

MARKET INSIGHTS

Global Logistics Update

April 2024




OCEANAIR

State of Global Trade

TRADE SUMMARY

- U.S. inflation grew hotter than expected in March, climbing to 3.5% (considerably up from February's 3.2%), amid soaring gas, mortgage/rent, and consumer prices
 - Greg McBride, chief financial analyst at Bankrate, aptly said “You can kiss a June interest rate cut goodbye,” while CNN warned we “may need to brace for another rate hike” instead
- Job creation “zoomed” in March as payrolls rose by 303,000 and unemployment edged down slightly to 3.8%, from 3.9% in February, according to [a recent article](#) by CNBC
 - A deeper dive (to the 11th paragraph), however, reveals that full-time workers tumbled by 6,000, while part-timers skyrocketed by 691,000
 - In addition, the number of workers holding multiple jobs for economic reasons rose by 217,000, while average hourly earnings fell 0.3% YoY to 4.1% and 1.8% from the same period in 2022
- U.S. import and export prices both rose in March, up 0.4% and 0.3% respectively
 - Imports: Higher prices for automotive vehicles (+0.2%), food, feeds, & beverages (+1.6%), and industrial supplies (+0.6%) far outweighed lower prices for electric apparatus & parts (-3.5%), consumer goods (-0.3%), and capital goods (-0.3%)
 - Exports: Higher prices for industrial supplies & materials (+0.6%), capital goods (+0.2%), and consumer goods (+0.5%) more than offset lower prices for agricultural goods (-0.7%)
- [Global manufacturing PMI](#)* rose to 52.3 in March (from 52.1 in February), the highest reading in nine months
 - U.S.: 51.9, down from 52.2
 - China: 51.1, up from 50.9
 - Germany: 41.9, down from 42.5
 - UK: 50.3, up from 47.5
- Trade activity snapshot for February (the most recently published data)

– U.S.:	Exports +2.3% MoM	Imports +2.2% MoM
– China:	Exports +10.3% YoY	Imports +6.7% YoY
	(in January and February combined)	
– Germany:	Exports -2.0% MoM	Imports +3.2% MoM
– UK:	Exports +0.9% MoM	Imports -0.4% MoM

MARKET FORECAST

The World Trade Organization (WTO) has lowered its forecast for global trade in 2024 amid sustained headwinds, including inflationary pressures, geopolitical tensions, and protectionism. While the Geneva-based trade body still anticipates a gradual rebound this year, the rate of growth will be slower than previously expected.

In its latest “[Global Trade Outlook and Statistics](#)” report, the WTO now expects the volume of merchandise trade to grow by 2.6% this year, down from its earlier forecast of 3.3%.

Asia and Africa are poised to play substantial roles in driving overall trade growth, with both regions accounting for a significant portion of export and import volumes. North American and the Middle East are expected to see moderate export growth, while import volumes for both regions are expected to see below average growth. Meanwhile, Europe is expected to lag behind other regions in terms of both exports and imports again.

However, the WTO warned of a downside risk due to regional conflicts, geopolitical tensions, and economic policy uncertainty, which could limit the rebound by causing further spikes in food and energy prices.

Looking at the U.S., Gary Shilling, the analyst who predicted the 2007-2008 financial crisis, has warned that the U.S. economy is not out of the woods yet and could likely face a ‘delayed’ recession. In the [article by Newsweek](#), Shilling said there are already “preliminary signs of weakness” that suggest the market could be slowing down, including wage gains, quits, and service inflation.

