



MARKET INSIGHTS

Global Logistics Update



DECEMBER 2023



State of Global Trade

Trade Summary

- The holiday shopping season is off to a good start according to the National Retail Federation (NRF), with 200.4m consumers taking advantage of Black Friday / Cyber Monday sales, breaking last year's record of 196.7m, with each shopper spending \$321 on holiday-related items and more than half saying they were about halfway through their holiday shopping
 - Roughly 121.4m people visited physical retail locations, down from 122.7m in 2022, while online shoppers totaled 134.2m, up from 130.2m
 - The NRF said the data is consistent with its forecast of 3% - 4% YoY growth, or \$957.3 - \$966.6b in holiday sales, not adjusted to inflation
 - Jewelry, apparel, electronics, and toys were among the top sellers, with sales directly correlating to the biggest discounts, while furniture and home furnishings lagged other sectors compared to 2022
 - However, what the NRF data does not reflect is the fact that many consumers leaned on credit cards and "Buy Now, Pay Later" programs to stretch their wallets
 - According to Adobe, pay later financing - which allow purchases to be paid off in interest-free installments - is up 47% YoY to \$6.5b so far this holiday season, with the company projecting it to reach \$9.3b by New Year's
 - Steve Sadove, senior advisor for Mastercard said, "Consumers are also shopping smarter, using all of their tools - from searching across channels to cross checking on apps and websites - to maximize value," suggesting they are under pressure to find the best deals
- Global manufacturing PMI* increased to 49.3 November, up from 48.8 in October
 - U.S.: 49.4, down from 50.0 – the lowest in 3 months, with output and employment declining further amid a 3.6% contraction in new sales orders
 - China: 50.7, up from 49.5 – the highest reading since August, amid a rise in new orders
 - Germany: 42.6, up from 40.8 - the 17th consecutive month below 50.0, with factory employment continuing to decline
 - UK: 47.2, up from 44.8 – the 8th consecutive month of decline new orders and employment continuing a downward trend

*A reading above 50 indicates growth, while anything below 50 denotes contraction.

Upcoming Global Holidays

Holiday	Country	Date(s) Observed
Hanukkah	International	December 7 – 15
Immaculate Conception	Italy and Spain	December 8
Christmas	International	December 25
Multiple Holidays	Multiple Countries	December 26
New Year's Day	International	January 1
Martin Luther King, Jr. Day	United States	January 15
Tet	Vietnam	January 21 - 27
Lunar New Year	China	February 10 - 17

For a more comprehensive list of business holiday closures, please click [here](#).

- Trade activity snapshot for October 2023 (the most recently published data)
 - U.S.: Exports -1.7% Imports unchanged at +2.7
 - China: Exports -6.4% Imports +3.0%
 - Vietnam: Exports +5.1% Imports +2.9%
 - EU: Exports -2.4% Imports -5.7%

Market Forecast

Global economies are expected to slow further in 2024 amid sustained inflationary pressures, high interest rates, and war, with the Organization for Economic Cooperation and Development (OECD) estimating that worldwide growth will slow to 2.7%, down from an anticipated 2.9% in 2023. The organization is projecting that the world's two largest economies, the U.S. and China, will decelerate next year to 1.5% and 4.7%, respectively, due to weakened trade growth and lower business and consumer confidence.



Air Freight

Market Expectations, Space, Volume, and Rates

Global air freight demand has continued to follow last year's trends, according to the latest figures from WorldACD. Preliminary figures for Weeks 46 and 47 showed a 2% decline in overall volumes compared with the preceding two weeks, caused mainly by the Thanksgiving holiday in the U.S. Looking at YoY figures, global volumes are 2% higher than the same period last year.

On a regional level, outbound tonnages rose from Asia Pacific to North America (+3%), supported by strong eCommerce and tech exports, but dipped slightly to Europe (-1%). Outbound volumes from North America were clearly impacted by Thanksgiving with a significant dip to Europe (-16%) and Asia Pacific (-10%). Other notable decreases were recorded from the Middle East and South Asia to Asia Pacific (-26%) and Europe (-6%) and from Latin America to North America (-5%).

While capacity is sufficient in most regions, backlogs are growing in Israel, as carriers have pulled capacity due to the current conflict, and China / Hong Kong, where capacity recovery lags behind other major economies due to previous pandemic restrictions.

Meanwhile, demand for charters is soaring, with charter operators sold out of capacity through rest of the year, keeping rates in this segment very strong. Several industry verticals have driven the demand globally, including entertainment, energy, automotive, government, and humanitarian aid.

