



MARKET INSIGHTS

Global Logistics Update

February 18, 2022



新年快乐

HAPPY

CHINESE

NEW YEAR

2022

YEAR OF THE TIGER





State of Global Trade

Market Expectations, Space, Volume, and Rates

The pandemic continues to disrupt the global supply chain, dashing hopes for recovery from the chaos any time soon. Imports are still at record highs, ports are clogged with vessels, and the 5G rollout in the U.S. threatens to disrupt air cargo as increasing demand for testing kits and PPE drives up volumes. Every sector of the logistics chain has been impacted by worker shortages, either due to illness, self-isolation, or recruitment challenges.

Post-CNY holiday factory activity is mixed, with locations in North and Central China seeing a slower rebound than last year, while the South is reporting a slightly faster resumption of activity.

Beyond the supply chain challenges, markets will be grappling with high inflation, rising costs for goods and raw materials, component shortages, and lower consumer confidence. Shippers are also bracing for the impact of renewed lockdowns underway in China, which will likely lead to another round of shutdowns at Chinese factories and ports, further disrupting the already fragile supply chain.

Disruptions, bottlenecks, and uncertainty will continue to pose challenges across all modes of transport throughout 2022, and rates are expected to remain strong in most sectors.

Major Disruptions

- FedEx suspends its domestic express freight services - including two-day and three-day services – as COVID infections impact staffing and services
- Australian supply chains are collapsing due to COVID-related staffing shortages
 - While COVID cases are dropping, many retailers are warning the supply chain issues are expected to continue for at least 18 months

Upcoming Global Holidays / Events

Event	Date(s) Observed
Beijing Winter Olympics	February 4 – February 20
Presidents Day	February 21
Carnival (Brazil)	February 28 - March 1

Announcements

- The Census Bureau is proposing to add a [new export reporting requirement](#) to collect data on Country of Origin
 - By adding a conditional Country of Origin field in AES, Census will be able to improve statistics that help to identify and address trade imbalances, formulate trade policy, assess U.S. supply chain issues, and create and monitor trade agreements
- Malaysian factories come under increased scrutiny over suspected use of forced labor, including intimidation, threats, debt bondage, and abusive working conditions
 - CBP bans imports of disposable gloves from YTY Group and its subsidiaries, effective Feb. 4
 - CBP has authorized the seizure and forfeiture of goods made wholly or in part with palm oil manufactured by Sime Darby Plantation Berhad and its subsidiaries and joint ventures
- Census has decided to retain EEI filings requirements for shipments to Puerto Rico and USVI
- U.S. reaches deal to mostly remove tariffs on steel imports from Japan, effective April 1
 - The 25% levy will be suspended on the first 1.25m metric tons of steel imported from Japan and any imports after that would be subject to the tax
- A recent survey by the British Chamber of Commerce finds 71% of UK exporters, mostly small businesses, suffer in post-Brexit EU trade deal
 - The biggest issues include difficulties adapting to the changes, increased costs, insurmountable bureaucracy, and EU customers being put off altogether

Requests for Public Comments

- The Forced Labor Enforcement Task Force is seeking comments from companies impacted by the Uyghur Forced Labor Prevention Act (due April 7, 2022)



Air Freight

Market Expectations, Space, Volume, and Rates

Demand for air freight is slowing increasing out of Asia and is expected to strengthen throughout the rest of the month as production resumes following the CNY holiday. The European markets are beginning to stabilize, while demand from Oceania has tempered slightly.

Belly capacity remains tight across most tradelanes, as the return of passenger flights has been slow and inconsistent. A recent survey published by FlightGlobal shows that 33% of airline pilots remain grounded or furloughed globally due to the impact of COVID-related travel restrictions.

Airport congestion and backlogs in the U.S. and Europe have decreased, but as volumes pick up in late February/early March, congestion is likely to return.

While we've seen a softening of rates on some tradelanes, overall rates are still 40% than they were over the same period in 2021. Other markets are seeing rates increased due to constricted capacity.

As belly capacity appears unlikely to recover to pre-pandemic levels this year, many industry experts anticipate that 2022 will be "the year of air charters." COVID-related labor shortages and quarantine restrictions will continue posing challenges for airlines, grounds crews, and truckers across Asia. Rates are expected to remain high for the first half of 2022, as shippers rush to fill depleted inventories.