State of Global Trade

UPCOMING GLOBAL HOLIDAYS

Holiday	Country	Date(s) Observed
Reunification Day	Vietnam	April 30
Labour Day	Multiple countries	May 1
Labour Day	China	May 1 - 5
Golden Week	Japan	May 3 – 6
Bank Holiday	United Kingdom	May 6
Liberation Day	Czech Republic & France	May 8
Ascension Day	European Union & Indonesia	May 8
Mother's Day	United States & Canada	May 12
Wesak	Multiple	May 22
Memorial Day	United States	May 27

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

MAJOR DISRUPTIONS

- Escalating tensions in the Middle East have sent shockwaves throughout the global supply chain, raising concerns about the safety and stability of trade routes across the region, with India and the UAE particularly vulnerable
 - Potential impacts include disruptions and delays to air and ocean freight, tightened capacity due to longer transit times, and increased transportation costs, which could result in production delays, and higher inflation
 - Any disruption in the Strait of Hormuz could also put the global supply of oil, petroleum, and LNG at risk, leading to shortages and soaring energy prices

ANNOUNCEMENTS

- The Atlantic hurricane season is expected to be extremely active this year
 - Weather researchers at Colorado State are predicting 23 named storms this season, which runs from June 1 to November 30, with 11 expected to reach hurricane status and 5 to reach major hurricane strength (Cat. 3, 4, or 5)
 - According to the report, the probability of major hurricanes making landfall is 62% for the entire U.S. coastline, 34% for the East Coast, and 42% for the Gulf Coast

CUSTOMS UPDATES

- DHS** launches [new strategy](#) to crack down on illegal textile, apparel trade
 - Plans include improved screening for packages claiming de minimis exemptions, more customs audits and foreign verifications, and enhanced cooperation between agencies
- CBP** launches new campaign to crack down on [vague cargo descriptions](#)
 - Specifically, CBP will target vague descriptions such as “accessories,” “parts” “consolidated,” “gift,” or “necessities”
- The UK has again delayed the start of health and safety checks on EU imports over fears of significant delays, disruptions due to chronic challenges with the systems for registering food and animal products

ICYMI

Growing demand but slow cash flow poses a 'serious threat' to shippers

The Loadstar

An uptick in global trade is building momentum for supply chain recovery in 2024, according to Tradeshift. But the discrepancy between trade and cash flow is posing a serious threat to shippers and manufacturers ...

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CA's green agenda is targeting every mode of transportation, despite wide opposition

Fox News

California's state government is pursuing a wide-ranging climate agenda targeting the transportation sector — actions that could have major economic implications ...

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Air Freight



MAJOR DISRUPTIONS

- India continues to be severely impacted by the Middle East crisis, which has created significant delays, longer transits, growing backlogs, and spiking airfreight rates as surging demand surpasses available capacity
- Carriers are reporting operational challenges at Dubai International Airport after two year's worth of rain fell across the region in just 24 hours, causing flash floods and widespread flight cancellations
 - While operations have resumed and carriers are working diligently to process cargos, the backlogs could take up to a week or more to clear
- Rising jet fuel prices are putting additional pressure on airfreight rates from Asia and the Middle East
- Refueling staff at Heathrow Airport to hold 72-hour strike over benefit and pension cuts for new staff, beginning **May 1**
 - Union members warn the strike is likely to lead to severe disruption, with flights in and out of the country's busiest airport likely being delayed or grounded "due to their inability to be refueled"

ANNOUNCEMENTS

- Chinese-based airlines will increase Transpacific belly capacity following approval from the U.S. to allow 50 flights weekly, up from 35
 - However, the number remains significantly below the 150 weekly round-trip flights allowed prior to the pandemic-induced restrictions
 - Meanwhile, the three largest U.S. airlines are waiting until at least late October before resuming the flights to China cut during the early days of the pandemic
- **Delta** launches new service between New York and Munich, Germany, offering 3 weekly flights between JFK and MUC
- **Air Canada** will add a three times per week service between Toronto Pearson and Chicago O'Hare, beginning June 2
- **Air France KLM** has expanded their global network, increasing capacity on key routes and adding flights to Phoenix and Minneapolis

ICYMI

Airfreight demand grows but 777F production logjam hobbles capacity

The Loadstar

Boeing's inability to deliver new 777-200 freighters is crimping carrier capacity to meet the strong demand, especially in the transpacific market. And freighter conversions are also hobbled ...

