



The Bottom Line

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BLANK SAILINGS AND FALLING RATES

Summary

Overstocked U.S. inventory and reduced consumer demand are resulting in significantly lower freight rates as we head into Golden Week. As a result, steamship lines are predicted to blank sailings to compensate and keep rates elevated.

Background

China National Day, officially the National Day of the People's Republic of China is annually celebrated on October 1st to commemorate the founding of the People's Republic of China in 1949. Chinese people enjoy a 7-day holiday from October 1st to 7th, known as Golden Week. It is a peak time for Chinese people to travel at home and abroad.

Blank sailing, also known as void sailing, is when a shipping line or carrier decides to skip a particular port or an entire voyage of a scheduled sailing route. There are many reasons for a blanked sailing, including making up time for a vessel behind schedule. The practice of blank sailing largely depends on the demand for space on a ship. If the need for a specific string is low, shipping lines issue a blank sailing. By omitting sailings and limiting space on available vessels, carriers can keep rates up. Blank sailings are commonly seen right after holidays, such as Chinese New Year and Golden Week.

Shipping companies in Shanghai have benefited from tight capacity following the pandemic's outbreak in early 2020. In mid-2020, a severe shortage of containers propelled ocean freight rates to an elevated level, which rose as high as five times typical rates. As a result, exporters rushed to ship their goods and execute overseas orders amid increased demand. However, capacity demand for Chinese exports is currently in decline, mainly due to full inventories in Europe and the U.S.

Current Status

Ocean carriers continue to cite congestion at U.S. and Canadian ports and the need to maintain schedules as the reason for canceling sailings in September. The latest CNBC Supply Chain Heat Map shows that congestion is not subsiding. The congestion at the ports is skewing the impact of the

decrease in container bookings resulting from a reduction in manufacturing orders. Ocean booking levels from China to the major West and East Coast ports remain well off their two-year highs, according to Tony Mulvey, a senior analyst at FreightWaves.

"As booking levels, which indicate future import volumes, continue their descent, peak season demand on the ocean looks muted," Mulvey said. "Softer demand on the ocean is leading to carriers increasing the number of blank sailings in an effort to slow the rapid decline in Trans-Pacific spot rates."

This year's pricing trend shows a significant reversal of last year's rates. Then, 2021 rates surged as importers fought for container space to cope with supply-chain disruptions, port backlogs, and a pandemic boom in consumer demand.

After the chaos of 2021, retailers tried to seize the moment and anticipate uncertainty by importing more goods earlier than usual—except, this year, there are fewer delays, and the demand for consumer goods has not materialized. Importers are now left to deal with overstock.

Impact

Freight rates have continued to fall as global trade volumes slow, the latest data from S&P Global Market Intelligence showed. The trade data falls considerably short of economists' expectations, and the outlook remains bleak as inflation in the U.S. dents consumer demand. Freight rates have also dropped due to fewer supply chain disruptions that punctuated the pandemic.

Any changes in China's Covid-zero policy or ceasefire agreements in the Russia-Ukraine war could lift dry bulker freight rates again. However, any further slowing in demand for goods and consumption would push rates lower, said Daejin Lee, a lead shipping analyst at S&P Global Market Intelligence.

Failing outside pressure, steamship lines will exert pressure where they can and limit capacity with schedule adjustments.

RESOURCES:

[China Faces Long-Term Export Threat, While Ocean Rates Plummet](#) (Loadstar)

[What is a Blank Sailing?](#) (Container-Exchange.com)

[China Shipments are Way Down, But U.S. Ports are Still Struggling](#) (CNBC)

[Shipping Rates Still Falling, Another Sign a Global Recession May Be Coming](#) (MSN)

[China to US West Coast Ocean Rates Have Fallen Almost 70% This Year](#) (Deep Dive)