



MARKET INSIGHTS

Global Logistics Update

JANUARY 2023



State of Global Trade

Consumer spending continued to increase in the U.S. in the final two months of 2022, with holiday sales growing 5.3%. While the growth is below the National Retail Federation’s expectation of 6% - 8%, that growth is still well above the pre-pandemic level of 2.5%. Online and non-store sales saw the biggest YOY gains, up 9.5%. While sales rose in most retail categories, demand noticeably weakened for furniture, home furnishings, electronics, appliances, and apparel, an indication that consumers are adapting their buying behaviors, with price a leading consideration.

After the strong finish to 2022, forecasters expect growth is likely to slow amid inflationary pressures and aggressive fiscal tightening policies by the Federal Reserve to reel it in. The Fed is expected to raise rates again this week, hoping that higher borrowing costs will corral businesses and households into cutting back enough to curb price increases. As a result, consumers are likely to be pickier in 2023, searching for the best value for their dollars and looking for quality over quantity to squeeze out maximum value. Economists and Wall Street’s biggest banks are warning of the increased likelihood of a recession sometime this year, with many indicating it will likely be a mild one. Meanwhile, there are indications that the U.S. could narrowly avoid a recession, including White House numbers showing inflation heading in the right direction, a strong labor market, and more job openings than workers.

Across the globe, many countries are grappling with the cost-of-living crisis, dampening consumer confidence and forcing households to make difficult spending choices. As a result, the World Bank has slashed its 2023 global economic growth outlook to 1.7%, down from its earlier projection of 3%. The adjustments include downgrades for the U.S. from 2.4% to 0.5%, China from 5.2% to 4.3%, Europe and Central Asia from 1.5% to 0.1%, and Japan from 1.3% to 1%. “Global growth has slowed to the extent that the global economy is perilously close to falling into recession,” the World Bank said, attributing global monetary tightening policies to the sluggish growth, which have “contributed to a significant worsening of global financial conditions.”

Upcoming Global Holidays

Holiday	Country	Date(s) Observed
Lunar New Year	China	January 22 – February 5
Lunar New Year	Indonesia, Malaysia, Singapore and S. Korea	January 22 - 24
Constitution Day	Mexico	February 6
Foundation Day	Japan	February 11
President’s Day	U.S.	February 20

New export orders continue to decline in major economies, with the exception of the U.S., Germany, and South Korea. The sharpest decline is coming from China, where new export orders have fallen 40%-50% as the impact of COVID-19 weighs on the country’s reliability to export goods. We are also hearing indications that factories across the country are preparing for a rise in COVID cases after the holiday, with healthcare officials and supply chain analysts warning the impact of the latest wave could take months to work through the supply chain. The unpredictable outlook on sourcing from China will help drive export volume growth from Africa and other Asian economies, including Vietnam, Indonesia, Thailand, Cambodia, and India. Trade is also expected to increase between the U.S. and Europe. Meanwhile, countries that source components and raw materials from China continue to face shortages, leading to longer lead times, supply risks, and increased operational costs.

In addition to inflationary pressures, the threat of a global recession, and sourcing issues from China, there are still a few issues that could cause further disruption to global supply chains, including energy and fuel shortages, ongoing labor negotiations, and labor unrest. Labor unrest is likely to worsen in 2023 as sustained inflation has pressured worker incomes and standards of living across the globe, while unresolved labor strikes will spill over into 2023.



State of Global Trade (Cont'd)

