



MARKET INSIGHTS

Global Logistics Update

March 30, 2022



State of Global Trade

Market Expectations, Space, Volume, and Rates

Disruption to global logistics remains widespread, with the Ukraine conflict and COVID-19 lockdowns in China contributing to the elevated levels of delay across the supply chain.

As the Russian invasion of Ukraine rattles global commodity markets, ripple effects are spilling over to shipping, resulting in less capacity and more delays. The conflict is hitting traffic between Asia and Europe particularly hard, as ships, trains, and trucks divert from their original paths to avoid war-hit regions and airlines reroute or cancel flights to avoid Russian airspace. For more insight into the impacts to the global supply chain, click [here](#).

Manufacturing and logistics operations in Shanghai have grinded to a halt as China holds fast to its zero-tolerance COVID policy. While Shanghai Pudong Airport (PVG) and the Port of Shanghai remain open, landside infrastructure and transport links will be severely limited by trucking restrictions and driver testing requirements, with LCL shipments especially hard hit. Customs processing will also be slower as Chinese authorities are only accepting electronic declarations and not conducting cargo inspections or other services. As the COVID-19 surge spreads across China, more lockdowns in other major cities, including Beijing, Qingdao, and Tianjin, is likely in the coming weeks.

Oil prices remain volatile and are currently at \$114 a barrel after soaring to \$130 immediately following Russian sanctions. As a result, fuel prices are hitting record highs almost daily and dramatically increasing operating costs throughout the shipping industry. In response, ocean carriers, airlines, trucking companies, and rail carriers have levied hefty fuel surcharges to offset the cost. Other surcharges, such as war risk, are also likely to be imposed, depending on the carrier and route.

Consumer spending will likely be impacted by surging commodity prices, soaring inflation – the hottest in four decades – rising household debt, and mounting geopolitical tensions, which may drive global economies into a recession.

Announcements

- The U.S. bans imports of Russian oil, coal, and gas
 - Pres. Biden warns that the move would likely increase gas prices, which had already surged higher than any other time in history prior to the announcement
 - Experts anticipate the price of crude oil could exceed \$200 a barrel later this year, and many have called on Biden to remove restrictions on domestic production
 - In a show of solidarity, the EU has restricted the flow of natural gas from Russia and the UK intends to phase out Russian oil and oil products over the coming months
- U.S. revokes Russia’s “most favored nation” trading status; more actions likely to come
 - The [new legislation](#) will allow for a significant tariff increases on certain goods and bans imports of vodka, seafood, and non-industrial diamonds
 - NOTE: The ban on Russian seafood imports could also include products processed in China
 - Canada has also revoked Russia’s most favor nation status, and France, Germany, Italy, the UK, and Japan are expected to follow suit
- Russia bans exports of 200+ goods, including telecom, medical, auto, agricultural, electrical and tech equipment, as well as some forestry products
- The Federal Reserve has approved the first interest rate hike in four years, which will only add to inflationary pressures
 - The .25% rise in the interest rate will correspond with a hike in the prime rate
 - The move will immediately increase financing costs for consumer borrowing and credit
- DHS warns of heightened risk of cyberattacks as tensions with Russia mount
 - Russia announced that it will be disconnecting from the global internet by March 11, leaving many experts to believe Russian is preparing for massive cyberattack on the West
- CBP releases [ACE Portal Modernization FAQ](#) web page to assist users in the transition to the new upgraded platform, which will be rolled out in multiple phases in 2022

Major Disruptions

- Current geopolitical circumstances pose a threat to market stability and may lead to higher freight rates
- Shanghai is on the brink of a city-wide lockdown as COVID cases rise
- Hong Kong looks to be set for a hard lockdown, as COVID cases soar to a record of 50,000+ confirmed cases per day



Upcoming Global Holidays

Holiday	Country	Date(s) Observed
Ching Ming Festival	China	April 3 – 5
Hung Kings Temple Festival	Vietnam	April 10 - 11
Good Friday Easter Easter Monday	Australia, Brazil, Germany, Mexico, Singapore, Sweden, Switzerland, and UK	April 15 - 18

Other Considerations

U.S. voices concerns over China's "provocative" actions in the Taiwan Strait

China has ramped up military probes of Taiwan in recent weeks and has laid the groundwork for a military presence in the region. Last week, 13 Chinese aircraft entered Taiwan's air defense zone, prompting Taiwan's air force to scramble.

Taiwan is currently in a heightened state of alert and has stepped up military training exercises amid fears China could use the Russian invasion of Ukraine to advance on the island nation. News of a Chinese hypersonic weapons test only added to the fears.

In the meantime, the U.S. Marines have begun joint training missions with Japanese troops in a show of strengthened military cooperation. Japan has also significantly expanded joint drills with other partners, including Australia, India, France, the UK, and Germany. The U.S. is also deploying Marine troops to Australia, amid simmering tensions with China.

