



MARKET INSIGHTS

Global Logistics Update

DECEMBER 12, 2022



State of Global Trade

Global trade continues to stumble as the perfect storm of economic, energy, and inflation clouds gather worldwide.

Inflation continues to surge nearly everywhere, with almost half the countries seeing double-digit inflation rates. In the U.S., the inflation rate has fallen to 7.75%, down from 8.2% last month; however, the Fed widely expected to raise interest rates by 0.5% at its meeting next week in order to achieve its 2% inflation goal. Meanwhile, the biggest banks in the U.S. warned the county is likely to enter a recession in 2023. The UK has already announced it has fallen into a recession and European Commission has warned that that Europe will be heading into a recession by year’s end, with inflation expected to average 9.3% as the deepening energy crisis erodes purchasing power and weighs on production.

Despite the inflationary challenges, the National Retail Federation (NRF) is forecasting that holiday spending will grow between 6% - 8% over 2021. “While consumers are feeling the pressure of inflation and higher prices, and while there is continued stratification with consumer spending and behavior among households at different income levels, consumers remain resilient and continue to engage in commerce,” NRF President CEO Matthew Shay said. “In the face of these challenges, many households will supplement spending with savings and credit to provide a cushion and result in a positive holiday season.

Diesel shortages – which is also used to heat homes and businesses – shortages continue to spread across the globe. The International Energy Agency has warned that ‘we are in the midst of the first global energy crisis,’ where tens of millions of people across the world may lose access to fuel or energy to their homes. Despite the global shortages, Saudi Arabia, OPEC+, the U.S., and China have all scaled back on production, producing at less capacity than they were compared to pre-pandemic levels. Officials in Hungary are warning that the situation is “critical.” In Syria, the government has imposed fuel rationing after the shortages caused a number of cell towers to go offline. In the U.S., distillate inventories have dropped to their lowest point since 1950, according to the Energy

Upcoming Global Holidays

Holiday	Country	Date(s) Observed
Constitution Day	Thailand	December 10
Hanukkah	International	December 18 – December 26
Christmas	International	December 25 observed December 26
Boxing Day	Canada and UK	December 26
Lunar New Year	China	January 22 – February 5, 2023

Information Administration. Though the diesel shortage is affecting the entire country, inventories are particularly low on the East Coast, with the Northeast experiencing the highest diesel prices and the Southeast reporting the worse shortages. Global manufacturing indices (PMI) fell to 49.0 last month, the weakest reading since May 2020 when the world was reeling from the initial wave of the pandemic, indicating a downturn across geographics. In the U.S., manufacturing activity declined for the first time in 2 ½ years, despite the price of inputs falling for a second straight month. Across Europe, the PMI rose to 47.1, up from Octobers 46.4, while the UK fell for a fourth straight month and Europe’s industrial powerhouse, Germany, fell by 0.4% as high energy priced weighed on manufacturing output. In China, manufacturing activity hit a seven-month low. Manufacturing activity has also contracted across Asia, including Japan, Vietnam, South Korea, and Taiwan. The one bright spot was India, where factory activity expanded at its fastest pace in three months. Global manufacturing sales were down 4.3%, reflecting the impact of lower production and softer demand. Meanwhile, despite improved cargo flows and an overall decline in freight rates, manufacturing companies continue to face shortages of raw materials and components.

We are beginning to see signs of a decoupling from the world’s second largest economy. U.S. containerized imports from China fell 5.5% in October (the latest data published) after an 18% contraction in September, while total U.S. imports remained mostly flat in October, declining 0.2%, and down 11% in September. The decline in shipments from China was offset



State of Global Trade (Cont'd)

by gains from Thailand, South Korea, and other Asian countries. Taking a look at booking indexes for December, China-to-U.S. bookings have declined faster than the overall index for all export destinations, worse than many economists anticipated. According to local factories, December orders are slow, with a number of retailers cancelling orders ahead of Christmas, and many have not yet received orders for January. China's imports also missed expectations, tumbling 10.6% as COVID woes and sluggish demand take toll on the economy.

After weeks of historic unrest over COVID policies, Beijing announced on Wednesday a move toward easing some of its stringent pandemic restrictions, which include dropping some of its quarantine and testing requirements and curtailing the power of local authorities to shut down entire city blocks. But health officials have been quick to warn they will closely watch trends 'in case a return to tougher measures is needed.'