Announcements

- **U.S. Customs and Border Protection (CBP)** hikes quarterly IRS interest rates used to calculate interest on overdue accounts (underpayments) and refunds (overpayments) of customs duties, effective **January 1 - March 31**
 - Underpayments: 7%
 - Overpayments for corporations: 6%
 - Overpayments for non-corporations: 7%
 - The new rates represent a one percentage point increase from the prior quarter and are now at their highest level in 15 years
- The **U.S. Department of Commerce** has announced inflation adjustments to the **Civil Monetary Penalties**, effective **January 15**
 - The International Emergency Economic Powers Act (IEEPA) maximum increases to \$356,579 (from \$330,947)
 - The Export Controls Act maximum increases to \$353,534 (from \$328,121)
 - The maximum per violation increases to \$16,438 (from \$15,256)
- The **Office of Foreign Assets Control (OFAC)** has published updates to **Civil Monetary Penalties** due to inflation, effective **January 13**
- The **U.S. Department of State** has also updated **Civil Monetary Penalties** for inflation, effective **January 11**
- New **Financial Accounting Standards Board (FASB) rule** now requires Supplier Finance Program users to:
 - disclose transaction payment terms of the transaction;
 - confirm the amounts of invoices in the program;
 - disclose any guarantees or assets pledged; and
 - provide a description of where those obligations will appear on the balance sheet
- Importers will be required to pay full tax to **CBP** for all alcohol imports, effective **January 1**
 - Provisions of the Craft Beverage Modernization Act are detailed [in a recent video](#) provided by the Alcohol and Tobacco Tax and Trade Bureau
- **FDA** issues **new guidance** for importers of food, beverages, pet food, and dietary supplements to comply with the Foreign Supplier Verification Program (FSVP)

- **CBP** to implement new **regional alert AEC enhancements** under the Uyghur Forced Labor Prevention Act (UFLPA), effective **March 18**
 - The enhanced alert will add three new validations, including:
 - postal code requirements;
 - error messages for invalid Chinese postal codes; and
 - warning messages when XUAR postal codes are entered
 - **It is important to note that China entries will be delayed by CBP unless the full name, address, and postal code of the Chinese supplier are provided**
- The **Office of the U.S. Trade Representative (USTR)** has announced the signing of the **US-EU Tariff Rate Quota (TRQ) Agreement**
 - Once implemented, the agreement will enable the U.S. to preserve existing access for agricultural commodities to European Union markets following the United Kingdom's exit (Brexit) from the EU in January 2021

Major Disruptions

- France's eight largest trade unions have announced a series of strike actions after Prime Minister Borne announced government plans to reform the pension system, including raising the pension age from 62 to 64
 - The first of 'pension strikes' began on **January 19**, and halted traffic flows between France and the UK
 - Additional strikes have been announced for **January 31** and **February 7 – 8** and are expected to impact rail transport, public transport, and oil refineries
 - Other unions are likely to join in the strike action, including air and ferry workers
- Rail strikes continue to hinder businesses across the United Kingdom, with no end in sight
- Tens of thousands of workers across the United Kingdom have come together to join the 'waves of strikes' being organized across the country, including customs workers, civil servants, public transport workers, hospital staff, ambulance workers, and teachers
- The global aviation industry continues to be impacted by various industrial actions



Air Freight

Market Expectations, Space, Volume, and Rates

Global demand for air freight continues to wane, with falling volumes to and from China / Hong Kong and South Asia - Asia Pacific traffic pulling down overall volumes. Figures for week 3 show a 3% decline in worldwide tonnages, compared to a 3% increase over the same week in 2022. Meanwhile volumes in other major markets were up, with e-Commerce volumes remaining relatively robust, despite the massive layoffs announced by Amazon. Meanwhile, capacity has increased 11% YOY with the addition of new and converted freighters and the return of more widebodies as passenger travel continues to rise.

Overall spot rates remain flat WOW after posting moderate declines in week 2, despite higher fuel surcharges. While worldwide rates have fallen well below January 2022 figures, they remain significantly above pre-COVID levels.

Looking ahead, IATA expects the industry to face significant headwinds amid the ongoing economic and energy uncertainty. Global air cargo volumes are forecast to decrease to 57.7m tons, from 60.3m tons in 2022 and the peak of 65.6m tons in 2021. Cargo yields are expected to fall 22.6%, mostly in the latter half of the year when inflation-cooling measures are expected to bite but will remain well above pre-COVID levels. Despite the lower volumes, air freight rates are expected to remain 35% - 50% above pre-COVID levels.

