



MARKET INSIGHTS

Global Logistics Update

November 30, 2021



State of Global Trade

Market Expectations, Space, Volume, and Rates

Despite widespread media reports of weakening transpacific trade, the overall state of trade remains firm, although somewhat weaker than August and September. U.S. import demand is expected to remain strong through year-end, with volumes forecast above 2 million TEU in both November and December. Volumes in January are anticipated at 2.21 million TEU, up almost 8% from January 2021.

Worsening worldwide port congestion and the subsequent operational blank sailings continue to be the main drivers behind the global supply chain disruptions and delays. COVID-19 outbreaks across Asia and Europe and rising energy costs are also contributing factors. China output continues to be affected by government-imposed power-rationing amid rising coal costs, which have cut operating capacity by 30% - 40%. Vietnam is finally recovering from a long COVID lockdown, but manufacturing disruptions caused by pent-up production, severe labor shortages, and port issues continue to disrupt export activities. COVID lockdowns in Indonesia continue to disrupt manufacturing operations and delay inventory deliveries.

Co-load rates and premium-bookings remain at higher levels out of Southeast Asia and the Asian Subcontinent as a result of the compromised capacity situation and continued lack of container availability, although shippers are seeing more access to non-premium rates tiers on key trade lanes. The increasing transportation costs have been a challenge for all traders, but especially for smaller shippers, who may be less able to absorb the additional expense and are at a disadvantage when booking space and negotiating rates.

Shippers should expect strong demand and below average transportation velocity to keep capacity constrained through mid-2022. Rates across all modes of transport are expected to remain elevated over the coming weeks.



Upcoming Global Holidays

Holiday	Date(s) Observed
Thanksgiving	November 25, 2021
Hanukkah	November 28 – December 6, 2021
Christmas	December 25, 2021
Kwanzaa	December 26, 2021 – January 1, 2022
Boxing Day	December 26, 2021
New Year's Day	Saturday, January 1, 2022
Chinese New Year	January 21 – February 6, 2022

Announcements

- The U.S. plans to formally launch talks on an economic framework with countries in the Indo-Pacific region in early 2022
 - The framework, an alternative to the CPTPP free trade agreement, would allow for more flexible arrangements on a broader range of issues than a traditional free trade agreement, including supply chain resiliency, digital trade, infrastructure, export controls, technology standards, cybersecurity, and semiconductor manufacturing

Requests for Public Comments

- The Department of Commerce is seeking public comment on exclusions and objections from the Section 232 national security adjustments of imports of steel and aluminum (due January 21, 2022)
- BIS is accepting comments on areas and priorities for expanding cooperation with the EU on export control issues (due January 14, 2022)



Air Freight

Market Expectations, Space, Volume, and Rates

Air cargo is experiencing an exceptionally strong peak season, with demand continuing to strengthen on all lanes, as persistently high volumes become the new normal for both scheduled and chartered air freight. The transpacific lane recorded another month of “vigorous” growth, up 22.3% year-over-year.

Space remains extremely tight, and the opening of U.S. borders to foreign vaccinated passengers has yet to yield additional cargo space on most trade lanes. The one bright spot is the U.S. – UK lane, where belly capacity has risen 21%. Meanwhile, New Zealand reported its worst-ever peak season, as strict COVID policies limit options for flights to and from the country, resulting in a severe shortage of belly space and cargo freighter options. The few airlines operating in the area are accepting express bookings at premium rates, with rates later increased to guarantee space. We are seeing huge demand for airfreight out of Vietnam, with planes fully booked weeks in advance, causing a surge in rates.

Freight rates from China to the U.S. have continued to surge - with rates out of Shanghai up more than 14% in the last week - while rates from China to Europe have softened. Rates from Europe to the U.S. are also rising, up 10% from Heathrow and 3.2% from Frankfurt, as airlines reroute Asian cargo to the U.S. through Europe to avoid congestion on the transpacific lanes.

Industry experts anticipate strong demand for air freight to continue into the new year due to continued demand for consumer goods and industrial components. Capacity will continue to be restrained as international passenger demand remains significantly depressed. The situation is further compounded by supply chain delays at major ocean shipping ports, boosting demand for air shipments. Rates are expected to remain elevated in the lead up to Chinese New Year.