In response, China's Ministry of Defense has threatened to impose the "worst consequences" on countries that help Taiwan defend itself. "The Taiwan question is purely an internal affair of China, which brooks no outside interference," a ministry spokesperson told reporters. "No one and no force can stop the historical trend that China will solve the Taiwan question and realize a complete national reunification. To anyone who makes troubles on the Taiwan question: The higher you jump, the harder you fall."



Did You Know?

- **ZipFox** launches new [alternative-to-China sourcing platform](#), connecting the U.S. to Mexico
 - Launched in February 2022; currently lists over 200 manufacturers and growing
 - All manufacturers on the platform are fully vetted to eliminate middlemen and distributors and to establish that companies have solid credentials
 - Buyers can use the platform for **free** to locate manufacturers, place orders, and even pay for goods
 - Goods currently available through the platform include clothing, home goods, furniture, and industrial products
 - In the coming months, *ZipFox* will be working to broaden the spectrum of goods available from Mexico and expects to expand its manufacturing base into Central and South America by the end of the year
 - Long term plans include expansion into the African and European markets



8 Tips to Avoid Phishing Cyberattacks

1. Be aware of urgent or threatening language

Invoking fear or a sense of urgency is a common phishing tactic. Be wary of messages that claim your account has been suspended, they've noticed suspicious activity on your account, or request an urgent payment, etc.

2. Don't trust the display name

A favorite phishing tactic is to spoof the display name to make it appear that the email is coming from someone you know. If an email seems suspicious, check the sender's email address, paying close attention to the organization's (domain) name. If something is off, it's most likely a phishing attempt.

3. Analyze the salutation

If the salutation is vague, like "Hi dear" or "Dear customer" watch out. Legitimate business will often use a personal salutation that includes your first and last name.

4. Check for spelling and grammar mistakes

It is highly likely that any email containing spelling errors, poor grammar, or shows an illogical content flow is likely written by an inexperienced scammer. Legitimate emails usually do not contain spelling mistakes or poor grammar, as brands are serious about their email communications.

5. Be suspicious of attachments and links

Never open an attachment or click on a link if the email was unsolicited, unexpected, or comes from someone you don't know. Before clicking on any link, check the URL by hovering your mouse over it. If the address looks different than you expect or contains typos, don't click on it.

6. Don't provide sensitive company or personal information via email

Legitimate companies will never ask for personal or business credentials via email. If you are concerned about the status of an account, call your account representative directly.

7. Don't believe everything you see

Another common phishing tactic is to use brand logos or email headers from legitimate businesses to trick you into clicking links which take you to fake websites. If the email looks suspicious, contact the company directly and ask them if the email is legitimate.

8. Review the signature block

Lack of sender details or contact information strongly suggests the email is a phishing attempt. Legitimate businesses always provide the full name, title, and contact details of the sender.



What is Phishing?

Phishing is a technique used by cybercriminals posing as trusted individuals or legitimate institutions to steal sensitive information - such as personal data, bank account information, credit card details, or passwords - or to spread viruses or malware that can cripple computer and infrastructure systems or collect trade secret information.

Most phishing attempts come through email, text message, or social media channels.

Air Freight

Market Expectations, Space, Volume, and Rates

The air freight market has been upset by drastically reduced capacity across all tradelanes. The resurgence of COVID in China is putting downward pressure on capacity with the closure of Shanghai Pudong Airport to inbound passenger travel for the next six weeks and a raft of cargo flight cancellations following the city's lockdown. While cargo is expected to divert from PVG, it comes with its own set of challenges, including longer transit times and increased trucking and airfreight costs. Airspace restrictions imposed after the Ukraine invasion have forced some carriers to cancel Asia-Europe and Europe-North America services. Carriers who do fly on the Asia-Europe trade will take longer, more costly alternate routes to avoid restricted Russian airspace, which will require carrying additional fuel, reducing the amount of cargo they are able to carry.

The project cargo market has been severely impacted by the Russian invasion and subsequent sanctions which have removed virtually all large aircraft capacity. The destruction and grounding of Antonov's fleet and the loss of Volga-Dnepr's fleet from the U.S. and European markets is going to make oversized cargo shipping much more challenging and expensive, as there are very few large aircraft alternatives. To keep project cargo shipments moving, some North American shippers have opted to truck oversized shipments to Mexico to secure onward airfreight.

The charter market isn't faring much better. Many freighter operators in the U.S. and Europe have dedicated their fleets to humanitarian efforts in Ukraine, increasing pressure on the market by making charters harder than ever to find.

Looking on the bright side, additional belly hold capacity will be infused into the Indian markets later this month, when India resumes international travel. Shippers expecting rate corrections on this tradelane may have a few more months to wait though due to customers' hesitancy to travel amid the current geopolitical situation and COVID outbreaks in Asia-Pacific.

While recovery times at airports remain higher than pre-COVID levels, we are seeing fewer extreme delays. However, global air freight demand is expected climb into Q2'22 and congestion will likely return.