Tiaca has a more positive outlook, saying that despite high inflation, high interest rates, high energy costs, and defensive consumer spending, "the current situation is temporary, and we can hope that later in 2023 the central banks will start reducing interest rates when inflation is considered to be under control." In its latest newsletter, the association said, "We can expect further capacity increases as freighter conversions and production deliveries look very buoyant for the next few years. We can also see the continuing return of passenger operations bringing further belly capacity back to the market. e-Commerce demand will continue to be a source of growth but, overall, we anticipate a slight reduction in volumes when compared to 2022 with downward pressure on yields based on returning capacity and slower demand."

Based on the manufacturing outlook for 2023, U.S. airfreight exports are expected to decline by 7% while imports are expected to drop by 3%. Declines are expected to be in the double-digits in the first half of the year, followed by a slight uptick in volumes in the second half.



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RATES

Asia – U.S. / Asia - Europe

While the Lunar New Year typically sees a spike in global air activity, the Year of the Water Rabbit is off to a slow start. Volumes continue to contract out of China and Hong Kong, with week 3 tonnages dropping 5%, representing the tenth consecutive month of falling demand. We are also seeing freight booking cancellations for late January into mid-February, a result of decreased demand and factory labor constraints. Meanwhile inbound flows have tanked 26% as the country's economic downturn takes its toll on consumers.

Demand ex-South Asia remains low, except for Vietnam, Taiwan, and South Korea where volumes remain steady.

The Indian market remains very soft, with volumes expected to drop in the coming weeks.

North America - Europe

Demand on the North America – Europe trade lane remains robust, with westbound cargo flows surging 44% WOW and eastbound volumes jumping 33%.

Latin America

Export demand from all markets have seen a strong recovery, with tonnages from North America up 34% and Europe up 43%.

Oceania

Moderate demand to / from Oceania has stabilized the market. Additional capacity has been added on the North America trade lanes but remains flat on the Europe routes.



Air Freight (Cont'd)

Major Disruptions

- New Zealand's perishable air cargo exports – including meat, fish, dairy, and pharmaceutical products - have been severely impacted by a critical shortage of liquid CO2 and dry ice
 - As a result of the shortage, the cost of dry ice has skyrocketed from 4 NZD per kg to 18
- Pilots at Panama's **Copa Airlines** announce **February 2** strike, after failing to reach a fair labor deal
- **Airbus** CEO says supply-chain disruptions will continue to disrupt new aircraft delivery targets in 2023
- Nigerian flights have been disrupted by striking ground crews
- Mexico to ban cargo-only flights to **Benito Juarez International Airport**, the country's busiest airport
 - All cargo-only flights are expected to be rerouted to **Felipe Angeles International Airport**
 - Belly cargo transported in passenger flights will be exempt from the ban
 - IATA warns the new airport does not have adequate facilities and infrastructure to allow for smooth operations, including warehouses and customs systems

Announcements

- **Chicago O'Hare** reaches agreement with a major ground handling union, sparing several cargo airlines from service interruptions
- **FAA** sets **February 1, 2024** deadline for 5G signal safeguards on passenger and cargo aircraft to mitigate potentially unsafe interference from 5G mobile phone signals
 - The FAA said it couldn't rule out interference from 5G signals for certain radio altimeters (navigation equipment that determines altitude over ground) which could cause them to malfunction
 - The FAA estimates that nearly 8,000 aircraft would need the safeguards – including altimeter replacements and additional filters – and would cost the industry as much as \$26 million
- **Southwest Airlines** pilots set to vote on "historic" strike authorization
- Vietnam's **Bamboo Airways** to launch new cargo unit

8 Considerations for an Economic Slowdown

1. Closely monitor market and economic trends as not all regions will be impacted the same
2. Shift your focus from capacity planning to service predictability and quality
3. Communicate rolling volume forecasts with your suppliers/carriers/forwarder to improve operations and relationships
4. Shift from air freight to ocean in order to achieve cost savings
5. Consider more flexible or shorter contract arrangements with carriers
6. Watch and minimize inventory in transit and at destination
7. Benchmark freight rates and cost to take advantage of falling prices
8. Remember, declining freight rates will reduce your freight spend per unit

