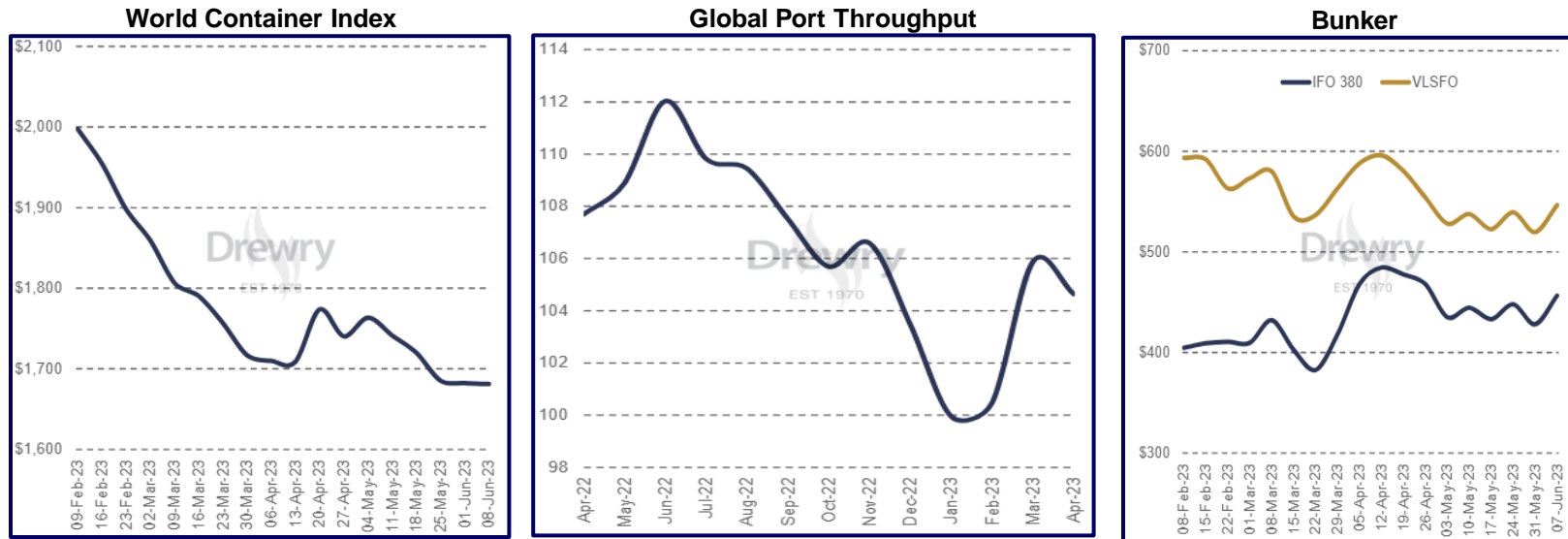


GLOBAL TRANSPORTATION MARKET REPORT JUNE 2023



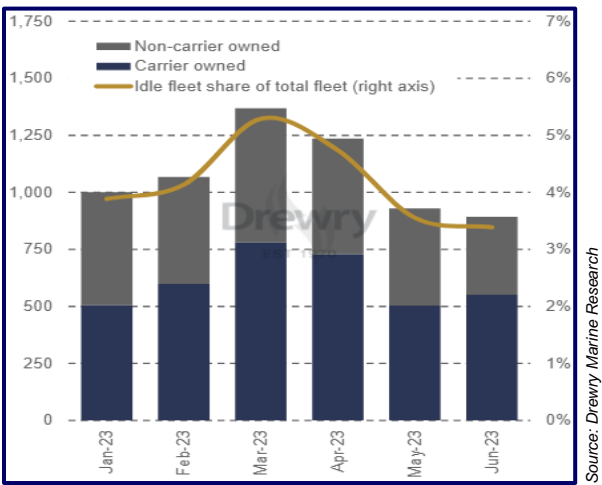
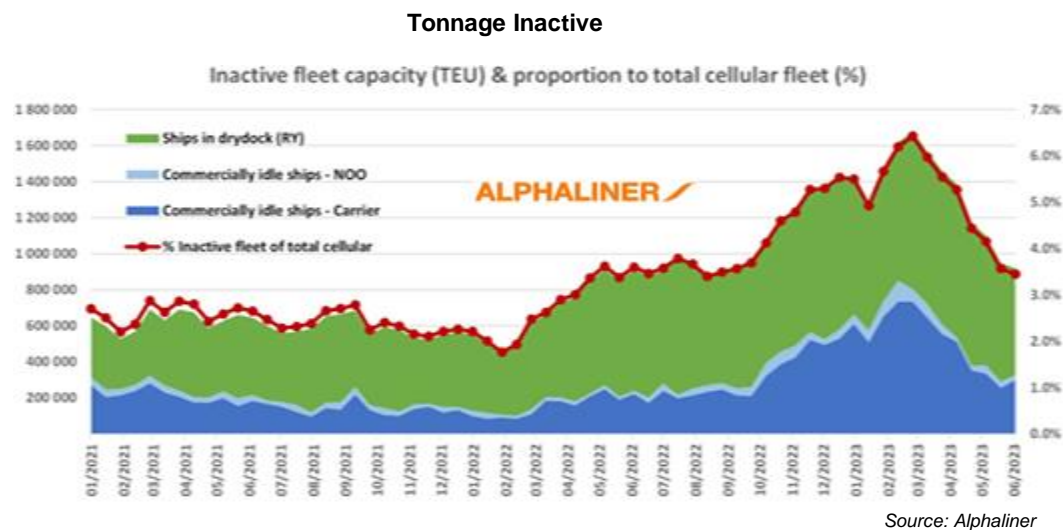
GLOBAL OCEAN TRENDS



Source: Drewry Marine Research

- Bunker prices are expected to decrease to below 2022 levels, providing some cost relief for carriers.
- A year-over-year comparison of strategic deployment on trade lanes shows that most carriers have reduced the proportion of their fleets trading between Asia and North America. Asian carriers have been more conservative with reductions compared to European carriers' more aggressive fleet changes.
- The Shanghai Containerized Freight Index (SCFI) slipped again due to weak utilization on the transpacific trade lanes. Carriers cut rates on both U.S West Coast and East Coast routes, erasing gains made in the previous weeks.
- Head haul levels are trending lower than initial estimates.

CAPACITY AND IDLE FLEET



- Inactive capacity is at 227 ships for .919M TEU. This is a slight decrease from the previous month, accounting for 3.4% of the global fleet.
- Carriers received seven vessels in June, so far, with OOCL and ONE each taking delivery of a 24,000+ TEU vessel.

OCEAN TRADE LANES

- With the assistance of Acting U.S. Labor Secretary Julie Su, West Coast ports reached a tentative labor agreement with dockworkers, subject to ratification. Meanwhile, ILWU members at Canadian ports have authorized a strike, which could result in disruptions.
- Due to drought, Panama Canal authorities introduced weight restrictions on larger vessels at the end of May, prompting several liner operators to increase rates by \$300 to \$500 per container.