Looking ahead to 2023, economic consensus is for weaker global growth akin to a mild, short recession, falling – although still elevated – inflation, and an end to rate hikes in most developed economies. Many economists expect Europe to see a flat year and the U.S. to hold up slightly better, with intra-Asian trade expected to prop up the global average. Energy prices are very likely to remain high, squeezing households' purchasing power and burdening manufacturing competitiveness. However, if inflation remains elevated, central banks around the world will continue with aggressive rate hikes, increasing the chance of a sharper economic decline. Taking a look at the retail sector in the U.S., the NRF forecasts an overall decline in Q1 compared to 2022, with imports in expected to fall 8.4% in January, 19.1% in February – the lowest since June 2020 - and only a slight recovery in March, down 15.2%.

Announcements

- U.S. extends Section 301 tariff exclusions for **81 COVID-related medical care products** through **February 28, 2023**
- U.S. bans imports of telecommunications equipment made by Chinese manufacturers, citing "unacceptable risk" to national security
 - The new rule bars the sale or import of equipment from Huawei Technologies, ZTE, Dahua Technology, Hangzhou Hikvision Digital Technology, and Hytera Communications amid fears that Beijing could use them to spy on Americans
- U.S. bans imports of sugar from biggest producer in Dominican Republic, citing forced labor
 - CBP announced that, effective immediately, sugar and sugar-based products made by Central Romana Corporation will be detained at all ports of entry after an investigation by the agency found evidence of abusive working and living conditions, withheld wages, excessive overtime, and other violations
- The European Union to ban imports of products that contribute to deforestation, including timber, coffee, cocoa, soy and palm oil, effective **December 31**
- Bangladesh to increase tariffs on 40 luxury goods to discourage imports of non-essential items amid the growing economic crisis
 - In addition, the central bank of Bangladesh is contemplating changing the exchange rate of the taka against the U.S. dollar by the end of the year, which would mean the dollar would be traded at 100 taka, up from 98 taka



Air Freight

Market Expectations, Space, Volume, and Rates

The air cargo peak season has still not materialized and there has been no sign of a seasonal uplift in demand. Global air volumes continue to slide downwards after a dismal November, where volumes dropped 8%. But it is just a little premature to rule out a peak season. If the muted peak season thus far is the result of early over ordering, and if Black Friday sales has a substantial effect in clearing the excess inventories, we could possibly see a late seasons surge in volumes. Despite low global volumes, Transatlantic trade volumes remain steady. We have also seen a slight uptick in demand from China, but it is expected to be a short-term surge, which will likely decrease in the lead up to Christmas.

Part of the year-on-year decline is attributed to improvements in ocean freight market. As global port congestion eases and prices retreat, many retailers, especially in the fashion/garment markets, are converting back to the cheaper ocean freight option to bring the down landed cost of goods.

The recovery in overall capacity has also stalled, with available freighter and belly space remaining 7% below pre-pandemic levels. However, there are wildly different regional trends, with capacity in the U.S. flat, Europe up 10% and Asia down 11%.

Spot rates across all tradelanes, except ex-China and ex-U.S., continue to soften, although they remain stubbornly elevated compared to pre-pandemic levels. Spot rates from the U.S. remain stable, while rates out of China have seen a moderate increase. As the spot market continues to drop, many contract shippers are pushing for contract adjustments. In addition, many are taking a 'wait and see' approach on block space commitments and annual long-term contracts, instead choosing short-term deals as they wait to see how global markets unfold in the coming months.

Looking ahead at 2023, airline executives say demand is likely to continue in a depressed state, but have mixed opinions on when the turbulence will end. Some are guardedly optimistic that demand could improve after China's Lunar New Year holiday, as retailers who overstocked early replenish their inventories, while others expect demand to pick up by March. The overwhelming consensus is that 2023 will be a bumpy year, with fewer seasonal peaks and valleys. Airlines have signaled they will have more scheduled capacity in all markets next year than before the pandemic, increasing the amount of belly space. Unless demand pick up, the additional capacity will put downward pressure on rates, with many speculating that rates could fall below 2019 levels.