Source: Drewry



Ocean Freight

Market Expectations, Space, Volume, and Rates

Despite a modest uptick at the start of the new year, demand was nowhere near the usual pre-CNY rush. In the U.S. the pandemic surge is finally over, with import volumes retreating back near 2019 levels. East and Gulf coasts continue handling significantly higher volumes than before the pandemic, while volumes on the West Coast continue to decline. Demand in North Europe continues to wane as inflationary pressures continue to erode consumer confidence, especially for consumer goods such as clothing, home electronics, etc. Trades in and out of Asia remain soft, except for China, where import and export volumes continue to plummet as the country struggles with economic pressure and COVID outbreaks.

Carriers continue to blank sailings from Asia, mostly to the U.S. West Coast and North Europe, with vessels being reallocated to the more profitable Transatlantic and Oceanic trades. Despite the seasonal rise in blanked sailings, capacity remains in oversupply on most tradelanes, with carriers scrambling to fill their ships. Emily Stausboll an analyst at Xeneta, noted the sharp contrast with the 2021- 2022 situation, saying, “Shippers have gone from being unable to get their carriers on the end of the phone and say, hey, I need to talk to you, to suddenly all the carriers are calling them and saying, hey, do you have any containers for me that I can move?”

The chronic port congestion of the last few years has finally dissipated at major ports across North Europe and the U.S. In the U.S., there are just 30 vessels waiting to berth, with the majority off the U.S. East and Gulf Coasts, where vessel queues are down to single digits. Lower shipment volumes during Asia’s LNY holiday will give the ports some much needed breathing room to clear out the last of the queues. In North Europe, all container ports are now operating normally, with bad weather the only cause of berthing delays. Meanwhile, congestion at Asian transshipment hubs remains significant, with Busan, Kaohsiung, and Singapore reporting 10 – 14-day delays, prompting carriers to push their direct service options. Congestion at China’s ports of Shanghai, Ningbo, and Qingdao has also increased after adverse weather conditions delayed pre-CNY sailings and COVID outbreaks in multiple locations led to delivery and terminal challenges.

Landside congestion continues to improve globally, but there is still a way to go before returning to normal, especially at LA and Long Beach. While dwell times for local truck-bound containers have returned to pre-pandemic levels, down to 2.8 days, dwell time for rail-bound cargo at the twin ports remains well above pre-pandemic levels, averaging 9.1 days.

Global schedule reliability continues to improve, with 50% of vessels arriving on time, compared to 70% - 85% pre-pandemic. Turning to the U.S. West Coast, the picture isn’t as quite rosy for LA and Long Beach, where average transit times increased 41.7% and 24.5% respectively in December, putting them back to levels not seen since the spring of 2022.



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Across the board, the macroeconomic forces impacting international freight volumes and the easing port congestion is pushing spot rates down. According to Drewry, contracted rates are collapsing on all major tradelanes.

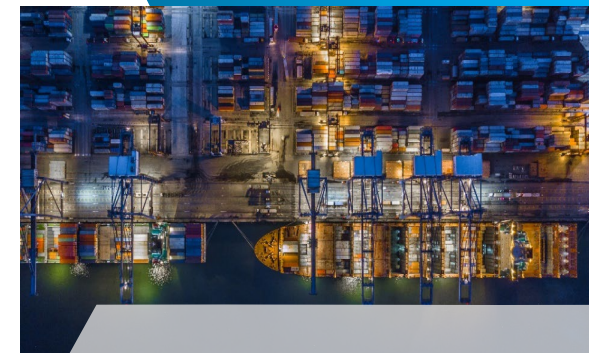
Looking ahead, the normal slack season following the Lunar New Year holiday is expected to be lower than normal, with carriers not expecting consumer demand to recover until at least March. In the short term, demand is expected to drop and is likely to remain flat over the course of the year. Meanwhile, capacity is expected to grow 9% in 2023, when a flood of newbuilds is scheduled to hit the water. This will lead to a normalization where the supply chain bottlenecks of the past three years fully dissipate, and cargo flows with fewer delays. Analysts at Drewry anticipate spot rates to increase by 2% on major East-West and South Asia – Mediterranean trades in February and remain stable on South Asia – North Europe trades. The removal of China’s COVID restrictions and potential restocking demand could drive a post-CNY recovery and lift rates in the near term. However, the biggest concern is that continued COVID outbreaks in the country would lead to prolonged factory closures and reduced port capacity, leading to bearish market conditions and more aggressive capacity management, which would dictate freight rates, rather than the actual amount of cargo demand, due to lower supply.

