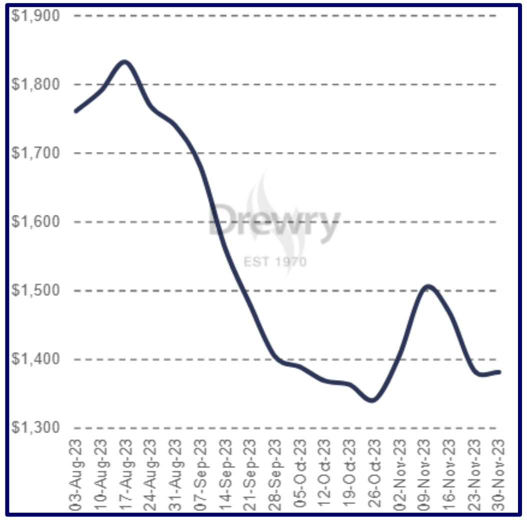
# GLOBAL TRANSPORTATION MARKET REPORT DECEMBER 2023

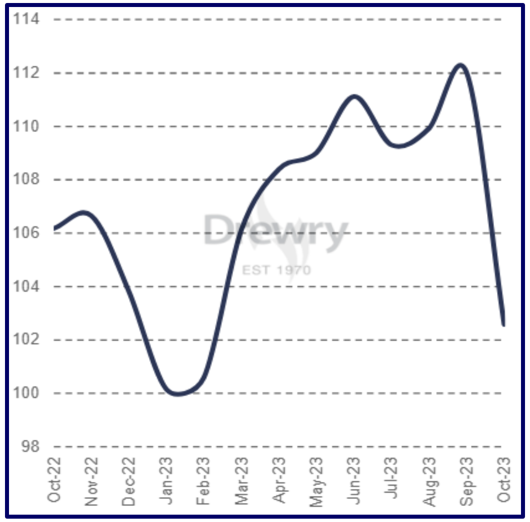
AIT®
WORLDWIDE LOGISTICS

# GLOBAL OCEAN TRENDS

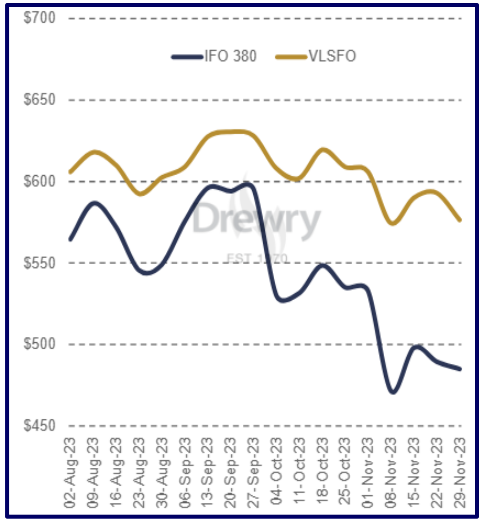
**World Container Index**




**Global Port Throughput**




**Bunker**

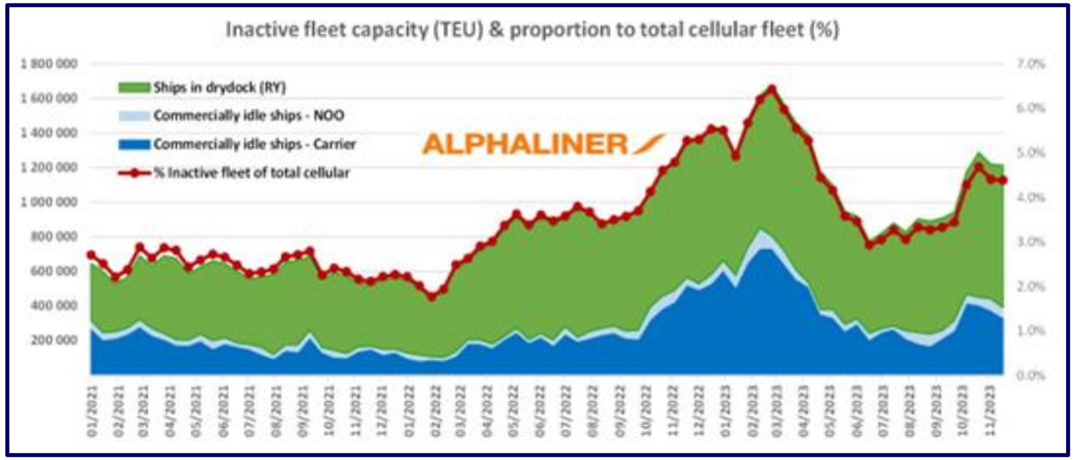



*Source: Drewry Marine Research*

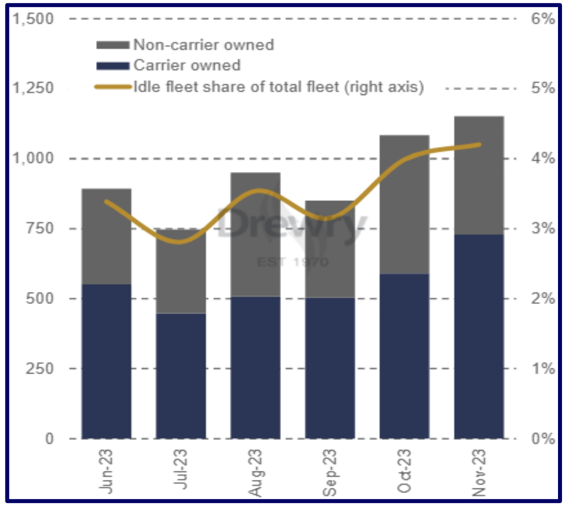
- In Q3, carrier earnings dropped below pre-pandemic levels. Demand increased in some spots, but overall, top yields held at approximately 1.5%.
- Analysts do not expect a significant demand surge and predict rates will remain compressed. Carriers will likely return to large loss-giving positions similar to pre-2020.
- Prices for new container ships have reached record highs. Combined with the need for high-efficiency, large-capacity designs and very low rates, operating ocean vessels in the current environment is staggeringly expensive.
- Facing consistently heavy pricing pressure on East/West routes with little indication of rates increasing in the near future, carriers are redeploying fleets and capacity to North/South routes with an emphasis on Latin America and Africa.
- Transatlantic rate levels have declined due to increased capacity.
- In response to low draft restrictions, carriers are imposing charges for transits through the Panama Canal.

# CAPACITY AND IDLE FLEET

**Tonnage Inactive**




*Source: Alphaliner*




*Source: Drewry Marine Research*

- Inactive capacity is at 275 ships representing 1.21 million TEUs, slightly increased from the previous month and accounting for 4.4% of the global fleet.
- Manufacturers delivered 25 vessels in November, with MSC, ONE and Maersk each taking delivery of a 15,000+ TEU vessel.

# OCEAN TRADE LANES

- In response to ongoing capacity reductions at the waterway, both CMA CGM and MSC have imposed Panama Canal surcharges.
- Carriers continue to announce blank sailings across major trade routes.
- Capacity from transatlantic and transpacific trade lanes is being redeployed to Latin American (North-South) trades.