Market Forecast

While many industry insiders expect the turbulence of the last few years to end by mid-2024 with the return of "classic seasonality," analysts at Xenata see a bumpy ride ahead. In its market outlook for 2024, the data provider believes demand will not likely pick up in any meaningful way, rising a mere 1% - 2% as economic and geopolitical uncertainties tame consumer and business spend. However, analysts at Drewry warn that the ocean freight market is also facing headwinds, which could result in shippers pivoting back to air in order to mitigate disruption risks and keep goods moving.

Capacity, on the other hand, is expected to increase 2% - 4% in the New Year, with the largest infusion coming from Asian origins, putting downward pressure on rates.



CAPACITY



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RATES

Announcements

- **American Airlines** flight attendants denied the right to strike after the National Mediation Board rejected the union's request to be released from federal mediation
 - Leaders of the flight attendants' union say they are frustrated with the lack of progress over a new contract for workers who have not seen raises since 2019, warning that "We are not backing down. We will intensify our pressure on the company."
- **SouthWest** and **Brussels Airlines** pilots call off planned industrial actions, saying deals are within reach
- Grounds crews at **DHL's** largest hub in Cincinnati/Northern Kentucky vote overwhelmingly (98%) to authorize a strike unless their contract demands are met, including addressing unfair labor practices
- **Virgin Australia** cabin crew vote overwhelmingly (99%) in favor of a series of 24-hour strikes over the busy holiday period
 - "Protected industrial action is always a last resort, but after three difficult years of wage freezes and punishing rosters to see Virgin roar back to profit," said union secretary Michael Kaine. "It's time for owners Bain Capital to show workers their concerns are understood and fix key issues driving high turnover and chronically low morale" including reasonable rosters, decent hours, and crucial job security guarantees
- UK eyes airport reforms aimed at restricting the number of takeoff and landing slots by major airlines, which the Department for Transport (DfT) says monopolizes capacity at major hubs
 - The DfT said the reforms will promote market competition, affordable flights, and better journeys for passengers
- **Amerijet** parks several jets, defers major maintenance to reduce costs after the U.S. Postal Service and DHL Express decide not to renew contracts



Ocean Freight

Market Expectations, Space, Volume, and Rates

U.S. container import volumes declined in November to 2,099,408 TEU, down 9% MoM. However, when comparing this month's volume with years past, volume was 7.4% higher than November 2022 and up 10.4% from pre-pandemic November 2019. Nine of the top ten ports saw decreased volumes, with Houston (-26.7%), Baltimore (-21.1%), and Charleston (-18.7%) experiencing the largest declines and Oakland (-3.4%) and Long Beach (-2.8%) seeing the smallest. Los Angeles (3.3%) was the only port on the list to see an increase. Looking at the top 10 countries of origin, Italy (0.8%) was the only country to see a volume increase, while Taiwan (-16.1%), Germany (-12.1%), and China (-11.7%) had the largest MoM declines.

On the export side, demand for U.S. exports – for both goods and services - declined 1.0% MoM to \$258.8 billion in October (the most recent data published by the Bureau of Economic Analysis). The decrease in goods reflects declines in exports of consumer goods (-\$2.1bn) and automotive vehicles, parts, and engines (-\$0.9bn), which were partially offset by an increase in industrial supplies and materials (\$1.2bn).

According to Sea-Intelligence, global schedule reliability held steady at 64.4% in October. Six of the top ten carriers recorded MoM increases, with Maersk again the most reliable carrier at 71.1% followed by MSC at 68.5%. HMM was the least reliable carrier, with a schedule reliability of 53.7%. Meanwhile, the global average delay for late vessels increased by 0.33 days to 4.90 days late. Looking U.S.-bound vessels, overall transit delays were mixed, with some ports seeing improvements, some remaining the same, and others logging worsening performance, with all but Long Beach and Seattle seeing higher delays than the global average.

Average global spot rates remained stable this week, with some lanes seeing slight increases and others seeing modest decreases. With the European contract season in full swing, shippers will again have the upper hand in negotiations after three failed GRI attempts over the last 45 days, with new contracts most likely signed at much lower rates than those signed last year.

Market Forecast

Spot rates on major tradelanes are expected to remain stable through mid-December, when carriers will try increase rates ahead of what they hope will be a pre-Chinese New Year cargo rush. However, we expect any rate increase to be short lived.