Overall spot market rates have seen a considerable increase due to the sudden reduction in capacity, increased transportation times, and the imposition of fuel surcharges due to rapidly rising fuel costs.



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RATES

Major Disruptions

- Shanghai Pudong Airport (PVG) closes to inbound passenger travel
 - While the airport remains open to freighter traffic, the 50% reduction of the workforce due to COVID restrictions is slowing ground handling and customs clearance operations
 - Trucking services to and from the airport have been severely impacted by the lockdown and COVID protocols, delays to be expected
 - Inspection services have been suspended at PVG until April 1
- The COVID-19 outbreak in Hong Kong is severely hampering cross-border trade with mainland China, with 70% of truck drivers testing positive
 - As 80% of Hong Kong-origin air traffic relies on this activity, many cargos are unable to reach HKG in time to catch flights
 - Cargos are being diverted to Shenzhen, Guangzhou, and other Chinese airports
- 17 Air Bridge Cargo widebodies have been removed from service on the Europe-North America trade due to airspace restrictions for Russian aircraft
- Landside disruptions on the Asia-Europe rail system are likely to motivate shippers who normally ship via rail toward air solutions, further restricting the already tight supply

Announcements

- India to resume international passenger services, effective March 27
- IATA imposes new [lithium battery regulations*](#), effective on April 1
 - Neither lithium ion nor lithium metal batteries can be shipped under Section II provisions
 - Lithium ion and lithium metal batteries sent on their own must be declared in the shipper's declaration for dangerous goods
 - There are new hazard and handling label requirements, which will require larger packaging

*Does not apply to lithium batteries contained in equipment or packaged with equipment.



Ocean Freight

Market Expectations, Space, Volume, and Rates

Demand remains strong on Asia–U.S. and Europe–U.S. tradelanes as American consumers continue to spend on goods rather than services, leaving the supply chain struggling to keep up. While growth has slowed slightly from the off-the-chart numbers we saw last year, volumes remain higher than pre-pandemic levels and are expected to increase in the coming weeks. The National Retail Federation has forecast a rise in imports by 2.4% YOY for the first six months of 2022, with Q2 imports 3% - 4% higher than Q1. Across the pond, demand is waning on the Asia-Europe trade as Europeans struggle with increasing inflation and skyrocketing energy costs.

While China’s ports remain open, carriers have announced more blank sailings due to reduced factory output, cancelled orders, shuttered warehouses, and trucking delays. Trucking services across China have been severely impacted by the lockdown and restrictions, leading to longer delivery times to the ports and a possible rise in transport costs.

The good news? Carriers have been quick to redeploy Baltic services from Russia to regions where capacity has been in short supply, especially on the Transatlantic route.

Global port congestion continues to intensify and is running higher than the levels seen last year. In China, landside congestion is building due to the shortage of terminal handling staff in Shanghai and Yantian. While the coastal shift has alleviated some of the pressure on Los Angeles and Long Beach, continued strong volumes to the U.S. East and Gulf Coasts is leading to increased congestion, especially in New York/New Jersey. Russian-bound cargos have been discharged at terminals enroute, increasing congestion at all European ports and transshipment hubs. Further exacerbating the delays across Europe, customs authorities have slowed operations by increasing inspections to identify Russian sanctioned items.

Global schedule reliability continues to deteriorate, reaching levels not seen in over a decade. The most reliable carrier was Maersk, followed by Hamburg Sud, MSC and HMM, while Evergreen continues to have the lowest recording. The deteriorating COVID situation in China has led to worsening port congestion, and carriers have reported longer wait times.

Base rates on most tradelanes have seen an increase due to the reduced capacity, and shippers looking to guarantee space have kept the premium market strong. In addition, pressures on oil supplies have sent bunker prices soaring, and many carriers have imposed emergency bunker or fuel surcharges.



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RATES

Major Disruptions

- Maersk vessel bound for Seattle loses 90 boxes in the Pacific Ocean
 - The *Dyros*, which services the TP7 loop, reported losing the containers - some of which contain dangerous goods including lithium-ion batteries - when it hit rough seas off the coast of Japan during its voyage from China to Seattle
 - Another 100 container were damaged during a stack collapse
 - The full extent of the loss and accompanying damage will not be clear until it berths on Sunday; port yet to be determined
- COVID protocols at Shanghai and Yantian Ports have reduced the workforce by 50% and limited the number of trucks arriving, severely impacting terminal loading operations
 - Many ships have rerouted to Ningbo to avoid the congestion
 - Carrier staff based in China, including CMA, ONE, HMM, and Matson, are working from home due to the COVID lockdowns; operational and communication delays are anticipated
- Congestion continues to build at Colombo, as Sri Lanka’s economic crisis heat up
 - Importers are struggling to get cargos released due to the rupee’s sharp depreciation
 - The dire economic situation is leading to shortages of basic necessities, such as food, medicines, and fuel
 - Large-scale fuel stockouts have forced transport service providers to substantially scale down on truck deployments, disrupting inter-terminal transfer of transshipment loads
 - Many carriers were already skipping Colombo due to the disruptions, and more omissions are likely in the coming days
- Asia–Europe rail disruptions are likely to add a 40% - 50% increase in ocean freight demand on the already congested trade route
- Crew change complications arising from the Ukraine conflict are likely to compound supply chain disruptions
 - Over 1,000 seafarers are still trapped aboard vessels stuck in the Sea of Azov after rescue efforts failed



