MARKET INSIGHTS

Global Logistics Update

OCTOBER 26, 2022

State of Global Trade

Global demand continues to wane as consumer confidence plummets and business spend slows amid skyrocketing inflation, economic pressure, and geopolitical uncertainties. The uncomfortably high inflationary pressure has led to increased costs of fuel and food worldwide, lowering demand for manufactured goods, and sales growth is now only just keeping pace with the rate of inflation.

New export orders continue to decline in all major economies, with the exception of the U.S. China's exports have fallen 61% this quarter, while India's export shipments tumbled 3.5% in September. Furniture exports from the Philippines, one of the country's largest markets, are expected to slump by 25% due to an unprecedented volume of cancellation orders from the U.S. and Europe. Taiwan has cut its 2022 growth forecast for the second time this year as waning global demand for electronics, weakening domestic consumer demand, and rising geopolitical pressure from China clouds the economy's outlook. In Japan, the weak yen has inflated the cost of imports, while its exports suffer due to an ongoing shift of production abroad. Exports from Vietnam, the fastest growing Asian nation, dropped 14.3% amid reduced consumption in major economies.

Global manufacturing continues to be rocked by rising prices, weakened demand, COVID lockdowns, and energy crises. Economists have downgraded global productivity growth to 2.8% for the remainder of 2022, down from 4%, and are anticipating 2% growth in 2023. Power rationing and COVID quarantine restrictions have weighed heavily on manufacturing and production output in China, with the country growing at its slowest pace in decades. The draconian lockdowns have become the new norm, with Chengdu, Dalian, Guangzhou, Ningbo, Shanghai, Shenzhen, Tianjin, and Zhengzhou the latest victims of Beijing's war against COVID. While some ports and airports in the affected areas – including Shanghai and Ningbo - are operating under a closed-loop system, manufacturing and inland logistics have been significantly impacted by the restrictions. The energy crisis in Europe, which is expected to deepen as we head into winter, has forced industries across the continent to slow or halt production and is already pushing Germany into a recession, with many companies forced to go out of business.

China continues to lose manufacturing and market share to its Asian neighbors amid supply chain disruptions caused by Beijing's continued imposition of its zero-COVID policy. Vietnam has taken the lion's share of manufacturing away from China, followed by India, Malaysia, Taiwan, and Bangladesh. Meanwhile, President Xi Jinping announced at the 20th National Congress of the CCP last week, that China will continue executing its zero-COVID policy.

Meanwhile, the Labor Department has reported the that Producer Price Index (PPI) – a gauge of what suppliers charge other businesses for their outputs - rose 8.5% in September from a year ago, the smallest increase since July 2021. The PPI needs to go down before consumers can expect to see any relief from the runaway inflation.

In the U.S., inflation rose to a 40-year high in September at 8.2%. Household spending cratered in September to 6.0% from 7.8% in August, the largest one month fall since 2013. Consumers are increasingly turning to credit to make ends meet as prices continue to skyrocket, with revolving credit debt surging to 18.1% and total consumer debt swelling to $4.68 trillion.

The U.S. dollar has surged to a 20-year high, appreciating 22% over the yen, 13% on the Euro, and 6% against emerging market currencies. For many countries, the weakening of their currencies against the U.S. dollars is adding to inflationary pressures, thus making American goods less competitive for foreign buyers. The global inflations rate is running about 8%, while the average rate in the European Union has hit 10%. Meanwhile, imports have become more affordable for America, representing a headwind for domestic growth.

In a recent article, *Business Insider* warned of a mounting risk of a banking crisis or market meltdown as the Fed goes overboard in fighting inflation. The aggressive rate hikes will curb interest-sensitive spending in the fixed investment, housing, and automotive markets. The United Nations also warned that tightening U.S. monetary policies pose a significant threat to poorer nations and could drive the world into a recession. The WTO also cautioned that global economic growth rates could drop even further if central banks continue to raise interest rates.

State of Global Trade (Cont'd)

Civil unrest continues to explode across the globe as demonstrators take to the streets in protest against soaring living costs and fuel shortages, leading to political instability in many nations. In over 90 countries, touching every continent except Antarctica, demonstrators have called for change, demanding that gas be made more affordable and available and calling for an end to skyrocketing inflation. Across Europe, support for Ukraine continues to wane under the pressure of soaring energy bills and food prices, with mass protests calling for talks with Russia to resume gas deliveries and sanctions against Russia be lifted. As vulnerable households across Europe face energy bills that have doubled over the past 12 months, rumors are rampant of a deep recession, energy rationing, and industrial shutdowns.