As the challenging global economic conditions are expected to continued into 2024, many analysts expect little to no growth in ocean freight volumes for the first half of the year, followed by 2.5%

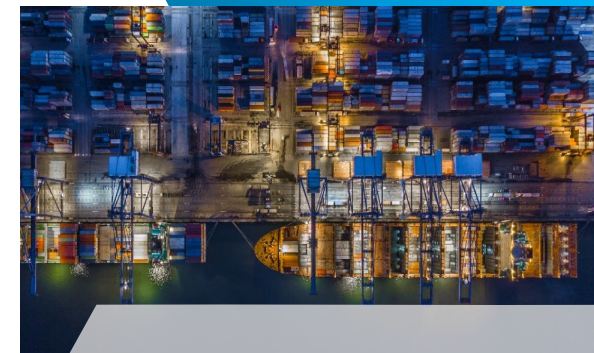
Market Snapshot

Market	Trade Lane	Capacity	Demand	Rates	Origin Performance		
					Equipment	Reliability	Congestion
Asia	Asia – North America East Coast	●	●	↓	●	●	●
	Asia – North America West Coast	●	●	↓	●	●	●
	Asia – Europe	●	●	↑	●	●	●
North America	North America – Asia	●	●	↓	●	●	●
	North America – Europe	●	●	↓	●	●	●
Europe	Europe – North America	●	●	↑	●	●	●
	Europe – Asia	●	●	↓	●	●	●

growth in the second half. Capacity, on the other hand, is expected to grow 6.5%, leaving a significant supply / demand imbalance. As a result, spot rates are expected to remain volatile throughout the year as carriers implement additional capacity management strategies, including ramping up blank sailing programs, longer loops with more port calls, swapping larger vessels onto smaller trades to protect rates on major trades, or operating behemoth vessels on major trades while cutting the frequency of voyages to lower operating expenses.

Equipment imbalances are also expected to raise their ugly head again as carriers implement more aggressive capacity management strategies to combat lower demand, which removes the capacity needed to reposition empties. Shortages will most likely be felt in the U.S. and South Asia, with export flows disrupted, while Europe will struggle with a surplus, leading to terminal congestion and increased storage/repositioning costs. Meanwhile, Drewry expects the global container pool to contract again in 2024, after falling 2.6% in 2023, as carriers and lessors offload surplus/aging equipment. "The last time the container pool posted a YoY decline was at the time of the global financial crisis between 2008 and 2009, when the total number of containers in service fell by 3.7%" the consultant said.

Therefore, we recommend shippers to hone their forecasting skills, remain flexible, and book early to avoid supply chain disruption.



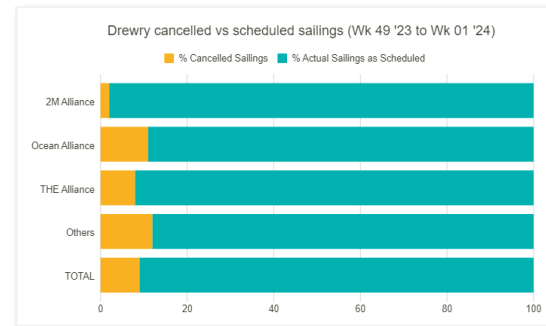
Ocean Freight (Cont'd)

Major Disruptions

- Carriers continue to cancel sailings at the last minute due to low vessel utilization, significantly impacting delivery schedules
- In the midst of the harvest season, U.S. agricultural exporters – especially in the Midwest - are struggling to find containers to ship their commodities to markets in Europe and Asia, blaming the equipment shortage on soft U.S. import volumes
- U.S. warns vessels transiting the Red Sea and the Gulf of Aden to “stay cautious” after multiple maritime ships in the area were attacked
 - Several carriers have begun diverting vessels around the Cape of Good Hope to avoid potential attacks, increasing transit times from Asia to Europe by 10 -12 days
 - Additionally, the increase in attacks will likely result in higher insurance premiums for vessels operating in the area, which will be passed on to shippers and ultimately consumers
- Shippers are baffled by the large surcharge disparities planned by carriers beginning in **Q1'2024** to recover the cost of the European Union’s new carbon tax (EU ETS), with no explanation from the carriers as to why their surcharges are so different
 - For example, on an Asia-Europe voyage, carriers have indicated the following surcharges per TEU: Hapag Lloyd: €12, CMA CGM: €25, Evergreen: €27, and Maersk €70
 - Under the EU’s new Emissions Trading Scheme (ETS) regulation, the tax will be levied against all containerships originating from, bound for, or transiting the European Union, with carriers liable for 40% of emissions in 2024, 70% in 2025, and 100% by 2026, which the carriers have said will be passed on to shippers
 - Note: Services that start or end outside of the EU will only be charged at 50%

Blank Sailings

Carriers have cancelled 59 sailings across the major East-West trades between Weeks 49 '23 – 01 '24, representing an 9% cancellation rate. Of the cancelled sailings, 39% are on the Transpacific, 24% on Asia – North Europe and Mediterranean, and 37% on the Transatlantic trades.



