



MARKET INSIGHTS

Global Logistics Update

SEPTEMBER 20, 2022



State of Global Trade

While overall world trade is 6% above pre-pandemic levels - held the U.S. and Italy - exports from major industrialized countries are below 2019 levels. China's import and exports have lost momentum, with growth significantly missing expectations, as strict COVID policies and heatwaves cripple production and domestic and foreign demand fades. Exports of Chinese goods to the U.S. shrank for the first time in more than two years last week, while exports to the European Union declined 14%. Orders from garment manufacturers in the Philippines dropped 5% and are expected to drop further, sparking fears of industry-wide layoff, while Taiwan's exports have grown at the slowest pace in over two years. Demand for mineral products and integrated circuits continues to be hot, while sales of traditional products such as plastics and base metals are sluggish. In the European Union, overall imports and exports remain flat, with the exception of Germany who reported a decline of 2% for imports and 7% for exports. Rising energy prices will put further pressure on the competitiveness of European businesses. The U.S. remains the strongest trading partner, with imports and exports up 1.8% and 3% respectively.

China's economy continues to be rocked by its strict zero-COVID policy after Beijing announced new nationwide precautionary measures through October 31. At least 74 cities have been placed under full or partial lockdown. The widespread shutdown comes as the Chinese Communist Party prepares for its national congress in Beijing on October 16. On Thursday, city officials in Shenzhen sought to quell rumors that a full lockdown was imminent after 150 new cases were reported in the city. After narrowly avoiding contraction in the second quarter, consumer spending has plummeted to new lows. While policymakers have taken various measures to boost consumption, far more attention has been directed towards infrastructure. Factory production is also sharply down, as many businesses are only allowed to operate in closed-loop environments, again threatening global supply chains. China's exporters are now warning of difficult times ahead as softer overseas markets are forcing them to cut workers and shift production to lower-value goods. The alarm bells are echoing across eastern and southern China's manufacturing hubs, where

factories from machinery parts and textiles to high-tech home appliances scale back as export orders dry up.

Many economists are now predicting that China's exports will slow further - and maybe even contract - as leading economic indicators point to a slowdown in global growth or even recession. According to a new report from New York University's Stern School of Business and Deutsche Post DHL Group, China's share of global trade growth is expected to drop 13% between now and 2026. The economic and geopolitical fallout from the country's handling of the COVID-19 pandemic will also play a role, as businesses in major economies seek out new markets for their international production and distribution networks in order to negate supply chain risks.

With inflation continuing and the Federal Reserve hoping to cool demand through higher interest rates, U.S. retail imports are expected to fall below last year's levels for the remainder of 2022, according to the National Retail Federation (NRF). Rather than limiting the impact of inflation and slowing demand, the hikes are stoking fears of recession, which will have a significant impact on supply chains. "Consumers are still buying, but the cargo surge we saw during the past two years appears to be slowing down," said Jonathan Gold, NRF Vice President for Supply Chain and Customs Policy.

From Sri Lanka and Haiti to Pakistan and the Czech Republic, spiraling inflation is driving millions into poverty worldwide, sparking civil unrest and mass protests. Even rich countries are feeling the squeeze.

Slowing economic growth across the European Union has been exacerbated by persistently high inflation, which hit 9.7% in August. In an effort to curtail inflation, the European Central Banks announced its largest ever interest rate hike - in what many are calling a "tax on the poor" - and have promised more increases are on the way. Belgian Prime Minister Alexander de Croo put it bluntly last weekend, saying "If the European Commission does not intervene, we risk a deep recession with unpredictable consequences. This is about much more than economics. This is about security and stability on the European continent." Recently announced fiscal relief measures will likely do little to avert an acute economic slowdown, with knock-on effects likely to impact global transportation markets.



