

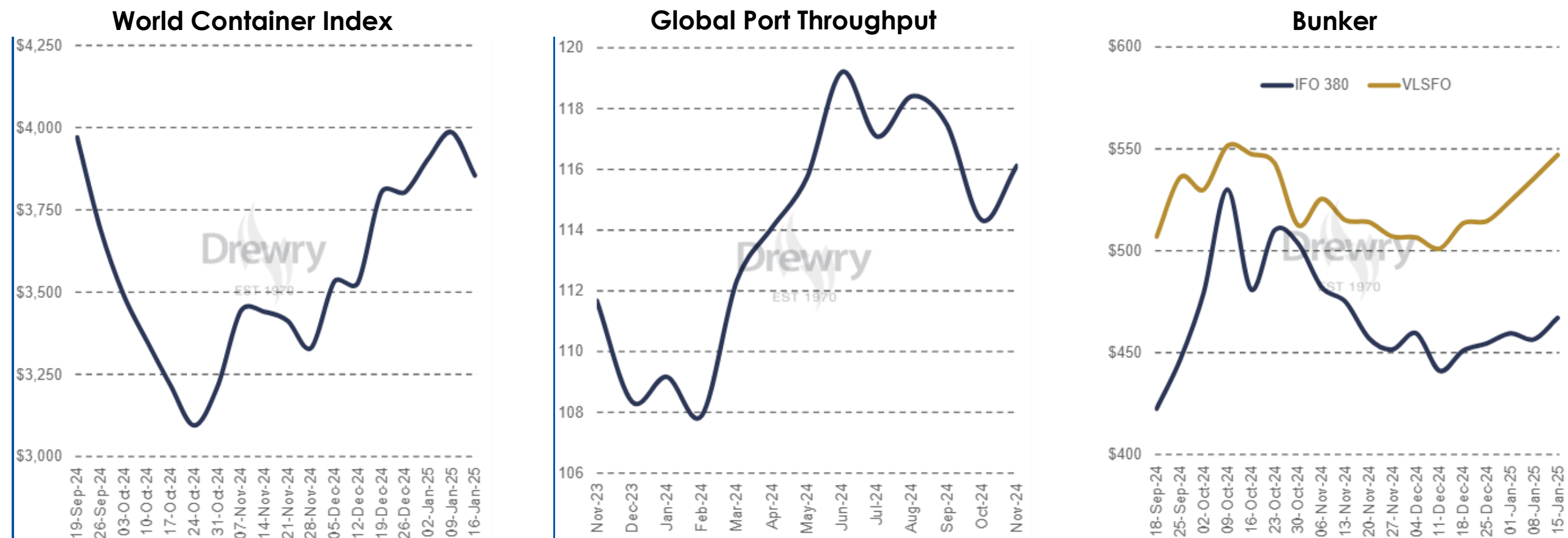


# GLOBAL TRANSPORTATION MARKET REPORT

## JANUARY 2025



