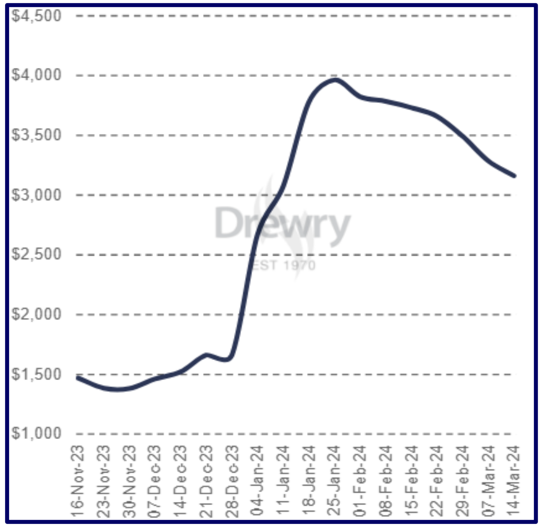
GLOBAL TRANSPORTATION MARKET REPORT MARCH 2024

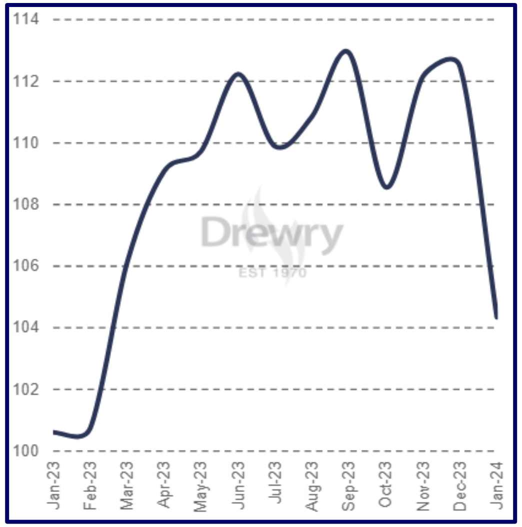
AIT® WORLDWIDE LOGISTICS

GLOBAL OCEAN TRENDS

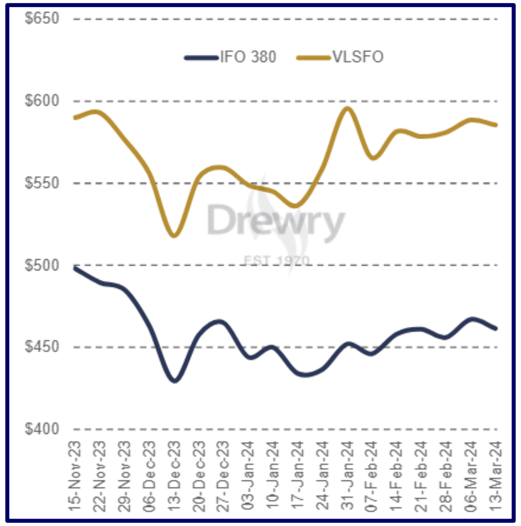
World Container Index



Global Port Throughput



Bunker



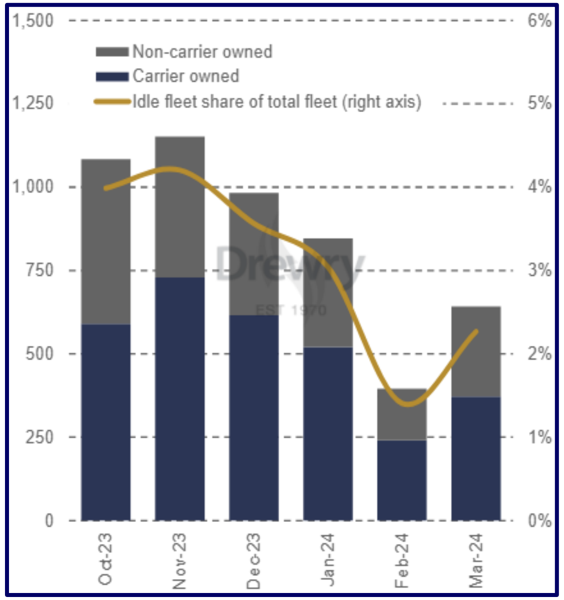
Source: Drewry Marine Research

- Continuing conflict in the Red Sea has elevated rates on redirected, longer routes around Africa.
- Despite some declines in spot rates, pricing remains high overall compared to this time in 2023, particularly on transpacific routes. In some cases, rates are as much as 100% higher.
- Due to the aforementioned spot-rate erosion, carriers are hinting at additional blank sailings in the coming weeks.