Major Disruptions

- The shift from ocean to air continues to add pressure to the congested market
- Hong Kong’s new COVID policies have decimated Cathay Pacific
 - The policies have reduced the availability of pilots and the airline’s ability to maintain flight schedules, resulting in a 25.5% decrease in cargo volumes and increased freight rates
- Backlogs continue to mount in Bangladesh, Cambodia, China, Hong Kong, Indonesia, India, Sri Lanka, Thailand, and Vietnam, impacting schedule reliability



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RATES

Airport Congestion

Severe congestion at major airports across the globe appears to be hampering cargo volume. Volumes out of Shanghai fell 16%, while volumes in southern China and Europe fell 12% and 10%, respectively. While congestion at several airports, including Amsterdam and Chicago O’Hare, has eased slightly, cargo dwell times are increasing as shippers struggle to get drivers and warehouse space. A shortage of cargo handlers across the U.S. and Europe, including JFK, Heathrow, and Frankfurt, are contributing to the severe delays. Off-airport movement in European countries is further compounded by a shortage of thousands of truck drivers.

Announcements

- Authorities in Hong Kong have announced strict travel restrictions and 21-day quarantine requirements for crews that test positive for COVID-19, which will significantly impact the city’s status as an international gateway
 - British Airways has temporarily suspended all flights between the UK and Hong Kong after crew members tested positive for COVID-19
 - FedEx to close flight operations in Hong Kong due to the restrictive COVID health and travel rules, which will make it difficult for the company to operate efficiently
 - Cathay Pacific eyes overseas relocation after 130 cargo pilots were quarantined by Hong Kong’s new COVID rules
- Cargo handlers warn of double-digit rise in terminal handling charges next year, as the sector continues to struggle with rising costs and labor shortages
- Chinese Customs will stop issuing GSP Certificates for exports to the EU, UK, and others effective December 1, 2021



Ocean Freight

Market Expectations, Space, Volume, and Rates

Bookings remain strong and capacity is tight on all trade lanes. A surge in export volumes ex-Vietnam has resulted in a lack of space on container vessels, a shortage of shipping containers, and elevated spot rates.

Delivery times from Asia to the U.S. West Coast continue to ride at 15-16 weeks. Container line schedule reliability remains at just 34%, well below the average of 70% seen in the period 2018-2020. The most reliable lines include Maersk at 46.5% and Hamburg Sud at 38.1%. Evergreen had the lowest reliability rating at 13.6%.

While rate indices, such as the SCFI, Drewry, and Freightos, show average freight rates on both the Asia-Europe and transpacific trade lanes are on the rise, shippers are finding more access to lower rate tiers. Market consensus is for freight rates to remain under pressures through year end, as load factors are still too high to trigger downward rate adjustments. Access to lower rate tiers is expected to continue. Any significant fall in spot rates out of Asia on all trade lanes seems increasingly unlikely in the run up to Chinese New Year, and the jury is out on the direction of the spot market thereafter.

Capacity, equipment shortages, and port congestion will continue to affect container shipping through Q2'22. Demand for imports is expected to ebb in mid-2022, with freight prices likely to fall.

Shippers are advised to place bookings 4-5 weeks in advance to ensure space and equipment availability, while shippers to LA/LB should add an additional 4+ weeks due to increasing port congestion.

Blank Sailings

- Blank sailings from China have risen in November, removing 20% - 25% of market capacity weekly
 - Blank sailings to the U.S. West Coast outnumber those to the East Coast by a factor of 3-to-1
 - As congestion continues to sideline hundreds of ships, blanked sailings will continue through the end of the month, especially to the U.S. West Coast
- While blanked sailings from Asia to Europe are far less than on the transpacific lane, the carriers continue to roll cargo and “slide” sailings
- Blank sailings are expected to continue with regularity through most of 2022



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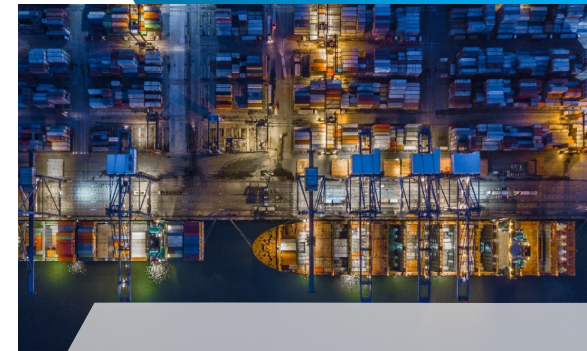