- The Port of Seattle took delivery of two new gantry cranes capable of handling MegaMax ships; the units are expected to be operational at the start of 2024.
- The Port of Mundra also took delivery of several gantry cranes with MegaMax capacity, enabling the general cargo pier to expand to a full container terminal. The converted facility is expected to receive its first call in March 2024.
- As the conflict in Israel continues, carriers have been implementing "war risk" surcharges. The Port of Ashdod continues to operate despite the ongoing combat.
- Houthi rebels are targeting ships in the Red Sea, causing transit disruptions, particularly for European markets.

| 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

| 2M | Ocean Alliance | THE Alliance |
| --- | --- | --- |
| MSC<br>Maersk | OOCL<br>CMA CGM<br>COSCO Shipping<br>Evergreen Line | Hapag-Lloyd<br>ONE<br>Yang Ming |

- MSC plans to install a carbon capture and utilization system aboard a MegaMax vessel, which is expected to trap approximately 40% of carbon emissions from the ship’s exhaust.
- Congestion in Durban resulting from terminal operation issues at the port's container facilities has forced CMA CGM and Maersk to remove the South African port from their Middle East-India-South Africa-West Africa ("MIDAS 1/MESAWA") service through the end of January. Calls will instead be made at Port Elizabeth.
- Maersk is now offering a new South China-Indonesia-Northern Vietnam service ("SE8"), which includes a direct link from the gateway city of Qinzhou to Indonesia.
- Starting in May 2024, Ocean Network Express (ONE) will launch a new India-Mediterranean-U.S. East Coast service ("WIN").
- Early next year, Hapag-Lloyd and ONE will add Wilhelmshaven to their North Europe-U.S. Gulf ("AL4") service.
- Despite the ongoing conflict in Israel, operations at the Port of Ashdod remains open.
- MSC plans to acquire Clasquin, a deal that is becoming more commonplace in global transportation, with carriers acquiring and integrating forwarders into their networks,.

