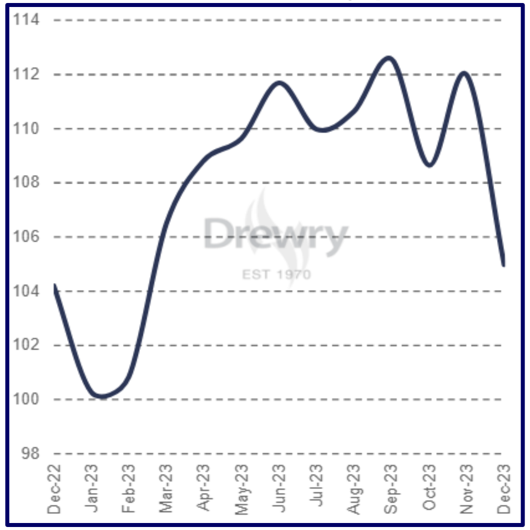
# GLOBAL TRANSPORTATION MARKET REPORT FEBRUARY 2024

AIT WORLDWIDE LOGISTICS

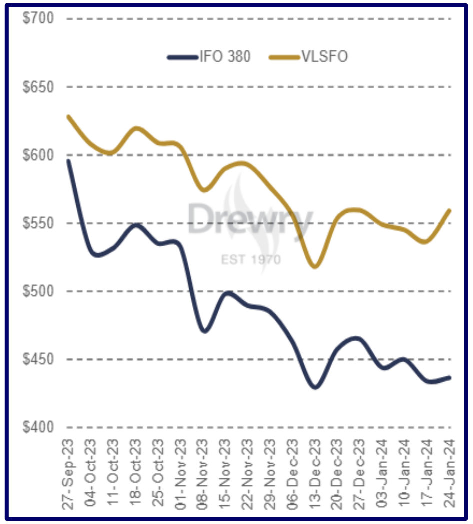
# GLOBAL OCEAN TRENDS

**World Container Index**


**Global Port Throughput**




**Bunker**

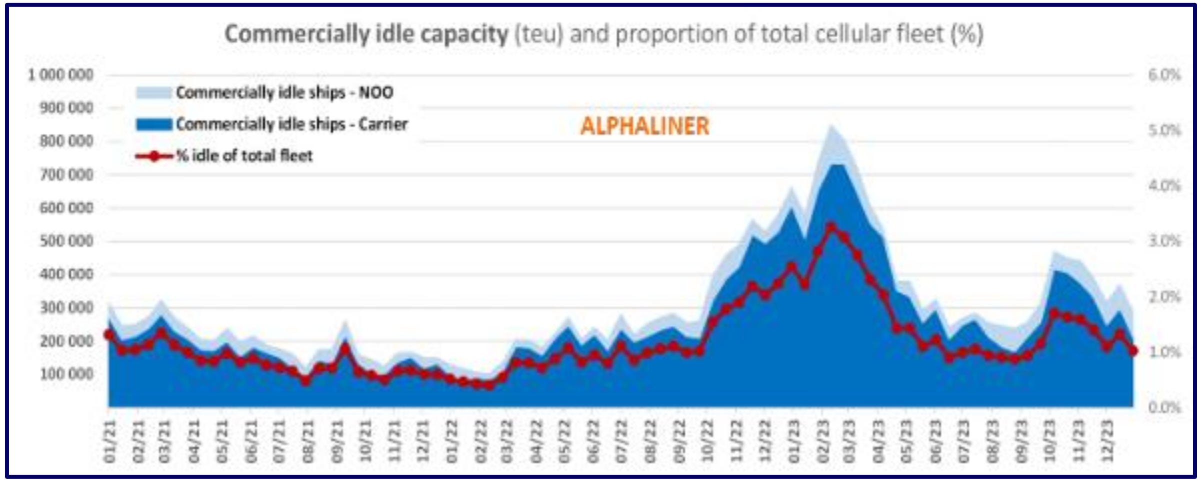



*Source: Drewry Marine Research*

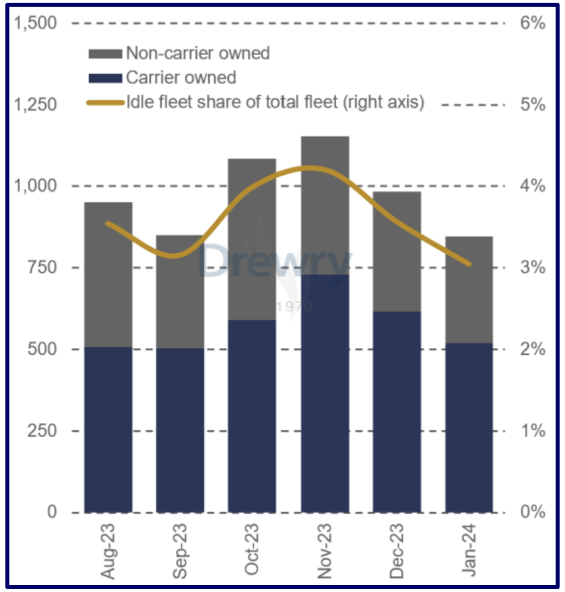
- Carriers are facing massive transit contingencies due to the ongoing conflict in the Red Sea. As a result, demand for charters is increasing, with some estimates suggesting requests numbering up to nearly 200 additional vessels.
- So far, a multinational military operation in response to the attacks on merchant vessels has not restored faith in the safety of Red Sea navigation. Most carriers are redirecting traffic to the much longer route around the southern tip of Africa.
- Rates on head haul lanes continue to increase due to ocean market conditions and capacity balance.
- Carriers have stirred up instability concerns with recent alliance and cooperation changes and shifts.

# CAPACITY AND IDLE FLEET

**Tonnage Inactive**




*Source: Alphaliner*




*Source: Drewry Marine Research*

- Inactive capacity is at 850,000 TEU. This is a decrease from the previous months, accounting for approximately 3.3% of the global fleet.
- In January, 11 vessels were delivered, with MSC, ONE, and OOCL each taking delivery of a 15000+ TEU vessel. MSC’s orderbook and recorded volumes places it at about 1.5 million TEU more than Maersk.

# OCEAN TRADE LANES

- So far, a multinational military operation in response to the attacks on merchant vessels has not restored faith in the safety of Red Sea navigation. Most carriers are redirecting traffic to the much longer route around the southern tip of Africa. With average speeds of 16.5 knots, the trip to Northern Europe is about a week slower.
