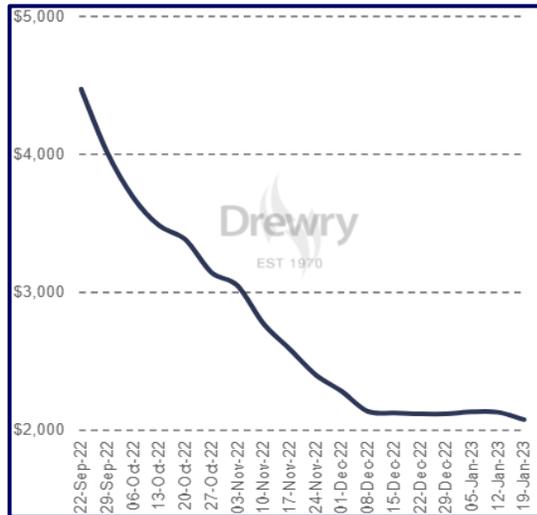


**GLOBAL
TRANSPORTATION
MARKET REPORT
FEBRUARY 2023**

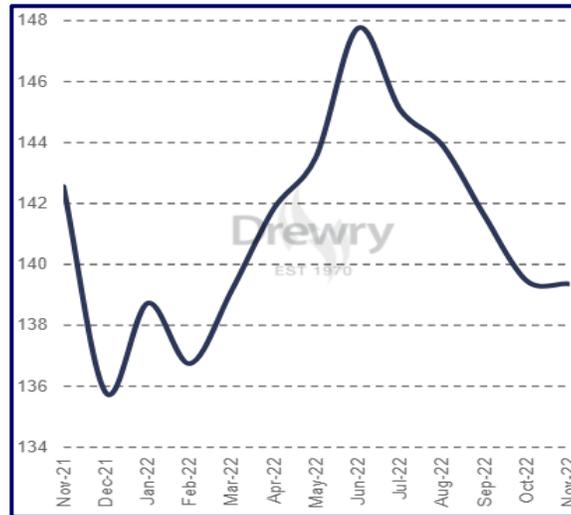


GLOBAL OCEAN TRENDS

World Container Index



Global Port Throughput



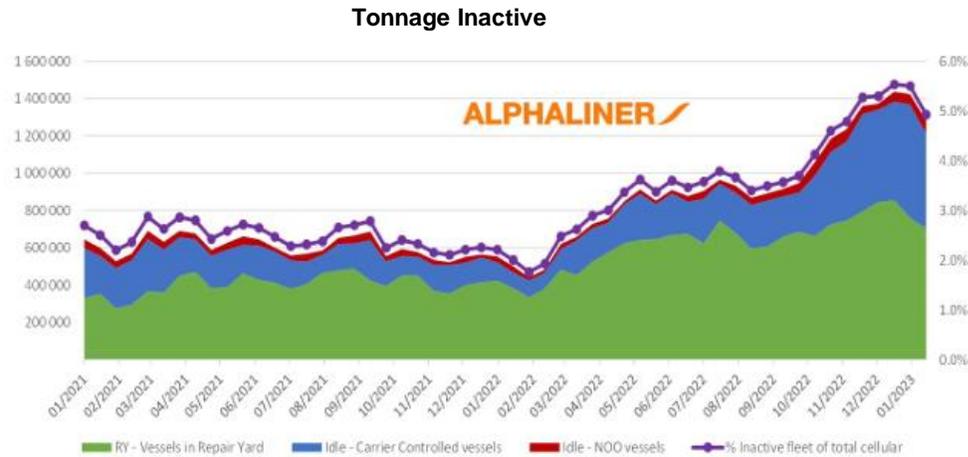
Bunker



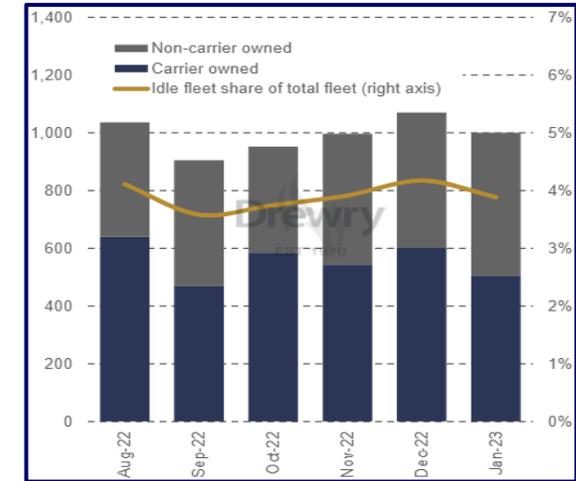
Source: Drewry Marine Research

- As head haul demand weakens, carriers continue to blank sailings. The Asia to Northern Europe trade lane saw 50+ cancellations in the first weeks of the year. Sailings from the Asia-Pacific region to the U.S. West Coast continue to decrease due to reduced consumer demand and pending labor agreements.
- Carrier results reporting in January confirmed volume decreases as well as reduced revenues.
- The Shanghai Containerized Freight Index has fallen slightly further and, while normalization is expected, pre-pandemic levels are not out of the question.
- Demand projection for the period immediately after Lunar New Year continues to look poor.
- A rebound in demand is not yet predicted as consumers continue to avoid discretionary spending due to concerns related to war in Ukraine, inflation and a potential recession.

CAPACITY AND IDLE FLEET



Source: Alphaliner



Source: Drewry Marine Research

- Inactive capacity is at 260 ships representing 1,282,901 TEU. This is a slight decrease from the previous month, accounting for 4.9% of the global fleet (0.6% lower than the same period last year).
- The global idle fleet is now comprised of larger vessels (some in the 10,000+ TEU range). About 45% of the inactive fleet globally is commercial idle tonnage.
- January consisted of eight vessel deliveries, including two 10,000+ TEU vessels. Both Maersk and Hapag Lloyd took delivery of a 10,000+ TEU vessel.

OCEAN TRADE LANES

- All alliances contributed to a nearly 27% sailing cancellation/decrease in the beginning of 2023.
- Over-capacity ships are becoming a concern for carriers as decreased consumer demand sinks rates and tonnage, while new vessel deliveries continue from the shipyards. Estimates are for scrapping and aggressive cuts to commercially active tonnage to increase in Q2 and Q3.
- Several carriers have begun head haul trade cancellations and vessel withdrawals in exchange for purchased space.