CAPACITY



EQUIPMENT



RATES

Major Disruptions

- The peak holiday travel season is likely to create bottlenecks in the air and on the ground, especially in Europe due to terminal congestion and the threat of industrial actions
- Major airlines are pushing for pilots to fly solo – instead of two pilots in the cockpit - in an effort to lower costs and ease pressure from worker shortages
- **JetBlue Airways** warns of flight disruptions this winter and into 2023 due to air traffic control constraints, including “staffing headwinds”
- FedEx dumps 40 international and domestic flights and grounds older aircraft, additional flight likely to be chopped over the coming weeks

Announcements

- Hong Kong's Civil Aviation Department announces the following cargo fuel surcharge increases, effective **December 1**
 - North & South America: \$0.56/kg
 - Europe, Middle East & Africa: \$0.56/kg
- **JetBlue** regains slots at JFK and Newark after the FAA approved its request to waive minimum flight operations requirements
- **American Airlines Cargo** to boost direct Transatlantic capacity this winter
- **Air Canada** continues to expand its freighter network to the U.S.
- **Lufthansa Cargo** doubles capacity to Vietnam
- **British Airways** to double flights at Gatwick Airport, rather than expand at Heathrow
 - The move to Gatwick comes amid staffing issues and clashes over landing fees at Heathrow
- **IPP Air Cargo** nixes plans to become Vietnam's first cargo airline due to declining global demand



Ocean Freight

Market Expectations, Space, Volume, and Rates

Global demand continues to wane amid strong economic headwinds. According to the Xeneta Shipping Index, all major tradelanes saw negative import and export trends in November. Meanwhile, capacity remains in excess on most tradelanes, despite aggressive blanking strategies.

Overall, global port congestion continues to improve on the heels of softer inbound volumes, but there is still a way to go before normalcy returns. While larger ports have cleared much of the unprecedented vessel backlogs, smaller ports continue to struggle. Currently, 10% of all goods shipped worldwide remain stranded offshore, down from 30% in May.

Schedule reliability also seen improvement. Average voyages are now hovering around 80-90 days, about double the time it took prior to the pandemic, as smaller ports continue to experience relatively high delays.

Despite the aggressive blank sailing strategies designed to mitigate further rate erosion, spot rates on most tradelanes continue to soften, marking the end of the shipping boom. Meanwhile, the global RO-RO market is taking off, with full ships, capacity at a premium, and spot rates skyrocketing.

Rates are expected to continue their downward trend in the lead up to Christmas, but December could possibly end on a stronger note as shippers gear up for the pre-Lunar New Year season and carriers remove additional capacity to drive rates up. Looking further ahead, analysts are anticipating that global ocean freight volumes could fall by around 2.5% in 2023 as the cost-of-living crisis eats into consumer spending power; however, if the economic situation deteriorates further, that figure could increase. Spot rates are expected to decline further in 2023, with rates on some key corridors projected to drop below pre-pandemic levels. Long-term contracted rates are also expected to fall sharply, as new contracts reflecting the current reality are negotiated over the coming months.

Asia – U.S. / Asia - Europe

China's exports continue to tank as disruptive COVID policies hamper manufacturing operations, and signs are grim in the lead up to the Lunar New Year holiday in January. Official data shows that outbound shipments have deteriorated by value after peaking in July, despite the falling yuan. Manufactures are also reporting a 20% - 30% average decline in new orders. COVID curbs, the slowing economy, and weakened yuan continue to have negative impacts on the country's imports, with the most recent data for October showing an unexpected contraction in import activity.



CAPACITY



EQUIPMENT



RATES

On the Transpacific trade, spot rates from China to the East Coast saw a modest decline, while rates to the West Coast continue to sink towards pre-pandemic levels. On the contract market, carriers are offering temporary rate reductions to align more closely with the spot market. Rates on the backhaul are trending slightly down amid declining volumes. Shippers are advised to book at least 2 weeks prior to cargo ready date, keeping in mind that carriers are likely to blank additional sailings over the coming weeks.

On the China - Europe trade, we have seen an uptick in bookings since week 48. Spot rates continue to soften, although the rate of decline has slowed. Volumes from North Europe to Asia remain soft and are expected to weaken by the end of the year. On the westbound leg, rates continue to decline.

Overall, markets and spot rates out of Asia continue to soften as global demand wanes, except as noted below. As a result, traffic flows at major transshipment hubs are normalizing, increasing overall schedule reliability. On the North America – Asia trades, rates to Japan, Taiwan, and South Korea have dropped modestly, while rates on other lanes remain stable.

