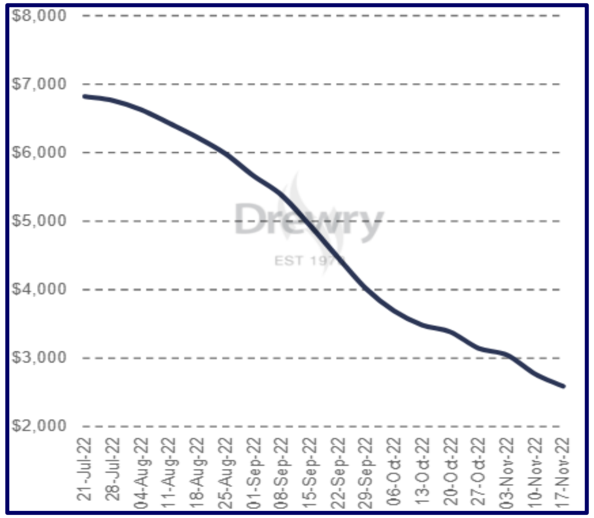
GLOBAL TRANSPORTATION MARKET REPORT DECEMBER 2022

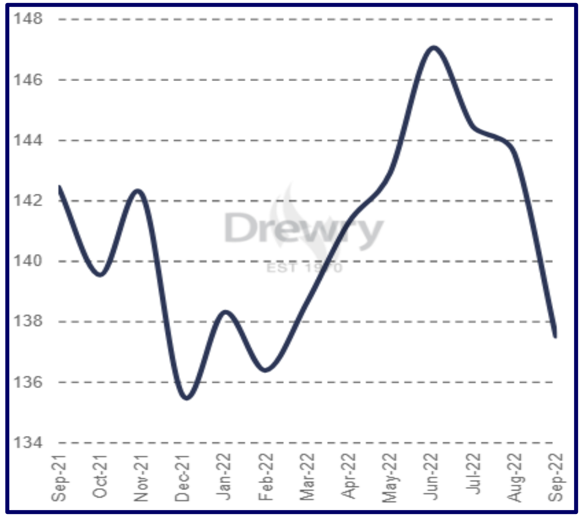
AIT®
WORLDWIDE LOGISTICS

GLOBAL OCEAN TRENDS

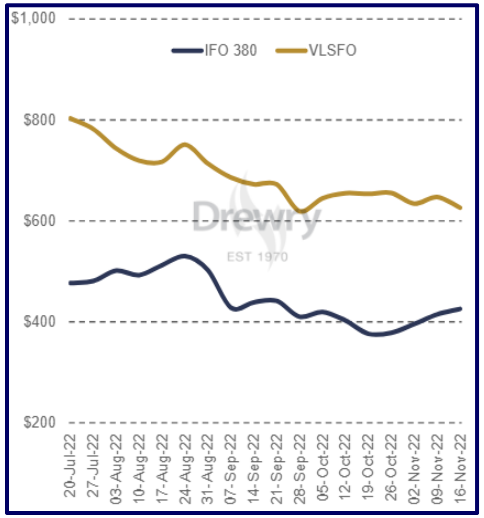
World Container Index



Global Port Throughput



Bunker



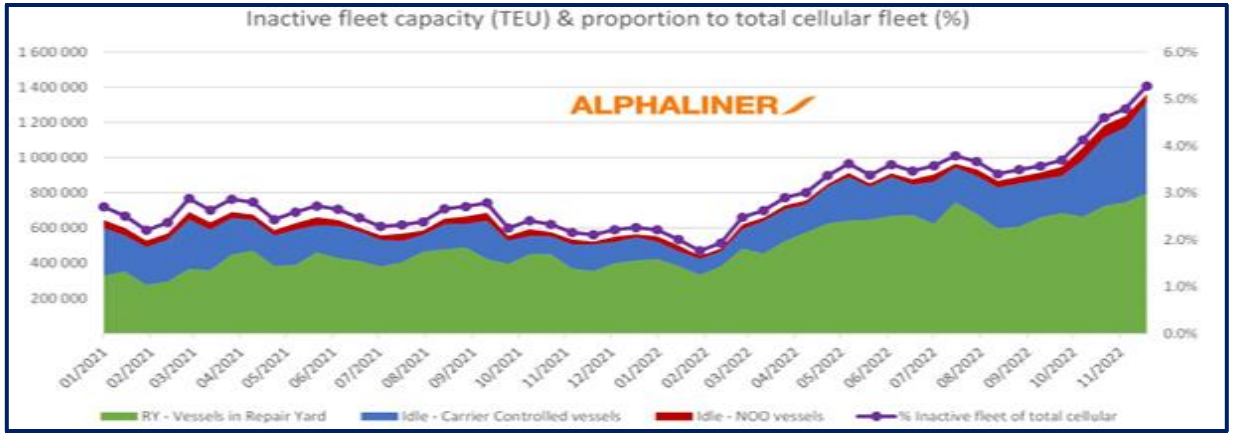
Source: Drewry Marine Research

- With rates returning to pre-pandemic levels, capacity to the U.S. East Coast appears too high to offset rate declines. According to Sea-Intelligence Maritime Analysis, November vessel capacity into the region was 19.5% above November 2019 levels, with December capacity running even higher, at 37.7% above the same month in 2019.

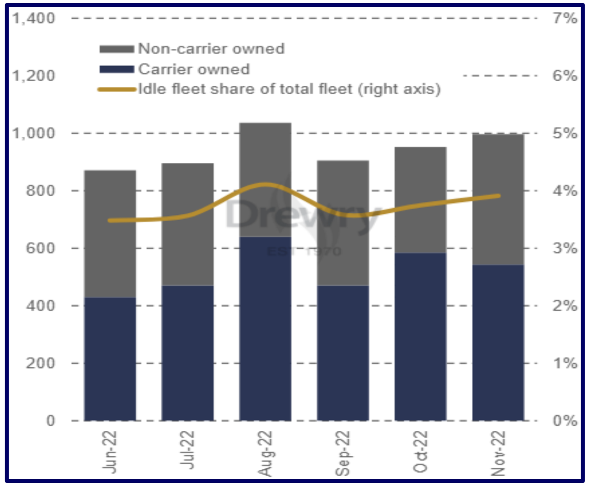
- The Shanghai Containerized Freight Index dropped 54.2% during Q3. TPEB rates to the U.S. West Coast were down 67.3% last quarter. U.S. imports from Asia were reportedly down 11%, but congestion also played a role, with the number of ships waiting to enter Los Angeles or Long Beach down to fewer than ten. (The record high was 109 vessels queued in January 2022.)

CAPACITY AND IDLE FLEET

Tonnage Inactive



Source: Alphaliner



Source: Drewry Marine Research

- Inactive capacity is at 271 ships representing 1,1361,122 TEU. This is a slight increase from the previous month, accounting for 4.8% of the global fleet.
- Due to lack of demand, carriers are idling more ships to reduce capacity with the goal of increasing prices and cutting costs.
- 13 vessels were delivered in October, including four 10,000+ TEU vessels. ZIM took delivery of three 11,000+ TEU vessels along with Maersk and its 15,413 TEU Maersk Compton.

OCEAN TRADE LANES