# Global Ocean Trends

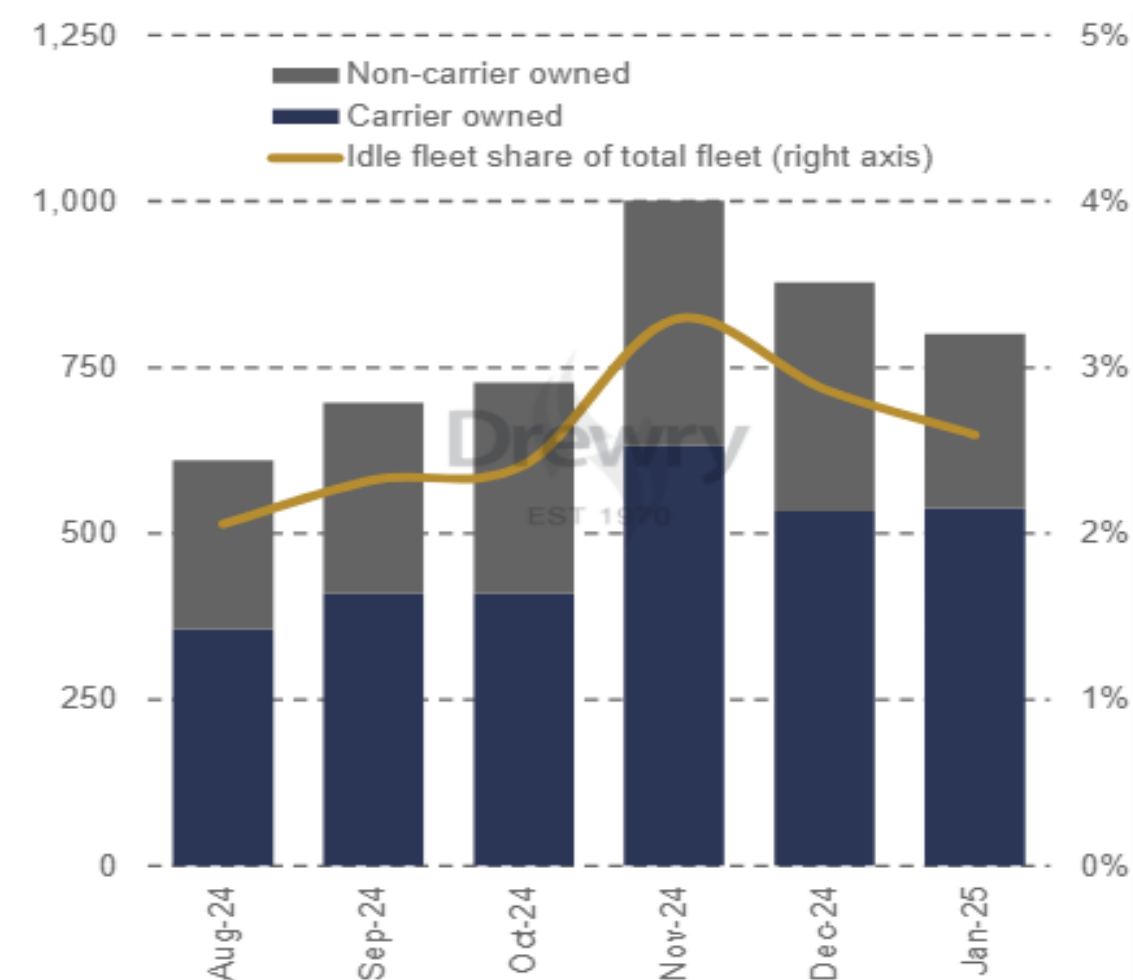
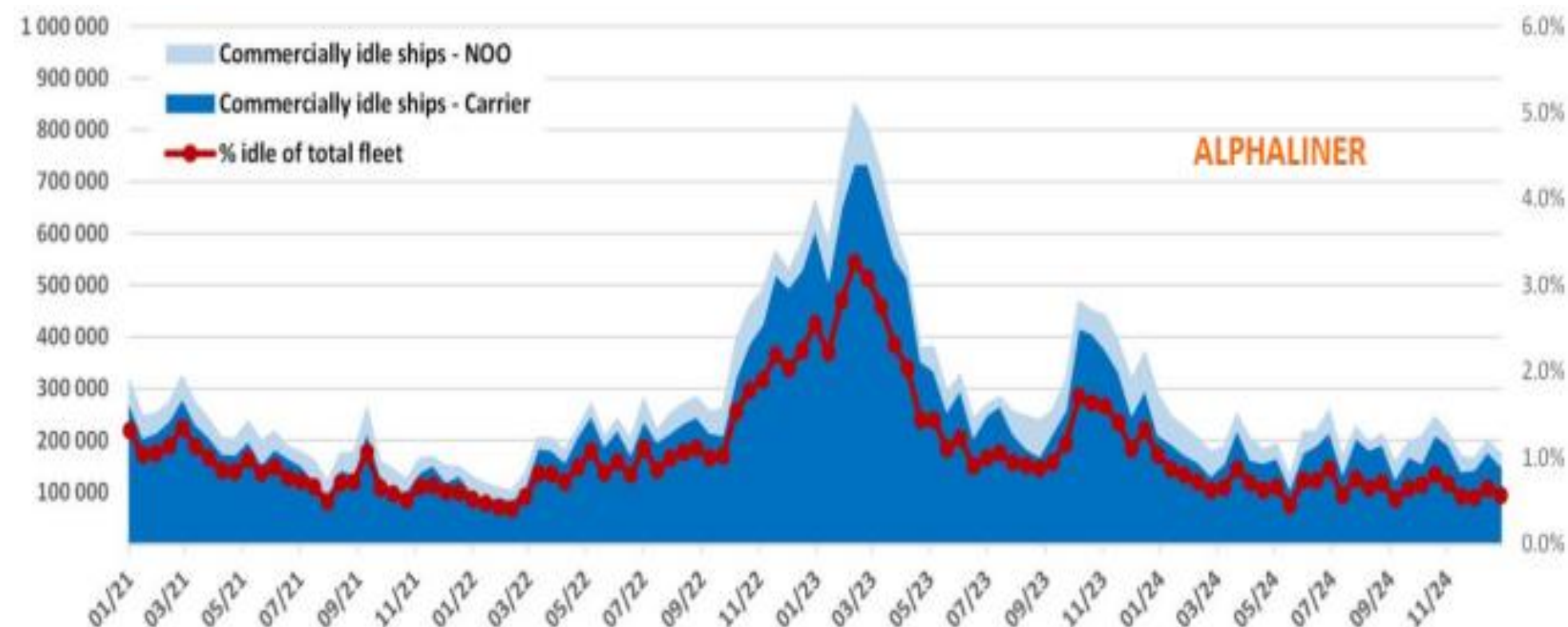