# MEXICO AND TRANSBORDER

- Ground and Air Updates

**Ground**

- A 15-20% reduction in ground units, due to migration to the U.S., is contributing to a driver shortage.
- Meanwhile, costs are increasing as a results of the U.S. dollar to Mexican peso exchange rate as well as unit scarcity.
- In regulatory news, the Tax Administration Service (SAT) extended its Carta Porte supplement compliance deadline to December 31, with no fines until next year.

**Air**

- A new airport in the state of Quintana Roo will add competition and threaten charter traffic.
- Fuel surcharges remain unstable.
- Mexico's heavyweight exports are up by 5.9% and imports are up 17.8%.
- Lufthansa Cargo has increased its Mexico City freighter rotations from six to seven per week.

# MEXICO AND TRANSBORDER

- Ocean Updates

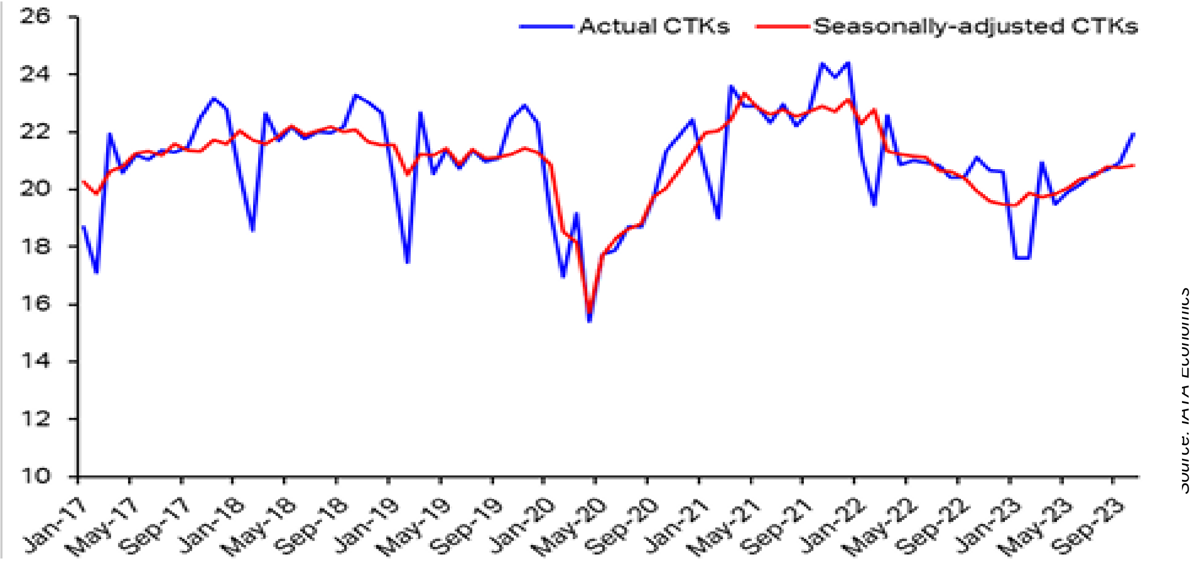
**Ocean**

- The October O/F rate of $1,956 per 40'HC was up 6.83% from the previous month.
- Rates increase to $2,145 per FEU in weeks 41 and 42.
- Carriers are reallocating capacity, with Asia-Mexico routes expecting an additional 15,000 TEUs per week.
- A backlog created by Golden Week extended China transit times by 40-60%.
- AIT recommends planning land services from ports at least 10-15 days in advance to mitigate congestion and capacity challenges.