- MSC and Maersk, partners in the 2M Alliance, issued separate statements in November announcing the temporary suspension of their jointly run Liberty/TP23 service to U.S. East Coast ports until further notice. While mentioning that the change “will help alleviate port congestion,” the announcements were published as rates and volumes continued to decline.
- With global trade cooling, Asia-to-Europe ocean rates have dropped significantly. Analysts don't expect any significant change to the situation before Lunar New Year observations begin on January 22.
- The market continues to experience some capacity issues and long booking times on the Europe-to-North America trades.
- All other Europe outbound trades are stable with readily available capacity.

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		Stable rates expected
MED to AP		Rates expected to stabilize
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	OOCL	Hapag-Lloyd
Maersk	CMA CGM	ONE
	COSCO Shipping	Yang Ming
	Evergreen Line	

- ZIM ended its service from Vietnam to China to the U.S. East Coast, "ZIM SEA/USEC eXpress," on which the 2M partners Maersk and MSC co-load. Maersk brands this service as "TP23," while MSC marketed this loop as "Liberty'" service. The sailing used to turn in 10 weeks, with 5,100-6,650 TEU ZIM ships calling at Cai Mep, Yantian, Charleston, Savannah, Tanjung Pelepas, and Cai Mep.
- This month, CMA CGM will launch a new, direct, fixed-day weekly service connecting the U.S. East Coast with the west coast of South America. It will be the only direct, full-container service between these two regions.
- COSCO Shipping Lines is winding down its service from China to North America's West Coast ("CENX"), which launched in October 2021.

