



MARKET INSIGHTS

Global Logistics Update

FEBRUARY 2024



State of Global Trade

Trade Summary

- U.S. retail sales fell 0.8% in January amid a higher-than-expected MoM rise in the consumer price index, which rose 0.3% amid a surge in housing (+0.6%) and food (+0.4%) prices
 - The Commerce Department’s report also revised down December’s figures showing sales only rose 0.4% instead of the 0.6% the agency had previously reported
- Some of the world’s top economies have stumbled into a recession, including Japan, Denmark, Estonia, Finland, Luxembourg, Moldova, Peru, the United Kingdom, and Ireland, while the Chinese and German economies continue to slow below historical trends
 - Meanwhile, the outlook for the U.S. appears better; however, economist [David Rosenberg](#) has warned of an 85% chance of recession in 2024, the highest likelihood since the Great Financial Crisis of 2007-2009
- Global manufacturing PMI* for February has not been published at time of writing
 - U.S. 51.5, up from 50.7, the strongest growth since September 2022
 - China Data not available at time of writing
 - Germany 42.3, down from 45.5, pointing to another big drop in the manufacturing sector
- Trade activity snapshot for December 2023 (the most recent data published)
 - U.S. Exports +1.2% MoM Imports -3.6% MoM
 - China Exports +2.3% YoY Imports +0.2% YoY
 - Germany Exports -4.6% MoM Imports -6.7% MoM
- U.S. import and export prices both rose 0.8% in January, the first MoM increases since Sept. 2023
 - Imports: Prices for consumer goods, capital goods, automobiles & parts, fuel, and food & beverages contributed to the overall advance, while prices for industrial supplies & materials were basically unchanged
 - Exports: Higher prices for industrial supplies & materials and capital goods offset lower prices for consumer and agricultural goods
- Mexico bypassed Canada and China as the top U.S. trading partner in 2023
 - Trade with Mexico rose 2.5% YoY to \$798 billion, while trade with Canada and China fell 2.37% to \$773.94 billion and 16.73% to \$575.03 billion, respectively

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

Upcoming Global Holidays

Holiday	Country	Date(s) Observed
Makha Bucha	Thailand	February 24 - 26
Peace Memorial Day	Taiwan	February 28
Daylight Saving Time	International	March 10
Hindu New Year	Indonesia	March 11 - 12

Major Disruptions

- Striking public workers in Brittany, France - angry at the controversial end of the tax exemption on GNR diesel - have blockaded fuel depots, leading to a fuel shortage at service stations in the region, sparking fears that the movement could spread across the country
- Farmer protests continue to disrupt landside logistics operations across nearly every country in Europe and have spread to India, where farmers have disrupted fuel supplies, leading to severe shortages in the Haryana and Punjab regions

Announcements

- The FDA has issued [final guidance](#) to assist companies in submitting cosmetic product listings / facility registrations, due **July 1, 2024**
 - Covered products include makeup, nail polish, shaving cream, grooming products, perfumes, face and body cleansers, haircare products, moisturizers, and skincare products
- Teamsters Canada warns of a possible rail strike at **CN** and **CPKC** in **May** over hours, pay, and safety
- EU ICS2 Update: The EU will require Entry Summary Declaration filings for all shipments destined for the European Union by sea, road, and rail, effective **June 3**

Customs Updates

- **U.S. Customs and Border Protection** has updated the [Customs Bond Amount Guidelines](#) to address gaps and clarify CBP’ and the trading public’s responsibilities for setting and maintaining sufficient bond coverages



Air Freight

Market Expectations, Space, Volume, and Rates

Global air freight demand continued to decline in Week 7, down 10%, largely driven by a significant drop in volumes from Asia Pacific in the days following the Lunar New Year holiday, according to the latest data from WorldACD. On a 2Wo2W basis, total combined volumes for Weeks 6 and 7 were down 14% globally. Looking at YoY figures, global volumes were down 1% in Weeks 6 and 7 compared to the same period last year.