Major Disruptions

- Thousands of flights have been grounded across the globe due to travel restrictions and staffing shortages
 - Lufthansa Cargo has cancelled all transit traffic through Frankfurt until further notice due to a COVID outbreak, which has reached record levels
 - Thailand extends passenger flights suspensions; freighters and charters are still available
- Surging airfreight volumes into Sydney and Melbourne, combined with COVID-related staffing shortages, has led to severe congestion at the two airports, with collection issues hindering the processing of inbound cargo flights



CAPACITY



EQUIPMENT



RATES

- Airlines halt or redirect flights to, from, and through Ukraine, as tensions with Russia mount
- Delta suspends some cargo shipments to Canada, as the ripple effects of the trucker protests spread to aviation
 - Air charter companies provide emergency part deliveries to automakers affected by U.S. – Canada border protest disruptions
- Air cargo operations could be disrupted at Vancouver International airport, as worker vote in favor of a strike action against Swissport Canada

Announcements

- Lufthansa announced a 13% increase in its airfreight surcharge amid rising operational costs
- Lufthansa Cargo has lifted their transit embargo in Frankfurt for loose cargoes and same day shipments to U.S., Canada, and select EU stations
 - The embargo does not apply to direct shipments to and from Frankfurt
- Emirates and SilkWay have announced fuel surcharge increases in response to rising jet fuel prices
- Air Canada returns its aircraft to passenger configuration, as passenger capacity begins to return closer to pre-pandemic levels
- Australia is set to re-open its borders to international traffic on February 21, paving the way to increased airfreight capacity
 - Australian airfreight rates are expected to remain high for the rest of the year
- Boeing is converting more passenger jets into cargo freighters, as airlines rely more on cargo business to replace lost income
 - Supply chain issues are likely to hinder those plans



What You Need to Know About 5G

5G rollout expanding near major U.S. airports, but regional flights still a concern

The Federal Aviation Administration (FAA) is working with Verizon and AT&T to bring more 5G towers online after clearing 20 different types of radio altimeters and approving 90% of large jets for landing in most conditions at airports in close proximity to 5G cell towers. In return, the telecom giants have created special temporary buffer zones around airports.

While major airlines have been mostly given the all clear, regional airlines are still concerned. Smaller aircraft, which are heavily used by regional airlines, have yet to be cleared for low visibility landings, even at large airports and especially in bad weather.

Joe DePete, president of the Air Line Pilots Association, says the Federal Communications Commission's (FCC) support of 5G rollout has "not only put the public at risk, but has also forced pilots to perform extensive workarounds to ensure the safety of flight." The 5G rollout has prompted some of the major airlines to cut back on regional flights to smaller cities. While it may not seem like much, it's important to note that regional airlines fly 43% of all departures and account for 66% of commercial air service in the U.S. In addition, the FAA has prohibited Boeing 747-8, 747-8F, and 777 planes from landing at airports where 5G interference could occur.

There are many questions still left to be answered, and it is unclear how the situation will be resolved or when smaller flights can return to normal. According to Airlines for America, a group representing major U.S. airlines, "It will likely take years, not days or weeks, to fully and permanently mitigate the interference issues caused by deployment of 5G."

Unfortunately, they likely won't have years to address the issues, as AT&T and Verizon have vowed to end the temporary buffer zones by July "unless credible evidence exists that real-world interference would occur if the mitigations were relaxed."

In the meantime, shippers and travelers alike should anticipate significant flight delays, diversions, and cancellations at regional airports, especially in the event of bad weather.



WHAT'S ALL THE FUSS ABOUT 5G ANYWAY?

The concerns about the rollout boil down to how the 5G technology could interfere with flight safety instrumentation. 5G technology operates on C band - the same wavelength used by radio altimeters, which tells pilots how close the aircraft is to the ground. This information is especially crucial when the aircraft is landing under conditions with low visibility, such as fog, clouds, or inclement weather, or when flying through mountainous regions.

Proponents of 5G argue that the same wavelength has been safely rolled out in 40 countries, but the frequency, or the power of the signal, being rolled out in the U.S. is double the frequency used in those countries. Some countries have created buffer zones around airports to prevent 5G from interfering with aircraft, but there are no buffer zones around airports in the U.S. In addition, the tower antennas in countries that have already rolled out 5G face outward horizontally, while the antennas in the U.S. are pointed upwards towards the communication satellites, increasing the likelihood of radio altimeter interference.

For more detailed information on how 5G impacts flights, check out the article "[5G Wireless Service and Flight Safety: What You Need to Know](#)" by *TravelAwaits*.

Ocean Freight

Market Expectations, Space, Volume, and Rates

Coming out of the CNY holiday, demand remains high on all tradelanes. Capacity remains extremely tight as persistent port congestion and blank sailings, which have removed nearly half the operating capacity, have created a chronic under-supply of capacity. Any respite from lower manufacturing activity in China is quickly being filled by the backlog of exports rolled before the holiday, although the backlogs are shrinking. The restricted capacity, along with landside labor issues, will present challenges for shippers. Secondary trade lanes, including Intra-European, Intra-Asian, and African, continue to suffer as carriers chase the big bucks on the Transpacific and Asia-North Europe lanes, with over 20% capacity removed from those services.