MEXICO AND TRANSBORDER

Mexico aims for full electric fleet by 2050

The main challenge to Mexico's goal to ban combustion engines is the country's current lack of a nationwide charging infrastructure. All carriers and authorities must come together as an industry to generate this infrastructure.

Double articulated trailer prohibition under review

A new law prohibiting double articulated truck trailers is based on the safety risk these vehicles can present on the road; however, studies have shown that only 5% of traffic accidents involve double articulated units.

Based on information shared by the industrial sector, eliminating double articulated trailers would require the market to bring on 37,000 tractors and 106,000 additional trailers to cover demand.

Carta Porte due date extension

The tax administration service in Mexico has granted a new extension for the correct use of the bill of lading, extending the implementation date to July 31, 2023.

MEXICO AND TRANSBORDER

- Ocean Updates

Asia-Mexico ocean freight fell 8.92% in October

- The market is extremely sensitive because of the weak demand for merchandise. In this environment, ocean rates between China and Mexico dropped 8.92% from September to October, settling at an average of $3,424 per 40-foot container.
- In its monthly report, Freight Forwarder indicated that the route from Asia to the west coasts of South America and Mexico reached a floor of $2,500 per FEU and a ceiling of $4,200 dollars, due to carriers' blanking sailings and the resulting port congestion.
- There is concern in the market about the injection of global capacity both in the short and long term as carriers receive new ships that were ordered during 2020 and 2021.

MEXICO AND TRANSBORDER

- Air Updates

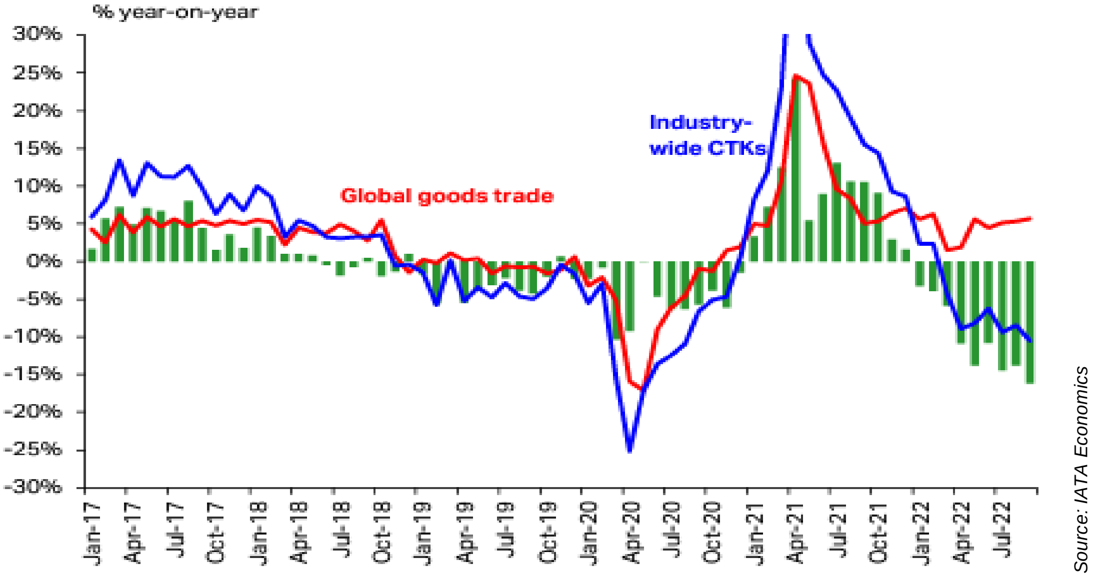
- Air cargo in Mexico registered an increase of 4.8% during the first half of the year compared to the same period in 2021, according to the Federal Civil Aviation Agency.