- Efforts by carriers to counter declining rate with service closures, slow steaming, and blank sailings continue to have a limited impact.

Trade Lane	Status	Comments
TPEB to USEC	Available space; quick booking turn time.	
TPEB to USWC	Available space; quick booking turn time.	
CBP to N Eur	Available space; quick booking turn time.	
CBP to MED	Available space; quick booking turn time.	
SE Asia to N Eur	Available space; quick booking turn time.	
SE Asia to MED	Available space; quick booking turn time.	
ISC to US	Available space; quick booking turn time.	
N Eur to ISC	Available space; quick booking turn time.	

Trade Lane	Status	Comments
N Eur to AP	Available space; quick booking turn time.	Stable rates expected
MED to AP	Available space; quick booking turn time.	Rates expected to stabilize
US to N Eur	Available space; quick booking turn time.	
US to MED	Available space; quick booking turn time.	
MED to US	Available space; quick booking turn time.	
N Eur to US	Available space; quick booking turn time.	
US to ISC	Available space; quick booking turn time.	
Med to ISC	Available space; quick booking turn time.	

	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 and Maersk will dissolve their 2M vessel-sharing alliance, effective January 2025. Under the agreement signed in 2015, the alliance on East-West services was planned for a minimum of 10 years with a two-year notice period for termination.
- Grimaldi has split its ConRo service between the U.S. East Coast and Western Africa into two loops. "Loop 1" extends to the Mediterranean, and "Loop 2" returns via the eastern coasts of South America and Mexico.
- Hapag-Lloyd will soon close its China-Singapore-Northern Europe service ("China Germany Express" or "CGX"). The carrier will offer a new loop between Asia and Northern Europe ("FE9") via slots on the CMA CGM "FAL3" service, a part of the OCEAN Alliance portfolio.
- Maersk and MSC published new pro forma rotations for their five 2M portfolio joint loops between Northern Europe and the United States. The companies will expand the fleets of three services with one additional vessel each.
- Hapag-Lloyd announced its Southeast India-Europe service ("IEX") will revert to its original rotation beginning in March. Weekly calls at Visakhapatnam (aka Visag) in India and Le Havre in France are slated for reinstatement.

