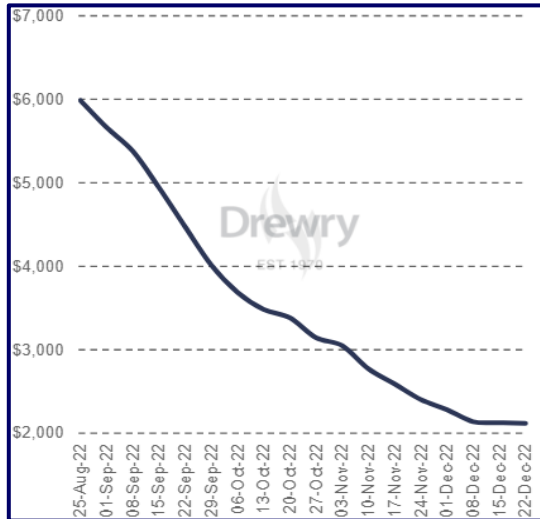


GLOBAL TRANSPORTATION MARKET REPORT JANUARY 2023

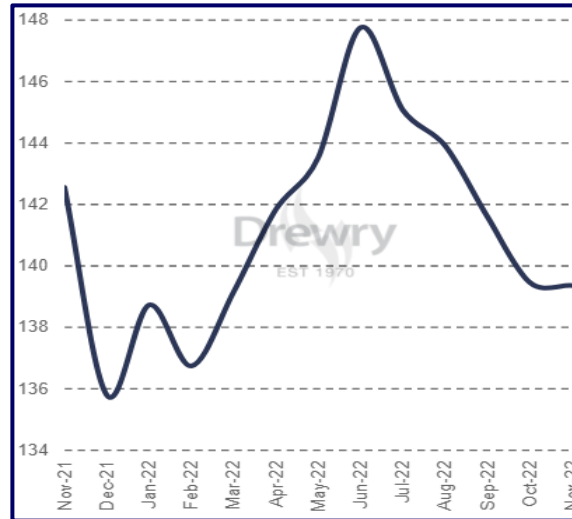


GLOBAL OCEAN TRENDS

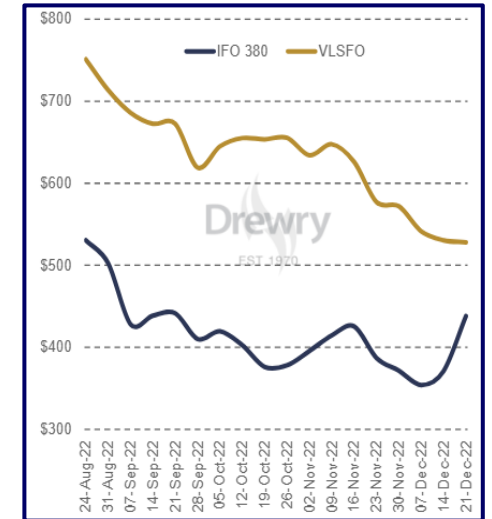
World Container Index



Global Port Throughput



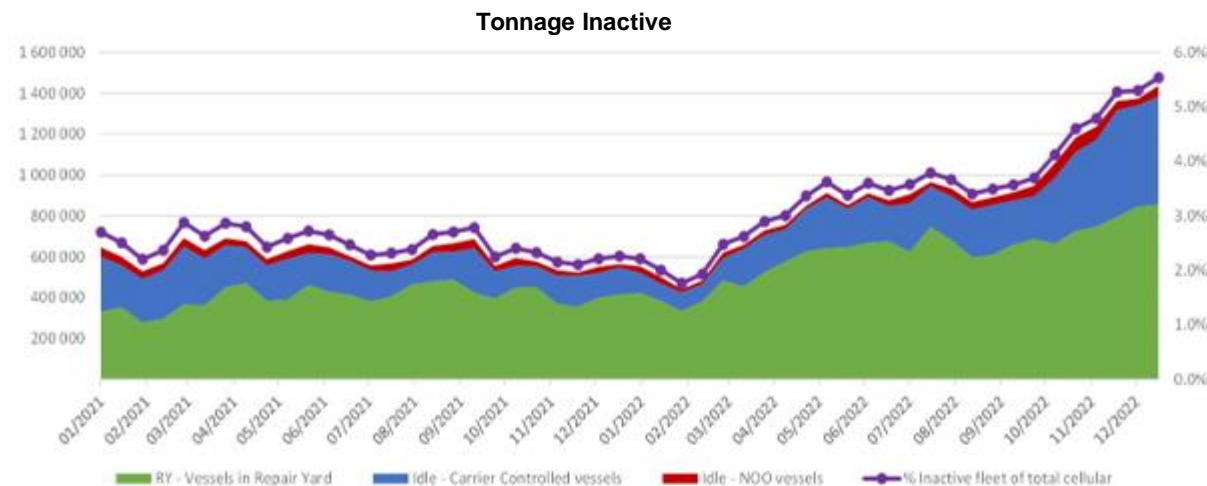
Bunker



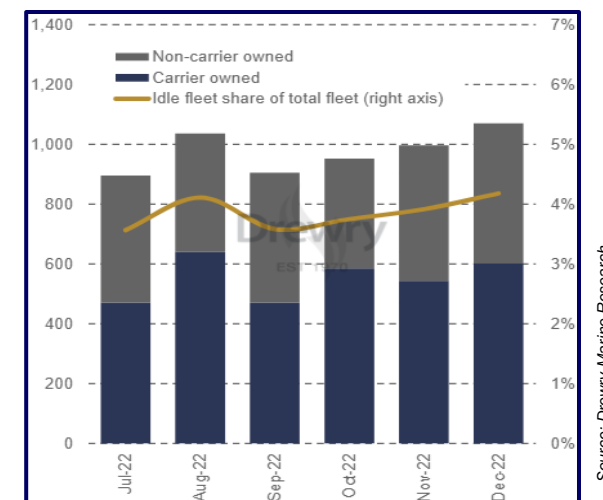
Source: Drewry Marine Research

- Speculation that rates on head haul trades into Northern Europe and U.S. West Coast destinations from Asia have reached their floor have not yet prompted the traditional contract negotiation discussions as shippers await the impact of Chinese New Year on market levels.
- 70% fewer contracts have been finalized than prior years at this point.
- Following China's relaxed COVID-19 policies, worker shortages as well as factory and transport slowdowns have impacted supply chains.
- In an effort by carriers to stabilize demand across head haul trades, large-scale cancellations and blank sailings remain commonplace.
- Demand continues to decrease, significantly impacting vessel utilization. Analysts continue to monitor rates for signs of further softening in Q1.

CAPACITY AND IDLE FLEET



Source: Alphaliner



Source: Drewry Marine Research

- Inactive capacity is at 261 ships for 1,436,698 TEU. This is a slight increase from the previous month, accounting for 5.5% of the global fleet, and 2.3% higher than the same period last year.
- The global idle fleet is now comprised of larger vessels (some in the 10,000+ TEU range). Commercially idle tonnage now makes up 38% to 40% of the inactive fleet globally.
- 18 vessels were delivered in December, including four 10,000+ TEU vessels. Both Maersk and MSC took delivery of individual 15,000+ TEU vessels.

OCEAN TRADE LANES

- Between week 51 of 2022 to week three of 2023, 100 of 721 (14%) scheduled voyages out of Asia were cancelled.
- During this same period, 53% of the cancelled voyages impacted the transpacific eastbound route, 24% impacted the Asia-Northern Europe and Mediterranean routes, and 23% affected the transatlantic, westbound trade lanes.
- THE alliance announced the cancellation of as many as 47 voyages, followed by the Ocean Alliance and 2M Alliance cancelling 16 and seven voyages, respectively. Non-shipping alliances also implemented 20 blank voyages during the same period.
- Efforts by carriers to counter rate declines with service closures, slow steaming, Cape of Good Hope routing, and blank sailings have resulted in minor, if any, change to the overall rate environment.