Estadística de carga total manejada por los principales aeropuertos (toneladas)

Top 10	jun-21	jun-22	Var	% Var	ene-jun 21	ene-jun 22	Var	% Var
Ciudad de México	46,381.6	51,612.2	5,230.6	▲11.3%	273,024.8	276,380.6	3,355.9	▲1.2%
Guadalajara	16,321.1	15,738.3	-582.8	▼3.6%	101,034.2	88,774.1	-12,260.1	▼12.1%
Monterrey	5,643.9	7,141.9	1,498.0	▲26.5%	30,435.9	39,070.4	8,634.5	▲28.4%
Querétaro	5,512.9	6,363.9	851.0	▲15.4%	30,521.9	36,544.9	6,023.0	▲19.7%
Toluca	4,619.2	4,263.4	-355.8	▼7.7%	26,075.3	22,927.5	-3,147.8	▼12.1%
Cancún	2,265.6	3,976.7	1,711.0	▲75.5%	14,180.9	24,805.7	10,624.7	▲74.9%
Tijuana	2,931.9	3,419.8	487.9	▲16.6%	16,684.5	19,426.4	2,742.0	▲16.4%
San Luis Potosí	2,051.7	2,587.8	536.1	▲26.1%	11,809.0	14,072.2	2,263.2	▲19.2%
Mérida	1,972.2	2,042.5	70.4	▲3.6%	10,613.6	11,790.7	1,177.1	▲11.1%
Hermosillo	986.4	1,359.9	373.5	▲37.9%	5,694.6	7,166.2	1,471.6	▲25.8%
Otros	4,464.4	5,283.0	818.6	▲18.3%	25,956.8	31,390.4	5,433.6	▲20.9%
TOTAL	93,150.9	103,789.3	10,638.5	▲11.4%	546,031.6	572,349.2	26,317.6	▲4.8%

- During the same period, cargo transportation at the national level increased by 7%.
- Airports in Mexico City, Querétaro, Tijuana, Monterrey, San Luis Potosí, Mérida, Hermosillo and Cancún moved the most merchandise; while Guadalajara and Toluca each registered a 12.1% volume decline.

Growth in Global Goods Trade



	World share [1]	October 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%*	**-6.2%**	**-8.5%**	**1.2%**	**48.7%**	**-0.2%**	**-8.2%**	**4.0%**	**50.5%**
Africa	*1.9%*	2.1%	-11.1%	5.7%	43.7%	11.6%	-14.7%	11.0%	46.7%
Asia Pacific	*32.6%*	-11.8%	-15.4%	2.3%	56.1%	-5.9%	-17.5%	7.3%	59.4%
Europe	*22.8%*	-13.2%	-17.1%	2.5%	55.8%	-8.1%	-16.9%	5.4%	56.4%
Latin America	*2.2%*	-8.1%	-17.3%	3.9%	38.4%	-4.3%	-16.0%	4.9%	40.1%
Middle East	*13.4%*	-7.1%	-7.5%	0.2%	48.0%	0.5%	-6.2%	3.3%	49.5%
North America	*27.2%*	8.8%	5.9%	1.1%	40.1%	14.8%	9.0%	2.1%	41.5%
International	*87.0%*	**-5.6%**	**-6.9%**	**0.7%**	**54.2%**	**-0.1%**	**-9.1%**	**5.1%**	**56.5%**
Africa	*1.9%*	2.7%	-9.9%	5.5%	44.7%	12.8%	-13.4%	11.1%	47.5%
Asia Pacific	*29.5%*	-8.0%	-7.2%	-0.5%	60.8%	-2.1%	-12.8%	7.2%	65.8%
Europe	*22.4%*	-13.7%	-18.1%	3.0%	58.2%	-8.4%	-17.7%	6.0%	58.8%
Latin America	*1.8%*	-5.4%	-11.0%	2.9%	47.7%	-2.3%	-13.1%	5.3%	48.3%
Middle East	*13.4%*	-7.0%	-7.5%	0.2%	48.3%	0.5%	-6.0%	3.2%	49.9%
North America	*18.0%*	10.5%	8.7%	0.8%	48.2%	14.3%	6.1%	3.6%	49.6%

[1] % of industry CTKs in 2021 [2] Change in load factor vs same period in 2019 [3] Load 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.