CAPACITY AND IDLE FLEET

Tonnage Inactive

Source: Alphaliner



Source: Drewry Marine Research

- As of March, idle capacity was less than 1% of the total fleet at 187,755 TEU, with 73 idle ships.
- There were 19 vessels delivered in March and orderbooks remain robust. MSC, HLAG, EVG and ONE each took delivery of a 15,000+ TEU vessel.

OCEAN
TRADE LANES

- Several cancelled sailings will soon take effect: 17 for non-alliance sailings, 12.5 for the OCEAN Alliance, 8.5 for THE Alliance, and four for 2M.

- The continued diversions around Africa to avoid the Red Sea have slowed the decreasing rates in the market, particularly on the European trades where demand has been declining.

- While attention has been redirected to guarding against attacks in the Red Sea, Somali pirates have become a reemergent threat as they take advantage of decreased vigilance in their region. As many as 20 attacks have been reported since January 1.

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

- Operating margins have begun dipping into negative territory for carriers, in some cases for the first time since 2018.
- COSCO Shipping Lines and its sister company, OOCL, will end their joint Far East – Europe service next month and shift some of the loop's MegaMax vessels to an Asia – Mediterranean service operated by COSCO and Evergreen.
- HEDE International Shipping (from Hong Kong) launched its new transpacific service this month with March 21 marking the inaugural voyage from Shanghai to Los Angeles.
- With the annual export season for kiwi fruit starting in New Zealand soon, CMA CGM and MarFret plan to start their join "Panama Direct Line" service (connecting North Europe, the U.S. East Coast, the South Pacific and Oceania) as early as May.
- Operational constraints and congestion in Brazilian ports such as Santos and Navegantes have pushed Maersk and CMA CGM to temporarily skip the southbound Rio de Janeiro call of their joint Mediterranean – East Coast of South America loop.
- International seafarers' unions have called on all carriers to avoid transits through the increasingly volatile waters of the Red Sea.

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.