On a regional level, the only origin to record an increase was Middle East & South Asia (+2%), mainly driven by higher volumes to Europe (+6%). As is expected during the traditional slack season, volumes out of Asia Pacific were significantly down to all destinations, with volumes dropping to North America (-19%), Europe (-19%), and the Middle East & South Asia (-15%); however, the most dramatic decline was recorded on intra-Asia Pacific traffic (-38%), where manufacturing activities have yet to resume following the LNY holiday. North American exports were mixed, falling to Asia Pacific (-15%), but up to Europe (+2%) and Latin America (+25%). Overall outbound volumes from Europe also fell (-3%), dragged down by a sharp drop in volumes to Asia Pacific (-15%).

While global capacity dropped 4% WoW, capacity is sufficient in most regions. However, backlogs are growing in India, which most likely reflects conversion of some ocean freight to airfreight due to the ongoing disruptions in the ocean sector due to the Red Sea crisis.

On the pricing side, global average rates dropped sharply WoW, dragged down by plummeting rates from Asia Pacific. Rates on other tradelines were stable or recorded modest increases, with the exception of India, where increased volumes have put substantial pressure on rates.

Market Forecast

The air cargo market is expected to remain soft through the end of the month as manufacturing activity in Asia comes back online following the two-week Lunar New Year holiday. In March, volumes will pick up moderately to meet quarter-end demand and gradually wane as we head into the typical slow season. Rates are expected to remain stable through the remainder of the month, with a slight bump anticipated in March.



CAPACITY



DEMAND



RATES

Looking further ahead, the International Air Transport Association (IATA) expects global volumes to grow between 2% - 5% over the course of 2024. Capacity is also expected to increase, especially in the Asia-Pacific region, as passenger travel recovers from the pandemic, and should put downward pressure on load factors and rates.

However, should the ocean freight market tighten dramatically due to the ongoing situations in the Red Sea and Panama, we could see significant volumes shifting from ocean to air, creating a volatile market for air freight that is not normal for this time of year.

Major Disruptions

- Heavy backlogs across India have resulted in delays of a minimum of 4 – 5 days for shipments to both the U.S. and Europe, with some airlines declining new bookings through month end
- **Lufthansa's** cargo operations face disruptions following a strike earlier this week by grounds crew over pay and working conditions
 - 25,000 members of the Ver.di union participated in the 3-day industrial action at major airports across Germany, including Berlin, Cologne, Dusseldorf Frankfurt, Hamburg, Munich, and Stuttgart
 - Union leaders argue, “The great shortage of workers [which Lufthansa reported two months ago] is also caused by the sometimes-miserable working conditions. With its attractive conditions, the new sectoral collective agreement can help to make jobs in ground handling services more attractive again.”
 - This is the second industrial action staged by the Verdi union this month, and likely won't be the last
 - The backlogs are expected to take several days to clear



Ocean Freight

Market Expectations, Space, Volume, and Rates

U.S. container import volumes rose 7.9% MoM in January to 2,273,125 TEU. Looking at YoY figures, volumes were 9.9% higher than January 2023 and 9.6% higher than pre-pandemic January 2019. According to the report published by Descartes, six of the top ten ports saw increased MoM volumes, with Los Angeles (+21.1%), Long Beach (+15.1%) and Tacoma (12.2%) posting the highest gains, while Charleston (-4.1%), and Houston (-3.6%) saw the largest declines. Looking at the top 10 countries of origin, China (+14.9%), Hong Kong (+13.6%), Taiwan (+12.3%), and Japan (+11.3%) saw the largest MoM volume increases, while Germany (-4.9%) and India (-11.7%) had the largest declines.