- Volumes softened at the ports of Los Angeles and Long Beach.
- Carriers announced general rate increases on the ISC-to-United States trades, with large carriers achieving only modest gains after several rounds of increases.

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



- South Pacific specialist Neptune Pacific Direct Line will soon extend its network coverage to the U.S. West Coast.
- Dutch carrier Spliethoff launched a monthly ConRo service connecting Antwerp, Avonmouth and Southampton to three ports on the U.S East Coast: Baltimore, Gloucester City (near Camden), New Jersey, and Morehead City, North Carolina.
- Port Everglades will replace Miami in the rotation of MSC's Southeast Asia-U.S East Coast "Santana" service, connecting North Vietnam, Central China and South Korea with Panama, the Dominican Republic and the United States.
- Sealand Asia is reorganizing its Northeast Asia-Southeast Asia connections. The carrier will introduce a new Japan-Korea-China-Vietnam-Philippines-Taiwan "PH1" service to replace its Korea-China-Taiwan-Vietnam-Philippines "HP3" service and the Japan segment of the "IA80" service that previously covered Japan-Korea-South China-Cambodia-Thailand-Vietnam-Philippines.
- Ocean Network Express will extend the coverage of its IBESCO "IBC" service to Poland by adding a new Gdynia call to the itinerary.
- Containerships (the intra-European carrier of CMA CGM) will extend coverage of its Northwest Continent-United Kingdom-Iberia "PGEC" service to Algeciras in Spain and Bordeaux-Bassens in southern France.

