

MARKET INSIGHTS

Global Logistics Update

May 2024




OCEANAIR

State of Global Trade

TRADE SUMMARY

- The **Consumer Price Index** ticked up 0.3% MoM in April, after advancing 0.4% in March, primarily driven by higher gas (+2.8%) and shelter (+0.4%) costs
 - On an annual basis, the CPI increased 3.4%, after climbing 3.5% in March
- **Retail sales** were unchanged in April, falling short of market expectations of a 0.4% gain
- U.S. **labor market** slowed notably in April, with employers only adding 175K jobs, well below economists' expectations of 243K
 - Wage growth also slowed, with earnings falling 0.2% MoM
 - Unemployment inched up to 3.9%, the highest in 2 years
 - In its latest report, **BLS** also revised down gains for February, slashing 34K jobs from its initial assessment, to 236K
- **U.S. import and export prices** both rose in April, up 0.9% and 0.5% respectively
 - Imports: Higher prices for industrial supplies & materials (+3.0%), foods, feeds, & beverages (+1.7%), automotives (+0.3%), capital goods (+0.1%), and consumer goods (+0.1%) all contributed to the largest MoM increase since March 2022
 - Exports: Higher prices for industrial supplies & materials (+1.1%), capital goods (+0.4%), automotives (+0.8%), and consumer goods (+0.1%) more than offset lower prices for agricultural goods (-0.9%)
- **Global manufacturing PMI*** dipped slightly to 50.3 in April, down from a revised figure of 50.6 in March
 - U.S.: 50.0, down from 51.9
 - China: 51.4, up from 51.1
 - Germany: 42.5, up from 41.9
 - UK: 49.1, down from 50.3
- Trade activity for March (the most recently published data)
 - U.S.: Exports -2.0% MoM Imports -1.6% MoM
 - China: Exports +1.5% YoY Imports +8.4% YoY
 - Germany: Exports +0.9% MoM Imports +0.3% MoM
 - UK: Exports -1.3% MoM Imports -2.5% MoM

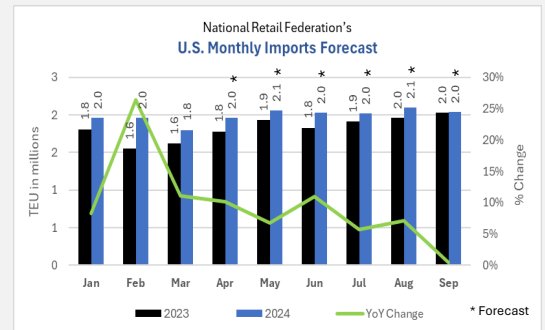
*A reading above 50 indicates growth, while anything below 50 denotes contraction.

MARKET FORECAST

Ocean carriers are anticipating a strong, early peak season as retailers pull forward consignments to avoid potential delays from the Red Sea crisis. Analysts at Drewry expect rates to continue rising – with several carriers announcing rate increases in June - due to increased demand, tight capacity, and the need to reposition empty containers to Asia.

Carriers expect overall demand will decline in the second half of the year, when a new wave of vessels is expected to hit the water, putting downward pressure on rates.

Looking at the U.S., import volumes are expected to be robust this summer and well into early fall, according to the latest forecast from the National Retail Federation, shown below.



Source: NRF/Hackett Associates Global Port Tracker

Air cargo demand is expected to enjoy a sustained boost from Chinese eCommerce platforms. However, the question is whether the demand will hold up during the summer months or if it will force traditional customers to ship earlier to avoid scrambling for capacity during the peak season.

Xeneta expects the challenging condition in the ocean freight sector will have limited impact on airfreight, surmising that the demand surge for ocean freight is due to shippers preparing for possible disruption, rather than an urgent rush to move goods.