On the export side, demand for U.S. exports – both goods and services - increased 1.5% MoM to \$258.2 billion in December (the most recent data published by the Bureau of Economic Analysis). The increase in goods reflected increases in industrial supplies and materials (+\$3.3bn), consumer goods (+\$0.7bn), and foods, feeds, & beverages (+\$0.7bn), while the increase in services reflected increases in travel (\$0.4bn), transport (\$0.2bn), and in financial services (\$0.2 billion).

Overall demand is expected to be muted for the remainder of the month with manufacturing activity in China and Vietnam beginning to stir next week. Meanwhile, space and equipment remains tight across other South Asian origins, with allocations from India the hardest hit due to the LNY blank sailing schedules. This has forced several carriers on the India – Europe trade to stop accepting bookings through the end of month, with all vessels reported full. We are also seeing an increase in rolled cargos ex-India to all destinations.

Red Sea disruptions are likely to continue, with Maersk expecting vessel diversions to last through H2'24. As a result, the carrier has advised customers to “make sure they have the longer overall transit time built into their supply chain.” On the other side of the ocean, the Panama Canal is seeing an increase in traffic as vessel queues continue to dissipate, with 44 booked vessels and 7 vessels without reservations currently waiting to transit the canal. Wait times for vessels without reservations have also dramatically reduced, down to 0.5 days for northbound voyages and 2 days for southbound voyages, and carriers have reported “smoother-than-expected operations.”

According to the latest report by Sea-Intelligence, global schedule reliability decreased 5.0% in December to 56.8% due to vessel diversions around the southern tip of Africa, with all of the top ten carriers recording MoM decreases. Evergreen was the most reliable carrier, with schedule reliability of 63.6%, followed by CMA CGM at 60.4%. Yang Ming was the least reliable carrier, with a schedule reliability of 45.6%. The global average delay for late vessels increased by 0.30 days to 5.35 days late. Looking at U.S.-bound vessels, overall transit delays increased at 9 of the

Market Snapshot

Market	Trade Lane	Capacity	Demand	Rates	Operational Performance			
					Equip	Reliability	Congestion	T/S Cong
Asia	Asia – North America EC	●	➡	↑	●	●	●	●
	Asia – North America WC	●	➡	↑	●	●	●	●
	Asia – Europe	●	➡	↓	●	●	●	●
North America	North America – Asia	●	↓	↑	●	●	●	●
	North America – Europe	●	➡	↑	●	●	●	●
Europe	Europe – North America	●	➡	↑	●	●	●	●
	Europe – Asia	●	↓	↑	●	●	●	●

top 10 ports in January, with East Coast ports seeing the largest increases, adding 2-3 days to average transit times. However, carriers have since adjusted to the new norm by increasing sailing speeds and adding more vessels to their lineups in order to maintain weekly schedules and reduce overall delays.

On the pricing side, spot market rates have increased on many tradelanes, with the Asia – Europe trade the only one recording a decline. Additionally, space and equipment shortages at some South Asian origins, have caused rates to spike, with carriers imposing peak season and contingency adjustment surcharges, as well as general rate increases. Container leasing rates have also risen, escalating costs for delivered goods. While leasing rates are expected to begin cooling off by the end of the month and into March, a lot will depend on post-LNY demand.

Market Forecast

The [National Retail Federation](#) anticipates a strong start to 2024, with U.S. import volumes for the first half of the year expected to increase 5.3% over the same period in 2023. After a strong February, which is traditionally the slowest month of the year due to the Lunar New Year holiday, the trade association predicts monthly retail import volumes will increase between 1.7 and 1.9 million TEU per month, with only May expected to be flat compared to last year's volumes.



Ocean Freight (Cont'd)

Market Forecast (Cont'd)

Meanwhile, Vincent Clerc, CEO of A.P. Moller-Maersk expects global market demand to remain muted, with overall container growth at 2.5% - 4.5% for the full year.