MEXICO AND TRANSBORDER

- Ground Updates

GROUND

Nearshoring to add \$35M to Mexico's exports

- As many U.S.-based companies continue to move operations to the northeast region of Mexico, the Inter-American Development Bank estimates the relocations could add at least \$35 million to Mexico's export figures.

New AEO, CTPAT requirements

- New Authorized Economic Operator requirements will be going into effect for organizations doing business in Mexico, aligning with the 2020 updates to the U.S. CTPAT program.

MEXICO AND TRANSBORDER

- Ocean Updates
- Air Updates

OCEAN

TEU volume down through first four months of 2023

- Since January, Mexican ports recorded a 6.8% year-over-year drop in TEUs.
- During this same time, import TEUs fell 6%, exports dropped 7.4%, and cabotage TEUs decreased 86.3%.
- This trend is in line with a global decrease in demand for ocean transport.

AIR

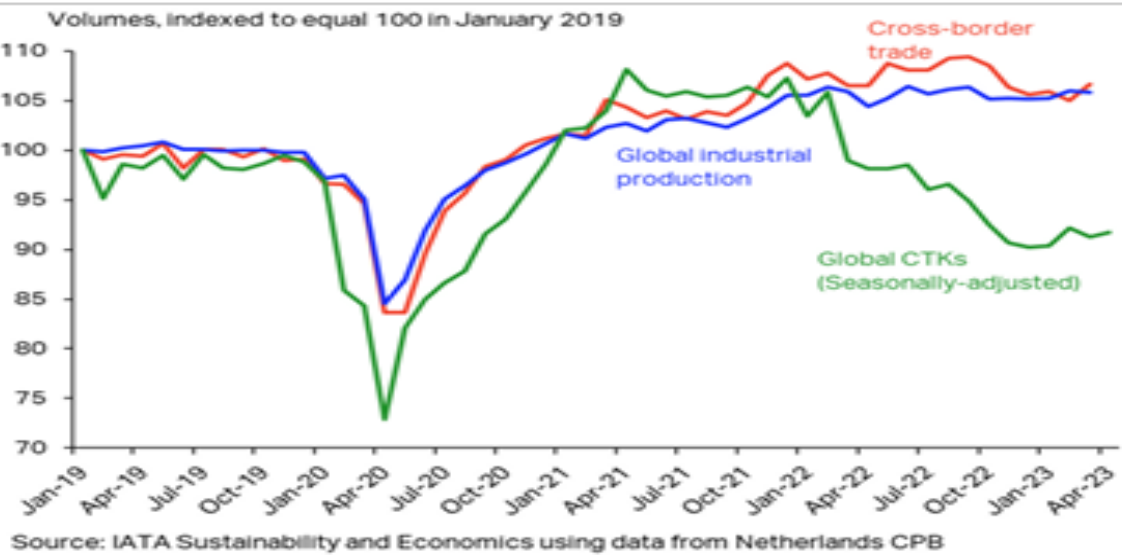
Mexico City air cargo volume increased YOY in Q1

- According to the Mexico City International Airport, air cargo volume was up 13.3% in Q1 2023 compared to Q1 2022.
- During the same time, air cargo decreased 6.4% on a national level, while increasing 17.5% internationally.

Cargo airlines have until Sept. 1 to move from Mexico City airport

- Per government decree, cargo airlines are currently moving operations from Benito Juárez International Airport, Mexico City's congested main gateway, to the new Felipe Angeles International Airport.
- Following opposition from some airlines and the International Air Transport Association, President Andrés Manuel López Obrador announced that the deadline for the move will be extended by eight weeks, from July 7 to Sept. 1.