- Ahead of the Lunar New Year, rates are experiencing downward pressure, and carriers do not expect pricing to recover ahead of slack season.
- A tentative six-year master contract agreement between management and dockworkers has averted strikes at seaports along the U.S. East and Gulf Coasts.
- Despite current political developments in the Middle East, Cape of Good Hope routings are expected to continue into Q3 due to the significant efforts that would be required to re-schedule routings through the Suez Canal.
- Potential trade tariffs from the incoming U.S. presidential administration has all markets awaiting further developments.



# Capacity and Idle Fleet

- Analysts marked ~58 idle ships, comprising 173,930 TEU of the global fleet (or <1%).
- More than 20 vessels were delivered in December, including seven in the 15,000+ TEU range. OOCL, MSC, and Evergreen were among the carriers receiving the larger ships into their fleets.



# Ocean Trade Lanes

- The International Longshoremen's Association and United States Maritime Alliance agreed to a tentative deal on a 62% increase in wages across six years for dockworkers, following a three-day strike in early October that paralyzed ports along the U.S. East and Gulf Coasts.
- In 2024, carriers added 2.92 million TEUs of new capacity to the global container fleet, assigning most new vessels to the Asia-Europe trades. However, while FEWB and TPEB trades regularly grabbed headlines for size and scale, volume growth between Asia and Latin America in the first nine months of last year reached 10.4%.
- In the key East-West trade lanes (transpacific, transatlantic, and Asia-Northern Europe and Mediterranean) carriers cancelled 87 of 725 scheduled sailings between weeks one (Dec. 30-Jan. 5) and five (Jan. 27-Feb. 2) – a 12% cancellation rate. The majority are on TPEB voyages.