Ocean Freight (Cont'd)

Announcements

- Hapag Lloyd suffers phishing attack; users were lured to a phony website where they unknowingly revealed their data to the scammers
- MSC to recalculate fuel surcharges biweekly instead of monthly, effective April 15
- MSC to skip all calls to Nhava Sheva due to transshipment delays in Colombo; cargos should be diverted to Mundra

Port Call / Rotation Changes

- ZIM Lines to launch a new biweekly service from China to Boston (ZXB), starting in April
 - Yantian – Vietnam – Baltimore – New York – Boston
 - The new service adds a direct call to Boston, expedited service (dedicated terminal) to Baltimore, and fixed daily train connections to Chicago, Jacksonville, and Miami
- MSC to launch a new weekly service from the Baltic Sea to the U.S. East Coast in late March
 - Klaipeda – Gdynia – Gothenburg – Bremerhaven - New York - Philadelphia - Norfolk
- ONE launches ad hoc Japan - U.S. West Coast sailings
 - Nagoya – Tokyo – Los Angeles - Oakland
- Taiwanese carrier TS Lines partners with CULines on the Asia–North Europe AEX loop to provide weekly sailings, expected to begin prior to the peak season
- Hapag Lloyd launches express service from China to Hamburg
- ONE has cut its transatlantic U.S. East Coast services from a weekly to biweekly rotation
- Wan Hai launches new CI7 intra-Asia service as trade volumes grow between China and India
 - Haiphong – Zhanjian – Nansha – Cat Lai – Port Klang – Chennai - Visakhapatnam

Equipment Shortages

- Deficits of containers and chassis continue to plague U.S. IPI origins
- The sanctions against Russia have resulted in a pile up of laden containers across European ports, decreasing the overall supply of empty shipping containers
- South Asia continues to struggle with a shortage of shipping containers, especially 20' and 40'
 - Due to the massive shortages, shipping container prices have reached a new record high
- On the bright side, ONE adds 6,500 reefer containers to its fleet, including some units equipped with advanced Controlled Atmosphere technology

Port Congestion

Region	Country/State	Vessel Backlog	Wait Times to Berth	Import Container Dwell Times (Truck & Rail)
North America	Los Angeles / Long Beach	45 ↓		3.1 days
	New York / New Jersey	10 ↓	10+ days	10 days
	Seattle	2 ↑	10 – 22 days	3.7 days
	Oakland	23 ↑	6 - 20 days	
	Houston	13 ↑	2 – 11 days	10 days
	Savannah	4 ↓	10 - 17 days	12.9 days
	Charleston	29 ↑	14 – 16 days	14+ days
	Norfolk	11 ↓		
Asia / Oceania	Shanghai and Ningbo	262 ↑		
	Yantian and Qingdao	65 ↑		
Europe	Felixstowe	N/A ↑		
	Antwerp	N/A ↑		
	Rotterdam	N/A ↑		
	Germany	N/A ↑		

Blank Sailings

- Blank sailings are on the rise again due to ongoing market challenges, removing roughly 20% of total capacity

Contract Negotiations

- Softening rates, the Ukraine conflict, and “lack of trust” has left shippers wary of long-term contracts
 - Under the current headwinds, shippers are hesitant to lock into long-term rates at close to or even higher than the current spot market that may not be competitive in a year
 - Shippers are also suffering from deep mistrust with carriers and large multinational forwarders who have made a killing since the onset of the pandemic
 - Many shippers are reassessing their partnerships and are looking to work with partners who have demonstrated “a higher level of character”

Trucking

Market Expectations, Space, Volume, and Rates

U.S. dry van and reefer volumes have declined across much of the nation, while flatbed volumes have surged due to the start of construction season. Overall truckload capacity has loosened in line with seasonal trends, except in California, Florida, Charleston, Chicago, and Texas. The overall decline in volumes is placing downward pressure on rejection rates. Flatbed capacity, on the other hand, is at its tightest, with tender rejection rates hitting two all-time highs this week.

Ports across the U.S continue to experience chassis shortages, particularly for 40' and 20'. Chassis counts have reached critical levels in Los Angeles / Long Beach, Tacoma, New York / New Jersey, Houston, and Baltimore.

Diesel fuel prices have soared to the highest they have ever been, and carriers are adjusting prices or imposing fuel surcharges to compensate. Despite the increased fuel surcharges, spot rates in dry van and reefer markets have declined across much of the nation due to softening demand, while the tight markets in California, Chicago, and Southeast and Gulf Coasts saw modest gains. Average flatbed spot rates have seen a spike in line with the increased seasonal demand.