State of Global Trade

UPCOMING BUSINESS HOLIDAYS

Holiday	Country	Date(s) Observed
Wesak	Bangladesh, Bulgaria, Indonesia, Malaysia, Singapore, and Thailand	May 22 - 24
Memorial Day	United States	May 27
Spring Bank Holiday	United Kingdom	May 27
Corpus Christi	Brazil	May 30
Republic Day / Public Holiday	Italy and Mexico	June 2
Dragon Boat Festival	China and Taiwan	June 10
Father's Day	International	June 16
Hari Raya	India, Singapore, and Malaysia	June 17
Midsummer	Finland, Latvia, and Sweden	June 21 - 22

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

MAJOR DISRUPTIONS

- Biden [hikes tariffs](#) on numerous imports from China, including batteries, steel and aluminum products, and medical products
 - Cargo volumes, capacity, and shipping costs are likely to come under pressure as importers will likely pull shipments forward before the tariffs are imposed
 - Once in place, volumes are expected to taper off as importers look for alternative supply chain sources, including [Mexico](#), India, and Vietnam

ANNOUNCEMENTS

- Canada's labor board has delayed the start of the CN, CPKC rail strike as it awaits clarification on "essential rail services" regulations, due **May 31**; a new date has yet to be announced
- A coalition of states have [filed lawsuits](#) challenging EPA/ California regulations that impose electric-vehicle mandates on truck owners, arguing the rules violate the Constitution and "neither California nor the EPA has the constitutional power to dictate these nationwide rules to Americans"
- LTL carriers are noting an uptick of customers shifting to the truckload market, consolidating shipments with other shippers to capitalize on low freight rates
- Nearly 1/2 of manufacturers and 1/3 of service companies still report difficulties obtaining supplies, forcing business to reduce output and raise prices, according to [a survey](#) by the NY Federal Reserve

CUSTOMS UPDATES

- Are you ready for the European Union's new [Import Control System](#) (ICS2) regulation, which goes into effect on **June 3**?
 - Under ICS2, all ocean freight consignments entering the EU, N. Ireland, Norway, and Switzerland must include specific details prior to loading or arrival at an EU border, including a complete Entry Summary Declaration, six-digit HS commodity code and an "acceptable" description for each item, and complete Buyer and Seller details
 - Failure to comply with ICS2 will lead to delays at EU customs borders, denied entry, and/or the possibility of fines, penalties, or sanctions
- **DHS** has added 26 Chinese textile companies to the [UFLPA Entity List](#), over forced labor concerns
- **CBP** has issued [a notice](#) reminding importers of their obligations in completing origin documents
 - Origin declarations, statements, and certificates of origin must be signed by an official or agent having knowledge of the relevant facts as to the origin of the goods
 - CBP has also noticed an increased use of consignee information where importer information is required, especially when the consignee is not the Importer of Record (IOR)
 - CBP states that the importer listed on origin documents **must be** the actual IOR
- **BIS** has issued [a final rule](#) revising the Section 232 exclusion process for steel and aluminum imports, effective **July 1**