Asia – U.S. / Asia - Europe

Container spot rates on the Asia – U.S. West Coast trade have fallen below 2019 levels, despite the LNY blankings. On the more robust Asia – U.W. East Coast lane, spot rates have modestly declined, an indication that demand is normalizing after the sustained surge over the past two years.

Export space availability from the U.S. West Coast is improving to North Asian ports, especially to China and Japan. However, due to expected lower demand on the Transpacific eastbound trade, vessel capacity could possibly be cut by up to 50% after the LNY holiday. Equipment is available and ample in most markets, and spot rates continue to decline.

Despite lower volumes on the Asia – Europe trade, space remains tight as carriers have



Ocean Freight (Cont'd)

removed significant amounts of capacity to mitigate further rate erosion following weeks of decline. We are also hearing that a considerable amount of cargo is being rollings due to the LNY holiday. While spot rates continue to decline, they remain well above 2019 levels. Meanwhile, the Asia - Mediterranean trade is proving more resilient than the North European market, prompting the 2M Alliance to reinstate blanked sailings.

U.S. - Europe

Demand and volumes remains stable on the Transatlantic trade. Unsurprisingly, the extra capacity deployed on this tradelane has pressured freight rates, accelerating the weekly declines in both the spot and contract markets, where European shippers are currently engaged in contract negotiations. However, spot rates remain highly elevated compared to pre-COVID levels, and this is the only trade where spot rates are still riding above contract rates.

Canada / Latin America

Market conditions and rates are similar to the U.S., with rail delays now the only bottlenecks.

Demand on all trades with Latin America remain steady. Carriers have added new services from U.S. East and Gulf Coasts to improve capacity, while space is improving from the U.S. West Coast. Limited carrier options, blank sailings, and schedule reliability from Europe are keeping supply and demand in balance, which has kept rates stable but elevated.

Oceania

On the Oceania to U.S. market, spot rates continue to decline as more capacity is infused on this tradelane. On the U.S. to Oceania lane, demand has begun to soften and is likely to continue waning in the coming weeks as the traditional peak season for this market winds down at the end of February. Some carriers have already begun reducing capacity from U.S. East Coast origins, causing tighter space allocations for exporters. Space remains tight from the U.S. West Coast, but shippers are finding it easier to find space.

The Europe – Oceania trade remains unchanged, with space and equipment readily available.

Announcements

- Carriers have refunded over \$700,000 of unfair Demurrage and Detention (D&D) charges under the Ocean Shipping Reform Act of 2022 (OSRA 2022)
- The wave of challenges against carriers will continue in earnest throughout 2023

Rotation Changes

- **MSC / Maersk** has reinstated the Asia-Mediterranean AE11/Jade service
- **Hapag-Lloyd / CMA CGM** launches new Pakistan-India-US service (Indamex2)
 - Port Qasim, PK • Nhava Sheva, IN • Mundra, IN • New York • Norfolk • Savannah

Blank Sailings

- On the Asia – U.S. trade, carriers have blanked less capacity than in past years, with only 11% of capacity removed to the East Coast and an 18% reduction to the West Coast
- Major carriers have blanked 53 Asia-Europe sailings through week 7, representing 27% of scheduled capacity
 - THE Alliance (Hapag Lloyd, HMM, ONE, and Yang Ming) has blanked 36% of all sailings, followed by 2M (MSC and Maersk) at 24%, and the Ocean Alliance at 23%
 - Carriers are also “sliding” schedules and diverting ships on the backhaul through the Cape of Good Hope, slowing their return to Asia, to remove even more capacity
 - More sailings are likely to be blanked after CNY if demand is worse than anticipated
- More blank sailings are expected to be announced in the coming weeks, as carrier struggle to control load factors