The remainder of 2022 is expected to be a bumpy ride for the trucking industry due to the significant economic pressures. Some industry experts are predicting deflationary rate conditions, as surging inflation and fuel prices weaken demand. How quickly and how far rates fall will be highly dependent on how the economic pressures play out.

Major Disruptions

- The People's Convoy arrived in Washington, DC on March 6 to call for an end to the state of emergency and COVID vaccine mandates; the protest is likely to last several weeks
 - While the truckers have no plans to enter the city, they have been blocking highways, bridges, and roadway between the Capital Beltway and Hagerstown, MD
 - Smaller protests have also been planned in several major cities over the next few weeks, which may impact capacity and lead to transportation delays
- Certain markets in Canada are facing capacity limitations due to a spike in import volumes and a severe driver shortage due to ongoing localized Freedom Convoy protests
- Impacts of COVID-19
 - Trucking capacity in China has severely dropped due to travel and road restrictions, along with COVID testing requirements for truck drivers, especially in Shanghai, Shenzhen, Beijing, Jiangsu, Qingdao, and Hong Kong



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RATES

- Cross-border trucking operations between mainland China and Hong Kong have also been affected by limited capacity (reduced by as much as 70%) and long wait times
- Ukraine Conflict / Russian Sanctions
 - The driver shortage across Europe continues to grow, especially in Poland and Germany, as Ukrainian drivers head home to defend their country
 - Pro-Ukraine protestors in Poland are preventing hundreds of trucks from crossing the Poland-Belarus border at the village of Kukuryki, creating queues up to 25 miles long
 - Across Europe, drivers caught in the delays are contending with poor facilities and a lack of food, security, and sanitary provisions
 - Supply chain disruptions from the Russian invasion will likely impact domestic trucking operations across Europe in the coming weeks, as many automotive parts and components are manufactured in war-torn Ukraine
 - The scarcity of parts and components will affect new truck production as well as maintenance and out-of-service cycles for older vehicles
- Surging Fuel Costs / Diesel Shortages
 - French hauliers receive state aid to soften the blow of soaring fuel prices; others call for help
 - The Common Office (a European road haulage lobby group) and Nordic Logistics Association have urged governments across Europe to introduce similar support measures to tackle the current crisis
 - Large-scale fuel stockouts in Sri Lanka have led to a serious shortage of trucks at Colombo Port, creating massive service disruptions
 - Striking Spanish truckers, sparked by spiraling fuel cost, have blocked roads near ports and industrial and commercial zones, disrupting production lines and supply chain flows
 - UK experts warn diesel sales may be rationed as early as April amid fears of fuel shortages; EU warns of rationing within six weeks
- New elements of the EU's Mobility Package will likely lead to reductions of 10% - 15% in truckload capacity as drivers will be required to return to their home counties after three weeks and empty trucks to return home every eight weeks



Intermodal

Market Expectations, Space, Volume, and Rates

Overall North American volumes fell 4% in week 11 compared to data for the same period last year. Total carload traffic dropped 2.6% in the U.S. and 10.2% in Canada, while Mexico, on the other hand, rose 3.4%. Capacity is limited in certain markets due to import volume spikes. Despite falling volumes, average terminal dwell times have increased by more than 2%. Problems persist in getting cargos to inland destinations, and the need for additional crews in some areas is prohibiting recovery efforts. In response, many shippers have shifted their focus toward inland distribution networks.

Rates continue to remain elevated, and many rail carriers have announced fuel surcharges in excess of 50%.

Accusations of profiteering from supply chain congestion continue to mount against North American railway companies. A recent report issued by Accountable.US concluded that Class I rail companies raised fees last year while seeing a reduction in operating costs. According to the report, they limited or suspended service offerings, while collecting demurrage and detention fees to boost their soaring profits. In addition, they lowered operating expenses by trimming fleets and employee numbers and instead of investing in service improvements, equipment, and infrastructure, they spent millions on stock buybacks, dividends, and lobbying activities. While complaints from BCO's have prompted Washington to get involved, the issue continues to loom, mirroring the clash with containership lines.

Asia-Europe Rail Services

Asia-Europe rail freight has been hit hard by the invasion of Ukraine, as 50% of all European-bound traffic travels through Russia and Belarus. European forwarders have suspended bookings along the Trans-Siberian route, as Russian Railways has been sanctioned.

The China-Europe Railway Express, a critical pipeline for Asia-Europe trade, is also facing increasing uncertainty as the conflict intensifies. Volumes on the weekly train from Shanghai have dropped 40% as shippers evaluate the potential impact of sanctions and insurance.

Services on the Silk Road freight train from Vietnam has also been suspended.

Some shippers are checking out various other routes through middle and southern corridors, such as those through Romania, Georgia, Turkey, and Kazakhstan.