- In advance of the Lunar New Year, carriers are increasing rates.
- Capacity shifts due to the freight conditions and longer and interrupted transits are causing market volatility. Surcharges and additional transits are becoming the new norm.

| Trade Lane | Status | Comments |
|---|---|---|
| TPEB to USEC | | |
| TPEB to USWC | | |
| CBP to N Eur | | |
| CBP to MED | | |
| SE Asia to N Eur | | |
| SE Asia to MED | | |
| ISC to US | | |
| N Eur to ISC | | |

| Trade Lane | Status | Comments |
|---|---|---|
| N Eur to AP | | |
| MED to AP | | |
| US to N Eur | | |
| US to MED | | |
| MED to US | | |
| N Eur to US | | |
| US to ISC | | |
| Med to ISC | | |

| | |
|---|---|
| | Available space; quick booking turn time. |
| | Capacity well utilized; some space available. |
| | Demand higher than supply; space agreements challenged. |

# OCEAN CARRIER UPDATES

- Hapag-Lloyd is offering service via Saudi Arabia to avoid transit through the Red Sea.
- Hapag-Lloyd plans to withdraw from THE Alliance and form a joint alliance with Maersk in early 2025.
- Later this month, ZIM will launch a new express service between the Far East and Vancouver, Canada.
- In response to ongoing restrictions reducing the number of vessels that can pass through the Panama Canal, as well as limitations of the ships' permissible canal draft, Maersk will implement a "land bridge" alternative on its OC1 service.
- MSC's new "Red Sea Express" offered a first departure on Dec. 31. The service will turn in three weeks calling at Tekirdag, Derince, Mersin, King Abdullah Port, Jeddah, Aqaba, and returning to Tekirdag.
- Maersk has suspended Red Sea transits until further notice following an attack on their ship, MAERSK HANGZHOU.