The White House has ruled out a ban on natural gas exports in an effort to help alleviate the energy shortages in Europe, despite rising domestic energy costs. Inventory levels are at historically low levels after U.S. companies exported record amounts of natural gas to Europe and China in recent months. Continued exports will lead to skyrocketing home-heating bills this winter, with some analysts expecting the average cost of home heating to rise 17.2%, putting millions of low-income families at risk. Some power companies – who rely on natural gas – are warning consumers that electricity bills could soar 60%. Bloomberg also warned earlier this week that U.S. diesel fuel supplies are down to dangerously low levels, with only a 24-day supply left. Meanwhile, OPEC has announced it will cut global oil production by 2 million barrels a day, further tightening the global supply. Expect to see an increase in fuel costs in the short term; the long-term impact is unclear.

Strike actions continue to mount globally as workers in every sector rise up to demand cost of living wage increases. In the UK, dockworkers at Liverpool have walked off the job again for a two-week industrial action after union officials accused the port operator, Peel Ports, of killing a deal and discrediting workers in a media gaslighting campaign. Meanwhile, there are unconfirmed reports from that dockers in Southampton are refusing to handle vessels diverted from Liverpool, in solidarity with their striking brethren.

Across the Channel, fuel stations across France have run dry as refinery strikes stunt oil production and disrupt delivery, forcing the government to tap into its strategic fuel reserves. Paris has ordered the workers back to their refineries and is prepared to "use force," if necessary. The controversial move has only deepened strikers' resolve, with unions overwhelmingly voting to continue the strikes. Angered by the order, other energy sector and public sector unions – including transport, educations and healthcare - have joined in the strike action, leaving many to fear the industrial action will morph into broader social unrest.

Ground handling crews in the UK and France are also gearing up for an industrial action in the coming weeks after negotiations for better wages broke down.

In the U.S., the threat of a nationwide rails strike still looms after the railroads rejected the BMWE union's demands for paid sick time. The unions have agreed not to strike until at least **mid-November** to allow the remaining unions to vote on their contracts and for BMWE to continue negotiating for a deal that brings a better work-life balance for their members.

Looking ahead to 2023, the World Trade Organization (WTO) is predicting that global trade will contract as major economies suffer a "multi-pronged" crisis, with all economies slowing down at the same time. WTO economists expect global trade volumes will rise by only 1.0%, which is sharply down from its previous estimate of 3.4%. As growth in manufacturing output, income, and employment slow, demand is likely to decelerate further, leaving most economists to predict a high likelihood of global recession in 2023, the severity of which will vary by region.

Major Disruptions

- Growing numbers of UK traders return to the CHIEF customs platform due to significant glitches with the new Customs Declaration Service (CDS) platform
  - HMRC is currently dealing with more than 60 glitches with the new system, including incorrect VAT rate applications and a Customs messaging service failure
  - HMRC is still aiming to migrate all traders to CDS next month
  - Shippers are advised that using CHIEF without an official extension from HMRC would be a breach of the terms of service, and HMRC reserves the right to take disciplinary action
    - According to *The LOADSTAR*, "HMRC had been automatically granting a one-month extension for CHIEF to anyone who applied"

State of Global Trade (Cont'd)

Requests for Public Comments

- The **Office of the U.S. Trade Representative** (USTR) is seeking public comment on the effectiveness of the Section 301 tariffs
  - The USTR will publish detailed questions to facilitate the public's preparation of comments on **November 1**
  - The public docket is expected to open on November 15, with comments due on **January 17, 2023**
- The **Commerce Department** is seeking public comments on a draft list of goods and materials for four critical supply chains – public health and biological preparedness, information and communications technology, energy, and critical minerals, due **November 30**
  - Comments should be submitted through www.regulations.gov, using the public comment submission form
  - Docket # ITA-2022-0010
- The **Department of Labor** is seeking public comment on proposed rule addressing whether a worker is an employee or independent contractor under the Fair Labor Standards Act, due **November 28**
  - The proposed rule will impact trucking, the gig economy, and other companies and will likely make businesses more reluctant to conduct business with independent contractors
  - Electronic comments should be submitted **via** www.regulations.gov
  - Docket No. WHD-2022-0003
- The **FDA** is seeking public comments on a proposal to update criteria for "healthy" claims on food packaging, due **December 28**
  - Electronic comments should be submitted via www.regulations.gov
  - Docket No. FDA-2016-D-2335