PROMEDIO ACUMULADO DEL AÑO: 2,059.00

| 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% |

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




| | *World share[1]* | October 2023 (% year-on-year) | | | October 2023 (% ch vs the same month in 2019) | | | |
|---|---|---|---|---|---|---|---|---|
| | | CTK | ACTK | CLF (%-pt) | CTK | ACTK | CLF (%-pt) | CLF (level) |
| **TOTAL MARKET** | ***100.0%*** | **3.8%** | **13.1%** | **-4.0%** | **-2.4%** | **2.8%** | **-2.4%** | **45.2%** |
| Africa | *2.0%* | 2.9% | 9.8% | -2.8% | 6.2% | -2.8% | 3.5% | 41.6% |
| Asia Pacific | *32.4%* | 7.6% | 30.0% | -9.8% | -5.0% | 8.5% | -6.7% | 47.2% |
| Europe | *21.8%* | 1.0% | 7.0% | -3.2% | -11.3% | -10.7% | -0.3% | 53.0% |
| Latin America | *2.7%* | 4.0% | 8.3% | -1.5% | 0.7% | -1.8% | 0.9% | 35.4% |
| Middle East | *13.0%* | 10.9% | 15.0% | -1.7% | 2.8% | 6.6% | -1.7% | 46.0% |
| North America | *28.1%* | -1.8% | 2.4% | -1.7% | 6.3% | 5.9% | 0.2% | 39.2% |
| **International** | ***86.9%*** | **3.5%** | **11.1%** | **-3.7%** | **-2.2%** | **3.0%** | **-2.7%** | **50.8%** |
| Africa | *2.0%* | 2.8% | 9.6% | -2.8% | 6.9% | -1.5% | 3.3% | 42.6% |
| Asia Pacific | *29.7%* | 4.0% | 15.9% | -6.3% | -4.3% | 7.4% | -6.7% | 54.6% |
| Europe | *21.5%* | 1.0% | 7.7% | -3.7% | -11.7% | -11.5% | -0.2% | 55.0% |
| Latin America | *2.3%* | 3.5% | 11.8% | -3.3% | 3.0% | 12.7% | -3.9% | 41.0% |
| Middle East | *13.0%* | 10.8% | 15.0% | -1.8% | 2.8% | 6.8% | -1.8% | 46.3% |
| North America | *18.4%* | 0.7% | 5.5% | -2.3% | 9.5% | 10.4% | -0.4% | 47.0% |

[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.

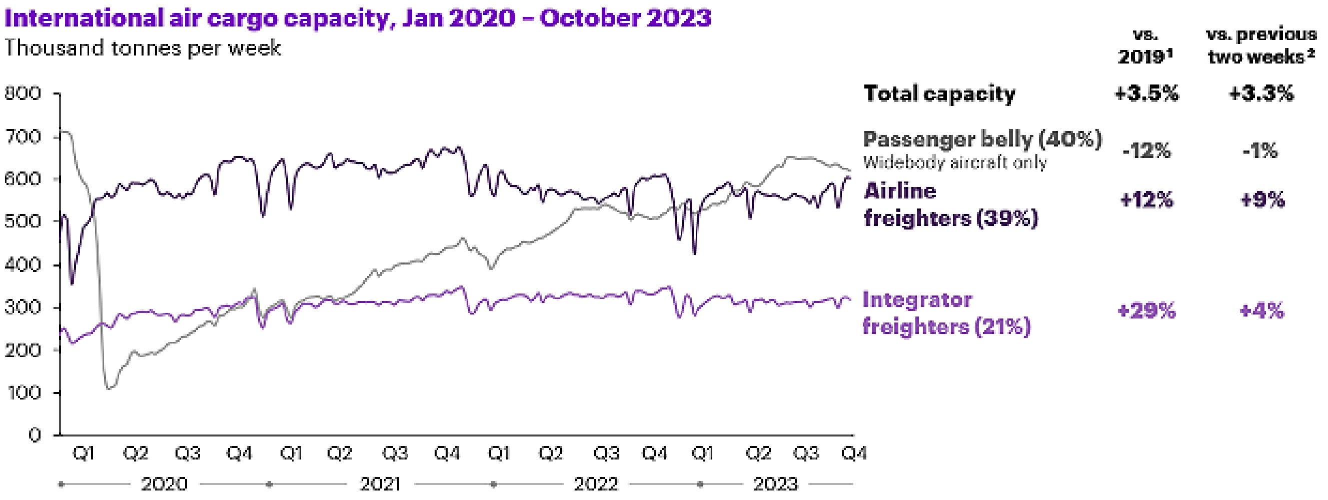
# AIR FREIGHT OVERVIEW

- Thanks to increased passenger flights, capacity expanded more than 13%.
- E-commerce volumes are absorbing a great deal of market capacity, boosting rates, particularly from the Asia Pacific region, as general shippers compete for remaining space.
- The global freighter market has seen an increase in demand with recent capacity absorbed in the Asia Pacific market, along with certain geopolitical issues impacting select ocean markets.
- Global trade generally stabilized by the end of Q3, particularly with inflation easing in major economies. Jet fuel pricing has decreased as a result.