# MEXICO AND TRANSBORDER

- Ocean Updates

## Asia-Mexico sea freight at lowest level in eight months

- Carriers are poised to encounter serious financial challenges in 2024.
- Although shipping lines sought to take advantage of the latest demand force in 2023 by increasing rates between Asia and Mexico, the cost of sea freight bottomed out in November to its lowest level in eight months with an average of $1,703 per 40-foot container – a 13% drop from October.
- In early November, the market was at levels close to $2,000 per container; however, due to additional capacity of more than 60,000 TEUs, rates quickly fell.

**PROMEDIO ACUMULADO DEL AÑO:** 2,026.00

| PERIODO | EAX MENSUAL | M/M CHG% |
|---|---|---|
| ENERO 2023 | 1,276.00 | -22.59% |
| FEBRERO 2023 | 1,651.00 | 29.39% |
| MARZO 2023 | 1,665.00 | 0.85% |
| ABRIL 2023 | 2,598.00 | 56.04% |
| MAYO 2023 | 2,990.00 | 15.09% |
| JUNIO 2023 | 2,110.00 | -29.43% |
| JULIO 2023 | 2,105.00 | -0.24% |
| AGOSTO 2023 | 2,406.00 | 14.30% |
| SEPTIEMBRE 2023 | 1,831.00 | -23.90% |
| OCTUBRE 2023 | 1,956.00 | 6.83% |
| DICIEMBRE 2023 | 1,703.00 | -12.94% |

# MEXICO AND TRANSBORDER

- Air Updates

## Mexico Customs makes Carta Porte Complement mandatory

- The customs authority of the Felipe Ángeles International Airport has declared that the Carta Porte Complement (CCP) will be mandatory for customs clearance operations.
- Effective January 1, the Tax Administration Service's new Miscellaneous Tax Resolution ended the extension of non-application of fines and sanctions to those who do not count with the issuance of Digital Tax Receipt over the internet.

Global Tonnage Flown per Kilometer (CTK) (billions per month)


Source: IATA Economics

| | World share[1] | November 2023 (% year-on-year) | | | November 2023 (% ch vs the same month in 2019) | | | |
|---|---|---|---|---|---|---|---|---|
| | | CTK | ACTK | CLF (%-pt) | CTK | ACTK | CLF (%-pt) | CLF (level) |
| TOTAL MARKET | 100.0% | 8.3% | 13.7% | -2.3% | -2.5% | 4.1% | -3.1% | 46.7% |
| Africa | 2.0% | 3.9% | 14.0% | -4.1% | -2.5% | -6.5% | 1.7% | 42.1% |
| Asia Pacific | 32.4% | 13.8% | 29.6% | -6.6% | -5.6% | 7.5% | -6.6% | 47.9% |
| Europe | 21.8% | 6.7% | 6.5% | 0.1% | -11.7% | -11.9% | 0.1% | 57.0% |
| Latin America | 2.7% | 4.2% | 7.7% | -1.2% | -2.6% | 3.8% | -2.4% | 36.3% |
| Middle East | 13.0% | 13.5% | 15.4% | -0.8% | 1.1% | 7.7% | -3.1% | 46.9% |
| North America | 28.1% | 1.8% | 4.0% | -0.9% | 9.2% | 11.2% | -0.7% | 40.8% |
| International | 86.9% | 8.1% | 11.6% | -1.7% | -3.3% | 3.3% | -3.6% | 52.3% |
| Africa | 2.0% | 3.9% | 13.9% | -4.2% | -1.7% | -5.9% | 1.8% | 43.0% |
| Asia Pacific | 29.7% | 9.8% | 15.3% | -2.8% | -5.1% | 5.8% | -6.4% | 55.6% |
| Europe | 21.5% | 6.8% | 6.7% | 0.1% | -12.2% | -12.3% | 0.1% | 58.5% |
| Latin America | 2.3% | 3.9% | 10.0% | -2.4% | -1.6% | 18.7% | -8.6% | 42.0% |
| Middle East | 13.0% | 13.5% | 15.5% | -0.8% | 1.2% | 7.9% | -3.1% | 47.2% |
| North America | 18.4% | 3.9% | 8.4% | -2.1% | 9.0% | 14.6% | -2.5% | 48.3% |