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

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		

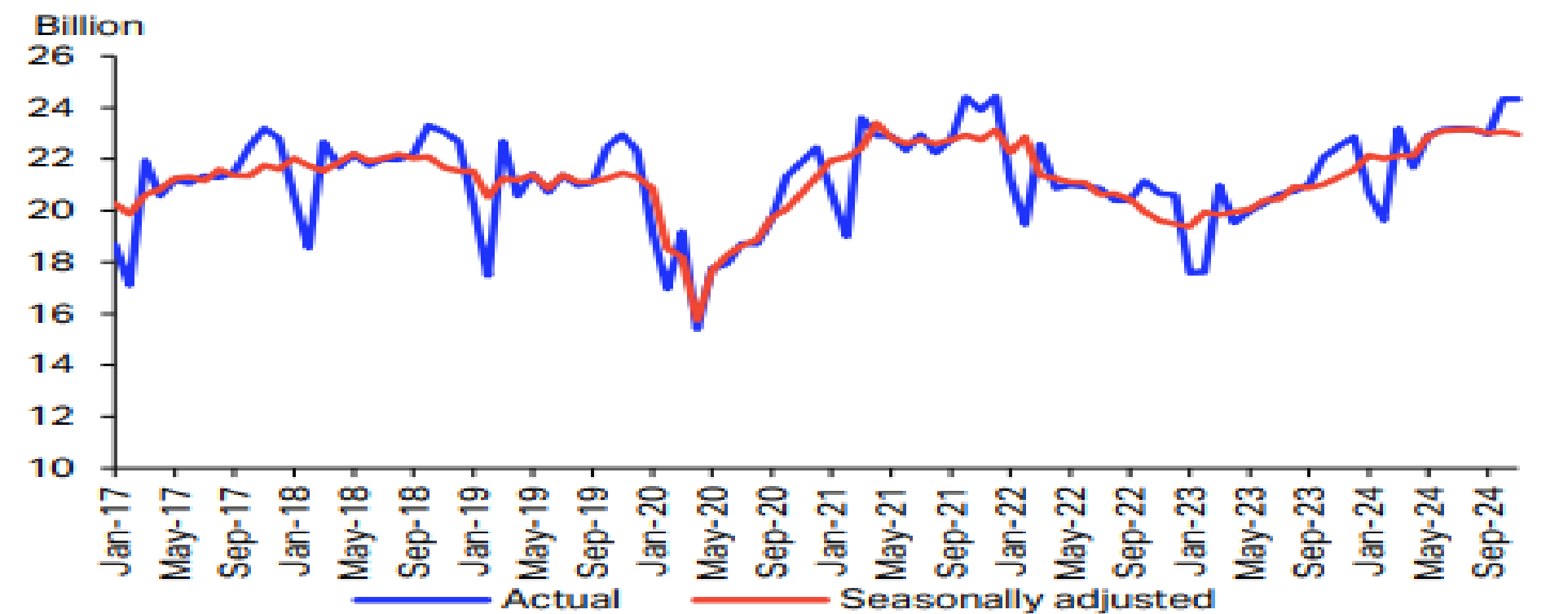
# Ocean Carrier Updates

- With the launch of the Gemini Cooperation in February, Maersk will discontinue its standalone Asia-U.S. West Coast "TPX" service. This also will conclude ML's direct sailings to Alaska from the United States.
- Arkas Line and Turkon Line will extend their current joint services between the Eastern Mediterranean and the Red Sea to the Nhava Sheva and Mundra ports in India.
- MSC plans to enhance its coverage of Southern Africa, using Walvis Bay in Namibia as a new transshipment center. The port will receive calls of three new services, adding to three loops that it already handles for MSC.
- Hapag-Lloyd is updating several of its intra-Asia feeder services in late January or early February, including the revision of Hapag-Lloyd's Vietnam-Indonesia "VIS" service and the introduction of six new intra-Asia loops.
- In late December, MSC reinstated its "Thai Express," which it previously suspended in 2023.
- MSC also resumed its South Korea-Russian Far East "Sunrise" loop, which was discontinued in September. However, the new "Sunrise" will now offer weekly sailings between Busan and Vostochny, departing from Busan.



# Air Freight Overview

- Global tonnage grew by 8.2% year-on-year (YoY) in November, marking the 16<sup>th</sup> consecutive month of growth. However, demand dropped by 0.5% after seasonal adjustments.
- The rate of air cargo growth has been slowing since the start of Q4 2024. What typically was measured by double-digit percentages has contracted to pre-2021 levels.
- Capacity increased by ~4.6%.