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American Airlines pilots union warns of 'significant spike' in safety problems

The Hill

A union representing pilots for American Airlines warned over the weekend that there has been a "significant spike" in safety problems at the airline. "APA has been tracking a significant spike in safety- and maintenance-related problems ...

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FAA orders more time off to curb traffic controller fatigue

American Journal of Transportation

The US Federal Aviation Administration is requiring air traffic controllers to take more time off between shifts to address fatigue risks flagged by a panel of experts ...

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Ocean Freight



Avg Global Rates

-3%
WoW

Avg Global Rates

+53%
YoY

Schedule Reliability

53.3% ↑
February

Avg Vessel Delay

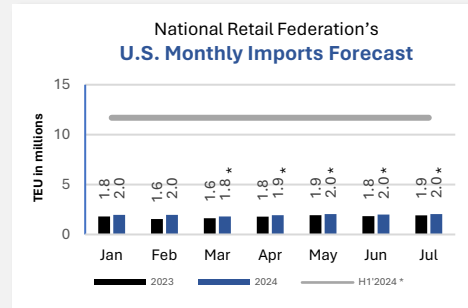
5.4 days ↑
February

CURRENT TRENDS

Origin	Trade Lane	Capacity	Demand	Rates	Operational Performance		
					Equip	Schedules	Congestion
Asia	Asia – US East Coast	●	●	↓	●	●	●
	Asia – US West Coast	●	●	↓	●	●	●
	Asia – Europe	●	●	↓	●	●	●
US	US East Coast – Asia	●	●	↓	●	●	●
	US – Europe	●	●	→	●	●	●
Europe	Europe – US East Coast	●	●	↑	●	●	●
	Europe – Asia	●	●	→	●	●	●

MARKET FORECAST

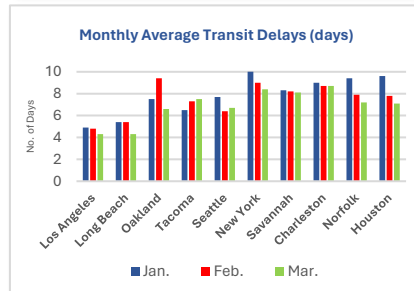
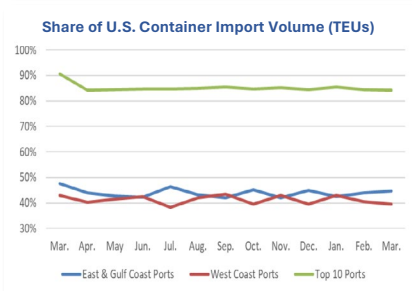
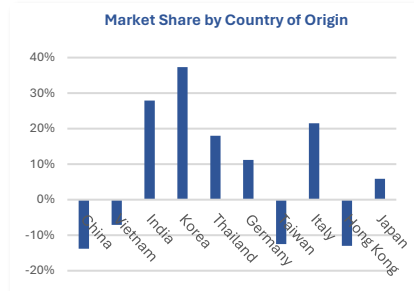
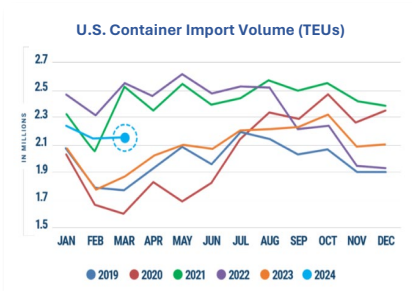
The National Retail Federation expects strong U.S. import volumes through the first half of the year, with H1 volumes anticipated to be about 11% higher than 2019 and 2023.



Source: NRF/Hackett Associates Global Port Tracker

Snapshot: U.S. Import Activity

Source: Descartes Global Shipping Report – April 2024



Across the pond, while European volumes are expected to gradually rebound, expectations are subdued.