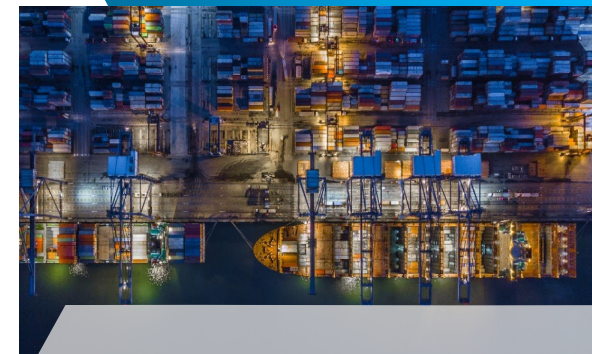
Carriers have imposed space limitations on U.S.-bound shipments from Cambodia. While rates continue to soften, ad-hoc rates may apply on large volume shipments.

Both imports and exports from Japan have reached record highs amid the dropping yen. According to the Finance Ministry, products boosting exports were vehicles, medical products and electrical machinery, while energy and food imports surged.

Space remains extremely tight out of Vietnam, with space released on carrier allocations only. While overall schedule reliability is starting to improve, some sailings are still subject to change due to late vessel returns.

U.S. - Europe

American demand for European imports remains high, prompting carriers to shift capacity and deploy more tonnage to North Europe – U.S. East Coast services. Despite the additional capacity, space remains limited.



Ocean Freight (Cont'd)

U.S. – Europe (Cont'd)

Meanwhile, demand to Europe continues to softened. While there are limited space constraints from the U.S. East Coast, space remains tight from the Gulf and West Coasts.

Spot rates on both trades have stabilized but remain above pre-pandemic levels. Rate are expected to remain flat through the end of the December and will likely decline heading into the new year.

Shippers are advised to book 3 – 4+ weeks prior to cargo ready date. For higher reliability and no-roll, request premium services.

Latin America

Space remains extremely tight to all Latin American destinations from both the U.S. and Europe, with bookings subject to space availability. Schedule reliability remains an issue due to ongoing port congestion in both Mexico and South America. Carriers have implemented general rate increases to all LATAM West Coast ports, while rates to East Coast ports remain relatively stable.

Oceania

Demand on the U.S.- and Europe – Oceania tradelanes remain strong. Space on the U.S. trade remains tight, while space continues to loosen up the European lanes. Freight rates across all tradelanes have shown a modest decline but remain well above pre-pandemic levels. To slow the rate of risk erosion, transshipment carriers are removing capacity from the market. Schedule reliability remains an issue, especially on voyages to/from New Zealand. On the U.S. trade, port-to-port delivery is currently at 55 days, up from the normal 25 days. Shippers are advised to book 5 weeks prior to cargo ready date for U.S. bound cargos.

Announcements

- The Port of Houston has delayed the rollout of its 'sustained container dwell fee' due to delays with the port's software developer
- CMA CGM to acquire New York and New Jersey terminals from Global Container Terminals, Inc.
- The Federal Maritime Commission (FMC) is facing backlash from members of Congress over a loophole in the Ocean Shipping Reform Act which allows foreign carriers to leave U.S. ports without goods
 - In a [letter to the FMC](#), Congress warned that carriers will continue to wreck "havoc" on U.S. ports if the agency doesn't change its requirements to prevent unfair business practices

Major Disruptions

- The rise in canceled sailings on the Transpacific is significantly impacting the U.S. export market
 - Export container dwell times have risen dramatically and are currently averaging 8 days
 - The ports of Long Beach and Savannah have been hardest hit, with Long Beach reporting export dwell times exceeding 18 days
 - Carriers are now charging significant demurrage and per diem fees on the long dwelling export containers
 - We are also seeing a rise in the number of export bookings missing their scheduled departures on the West Coast, as the severely congested terminals have been forced to limiting the number of loaded containers accepted
 - The situation is likely to worsen in the coming weeks as carriers ramp up blanking strategies given market uncertainties
- Carriers are omitting services to U.S. inland points due to bottlenecks at rail terminals and ports
- Major U.S. East Coast ports are reporting schedule disruptions due to the backlog of incoming freight
 - Shippers should expect delays and possible rolling of vessels
- Striking truckers in South Korea have blockade the ports of Busan and Gwangyang
 - Box traffic to the port fell to 40% of normal levels earlier this week and is expected to worsen should the industrial action be prolonged
- Chile's San Antonio Port has been completely shut down after 6,500 dockworkers walked off the job
- Svitser Australia, part of A.P. Moller-Maersk, has indefinitely locked out all harbor towage employees following a two-year labor dispute that resulted in 1,100 strike actions
 - During the lockout, no vessels will be towed in or out of 17 Australian ports, which will impact shipping operations at major metropolitan and regional ports nationwide
- Significant labor shortages at New Zealand's Port of Auckland is adding to slow vessel turn around times