Upcoming Global Holidays

Holiday	Country	Date(s) Observed
All Saints' Day	France and Italy	November 1
Culture Day	Japan	November 3
Veteran's Day	U.S.	November 11
All Saints' Day	Sweden	November 11
Armistice Day	France	November 11
Thanksgiving	U.S.	November 24

Announcements

- Liz Truss resigns as British Prime Minister after only 45 days in office
  - The announcement comes after her economic policies triggered turmoil in financial markets and a rebellion in her own party obliterated her authority
- Rishi Sunak has officially taken over as the new Prime Minister

OCEANAIR

Air Freight

Market Expectations, Space, Volume, and Rates

CAPACITY EQUIPMENT RATES

After two years of unprecedented growth, global demand has fallen back to pre-COVID levels amid sustained economic headwinds, leaving carriers on most tradelanes struggling to fill capacity. Global volumes have fallen 5%, with exports from Asia and North America down 20% and 12%, respectively. Demand on the air charter market has also softened, although not as much as the broader aviation section.

International airlines continue restoring service, with capacity from North America up 12%, and Europe up 11%. Capacity from Asia continues to be constrained due to COVID restrictions and the extra flying time required to get to Europe due to Russian air space restrictions. Meanwhile, the weak market conditions have led some carriers to consider reducing capacity or temporarily parking some aircraft.

Schedule reliability continues to be impacted by flight cancellations due to airport staffing issues and congestion at transhipment hubs, leading to an increased dependency on cargo aircraft.

Overall, spot rates continue their gradual descent but remain twice as high as they were in 2019. While contracted rates remain elevated, many shippers are opting for the cheaper spot market as many airlines chose not to add guaranteed space allocations in their long-term contracts.

Analysts anticipate a muted peak season, with volumes expected to remain at or close to their current levels. Cathay Pacific has also downgraded its expectation for the holiday shipping season due to China's ongoing production challenges and intensifying economic headwinds. The easing port congestion and lower spot rates in the ocean freight market will also see the sector take back the business that moved to the aviation sector during the height of the pandemic, further reducing demand for air freight. The easing of travel restrictions across Asia will further boost belly capacity, putting downward pressure on rates.

Asia – U.S. / Asia - Europe

U.S. and EU demand from China and Hong Kong remains soft due to production slowdowns caused by zero-COVID policies and energy rationing disruptions, while capacity continues to improve with passenger airlines adding additional flights. As a result, airfreight rates have taken a nosedive ahead of the traditional peak season. U.S. exports, on the other hand, remain relatively strong. Increased belly capacity on this tradelane has led to a softening of rates.

Overall, the markets out of Southeast Asia remain muted, with the exception of Vietnam who has been competing fiercely with China in key consumer markets. Capacity remains tight out of Bangladesh, Sri Lanka, and Thailand, but has opened up from Cambodia, Indonesia, India, and Vietnam. Schedule reliability continues to be impacted by delays at transhipment hubs. Rates on most tradelanes have held steady while rates from Cambodia and Thailand have dropped in order to attract cargo.

U.S. - Europe

European demand has waned as inflationary pressures and the energy crisis ways on consumers. As a result, Transatlantic westbound rates have fallen to a new two-year low but remain above pre-COVID levels. On the eastbound leg, demand remains steady, with rates edging up slightly.

Passenger demand is expected to decrease in Q4 as airlines switch to winter schedules, which will add pressure to the spot market.

Oceania

The market to Europe is less busy than it has been over the past several years, while demand to the U.S. remains above pre-COVID levels. Overall capacity to the U.S. and European markets continues to improve, but space remains volatile, with positive and negative adjustments across various lanes. Rates to all destinations are flat month over month.
On the backhaul, rates from the U.S. are trending downward due to the additional capacity, while rates from Europe are trending up.

Latin America

Challenges in the ocean market continue to drive significant demand on this tradelane, while overall capacity remains flat. On the southbound trip, rates are flat, while rates to the U.S. have moderated slightly. Capacity from Europe remains limited as passenger travel continues to struggle, resulting in an increase in spot rates.