RATES

Major Disruptions

- China’s new personal information protection law prompts domestic providers to stop sharing AIS tracking data with foreign companies, which critics claim “has made it harder for foreign businesses to do business in China*”
 - AIS tracking data – used to track vessel locations - has reduced by nearly 90% since the law came into effect
 - This data decline could significantly impact ocean supply chain visibility as well as a broad range of functions including route planning, port logistics, and congestions analysis
- A number of carriers have adjusted existing rotations to avoid severely congested ports
- Dalian port customs restricts reefer imports following a COVID-19 outbreak
- California’s ILWU workers rejected the proposed contract extension offered by West Coast port terminals, saying they’ve waited 7 years to address issues that are important to dockworkers - a move that could have crippling effects on American supply chains if agreement is not reached
- Thousands of empty containers are clogging up marine terminals and truck yards across Southern California and tying up spaces and chassis further adding to inland port congestion
- Hapag-Lloyd and ONE will temporarily suspend import cargo acceptance to the Pearl River Delta area and Fuzhou until further notice
 - Imports to main ports such as Hong Kong, Yantian, and Shekou will continue to be accepted
 - While there are no plans to suspend exports, industry experts anticipate a number of ripple effects will likely impact exports, including:
 - an earlier surge of cargo to/from smaller ports in the region;
 - reduced capacity
 - cargo redirected to land transport due to a decline in feeder capacity;
 - reduced landside capacity;
 - rising truck/rail costs; and
 - difficulties repositioning empty containers, which would likely contribute to the container shortage

*Source: The Loadstar, New law in China coincides with massive cut in vessel location data



Ocean Freight (Cont'd)

Port Congestion

- **North America**
 - On Tuesday, 93 containerships were waiting for berths in Los Angeles / Long Beach, with an average dwell time of 18.6 days
 - Congestion levels at neighboring West Coast ports rose 6.7% from the prior week
 - Savannah continues to log the worst congestion rate - 87.5% - among East Coast ports, with 18 containerships waiting to berth and an average dwell time of more than 8.5 days
 - Savannah is creating pop-up container yards across the state to reduce cargo backlogs
 - Congestion at other key ports remains stable compared to weeks past
 - As of Monday morning, 50 vessels were at anchor at the Port of Vancouver
- **Europe**
 - Virtually all main ports in North Europe continue to experience severe port congestion and high yard density, while operational capacity at Hamburg has significantly improved
 - Berthing and landside delays at Felixstowe and Liverpool remain at critical levels
- **Asia**
 - Congestion is easing at Asia's largest ports ahead of the holiday season
 - Traffic in Shanghai / Ningbo declined 0.2% from the previous week with 175 containership waiting to berth
 - Hong Kong / Shenzhen's ship count dropped 10.4%
 - Global port congestion is playing havoc with intra-Asia trade lanes, with large amounts of cargo stuck at transshipment hubs in the southeast, particularly in Singapore, India, Sri Lanka, and Malaysia
 - Manila's congestion rates are still high, with at least 15 containerships waiting to berth

Contract Negotiations

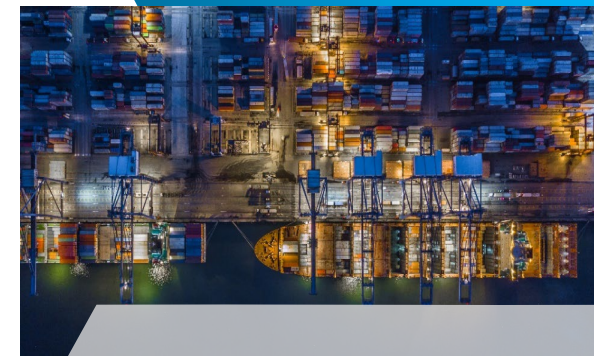
The contract season is well underway, with the carriers cherry-picking large-volume shippers on the Asian and Transpacific trade lanes and locking them into "take it or leave it" multi-year deals. On secondary trade lanes, including the Transatlantic, some carriers are reportedly refusing to open contract renewal negotiations. The UK seems particularly at a disadvantage, with carriers planning reduced capacity and more permanent omissions of UK ports next year. Contracted freight rate indexes jumped 16.3% this month and are expected to go higher.