Ocean Freight (Cont'd)

Rotation Changes

- Maersk to close its TP28 standalone loop between Vietnam, China, and the U.S. East Coast
- Maersk has announced the following change in its TP1 rotation, effective immediately
 - Xiamen - Yantian - Ningbo - Shanghai - Busan - Yokohama - Prince Rupert - Vancouver - Yokohama - Busan
- ZIM and 2M announce the suspension of their joint ZSE service
- UK-based Ellerman City Liners launches new biweekly Europe – U.S. East Coast service
 - Antwerp - Rotterdam - Tilbury - New York - Wilmington – Jacksonville
- At least one of the alliances is considering a “winter schedule” for the Asia – North Europe tradelane, which could remove a third of their weekly capacity, beginning **January 21**

Blank Sailings

- Carriers continue to ramp up the number of blank sailings, with the majority bound from Asia to North American ports
- In addition to announced blank sailings, some carriers have been cancelling voyages at the last minute due to low utilization
- We are also hearing that carriers are blanking sailings up to Chinese New Year, which falls on January 21

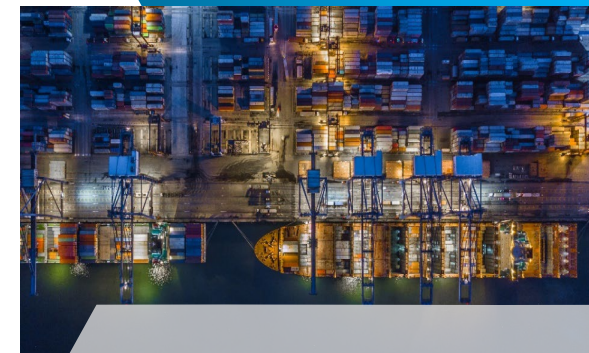
Equipment Shortages

- The slump in demand has led to more problems – a massive glut of empty containers at ports worldwide and not enough depot space to accommodate them
 - Carriers have undertaken the bare minimum when it comes to empty container repositioning, stranding thousands of empty containers at depots across the world
 - As a result, the majority of storage facilities are running at 99% - 100% capacity
 - New York and Los Angeles are considering imposing fees on carriers for failure to pick up empties to prevent further yard congestion

Port Congestion

Region	Country/State	Vessel Backlog	Wait Times to Berth	Average Container Dwell Times
North America	Boston	normal	normal	normal
	Los Angeles / Long Beach	4 ↓	4 days ↑	14.2 days
	New York / New Jersey	2 ↓	2 days ↓	9 days
	Seattle	normal	normal	8.5 days
	Oakland	13 ↔	10 days ↓	8.2 days
	Houston	8 ↓	10 days ↓	9.7 days
	Savannah	23 ↓	12 days ↓	9.8 days
	Norfolk	normal	normal	7.5 days
	Charleston	normal	normal	12.6 days
China	Ningbo	126 ↓	2 days ↓	16 days
	Hong Kong	83 ↓	1 day ↓	*
Europe	Antwerp	* ↓	2 days ↓	7.2 days
	Rotterdam	48 ↓	2 days ↓	6.8 days
	Hamburg	19 ↑	8 days ↑	8.3 days
Oceania	Auckland	6 ↑	10 – 20 days ↑	*

* No data available.



Trucking

Market Expectations, Space, Volume, and Rates

The U.S. trucking sector continues its return to the pre-COVID normal after riding the highs of the past two years. But while demand has lost momentum, capacity has been increasing – in both terms of personnel and equipment.