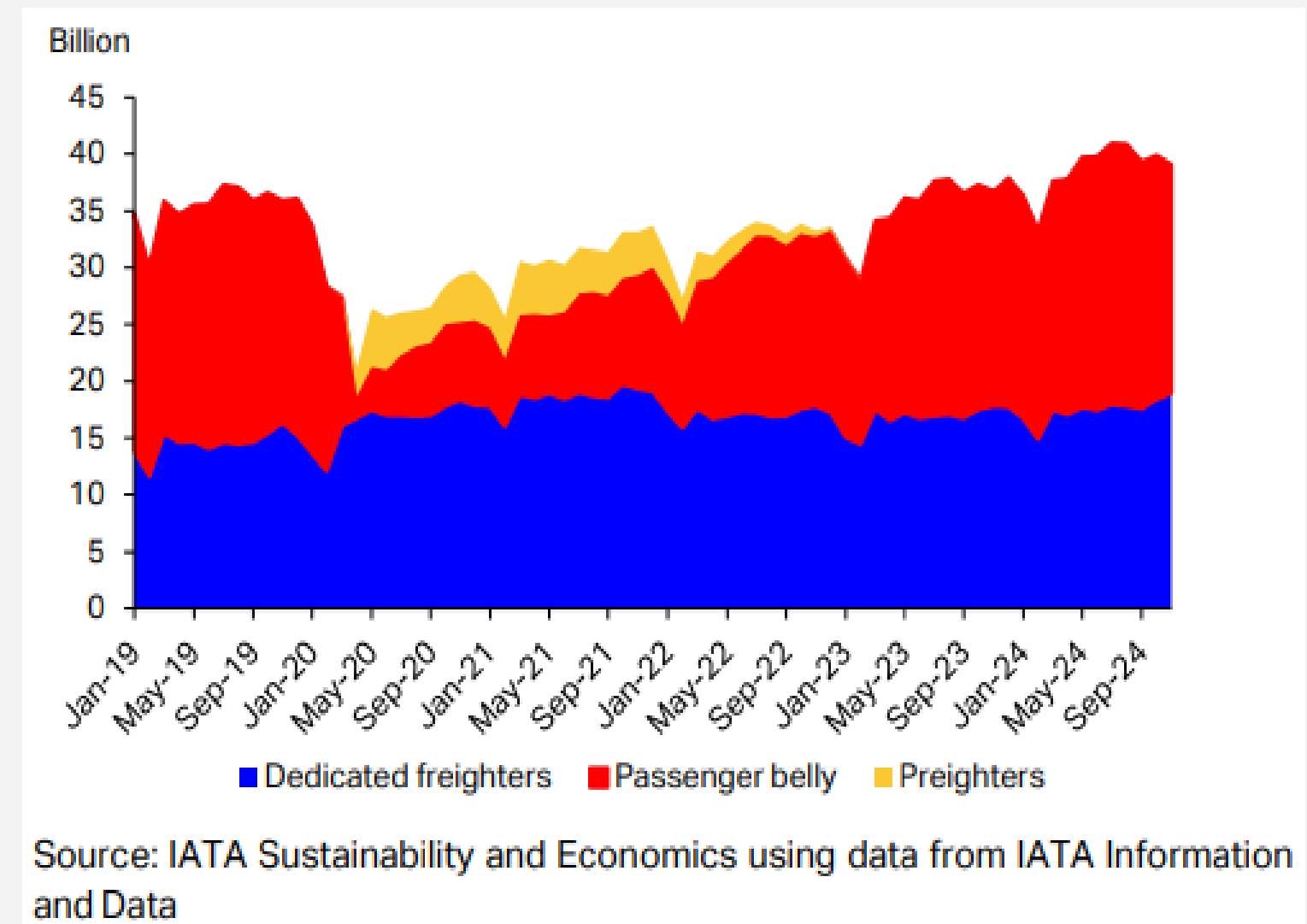
World share <sup>1</sup>		November 2024 (% year-on-year)				November 2024 (% year-to-date)			
		CTK	ACTK	CLF (%-pt)	CLF (level)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	100.0%	8.2%	4.6%	1.6%	49.0%	11.8%	7.7%	1.7%	45.7%
Africa	2.0%	-0.7%	0.4%	-0.5%	42.5%	9.4%	14.7%	-2.0%	41.9%
Asia Pacific	33.3%	13.2%	9.4%	1.7%	50.0%	15.2%	11.8%	1.4%	47.1%
Europe	21.4%	5.6%	4.3%	0.7%	57.6%	11.7%	8.1%	1.8%	53.5%
Latin America	2.8%	11.6%	6.4%	1.9%	39.6%	12.6%	7.8%	1.6%	36.9%
Middle East	13.5%	3.6%	-0.6%	2.0%	49.4%	14.0%	6.1%	3.3%	46.9%
North America	26.9%	6.9%	2.2%	1.9%	43.8%	6.6%	3.4%	1.2%	40.1%
International	86.6%	9.5%	6.5%	1.5%	54.6%	12.7%	9.9%	0.4%	51.3%
Africa	2.0%	-0.7%	0.2%	-0.4%	43.7%	9.4%	14.5%	2.5%	42.9%
Asia Pacific	29.8%	13.3%	12.6%	0.3%	56.5%	15.2%	15.4%	0.6%	54.6%
Europe	21.0%	5.6%	4.3%	0.7%	59.1%	11.9%	8.4%	0.4%	55.5%
Latin America	2.4%	11.9%	7.4%	1.8%	45.3%	11.5%	9.1%	0.1%	41.1%
Middle East	13.4%	3.6%	-0.6%	2.1%	49.7%	14.0%	6.1%	0.6%	47.2%
North America	17.9%	13.4%	6.4%	3.3%	53.4%	9.0%	6.3%	-0.8%	47.7%