# CAPACITY DEVELOPMENT

- Air freighter capacity has increased nearly 9% in recent weeks.
- While both freighter and belly capacity are increasing (mainly tied to e-commerce), demand also continues to grow, but not to levels as high as Q4 2022.
- As volumes increase in advance of the holiday season, Asia Pacific rates are trending upwards and expected to peak after the new year.
- The transatlantic trade between the United States and Europe is balanced between demand and capacity.

International Cargo Capacity vs. 2019




*Source: Accenture.com, Cargo Capacity*

# AIR TRADE LANES

- FSC levels are decreasing in some markets.
- Tighter spot rates out of Europe are common, particularly on transatlantic lanes.
- Capacity from Europe to the United States has fully recovered to pre-pandemic peak levels, with carriers reporting increases of as much as 13% year-over-year.
- Ground handling delays remain minimal.
- Rates remain stable with some isolated increases, particularly in the Asia Pacific region. The trend suggests that certain factors are increasing (such as seasonal and e-commerce demand), while typical blocked-space volumes are light.
- Geopolitical conflicts impacting ocean shipping in certain regions are being monitored for modal shift to air.

| 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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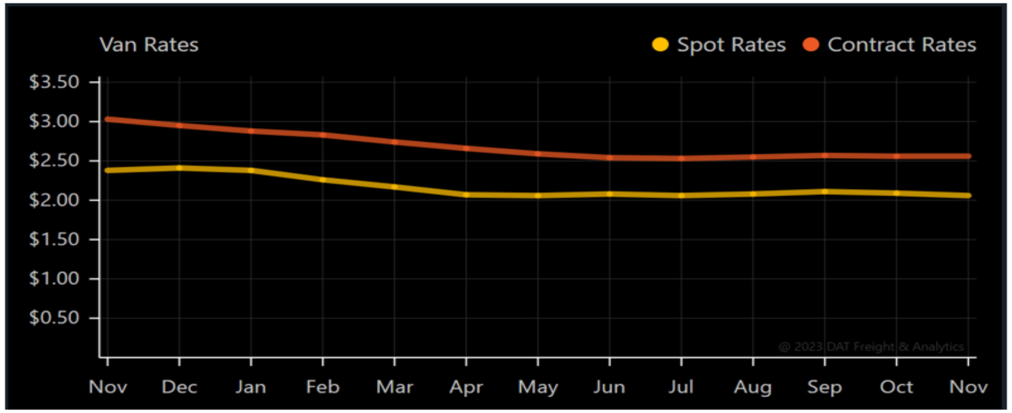
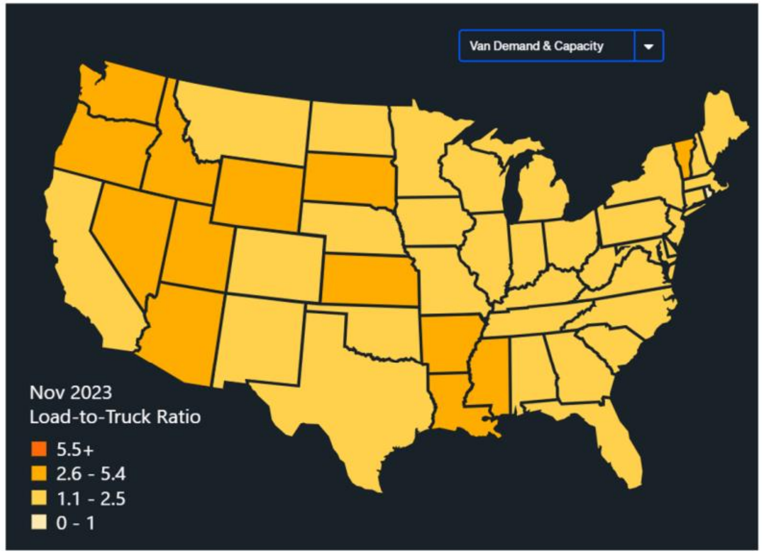