Source: Drewry

Panama Canal Update

- Shipping lines have begun diverting some vessels away from the Panama Canal to avoid the worsening congestion which is now starting to impact containerships, with many routing changes announced this week
 - Some carriers are diverting through the Suez Canal, which increases transit times to U.S. destinations by 7+ days
 - Other carriers are avoiding the Suez to ensure the safety of crew, vessels, and cargo, opting for the longer route around the Cape of Good Hope, which adds 15+ days to the transit time
- Several carriers have announced new Panama Canal Surcharges (PCSs), effective **December 15 – January 1**
- The Panama Canal Authority will drop the number of daily reservation slots again on Friday, down to 22 from 32

Announcements

- Just a reminder, the Suez Canal Authority will be hiking toll fees by 15%, beginning **January 15**

Port Rotation Changes

- **MSC** announces Asia – U.S. East Coast (**Santana**) service rotation change, with the backhaul routed via the Suez Canal
 - Yantian • Ningbo • Shanghai • Qingdao • Busan • Manzanillo • Cristobal • Caucedo • New York
- **Hapag Lloyd** updates its Atlantic Loop 4 (**AL4**) service, adding a direct port call to Wilhelmshaven
 - Le Havre • London Gateway • Antwerp • Hamburg • Wilhelmshaven • Veracruz • Altamira • Houston
- **CMA CGM** has announced rotation changes on its Asia-North Europe (**FAL1** and **FAL3**) services
 - **FAL1**: Busan • Ningbo • Shanghai • Yantian • Singapore • Le Havre • Dunkerque • Hamburg • Gdansk • Rotterdam • Port Klang
 - **FAL3**: Qingdao • Shanghai • Ningbo • Yantian • Singapore • Tanger Med/Algeciras • Rotterdam • Southampton • Antwerp • Le Havre • Algeciras • Singapore
 - The carrier noted that some Cai Mep cargo will be shifted to the **FAL7** service, with the remainder shipped via a dedicated feeder from Ho Chi Minh to Singapore
- **CMA CGM** has added a new direct call to Haiphong on the Peal River Express (**PRX**) service
 - Haiphong • Fuqing • Xiamen • Nansha • Yantian • Los Angeles
- **Maersk** has ceased all operations to/from all ports in Syria

Trucking

Market Expectations, Space, Volume, and Rates

After rallying in early November, overall U.S. truckload demand softened more than anticipated over the holiday week, with total load activity plummeting 44.4% in Week 47, the lowest level since May 2020. On the contract market, tender volumes fell 21%; however, contract volumes were 10.4% higher than the same period in 2022. Of the 135 U.S. markets, 46 reported increases in load activity, with the strongest performances sprinkled across the country.

Load activity for the week was down across all segments, with dry van loads falling 38.4%, the lowest reading since May, refrigerated dropping 46.1%, and flatbed plummeting 49.3%. Comparing YoY figures, overall volume was nearly 19% below the same week in 2022, with dry van loads down 17%, refrigerated down 27%, and flatbed down 10%.

Truckload capacity remains oversupplied, despite relative market capacity falling 3.66% from the prior week as smaller carriers continue to exit the market.

On the pricing side, overall spot rates saw a modest gain over the prior week, with rising dry van and flatbed rates offsetting the falling refrigerated rates. Overall rates were 10%+ below the same week in 2022 and more than 6% lower than the five-year average. Contract rates, which have a 2-week reporting delay, are rising again after falling in late October / early November. While the losses have been largely reversed, contract rates remain below their Q3 average.

In the less-than-truckload (LTL) market, tightened capacity due to Yellow's exit from the market earlier this year has kept rates strong, with many carriers implementing GRIs ahead of schedule.