Air Freight (Cont'd)

Major Disruptions

- **United Airlines** to temporarily suspend service to New York's JFK Airport over expansion dispute, effective **October 29**
  - The decision was made after attempts to expand its operations at JFK failed
  - United said its 100 employees based at JFK would be transferred to nearby airports, such as LaGuardia and Newark, and there will be no job losses
- **United Airlines** cuts 12 routes from several major hubs, including Los Angeles, San Francisco, Chicago, Newark, and Houston, amid weakening demand
- The decline in refining capacity and higher jet fuel prices will lead to higher freight costs
  - U.S. refining capacity has dropped 5.4% in 2022 – the lowest in eight years –in the wake of refinery closures and conversions to produce alternative renewable fuels
- **Amsterdam Schiphol Airport** further limits passenger aircraft capacity through **April 2023** as it continues to struggle with staffing shortage
- **London Heathrow and Pairs Charles de Gaulle** are preparing for the possibility of handing strikes in the coming weeks, which are likely to impact cargo operations

Announcements

- **FedEx**, pilots request federal mediation after contract negotiations over pay, retirement benefits, and quality-of-life issues broke down
  - While in mediation, the pilots will be prevented from striking under the Railway Labor Act, which is designed to prevent work interruptions in critical interstate commerce
- **Air Canada Cargo** expands freighter service to the U.S. with the addition of three weekly flights from Toronto to Dallas and Atlanta, beginning in November
- **Swissport** adds new air cargo facility at Japan's Chubu Centrair International Airport
- **Kalitta Air**, in partnership with **GSA Choice Cargo**, launches new freighter flights from Quinto, Ecuador to Miami
- India's largest airline, **IndiGo**, expands into the freighter market, with the addition of a converted A321 dedicated freighter
  - Three additional converted passenger planes are expected to join IndiGo's fleet in 2023

Ocean Freight

CAPACITY EQUIPMENT RATES

Market Expectations, Space, Volume, and Rates

Global demand continues to slide, as retailers cancel orders amid weak sales and contracted shippers underperform on minimum quantities. The decline spans many products, including machinery, industrial, household, and some apparel. As a result, export markets worldwide have "destabilized," leaving spot rate indices struggling to keep up with the rapid rate of erosion.

China continues to impose its draconian lockdowns, significantly impacting export orders from all major hubs, with Ningbo, Shanghai, Shenzhen, Dalian, and Tianjin hardest hit. As a result, China is losing market dominance as its COVID policies drag down manufacturing productivity. The chronic supply chain disruptions since late 2019 have forced frustrated buyers and manufacturers to seek alternative sources to the current "factory of the world," with Vietnam, India, Bangladesh, Malaysia and Taiwan taking the lion's share.

Total import volumes to the U.S., which remains the strongest market, have fallen 5.5% YOY to their lowest level since the 2020 lockdowns, with China accounting for 61.5% of the decline. West Coast containerized imports dropped a startling 17%, while East and Gulf Coasts saw volumes increase 6.6%.

Supply chain disruptions are easing in the U.S. and Asia due to lower volumes. Vessel wait times are also decreasing, but there's still a long way to go to clear the backlogs. North Europe continues to battle with the chronic port congestion, made worse by the ongoing industrial action at UK ports.

The slowdown in container throughput has forced carriers to cut capacity ex-Asia through blanked sailings, port omissions, and service rearrangements, which should further ease the strain on clogged ports and lead to better schedule reliability in the coming weeks. Meanwhile, yard congestion remains high due to challenges with the rail sector.

Overall, spot rates continue to plummet, but remain above pre-pandemic levels. Blank sailing strategies have failed to mitigate further rate erosion, forcing carriers to temporarily suspend some service loops. We are also seeing signs pointing to a rate war developing on the major tradelanes. BCOs sitting on long-term contracts are said to be receiving temporary rate reductions as carriers scramble to keep their business. We are also hearing that carriers are cutting rates on new contracts, although shippers are reluctant to sign fixed commitments due to market uncertainty.

Looking ahead, runaway inflation and central bank policies to tame it are expected to dampen consumption, transforming a mild economic slowdown into a much deeper, prolonged recession. While few analysts are willing to predict when rates will return to pre-pandemic levels, the HSBC Global Freight Monitor points to a slowing rate of erosion as carriers step up their capacity management programs to balance the market.