Announcements

- China's seafarer quarantine rules will likely cause a drop in Pearl River Delta feeder capacity
 - Shipping giants have halted some bookings due to the 6-week suspension of feeder services and have issued advisories warning of disruptions from late December to mid-February
 - The weeks-long suspension will likely have ripple effects on road congestion
- LA/LB ports announce 3rd delay on excess container dwell fees – until December 6, 2021
 - Senators across the country urge the FMC to re-evaluate the fees over concerns the costs will be eventually passed on to consumers
 - The Biden administration expressed support for the fees, despite the fact that they violate federal rules issued in May 2020
- CMA CMG offers cash incentive to importers who pick up their containers at LA/LB within the first eight days of container availability, beginning December 1
 - Importers will be credited \$100 per container picked up during daytime hours and \$200 for containers moved at night or during weekends
- Seattle's SSA Marine announces new container storage fee, effective December 1
 - A levy of \$50/day will be imposed on containers dwelling longer than five days and will escalate \$75/day after five days, \$100/day after 10 days, and \$150/day after 15 days
- While West Coast port authorities continue to "dwell" on import containers, the biggest source of port congestion is actually the empty outbound containers that dwell too long
 - On 11/18, the port of Los Angeles reported about 65,000 empty containers were sitting on the docks, up from 55,000 a few weeks ago
- Container shipping profits soared to an unprecedented \$48.1bn earnings in Q3 - nearly 50% higher than tech giants Facebook, Amazon, Netflix, and Google in terms of profitability
- Several carriers, including Maersk, have announced hikes in bunker surcharges beginning December 1 until further notice amid a rise in fuel costs

Equipment Shortages

- The equipment situation is seeing a slight improvement across most lines in China
- Indonesia, Cambodia, Thailand, and Vietnam continue to face chronic box shortages
- South Korea to partner with HMM to open a container manufacturing factory in Vietnam to alleviate the supply imbalance
- Companies test foldable shipping containers in effort to resolve shipping imbalance; high upfront costs have delayed implementation



Domestic Trucking

Market Expectations, Space, Volume, and Rates

Freight volumes have remained at elevated levels compared to last year. Capacity tightened across the country last week due to an uptick in rejection rates, which is typical this time of year as drivers opt to stay close to home around the holidays. In the lead up to New Year's, expect rejection rates to continue to rise throughout the month of December.

Refrigerated (Reefer) capacity continues to be the scarcest of the truckload trailer types heading into the holiday season. Reefer tender rejection rates have increased 8% since August, and reefer spot rates have increased slightly due to the tightening capacity.

While spot rates are still up double digits compared to 2020 levels, the national average spot rate decreased slightly last week. Rates out of Southern California showed the only increase, which should come as no surprise given the tight capacity and severe congestion levels in Los Angeles and Long Beach. Spot rates are likely to increase through the end of the year, as the rejection rates tick up. Higher fuel costs will be a contributing factor.

Industry experts anticipate a tight capacity environment, supply chain constraints, and rate increases will be the likely hallmarks of 2022.

Major Disruptions

- Increased fuel costs
- Trucking companies still face several challenges, the greatest of which is the struggle to recruit and retain enough drivers to meet demand
- Fleet sizes have decreased over the last year – 6% for large carriers, 4.9% for small carriers and .09% for LTL
- New COVID vaccine mandates for truckers at U.S.-Canada border threatens to cripple trade
 - Vaccine mandates by both countries are set to take effect in January, and only vaccinated truckers will be allowed to move freight across the border
 - The American Trucking Association predicts that roughly 16,000 (37%) of American truckers are likely to quit if faced with the vaccine mandate, while the Canadian Trucking Alliance estimates that 38,000 truckers (24%) would no longer make runs to the U.S.
 - Homeland Security and CBP have yet to release details on how commercial drivers will be checked at the border, and many have expressed concerns the additional scrutiny at the border will lead to longer wait times at the border and additional supply chain delays



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RATES

- Carriers across the U.S. worry about mass exodus of drivers over the vaccine mandates, which could have “devastating impacts” on the economy and the supply chain and worsen the already dire driver shortage
- Southern California port truckers “drowning” in supply chain inefficiencies, including long wait times, a flawed appointment system, and terminal staffing issues
- COVID restrictions in some European countries continue to affect ground transportation, especially in Austria
- Hauliers and drivers say Liverpool’s container terminal is experiencing “horrific” delays, lost boxes, and damaged shipping containers
- China to South-East Asia and the Eurasia Landbridge are facing congestion issues
- Land transport in India continues to face challenges

Equipment Shortages

- The lack of chassis continues unabated, with supply expected to fall short until Q3'22
- Chassis availability issues are most severe in LA/LB, New York, and Philadelphia terminals and the Cleveland, Columbus, Louisville, Nashville, Saint Louis, Atlanta, Chicago, and Memphis areas