Delays and disruptions continue to rule the market, with 77% of vessels running late. Eimskip is the only carrier to achieve schedule reliability above 50%, while Evergreen has the worst performance at just 19.6%. Average transit times from China to the U.S. have risen to 44 days – up from 16 days pre-pandemic. Average transit times from China to North Europe have risen to 88 days - up from 65 days in January 2020. Add to this the shortage of labor among dock workers due to COVID, which is adding an extra two – five days to unload vessels.

Global port congestion seems to be improving, but it's still too early to tell whether it's a reprieve due to CNY or if the gridlock has peaked and is finally beginning to ease. Carriers hope the extensive blank sailings in February will reduce the number of ships idling off the U.S. West Coast and allow them to recover schedules.

Chronic congestion on the West Coast, followed by uncertainties with the looming labor contract negotiations with the International Longshore and Warehouse Union (ILWU) workers, has led to a coastal shift of imports to Gulf and East Coast ports. Seven consecutive months of accelerating coastal shifts saw NY/NJ imports jump 15% y-o-y in December and up 43% compared with December 2019, while volumes at Los Angeles dropped 9.3% in 2021. As a result, New York/New Jersey has nudged closer to becoming the biggest import hub in the U.S.

Overall, spot rates have increased marginally, and the premium market remains strong. Reefer rates have reached a new high due to equipment and capacity shortages, as carriers prioritize space for more lucrative dry goods. The price of ship fuel is surging and is poised to set a new record high; carriers are likely to pass along the increased fuel costs to cargo shippers through emergency fuel surcharges.



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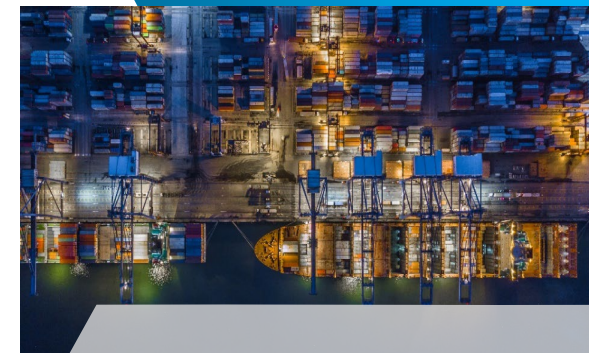


RATES

Delays are likely to continue well into 2022, as COVID outbreaks continue to impact the supply chain. Capacity is expected to remain tight, as newbuild vessels aren't expected to be available until 2023 - 2024. Blank sailings will continue well into 2022 due to chronic port congestion and backlogs. While rates are expected to remain stable in the coming weeks, chronic port congestion will continue adding pressure. Many analysts now expect the current market conditions to last throughout 2022.

Major Disruptions

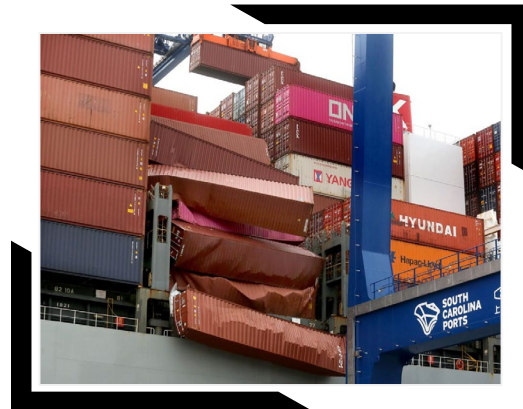
- There is a strong concern of disruption in ocean services due to increasing number of COVID cases at the ports
 - Outbreaks in Ningbo, Tianjin, and Dalian, China are causing targeted shutdowns and labor shortages
 - Land-based restrictions at China's ports are leading to lower handling capacity and longer wait times for vessels to berth
 - The new roster system for port workers under the zero-tolerance COVID policy only allows half of the staff to work at any one time and workers have been confined to the port
 - COVID-related staffing issues are impacting port operations in Rotterdam, India, Sri Lanka, and Germany, but operations continue close to normal
- Ports across the globe continue to struggle with import container dwell times, hampering terminal operations and productivity
 - Severe container backlogs have been reported at the Port of Charleston, with over 7,000 boxes waiting more than 15 days for pickup
 - Charleston officials estimate that it could take six weeks to clear
- The Oceania market for the reefer containers remains at critical levels due to equipment shortages, full vessels, and limited capacity



Ocean Freight (Cont'd)