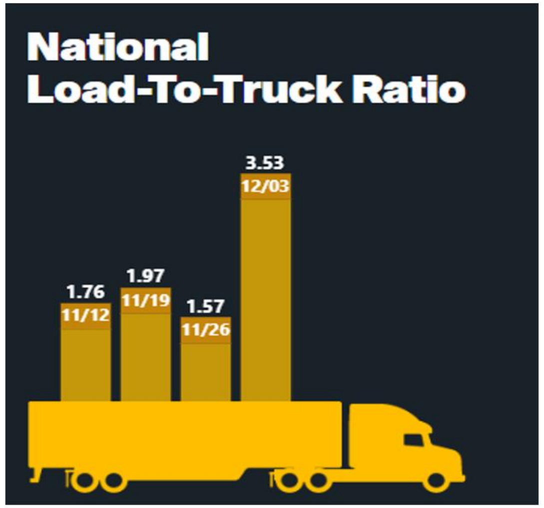

- Rate per mile continues to be relatively flat; however, some markets are reporting slight increases this month as capacity tightens. Los Angeles and Dallas-Fort Worth, for example, have higher demand for capacity due to a holiday sales surge.
- Black Friday sales reached a record $9.8 billion, an increase of 7.5% from 2022. And on Cyber Monday, consumers spent $12.4 billion — a 9.6% increase from 2022 *(Source: Adobe Analytics)*.
- AIT unveiled its **Middle Mile Network**, which offers a faster, more secure, and cost-effective alternative to traditional expedited less-than-truckload (LTL) services by connecting major markets across the United States, with hubs strategically located in import/export gateway cities like Atlanta, Chicago, Columbus, Dallas, and Los Angeles.

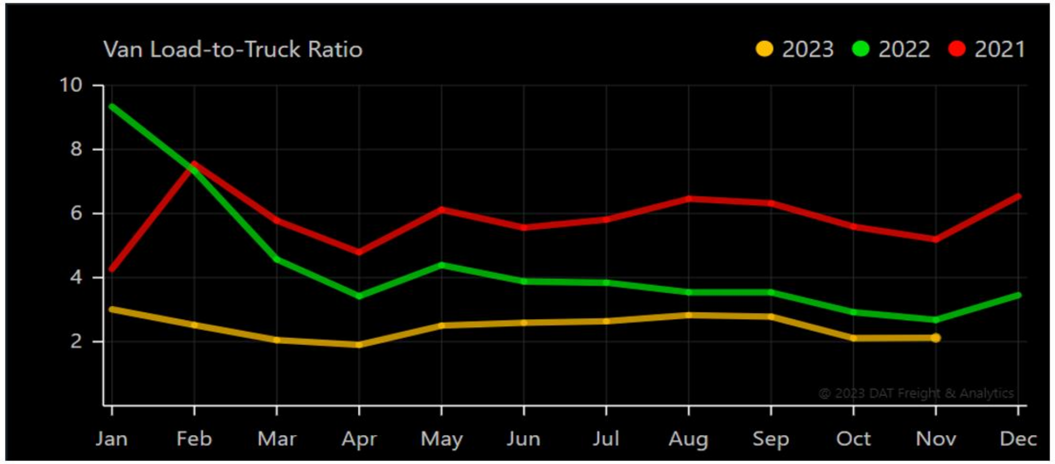
# NORTH AMERICAN TRANSPORTATION

- Load-to-driver capacity remains favorable in most U.S. markets.
- While November numbers revealed a continuing decline in the load-to-truck ratio, AIT analysts believe there will be a slight tightening of capacity in some markets across the U.S. due to favorable Black Friday and Cyber Monday sales numbers.
- Elevated ratios in the first week of December suggest scarcity of available trucks in U.S. West markets due to decreased demand in the previous month.
- Industry experts still project a flat carry over of consumer spending into the first quarter of 2024.

## Dry Van Capacity Data

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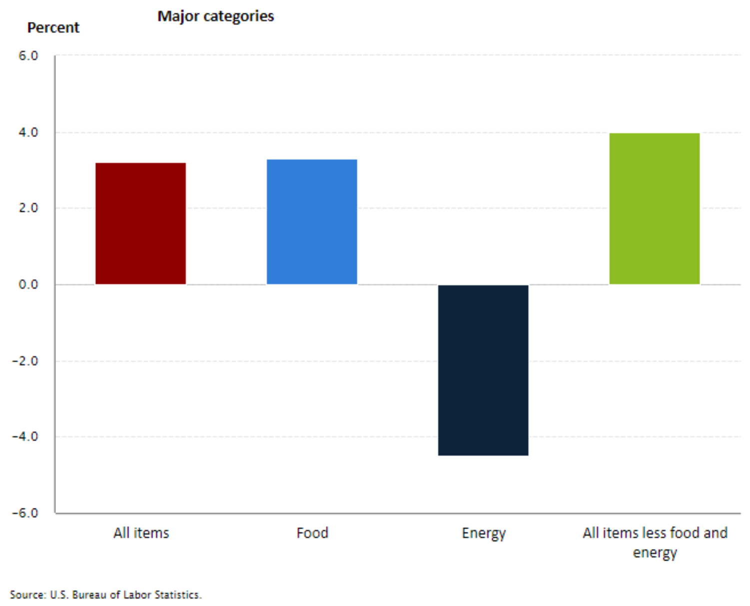
# 12-month percentage change, Consumer Price Index, selected categories