Ocean Freight



Avg Global Rates

+11%

WoW

Avg Global Rates

+104%

YoY

Schedule Reliability

54.6%

March



Avg Vessel Delay

5 days

March



CURRENT TRENDS

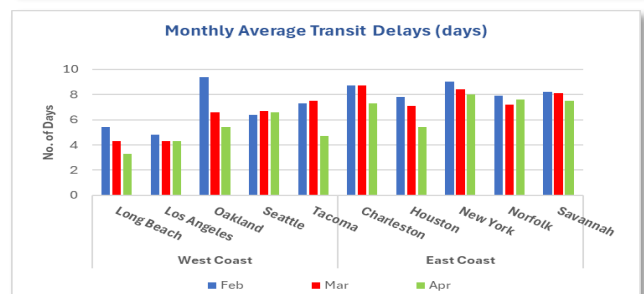
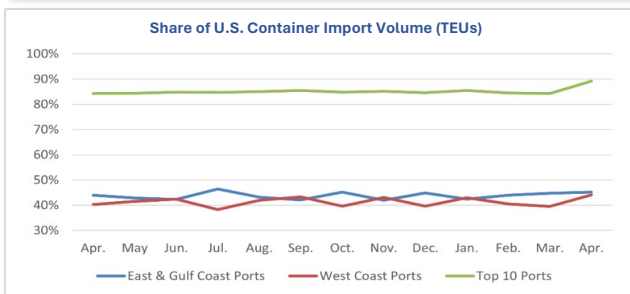
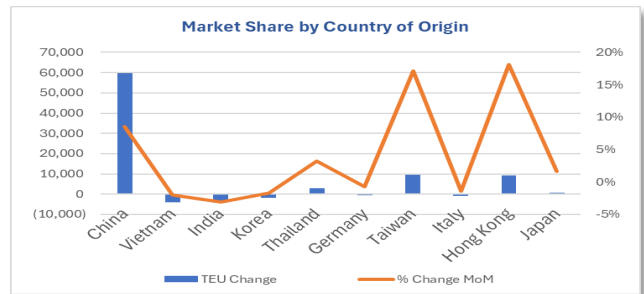
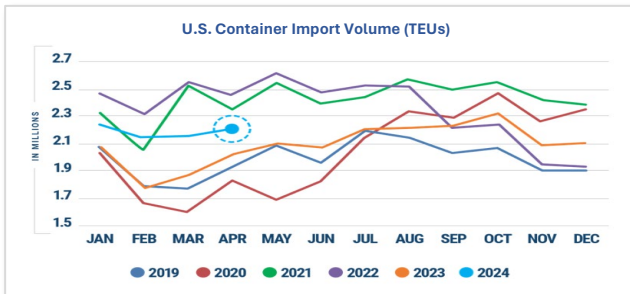
Origin	Tradelane	Capacity	Demand	Rates
Asia	Asia – U.S. East Coast	●	●	↑
	Asia – U.S. West Coast	●	●	↑
	Asia – Europe	●	●	↑
U.S.	U.S. East Coast – Asia	●	●	↓
	U.S. West Coast – Asia	●	●	↓
	U.S. East Coast – Europe	●	●	→
Europe	Europe – U.S. East Coast	●	●	↑
	Europe – Asia	●	●	↓

Operational Performance

Equip	Backlogs	Origin Congestion	Transship Congestion	Schedules
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●
●	●	●	●	●

U.S. IMPORT ACTIVITY – APRIL 2024

Source: Descartes Global Shipping Report – May 2024



Ocean Freight



Port	Avg. Time to Berth	Yard Capacity	Rail Dwell	Chassis Avail.
CHS	2.5 days	N/A	6 days ●	●
LA/LB	2 days	77%	6 days ●	●
HOU	1 day	N/A	4 days ●	●
NY/NJ	2 days	60%	3 days ●	●
NOR	2 days	50%	3 days ●	●
OAK	3 days	N/A	7 days ●	●
SAV	2 days	N/A	2 days ●	●
SEA/TAC	3 days	50%	5 days ●	●

Major Disruptions

- Reports indicate overbooked vessels and significant equipment shortages at Asian origin ports amid mounting delays and port congestion caused by the Red Sea disruption
 - As a result, we are seeing an uptick in rolled cargo, with some containers left sitting on the docks for more than a week
 - We are also hearing that carriers are continuing to restrict contracted freight bookings
- IPI shipments entering LA/LB continue to experience longer dwell times due to railcar imbalances

ANNOUNCEMENTS

- Carriers have resumed Panama Canal routings after authorities upped the number of daily transits to 31; however, some exceptions remain on an ad-hoc basis
- Two months after its collision with the Francis Scott Key Bridge, crews have refloated the *MS Dali* and returned it to Baltimore
 - Baltimore is expected to fully restore service by the end of the month

