annual U.S. import growth rate stands at approximately 13%, per Descartes. This adjustment provides a clearer view into the underlying trade flows, and it's another positive sign of post-pandemic growth.

Unfortunately for domestic transportation providers, another indicator is showing signs of potential softness in ocean cargo for March and April. Namely, SONAR's Inbound Ocean TEUs Volume Index (IOTI.USA) has seen its largest Lunar New Year-influenced drop, peak to trough, in more than five years.



Source: FreightWaves SONAR, Inbound Ocean TEUs Volume Index, seasonal.

The annual imports cliff

IOTI.USA free-falls around this time every year. It tracks daily booked ocean container volumes (in TEUs) from specific origins, based on the cargo's estimated date of departure. It's averaged over a 14-day period and indexed to a baseline of 10,000, as of Aug. 1, 2020. Each lane's value contributes to this aggregate baseline.

What's notable about the drop this year is how steep it was. From the most recent high on Feb. 7 to the most recent low on Feb. 27, the index slipped more than 40%. For comparison, the decline last year was about 30%. In fact, the closest the index has come to this in the past six years is about 35% in 2019, when the U.S.-China trade war was in its early period of escalations.

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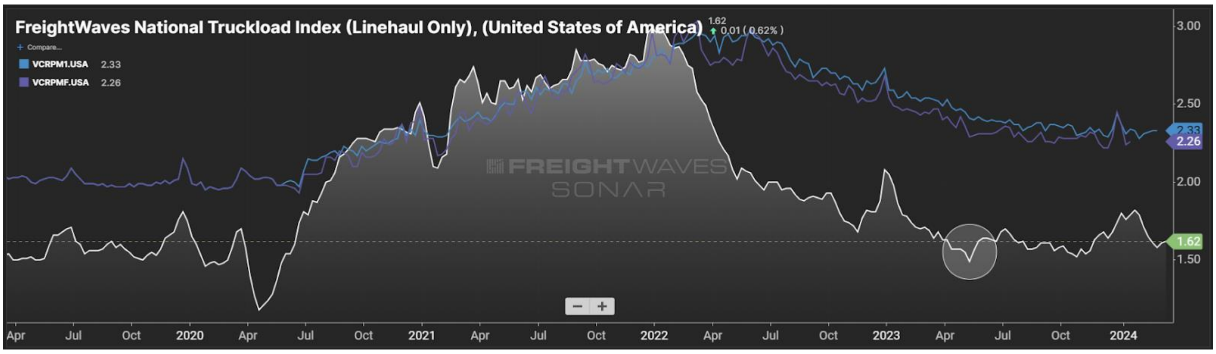
This is a bitter pill for carriers, as it suggests the domestic freight market could be softening as the first quarter closes and the second begins.

It is worth noting that IOTI.CHNUSA, which tracks confirmed bookings specifically on the China to U.S. lane, logged a roughly equivalent Lunar New Year cliff in 2023. As carriers might remember, that contributed to volume weakness that further eroded their pricing power and paved the way for a dismal Q2. In May 2023, spot rates hit their lowest point of the current freight downturn.



Source: FreightWaves SONAR, National Truckload Index (Linehaul Only) [white], Van Contract Initial and Final Reporting of Avg. Base Rate Per Mile [blue and purple, respectively].

Even without the effect of Lunar New Year, February saw a decline in imports from China, which particularly affected West Coast ports. The Port of Long Beach, California, exemplified this trend, where reduced Chinese shipments contributed to the broader month-over-month decrease in import volumes.

Concurrently, East and Gulf Coast ports experienced an increase in import volume share, rising to 44% of total U.S. imports.

Figure 3: January 2024 to February 2024 Comparison of Import Volumes at the Top 10 U.S. Ports

Port	TEU Change	% Change
Los Angeles, CA	(31,940)	-7.2%
New York/New Jersey	(23,925)	-6.6%
Long Beach, CA	(72,319)	-19.7%
Savannah, GA	1,528	0.7%
Houston, TX	(672)	-0.4%
Norfolk, VA	(4,736)	-3.8%
Charleston, SC	3,581	3.6%
Oakland, CA	4,104	5.7%
Tacoma, WA	(8,021)	-15.0%
Baltimore, MD	(3,451)	-7.4%
Total Top 10 Ports	(135,850)	-7.0%

Source: Descartes Datamyne™

Figure 7: Monthly Average Transit Delays (in days) for the Top 10 Ports (Nov. 2023 – Jan 2024)

Port	Dec.	Jan.	Feb.
Los Angeles, CA	5.0	4.9	4.8
Long Beach, CA	4.7	5.4	5.4
Oakland, CA	7.0	7.5	9.4
Tacoma, WA	5.7	6.5	7.3
Seattle, WA	7.0	7.7	6.4
New York/New Jersey	8.0	10.6	9.0
Savannah, GA	6.6	8.3	8.2
Charleston, SC	6.6	9.0	8.7
Norfolk, VA	6.0	9.4	7.9
Houston, TX	9.0	9.6	7.8

Source: Descartes Datamyne™

Note: Descartes' definition of port transit delay is the difference as measured in days between the Estimated Arrival Date, which is initially declared on the bill of lading, and the date when Descartes receives the CBP-processed bill of lading.

Further shaping the U.S. import landscape are improvements in port transit times, especially pronounced at East Coast ports in February. These enhancements can be attributed to a decrease in port congestion, facilitated by lower import volumes and more efficient handling. However, East Coast ports are still prone to longer delays than West Coast ports.

The coming months

As March progresses and April approaches, the U.S. freight market faces its share of unknowns in import dynamics and broader global risks. The above observed shifts, coupled with the Panama drought, Middle East conflict and potential labor disruptions at East and Gulf Coast ports, will likely keep reshaping freight movements.

Given the steeper-than-usual Lunar New Year drop, stakeholders need to brace for this continued volatility, with rebounds contingent upon resolving disruptions and stabilizing trade relations.

Fortunately, in addition to the clear growth that maritime imports are showing compared to pre-pandemic years, the U.S. is finding an increasingly reliable manufacturing alternative in Mexico. In 2023, for just the second time in history, it was the largest trade partner with the U.S., and its Economy Ministry recently reported $36 billion in foreign direct investment for the year. That's up 2% from 2022.

Ultimately, the freight market's vigor hinges on broader economic indicators like consumer demand, inflation rates and manufacturing outputs.

While the U.S. economy shows resilience in various sectors, suggesting potential import demand growth, caution is warranted due to those global risks that have lately threatened to throttle supply chains, shipping capacities and cost dynamics.