Contract Negotiations

- This year’s contract negotiations will be more favorable to shippers as carriers will not have the same pricing power as they did in 2022
- Annual contracted rates are now in sharp decline and are expected to fall 50% on most routes
- Many shippers are questioning the value of long-term contract agreements
 - Early contracts signed so far are 70% less than the number signed last year
 - Some shippers are holding off on commitments, looking for rates that are closer to pre-pandemic levels
 - Many shippers are opting for short-term extensions, leveraging against the weakening spot market
 - Many shippers are moving to the spot market to take advantage of the lower rates



Trucking

Market Expectations, Space, Volume, and Rates

U.S. truckload volumes are making a comeback after a lackluster holiday season. On a WOW basis, outbound tender volumes rose sharply on both the spot and contract markets, up 22.8% and 23.0% respectively. Compared to the same week of 2022, an unusually active season for shippers, tender volumes are down 27.6% on the spot market and down 11% on the contract market, a sign that the market is returning to pre-pandemic levels. Of the 135 U.S. markets, all but five reported weekly gains. The coastal shift away from the West Coast towards the East and Gulf Coasts has drastically reduced the demand for long-haul loads, alleviating the pressured caused by the long-haul drive shortage.

Overall tender rejection rates, which measures relative market capacity, have fallen 0.47% over the past week and are down 1.7% YOY, showing that freight is finding capacity. Of the 135 market, 43 reported higher rejection rates, including California where capacity has been impacted by the new AB5 and CARB rules.

Demand in the reefer market continues to experience weaker than historical demand amid high inflationary pressures and winter weather impacts, which have disrupted regional freight flows. The market is expected to normalize heading into February. Meanwhile, reefer consolidation volumes are seeing an uptick.

The flatbed segment continues to be the hardest hit by the slowing economy, as orders for new construction continue to dry up and the spring season lags its annual start. As a result, spot market rates have hit a five-year low.

Despite declining LTL volumes, the market remains rather tight, with little capacity to spare. Increased operating costs have led many LTL carriers to announce rate hikes and GRI, including FedEx Freight.

Truckload spot rates seem to be stabilizing after hitting a low in Q4'22. The modest upswing in rates has led to a tightening spread between spot and contract rates.

Many industry analysts, including Morgan Stanley's Ravi Shanker, say they are seeing signs that the truckload market has bottomed out. Volumes are expected to remain flat over the first half of 2023, with a mid-year normalization as shippers replenish depleted inventory levels. Shanker warned, "The main risk to our call is that we are too early in calling for a bottom if consumer



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RATES

spending/macro risk driven by rates and inflation is ahead of us. Similarly, even if we are right about inventory bottoming, the upcycle may be farther out if macro remains weak." Truckload rates are expected to remain stable or see only modest declines in the first half of the year and begin climbing in the second half. In the reefer and flatbed markets, volumes are expected to remain subdued, and rates will continue to drop.

Canada

The Canadian market is currently in its seasonal low pattern, with historically lower volumes than the rest of the year. As a result, southbound volumes are softer than northbound volumes, which is likely to show in pricing as carriers seek to recover costs for empty miles.

China

Labor shortages due to rising COVID infections and the CNY holiday closings have led to significant delays and disruptions for the domestic trucking market, with cross-border operations between Hong Kong and Shenzhen particularly hard hit. In addition, COVID testing requirements for drivers are keeping capacity tight.

Europe

Despite waning demand due to falling import volumes, capacity remains stubbornly tight due to a continuous shortage of drivers, while delivery delays for new vehicles has limited fleet expansion. Rates continue to increase across the continent due to skyrocketing operational costs and low profit margins.