| Category | 12-month percent change, Oct 2023 |
|---|---|
| All items | 3.2% |
| Food | 3.3% |
| Food at home | 2.1% |
| Cereals and bakery products | 4.2% |
| Meats, poultry, fish, and eggs | 0.4% |
| Dairy and related products | -0.4% |
| Fruits and vegetables | 1.1% |
| Nonalcoholic beverages and beverage materials | 3.3% |
| Other food at home | 3.6% |
| Food away from home | 5.4% |
| Full service meals and snacks | 4.3% |
| Limited service meals and snacks | 6.2% |
| Energy | -4.5% |
| Energy commodities | -6.2% |
| Fuel oil | -21.4% |
| Gasoline (all types) | -5.3% |
| Energy services | -2.3% |
| Electricity | 2.4% |
| Natural gas (piped) | -15.8% |
| All items less food and energy | 4.0% |
| Commodities less food and energy commodities | 0.1% |
| Apparel | 2.6% |
| New vehicles | 1.9% |
| Used cars and trucks | -7.1% |
| Medical care commodities | 4.7% |

*Source: US Bureau of Labor Statistics*

# ECONOMIC INDICATORS

The Conference Board forecasts that U.S. economic growth will buckle under mounting headwinds early in 2024, leading to a very short and shallow recession. This outlook is associated with numerous factors, including elevated inflation, high interest rates, dissipating pandemic savings, rising consumer debt, and the resumption of mandatory student loan repayments. The board forecasts that real GDP will grow by 2.4% in 2023, and then fall to 0.8 percent in 2024.

U.S. consumer spending has held up remarkably well this year despite elevated inflation and higher interest rates. However, this trend cannot hold. Real disposable personal income growth is flat, pandemic savings are dwindling, and household debt is rising. Additionally, new student loan repayment requirements are beginning to weigh on consumers. Thus, the board forecasts that overall consumer spending growth will slow towards year end and then contract in Q1 2024 and Q2 2024. As inflation and interest rates abate later in 2024, we expect consumption to begin to expand once more.

Meanwhile, following strong growth in Q2 2023, business investment stalled in Q3 2023 as interest rate increases made financing activities more expensive. The board expects this trend to intensify over the next several quarters as the Fed resists calls to cut rates until mid-2024. Residential investment, which had been contracting since 2021, began to grow again in Q3 2023. Persistent demand for new homes and a dearth of supply was the driver. However, the board doesn't expect this trend to accelerate until interest rates begin to come down.

*Source: The Conference Board*

# SUSTAINABILITY ROAD INSIGHTS

**Germany adds $CO_2$ tax to toll roads**

- Starting Dec. 1, Germany instituted a $CO_2$ emissions tax of €200 per ton of $CO_2$ for heavy duty vehicles (HDVs).
- This change follows the passage of EU legislation known as the Eurovignette Directive.
- According to the directive, EU members must implement road user charges for HDVs, differentiated according to $CO_2$ emission classes, by March 25, 2024 .
- The $CO_2$ tax is applied as a number of "cents per kilometer" driven on the toll road network.
- It is estimated that the tax increase per kilometer will be approximately 70-80% and in some cases even double (depending on the emissions class of the vehicle). For Euro VI car transporters, it will be more than 83%.
- The toll rates in Germany are now made up of four cost components: costs of infrastructure, air pollution, noise pollution, and $CO_2$ emissions.

**Excerpt from the German toll tariff increase from Dec. 1, 2023: EUR per kilometer**

| Emission Classes EU | Vehicle Weight | Infrastructure | Air pollution | Noise pollution | $CO_2$ | Cost from 01.12.2023 | Cost until 30.11.2023 | Difference | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | EUR/km | % |
| Euro VI | 7,5 < 12 t | 0,067 | 0,015 | 0,016 | 0,080 | 0,178 | 0,098 | **0,080** | **81,6%** |
| Euro VI | 12 -18t | 0,109 | 0,015 | 0,016 | 0,100 | 0,240 | 0,140 | **0,100** | **71.4%** |
| Euro VI | >18t to 3 axles | 0,143 | 0,022 | 0,016 | 0,124 | 0,305 | 0,181 | **0,124** | **68,5%** |
| Euro VI | >18t to 4 axles | 0,155 | 0,023 | 0,012 | 0,134 | 0,324 | 0,190 | **0,134** | **70,5%** |
| Euro VI | >18t, 5 or more axles | 0,155 | 0,023 | 0,012 | 0,158 | 0,348 | 0,190 | **0,158** | **83,2%** |