State of Global Trade (Cont'd)

Across Europe, the energy crisis threatens to disrupt millions of lives, forcing the people to choose between heating their homes or buying essentials. Factories across the continent – from metal producers to fertilizer plants – have begun shutting down operation as the soaring energy costs price their goods out of the market. In Germany, energy has become so expensive that the economic powerhouse is facing a manufacturing shutdown which threatens to collapse the nation. Energy costs have more than tripled since Russia reduced gas supplies – a key fuel used to generate electricity - to European countries last month. The crisis deepened after Gazprom, the Russia state-owned energy company, indefinitely shut down the Nord Stream 1 pipeline earlier this month due to an oil leak, saying the problems could not be fixed due to western-imposed sanctions that have barred its suppliers from doing business with them. The Kremlin has warned the resumption of gas supplies will be dependent upon Europe lifting the economic sanctions against Moscow. In the meantime, Germany's gas storage facilities are now about 85% full, but are expected to be emptied within two months. The country will most likely begin fuel rationing in the next several days as the shortage threatens to tip the country – and the continent – into an energy crisis this winter.

In response, the U.S. has ramped up fuel exports to the Europe, despite growing fears of dwindling domestic diesel and gas stores, which could cause shortages in the U.S. in the next month or two and prices at the pumps to climb again. In addition, the U.S. continues to export records amounts of crude to China, India, and South Korea amid tight domestic crude markets.

As a result of the sustained global economic headwinds, the International Monetary Fund has downgraded its global growth rate forecast to 3.2% this year and 2.9% for 2023, with growth in the U.S. and the EU expected to be around 1%. The accelerating decline in freight rates is also clearly signaling weakness in the market, especially when we should be in the midst of the peak season in the lead up to China's Golden Week.

Upcoming Global Holidays

Holiday	Country	Date(s) Observed
Golden Week	China	October 1 - 7
Unity Day / National Foundation Day	Germany / South Korea	October 3
Columbus Day	U.S.	October 11
Public Holiday	Thailand	October 12 - 14

Announcements

- Argentina restricts imports to preserve the central banks' dwindling foreign currency reserves
- Chinese factories swarm to Mexico to avoid U.S. tariffs
 - According to NikkeiAsia, at least 20 appliance and furniture makers plan to set up operations in the middle of the desert in northern Mexico, 10 of which have already begun construction
- U.S. Customs and Border Protection has modified the Withhold Release Order against India's Natchi Apparel (P) Ltd, allowing imports from the company to enter the country, effective immediately

Requests for Public Comments

- The FMC is seeking public comment on a **proposed rule** which will prohibit ocean carriers from unreasonably refusing U.S. export containers under OSRA 2022
 - All comments must be submitted within 30 days after date of publication in the *Federal Register*
 - Comments should be emailed in a Word or PDF document to secretary@fmc.gov, using the subject line "using **Docket No. 22-24**, Definition of Unreasonable Refusal to Deal or Negotiate"



Air Freight

Market Expectations, Space, Volume, and Rates

Air cargo demand in all markets has stabilized to near pre-COVID levels as the impact of economic and geopolitical uncertainties continue to hang over the supply chain. Meanwhile, overall bellyhold space on passenger aircraft is steadily returning to the market and is only slightly below 2019 levels.

Schedule reliability continues to be an issue as significant labor shortages continue to force flight cancellations and re-routings.

While rates remain elevated above pre-pandemic levels, they are slowing easing.

Many industry experts are now expecting a muted peak season, although volumes are likely to be higher in November than they are now. With the predicted slowdown in global economies in the coming months, capacity is expected to come back out of the market, which will pressure rates. However, the air cargo market remains chaotic and is difficult to predict.

Asia – U.S. / Asia - Europe

Demand from China and Hong Kong remains soft, with Cathay Pacific briefing clients that this year's peak season will not be as strong as it usually is. The carrier admitted the weakened peak season is heavily influence by economic headwinds in China and Hong Kong. Spot rates continue to decline but remain above pre-pandemic levels due to rising fuel costs.

On the westbound transpacific lane, demand remains steady, while capacity remains tight due to tit-for-tat flight cancellations between the U.S. and China.

Overall, the markets out of Southeast Asia remain soft, with the exception of Vietnam which continues to grow. Capacity remains tight out of Bangladesh, Sri Lanka, and Thailand, but has opened up from Cambodia, Indonesia, India, and Vietnam. Rates on most tradelanes have held steady, while some lanes, including Taiwan, have dropped in order to attract cargo.