Asia – U.S. / Asia - Europe

American demand for Chinese goods continues to wane amid economic headwinds and supply chain disruptions. September marked the first month that containerized imports from China declined YOY, falling 10%. Spot rates to the U.S. West Coast continue to plummeted to pre-COVID levels amid weakened demand, despite efforts by the carriers to manage capacity. While rates to the East and Gulf Coasts have also declined, they have held up better due to the chronic port congestion.

On the westbound trade, rates continue to decline to China and North Asia, while transhipment congestion is keeping rates elevated to Southeast Asia. Space to all Asian destinations is getting tighter due to the increase in blank sailings.

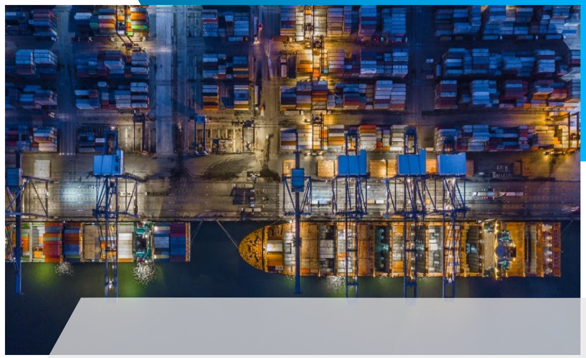
Despite aggressive blank sailing strategies, vessel utilization continues to plummet from Asia to North Europe, with some carriers reporting load factors "below 70%" on some sailings. Spot rates on this trade continue to fall, losing roughly half their value since summer. Despite the sharp decline, North European rates remain double of what they were two years ago. Contracted rates on this tradelane remain well above spot market rates and are not expected decrease until they expire in the next few months, at which time the floodgates are likely to open for significant reductions.

Congestion continues to worsen in Bangladesh, and many carriers have either suspended or severely limited services to Chittagong and Chattogram. In addition, carriers have imposed hefty congestion surcharges, which must be paid at origin.

To all destinations from Cambodia, space is open and available for booking, although carriers have imposed space limitations on cargos bound for the U.S. Rates have moderated slightly; however, ad-hoc rates may apply on large volume shipments.

While space has opened up somewhat from Indonesia on all tradelanes, capacity remains tight.

Export volumes from India continue to weaken, with further declines predicted into November. As a result, carriers are continuing to skipping port



Ocean Freight (Cont'd)

calls, especially to New Delhi, Kolkata, and Hyderabad, leading to tight capacity. Rollovers have been reduced at major transhipment points as congestion eases.

While space remains tight from Indonesia, it is getting easier to find space.

Space has opened up from Sri Lanka and ports are operating normally. However, fuel availability remains scarce and continues to impacting landside operations.

Vessel delays from Thailand have become the new normal, with 80% of vessels delayed at least 3-5 days. While space remains tight for U.S. and EU sectors, we are seeing some improvement and all backlogs have cleared as demand and volumes wane.

Demand from Vietnam has softened, forcing carriers to change vessel schedules without prior notice. While space is available to Europe, it remains tight to the U.S. and Canada, with carriers releasing space on ad hoc allocations. As a result, backlogs are continuing to grow, with shipment delays approx. 1-2 weeks. Schedule reliability continues to suffer due to heavy congestion at transshipment hubs.

U.S. - Europe

Transatlantic trade remains strong for both U.S. imports and exports. Carriers have blanked a number of sailings in an effort to recover schedules amid severe congestion on the U.S. East and Gulf Coasts and in North Europe, removing some capacity.   As a result, space remains tight in both directions. Vessel capacity from Houston has been very tight due to a significant increase in demand and ongoing vessel delays, while severe congestion in Savannah have caused carriers to omit calls on certain strings. Equipment availability at origin remains the biggest challenge on this tradelane.

Spot rates for westbound cargos are flat month over month, while eastbound rates have edged up slightly.

Oceania

On the U.S. – Oceania trade, demand remains strong. Shippers are advised to book six weeks in advance on westbound traffic as capacity remains tight, although transshipment options are increasing capacity. On the eastbound leg, space and equipment are both improving. Rates on both legs of this tradelane continue to soften.

Oceania

On the U.S. – Oceania trade, demand remains strong. Shippers are advised to book six weeks in advance on westbound traffic as capacity remains tight, although transshipment options are increasing capacity. On the eastbound leg, space and equipment are both improving. Rates on both legs of this tradelane continue to soften.