Announcements

- CMA CGM announces new GRI on 40' containers, effective February 15
- CMA CGM announces a \$200 overweight surcharge on cargo booked on North/West India - North Europe – Mediterranean - Black Sea - Adriatic EPIC11 and EPIC2 services, beginning February 15
- 2M carriers Maersk and MSC will end cooperation with ZIM, effective April 1, 2022
 - The 2M network will remain unchanged, but ZIM will no longer operate the Eagle/TP-1 and Maple services
- Yantian limits intake of export containers and lowers the cut-off time for receiving outbound containers, claiming delayed ship arrivals have left exports piling up in the container yard
- Ningbo-Zhoushan adds two additional container berths, which are expected to add 1 million TEU container throughput per year
- Bangladesh will soon start port scanning all exports to meet International Ship and Port Facility Security compliance standards
- The FMC has made some progress addressing the high detention and demurrage (D&D) fees imposed by carriers, but there is still a long way to go in enforcement and regulatory efforts
 - Several carriers have developed more structured documentation regarding D&D policies, and created streamlined dispute resolution processes
 - While D&D issues remain persistent, carriers are waiving a higher percentage of the fees
 - The Senate version of the Ocean Shipping Reform Act is now under consideration in Congress
- ONE's *Madrid Bridge* (EC4 service) is expected to arrive in New York on February 22
 - The vessel suffered a stack collapse in early January; approx. 60 containers were lost overboard and 80 others were damaged
 - Damaged containers were offloaded in Charleston, SC earlier this month, and all consignees affected by the stack collapse have been notified



Port Congestion (as of 2/11/22)

Region	Country/State	Vessel Backlog	Wait Times to Berth
North America	Los Angeles / Long Beach	78	18 days
	New York / New Jersey	10	3 days
	Seattle	2	12-14 days
	Oakland	14	20 days
	Houston	10	
	Savannah	3	2 days
	Charleston	22	7-8 days
	Virginia	12	
Asia & Oceania	Shanghai and Ningbo	Data not available	1-2 days
	Vietnam	Data not available	1-2 days
	India	Data not available	
Europe	Felixstowe	Data not available	7–10 days
	Antwerp	Data not available	
	Rotterdam	Data not available	
	Germany	Data not available	
	Italy	Data not available	

Blank Sailings

- 75 sailings across the Transpacific, Transatlantic, and Asia-North-Europe have been blanked during weeks 6 and 9, removing roughly 14% of vessels from their rotations due to chronic global port congestion
 - Blank sailings over this period are 3.5 times higher than the same period last year
 - Roughly 72% of the blank sailings are on Transpacific Eastbound tradelane



Ocean Freight (Cont'd)

Equipment Shortages

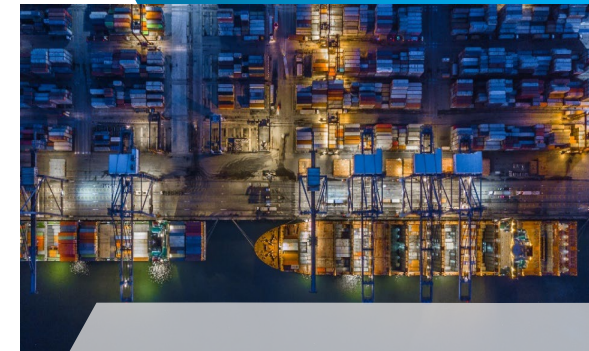
- Shipping container factories in China pulled back production of the metal boxes in Q4'21 after producing record numbers in 2021
 - New container prices have fallen amid signs of easing demand
 - CEO of Triton, the largest box equipment lessor in the world, says the container shortage is no longer a “limiter for global trade”
- Container lines are stepping up efforts to shift empty containers from LA and Long Beach back to Asia and have even agreed to haul their competitor's empties
 - As of the end of January, roughly 45% of all containers at the two ports were empties
- Due to the lack of available warehouse space, many shippers are using containers for additional storage space, thereby removing more shipping containers from the supply chain
- The shortage of refrigerated (Reefer) containers has reached critical levels
- The Port of Oakland cancels appointments for export reefers due to a lack of reefer plugs
- The scarcity of chassis is affecting all moves across the U.S., from terminal moves and local deliveries to long-haul deliveries and rail ramps
- Two new container manufacturing facilities will be opening in Vietnam later this year, possibly adding one million of box capacity

Average Import Container Dwell Times (Truck and Rail)

Port	Average Dwell Time
Los Angeles / Long Beach, CA	9 days
New York, NY	11 days
Chicago, IL	7 days
Houston, TX	10 days
Savannah, GA	9 days
Charleston, SC	14 days