[1]% of industry CTKs in 2022

**Note:** the total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic. Historical statistics are subject to revision.

# AIR FREIGHT OVERVIEW

- The expansion in global air cargo traffic is accompanied by a small uptick in load factors (month-on-month) and supported by steady global trade figures, easing inflation across most major economies, and some decreasing jet fuel prices.
- Shippers are signaling an inclination to accept costs associated with sea-air options, however, unlike during the height of the pandemic, a full shift to air is unlikely.
- Rates are expected to slip over the course of 2024 (compared to 2023 levels). Analysts continue to monitor belly capacity and the evolving situation in the Red Sea.

# CAPACITY DEVELOPMENT

- Demand, while increasing, is being negated by capacity increases in the market.
- Pre-Lunar New Year surges in air freight rates are difficult to gauge due to the Red Sea conflict pushing more shippers to prefer air over ocean.
- North Atlantic passenger flights (and subsequent belly capacity) continue to trend upward, with utilization near 63% and rates favoring buyers.
- Exports from Asia should see volumes fall off following the Lunar New Year. Asian carriers are expected to add capacity over the course of the year.

International Cargo Development Week over Week

| Origin Regions last 2 to 5 weeks | Capacity[1] | | | Chargeable weight[1] | | | Rate[1] | | |
|---|---|---|---|---|---|---|---|---|---|
| WORLD ACD | Last 5 wks | 2Wo2W | YoY | Last 5 wks | 2Wo2W | YoY | Last 5 wks | 2Wo2W | YoY |
| Africa | | -3% | +8% | | +16% | +14% | | +1% | -6% |
| Asia Pacific | | +6% | +29% | | +22% | +9% | | -4% | -20% |
| C. & S. America | | +8% | +12% | | +29% | +9% | | +2% | -5% |
| Europe | | +2% | +8% | | +44% | +3% | | -2% | -34% |
| M. East & S. Asia | | +2% | +12% | | +7% | +21% | | +1% | -12% |
| North America | | -0% | +6% | | +27% | -10% | | +2% | -21% |
| **Worldwide** | | **+3%** | **+12%** | | **+26%** | **+6%** | | **-2%** | **-22%** |

[1] 2Wo2W compares the last 2 weeks with the preceding 2 weeks this year. YoY compares the last 2 weeks with the same 2 weeks last year.

*Source: WorldACD*

# AIR TRADE LANES

- Some carriers have announced fuel increases on routes out of the United Kingdom.
- Rates are firm on many major trades; however, at levels far less than 2023. For freight out of Europe, for example, levels are nearly 43% less, year over year. Globally, rates are down 22% from the same time in 2023.
- The supply/demand imbalance, along with political uncertainties and fluctuating costs, have led shippers to keep a close eye on the air charter market. Demand in the market, as well as rates, increased through December 2023.
- Ground handling delays remain minimal.
- Rates are not expected to increase significantly in the coming weeks.