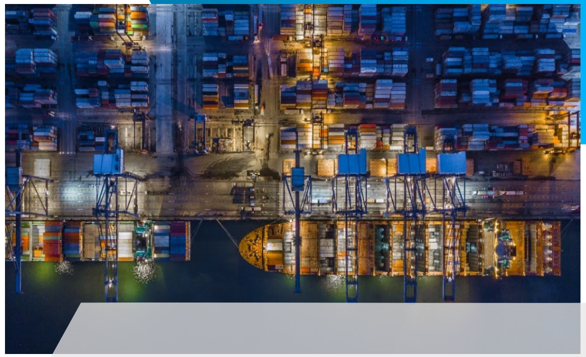
Demand remains relatively strong in both directions in the North Europe – Oceania market. Capacity continues to open up on this tradelane, although significant vessel delays continue. Easing congestion levels at transshipment hubs has led to a softening spot rates on some sailings from Europe. Spot rates to Europe remain flat.

Latin America

Space remains tight to east coast South American ports, particularly from the U.S. East and Gulf Coasts, while suspended and limited service to west coast ports have significantly reduced space, especially for cargo from Asia and the U.S. West Coast. Severe congestion persists at all west coast South American ports, causing even further shipping delays.

Major Disruptions

- Dockworkers at the UK's **Port of Liverpool** stage another two-week strike after port officials renege on the agreed deal, effective **October 24 – November 4**
- The **Port of Ningbo** is reporting a significant decrease in productivity after a COVID outbreak was detected last week in the Beilun district, forcing localized lockdowns
  - Container terminals in Ningbo are still operational but with limited trucking availability due to transportation restrictions
  - As a result, shippers have diverted to Shanghai, which is now reporting severe congestion and delays
- **U.S. West Coast** ports continued to face severe landside congestion due to challenges with rail services



OCEANAIR

Ocean Freight (Cont'd)

Announcements

- **Port of New York/New Jersey** moves ahead with revised container dwell fee for ocean carriers
  - Carriers will now be required to show on a quarterly basis that its import and exports are balanced, factoring in the number of containers moved by rail
  - Carriers will also need to remove 25% of their empty containers from the port each quarter, with the goal of depleting the total accumulation of empty container within four quarters
  - Carriers found in violation will be assessed a quarterly fee of $100 per container out of balance
- UK's **Port of Liverpool** announces restructuring plans; significant job losses expected
  - Dockworkers claim the move is revenge for strikes
- While barge services on the **Rhine River** have improved, volumes continue to be affected by low water levels, with carriers adding low water surcharges
- **CMA CGM** announces new overweight surcharge of $500 per TEU on shipments from the Indian subcontinent, Middle East Gulf, Red Sea, and Egypt to the U.S. East and Gulf Coasts and Canada East Coast weighing at or over 20 tons

Rotation Changes

- **MSC and Maersk** suspend Sequoia (TP3) service to Los Angeles amid significantly reduced demand
- **CMA CGM** terminates its Golden Gate Bridge service to Seattle and Oakland
- **Containerships**, a subsidiary of CMA CGM, adds Hamburg to its BALT1 loop
  - Hamburg - Rotterdam - Teesport - Rotterdam - Helsinki - Tallinn
- **Containerships** launches new direct service (DUKE) between Germany and the UK
- **CMA CGM** launches new service between New York and Chile
  - Port Everglades - Philadelphia - New York - Kingston - Buenaventura - Callao - San Antonio - Guayaquil - Cartagena

Equipment Shortages

- The container shortages of the past two+ years have finally stabilized, with container depots in Asia, Europe, and India reporting sufficient supplies
- Meanwhile, U.S. exporters continue to struggle to find containers
- Chinese container manufacturers have stopped production for the foreseeable future