U.S. - Europe

Eastbound demand remains steady, while westbound volumes have ticked up. Shipments into Europe are likely to experience additional dwell time at destination due to labor shortages at some major European hubs. Congestion continues to ease at Frankfurt Airport, although disruptions and delays crop up from time to time due to ground handling labor shortages.

Spot rates on both hauls on most lanes are trending down.



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EQUIPMENT



RATES

Latin America

Challenges in the ocean market are driving significant demand on northbound lanes, and capacity is tight. Southbound capacity is available from most markets, although capacity is being removed due to the end of seed season and passenger travel restrictions.

Oceania

Demand remains relatively strong to all markets on this tradelane. However, frequent flight changes and cancellations remain an issue.

Major Disruptions

- Many European airlines are expected to trim winter schedules, reducing overall capacity and pressuring rates
- Due to new COVID outbreaks in Chengdu, Beijing has announced the suspension of U.S. flights for September
 - In response, the U.S. government has cancelled 26 flights operated by Chinese airlines in September
 - Affected airlines include Air China, China Eastern, China Southern, Delta, United and Xiamen
- U.S. airport operations continue to challenged by labor shortages; while recovery times remains elevated compared to pre-pandemic conditions, there are fewer extreme delays amid softening demand
- FedEx to ground aircraft and cut capacity after a trading update released yesterday showed Q1 results well below expectations
- Amsterdam's Schiphol announces more passenger capacity caps through the end of October, as the airport struggles with labor shortages
 - The labor shortages at Schiphol are also hindering cargo handling operations, leading to significant disruptions and delays



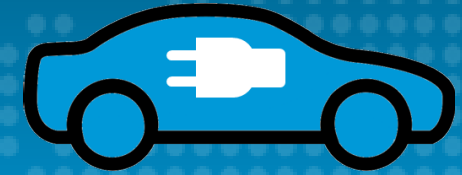
Air Freight (Cont'd)

Announcements

- South Carolina's Greenville-Spartan International Airport announces 50,000-foot expansion of its air freight processing and distributing terminal
- China's air cargo traffic has "returned to normal following the pandemic disruption," says Chinese civil aviation official
- Cathay Pacific to gradually increase capacity after Hong Kong officials eased the 3-day crew quarantine rules
 - Pilot attrition has been the airlines biggest challenge after enforcing a 58% pay cut at the onset of the pandemic
 - The airline expects to hire 4,000 pilots and crew over the next 18-24 months, after cutting 6,000+ during the pandemic
- Zhengzhou airport doubles cargo capacity with new high-tech terminal, including automation for moving, scanning, and weighing cargo; robot yard tractors; and unmanned forklifts
- Lufthansa Cargo's winter season schedule will see intercontinental bellyhold capacity at ~85% of pre-pandemic levels
- Air India boosts capacity with the lease of 30 new aircraft
- Israel announces ban of four-engine aircraft – to include 747 freighters – from its airspace, effective **March 31, 2023**
 - The ban, aimed at reducing carbon emissions, is essentially aimed at cargo operations, which make up 98% of four-engine aircraft flights from Tel Aviv
 - Operations by CAL Cargo Airlines, Atlas Air, and Silk Way West Airlines will be especially hard hit



Did You Know?



Mining CEO warns "we don't have enough" lithium to meet EV targets

Climate provisions in the Inflation Reduction Act put the U.S. back on track toward significant emissions reductions, potentially reducing greenhouse gas output by 40% of 2005 levels.

But one miner warned that when it comes to the transportation sector, domestic resources for lithium, the most critical mineral used for electric vehicle production, may not be sufficient enough to meet some of the most ambitious targets. The Biden administration, for instance, aims to slash the sale of gas-powered vehicles to 50% of all new purchases by 2030.

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Ocean Freight

Market Expectations, Space, Volume, and Rates

Demand remains high, just not as high as it used to be. Volumes remain solidly above pre-COVID levels, but the rate of growth has slowed compared with the unusually high volumes of 2021.