On the spot market, dry van tender volumes have fallen 3.6% week over week and are nearly 31% below the same period last year. Contracted loads have also moderated, down 3.85% YOY. Almost all of the markets saw declining demand, including New England, Atlanta, Dallas, and Ontario, CA. The two bright spots were Detroit and Harrisburg, PA, which saw tender volumes rise 3.62% and 2.38% respectively. The flatbed sector saw the largest loss, down 14.9%, with load activity down across all regions. Meanwhile, refrigerated volumes saw only a modest decline after jumping 13% last week, the largest increase since the week after Labor Day, with volumes up in all regions except the Northeast. The less-than-truckload (LTL) market is also showing signs of softening, with volumes retreating from their all-time highs.

Overall, the market is seeing a shift back towards large carriers and contract freight. Over the last two years, spot freight - hauled mostly by small fleets and owner-operators - accounted for nearly 50% of the trucking market, up from its normal share of 10%-20%. But over the last few months, we've seen spot market share drop to 18-30%. Another indication that a correction is likely coming to the market is the increase in the number of net revocations of operating authorities in the spot market (meaning, when a carrier is no longer operating under a license). This is most likely due to the fact that many smaller fleets and independent owner-operators over-extended themselves by paying too much for new equipment in their rush to cash in on the booming market. Then when spot rates dropped back down to more normal levels, they were no longer competitive because their operating expenses were too high, effectively pricing themselves out of the market.

Despite imposing fuel surcharges to offset soaring diesel prices, spot rates continue to decline as the dry van, flatbed, and refrigerated markets lag seasonal expectations. On the contract market, rates are also starting to weaken, although not as sharply as the spot market. Pricing in the LTL market remains elevated, with many carriers posting general rate increases due to higher fuel costs.



CAPACITY



EQUIPMENT



RATES

China

COVID policies and restrictions continue to impact trucking operations across major manufacturing and export hubs, including Shenzhen, Beijing, Guangzhou, Tianjin, Wuhan, and Chongqing. Reduced capacity and elevated fuel charges have contributed to increased transportation costs.

Europe

Trucking capacity remains tight across the continent due to the persistent shortage of drivers and the delayed delivery of newly ordered trucks. Despite declining container volumes, soaring diesel fuel and operating costs have kept rates elevated.

Major Disruptions

- Diesel shortages and soaring diesel prices are hindering freight movements across the globe
 - Frustrated drivers are spending countless hours chasing after fuel, waiting in line, and then perhaps finding out the gas station ran out of supply
 - In the U.S., diesel prices have soared to record highs across the country, topping \$6/gallon in many of the largest markets by outbound volume, including the Northeast and California
- Truck drivers continue to block roads, highways across Brazil in protest of the highly contested presidential election
 - In recent weeks, local authorities have been targeting those involved in the demonstrations, including freezing bank accounts and other unethical acts, in an effort to quell the opposition
- Spanish truckers stage new open-ended strike over freight rules, cost of living
- Cyberattack forces Mexico's transportation ministry to stop issuing new permits, drivers licenses, and license plates for commercial truck operations until **December 31**
- Mexico considers using national guard to combat cargo theft, which has risen 7.5% between January – September



Domestic Trucking (Cont'd)

Announcements

- FedEx Freight announces furloughs in some U.S. markets due to an unexpected drop in volumes
 - The LTL carrier “will continue to evaluate the environment and bring back furloughed employees as business circumstances allow”
- Werner, J.B. Hunt, Knight Swift, and Yellow are also adjusting staffing and capacity levels amid softer holiday demand, while Forward is using less third-party capacity
- More than 44,000 truck drivers in Illinois [win lawsuit](#) against BNSF after the railway unlawfully scanned driver’s fingerprints without proper permission while dropping off and picking up loads at rail yards
 - Collecting or storing biometric data, including fingerprints scans and facial recognition requires written, informed consent or notice under the Illinois Biometric Information Privacy Act
 - Jurors concluded that BNSF “recklessly or intentionally” violated the state’s biometric law
 - 45,600 times, the estimated number of drivers who had their fingerprints scanned
 - BNSF plans to appeal, arguing the independent contractor it hired to scan the drivers’ fingerprints is responsible
 - Earlier this year, another Illinois driver filed a class action lawsuit against Maverick Transportation and Lytx for similar violations
- California plans to ban diesel trucks at ports by 2035, across the state by 2040
 - Truckers warn the lack of charging stations for big rigs across the state and concerns about electric vehicle (and battery) costs will be a major hurdle in the switch to electric trucks, and would drive many owner operators out of business
 - The [contentious proposal](#) also ignores the lack of energy infrastructure needed to support the transition, as evidenced by the continued use of rolling blackouts across the state, as well as promptings not to charge electric vehicles and to unplug refrigerators during peak hours to conserve energy