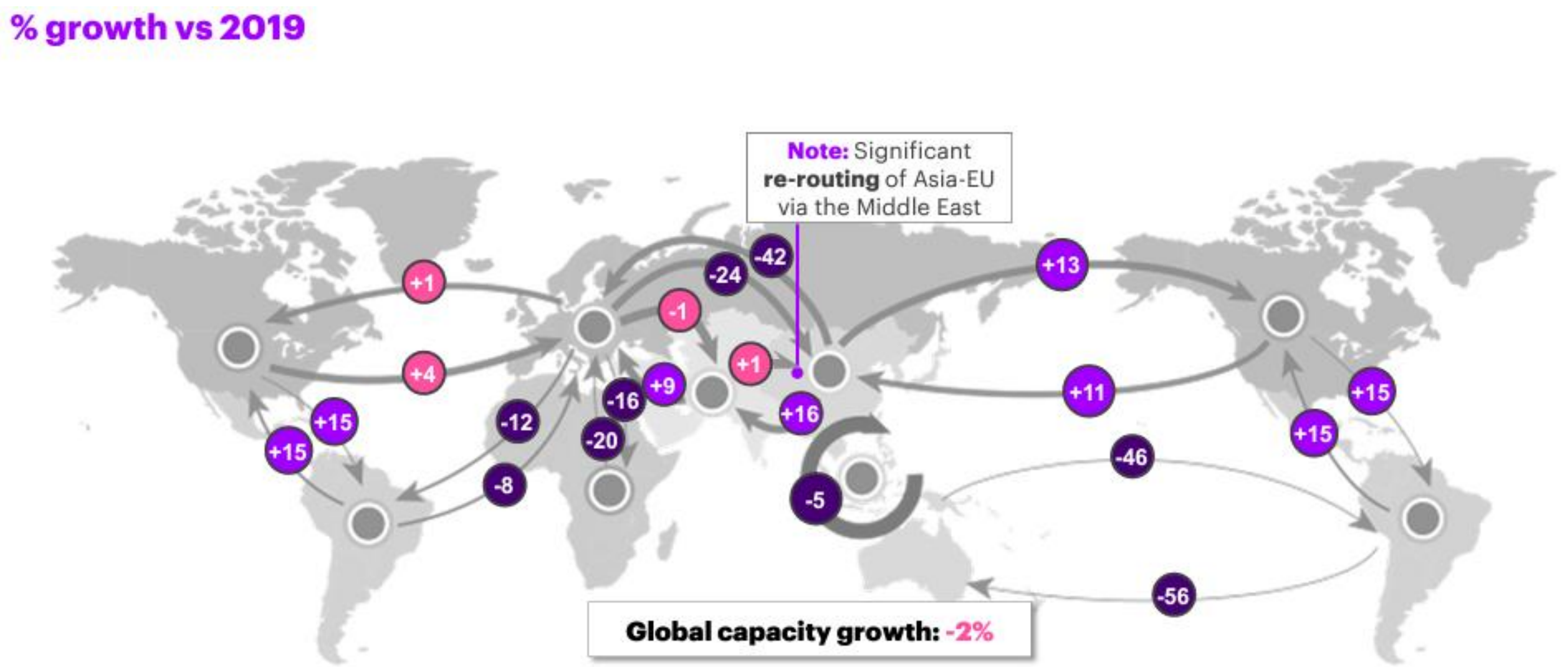
AIR FREIGHT OVERVIEW

- Global inflationary pressures have eased somewhat, as consumer and producer prices continue to cool down.
- Global trade remains steady, while air cargo’s relative growth has softened.
- Stable trade performance remains a strong indicator for the global economy as the market keeps a close eye on China's COVID-19 restrictions.

CAPACITY DEVELOPMENT

Direct international flights only. All flows indicate region-to-region capacity. Regions indicated by color. Dates in UTC. Total air cargo capacity includes widebody passenger and all freighter flights.

Source: Seabury Cargo Capacity Tracking database, Seabury Cargo, Accenture analysis



AIRFREIGHT MARKET DEVELOPMENT

- According to the Baltic Air Index, the average spot rate from China to North America was down by 52% year over year, while China-to-Europe rates were down by 33% year over year.