Driver Shortages

- Drivers in the U.S. are still scarce, but less scarce than they were
- The shortage of drivers continues to grow across Europe, with officials estimating the industry is short more than 100,000 drivers



Domestic Trucking (Cont'd)

Major Disruptions

- Nationwide diesel shortages continue to disrupt markets, with the tightest diesel market in the Northeast
- California's trucking capacity is shrinking due to AB5 and CARB rules
 - California's CARB ban on pre-2010 truck engines went into effect on **January 1**
 - Supply chain issues and low chip inventories have kept new truck supplies low, making it difficult for many trucking companies to be compliant
 - **This ruling affects not only California drivers, but any driver entering the state, including out-of-state long-haul drivers**
 - While AB5 has not yet taken effect, many drivers are leaving the industry due to the controversial rule or have left the state entirely
- Trucking industry warns new EPA rules on tailpipe emissions on large diesel trucks could impact supply chains and drive up costs
 - Jed Mandel, president of the Truck Engine Manufacturers Association, warned compliance with the new regulation is "not technologically feasible or cost-effective" due to limited supply, the average \$400,000 price tag for electric trucks, and the "host of technical problems" with electric trucks
 - Todd Spencer, president of the Owner-Operated Independent Drivers Association warned that if small business truckers cannot afford the new, compliant trucks, they're likely to leave the industry entirely

Announcements

- **FedEx** to reduce Sunday delivery services nationwide by 50%, effective **mid-March**
- Canada's carbon tax goes into effect in **April 2023**
 - As this will have a direct impact on operational costs, resulting in increased freight rates, although the extent of the rate increases are likely to be dependent on freight availability at the time of booking

Equipment Shortages

- Chassis supplies remain limited across much of the country and wait times for equipment vary from location to location



Rail

Market Expectations, Space, Volume, and Rates

U.S. rail freight traffic began 2023 on a down note. Overall traffic volumes for w/e January 21 dropped 2.1% from the same period last year, which included a 3.3% increase in carloads and a 6.7% drop in intermodal units, marking the third consecutive week of YOY declines. When compared to pre-pandemic levels, volumes dropped 14% below the same period in 2019. Five of the 10 commodity groups posted increases, including nonmetallic minerals, coal, and motor vehicles and parts. Declining commodity groups included grain, chemicals, and miscellaneous carloads.

Meanwhile, demand for U.S. rail services continues to outstrip available capacity. Unfilled car orders for new shipments decreased 6.6% over the same period last year, while unfulfilled car orders 11+ days past due remain stubbornly high – 82.2% higher than the same time last year.

Labor shortages and service issues (including delayed shipments) remain a huge challenge across the sector. Average rail origin dwell times (the number of hours trains spend waiting at origin) have increased 15.3% compared to the same period last year, although turn times have decreased 8.6%. While average train speeds increased 10.8% YOY, they remain significantly below pre-pandemic levels. On time performance remains poor among all the Class I railroads, with Union Pacific performing the worst at 73%. Despite declining import volumes, Los Angeles, Long Beach, Chicago, Kansas City, Memphis, and Dallas remain highly congested, with railroads forced to stack loaded containers, sometimes for weeks on end. Meanwhile, intermodal operations at these locations are being severely hindered by a lack of marine chassis.

Canada / Mexico: Canada's carload volumes jumped 20.2% compared to the same week last year, while intermodals units decreased 7.9%. Chronic congestion in Toronto and Montreal continues to impact operations in Vancouver, where yard utilization remains high. Meanwhile, Mexican railroads volumes remained on par YOY, with carloads up 0.7% and intermodal down 1.1%.

China – Europe: Severe weather on the Kazakhstan – China border is causing delays of 5 – 7 days, and a snowball effect is expected. All departing trains have been postponed, with cargos being held at terminals.

North Europe: European demand for rail freight continues to grow amid severe trucking shortages due to the war in Ukraine. Capacity is also growing, with several new freight services being launched across the continent. Rail cargo rates continue to increase due to soaring energy costs across the EU.