Note 1: % of industry CTKs in 2023

Note 2: 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.

# Airfreight Demand | Load Factor | Rate Development

- According to the International Air Transport Association forecast, while the growth in air cargo volume will likely be halved in 2025, it should still be a good year for air carriers, due to ongoing ocean shipping delays, tight freighter capacity and continued strength in cross-border e-commerce. Demand from e-commerce has steadied in the years since the pandemic shutdowns, and when coupled with strong retailer inventory levels, growth for the air cargo market should be less rapid.
- Industry analysts say pricing has remained rational in the face of heavy demand because businesses have been proactive about moving shipments ahead of the usual time crunch, while executing short-term contracts for guaranteed space instead of booking on demand.
- The incoming U.S. presidential administration is driving uncertainty in the global air freight market. Analysts are monitoring for demand, potential tariffs, and the possibility of a less-restrictive regulatory environment.



# Air Trade Lanes

- Currently, most of the air trade imbalance is in the transpacific lane, where the share of dedicated freighter capacity (89%) is higher today than it was at the height of the COVID-19 pandemic. Due to diplomatic disputes, belly capacity between the United States and China remains low. As this lower-deck capacity moves away from China, all-cargo airlines have responded by moving assets from other regions to the Asia-Pacific region – the center of e-commerce activity.
- Direct-to-consumer e-commerce shipments have been the primary driver of air cargo growth in recent years, with muted growth for other commodities. Experts expect e-commerce to account for more than 50% of air cargo volumes out of Asia in 2025.
- Demand has been strong on all trade corridors, with some growth on secondary lanes attributed to logistics providers routing goods through Africa, Europe and the Middle East to take advantage of transshipment alternatives rather than simply using trans-continental options.
- Overall air cargo capacity continues to grow, despite continuing to be outpaced by demand.