Although capacity is currently tight due to the Red Sea diversions, which are absorbing an additional 5% of global shipping capacity, the global containership fleet is expected to grow 10% in 2024, with 478 new containerships - totaling 3.1m TEU in capacity - scheduled for delivery throughout the year. As there are twice as many new vessels scheduled to be delivered to the market than are needed to maintain weekly services around the southern tip of Africa, industry analysts are still forecasting an overcapacity scenario. Eventually, the oversupply will put downward pressure on rates, which will be further exacerbated once the Suez routing is safe again.

On the pricing side, carriers have begun pushing to get GRI increases implemented on the spot market in early March to lift rates in time for the Transpacific contract season. But, with global demand expected to wane throughout the month as we head into the slack season and as more capacity is delivered, it is unlikely that the increases will stick. Instead, carriers are likely to reduce some of the peak season and diversion surcharges in order to increase load factors. However, if shipping container availability starts to tighten, rates will only go higher.

For those looking to negotiate new contracts over the next few months, the Global Shippers' Forum is advising shippers "to be aware when signing [long-term] contracts because vessel operators have said they will resume sailing via Suez at the earliest possible time." The global trade body suggests that shippers should consider smaller, quarterly contract deals until short-term rates settle down or "consider adding a 'return to Suez rate' [clause] to the contract to cover this eventuality."

Major Disruptions

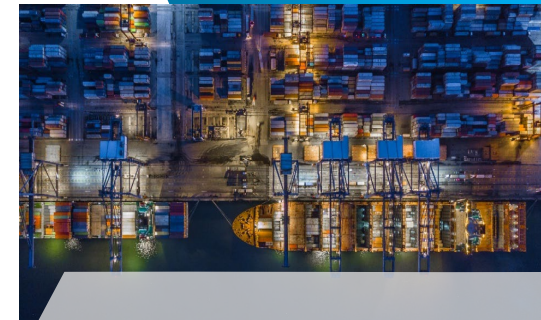
- Significant disruptions have been reported at major ports in India as carriers omit port calls to maintain schedules to Europe
 - Other knock-on effects include severely reduced capacity and equipment shortages for export shipments as well as skyrocketing freight rates and surcharges

Terminal Operations

Port / Rail Terminal	Berth Wait	Rail Dwell
Charleston	1 day ●	4 days ●
Los Angeles / Long Beach	None ●	5 days ●
Houston	2 days ●	4 days ●
New York / New Jersey	0 - 3 days ●	4 days ●
Norfolk	0 - 2 days ●	3 days ●
Oakland	6 days ●	3 days ●
Savannah	2 - 3 days ●	3 days ●
Seattle / Tacoma	2 - 4 days ●	4 days ●

Announcements

- Some U.S. truckers can now choose their own chassis providers after the **FMC** ruled, by a vote of 4-1, that ocean carriers violated the Shipping Act by requiring trucking companies to use designated chassis pools
 - In its ruling, the commissioners wrote, "the practice of designating a chassis provider for merchant haulage moves deprives motor carriers of service and denies them the opportunity to negotiate rates and terms of service. Interfering with motor carriers' ability to choose among chassis providers affects basic interests that promote economic efficiency."
 - "Hard-working American trucking companies will now be able to choose their chassis providers, rather than being taken advantage of by a cartel of overseas shipping lines," IMCC Executive Director Jonathan Eisen said in a statement. "By affirming motor carriers' right to chassis choice, the FMC has taken action to reduce supply chain delays and cut costs for motor carriers and consumers."
 - The ruling only applies to truckers in Chicago, Los Angeles/Long Beach, Memphis and Savannah; however other regions are likely to follow suit



Ocean Freight (Cont'd)