OCEANAIR

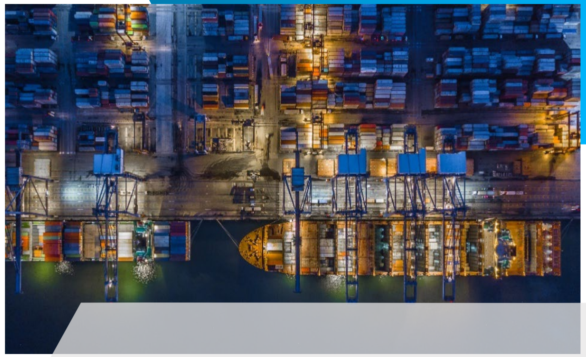
Port Congestion

Region	Country/State	Vessel Backlog	Wait Times to Berth	Average Container Dwell Times
North America	Boston	0	0 days	Normal
	Los Angeles / Long Beach	8	2 days	14 days
	New York / New Jersey	9	10-30 days	6-8 days
	Seattle	12	1 day	2+ weeks
	Oakland	13	8–12 days	8.2 days
	Houston	11	16 days	7 days
	Savannah	31	18 days	8 days
	Norfolk	7	7 days	7.5 days
China	Shanghai	131	3 days	16 days
	Ningbo	135	3 days	*
Europe	Antwerp	*	6.4 days	7.2 days
	Rotterdam	58	2.5 days	*
	Hamburg / Bremerhaven	25	9 days	*
	Felixstowe	16	3 days	9.4 days
	Trieste	15	2 days	*

*Data not available

Blank Sailings

- Carriers are continuing to ramp up their blank sailing programs, with 26% - 31% of capacity removed, mostly on the Transpacific and Asia – Europe lanes
- In addition to scheduled blank sailings, carriers are cancelling voyages at the eleventh hour If vessel utilizations fall below ~60%
- Capacity adjustments are expected to increase in the coming weeks as carriers look to mitigate further rate erosion



Trucking

Market Expectations, Space, Volume, and Rates

U.S. trucking demand continues to wane as imports drop back towards pre-pandemic levels. The balance between supply and demand has dramatically shifted with capacity now in oversupply, leaving small truckers scrambling to make ends meet.

Tender volumes have fallen 8.4% after a 6.1% gain in the week prior and are down 11% from the same period last year. YOY load-to-truck ratio figures show dry van down 13.3%, flatbed down 11.7%, and reefer down 14.4%. The Southeast saw the sharpest decline, with volumes slipping 18%, while the West Coast saw its weakest volumes since May 2020, down 8.5%, due to falling import volumes. The Northeast and Mountain Central regions were the only regional markets to see an increase in volumes.

While the flatbed sector is feeling the impact of the softening in the housing market, the less-than-truckload (LTL) market continues to do well.

Overall, spot market rates have stabilized after the summer slump, despite the nationwide average 10% jump in diesel prices, the third largest price increase on record, surpassed only by the jumps in the first two weeks of March 2022. Contracted rates have started to moderate, but the spread remains high. Meanwhile, LTL rates continue to increase due to elevated fuel surcharges.

Industry experts anticipate a moderate contraction in the truckload and less-than-truckload markets in the fourth quarter as the peak season fails to materialize. Spot rates are expected weaken further, and contracted rates are expected to align more closely with the softening spot market. While many have predicted a slow peak season for the eCommerce market, it is unlikely to have significant impact on rates due to the aggressive surcharges imposed by FedEx and UPS.

Asia

China's zero-COVID policies continue to impact trucking operations across major manufacturing and export hubs. Localized lockdowns in Shanghai, Ningbo, Tianjin, and Shenzhen have significantly reduced available capacity as cross-city drivers are required to provide negative test results daily. In addition, drivers from high-risk areas with travel permits have been prohibited from entering other cities and regions. Rates continue to climb due to increased fuel costs.

CAPACITY EQUIPMENT RATES

Major Disruptions

- California drayage company, Navarro Trucking Group, closes its doors, files for bankruptcy
- AdBlue shortages could bring Europe's trucking industry to a halt
  - The energy crisis across Europe has forced AdBlue manufactures to halt production, leading to a significant shortage which could prove to be devastating to the entire economy
  - AdBlue, an additive used to remove nitrogen from gas exhaust, has been required for all new diesel-run vehicles in Europe since 2015
- Trucks across France have been forced off the roads amid massive fuel shortages caused by refinery strikes
  - Nearly a third of all gas stations across the country are either closed or running low of fuel, with the Paris and the north particularly hard hit

Announcements

- Rhode Island turns off truck-only tolls after judge rules the program violated the Constitution's commerce clause and federal law
- Werner Enterprises acquires Indiana-based truckload carrier, Baylor Trucking
- Canadian trucking company, Bison Transport, acquired Bangor-based Pottle's Transportation
- U.S. and Canadian trucking groups call on the Washington to drop cross-border vaccine requirements, following Canada's October 1 decision to drop its cross-border requirement
- The American Trucking Association urges states to address the commercial truck parking shortage, which has created highway safety issues as drivers have been forced to park in illegal or unsafe locations
- The Federal Motor Carrier Safety Administration has cancelled the national emergency hours of service waiver as truck capacity loosens