Announcements

- J.B. Hunt has announced a new service in the New York metro area, which will provide port drayage, transloading, and linehaul service to inland destinations
 - The operation will be supported by a newly expanded warehouse facility in Jersey City, NJ



Rail

Market Expectations, Space, Volume, and Rates

- China-Europe rail freight volumes have risen 33% over 2020 volumes amid capacity and congestion problems in air and ocean
 - The number of new services has also increased, accounting for 35% of overall trips
 - The higher number of trains, combined with disruptions from COVID policies, infrastructure bottlenecks in Europe, and the refugee crisis on the Poland-Belarus border, has created long delays at border crossings and transshipment hubs, especially in Kazakhstan and Poland
 - Kaliningrad, Russia is reporting severe rail congestion
 - China has threatened to suspend trains through Lithuania, as diplomatic tensions rise between the two countries over the China-Taiwan conflict
- Rail service at the Port of Vancouver briefly reopened over the weekend, but was quickly shutdown again due to heavy rain in southern British Columbia which caused more landslides
 - Traffic remains shut down as “crews work to find safe and effective ways of managing the water flow, stabilizing the infrastructure, and monitoring the overall state of the network”
 - CN continues to divert some traffic to the Port of Prince Rupert
- COVID-19 infections, quarantines, and vaccine mandate lawsuits continue to impact crew availability and operational metrics of major rail lines in the U.S.
- Severe congestion continues to plague major rail facilities in Los Angeles, Long Beach, Seattle, Chicago, and Columbus; shippers should expect increasing delays in picking-up and delivering containers at these locations
- Norfolk Southern Railway’s performance continues to deteriorate
 - The Surface Transportation Board sees a rise in customer complaints over poor performance, including missed switches, longer transit times, operating plans changing without notice, cars stranded at intermediate yards, and poor customer service
- Union Pacific sees international congestion easing between LA/LB and inland terminals after taking various steps to improve the flow - including shifting to 24/7 operations, providing storage options in Salt Lake and Chicago, and offering a \$60/container incentive to bring boxes to UP terminals on weekends



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RATES

Announcements

- CSX celebrated the opening of its Carolina Connector intermodal terminal last week
 - The new terminal adds rail-to-truck transfer capacity for domestic and international container shipments and boasts of three fully automated wide-span, zero-emission electric cranes with a lift capacity of 110,000 containers per year
- On Friday, the GPA commissioned the second set of nine new rail tracks at its Mason Mega Rail Terminal, immediately increasing intermodal capacity in Savannah by more than 30%

Increased Container Dwell Times for Import Rail Cargo

- Seattle: Severe terminal congestion and operational delays have resulted in extended container dwell time
- Los Angeles/Long Beach: Gate capacity restrictions, limited reservations, and rail car shortages (BNSF and UP) have caused increased delays for both on-dock and off-dock cargo

Equipment Shortages

- The lack of chassis continues unabated, with supply expected to fall short of demand until Q3’22
- Chassis shortages continue to cause extended delays in Los Angeles, Long Beach, Philadelphia, Charleston, Houston, Chicago, and Santa Teresa



Asia to U.S.

Market Expectations, Space, Volume, and Rates

Space continues to remain very tight out of China, Hong Kong, Indonesia, India, Sri Lanka, and Vietnam across all modes of transport, and overall demand is expected to be strong in December. Backlogs in China and India are getting worse and continue to impact schedule reliability. Schedule reliability across all modes of transport continues to be an issue due to global port congestion.

The rising number of ships waiting in the San Pedro Bay is creating the perception of a rising tide of U.S. imports, but the actual number of container ships now arriving in Los Angeles and Long Beach have sunk back to pre-COVID levels. The longer wait times are actually caused by landside logistics issues and gridlock – not by the number of inbound container ship arrivals.

The California supply chain delays continue to disrupt U.S. agriculture exports. Port officials say shipping costs are so high now that many vessels are hurrying back to Asia to collect higher value goods instead of collecting export containers, forcing some agricultural exporters to pay more to ship products to ports in Texas and Maryland just to meet Asian customer demand.

Rates continue to rise across all modes of transport, especially out of Hong Kong, Vietnam, Sri Lanka, Thailand, and Indonesia, and most are subject to space availability at booking. Most of the FAK rates out of Hong Kong are no longer valid, and carriers are only accepting diamond tier rates. Due to increased demand out of Vietnam, Bangladesh, and Indonesia, carriers are only accepting premium rates.

Shippers should expect strong demand and capacity constraints well into 2022.