| Trade Lane | Status | Comments |
|---|---|---|
| AP to US | | |
| US to AP | | |
| Europe to AP | | |
| AP to Europe | | |
| Europe to US | | |
| US to Europe | | |

| Trade Lane | Status | Comments |
|---|---|---|
| US to LATAM | | |
| LATAM to US | | |
| Europe to LATAM | | |
| LATAM to Europe | | |
| India to US | | |
| US to India | | |

| | |
|---|---|
| | Available space; quick booking turn time. |
| | Capacity well utilized; some space available |
| | Demand higher than supply; space agreements challenged. |

# NORTH AMERICAN TRANSPORTATION

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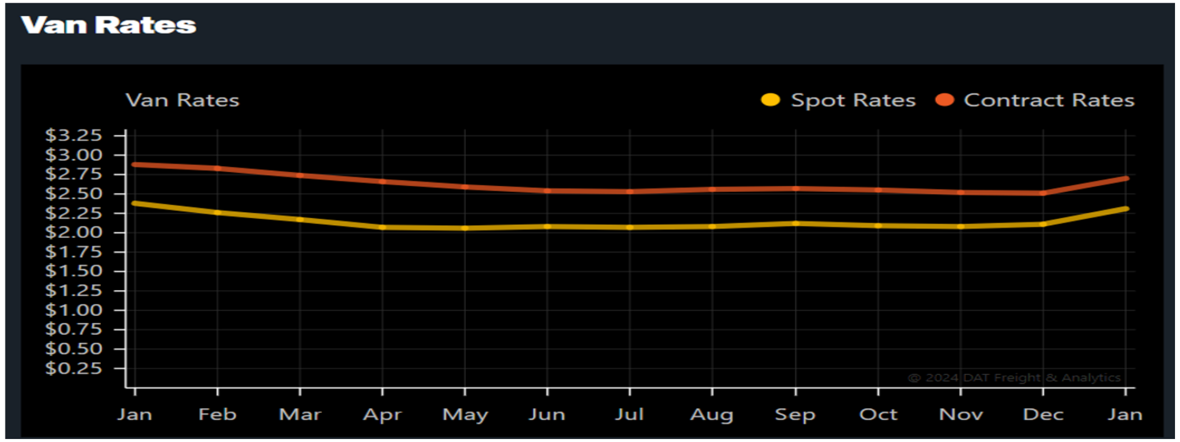
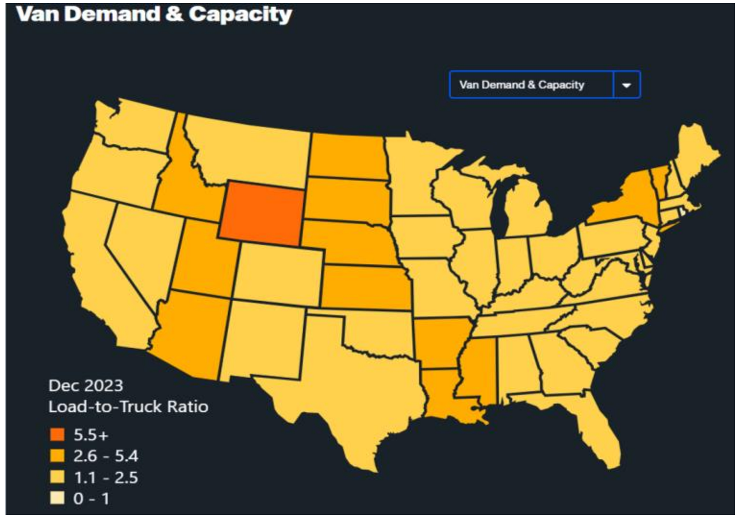