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

Trade Lane	Status	Comments
N Eur to AP	Available space; quick booking turn time.	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	Capacity well utilized; some space available.	
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



- In late January, carriers plan to add extra vessels to the fleets of four Asia-U.S. East Coast loops (operated with 2M-partner MSC and ZIM). The tonnage additions aim to optimize crossing speed and improve reliability, according to Maersk.
- Beginning this month, Evergreen will deploy its 24,000 TEU MegaMax ships on the Far East-North Europe "CEM" service, calling at Singapore on the westbound leg and dropping Tanjung Pelepas.
- Maersk and MSC will add a Tokyo call to its Far East-California "TP8 / Orient" service, which is part of their 2M vessel sharing agreement's transpacific offering.
- Hapag-Lloyd will redeploy all three of its 1A ice class vessels from its seasonal Northern Europe-Canada "AT3" route (which launched in May with sailings every other week instead of weekly) to their Adriatic "ADX" service. This schedule is expected to continue through February, followed by redeployment of the vessels elsewhere in the network.

MEXICO AND TRANSBORDER

▪ Ground Transportation

Driver shortage continues

The global shortage of truck drivers remains a chronic problem that threatens the stability and continuity of mobility and supply chains. In Mexico, the shortage increased by 30% during the last two years to reach a gap of 54,000 drivers and growing.

Double articulated trailer prohibition rejected

After the review between the Ministry of Communications and Transportation and the carriers' union, a push to prohibit double articulated tractor trailers was rejected. To reach this resolution, agreements were made to improve and guarantee the safety of these units, with considerations for technical, digital, technological and human development elements, such as video cameras, telematic control, anti-roll systems and remote speed control.

Carrier market share update

- 36% SMEs
- 30% Large firms
- 24% Owner operators

MEXICO AND TRANSBORDER

- Ocean Updates

Contecon Manzanillo plans to double internal railway lines to increase speed of cargo handling

- As part of a \$230 million investment over the next three years, terminal owner Contecon Manzanillo plans to double its internal railway tracks with the goal of increasing productivity when moving merchandise from the port.
- Currently, the movement of goods from the terminal is 80% by motor transport and 20% via rail. The plan is to move this ratio to 50-50.
- At the beginning of December, Contecon Manzanillo began a project to expand the port terminal, which includes constructing more than 400 meters of additional quay, yards to store more than 800,000 TEU, 900 outlets for temperature-controlled shipping containers, the acquisition of two super-post-Panamax quay cranes, and the purchase of six more rubber-tyred gantry cranes.
- Manzanillo is the largest port in Mexico in terms of container handling. Currently, it takes an average of seven to eight days to move merchandise out of Contecon Manzanillo.
- It is the only terminal in the nation with its own tracks.

MEXICO AND TRANSBORDER

- Air Updates

Aeromexico concludes Chapter 11 restructuring

During 20 months in the Chapter 11 bankruptcy process, also known as a voluntary reorganization bankruptcy, Aeromexico renegotiated with lessors, aircraft and engine manufacturers, employees, and creditors to reduce its debt to manageable levels. On Dec. 22, the court closed the case.

At the end of the bankruptcy procedures, the airline obtained over \$3.7 billion in unsecured loans, debtor-in-possession financing, and new capital contributions. The largest shareholders of the reorganized company include funds managed by Apollo Global Management, Delta Air Lines, and new Mexican investors.

The carrier pledged to invest approximately \$5 billion during the next five years in fleet and customer experience improvements.

mas acquires Galistair

In December, Mexican cargo airline mas acquired 49% of the European Galistair Trading LTD, a specialist in providing ACMI solutions.

As part of the commercial and operational agreements, Galistair will operate two A330-300P2F's out of Europe on behalf of mas. The aircraft will fly between cities in Germany and North America, in coordination with mas. One A330F has already been delivered with another due soon.