Conversely, Asian markets are expected to remain buoyant, with intra-Asia flows improving amid strengthened trading relationships and increased consumer power.

Drewry expects a minor decrease in spot rates on the Transpacific, stability on the Transatlantic, and general rate increases on the Asia-Europe trades. However, rates will remain elevated above pre-pandemic levels as long as vessels continue to divert away from the Suez Canal. Looking further ahead, many industry insiders anticipate rates will come under pressure and continue to decline, with a bottoming out expected sometime between 2H'24 and 1H'25.

Ocean Freight



MAJOR DISRUPTIONS

- Spot rates - especially for export shipments from [India](#) and [Dubai](#) - are expected to jump amid rising tensions in the Middle East, including Iran's seizure of the MSC *Aries* near the Strait of Hormuz
 - While many industry insiders anticipate that the incident is unlikely to result in the kind of global supply chain disruption caused by Houthi attacks off the coast of Yemen, the escalating tensions and uncertainty will likely provide a catalyst for increased freight rates and War Risk premiums
- Dockworkers at Felixstowe, the UK's largest shipping port, have walked off the job for the first time in 30 years after labor talks broke down
 - The nearly 2,000 dockers said they are struggling to make mortgage payments and relying on food banks as the cost-of-living crisis deepens and wages fail to keep up
- West Coast shippers brace for another possible strike in British Columbia as the ILWU-Canada and BCMEA enter a 21-day cooling off period after ending federally-mandated labor negotiations
 - The earliest the parties could exercise their rights to a strike/lockout at the 29 west coast ports, including Vancouver, is **May 10**
- The *Dali*'s owner, Grace Ocean, has officially declared General Average on its Maersk-chartered vessel which destroyed the Francis Scott Key Bridge in Baltimore
 - Richards Hogg Lindley has been appointed as the general adjuster, and a General Average security will be required from all involved parties before the cargo will be released
 - The *Dali*'s owner and manager have filed a 'limitation of liability' petition to cap their liability to just \$43.7 million, the value of the vessel and its cargo, claiming they shouldn't be held liable for any loss or damage from the disaster; City claims they [were negligent](#)
 - The *Dali*'s insurance policy had been renewed just three days prior to the incident, valued at \$90 million

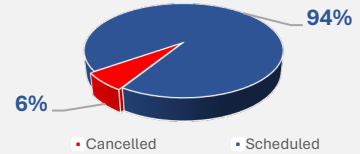
ANNOUNCEMENTS

- Things are looking up at the Panama Canal as rising water levels allow authorities to ease some traffic restrictions
 - The ACP will gradually increase the number of daily vessel transits from 24 to 32 between **May 16 – June 1** and increase the maximum draft, beginning on **June 15**
 - However, daily vessel traffic on the Panamax locks will be temporarily reduced between **May 7 - 15** for scheduled maintenance work, down from 20 to 17
- Transpacific contracts inked so far are '[substantially below](#)' carriers' initial ask, slightly above last year's levels, after losing half the spot market gains secured earlier this year amid the ongoing Red Sea crisis
- The Port of Portland, OR will end shipping container operations on **October 1**, stating it is no longer financially feasible to maintain operations
 - The biggest impact will be on U.S. agricultural exporters, with the longer trek to Seattle or Tacoma the only viable options

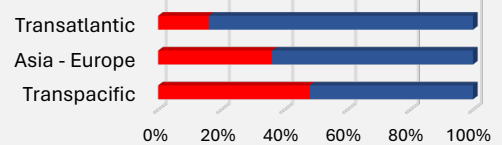
BLANK SAILINGS

Weeks 17 - 21

% of Sailings Cancelled



Cancelled Sailings by Tradelane



PORT ROTATION CHANGES

- **Hapag-Lloyd** has indefinitely postponed the relaunch of its Asia – U.S. East Coast (**EC4**) service originally planned for mid-April
- **Maersk** to resume Panama Canal transits on its Australia – U.S. East Coast (**OC1**) service, beginning **May 10**, phase out 'land bridge'
 - Philadelphia • Charleston • Panama Canal • Balboa • Tauranga • Sydney • Melbourne • Port Chalmers • Manzanillo • Cristobal • Cartagena
- **Maersk** expands its **ME2** service to N. Europe
 - Jebel Ali • Mundra • Jawaharlal Nehru • Port Tangiers • Algeiras • Rotterdam • Felixstowe • Bremerhaven • Port Tangiers • Salalah

The More You Know



What is General Average?