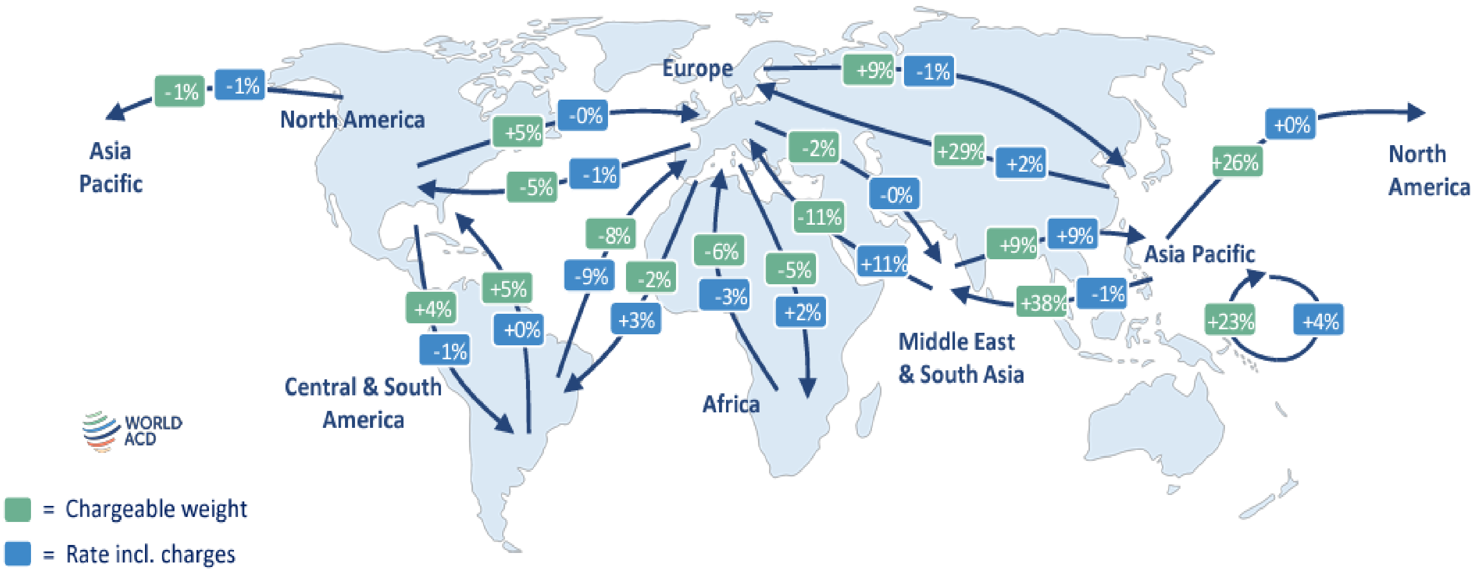
AIR FREIGHT OVERVIEW

- In February, the air cargo market reported another double-digit percentage increase in demand, continuing a “surprisingly strong” start to the year as e-commerce boosted demand levels.
- Shippers continue to pursue sea-air options as a result of persistent consumer demand combined with ocean market conditions. This trend, unlike during the pandemic, is especially prevalent on Asia-Europe trades.
- Rates are expected to slip over the course of 2024 (compared to 2023 levels). Analysts continue to monitor both belly capacity and the evolving situation in the Red Sea.

CAPACITY DEVELOPMENT

- In the first two months of 2024, worldwide air cargo demand rose by more than 13%, compared with the equivalent period last year.
- Despite increased tonnage on major trade lanes out of Asia, spikes in rates have been minimal.
- Capacity, which remains elevated year over year, is expected to grow alongside summer travel.
- There are currently no large-scale ground handling disruptions.
- Demand appears to have recovered from the Lunar New Year, particularly in the Asia Pacific region.

International Cargo Demand and Rates by Region



Source: WorldACD

AIR TRADE LANES

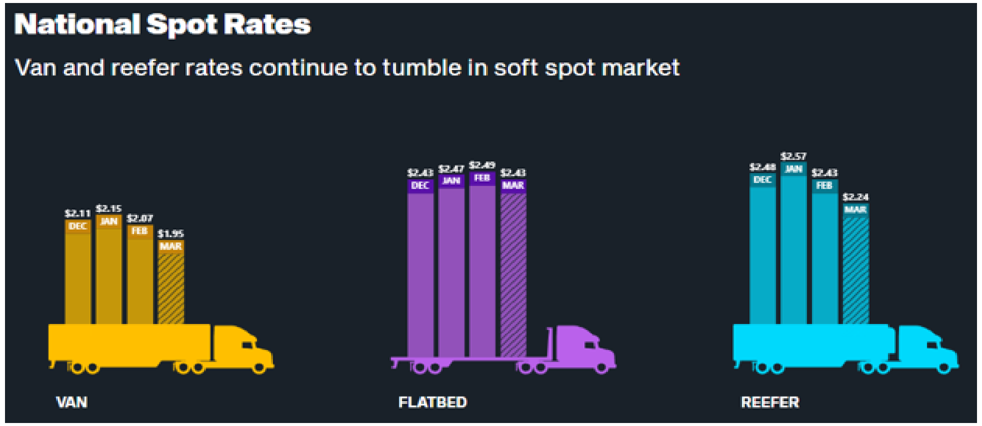
- Shippers are reviewing the effectiveness of sea-to-air conversion opportunities – additional transits for re-routing ships around Africa are a major factor to Asia to Europe trade. With disruptions in the Middle East, such conversions could prove challenging from certain hubs.
- Shippers are waiting to see what impact the airlines' summer schedules will have and what happens next in the Red Sea conflict. Downward rate pressure is expected once summer belly capacity returns in the western hemisphere, as well as China, where travel is still recovering from the pandemic.
- Freighter operations to/from the Asia Pacific region have maintained higher profitability compared to other trade lanes, particularly transatlantic routes.
- Ground handling delays remain minimal.
- Rates are not expected to climb significantly in the coming weeks; however, they will likely remain elevated compared to typical Q2 pre-pandemic levels.