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Major Disruptions

- **Union Pacific** halts all traffic between Southern California and the Midwest until further notice due to a bridge outage in Santa Rosa, New Mexico
- **Union Pacific** continues to implement embargoes, prompting lawmakers to petition the Surface Transportation Board (STB) to halt embargoes
 - “The delays resulting from Union Pacific’s embargo and subsequent inadequate service for their customers is unacceptable,” the lawmakers wrote in a Jan. 13 letter
 - While the STB has seen other railroads increase the use of embargoes, “they’re not even in the same order of magnitude” as Union Pacific, said STB Chairman Marty Oberman
 - In response, **Union Pacific** announced it will put on hold all new embargoes, which it claimed were needed to improve the railroads performance while it reviews the policy that the STB and shippers criticized at a hearing last month,
- Pension strikes in France have led to significant delays and disruptions to **Eurostar’s** rail services, with a limited number of trains running due to staffing shortages
 - Additional strikes have been announced for **January 31** and **February 7 – 8** and will include unions representing **Sud Rail** workers
- UK train strikes set to continue in February after pay deal rejected, despite the rail minister admitting that the strikes have cost the UK more than settling the disputes would have
 - The strikes are expected to halt most services on **February 1 – 3**
 - Affected companies include: Avanti West Coast, Chiltern Railways, CrossCountry, East Midlands Railway, Gatwick Express, Great Northern, Heathrow Express, Island Line, London Northwestern Railway, Northern, Southeastern, Southern, Thameslink, TransPennine Express, and West Midlands Railway
- Portugal’s railworkers announce **February 9** strike due to lack of response regarding proposals for salary enhancements












Rail (Cont'd)

Announcements

- Amid negative nationwide attention to worker issues, several Class I railroads - **including Union Pacific, Norfolk Southern, and CSX** – are considering offering paid sick days, schedule changes and other steps to improve the work-life balance for workers and to retain employees
- **MSC** and **CMA CGM** offer new rail services between Valencia and Zaragoza
- **CSP Iberian Rail** has added a new link with Lisbon, offering coast to coast service across Spain
- **Delta Rail** to launch a new rail link between Chalon-sur-Saone, France and Duisburg, Germany
- Canada announces new regulations to increase accountability of rail freight service providers, effective **April 4** in response to supply chain issues identified in the National Supply Chain Task Force’s **final report**
 - The information collected will be published on the Government of Canada’s **Transportation Data and Information Hub** to provide a better picture of end-to-end rail performance
- **Canadian National** announced plans to tweak operational plans to improve velocity, grow business
 - The plans, which rely on “scheduled railroading,” include:
 - staying on schedule
 - running the same schedule daily
 - moving CN back to two operating regions (down from three)
 - Operating shorter trains, “since efforts to lengthen trains created a lot of havoc across the network and really killed our service offering,” CN COO Ed Harris told investors
 - “We got trains [sizes] back where they need to be, and lo and behold, our velocity jumps up significantly - **probably 10% or so...** made all the difference in the world,” Harris said
- **New Canadian regulations** call for **10 days of paid sick leave** for workers in all federally-regulated private sector workplaces, including railways and other transportation modes
- Germany’s **TX Logistik** launches new direct rail connections from the Port of Wilhelmshaven to Nuremberg and Kornwestheim in Southern Germany
- Italy’s **Hannibal** launches new rail service between Marzaglia and Melzo, connecting the Port of La Spezia with Europe and China

Container Dwell Times

Rail Terminal	Average Dwell
Chicago	>14 days 
Detroit	12.7 days 
Houston	6.9 days 
Kansas City	16.3 days 
Los Angeles / Long Beach	16.9 days 
Memphis	77.7 days 
New York / New Jersey	7.8 days 
Norfolk	5.5 days 
Savannah	10.4 days 

Equipment Shortages

- While new chassis continue to be delivered in some locations, critical shortages continue to impact operations at Chicago and Kansas City
- There is also cause for concern that inland rail operations could be impacted by the lack of ocean chassis availability due to the declining import volumes at West Coast ports

In Other News

- **Corn arrives to feed Foster Farms chickens after train delays, AJOT**
 - Union Pacific Corp. and poultry producer Foster Farms said enough corn shipments have been made to replenish feed stocks after delayed trains in recent months caused inventories to drop to critical levels
 - Millions of chickens at Foster Farms facilities were at risk of going unfed because of the rail delays





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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