Driver Shortages

- Driver numbers in the U.S. are up, especially in the long-haul sector, but as demand wanes, carriers have begun to scale back on recruitment efforts, with some carriers forced to layoff drivers to match hours available with current workloads
- Meanwhile, in Canada, Europe, and New Zealand, the shortage of drivers continues to grow, significantly impacting freight movement/delivery schedules

Trucking Lead Times



Equipment Shortages

- The chronic undersupply of chassis, which is expected to last well into 2023, continues to frustrate shippers

U.S. Chassis Availability

Port	20' Chassis	40' Chassis
Boston	Normal	Normal
Chicago	Constrained	Critical
Denver	Normal	Constrained
Houston	Constrained	Critical
New York / New Jersey	Critical	Critical
Memphis	Critical	Constrained
Oakland	Critical	Critical
Seattle	Constrained	Critical
Los Angeles / Long Beach	Constrained	Constrained

Rail

Market Expectations, Space, Volume, and Rates

Despite lower import volumes, demand continues to outstrip available capacity, with unfilled car orders up 325% over the same period last year. Total weekly rail traffic for November 19 was down 3.2% compared with the same period last year, mostly due to shippers looking to hedge against a potential rail strike. Breaking the volumes down by segment, carloads were down 0.6% while intermodal units were down 5.6%. Year-to-date figures show overall traffic down 2.5% compared to the same period last year.

Four of the 10 commodity groups posted gains, including nonmetallic minerals, grain, and coal, while chemicals, motor vehicles and parts, and forest products posted sharp declines.

Overall rail performance continues to improve, with train speeds increasing and turn times decreasing. However, we continue to see limited rail reservations, chassis shortages, and gate capacity restrictions, especially at West Coast and inland points, leading to an increase in origin dwell times. As a result, backlogs continue to grow, with large volumes of containers going into massive stacks across the country. In Chicago, we are seeing an increase in delays, where chassis shortages have led to prolonged turn times for truckers. We are also hearing reports of trains being stopped for several days at checkpoints.

China - Europe

Demand remains moderate out of China due to COVID's impact on manufacturing output and economic headwinds in Europe. Despite lower volumes heading to Europe, rates remain high. The surprising strength in rates is tied to increased demand from Russian shippers desperate for capacity after ocean carriers stopped calling the country's ports following the Ukraine invasion.

Canada / Mexico

Canadian railroads reported weekly increases - 12.8% for carloads and 24.8% for intermodal units - while combined YTD figures were down 1.4%. Mexican railroads also reported increases, with carloads up 11.7% and intermodal up 9.4%, and combined YTD figures showing a 3.7% gain.



CAPACITY



EQUIPMENT



RATES










Major Disruptions

- **Union Pacific** begins metering cargos; will impose embargoes on customers who do not comply
- **Canadian Pacific** imposes an embargo on containers from the West Coast to Montreal
- Australia's **Pacific National** indefinitely locks out ~850 freight train drivers in New South Wales, in retaliation for previous industrial actions over pay, working conditions, and safety concerns
- Rail workers at the UK's **RMT** have announced multiple strike actions over the coming months
 - 40,000 rail workers will stage walkouts on November 26, December 13–14 and 16-17, and again on January 3-4 and 6-7
 - RMT has also issued an overtime ban across the rail network from December 18 – January 2

Announcements

- The nationwide rail strike has been officially averted after the White House signed a bill enforcing the tentative agreement

U.S. Container Dwell Times

Rail Terminal	Average Dwell
Charleston	5 days 
Chicago	12.3 days 
Houston	6.5 days 
Kansas City	12.3 days 
Los Angeles / Long Beach	13 days 
Memphis	33 days 
New York / New Jersey	5 days 
Norfolk	4 days 
Savannah	3 days 





Thank You

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www.oceanair.net



OCEANAIR, Inc.
186A Lee Burbank Highway
Revere, MA 02151



Phone
781.286.2700



Email
solutions@oceanair.net