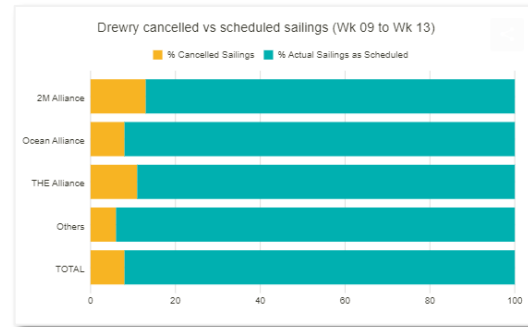
Port Rotation Changes

- **MSC** drops calls to Los Angeles on its Asia – U.S. West Coast (**Sentosa**) rotation, instead adding a call to Long Beach, effective **March 1**
- **ONE** launches new Asia-U.S. West Coast (**AP1**) service
 - Haiphong • Cai Mep • Shekou • Xiamen • Taipei • Ningbo • Shanghai • Los Angeles • Oakland • Shekou
- **MSC** has revised its USA – SAEC String 1 service to improve schedule reliability
 - New York • Norfolk • Baltimore • Charleston • Savannah • Freeport • Cristobal • Santos • Buenos Aires • Montevideo • Rio Grande • Navegantes • Paranagua • Santos • Rio de Janeiro • Salvador • Cristobal • Freeport

Blank Sailings

Carriers have cancelled 55 sailings across the major East-West trades between Weeks 9 – 13, representing an 8% cancellation rate. Of the cancelled sailings, 44% are on the Transpacific, 40% on Asia – North Europe and Mediterranean, and 18% on the Transatlantic trades.

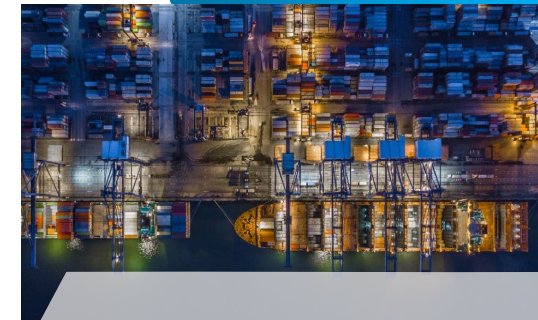
However, carriers are likely to ramp up blanked sailings over the coming weeks in order to protect some of the recent rate gains and increase load factors.



Source: Drewry

Equipment Shortages

- While carriers have largely been able to manage the supply of shipping containers across their networks, supply remains tight in some regions, especially India and South Asia
- Chassis shortages have been reported at inland rail ramps in Cleveland, Memphis, and Nashville



In Other News

What are the impacts of the Red Sea shipping crisis?

J.P. Morgan

The Red Sea shipping crisis is disrupting global supply chains and increasing freight costs. Will this rekindle inflation concerns? What is the impact on supply chains? How is this affecting shipping costs? ...

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What Sunday's Super Bowl ads told us about the economy

Axios

This year's Super Bowl was every bit as notable for who didn't advertise as for who did. Why it matters: Analysis of the game's 30-second spots has long been considered a valuable barometer for the state of the U.S. economy ...

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Logistics executives look beyond China for new production sites

Supply Chain Xchange

Global corporations are in a wave of restructuring their supply chain operations, ranking India, Europe, and North America ahead of traditional powerhouse China as destinations executives expect to move production to in 2024 and onwards ...

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Global trade war – or merry dance?

Hellenic Shipping News

Globalization may have stalled amid the fiery geopolitical posturing of recent years – but many doubt it's in reverse yet given supply chains have been re-routed rather than returned home and overall trade volumes less disturbed than first feared. Direct bilateral trade between the U.S. and China has

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California port workers launch lawsuits against terminal operator bosses

The Loadstar

One class action is on behalf of 8,000 to 10,000 port staff, an attempt to recover sick pay, one-off pandemic wage payments and statutory penalties, under Californian laws. The case alleges “multiple violations of the Labor Code” ...

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www.oceanair.net



OCEANAIR, Inc.
5 Centennial Drive, Suite 400
Peabody, MA 01960



Phone
781.286.2700



Email
solutions@oceanair.net