CAPACITY



EQUIPMENT



RATES

Major Disruptions

- Maersk suspends new intercontinental rail bookings between Asia and Europe until further notice due to sanctions imposed by various governments
- Canadian Pacific has resumed operations after reaching an agreement with the Teamsters to enter into binding arbitration, averting yet another supply chain crisis
 - The strike action shut down rail networks for two days earlier this week, backing up shipments across Canada and the U.S.
 - However, many of the union's 3,000 members are disenfranchised with the union's decision to arbitrate without a vote, which has "stripped workers of their right to take industrial action for years to come"
- Severe congestion has been reported at all major rail facilities in Los Angeles, Seattle, Chicago, Charleston, and Savannah
- Rail transport to and from Hamburg, Germany continues to struggle due to severe port congestion

Announcements

- Canadian Pacific, in partnership with Kansas City Southern, launches new intermodal service between Lazaro Cardenas, Mexico and Chicago, with a transit time of seven days
- Finland's VR has halted freight and passenger trains to and from Russia, cutting a key tradelane between the two countries
 - The move also cuts off routes between Scandinavia and the Far East

Equipment Shortages

- The lack of chassis and railcars in Los Angeles and Long Beach is limiting terminal moves to/from rail ramps



U.S. Markets

Major Disruptions

- **East Coast ports are about to get slammed by a lot more containerships**
 - The number of vessels calling from Asia will surge by 40% - a new record high - over the coming months as more cargo is diverted from clogged West Coast ports
 - In addition, ships that served Russian markets are now being redeployed on the Europe–East Coast route
 - With a lot more ships on the way and port congestion near record highs, shippers should expect escalating ship queues and deteriorating service levels
- Los Angeles and Long Beach are limiting the windows for export cargos and single empty returns due to extreme yard congestion
- Tacoma has stopped receiving empty container, as large import volumes clog the port
 - Both Tacoma and Oakland have started to pile import containers in inaccessible areas until space in accessible areas opens up, causing delays for import deliveries
- Another Evergreen containership – the *Ever Forward* – runs aground, this time in Maryland’s Chesapeake Bay, as it tried to head from Baltimore to Norfolk
 - Unlike the grounding of the *Ever Given* almost exactly a year ago, the grounding of the *Ever Forward* is not preventing other ships from transiting the Port of Baltimore
 - Naval architects and divers have been deployed and are working on a plan to move the vessel, which has been lodged in the bay since her grounding on March 13
 - Officials are not sure how long it will take to dislodge the vessel or why it became stuck, but there are speculations it did not turn properly
 - Cargo loads scheduled on the *Ever Forward* in April from China to the U.S. will be delayed or diverted to other ships
- Charleston to barge long dwelling import containers (30+ days) from WWT to HLT to alleviate yard congestion
 - Cargo owners will be assessed a fee of \$500 for the diversion
- **Taxing *de minimis* imports is a gift to big business;** [click here](#) to read the recent article by *The Hill* explaining why it will hurt small businesses and consumers

Announcements

- USTR reinstates Section 301 tariff exclusions on more than three hundred goods imported from China through December 31, 2022; [click here for the full list](#)
 - Exclusions for the covered products are retroactive to October 21, 2021, and importers can seek refunds of tariffs previously paid on those goods
- The Commonwealth of Massachusetts has ended the HMF Tax Credit
 - Companies will be able to take the applicable credit for HMF paid in 2021 via the Port of Boston, but this is the last year it will be in effect
- U.S. announces agreement with the UK to end steel and aluminum tariffs, as well as the UK’s retaliatory tariffs imposed of \$500 million worth of American goods, including alcohol, motorcycles, and consumer goods
 - Like the deals with the EU and Japan, the agreement establishes a quota that will allow “historically-based” volumes of British steel and aluminum to enter the U.S. without duties, and any shipments above that level would be subject to the duties
 - Semifinished products containing aluminum from China, Russia, or Belarus are **not** covered by this agreement, and the section 232 duties still apply
- Los Angeles and Long Beach announce \$10/TEU Clean Truck Fund (CTF) fee to spur the use of clean trucks, effective April 1; the fee will not apply to zero-emission trucks
- Agriculture Secretary announces plans for the creation of container depots to preposition agricultural export containers near port terminals - including Seattle, Oakland, and Savannah - to help agricultural producers move their product to market, while pressuring carriers to restore better levels of service for American exporters
- Woods Hole Oceanographic Institution partners with CMA CGM to deploy new buoy technology off the coasts of Norfolk, VA and Savannah, GA to help protect endangered right whales from vessel strikes
- Carriers announce GRI for all shipments ex-India, effective March 22



Asia / Oceania - U.S.

Space, Volume, and Rates

While demand continues to be strong on the Asia–U.S. tradelane, consumer sentiment appears to be softening as inflation bites, energy costs soar, and interest rates are raised.