Port congestion remains the most significant supply bottleneck, with 11% of all shipped goods currently stuck offshore, 2% of which are stranded in the North Sea. Despite the “paper” report showing just 12 ships waiting at anchor in Los Angeles and Long Beach, there are currently 50 vessels slow steaming or holding outside the port area which are not counted in the official reporting statistics. Congestion continues to climb on the U.S. East and Gulf Coasts, the UK, and Germany, while levels in Rotterdam and Antwerp have significantly eased over the past few weeks.

Land capacity issues continue to exacerbate port and terminal congestion around the world. The lack of equipment and the unavailability of truckers have resulted in longer container dwell time and higher costs for importers and exporters in North America and Europe. The situation is particularly acute in the U.S., where rail delays and chassis shortages are adding to the woes.

Schedule reliability showed a small improvement month over month, although this was made by intermediate port calls being omitted, as the severe berthing delays put more pressure on carriers to skip port calls or reconfigure vessel rotations in order to minimize the excessively-long transit times. Over the coming weeks, schedules will remain challenged due to chronic port congestion.

Overall spot rates are continuing to free fall back to Earth from their pandemic highs. However, despite economic headwinds and easing demand, the chronic port congestion is preventing their return to pre-COVID levels. In the reefer market, severe equipment shortages have caused rates to spike significantly, and in some markets, rates have doubled.

As the spot markets continues to plummet, shippers are pressuring carriers to renegotiate contract rates. Despite the IMF downgrading the global economic growth rate into next year, carriers are holding firm, citing a fantasy outlook that the Russia-Ukraine conflict could possibly resolve, China could ease its zero-tolerance policy after its October leadership congress, and the U.S. mid-term elections might stimulate economic growth. Yang Ming has announced they “will not take the initiative to request immediate modifications and adjustments, but we’ll make necessary adjustments, depending on the contract.” Meanwhile, Hapag Lloyd’s CEO recently told the Journal of Commerce, that “a contract is a contract – and needs to be respected by both parties regardless of spot rate movements.” Where was that sentiment a year ago when the roles were reversed?



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EQUIPMENT



RATES

Looking ahead, analysts are expecting volumes to decrease over the coming months given the global economic headwinds and the volatility of the European energy markets. Congestion levels are expected ease as the market cools from the frantic highs of the last two years, releasing more capacity onto the market. If the carriers follow last year’s playbook, their response to softening demand would be to trim capacity, switch to smaller vessels, and redeploy larger vessels elsewhere. As a result, spot rates should continue to decline, but will likely remain above pre-COVID levels through the remainder of the year as carriers adjust capacity to keep pressure on rates.

Asia – U.S. / Asia - Europe

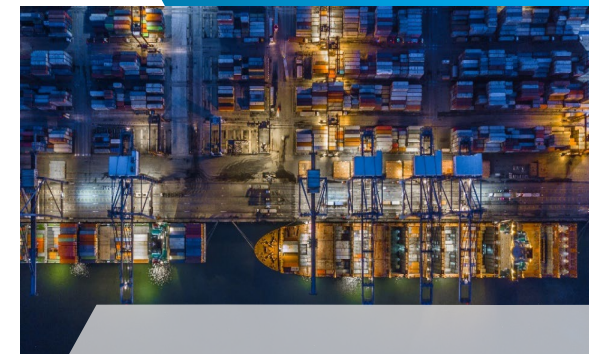
Demand for Chinese goods continues to fall while COVID lockdowns and energy disruptions are constraining manufacturing operations. China’s imports have also fallen sharply amid weakening demand. Even though blank sailings have removed a substantial amount of capacity, space remains open. Erratic vessel schedules continue to pose significant challenges for U.S. exports, with changes in posted earliest return dates and vessel cut-offs.

European demand continues to fall as consumers continue cutting back due to soaring inflation and the worsening energy crisis. In the Red Sea, the most important route between Europe and Asia, the volume of transported goods is now 16% lower than normal.