Growth in Global Goods Trade and CTKs



Source: IATA Economics

AIR FREIGHT OVERVIEW

- Industry-wide cargo capacity has returned to pre-pandemic levels for the first time in three years.
- North American carriers experienced declining volumes, primarily due to decreased air cargo traffic on the North America-Europe and North America-Asia trade lanes. Exports, which typically fuel air market traffic gains, continue to have a weaker outlook for the year.
- Global air cargo demand continued its year-over-year decline at a slower rate than the first three months of 2023.

	World share ¹	April 2023 (% year-on-year)				April 2023 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-6.6%	13.4%	-9.2%	42.7%	-5.3%	3.2%	-3.8%	42.7%
Africa	2.0%	0.9%	5.3%	-2.1%	48.2%	9.9%	-13.2%	10.1%	48.2%
Asia Pacific	32.4%	-0.4%	41.2%	-18.5%	44.2%	-9.0%	6.6%	-7.6%	44.2%
Europe	21.8%	-8.2%	7.8%	-8.6%	49.7%	-12.2%	-11.6%	-0.3%	49.7%
Latin America	2.7%	-1.6%	8.1%	-3.6%	36.4%	-3.4%	-7.3%	1.5%	36.4%
Middle East	13.0%	-6.8%	10.0%	-7.8%	43.1%	-2.9%	5.1%	-3.5%	43.1%
North America	28.1%	-13.1%	-1.5%	-5.0%	37.3%	3.6%	12.5%	-3.2%	37.3%
International	86.8%	-7.0%	10.7%	-9.4%	49.3%	-5.1%	-0.9%	-2.2%	49.3%
Africa	2.0%	0.3%	5.0%	-2.3%	49.1%	10.4%	-12.2%	10.0%	49.1%
Asia Pacific	29.7%	-3.6%	23.7%	-15.4%	54.4%	-6.8%	-1.2%	-3.3%	54.4%
Europe	21.5%	-8.7%	7.4%	-9.0%	51.3%	-12.7%	-11.3%	-0.8%	51.3%
Latin America	2.3%	-1.0%	11.0%	-5.0%	41.7%	-0.7%	-0.5%	-0.1%	41.7%
Middle East	13.0%	-6.8%	10.1%	-7.9%	43.4%	-2.8%	6.2%	-4.1%	43.4%
North America	18.4%	-12.1%	0.0%	-6.3%	45.9%	4.6%	8.5%	-1.7%	45.9%

¹% of Industry CTKs in 2022

²Change in load factor

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.

CAPACITY DEVELOPMENT

- Capacity continues to increase year-over-year. While belly capacity remains the largest driver, global freighter capacity increased by approximately 3%.
- Demand remains low, but stable.
- In recent weeks, many carriers have announced slight reductions to their jet fuel surcharges.
- Europe and North American export rates remain low, as carriers are eager to provide cargo lift.

Total international air cargo capacity growth, May 15-28, 2023 vs same weeks in 2019¹
% growth vs 2019



Source: Global Air Trade and Capacity Tracking databases, Accenture Cargo analysis

AIR TRADE LANES

- A potential inventory restocking push at the end of Q3 has analysts closely watching for an upcoming indicator: ocean freight utilization in August/September.
- If overall ocean freight demand increases noticeably, air freight rates are likely to decrease.
- Volumes continue to remain low, resulting in sufficient capacity.
- Ground handling delays remain minimal.