- Xenata data indicates 50% of airlines and forwarders agreed to three-to-six-month global air cargo contracts in October, an increase from 36% in Q3. The data suggests that forwarders are not willing to hold long-term contracts under current market situation.

- World ACD reported that the first half of November freight volumes in the Asia Pacific region fell 25% year over year.

AIR TRADE LANES

- Airlines across all trades continue to grapple with softening demand and sinking rates. New carriers entering the market (CMA CGM, Maersk Airfreight, etc.) have increased overall capacity creating additional negative pressure on rates.
- Trade with China remains highly volatile due to the nation's COVID-19 abatement policies.
- Peak season continues to underperform, with volumes below 2020 levels in some areas. Surges are still possible, however.
- Carriers predict further fuel pricing volatility heading into Q1 2023.

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

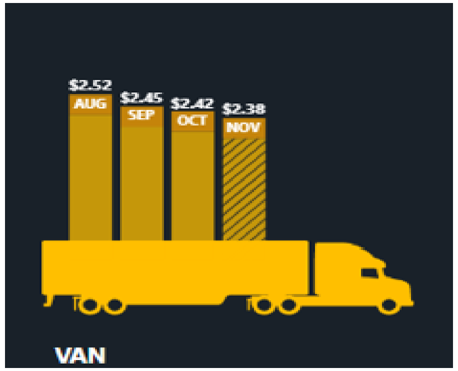
Trade Lane	Status	Comments
US to LATAM		
LATAM to US		
Europe to LATAM		
LATAM to Europe		
India to US		
US to India		

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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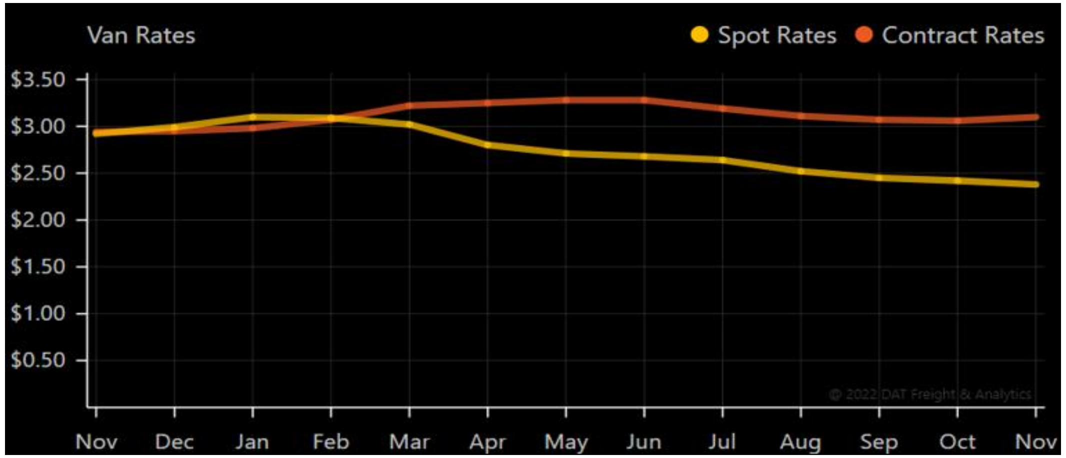
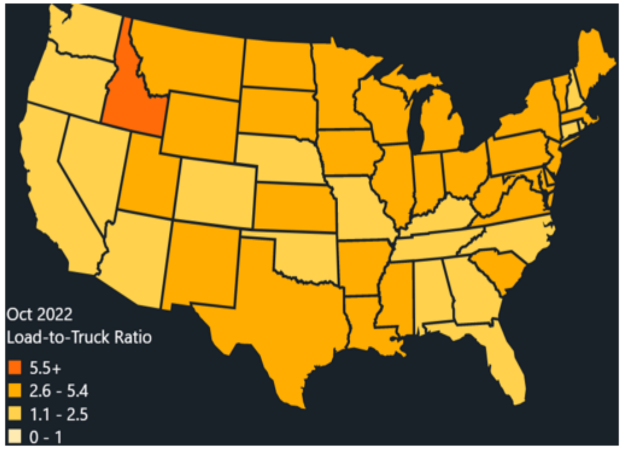