Carriers are making fewer port call to Japan amid weakening demand due to the country’s declining export competitiveness. The estimated number of vessel calls at the country’s main ports is down 7% year-on-year, marking the third consecutive year of declining calls. As a result, Japanese shippers are being forced to transship their exports to Busan, Korea, adding more in transportation costs and delaying shipments to the U.S. by an additional three to four days.

Space remains tight from Bangladesh, and schedules are changing without prior notice.

Export volumes from India continue to weaken, with further declines predicted into October. As a result, carriers are skipping port calls, especially to New Delhi, Kolkata, and Hyderabad, leading to tight capacity. Congestion at major transshipment



Ocean Freight (Cont'd)

Market Expectations, Space, Volume, and Rates (Cont'd)

hubs are continuing to affect ETA. After a year and half of equipment shortfalls, empty container surplus is now high at all locations.

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

Carriers are currently omitting or blanking sailings from Sri Lanka, and options are severely limited, especially to the U.S. As a result, there is a slight backlog at Colombo.

Space from Thailand to the U.S. remains very tight, with a growing backlog being reported. On the Europe trade, space is available. Vessels delays are the new norm, with sailings delayed by seven or more days. Congestion at transshipment hubs are also impacting ETA.

Demand from Vietnam continues to wane, 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 backlogs of 1 – 2 weeks being reported. Heavy congestion at transshipment hubs continue to impact schedule reliability.

Spot rates from Asia to the U.S. West Coast and Europe are declining at an unprecedented rate. While rates to the U.S. East and Gulf Coasts have also begun a steep drop as demand tapers off, severe congestion is keeping rates elevated compared to their West Coast counterparts. Of the 21 trades monitored, only the Japan – U.S. West Coast trade recorded an upward motion.

U.S. - Europe

The Transatlantic trade has overtaken the Transpacific as the most lucrative corridor for the shipping lines. Volumes remain high on the eastbound trade, while westbound traffic remains steady. On the eastbound journey, space remains tight to the U.S. East Coast, whereas some space is beginning to open up for direct routings to the U.S. West Coast. On the backhaul, space is available from most East Coast ports, with the exception of Savannah due to skipped port calls. Capacity remains tight from the West Coast due to blanked sailings and skipped ports. Capacity from Houston has become very tight due to a significant increase in demand and vessel delays. Spot rates continue their decline as volumes return to near pre-pandemic levels.

Latin America

Carriers have reduced capacity to both the South American east and west coasts due to severe congestion at transshipment hubs. For European trades, the carriers are allocating service

priorities for specific commodities. Demand to North America remains strong, although congestion-related issues are plaguing services at both origin and destination.

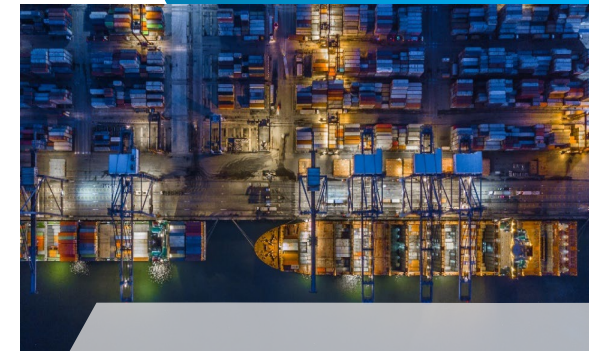
Oceania

Demand remains steady on the U.S. – Australia trade. Shippers are advised to book 5-6 weeks in advance.

North Europe – Oceania services are experiencing heavy vessel delays. Overall, rates remain elevated but steady, but we are seeing some lower spot rates on specific ports and sailings.