General Average is a principal of maritime law which requires all parties with a vested interest in the vessel or cargo to evenly share the cost of any damage or loss in the aftermath of a catastrophe.

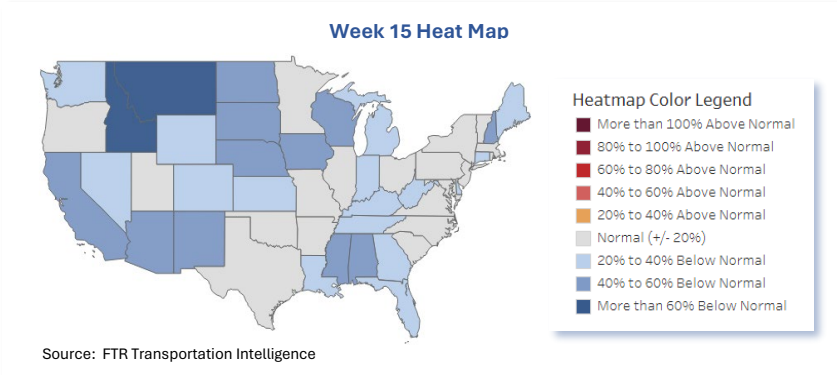
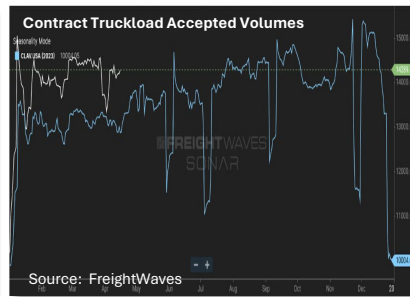
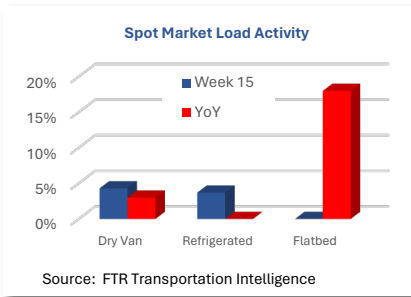
General Average claims are a huge risk for shippers, even if their cargo is undamaged. Shippers can expect to pay upwards of 60% of the total value of their cargo before the steamship line will release their cargo.

The unlucky shipper that does not take out an insurance policy and is unable to provide the adjuster with an acceptable security could find their cargo auctioned off to recover the residual value of the cargo/vessel or may be sued for costs and consequences.

Domestic Trucking



CURRENT TRENDS



ANNOUNCEMENTS

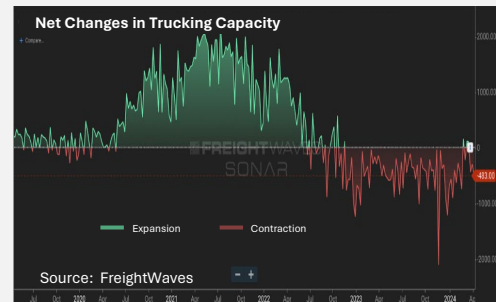
- New York/New Jersey is now offering Saturday hours to help with the influx of containers rerouted from Baltimore, while Norfolk has extended daily operating hours, with gates now opening at 3 a.m.
- Carriers are pushing more freight onto the spot market as cost-conscious shippers walk away from the negotiating table amid higher-than-expected asks
- California trucking groups appeal the state's controversial AB5 ruling, maintaining the stance that the worker classification law violates the U.S. Constitution
- The World Shipping Council has filed a court petition to order the Federal Maritime Commission to correct "inconsistent" new Demurrage & Detention billing rules which include an "internal contradiction" that could leave truckers liable for D&D charges



MARKET FORECAST

Industry analysts believe the bottom of the 'Great Freight Recession' has finally arrived and anticipate the road to recovery may come as early as fall 2024 or by Q1'25 at the latest.