Trucking (Cont'd)

Trucking Lead Times

Equipment Shortages

- Chassis shortages, along with severe terminal congestion, is leading to nationwide delivery delays

U.S. Chassis Availability

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

Driver Shortages

- The U.S. trucking sector lost 11,400 jobs in September, according to data released by the Department of Labor
  - Except for the massive losses at the beginning of the pandemic, this marks the largest monthly decrease in the sector in over a decade
- While driver turnover has not improved, new driver applications have increased in recent months, making it easier to backfill positions
- Alberta, CA continues to struggle to fill thousands of vacant driver positions, as new drivers struggle to get insurance coverage

Did You Know?

The soaring cost of diesel fuel is now the #1 most critical issue facing the trucking industry

The driver shortage has slipped to #2 after 5 years in the top spot, followed closely by the lack of safe parking.

Rail

Market Expectations, Space, Volume, and Rates

U.S. rail traffic volumes continue to decline despite strong demand. Weekly carload volumes were down 2.8% from the same period last year, while intermodal volumes dropped 2.0%. Year-to-date figures show overall traffic down 2.7% from 2021. Three of the 10 commodity groups – motor vehicles and parts, farm products (excluding grain) and food, and petroleum - posted increases compared with the same period last year, while chemicals, miscellaneous goods, metals and metallic ores posted decreases. Meanwhile, unfilled car orders have soared 521% over the same period last year, with almost half the orders more than 11 days past due.

Performance continues to suffer due to significant staffing shortages. Despite the slowdown in imports, bottlenecks at inland rail ramps remain high, especially in Chicago, Dallas, Memphis, and Kansas City, although congestion is easing at BNSF terminals in St. Louis and Forth Worth. Schedule reliability continues to deteriorate, with only 71% of dispatched trains arriving on-time, even though average trains speeds increased 4.7% YOY. While average rail origin dwell times decreased 6% compared to the same period last year, turn times continue to increase.

The widespread service failures, including late deliveries, denials, and a substantial backup of cargo across the U.S., have caused significant economic damage across almost all industries, including agriculture, energy, and manufacturing, prompting a rise in calls for Congress to act.

Canada / Mexico

Canada's carload volumes increased 5.0% last week compared to the same week last year, while intermodals units increased by 1.9%. Mexican carload volumes were up 5.37% compared to the same week last year and intermodal volumes increased 6.7%.

China - Europe

China-Europe rail volumes continue to recover, with the middle corridor seeing a surge in volumes.

Announcements

- **Union Pacific** to require 1/8-inch cable or bolt seal locks on intermodal containers and trailers in an effort to deter theft, effective **December 5**
  - In its updated terms and conditions, UP says it has the right to reject any unit that is not sealed with the upgraded locks and will not be responsible for claims of loss, damage, or delay for units that are not properly sealed at origin

↓ CAPACITY ↓ EQUIPMENT ↑ RATES

Major Disruptions

- The West Coast continues to be plagued by rail service issues, with the lack of trains leading to significant yard congestion
- Equipment shortages have led the rail lines to meter cargos - based on capacity, scheduling, and volumes - to inland hubs, causing increased dwell time at port terminals
- Two broken cranes on the Kazakhstan border are causing widespread delays, prompting schedule changes for the China-Europe rail system
  - China Railway has cut slots for the remainder of the month and suspended schedules for November to avoid more severe delays
- Severe congestion has been reported at various points along the middle corridor
- Lithuanian Railways closes China office as geopolitical tensions rise
  - The company is now in talks with Kazakhstan about a project connecting Lithuania with the Far East and Central Asia
- The Community of European Railway and Infrastructure Companies calls for relief measures as energy prices skyrocket

Container Dwell Times

Rail Terminal	Average Dwell
Charleston	6.8 days ↓
Chicago	12 days ↑
Houston	8.7 days ↑
Kansas City	11.7 days ↓
Los Angeles / Long Beach	21 days ↓
Memphis	20.8 days ↑
New York / New Jersey	6.6 days ↓
Norfolk	8.7 days ↓
Savannah	9.4 days ↓

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 valued clients for informational purposes only, and we do not accept liability or responsibility for reliance on the information contained herein.

www.oceanair.net

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

Phone
781.286.2700

Email
solutions@oceanair.net