Mexico-DFW connection plans scrapped

Following the FAA's decision to maintain Mexico's Category 2 aviation security rating, Dallas/Fort Worth International Airport's plans for additional passenger and cargo routes to Mexico have come to a halt.

Milton de la Paz, DFW airport's vice president of relations with airlines and businesses, specified that there is a great demand for air cargo movement between both countries and plans to restart the project following security enhancements.

Growth in Global Goods Trade



Source: IATA Economics

	World share ¹	October 2022 (% year-on-year)				% year-to-date			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-13.6%	-0.6%	-7.4%	48.7%	-6.8%	4.2%	-5.9%	50.5%
Africa	1.9%	-8.3%	-7.4%	-0.4%	43.7%	0.0%	1.7%	-0.8%	46.7%
Asia Pacific	32.6%	-14.7%	-2.8%	-7.8%	56.1%	-6.2%	1.5%	-4.9%	59.4%
Europe	22.8%	-18.8%	-5.2%	-9.3%	55.8%	-11.1%	1.8%	-8.2%	56.4%
Latin America	2.2%	-1.4%	19.2%	-8.1%	38.4%	15.3%	27.5%	-4.2%	40.1%
Middle East	13.4%	-15.0%	1.0%	-9.0%	48.0%	-10.0%	4.6%	-8.0%	49.5%
North America	27.2%	-8.6%	2.4%	-4.8%	40.1%	-4.4%	5.9%	-4.5%	41.5%
International	87.0%	-13.5%	2.4%	-10.0%	54.2%	-6.9%	5.8%	-7.7%	56.5%
Africa	1.9%	-8.3%	-7.9%	-0.2%	44.7%	0.0%	1.3%	-0.6%	47.5%
Asia Pacific	29.5%	-13.1%	4.9%	-12.6%	60.8%	-4.8%	7.3%	-8.3%	65.8%
Europe	22.4%	-19.0%	-5.5%	-9.7%	58.2%	-11.3%	2.0%	-8.8%	58.8%
Latin America	1.8%	0.3%	21.6%	-10.1%	47.7%	17.1%	27.1%	-4.1%	48.3%
Middle East	13.4%	-14.9%	1.1%	-9.1%	48.3%	-10.0%	4.8%	-8.2%	49.9%
North America	18.0%	-8.4%	8.0%	-8.6%	48.2%	-5.5%	6.7%	-6.4%	49.6%

¹% of industry CTKs in 2021 ²Year-on-year change 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.