Overall spot rates are expected to remain stable due to the current oversupply of capacity. While some regions will see a tightening of capacity due to rerouted cargos away from Baltimore and expectations of a robust produce season, any rate increase will likely be minimal.



While capacity continues to leave the market, the rate of decline remains lower than economists have predicted. With spot rates below the breakeven cost of hire and insurance premiums and operating costs continuing to rise, more carriers will likely leave the market over the coming months. As supply returns to its pre-pandemic normal, we expect rates will begin to increase.

Meanwhile, the LTL market continues to be impacted by the significant loss of capacity due to the closing of Yellow, which has tipped overall pricing power in favor of carriers.

Rail & Intermodal Freight

ARGO CONTAINER

CARGO CONTAINER

Rail Carloads

-8.2%

WoW

Rail Carloads

-4.5%

YoY

Intermodal

+11.0%

WoW

Intermodal

+9.1%

YoY

RAIL RAMP STATUS

Port / Rail Ramp	Container Dwell	Chassis Availability	Trucking Capacity
Charleston	4 days ●	●	●
Chicago	2 days ●	●	●
Los Angeles / Long Beach	9 days ●	●	●
Houston	4 days ●	●	●
New York / New Jersey	2 days ●	●	●
Norfolk	3 days ●	●	●
Oakland	6 days ●	●	●
Savannah	2 days ●	●	●
Seattle / Tacoma	5 days ●	●	●

MAJOR DISRUPTIONS

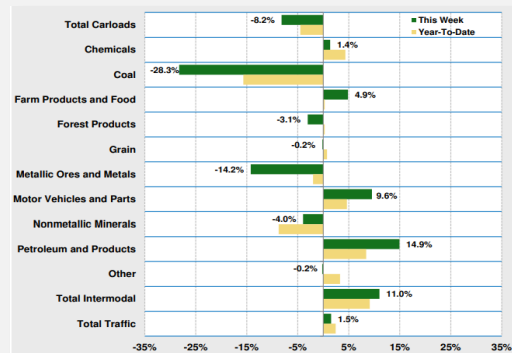
- IPI rail containers are still experiencing significant dwell time at the ports of Los Angeles and Long Beach amid a chronic railcar imbalance
- Congestion is growing at the Port of Vancouver in Canada as the supply of railcars fails to keep pace with the surging import volumes, creating disruption and delays of 5 to 7 days
- Engineers and conductors at **Canadian National (CN)** and **Canadian Pacific Kansas City (CPKC)** have decided to conduct a formal strike vote after labor negotiations with the two railroads reached an impasse over working conditions and pay
 - Should the vote pass, a strike or lockout could happen by as early as **May**

ANNOUNCEMENTS

- Union Pacific** launches new direct service between Chicago and the Inland Empire Intermodal Terminal in Fontana, CA



CURRENT TRENDS



Source: Association of American Railroads – Week 15

ICYMI

Freight railroads ask courts to throw out new rule requiring two-person crews on trains

AP News

Four railroads have asked federal appeals courts to throw out a new rule that would require two-person train crews in most circumstances, saying the mandate is arbitrary, capricious and an illegal abuse of discretion ...

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Buttigieg scolds railroads for not doing more to improve safety since Ohio derailment

AgriNews

OMAHA, Neb. (AP) — Transportation Secretary Pete Buttigieg has reiterated his concerns about railroad safety and scolded the industry for not doing more to improve since last year's fiery Ohio derailment ...

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