Port Call / Rotation Changes

- CMA CGM launches new Far East – U.S. East Coast service (CBX)
 - Yantian – Ningbo – Shanghai – Busan – Norfolk – Savannah – Charleston - Miami
- Wan Hai Lines launches a new Asia - U.S. East Coast service (AA9)
 - Haiphong – Shekou – Kaohsiung – Qingdao – Charleston - New York - Singapore
- ZIM cancels its monthly North Europe to U.S. East Coast service (ZNE) due to lack of tonnage
- The Alliance is dropping its FP2 pendulum loop due to severe vessel delays, replacing the string with separate Asia - U.S. West Coast (PS7) and Asia - North Europe (FE5) services
- Hapag-Lloyd introduces new China – Germany express service (CGX), replacing the Far East Loop 6, 7, and 8
 - Dachan Bay - Hamburg
- ZIM enhances Latin America Services
 - VEX feeder services: Manzanillo – Cartagena – La Guaira – Kingston
 - LAF: Cartagena – Manzanillo – Moin – Puerto Cortes – Santo Tomas
 - WCA: Lazaro Cardenas – Manzanillo – Puerto Quetzal – Acajutla – Corinto – San Lorenzo – Puerto Quetzal



Domestic Trucking

Market Expectations, Space, Volume, and Rates

Demand for trucking services remains high across the globe, while the shortage of drivers, chassis, and new trucks continues to drive down capacity. In China, factories and ports are reporting huge backlogs and congestion due to reduced trucking capacity. U.S. West Coast ports are struggling to clear yards due to severe congestion caused by excess container dwell times, and tender rejection rates remain high. Across Europe, truck capacity is still under pressure amid high demand. In the UK, absolute carnage in Dover has created long queues of drivers and delays, and drivers at Ashland's inland border facility have reported lengthy delays. The delays are blamed on a mixture of Brexit checks, the new customs software system, COVID paperwork, and a spike in freight traffic.

FTL freight rates in the U.S. and Europe have soared to record levels due to a combination of increased demand, tight supply, surging fuel prices, and driver shortages. In Australia, trucking companies are charging additional fees to compensate for port delays and storage costs. LTL prices have skyrocketed, and several carriers have had to turn away customers due to surging demand amid exceptionally tight capacity. Schedule reliability has fallen due to issues at distribution centers, and poor data and visibility into LTL shipments make it tough to know the extent of the delays. Surging fuel costs are likely to increase pressure on rates.

Capacity constraints and rate increases will be the likely hallmarks of 2022.

Major Disruptions

- China's COVID testing requirements have slowed trucking operations in Shanghai, Yantian, Tianjin, and Dalian
- Increased congestion at Italian ports is creating inland challenges
- AT&T plans to shut down 3G networks on February 22; over 350,000 U.S. trucks could be left in the dark, resulting in operational capability challenges
 - Verizon also plans to shut down their 3G networks later this year
- Shippers brace for more supply chain disruptions as truckers across the globe protest against COVID-19 vaccine mandates and pandemic-related restrictions
 - In Canada, the *Freedom Convoy*, with 50,000 trucks stretching 43.5 miles, paraded from Vancouver to Ottawa, where they plan to stay until all mandates/restrictions are lifted
 - Smaller rallies have been taking place across the country, from Vancouver to Quebec



CAPACITY



EQUIPMENT



RATES

- Truckers have blocked the U.S. – Canadian border at major gateways in Ontario-Michigan, Alberta-Montana, and Manitoba-North Dakota, disrupting the flow of millions of dollars worth of auto parts and agricultural goods
 - The protestors at Ambassador Bridge were cleared earlier this week
- Similar border blockages are likely to emerge across the country, especially in Niagara
- U.S. truckers are planning their own convoy, dubbed *The People's Convoy*, on February 23
 - More than 140,000 truckers have signed up for the convoy from California to D.C.
 - Smaller rallies being scheduled at major metropolitan areas across the country
- The American Trucking Association has urged leaders in both the U.S. and Canada to reconsider the cross-border mandates in order to “avoid further economic disruptions”
- Truckers across 27 European Union countries are planning a *World Freedom Convoy* which is set to converge in Brussels – home to the EU's main institutions - on February 22
 - Post rallies have converged in Netherlands and Paris, bringing both cities to a standstill
- In the UK, truckers are gearing up for protests in London, with smaller regional protests planned for Scotland, Wales, and Ireland; the date has not yet been announced
- In Australia, truckers from across the country converged in Canberra last weekend to call for an end to some of the strictest lockdown protocols in the English-speaking world
- Similar trucker convoys are also being planned in New Zealand, Chile, Argentina, and Brazil

Did You Know?