MEXICO AND TRANSBORDER

- Ground Transportation

Mexico may set deadline for truck carrier payment

While still in the review process, an initiative that proposes a modification to articles 581, 588 and 591 of the Mexican legal framework would establish a maximum period of 30 days before motor transport service providers must receive payment.

Nuevo Laredo customs office takes No. 1 collections spot

In 2022, Mexican customs managed to collect 1.1 billion pesos, an increase of 8.76% from 2021.

In order, the customs offices that managed to collect the most were Nuevo Laredo, Manzanillo and Veracruz.

Exports to the US reach their second-best cycle in October

Based on data from the United States Bureau of Transportation Statistics, between January and October 2022, exports from Mexico to the United States totaled \$929,655,000 – a 20.3% increase compared to the same period the previous year.

The peak for truckload carriers was \$384,029,000 in August 2022, with October totaling \$365,029,000.

MEXICO AND TRANSBORDER

- Air and Ocean Updates

China-Mexico sea freight values hit lowest point in December

- After 28 months, sea freight rates on the China-Mexico trade route dropped below \$2,000.
- According to the EAX Index, prepared by Eternity Group México, the average freight value was \$1,648 per 40-foot container (FEU) in December 2022 – a drop of 36.37% from the previous month.
- The average freight value (FAK/SPOT) for 2022 was \$7,110 per FEU, 33.58% less when compared to 2021.
- Analysts predict capacity cuts of more than 50% on routes to Mexico.

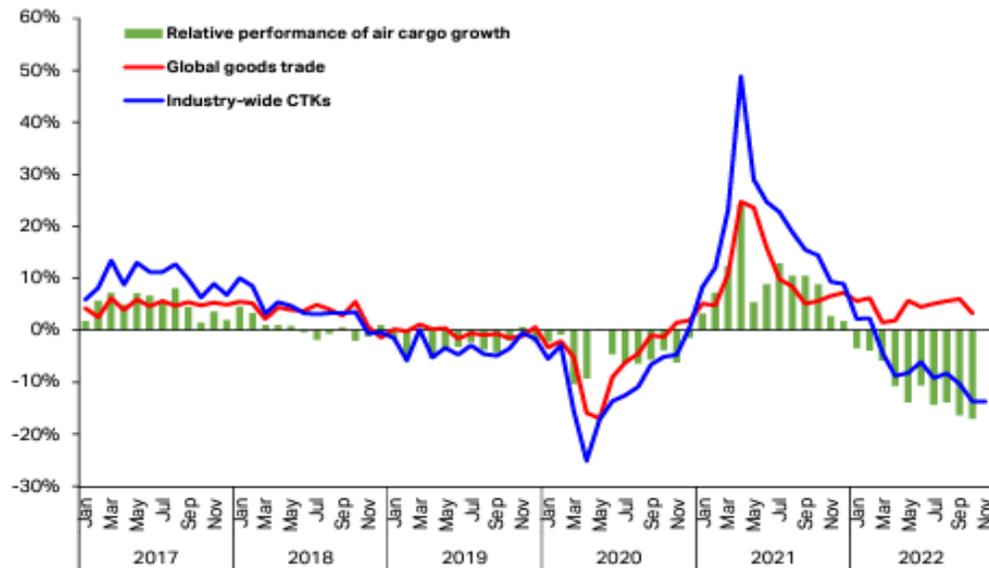
MEXICO AND TRANSBORDER

- Air and Ocean Updates

New Felipe Angeles International Airport ready to begin operations

- The Mexican government is looking to move all cargo operations out of Mexico City International Airport to ease the saturation levels in the country's top hub. These operations will move to the new Felipe Ángeles International Airport, despite protests from the airline industry and global bodies, including IATA.
- Cargo airlines at the Mexico City International Airport (AICM) requested at least one year to migrate their operations to other terminals in the country, which currently do not have sufficient capacity to handle cargo. The carriers are also warning that the upheaval will result in increased prices.
- The National Chamber of Air Transport said the decision to hastily transfer exclusive cargo operations will significantly affect supply chain operations, reducing the competitiveness of the industry and impacting hundreds of jobs.
- The Intercontinental Airport of Querétaro maintains that it has the necessary infrastructure to handle cargo operations that depart from the Mexico City International Airport (AICM).
- At the end of February, DHL Express will end flights at Mexico City International Airport and become the first carrier with operations at the new airport.