Major Disruptions

- Strike actions at two key ports in the UK threaten to cripple the nation's supply chain
 - Workers at Liverpool are set to strike from **September 19 - October 3**, overlapping a strike at Felixstowe from **September 27 – October 5**
 - The strike actions at both ports will likely overwhelm UK gateways, such as Southampton and London Gateway, and other North European ports
- Empty containers continue to pile up at the Port of New York/New Jersey, disrupting landside operations and exacerbating the chassis shortage
- Containers continue piling up in Los Angeles, with over 50,000 empty containers and 66,000 loaded import containers clogging up the port
- Houston Terminal has imposed export allocations based on lead line/shared lines export allocation figures for vessels
 - The port is only allowing export receiving for one ship at a time, and once allocations are met, PHA will stop receiving exports for the respective vessel
- Maersk halts IPI bookings to Fort Worth, TX as inland rail ramp congestion leads to severe delays in retrieving import cargo
- Major Chinese ports have reported a shortage of reefer plugs due to severe congestion levels, forcing carriers to divert discharge to other ports



Ocean Freight (cont'd)

Announcements

- Talks have broken down between West Coast terminal operators and the ILWU
 - While the ILWU has pledged not to go on strike, there are growing concerns that unscheduled work slows could increase
- Rising water levels on the Rhine River are easing some of the congestion at key ports in Germany, but barges are still not being fully loaded as water levels remain below normal
- German unions and seaports have reached an agreement after multiple rounds of contentious negotiations and warning strikes over the summer
- Port of New York – New Jersey has delayed the container dwell fee scheduled to hit ocean carriers, despite the thousands of empty boxes clogging up the port
- The Federal Maritime Commission is [proposing a rule](#) to prevent ocean carriers from refusing U.S. import and export containers
 - The proposed rule would establish criteria for reasonably assessing vessel space allocations and shift the burden to carriers to justify why it was not unreasonable to refuse vessel space to a particular cargo interest
 - The proposal stems from numerous complaints since 2020 by shippers that carriers have prioritized space for more lucrative imports, particularly from Asia, over American exports
 - Readers can monitor the progress of the proposed rule by following **Docket No. 22-24** on the FMC website, located at www2.fmc.gov/readingroom
- Cosco has announced the resumption of services on the U.S. - Australia trade lane, while OOCL will remove volume restrictions

Equipment Shortages

- Container and chassis shortages continue to plague U.S. East Coast and IPI origins
- Equipment availability remains the biggest challenge for all European origins, particularly in the Mediterranean
- Significant container shortages have been reported in Thailand, resulting in backlogs at origin
- A severe shortage of reefer containers are affecting global flows of perishable goods
 - Some units have apparently been taken out of the supply due to damages caused by COVID disinfection measures in China, further depleting the supply

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	12 ↓	10-17 days ↔	4.9 days
	New York / New Jersey	18 ↑	14 days ↔	6-8 days
	Seattle	0 ↓	5 days ↓	2+ weeks
	Oakland	10 ↓	8-12 days ↔	8.2 days
	Houston	21 ↓	16 days ↔	9.7 days
	Savannah	43 ↑	18 days ↑	8.4 days
	Norfolk	2 ↓	7 days ↔	7.5 days
	Charleston	0 ↑	0 days ↓	12.6 days
Asia	China	~700 ↑	2 days ↑	16 days
Europe	Antwerp	* ↓	2 days ↓	7.2 days
	Rotterdam	* ↓	4 days ↓	6.8 days
	Hamburg	19 ↑	8 days ↑	8.3 days
	Felixstowe	* ↑	3 days ↑	9.4 days

*Data not available, as ports are not forthcoming with timely data.

Blank Sailings

- The number of blank sailings have eased compared with recent months but are expected to tick up again heading into China's Golden Week holiday
- Looking long term, carriers are likely to replace individual blanked sailings with service suspension, as evidenced by six suspensions by CMA CGM in the last two months



Domestic Trucking

Market Expectations, Space, Volume, and Rates

The U.S. truckload market remains soft, with accepted loads running 5.5% lower than the same period last year. Load-to-truck ratios have leveled out over the last month but are still down 33% YOY. Tender rejections have also fallen 5.5%. In sharp contrast, outbound tender volumes in Southern California jumped 16% last week over August levels amid fears of nationwide rail strike, which have now been seemingly averted.

Overall, spot rates continue to decline across the nation, while contract rates have held steady. In the drayage market, low capacity and tight chassis availability, especially on the West and East Coasts, continue to pressure spot market rates. Demand on the flatbed spot market remains low as inflationary pressure continues to impact the construction sector. The spot market for this segment continues to decline as carriers look to entice customers.