- [GoFundMe](#) has seized \$10 million dollars raised to support the Canadian truckers and \$170,000 raised to support the Australian truckers
 - GoFundMe has refused to return the money to donors and will redirect the funds to charities of its choice
 - Several states attorneys general have vowed to investigate the California-based company, accusing them of fraudulent criminal activity
- The GiveSendGo site, which also raised \$10 million for the truckers, was hacked earlier this week
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Domestic Trucking (Cont'd)

Equipment Shortages

- Low parts supplies have forced 10% of trucking fleets off the roads
 - Average out of service time has increased to 7-10 days due to a lack of brakes, sensors, and other replacement parts
- Labor and parts shortages are crippling production of new vehicles and trailers, keeping capacity tight
 - Some dealers say they have already sold out of new and used trucks for the entire year
 - Trailer producers have stopped taking new orders as they struggle to meet demand
- Historically high demand for chassis continues throughout the U.S.
 - Truckers face serious challenges securing chassis as container dwell times increase
 - There are no readily available chassis to inject into the chassis pools
 - Chassis providers have exhausted all efforts to deploy their chassis fleets

Truck Driver Shortage

- The driver shortage in the U.S. continues to worsen, with the industry struggling to recruit drivers to fill 80,000 open positions
- In China, COVID-restrictions have removed 20-30% of drivers
- The UK driver shortage shows signs of abating, according to new research by Logistics UK, showing a 53.3% increase in driving tests, and data released by ONS showing a gain in the number of drives under 45 years of age
- The shortage of drivers across Europe continues to worsen
- In a recent survey by the International Road Transport Union, about 20% of driver positions went unfilled in Eurasia last year

Cargo Theft

- Intermodal and warehouse cargo theft is on the rise across the globe, amid rising inflation
 - Truckers are reporting a rise in theft at unsecured parking facilities,
 - Shippers have reported a rise in scammers posing as trucking companies, who vanish into thin air once they pick up your freight or receive payment
 - Supply chain vulnerability is leading to increasing rail thefts
 - Insider theft at warehouse and storage facilities is on the rise



CAPACITY



DEMAND



RATES

Warehousing & Distribution

Warehousing demand continues to far outpace supply, as retailers and manufacturers stockpile goods and components to hedge against supply chain disruptions. The national vacancy rate has reached a record low of 3.2%. Large metropolitan areas have been hit hardest, with Southern California's vacancy rate hovering at less than 1% and northern New Jersey at 2.4%. Competition for commercial warehouse space continues to grow. Retailers are scrambling for warehouse space as they shift their focus to eCommerce markets in order to keep up with the rising demand of online shopping, as the pandemic continues to reshape our world. High-tech manufacturing and life sciences are also gobbling up industrial warehouse space as they look to bring manufacturing back to the U.S. In addition, many companies are stockpiling warehouse space, even if they aren't able to fill it.

Developers are racing to build new warehouses as demand continues to grow, but land is scarce in the most sought-after locations. In densely-populated areas, 3PLs are reconceptualizing existing commercial warehouse space to make it more efficient, building multi-story facilities with ramps and docks on multiple floors, and repurposing vacant storefronts shuttered during the pandemic. Others are choosing locations farther away from coastal ports, such as Reno, NV; Leigh Valley, PA; Dallas-Fort Worth, TX; Atlanta, GA; and Knoxville, TN.

After record resignations in 2021, "the Great Resignation" shows no signs of abating.

Warehousing and distribution centers have been among the hardest hit, as workers reassess what it means to do the physically-debilitating manual labor for very little money, when their employers aim to replace them with robots in the near future. COVID-related absences are adding to the talent shortage, resulting in slower receiving and processing times.

The mad scramble for warehouse space and rising labor and rental costs continues to keep pressure on rates.



Rail

Market Expectations, Space, Volume, and Rates

While cargo flow at inland rail points has dramatically improved, the U.S. rail system continues to be the weakest link in the supply chain.

U.S. volumes bounced back a little this week to levels not seen since the early part of 2021. Service levels continue to deteriorate due to staffing shortages. Congestion and chassis shortages at Los Angeles and Long Beach remain the biggest challenges for rail freight, and there is no sign of things improving in the near-term. Current container dwell times have increased to 93 days. Rumor has it that carriers want to limit IPI in current contracts due to the challenges of rail freight or make it an extremely profitable market by increasing the IPI rate higher than West Coast rates.

The China-Europe rail service continues to experience delays due to mounting congestion at key border crossings in Russia, Poland, and Kazakhstan, although on-time departures for westbound trains are beginning to improve. Increasing demand for rail freight due to the challenges in sea and air freight is keeping pressure on rates.

Rail capacity in Europe remains under pressure due to high demand, as many European shippers switch to rail to avoid disruptions in the ocean freight market. Rail capacity across North Europe remains a challenge, particularly in Germany, Poland, Denmark, Sweden, and Finland, but capacity is slowly increasing. Delays continue to be experienced at seaports, with Germany particularly hard hit.

Spot rates decreased slightly this week, but are up 1.5% compared to the same period in 2021.