Trade Lane	Status	Comments
AP to US	Green	
US to AP	Green	
Europe to AP	Green	
AP to Europe	Green	
Europe to US	Green	
US to Europe	Green	

Trade Lane	Status	Comments
US to LATAM	Green	
LATAM to US	Green	
Europe to LATAM	Green	
LATAM to Europe	Green	
India to US	Green	
US to India	Green	

Green	Available space; quick booking turn time.
Yellow	Capacity well utilized; some space available
Red	Demand higher than supply; space agreements challenged.

NORTH AMERICAN TRANSPORTATION



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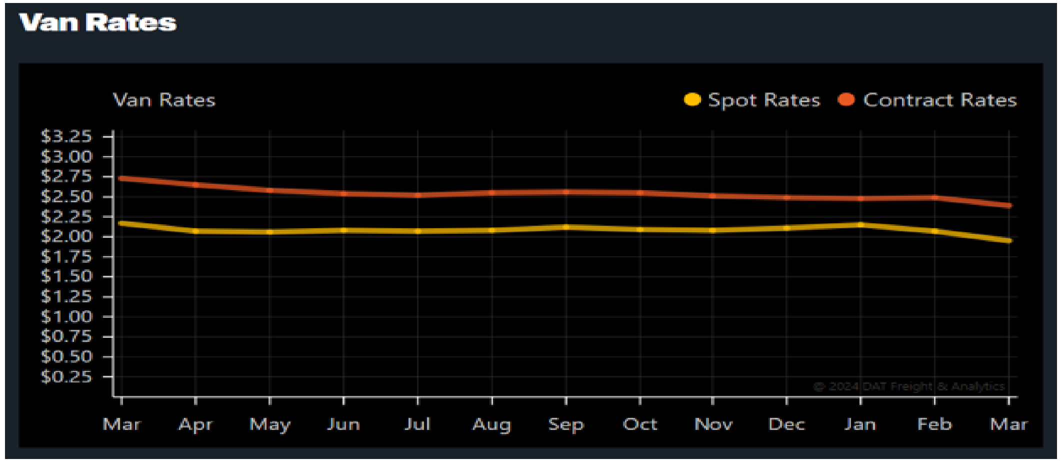
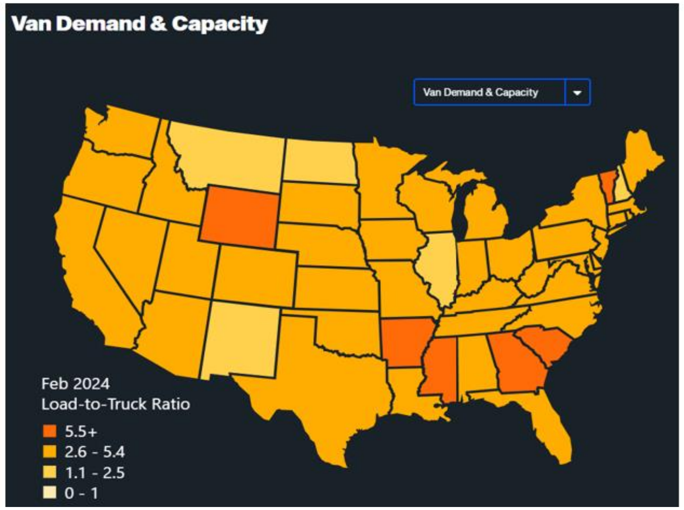