The LCL market continues to soften amid weak consumer demand.

Looking head, economic pressures are likely to continue to force spot market prices down over the coming weeks. Contracted rates are likely to remain firm, as inflation, equipment availability, and operating costs will likely put a floor on where prices can reasonably go.

Asia

All trucking operations in Shanghai have been suspended. Many shippers in Hong Kong have switched to feeder services due to limited trucking availability. Across the rest of the country, Beijing's COVID protocols continue to impact trucking operations, significantly reducing available capacity. As a result, significant delays have been reported.

Europe

Demand for truck freight in all major European economies has dropped back to pre-pandemic levels as inflation rates weigh on consumer and business confidence, with the majority of volume coming from large enterprises, manufacturers, and agricultural producers. Significant driver shortages and frequent train cancellations have kept capacity tight. Barge delays are minimizing on the Rhine River due to the recent rainfall and rising water levels, helping lower pressure on inland transport.

Freight rates are now at an all-time high, inclusive of fuel costs which have risen 69% since January. Waning demand combined with high fuel prices is leading to an untenable situation for smaller trucking companies, who are struggling to fill their trucks on backhaul trades.



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EQUIPMENT



RATES

Major Disruptions

- Significant delays have been reported at the Port of New York as truckers grapple with appointment and equipment issues due to severe landside congestion
 - The lack of appointments has made it difficult for trucks to pick up import containers or deliver laden export and empty containers
 - As a result, customers hoping to return empty containers on time have been hit with high demurrage fees from the carriers who are unwilling to waive the fees
- Fuel scarcity in Sri Lanka has led to significant delays and interrupted cargo movements

Equipment Shortages

- North American chassis manufacturers continue to run into production delays due to difficulties in sourcing raw materials
 - According to JOC, chassis construction requires raw materials and subcomponents from 20-30 Asian suppliers who have not been able to meet chassis manufacturers needs
 - As a result, orders due to be delivered this year will be pushed out to 2023 and orders for 2023 will be pushed out to 2024
- American companies have not been able to purchase chassis from China due tariffs and duties imposed by the federal government in 2021, which effectively amounts to a ban on chassis imports from the Asian nation

U.S. Chassis Availability

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

Rail

Market Expectations, Space, Volume, and Rates

The Railroads continue to struggle meeting demand. Weekly carload volumes were down 0.9% from the same period last year, while intermodal volumes dropped 1.7%. Year-to-date figures show overall traffic down 0.2%. Domestic intermodal shipments saw 4.0 % growth, while international containers dropped 8.4 % and trailers dropped 25.2%.

The seven highest-density corridors, which collectively handle more than 60% of total volume, were all down in the second quarter. The Midwest-Northwest corridor led the losses with a 20.1% decline, followed by the South Central-Southwest corridor at 14.5%. The Intra-Southeast, Southeast-Southwest and Midwest-Southwest dropped 7.8%, 5.5%, and 5.3%, respectively. Northern corridors saw the smallest declines, with the Northeast-Midwest dipping 3.1% and Trans-Canada down 2.2%.

Rail delays are becoming more prominent and will likely cause more bottlenecks going into the peak harvest season, which begins to ramp up mid-September and extends into the new year. Average Los Angeles / Long Beach off-dock dwells times are currently exceeding 24 days. On the East Coast, carriers are struggling to cope with the surge of import containers. Inland destinations are feeling the pressure as rail carriers omit service to inland points as they work to clear port bottlenecks. Meanwhile, the backlogs of incoming freight at East and West Coast ports are hindering export cargo moves, leading to missed departures.

Turn times continue to increase, particularly in Chicago, Cincinnati, and Houston, while rail speeds continue to decline, with the average speed of grain and ethanol shipments remaining lower than the average for other goods. Average rail origin dwell times (the number of hours trains spend waiting at origin) have decreased by 8% since the beginning of the year, but they are up 12% compared to the same period last year. Unfilled car orders remain extremely high - especially for grain, fertilizer, and energy shipments - up 97.3% over the same period last year, with many over 11 days past due. In a supposed effort to restore service, the railroads have curtailed the number of railcars on their lines and enforced intermittent container embargoes across much of the country, driving up rates in the process.