Growth in Global Goods Trade



Source: IATA Economics

Sources: IATA Statistics, Netherlands CPB

	World share ¹	November 2022 (% ch vs the same month in 2019)				Year-to-date (% ch vs the same period in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-10.1%	-8.8%	-0.8%	49.1%	-1.1%	-8.5%	3.7%	50.5%
Africa	1.9%	-6.2%	-17.3%	5.4%	45.8%	9.8%	-14.9%	10.5%	46.6%
Asia Pacific	32.6%	-17.0%	-16.9%	0.0%	54.5%	-7.0%	-17.4%	6.6%	58.9%
Europe	22.8%	-17.2%	-17.3%	0.1%	56.9%	-8.5%	-17.0%	5.2%	56.7%
Latin America	2.2%	-10.2%	-9.2%	-0.4%	38.2%	-4.8%	-15.2%	4.4%	39.9%
Middle East	13.4%	-11.9%	-7.3%	-2.4%	47.5%	-0.8%	-6.3%	2.7%	49.3%
North America	27.2%	7.5%	6.6%	0.3%	41.9%	13.9%	8.0%	2.2%	41.7%
International	87.0%	-10.7%	-7.9%	-1.7%	54.2%	-1.1%	-9.3%	4.7%	56.5%
Africa	1.9%	-5.4%	-16.8%	5.6%	46.8%	11.0%	-13.7%	10.6%	47.5%
Asia Pacific	29.5%	-13.4%	-8.4%	-3.4%	58.6%	-3.2%	-12.4%	6.2%	65.1%
Europe	22.4%	-17.7%	-17.7%	0.0%	58.4%	-8.9%	-17.8%	5.8%	59.1%
Latin America	1.8%	-7.4%	0.2%	-3.9%	46.7%	-2.8%	-11.7%	4.4%	48.1%
Middle East	13.4%	-11.8%	-7.2%	-2.5%	47.9%	-0.7%	-6.1%	2.7%	49.7%
North America	18.0%	4.7%	5.0%	-0.2%	50.7%	12.8%	4.6%	3.7%	50.1%

¹% of industry CTAs in 2021

²Change in load factor vs same period in 2019

³Load factor level

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.