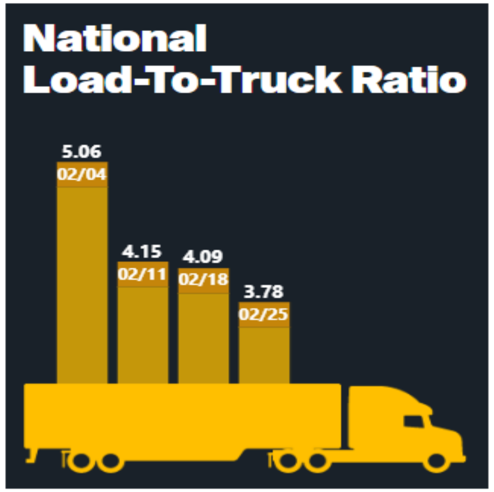
- As projected by most industry sources, the rate per mile remains mostly steady week over week and should continue as such through midyear.
- With Mexico being the top U.S. trading partner, the near-shoring trend continues to attract logistics and transportation investors along the Mexican border. U.S. transportation companies are aggressively adding cross-dock facilities, drivers and equipment in the region. Produce season, beginning in early spring, is also constraining capacity from the U.S. Southwest, which will eventually have a ripple effect that decreases capacity throughout the U.S.
- Retailers are accelerating brick-and-mortar store openings to meet demand from shoppers and speed up online fulfillment. In 2023, new store openings outpaced closures for the second straight year. Retailers are continuing to focus on speed to market by being closer to the consumer and fulfilling orders faster using in-store inventory.

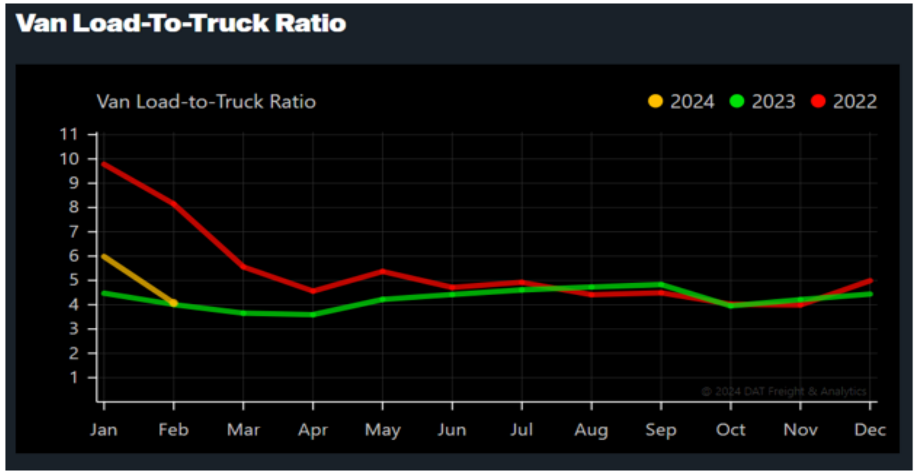
NORTH AMERICAN TRANSPORTATION

- Load-to-driver capacity remains favorable in most U.S. markets.
- With spring approaching, the demand in southern border states will be high for all trailer types, including reefers, dry vans and flatbeds. Expect uneven driver-to-load ratios in this region.

Dry Van Capacity Data







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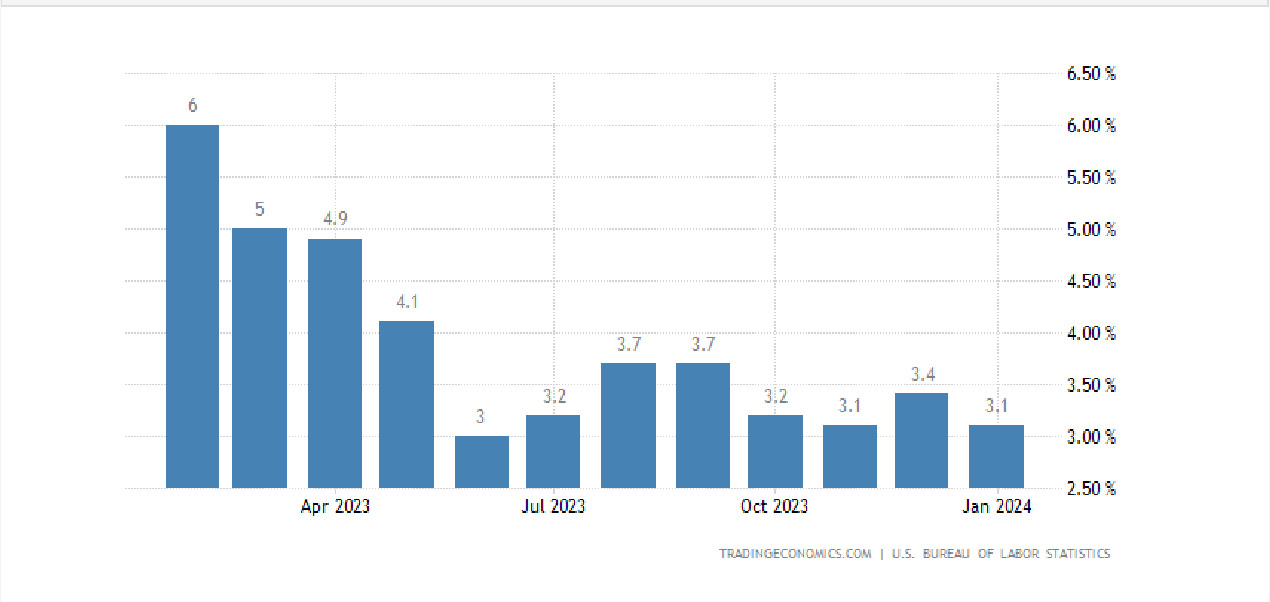
US Inflation Rate