Major Disruptions

- The situation in Hong Kong is getting worse by the minute
 - Some ocean carriers have stopped accepting bookings, even for diamond tier customers, as they work to clear the backlogs
 - Many passenger flights have been cancelled, dramatically reducing the amount of air cargo capacity
- Ocean freight capacity is extremely limited out of Bangladesh, and carriers are only accepting cargo booked at premium rates; air freight is stabilizing, but rates remain elevated



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EQUIPMENT



RATES

- Production levels in Indonesia continue to be impacted by COVID lockdowns; space has reached critical levels on all modes of transport, further hampered by severe port congestion, backlogs, and delays at hubs and transshipment ports; freight rates for both air and ocean continue to skyrocket
- Shipments out of Vietnam, Sri Lanka, and Indonesia are subject to frequent rolling
- Shippers with fixed contract rates ex-Vietnam cannot secure space
 - Carriers are not respecting contracted rates, and are instead opting to accept higher spot rates – some five times higher than pre-pandemic levels
- Large volumes of cargo are piling up at transshipment hubs in Southeast Asia, with Singapore and Indonesia especially hard hit

Announcements

- American Airlines has suspended flights from ICN-PEK-DFW, effective 10/31/21 – 3/26/22
- United Airlines has resumed flights to Beijing
- Indonesia Customs has reported a systems issue which is impacting clearance turnaround times on inbound shipments
- Hapag-Lloyd is advising customers to divert inbound reefers from the port of Dalian to other ports or origin ports due to restrictions on frozen meat and seafood over COVID-19 fears
- Service Changes
 - [Wan Hai Lines](#) has expanded its AA7 Asia – U.S. East Coast service by adding Ningbo, Port Klang, and Charleston to its service rotation
 - THE Alliance who is omitting Seattle on their PN3 service for 4 weeks



Asia to Europe

Market Expectations, Space, Volume, and Rates

Demand remains strong, and we expect an additional rush towards the end of December. Space remains very tight out of China, Hong Kong, Indonesia, India, Sri Lanka, and Vietnam across all modes of transport. Vessel delays and port congestion at origin and destination continue to restrict capacity.

The disruption of supply chains is accompanied by high rates and capacity bottlenecks. For the time being, the situation is unlikely to ease.

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Shippers should expect strong demand and capacity constraints well into 2022.

Announcements

- Indonesia Customs has reported a systems issue which is impacting clearance turnaround times for inbound shipments
- Maersk and MSC have extended the omission of Felixstowe on the AE7/Condor loop until March 2022
 - MSC's boxes will be landed at Antwerp and feedered to Felixstowe
- Hapag-Lloyd will begin omitting calls to several ports in Japan starting in January
- ONE is still not offering services to Australia



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EQUIPMENT



RATES

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- Large volumes of cargo are piling up at transshipment hubs in Southeast Asia, Singapore and Indonesia especially hard hit



Europe to the Americas

Market Expectations, Space, Volume, and Rates

Import volumes remain high. Ongoing port congestion, severe service delays, and capacity shortages are wreaking havoc on supply chains. The situation is likely to continue with no major changes until at least mid-2022.

Air freight rates remain at very high levels. Some carriers have confirmed rates valid through the end of 2021.

Bookings should be placed as early as possible.

Major Disruptions

- Ground handling issues in Frankfurt continue to cause delays
- Guarulhos (GRU) and Viracopos (VCP) airports in São Paulo have reported severe congestion
- ONE is currently experiencing operational constraints to Mexico and are therefore not able to offer sailings on the AL4 service
 - ONE does not anticipate the situation resolving until December
 - In the meantime, they have chartered an extra loader to clear the backlogs
 - We suggest using Hamburg Sud on this trade lane to avoid further delays

Announcements

- Maersk has announced major changes to its North Europe to/from West Coast South America, Caribbean, and Central America network effective January 2022, including:
 - The closure of the North Europe – Mexico - WCSA - Ecuador ' Ecubex ' service
 - Transferring the westbound North Europe to Veracruz and Altamira connection of the ' Ecubex ' to the North Europe – U.S. East Coast - Centram CRX



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RATES

Mexico and South America

Space is still very tight to Mexico and other South American ports, although the ocean freight situation in Mexico has improved slightly. Most carriers are fully booked through mid-December.

Capacity is gradually increasing to Brazil as airlines continue to offer more passenger flights.

Rates remain stable, but extremely high due to the increased volumes. Air freight rates remain at very high levels. We expect rates to remain stable at current levels through Q1'2022.





Thank You

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