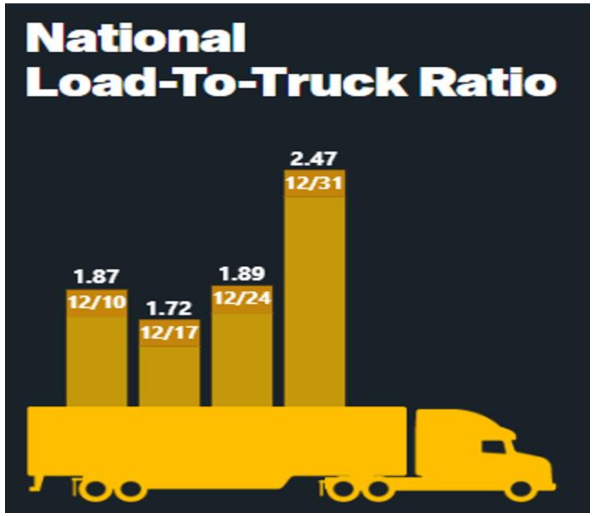

- The rate per mile increase from the shipping surge in December spilled over into January; however, rates are expected to flatten throughout the first half of the year.
- The White House continues to focus on stricter testing to determine how companies classify independent contractors.
- According to the Wall Street Journal, the average warehouse vacancy rate across the United States reached 5.2% in the fourth quarter, a steep rise from 4.6% the previous quarter. Retailers selling off their overstock reduced the need for extra storage capacity and a decline in product shipping.

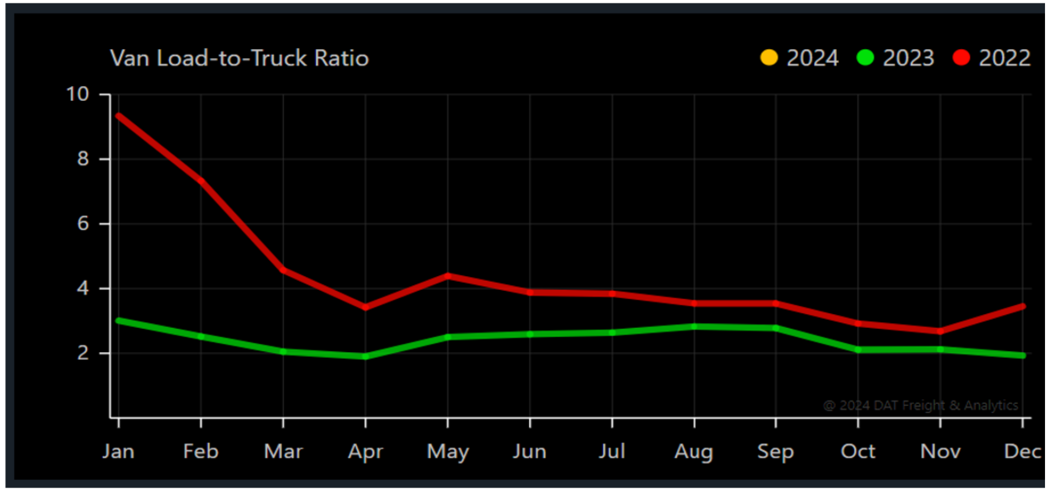
# NORTH AMERICAN TRANSPORTATION

- Load-to-driver capacity remains favorable in most U.S. markets.
- U.S. trucking capacity is plentiful with retail inventories leveling off following the holiday push and import delays due to transatlantic reroutes.
- Industry experts continue to project a flat carry over of consumer spending into the first quarter of 2024 with more focus on services instead.