Market Forecast

In the run up to Christmas, dry van demand is expected to remain muted amid softening import volumes, while refrigerated loads are expected to surge as grocers stock up for holiday celebrations. Meanwhile, the flatbed and contract markets are expected to cool over the next week or so as the manufacturing and construction sectors wrap up in anticipation of the much-needed holiday break.



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Looking ahead to the New Year, volumes are expected to remain subdued through at least the first half of the year followed by recovery in the second half. Capacity rebalancing will continue to gain momentum as large carriers reduce active fleet size amid challenging market conditions. Spot rates are expected to remain stable in January, but tightening capacity levels throughout the first half will put pressure on the spot market.

Major Disruptions

- Carriers are reporting that pricing pressures are forcing them to make the tough decision to decline some long-haul loads, which are not financially feasible due to the empty backhaul miles
- The length of haul continues to shrink across most networks as more drivers convert to short-haul gigs to have a better work-life balance
- Chassis availability is sporadic in Columbus and critically low in the Cleveland market, hindering U.S. exports from the region
- South Korea warns of a potential urea shortage, a critical chemical compound used to produce diesel exhaust fluid) and fertilizer, unless China immediately lifts its hold on exports
 - Currently S. Korea has enough inventory to last three months and is looking to diversify its supply chain to Southeast Asian and Middle Eastern countries to stabilize its urea supply

Announcements

- **UPS** has imposed a 15.25% fuel surcharge on U.S. ground parcel and SurePost delivery services, despite falling diesel prices



Rail

Market Expectations, Space, Volume, and Rates

Total U.S. rail volumes rose 2.4% in Week 47 compared to the same week in 2022, marking the third consecutive week of gains. According to data issued by the Association of American Railroads, total carloads were down 2.5% for the week, while intermodal units jumped 7.1% compared to last year.

Looking at year to date figures, total combined volumes for the first 47 weeks declined 3.3% compared to the same point last year, with carloads basically flat, up 0.2%, and intermodal units down 6.3%.

Four of the 10 commodity groups tracked posted weekly increases, including petroleum and petroleum products (+13.6%), metallic ores and metals (+5.0%), and chemicals (+1.9%). Meanwhile, commodity groups that posted notable decreases included miscellaneous goods (-37.8%), nonmetallic minerals (-7.3%), grain (-6.9%), and motor vehicles and parts (-2.1%).

On the pricing side, overall spot rates have fallen over the past month as the railroads attempt to grow volumes. However, rates on some of the densest lanes out of Chicago are higher than they were a year ago.

Container Dwell Times

Rail Terminal	Average Dwell
Charleston	3 days ●
Los Angeles / Long Beach	5 days ●
New York / New Jersey	3 days ●
Norfolk	3 days ●
Oakland	3 days ●
Savannah	3 days ●
Seattle / Tacoma	8 days ●



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RATES

Announcements

- Outgoing STB chairman Marty Oberman rips into **Union Pacific** over its use of furloughs to reduce headcount, which he said would “necessitate reducing previously budgeted maintenance during the last six weeks of this year by tens of millions of dollars”
 - Oberman said, “The most natural explanation for these furloughs and reduction is to make the financials look better... What’s troubling is that I fully expect that Wall Street analysts will know that these adjustments to the financial statements don’t reflect real improvement in performance. They’re just accounting maneuvers aimed at supporting the UP stock price.”
 - According to a [recent article](#) by FreighWaves, a spokesman for the BMWED union stated that UP indicated that it could furlough about 1,350 MOW (maintenance of way) employees
 - UP laid off just under 100 track maintenance employees earlier this fall
- New Jersey lawmakers have introduced a bill which would make “high hazard” trains operating in the state safer by limiting train lengths to 8,500 feet (just over 1.5 miles), mandating two-person crews, requiring trackside detectors, and creating new fees for violations
 - “New Jersey is the most densely populated state in the country. This is a catastrophe waiting to happen... Safety has to be the number one priority,” said Sen. Patrick Diegnan, the bill’s primary sponsor
 - Similar legislation are slowly moving through Congress and Pennsylvania

Equipment Shortages

- Inland rail ramps are reporting container and chassis shortages due to the lack of imports to the Midwest
 - We recommended booking 2-3 weeks prior to Cargo Ready Date to secure the necessary equipment



In Other News

Shippers beware: new rules on lithium ion battery air shipments coming

The LOADSTAR

At the recent meeting of the ICAO dangerous goods panel, it was agreed to introduce a State of Charge (SoC) requirement of 30% for more categories of lithium ion batteries being transported by air ...

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