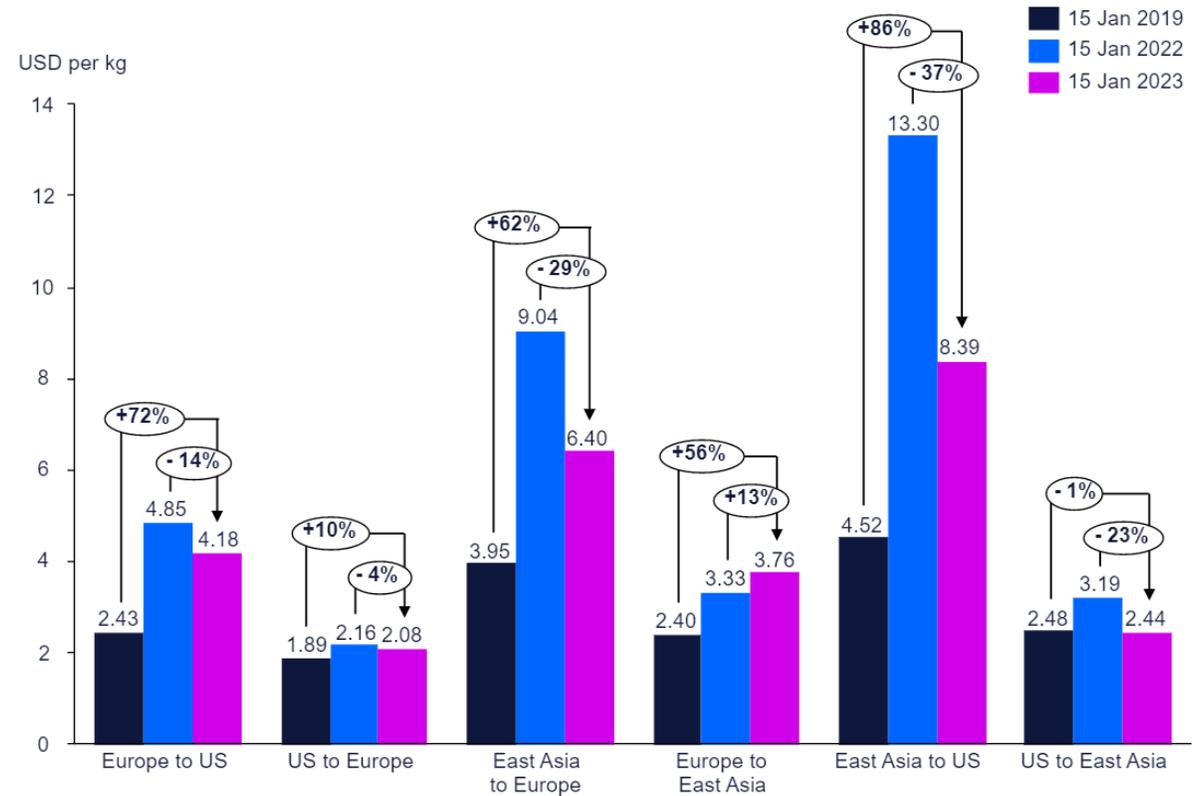
AIR FREIGHT OVERVIEW

- Peak season was muted compared to years past. This trend is expected to continue in the coming months, while analysts and airlines alike closely watch inflation, consumer habits and industry performance.
- Volumes in the North American and European markets are falling, partially due to the ongoing war in Ukraine.
- In 2021, global GDP grew nearly 6%. In 2022, growth slowed to 3.4%. The forecast for 2023 is currently 2.9%.

CAPACITY DEVELOPMENT

- With orders spiking for freighters, analysts are watching closely for potential over-supply.
- China forecasted that if the market recovers in 2023, flights and scheduled lift may grow to 80% of pre-pandemic levels by the end of the year.
- With the end of Lunar New Year celebrations, expect an increase in outbound flights from China in March.
- Passenger bookings and international seat availability decreased in January and are trending towards remaining below pre-pandemic levels which would negatively impact belly capacity.

Shipper general cargo air freight rate development on top trades
(for market average of all weight breaks and service levels)



Source: Xeneta

AIR TRADE LANES

- Overall rates remain stable, while still declining slightly.
- Summer schedule capacity planning has started.
- On the transatlantic corridor and Europe Eastbound lanes, rate levels have softened slightly while remaining elevated compared to pre-pandemic figures, with a much healthier supply and demand balance. Transatlantic belly capacity is considered to be fully recovered.
- Multiple signs indicate air freight rates will likely trend lower in Q2 given decreasing demand and normalizing inventory.
- While sentiments out the automotive and industrial sectors are more optimistic than the high-tech industry, analysts expect a potential upturn for the air freight market in the second half of the year.

Trade Lane	Status	Comments
AP to US	Available space; quick booking turn time.	
US to AP	Available space; quick booking turn time.	
Europe to AP	Available space; quick booking turn time.	
AP to Europe	Available space; quick booking turn time.	
Europe to US	Available space; quick booking turn time.	
US to Europe	Available space; quick booking turn time.	