AIR FREIGHT OVERVIEW

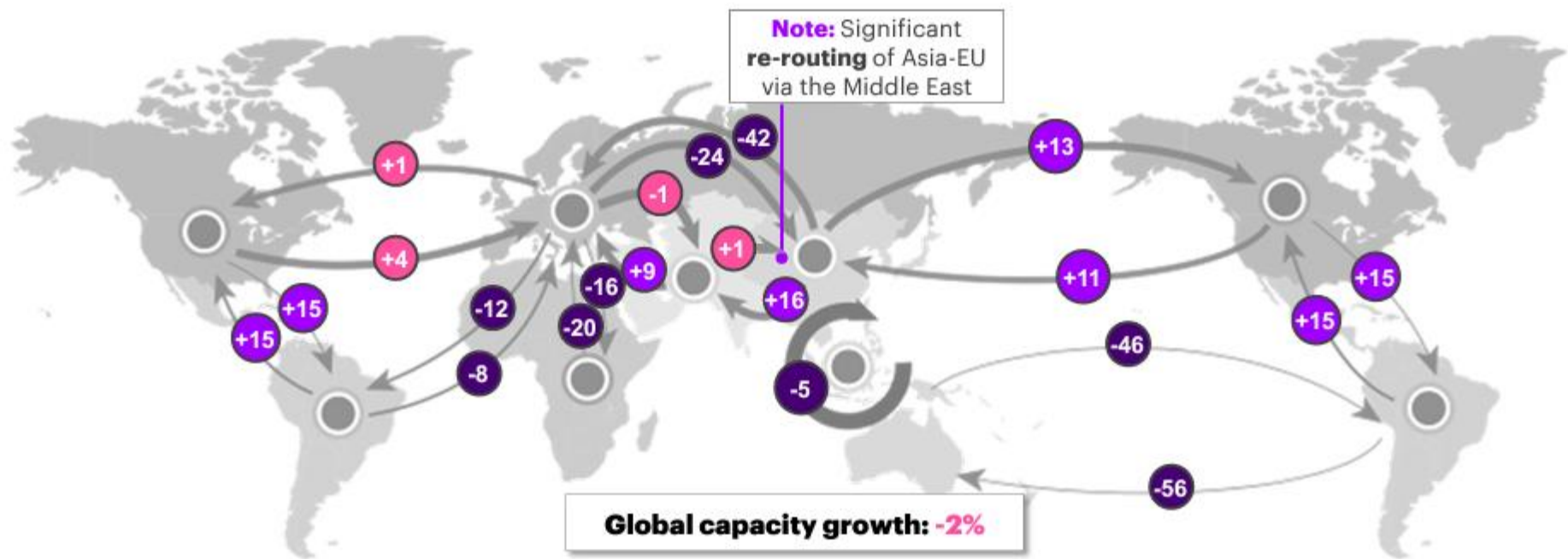
- The trajectory of global trade activity remains unclear. Inflationary pressures on consumer and producer prices have eased slightly, which resulted in modest improvement for air freight volumes. The broader market, however, continues to contract.
- Consumer demand (largely driven by the U.S. market) is expected to continue to soften and remain relatively flat in 2023. Likewise, production-driven demand from the Asia-Pacific region is expected to follow the same path.
- The consumer electronics, semiconductor, and healthcare industries remain key indicators for market analysts.

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

% growth vs 2019



CAPACITY DEVELOPMENT

- Thanks to a recovery in travel, belly space allotment has seen strong increases since March 2022.
- Belly space allotment is only 5% lower than the pre-pandemic period. However, there are huge regional differences. Freight capacity between Northern Europe and the Americas will be higher than 2019, while capacity between Asia and Europe as well as Asia to the United States will be significantly lower than 2019.
- Chinese COVID-19 protocols continue to curb exports. This, coupled with softening demand and modal conversion to ocean, will continue to soften rates.
- Cargo movement via freighter is down roughly 8% year-over-year and dropped an additional 2% month-over-month.
- Expect disruptions as China loosens COVID-19 restrictions and infections rise across the country.



AIR TRADE LANES

- December gains in demand due to the holidays are expected to subside in January, placing further pressure on the air freight market.
- Globally, load factors are soft and widespread improvement is not expected until the second half of 2023.
- Generally, rates are relatively stable with slight decreases.
- Europe is seeing relative stabilization of fuel supply after the initial disruptions due to Russia's war in Ukraine. This is reflected in December FSC updates from major carriers.

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

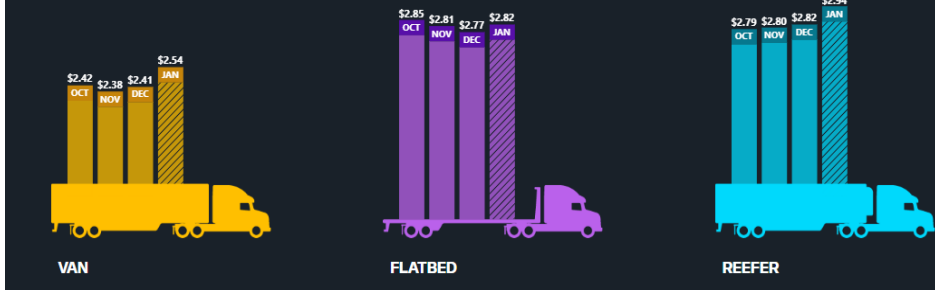
Trade Lane	Status	Comments
US to LATAM		
LATAM to US		
Europe to LATAM		
LATAM to Europe		
India to US		
US to India		