Lockdowns, restrictions, and quarantines across China continue to impact factory output and transportation operations, whether by land, sea, or air. Labor shortages have been reported across the supply chain as localized restrictions prevent staff from getting to their workplaces. Volatility in the driver market due to strict COVID protocols and quarantine requirements continues to impact trucking services for container pickup and delivery, and delays should be expected. Shippers are advised to check often with you suppliers to understand any COVID-related impacts or changes to production outputs.

Ocean

Continued strong demand has kept capacity in a chronic undersupply. Blanked sailings have dramatically tightened capacity from China, where staffing shortages have severely impacted port handling and customs operations. In addition, several carriers have limited booking acceptance at South Asian ports experiencing severe congestion, especially from Bangladesh. The result being a tightening of space, reduced shipping options, sliding vessel schedules, longer transit times, and shipping delays.

As more and more shippers look to diversity their supply chains, demand continues to grow from the Indian Subcontinent. Vessel delays due to increasing port congestion and equipment shortages have resulted in skipped calls, reducing capacity. Some premium services are offering equipment priority, which is not a guarantee. Shippers are advised to avoid inland container depots, where possible, which are chokepoints for containers that lead to delays.

While the number of vessels waiting to berth at Los Angeles and Long Beach have dropped, the persistent delays have led carriers and shippers to focus on East and Gulf Coast destinations, which are reporting increased traffic jams. The situation is likely to get worse as more booked cargos begin to arrive in the coming weeks.



CAPACITY



EQUIPMENT



RATES

The Transpacific premium market is starting to pick up again. While premiums to West Coast ports have seen a slight increase, premiums to East and Gulf Coasts strengthened last week, as importers divert east to avoid the uncertainty of labor negotiations on the West Coast. In addition, Transpacific carriers have announced General Rate Increases (GRI) for April 1 and again on April 15 for all freight originating in Asia and Indian Sub-Continent.

Due to continued uncertainty in ocean shipping, we advise shippers to move ocean freight 2 – 3 months in advance of timelines and to be flexible regarding equipment and routings.

Air

After a short-lived slowdown in volumes at the beginning of the month, demand has increased sharply on this route, with some carriers reporting a spike of 20%–45% on inbound cargos. Capacity has drastically reduced for both inbound and outbound shipments due to the deteriorating situation in China and the ban of Russian aircraft from American airspace. Cargo diversions from major Chinese hubs to alternative gateways have resulted in longer transit times and increased ground transport costs.

Reduced capacity into the Asian market has prompted most airlines to only accept priority bookings - at a drastically increased price. This is causing to backlogs, especially in New York, Chicago, and Los Angeles, leading to increased transit times. Congestion is also increasing in China as staffing shortages have severely impacted grounds handling and customs operations.

While spot rates declined in early March, the trend is reversing as demand recovers and capacity is severely limited.

In addition, carriers have imposed emergency fuel surcharges.



Asia / Oceania - Europe

Space, Volume, and Rates

Demand is waning across all modes of transport on the Asia–Europe trade lane as European consumers begin to struggle with higher energy costs and inflationary pressures. In a recent article, *The Loadstar* reported seeing evidence that orders of low-value, high-cubed commodities have been cancelled as soaring shipping costs have made “retailing these products unsustainable.”

Ocean

Bookings to North Europe are down considerably, and capacity is now exceeding demand. As carriers have instituted blank sailings to adjusted to the softening demand on this route, capacity for European exports to Southeast Asia and Oceania is extremely tight. Meanwhile, demand to the Mediterranean remains high, with vessels reporting being fully booked.

European ports are seeing a build-up of Russian-bound cargo, which have no where to go due to sanctions imposed on Russia. As a result, port omissions have increased, particularly in Hamburg, Rotterdam, and the UK. Additional capacity shifts/blank sailings are likely in the coming weeks.

After seeing a softening in base spot rates earlier this month, rates on this trade lane are again rising due to the increased congestion across Europe and the associated vessel delays, despite softening demand. Should the situation in China deteriorate further, capacity will be dramatically reduced and will likely lead to higher rates. On the Oceania trade, rates to Australia remain steady at elevated levels, while New Zealand has seen an increase.

As rates on the Asia–Mediterranean trade have held steady, the shirking gap between these two routes is likely to make Mediterranean ports less attractive to shippers who previously looked to save money by routing cargos through Mediterranean services.

Air

Airspace restrictions imposed following the Ukraine invasion have cut off huge amounts of capacity between Asia and Europe. Russian carriers Air Bridge Cargo and Aeroflot Cargo, who transport $\frac{1}{5}$ of global air cargo volumes, have pulled back sharply, while European and Asian airlines have reduced services to and from the Far East. Services still running have been forced to reroute around Russia and Ukraine, adding three to four hours to some routes.

Despite falling demand, air freight rates have spiked as capacity plummets. Longer routings and increased fuel costs are also adding pressure on rates.