## Dry Van Capacity Data

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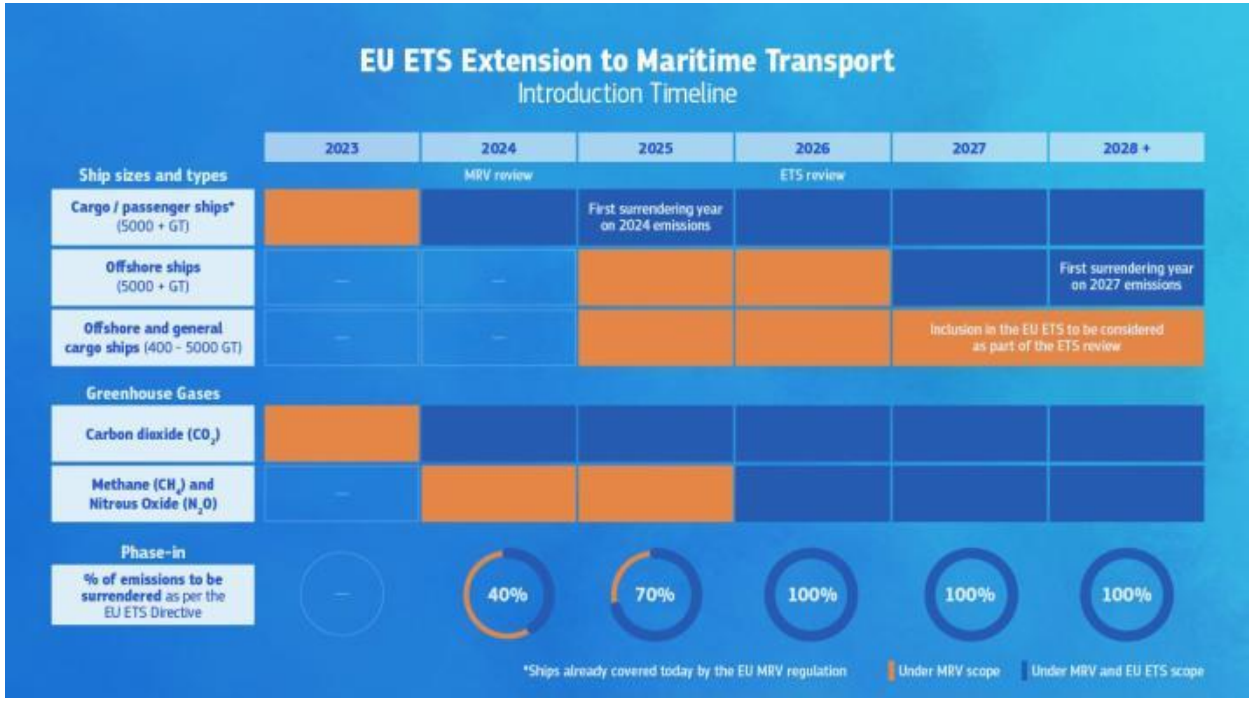
# SUSTAINABILITY
# EU EMISSION TRADING SYSTEM

The EU Emission Trading System (EU ETS) launched in 2005, under a "cap and trade" principle. Based on the total GHG (greenhouse gas) emissions, the system's annual reductions include the possibility to buy or sell emission allowances to other market participants.

**Effective Jan. 1, 2024**, EU ETS now also **applies to maritime transport** for cargo and passenger ships at or above 5,000 gross tonnage. The applicable emissions, starting with $CO_2$ in 2024 and continuing with $CH_4$ and $N_2O$ from 2026, depend on four factors: port calls between two EU ports (100%); emissions emitted at berth (100%); leaving an EU port and arriving at a non-EU port (50%); arriving an EU port while leaving a non-EU port (50%).