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

NORTH AMERICAN TRANSPORTATION

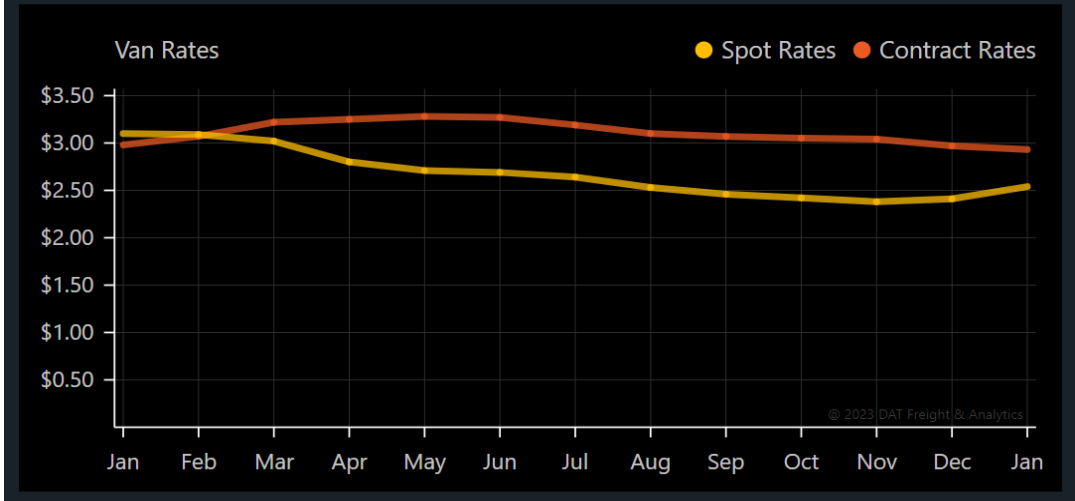
National Spot Rates

Spot rates spike to close 2022



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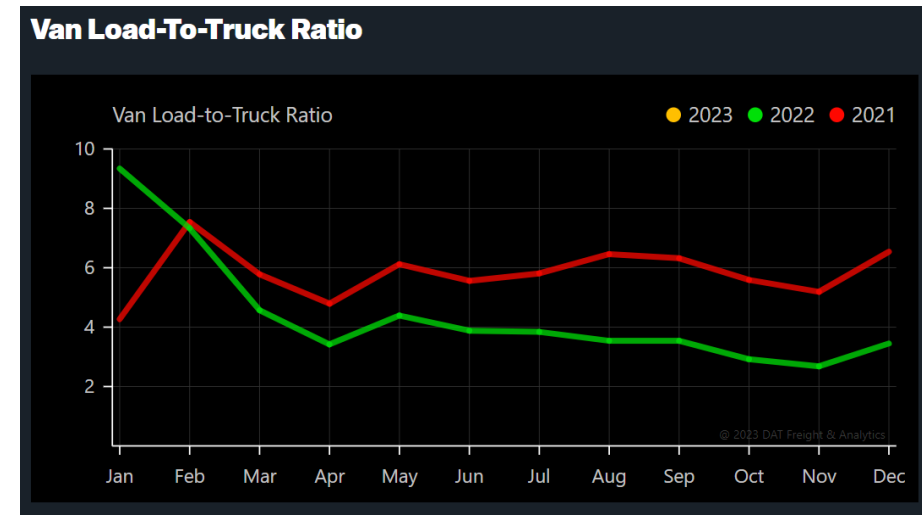
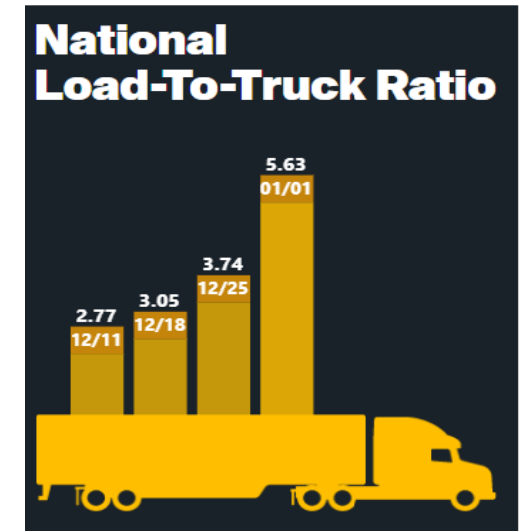
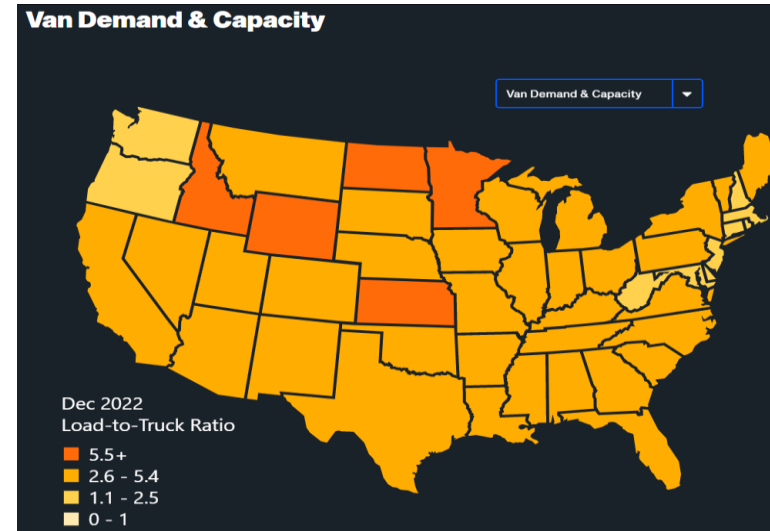
Van Rates