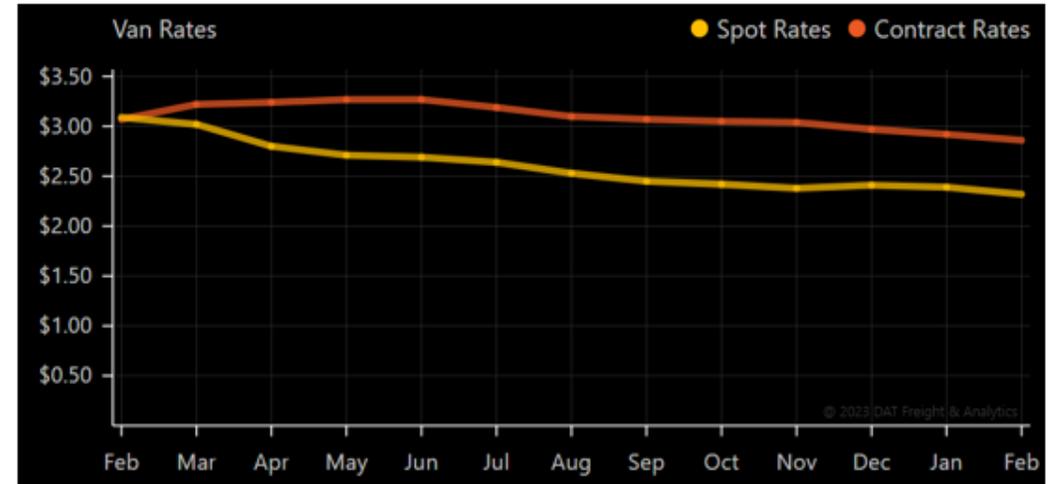
Trade Lane	Status	Comments
US to LATAM	Available space; quick booking turn time.	
LATAM to US	Available space; quick booking turn time.	
Europe to LATAM	Available space; quick booking turn time.	
LATAM to Europe	Available space; quick booking turn time.	
India to US	Available space; quick booking turn time.	
US to India	Available space; quick booking turn time.	

	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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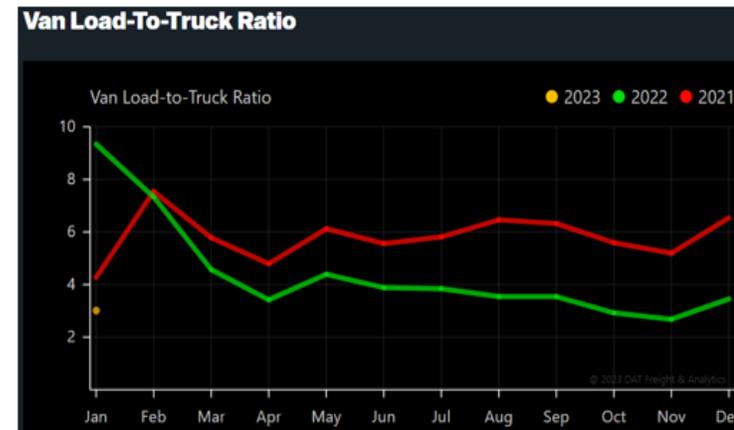
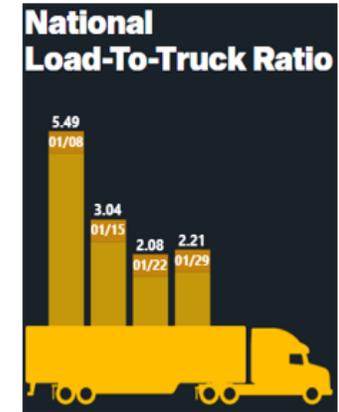
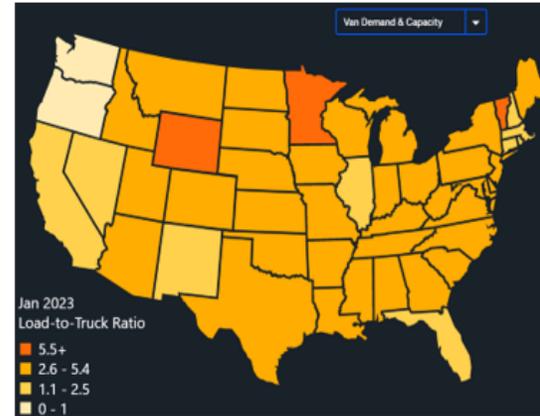


- As a result of weakening consumer demand, spot rates and contract rates continue their flattening decline.
- The logistics and trucking industry is responding with layoffs and furloughs, but some companies are expecting an upswing in demand after about 90 days when shippers are projected to begin inventory replenishment.
- Imports have slowed due to Lunar New Year, creating available capacity in the market.

NORTH AMERICAN TRANSPORTATION

- Load-to-driver capacity remains favorable in most U.S. markets.
- Carriers forecast declining demand for capacity through the first half of the year.
- Shippers continue to sell off current inventories to make room for replenishment in the second half of the year.