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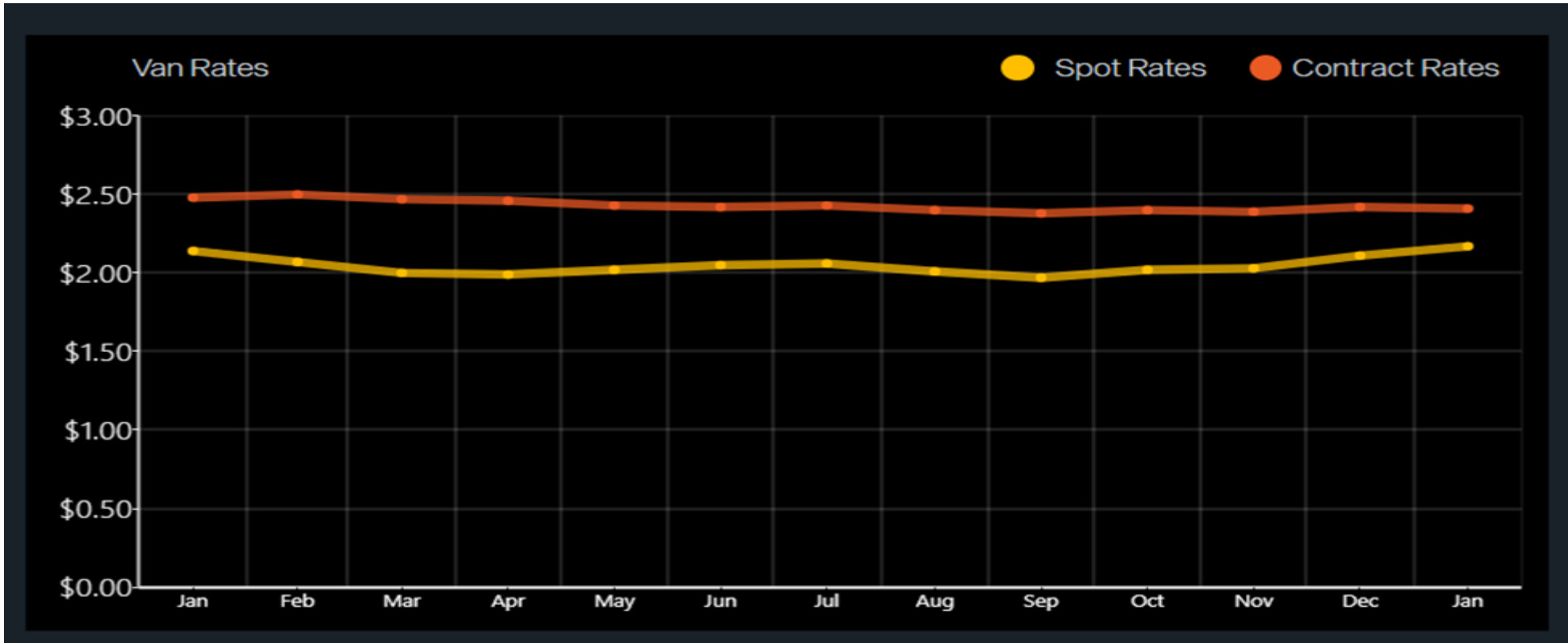
Trade Lane	Status	Comments
AP to US		
US to AP		
Europe to AP		
AP to Europe		
Europe to US		
US to Europe		

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



# North American Transportation

- Rates in January have only risen slightly compared to the start of Q4 2024.
- The industry has experienced some seasonal demand in January for the first time in several years. Expect limited spot market activity, with minimal pricing power for brokers and carriers.



# North American Transportation

- U.S. domestic shipments were down nearly 1% year over year and relatively flat month to month.
- While 2024 shipments are tracking down nearly 4%, they outperformed the 6% decline in 2023.
- Truckload rates were up nearly 1% in December. Demand remains soft, and rates are estimated to drop 2-5% in 2025 while growth could be less than 4-5%. The second half of the year is likely to be more heavily weighted.



# Section 321 – Proposed Changes

## OVERVIEW

U.S. Customs and Border Protection (CBP), Department of Homeland Security, and Department of the Treasury have issued updated proposals to regulations pertaining to Section 321 imports to the United States, potentially affecting bulk e-commerce shipments containing items valued at less than \$800 destined for delivery to individual consumers. CBP proposes to make merchandise that is subject to specified trade or national security actions ineligible for the administrative exemption that currently allows duty-free imports of qualified goods. Any shipments claiming the exemption must provide the 10-digit Harmonized Tariff Schedule of the United States (HTSUS) classification of the merchandise.

## POTENTIAL IMPACT

- The first proposal requires that any importer exceeding the \$800 per day limit would not be allowed to declare any shipments as low value. The proposal also requires shippers to submit a weblink to any purchase, subject to review.
- Adding duty and daily limit fees to the cost of shipping goods via air may erode the high demand for air cargo volume from e-commerce retailers, triggering an increase in belly and freighter capacity.
- Bulk shipping by ocean may reemerge as the favored process, allowing for lower freight costs and bundled clearance pricing to offset the increase in duty amounts.
- According to CBP estimates, the average shipment would owe 21% in duties.
- Free Trade Zones (FTZs) may also gain further appeal as they can help defer the duty payment until goods are sold. However, there are regulations that limit e-commerce from an FTZ.
- A proposed 10% tariff on U.S. imports from China has also been announced which could further impact the supply chain.



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