CAPACITY



EQUIPMENT



RATES

Major Disruptions

- European supply chains are coming under increasing pressure as the Ukraine conflict is creating disruption and bottlenecks via all modes of transport, leading to decreased capacity and increased shipment delays
- Severe backlogs have been reported in Sri Lanka due to a shortage of trucks, and will likely lead to more skipped calls to the Port of Colombo
- Air exports from Bangladesh to the UK are facing severe delays as the approved explosive detection (AED) scanners break again
- UK's P&O Ferries temporarily suspended operations on March 17 and laid off 800 seafarers
 - The DP World-owned Ro-Ro operator, which operates UK-Ireland, cross-Channel, and North Sea-Europe services, announced it had “been forced to take such drastic action due to mounting financial losses,” but in a letter to the terminated employees, P&O stated the move “would save 50% on crewing costs by contracting *International Ferry Management* to supply crews for its vessels” - **i.e., cheap foreign labor who are paid only \$2.38 an hour**
 - The move has sparked outrage across parliament, unions, and social media, and protests have erupted across the country; UK prime minister Boris Johnson has and vowed to act
 - P&O had planned to resume operations 10 days after replacing the crews, but the company and its vessels have come under regulatory scrutiny
 - The UK Maritime and Coastguard Agency (MCA) detained two P&O vessels this week after the vessels failed inspections due to “failures on crew familiarization and training, vessel documentation, and emergency equipment not functioning properly”
 - Inspections on the company's other vessels subject to MCA inspection are expected in the coming days

Announcements

- The majority of carriers servicing North Europe have announced a 25% fuel surcharge, effective April 1
- ONE has announced a GRI to all UK destinations, effective April 1
- Carriers announce GRI for all shipments ex-India, effective March 22
- Hapag Lloyd has stopped accepting bookings from Europe to Visakhapatnam

Europe - the Americas

Space, Volume, and Rates

Demand remains strong from Europe to the Americas, and we continue to see record import volumes. Capacity has been significantly reduced across all modes of transport due to disruptions caused by the Ukraine conflict.

Ocean

Demand continues to outpace capacity. Some services on this tradelane are fully booked through mid-May, and it is nearly impossible to secure short-notice space. U.S. West Coast service to Europe is extremely tight due to blank sailings and skipped port calls.

A shortage of empty containers at origin is also causing headaches for shippers, and many carriers have blanked sailings as they have been unable to fill their vessels due to the equipment shortages, further reducing capacity.

Port congestion continues to intensify across Europe, as undeliverable cargos bound for Ukraine, Russia, and Belarus pile up. Increased Customs checks across European ports are also exacerbating vessel delays, with all bills of lading for Russia under heightened scrutiny for sanctioned goods. As a result, schedule reliability to American markets is suffering, with average delays of one to three weeks. Significant delays have been reported in Vancouver and Montreal, and the delays are expected to continue until April as the terminal struggles with hard yard utilization rates due to low rail car supply.

The worsening port disruptions across Europe have prompted the return of premiums on trans-Atlantic routes.

Air

After seeing a slight dip in demand in early March, demand has increased sharply on this route. While the Europe-Americas lanes are less affected by the airspace restrictions than the Asia-Europe trade, the removal of Air Bridge Cargo (a major Russian provider on Europe-American routes), has severely restricted capacity, leaving airlines scrambling for extra freighter capacity.

Air freight rates from Europe are increasing, although some carriers are offering better rates than others, depending on how full the flight is. Pretty much everything is going on an ad-hoc basis these days. We are also seeing carrier fuel surcharges increasing globally.



CAPACITY



EQUIPMENT



RATES

Mexico and South America

We are still seeing high demand on the Mexico and South American trades, with capacity across all modes of transport in short supply. Rates across all modes continue to rise and are expected to climb even more in Q2.

Ocean

We have received word that some carriers are already fully booked through the end of April on this tradelane, and short notice space without prior allocation is not available.

The Alliance AL4 service to Mexico is heavily disrupted due to operational constraints at the CTA terminal in Hamburg, and Hapag Lloyd has stopped accepting bookings over the next 3 weeks to clear backlogs.

Maersk has announced it will omit the port of Le Havre on its Samba service between North Europe and LATAM for another eight weeks due to severe operational bottlenecks. In addition, Maersk and others have been forced to halt export loads from Dublin's South Bank due to chronic congestion.

Brazil's port tax collectors protest is delaying the country's exports. Agricultural exporters have been especially hard hit, as the protest is delaying the issuance of inspection documents, which are required for exporters to receive payment.

Air

While Mexico and LATAM have not imposed sanctions on Russian aircraft, restrictions in Europe are still impacting available capacity.

The addition of passenger flights to Brazil has increased overall capacity levels, but GRU and VCP continue to experience bottlenecks, leading to long wait times.





Thank You

Please note the information contained in this publications is compiled from a variety of sources - including trade publications, local media outlets, federal agencies, and partner agents - and is based upon information available at the time of writing. This information is provided to our value clients for informational purposes only, and we do not accept liability or responsibility for reliance on the information contained herein.

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