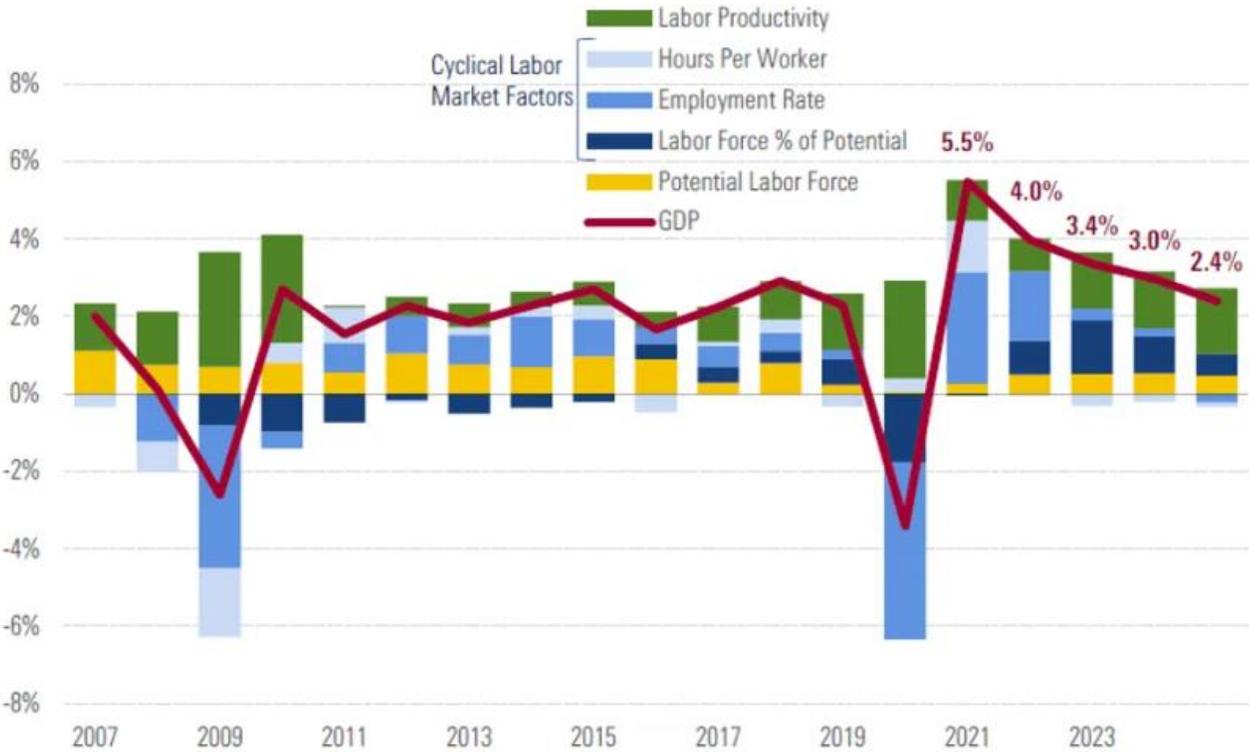
Dry Van Capacity Data



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ECONOMIC INDICATORS

Our GDP Forecast Through 2025 Is Above Consensus, Driven by Labor Market Recovery



Source: U.S. Bureau of Economic Analysis, Morningstar.

Stocks Advance

With the backdrop of earnings reports and conflicting economic data, stocks climbed higher on cooling inflation, continued economic resilience, and Q4 corporate earnings results that were not as bad as some had feared.

There was enough new economic data to support both the “recession is coming” and the “soft landing” camps. It was corporate results and continued labor market strength, along with a solid, if weakening, Q4 Gross Domestic Product (GDP) growth number, however, that raised investors’ hopes that a potential recession may be mild and likely pushed out to later in the year.

GDP Report

The U.S. economy expanded at a 2.9% annualized rate in Q4, slightly exceeding estimates of 2.8% but down from Q3’s 3.2% growth rate. Consumer spending, which accounts for more than two-thirds of GDP, rose 2.1%. Increases in private inventory investment, government spending, and nonresidential fixed investment also contributed to Q4’s growth. Weakness in housing and a drop in exports subtracted from the quarter’s result.

Beneath the headline number, the personal consumption expenditures price index (the Fed’s preferred measure of inflation) rose 3.2%. That was lower than Q3’s 4.8% increase, though it remains above the Fed’s 2% inflation target rate.

Source PWA

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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.

North American Domestic Product

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