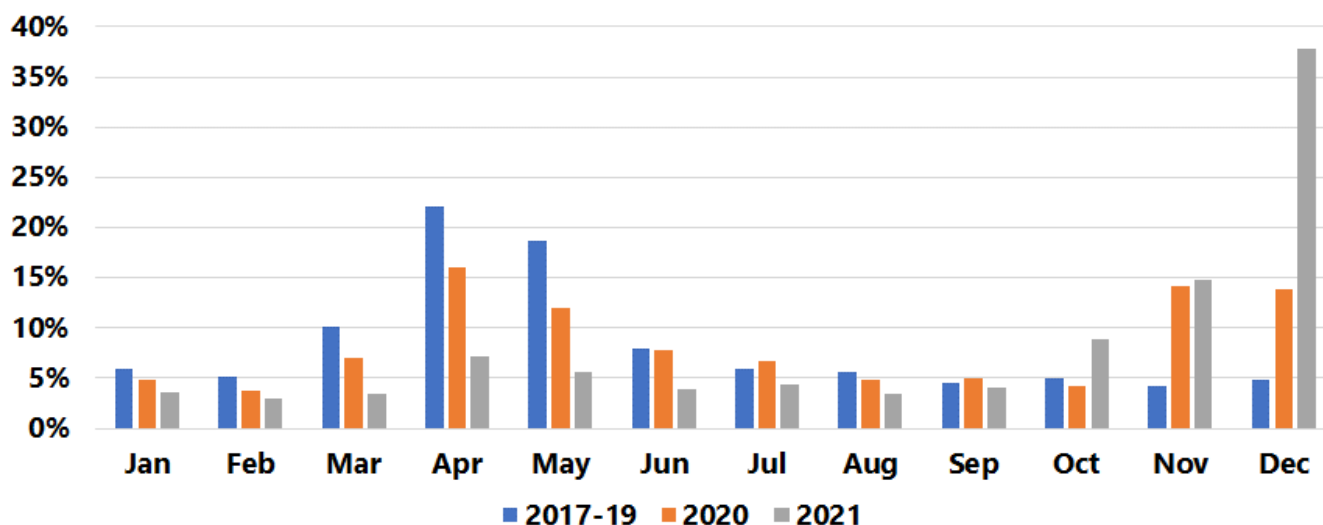


## Sharp change in US contract behaviour

In the USA, service contracts between the shippers and carriers must be filed with the Federal Maritime Commission (FMC). Although the contracts themselves are confidential, the FMC provides information on the amount of contract filings as well as the number of amendments.

Because of the contract negotiation cycle present in the US, we see a peak in the contract filings in April-May every year. This changed from late 2020, with a spike in contract filings and a decrease in the number of amendments. To get a better overview of these filings, figure 1 shows how big of the annual original filings are made in each calendar month, comparing the pre-pandemic baseline in 2017-2019 to the pandemic years of 2020 and 2021.

**Fig. 1: Original contract filings with the FMC (share per month)**



Under normal market conditions, 41% of the original filings are done in the April-May period with a “shoulder season” in March and June. Most other months have a filing share of around 5%. However, in 2020 we see a large shift in November and December – this is reflective of the very large rate increases seen on the Transpacific, prompting a substantial number of shippers to negotiate new service contracts for 2021 at a much earlier time than usual, in order to safeguard against further market disruption. Then in 2021 we see an even more extreme shift, as a staggering 38% of all original filings are made in December 2021, clearly in an effort by the shippers to pre-empt more disruptions in 2022.

While we see a drastically changed behaviour when it comes to the contractual relationship between shippers and carriers, what is of course uncertain, is whether this change is temporary or a harbinger of a more fundamental shift in the US markets going forward.

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All quotes can be attributed to: Alan Murphy, CEO, Sea-Intelligence.

For more information, please contact: [ia@sea-intelligence.com](mailto:ia@sea-intelligence.com), [am@sea-intelligence.com](mailto:am@sea-intelligence.com)

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