The tight space and disrupted schedules continue to pressure rates, keeping them elevated well above pre-pandemic levels. West Coast shippers are also being hit by significant demurrage and per diem fees for long dwelling containers.



CAPACITY



EQUIPMENT



RATES

Canada / Mexico

Canada's carload volumes increased 3.7% last week compared to the same week last year, while intermodals units jumped up 7.9%. Congestion levels are growing at rail terminals across Canada, slowing the movement of freight. Equipment and driver shortages have created a backlog of rail freights at terminals in Montreal, Toronto, and Halifax, adding to existing port congestion.

Mexican carload volumes surged by 21.8% compared to the same week last year and intermodal volumes were up 18.1%.

China - Europe

While chronic port congestion in Europe has propped up demand for China-Europe rail freight, growth has slowed compared with previous years. Despite the Russian sanctions, shippers are increasingly going back to the faster Trans-Siberian route to Europe, especially for urgent shipments. Capacity remains ample for LCL cargo but has tightened for FCL shipments. A five-to-seven-day departure delay has been reported on some services, including shipments from Zhengzhou and Xian due to COVID lockdowns at origin. Spot rates on this trade are seeing a similar decline to sea freight rate.

Europe

Demand remains high across Europe as shippers seek to avoid disruptions in the ocean freight market; subsequently some terminals have reported very tight capacity. Frequent rail disruptions and train cancellations have been reported across the continent due to multiple factors, including line maintenance, construction, labor shortages, and surging volumes.

The energy crisis threatens to disrupt the European rail freight market by not only reversing the modal shift but it may also fundamentally change the composition of the market, with small- and medium-sized rail companies at risk of leaving the market due to the ten-fold increase in energy costs.



Rail (Cont'd)

Major Disruptions

- Rail congestion has worsened at the Ports of Los Angeles and Long Beach following the Labor Day holiday
- Union Pacific has extended its service suspension to the West Coast
- Norfolk Southern has imposed limits on the number of export boxes moved from its facilities in Memphis and Kansas City as it struggles to adjust to the surge in import volumes
- Germany prioritizes energy cargo on railways amid unprecedented energy crunch
 - Under the new draft legislation, railways will be able to override existing contracts in order to prioritize shipments of fuel, coal, etc. and heavy equipment needed for power, such as transformers
 - Many are expressing concern about the measure, warning it will create a fight for the remaining network capacity and increase the already high congestion

Announcements

- After a marathon all-night negotiation, the railroads and labor unions reached a tentative deal on Thursday, averting a nationwide strike that threatened to cripple U.S. supply chains
 - The new deal still needs to be ratified by union members before taking effect and totally ending the threat of an industrial action
 - As part of the agreement, both sides have agreed to another cooling-off period to ensure that if the agreement is not ratified by the union members, there isn't an immediate rail shutdown
- BNSF to gradually lift restrictions on certain types of cargo bound for California
 - Individual shippers will be allowed to [apply for a special permit](#) to seek exemptions to the embargo
- Norfolk Southern opens new auxiliary container yards in Memphis and Kansas City to handle the overflow of import containers

Container Dwell Times

Rail Terminal	Average Dwell
Charleston	8.1 days ↓
Chicago	9.1 days ↓
Houston	7.6 days ↓
Kansas City	12.4 days ↑
Los Angeles / Long Beach	40 days ↑
Memphis	11.6 days ↑
New York / New Jersey	7.8 days ↑
Norfolk	9.6 days ↑
Savannah	10.3 days ↓

Equipment Shortages

- The industry continues to be plagued by a critical shortage of chassis, resulting in pick-up and delivery delays in Atlanta, Chicago, Cleveland, Columbus, Houston, Long Beach, Los Angeles, Louisville, Memphis, Nashville, New York, Philadelphia, and St. Louis





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.

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