Service is likely to remain an issue through Q3'2022 due to labor shortages and port congestion issues.

Announcements

- Union Pacific has enhanced security in L.A. County after seeing a 160% rise in thefts since December
 - The carrier also plans to add security barriers along the Lincoln Heights tracks to protect not only the freight, but their employees as well



CAPACITY



EQUIPMENT



RATES

Major Disruptions

- COVID-related staffing challenges at Norfolk Southern and Union Pacific have led to disrupted services
- Ramp embargoes issued for Chicago and East Coast ramps due to congestion and backlogs
 - Embargoes are expected to remain in place for 4-6 weeks
 - NS Rail announced embargoes for rail activity to the Port of Charleston until further notice
 - Cargoes should be diverted through the Port of Savannah
- Railway terminals in Italy are facing major challenges due to increased port congestion and rising cargo theft
- Teamsters Canada set to conduct a strike vote in a dispute with Canadian Pacific over wages, benefits and pension, after talks failed last September
 - OCEANAIR will continue to monitor the situation and provide updates as they become available

Equipment Shortages

- Shortages of containers and chassis continue to plague IPI origin locations
- Historically high demand for chassis continues throughout the U.S.
 - Chassis providers have exhausted all efforts to deploy their chassis fleets
 - There are no readily available chassis to inject into the chassis pools



Asia / Oceania - U.S.

Space, Volume, and Rates

Carriers anticipate strong post-CNY demand as inventory levels remain historically low.

Ocean

Volumes out of Asia remain high as ports work to clear the increasing backlogs during the post-holiday lull. Blank operational sailings and severe congestion at transshipment ports continues to negatively impact capacity. Capacity remains extremely tight from all Oceania origins, with carriers only releasing space on high premiums, with no guarantees against rollings. The situation in Hong Kong continues to worsen, with some carriers no longer accepting bookings, even for diamond tier clients.

Spot rates from Asia are softening, while Oceania continues its upward trend. Sustained congestion at U.S. West Coast ports continues to pressure the spot rate market, and there are widespread rumors that carriers are about to announce GRIs for cargos destined for these ports due to increased operational costs. Rates to East and Gulf Coast ports have seen a big jump due to the coastal shift.

Shippers are advised to book at least 4 weeks in advance for Asian shipments, and 5-6 weeks for Oceania. Shippers looking to bring in freight to the West Coast might consider IPIs through the PSW gateway.

Air

While capacity remains tight, volumes from Cambodia, China, and Vietnam have begun to normalize. Space remains tight out of India and Sri Lanka and remains at critical levels from Indonesia, as the country struggles to contain COVID and international airlines reduce flight frequency.

While terminal ground handlers at LAX/ORD/JFK remain busy, they have cleared the massive backlogs experienced over the past few months. Most of the backlogs in Asia have cleared over the holiday, but China, India, Indonesia, and Thailand continue to struggle.

Demand for U.S. exports is picking up post-CNY, and capacity is manageable. Most U.S. terminals have reduced free time for storage and earlier close-outs for exports to accommodate screening requirements and throughput times.



CAPACITY



EQUIPMENT



RATES

Rates from China and Hong Kong have finally stabilized after the slow production start post-CNY. Rates from Bangladesh and India continue to fluctuate, while Indonesia and Sri Lanka continue to rise, with shipments only accepted on current spot rates. Slightly decreased demand from Cambodia and Vietnam has resulted in a softening of rates.

Major Disruptions

- Ocean carriers continue to prioritize vessel capacity for more lucrative imports at the expense of American exporters
 - Carriers have cancelled or rolled 30-40% of all U.S. export shipments
- A severe lack of capacity at transshipment hubs in South Asia is affecting direct services to the U.S. West Coast
- Several carriers have halted service to Japan and Manila
- CMA CGM is suffering from severe feeder capacity constraints to Bangladesh, Japan, and the Philippines
- Shortages of equipment at Oceania origins remains the predominant challenge for exporters
- Some carriers have modified scheduled ports of call to Melbourne and Brisbane, Australia in response to severe congestion

Announcements

- The ports of LA and Long Beach have shelved plans to begin charging the import container excess dwell fees, as they look at other incentives for carriers to move more empties
 - Port officials have stressed they don't want the carriers to reject export containers to take on more empties



Asia / Oceania - Europe

Space, Volume, and Rates

Industry experts fear that fiscal policies in Europe designed to curb inflationary pressures will weaken consumer demand for non-essential goods, and carriers are preparing to adjust capacity accordingly.

Rates across all modes of transport on this tradelane are showing signs of softening. While there are no indications that the lines are prepared to discount rates amid the uncertainty on this route, if the current pricing action is sustained, we may see a drop in value during the second half of 2022.