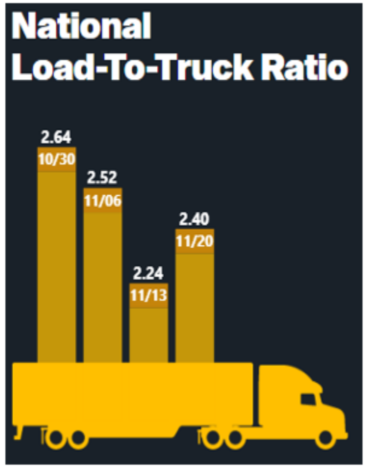
- The continuing decline of truckload spot rates – 39% year over year – reflects weak peak season demand.
- Spot rates are projected to continue their downward trajectory well into the first quarter of 2023. Linehaul carriers are reducing costs throughout their networks to offset rapidly declining freight volume levels.
- Deep holiday discounts attracted consumers enough to exceed expected sales from Black Friday through Cyber Monday, creating a welcome transport-capacity need for the big retail shippers. Linehaul carriers successfully absorbed the surge in demand with no immediate capacity issues.

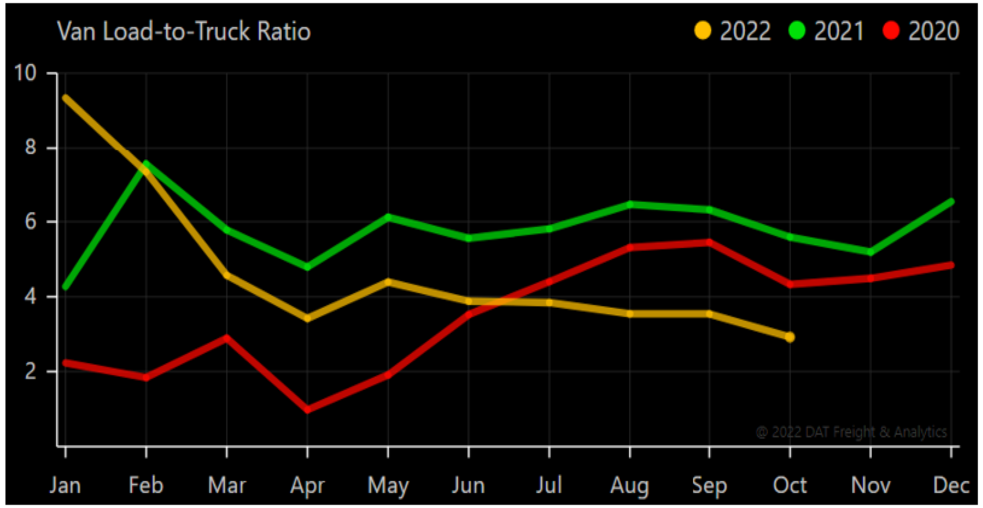
NORTH AMERICAN TRANSPORTATION

- Load-to-driver capacity remains favorable in the majority of U.S. markets.
- Shippers were beginning to divert rail shipments to ground in response to the threat of a labor action. However, the U.S. Congress passed a bill (signed into law by the President) imposing an agreement between rail companies and their workers, averting a nationwide strike.
- Because of the federal government's action, truck capacity remains stable, avoiding possible service disruptions.