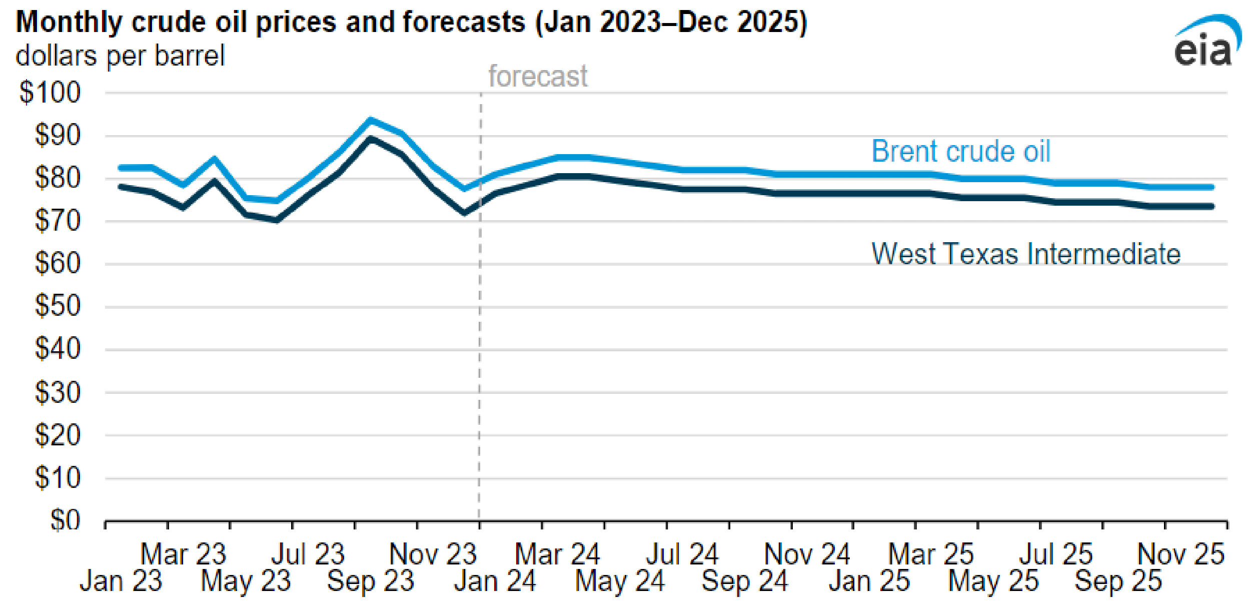
Some ocean carriers have already announced **ETS surcharges**, and they're expected to become a new standard for all ocean freight leaving or arriving at an EU port. Cost for an Asia-to-Europe trade lane currently varies widely, **from 12 to 70 euros per TEU and 31 to 105 euros per TEU for reefer containers**.

Importers and exporters who choose to ship via renewable fuel-powered vessels will be **exempt from the ETS surcharge**, per the Renewable Energy Directive.




Source: European Union

## EIA expects relatively flat crude oil prices in 2024 and 2025




**Data source:** U.S. Energy Information Administration, *Short-Term Energy Outlook*, January 2024

We forecast average annual crude oil prices in 2024 and 2025 will remain near their 2023 average because we expect that global supply and demand for petroleum liquids will be relatively balanced over the next two years. We expect the Brent crude oil price will average $82 per barrel (b) in 2024 and $79/b in 2025, compared with its 2023 average of $82/b. We expect that the price of West Texas Intermediate (WTI) will be slightly lower but generally follow the same path.

*Source: U.S. Energy Information Administration*

# ECONOMIC INDICATORS

The Conference Board economic forecast for the U.S. economy anticipates a tepid start to 2024. While the prospects for a “soft landing” have risen, the board continues to believe that volatility awaits the U.S. economy this year. They forecast two quarters of slightly negative GDP growth in Q2 and Q3 2024 that will be broadly felt across the economy. However, late 2024 and 2025 should usher in a period of lower volatility and greater predictability. Inflation and interest rates should normalize, and GDP growth should converge to potential at just under 2%.

Government spending was a positive contributor to growth in 2023 due to federal non-defense spending associated with infrastructure investment legislation passed in 2021 and 2022. However, growth is likely to slow in 2024 and 2025 as infrastructure spend out stabilizes. Furthermore, political volatility surrounding fiscal policy, debt, and outlays could impact government spending over the next few years.

Labor market tightness was remarkably persistent in 2023, but recent data show some moderation. While this should continue over the coming quarters, the board does not expect labor markets to unravel (as was the case in previous recessions). The tightness largely reflects a shrinking labor force as Baby Boomers retire. Indeed, this persistence should prevent overall economic growth from slipping too deeply into contractionary territory and facilitate a rebound in 2024.

*Source: The Conference Board*

# TURN INSIGHTS INTO ACTION WITH AIT

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Now that you know what's on the horizon for the coming month, it's time to strategize. But you don't have to do it alone. Let us put our 40+ years of experience across every industry, mode and region to work for your organization.


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