*Sources: https://www.ecgassociation.eu/new-co2-road-tax-in-germany/; https://www.bundesregierung.de/breg-en/news/lorry-toll-co2-2196348*

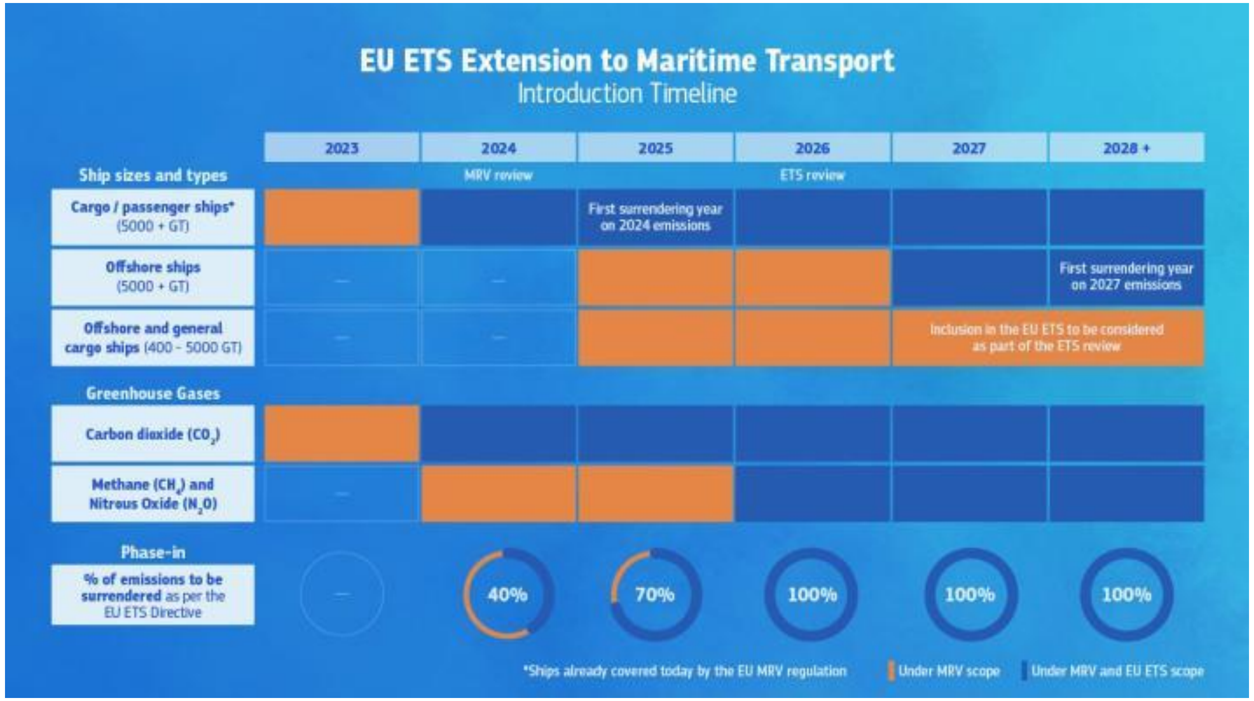
# SUSTAINABILITY
# EU EMISSION TRADING SYSTEM

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 will also **apply 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*

# SUSTAINABILITY CARBON BORDER ADJUSTMENT MECHANISM

On Oct. 1, the Carbon Border Adjustment Mechanism (CBAM) entered its initial phase. The CBAM is one pillar of the EU's Fit for 55 Agenda, which includes a wide set of policies to reduce net greenhouse gas (GHG) emissions by at least 55% by 2030.

In the initial phase, the CBAM applies to all **EU importers for carbon-intensive imports**. This applies currently to **cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen**. All EU importers must report the GHG emissions for their imports quarterly; the due date for the first reporting period (Q4 2023) is Jan. 31, 2024.

A detailed overview of all applicable products, reporting levels, and relevant details can be found on the website of the European Union, together with eLearning material and the link to the portal for the transitional registry. Access should be requested through the National Competence Authority (NCA). The current overview is available here.


Source: European Union

# 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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