Ocean

Space and equipment remain tight out of Asia and Oceania as carriers work to move backlogged cargos in the post-CNY lull. Massive operational blank sailings will further restrict capacity over the next two weeks, with new bookings expected to pick up again in early March. The situation in Hong Kong continues to worsen, with some carriers no longer accepting bookings.

Rates from Asia have fallen slightly, but rates from Oceania origins remain high amid continued strong demand. Rates continue to skyrocket from Cambodia, Thailand, and Vietnam due to equipment shortages and serious vessel delays. It should be noted that cargoes booked on these lanes are subject to rolling, even shipments booked at high premiums with space guarantees.

Shippers are advised to book 3 - 4 weeks in advance in order to secure space and equipment, with forecasts 6 – 8 weeks at a minimum.

Air

Air freight capacity is a mixed bag out of the Asian and Oceania markets. Space has reached critical levels from Indonesia and Thailand, as the countries struggle with COVID outbreaks, while the markets from China, Cambodia, and Bangladesh have returned to levels normal for this time of year. The lack of passenger flights is keeping capacity tight in India and Sri Lanka.

The severe delays and backlogs seen across Europe in recent weeks have eased, and most flights are running at a normal pace.



CAPACITY



EQUIPMENT



RATES

As with capacity, rates are all over the board. We are seeing a slight softening in air freight rates from Cambodia, China, and Vietnam, while rates have stabilized in Bangladesh. Rates are slightly higher out of Indonesia and Sri Lanka, with airlines only accepting rates on the current spot market. COVID-related restrictions in Thailand have caused airfreight rates to skyrocket.

Major Disruptions

- Severe delays have been reported at Italian ports due to increased congestion and inland challenges; shippers are advised to book 3 weeks in advance to minimize delays
- Shortages of equipment at Oceania origins remains the predominant challenge for exporters
- Several carriers have halted service to Japan and Manila
- CMA CGM is suffering from severe feeder capacity constraints to Bangladesh, Japan, and the Philippines
- Some carriers have modified scheduled ports of call to Melbourne and Brisbane, Australia in response to severe congestion

Announcements

- Scientists and conservation groups call for shipping lanes off the southern tip of Sri Lanka be rerouted in an effort to protect blue whales
 - By moving the lane 15 nautical miles to the south of the current lane, the risk of vessels colliding with the blue whales would be reduced by 95%



Europe - the Americas

Space, Volume, and Rates

Demand to the Americas remains strong as inventory-to-sales ratios remain at historically low levels. Despite inflation climbing at the fastest pace in 40 years, consumer demand for retail goods remains exceptionally strong. Most economists continue to forecast a strong economy in 2022, with Blue Chip Economic Indicators forecasting 3.7% growth in GDP.

Ocean

Demand on this tradelane remains high and capacity is at critical levels, especially to the West Coast. Increased congestion has been reported at East Coast ports, particularly in New York, Charleston, Norfolk, and Miami. There is available capacity from East and Gulf Coasts to Northern Europe, but West Coast service is extremely tight due to blanked sailings.

Rates remain high, with further increases expected as February progresses. Carriers have announced a small GRI increase for February from the East Coast to North Europe.

Shippers are advised to book 6 or more weeks in advance and to request premium service for no-roll guarantees.

Air

Demand remains steady on this tradelane. Capacity is tight, especially to Chicago, Los Angeles, and New York. Some carriers are offering deferred routings to major U.S. hubs via regional airports in order to avoid congestion and delays caused by labor shortages. Delays seen in recent weeks have mostly cleared and most flights out of Europe are running at a normal pace for this time of year. Demand to Europe remains stable and capacity is manageable.

Tight capacity and high demand to the U.S. is keeping rates elevated, while rates to Europe have not seen any significant changes.



CAPACITY



EQUIPMENT



RATES

Mexico and South America

Overall, southbound demand has softened, and carriers are limiting services to South American destinations, keeping capacity tight. Congestion on east coast ports is significant due to complications from COVID. Reduced capacity and limited options on this tradelane have kept rates at peak levels and are expected to remain high throughout Q1'22.

Mexico: Trade on this lane continues to be strong. Both freight capacity and rates remain stable, although schedule reliability has declined due to port congestion. CMA GCM has implemented a PSS increase of \$750, effective February 15.

Brazil: Air freight capacity continues to suffer from a widespread passenger flight bans, and rates remain elevated due to the tight capacity. Demand for ocean freight on this tradelane remains high and rates remain elevated.

Announcements

- The ports of LA and Long Beach have shelved plans to begin charging the import container excess dwell fees, as they look at other incentives for carriers to move more empties
- Hamburg Sud is no longer accepting bookings from freight forwards as they concentrate on BCO business
 - This decision is adding increased pressure on space and rates, especially on the LATAM trades





Thank You

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