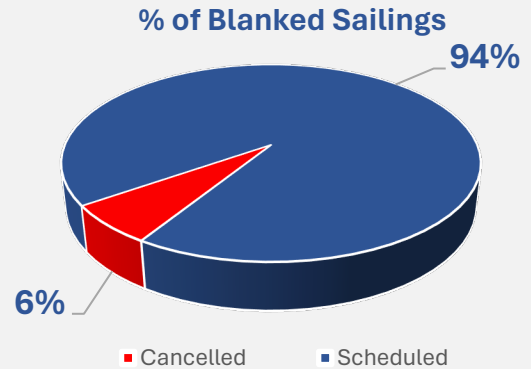
PORT ROTATION CHANGES

- **Atlantic Container Line (ACL)** has revamped its Ireland – North America services, cutting transit times by 1 – 2 weeks by adding transshipping connections between Belfast/Dublin and Liverpool
 - Halifax • New York • Baltimore • Norfolk • Halifax • Liverpool • Hamburg • Antwerp • Liverpool
- **MSC** will reinstate its Far East – Baltimore (**Empire**) service on **May 28**
 - Yantian • Xiamen • Ningbo • Shanghai • Busan • New York • Norfolk • Baltimore • Colombo • Tanjung Pelepas

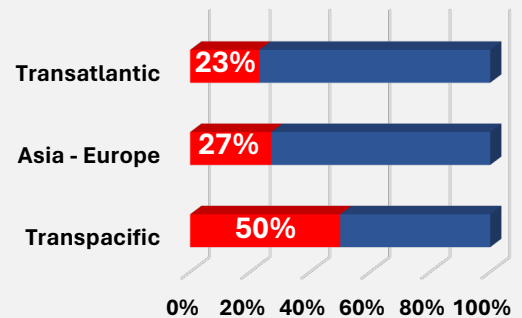
BLANK SAILINGS

Weeks 17 - 21

Source: Drewry Cancelled Sailings Tracker

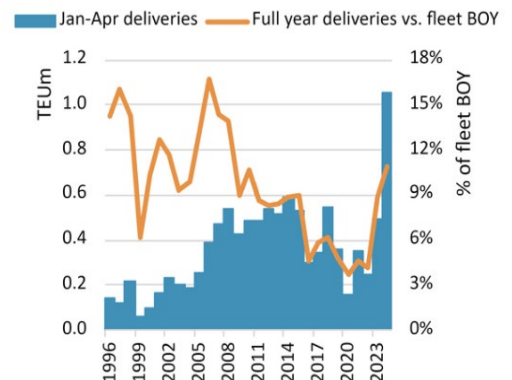


Cancelled Sailings by Tradelane



VESSEL CAPACITY

Source: Clarksons Research



In Other News



China Moving Forced Laborers Amid U.S. Crackdown, Biden Official Says

The Wall Street Journal

Forced laborers are being transferred from China's Xinjiang region to elsewhere in the country in growing numbers, a Biden administration official said, a problem that could test corporate efforts to comply with a U.S. supply-chain crackdown ...

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As Forced Labor Prevention Enforcement Heats Up, the Focus is on Compliance Supply Chain Brain

Recent U.S. governmental directives haven't been the only notable increase in efforts to stop forced labor lately. While the Uyghur Forced Labor Prevention Act (UFLPA) was passed in mid-2022, it wasn't clear how enforcement would be ...

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NTSB Preliminary Report on Baltimore Bridge Collapse Released

gCaptain

The National Transportation Safety Board (NTSB) has published its preliminary report into the catastrophic incident involving the Singapore-flagged cargo vessel Dali and the Francis Scott Key Bridge in Baltimore ...

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Temu shifts focus from US – but air cargo still bullish on ecommerce

The Loadstar

The net is tightening around China's ecommerce platforms – the current drivers of air cargo. But despite signs of change, carriers remain committed to those volumes, and the expected Q4 peak. Increased scrutiny of China's ecommerce platforms could also lead to changes in the air cargo industry ...

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President Biden Has Proposed Tax Increases. Here Are 6 Of Them

Forbes

President Joe Biden is thinking big when it comes to his budget and the taxes that are needed to pay for it. The president's FY 2025 budget is a whopper at \$7.3 trillion, and the budget floats some serious tax increases, too. As you might predict, much of the focus is on getting higher income taxpayers to pay more ...

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US carriers illegally hiring Mexican drivers to haul loads, sources say

FreightWaves

Cabotage rules prevent foreign nationals in the U.S. on B-1 business-visitor visas from competing with U.S. truckers on loads moving point to point in the U.S. The regulations are meant to protect driver jobs in the U.S. trucking industry ...

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