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

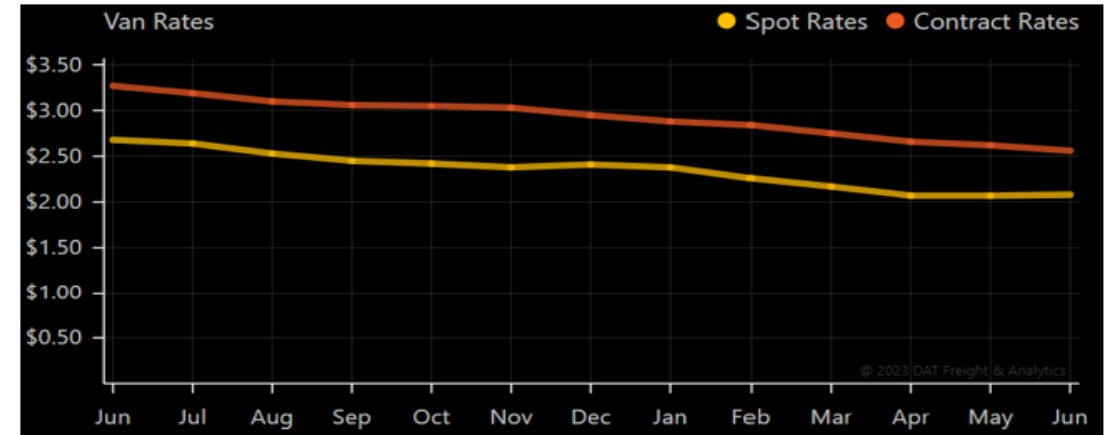
Trade Lane	Status	Comments
US to LATAM	Available space; quick booking turn time.	
LATAM to US		
Europe to LATAM		
LATAM to Europe		
India to US		
US to India		

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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- Spot rates remain flat, in line with second quarter projections. The trend is likely to persist into the second half of the year.
- Shippers continue to reduce their warehouse space as they reset retail inventory strategies in anticipation of restocking truly seasonal products. However, consumer spending has shifted toward services and away from goods.
- Sporadic port delays had been previously reported from Los Angeles to Seattle in connection with U.S. West Coast labor negotiations. However, port and union representatives have settled on a tentative agreement which awaits ratification from both parties.

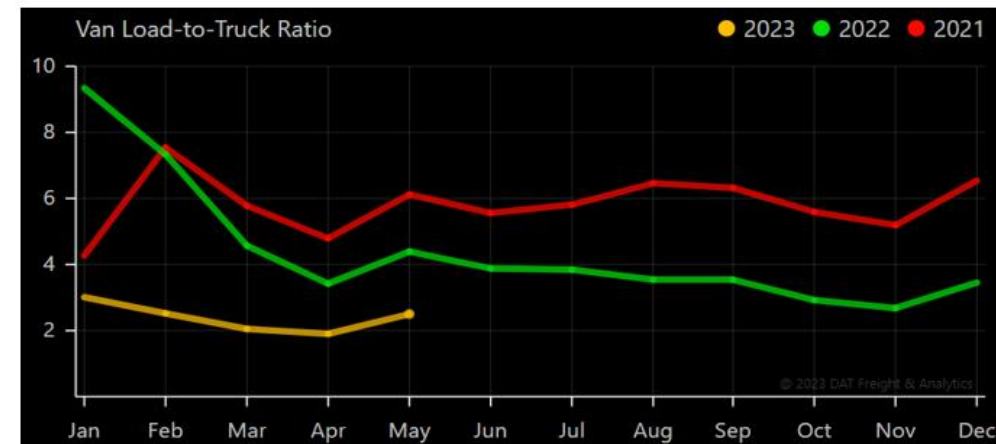
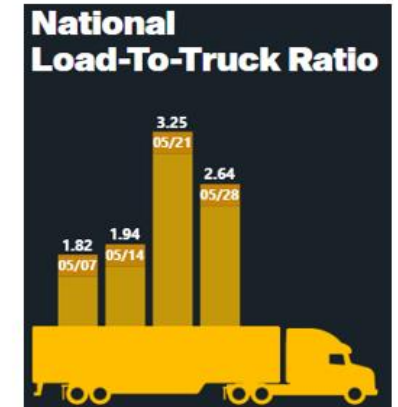
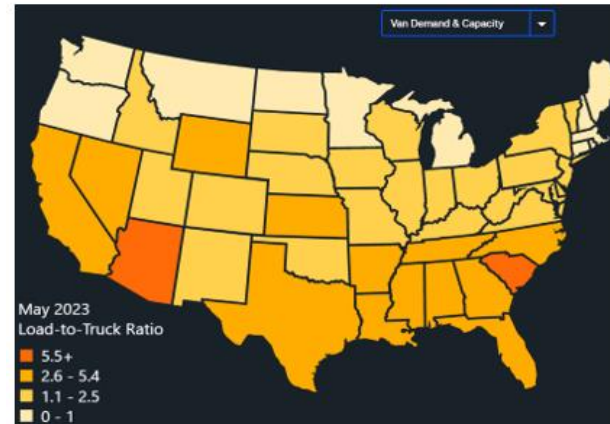
NORTH AMERICAN TRANSPORTATION

While load-to-driver capacity remains favorable in most U.S. markets, increases are occurring across the southern regions.