Calendar	GMT	Reference	Actual	Previous	Consensus	TEForecast
2024-01-11	01:30 PM	Dec	3.4%	3.1%	3.2%	3.1%
2024-02-13	01:30 PM	Jan	3.1%	3.4%	2.9%	3.1%
2024-03-12	12:30 PM	Feb		3.1%		

Source: Trading Economics/US Bureau of Labor Statistics

ECONOMIC INDICATORS

Inflation Perspective:

Consumer Price Index data was one of the big pieces of news driving markets last week, with January's numbers coming in at 3.1% compared to a year prior—cooler than December's 3.4% year-over-year gain but warmer than the 2.9% consensus. Jittery investors focused on the hotter-than-expected part.

With the consumer report closely followed by disappointing inflation news on the producer level, attention quickly shifted to the Fed and what's next for interest rates. While the Fed has indicated short-term rates may trend lower in 2024, the January inflation reports support Fed Chair Powell's recent comments that the Fed is in no hurry to cut rates.

Economic Strength:

The strength of the U.S. economy has come into the spotlight. An analysis conducted by The Wall Street Journal recently proposed that the economy's resilience could be attributed, at least in part, to the productivity driven by the technology sector.

What might rein in that productivity? One possible influence could be increased oil prices. Additionally, shipping companies have been imposing surcharges for several months to mitigate recent conflict, and these charges may contribute to global inflation this year, potentially dampening investor enthusiasm.

Source: PWA

US SEC CLIMATE-RELATED DISCLOSURE

Overview and status

After multiple discussions and significant changes, the U.S. Securities and Exchange Commission (SEC) voted 3-2 on March 6th to release its Climate-Related Disclosure Rule.

The final rule affects large accelerated filer public companies, this includes 10,000 companies in the U.S. For comparison, the EU's Corporate Sustainability Reporting Directive applies to over 50,000 companies, and the Chinese regulation applies to around 450 companies. The U.S. SEC rule is currently limited to climate impacts on financial materiality, eliminating scope 3 emissions. According to the rule, reporting companies must provide certain climate-related information in their registration statement and annual reports. Further areas of sustainability are not part of this rule.

The California emission reporting rule (SB 253) includes scope 3 and is still applicable for businesses over $1 billion that do any business in California. Additional states in the U.S. are considering similar legislation.

The detailed reporting scope and themes for reporting are not finalized. They are expected within 2024. Companies already reporting according to specific financial-related ESG reporting regulations seem to be prepared for this upcoming regulation.