Dry Van Capacity Data







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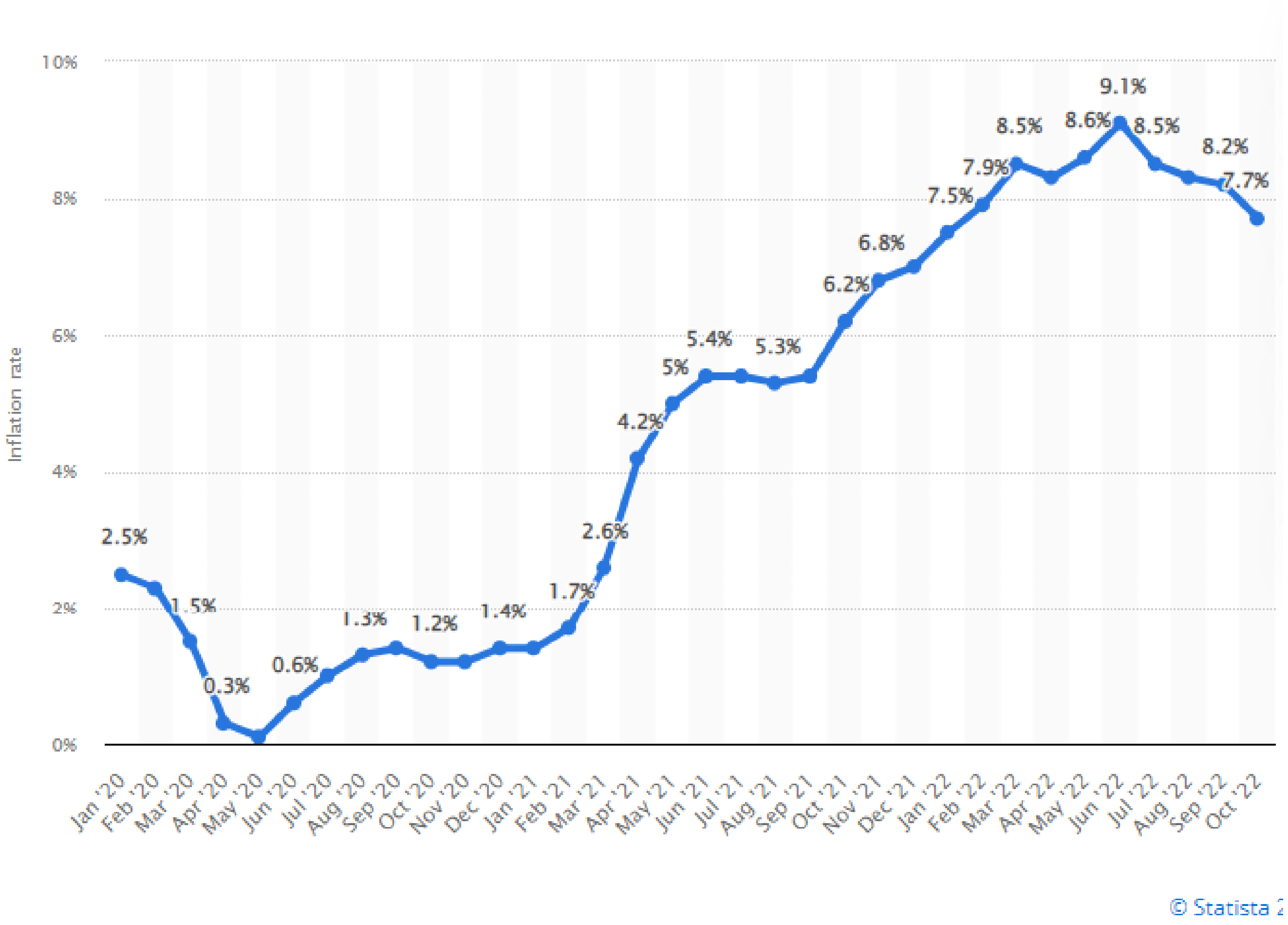

ECONOMIC INDICATORS

The U.S. Federal Reserve board meeting minutes, released before the Thanksgiving holiday, showed that most officials felt a slowing in interest rate increases would be appropriate. The minutes also suggested that such a deceleration in rate hikes may begin with December's meeting with a 50-basis-point hike rather than a fifth-consecutive boost of 75 basis points.

The primary reasons for slowing the pace of rate hikes were the growing risk that the Fed may increase rates beyond what was required to reduce inflation to its 2% target and signs that inflation pressures were easing.

Investor sentiment was also lifted by unexpectedly strong retailer earnings, upside surprises in new economic data, and a better-than-expected consumer sentiment reading. Investors looked past the continuing pandemic-related challenges that have stymied China's economic recovery and its attendant implications for global growth.

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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
Dale Grosso
dgrosso@aitworldwide.com

Customs Brokerage
Emily Faulkner
efaulkner@aitworldwide.com

International Air and Ocean
Kent Thompson
kthompson@aitworldwide.com