Market capacity conditions across the past two weeks

- Atlanta: Tight
- Chicago: Neutral
- Columbus, Ohio: Neutral
- Dallas: Tight
- Los Angeles: Tight
- Philadelphia: Neutral

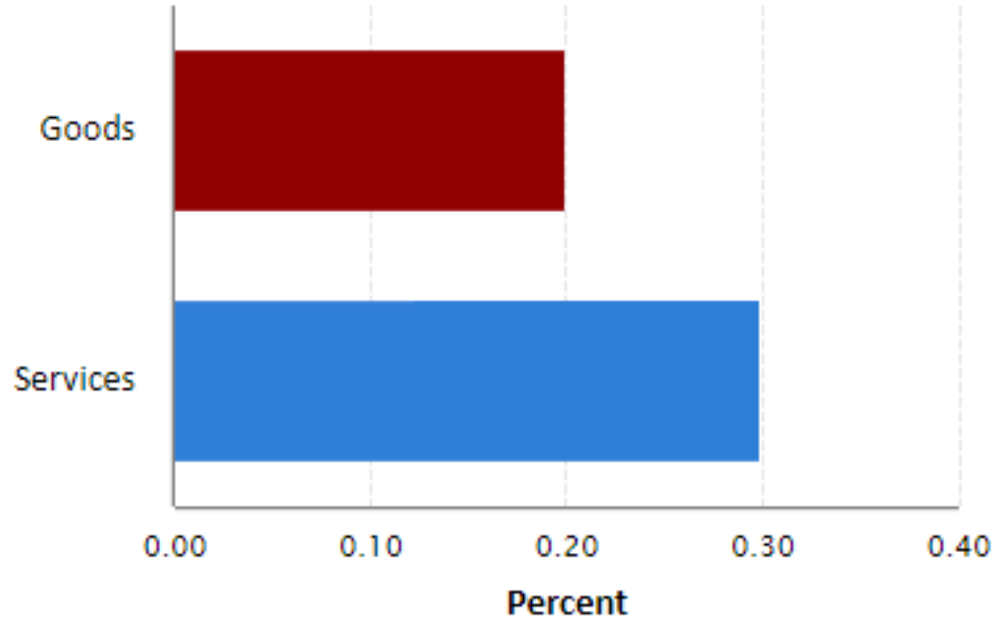
Dry Van Capacity Data



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PPI for final demand components, 1-month percent change, April 2023

Commodity



Source: U.S. Bureau of Labor Statistics.

(1) Not seasonally adjusted.

All data are subject to revision up to 4 months after initially published.

ECONOMIC INDICATORS

The Conference Board forecasts that weaknesses emerging in some parts of the economy will intensify and grow more diffuse over the coming months, leading to a recession. This outlook is associated with numerous factors, including persistent inflation, Federal Reserve hawkishness, dampened bank lending, reduced government spending, underlying trends in consumer spending and income, and business investments. Real gross domestic product growth could slow to 1.0% this year and potentially fall to 0.0% in 2024.

Consumer spending has decreased in four of the last six months. However, a large spike in January and a smaller spike in April offset this trend. While spending on services has continued to gradually expand, spending on goods has been volatile. Recent PMI data suggest that the services sector is beginning to cool, and high interest rates could further dampen spending on goods. Overall consumer spending may grow in Q2 2023 but contract in H2 2023.

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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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Dale Grosso

dgrosso@aitworldwide.com

Customs Brokerage

Emily Faulkner

efaulkner@aitworldwide.com

International Air and Ocean

Kent Thompson

kthompson@aitworldwide.com