Implementation Timeline

SEC Climate-Related Risk Disclosure Rule Compliance Timeline

Climate-related risk disclosures and greenhouse gas emissions reporting, **when material**, for public companies

	2025*	2026†	2027	2028‡	2029	2030	2031	2032	2033
Large Large accelerated filer - Public float $700M+	FY2025+ reports must include climate-related risk disclosures (S-K, S-X)	FY2026+ reports must include Scope 1 and 2 GHG emissions			Scope 1 & 2 obtain limited assurance from third party review				Scope 1 & 2 obtain reasonable assurance from third party examination (greater reliability)
Medium Accelerated filer - Public float $75-700M, filed at least one annual report to SEC		FY2026+ reports must include climate-related risk disclosures (S-K, S-X)		FY2028+ reports must include Scope 1 and 2 GHG emissions			Scope 1 & 2 obtain limited assurance from third party review		
Small Smaller reporting company/ Emerging growth company/Non-accelerated filer - Generally, smaller or newer companies			FY2027+ reports must include climate-related risk disclosures (S-K, S-X)						

*Companies will report this information for the fiscal year beginning in the year listed, generally in a filing the following year. Certain reporting provisions related to financial impacts from climate-related risks, transition plans, and climate-related targets and goals will go into effect a year later.

†California climate disclosure required (timing could shift)

‡ European Corporate Sustainability Directive reporting required for international firms

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(2) Harvard

Outlook

If applicable companies are not reporting according to a standard so far, they should prepare themselves to meet the requirements in time. Based on the merging regulations globally, it's likely that companies with non-U.S.-based locations will be required to report shortly, if not already. We are expecting additional and stricter reporting including fines if a company fails to report in time.

Sources: https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2024/sec-climate-disclosure-requirements-ghg-emissions-executive-summary, (2) https://eelp.law.harvard.edu/2024/03/sec-climate-related-risk-disclosure-rule-compliance-timeline/, (3) https://www.sec.gov/rules/2022/03/enhancement-and-standardization-climate-related-disclosures-investors#33-11275

EUROPEAN CSDDD UPDATE

Overview and status

The Corporate Sustainability Due Diligence Directive (CSDDD), passed the EU committee with a 20-4 vote. After some significant changes, the threshold was sufficient for the final passage.

The CSDDD was designed to set obligations within the supply chain regarding all applicable areas of sustainability and ESG, starting with child labor and slavery and moving on to human rights, emissions, deforestation, and other criteria.

Internationally active companies likely have experience with a comparable German regulation, the Lieferkettensorgfaltspflichtengesetz (Supply Chain Act, LkSG). While the CSDDD is going beyond the requirements of the LkSG, companies reporting according to the LkSG are already prepared to adopt the CSDDD in the future. Once the CSDDD is approved, stricter regulations will be implemented also for the LkSG.

The changes supporting the positive vote were mainly related to the applicability. Employee headcount was raised from 500 to 1,000 and the revenue threshold from €150 million to €450 million. This is also applicable to the high-risk sectors[1], with the previous threshold of 250 employees and €40 million, but with the possibility of considering them later.

Timeline

Due to the delay in the last vote, the implementation is expected to be delayed. The implementation timeline, originally set for two years, will now be up to five years after the regulation comes into force.

This timeline can only exist if there are no further delays. The expected reporting obligations as of the status:

- Over 5,000 employees, revenue threshold over €1.5 billion: three years to comply
- Over 3,000 employees, revenue threshold over €900 million: four years to comply
- Over 1,000 employees, revenue threshold over €450 million: five years to comply

Applicability

With this change, the direct applicability will only be around 0.05% of all EU companies. However, the applicable companies must work with their supply chain – other businesses serving as suppliers or vendors will be indirectly required to report on the sustainability details because the reporting company itself requires them. This also applies then to non-EU companies.

More and more potentially applicable companies are pushing their suppliers to prepare themselves, starting with self-disclosure, basic assessments, or previously third-party-assured external assessments.

Even companies currently not in the scope of applicability will have a likelihood of becoming applicable shortly; if not under the CSDDD, then by some other arising obligation.

Risks

The CSDDD isn't a voluntary directive. Once implemented, it will be part of many future contracts. Also, if the company isn't obliged to report, it automatically involves multiple departments in the direct/indirect applicable companies. Ensure your company is prepared for the upcoming regulations before they become mandatory.

(1) textiles, footwear, agriculture, food manufacturing, extraction/trade of mineral resources, construction

Sources: https://www.esgtoday.com/watered-down-supply-chain-sustainability-due-diligence-law-passes-first-hurdle-in-eu-parliament/, https://resources.ecovadis.com/blog/csddd-milestone-reached

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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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