- Spot market rates trended upwards in December as capacity tightened due to weather events and normal peak volume upticks.
- The real estate vacancy rate is increasing, with more space becoming available, as retailers move out excess inventory and imports slow. According to the Wall Street Journal, the pullback comes as retailers rein in inventory replenishment due to an increasingly uncertain economy, while the online sales surge that helped fuel new warehouse demand wanes.
- Forward Air announced the acquisition of Land Air Express with an expected closing at the end of January. AIT continues to focus on growing its internal U.S. truck network, which features exclusive coast-to-coast support for AIT customers.

NORTH AMERICAN TRANSPORTATION

- Load-to-driver capacity remains favorable in most U.S. markets.
- At the end of the year, weather impacted available capacity, delaying trucks and creating equipment imbalances throughout the United States. Most carriers have since recovered, resulting in improved capacity.



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ECONOMIC INDICATORS

The Conference Board forecasts that economic weakness will intensify and spread more broadly throughout the U.S. economy over the coming months, with a recession beginning around the start of 2023. This outlook is associated with persistent inflation and rising hawkishness by the Federal Reserve. The CB forecasts that 2022 real GDP growth will come in at 1.9% year-over-year, 2023 growth will slow to 0% year-over-year, and 2024 growth will rebound to 1.7% year-over-year.

While easing supply-side constraints and a more hawkish monetary policy are cooling inflation, rising interest rates will tip the U.S. economy into a broad-based recession. This contraction will impact extremely tight labor markets and drive the unemployment rate higher. Still, the CB anticipates the jobless rate may peak at 4.5%, which is quite low by historical standards. This expectation reflects severe labor shortages that may continue despite the downturn.

The Conference Board US Economic Outlook, 2020-2024 (Dec)

	2021				2022				2023				2024				2020*
	I Q*	II Q*	III Q*	IV Q*	I Q*	II Q*	III Q*	IV Q	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q	
Real GDP	6.3	7.0	2.7	7.0	-1.6	-0.6	2.9	0.7	-0.6	-1.5	-0.4	1.2	3.0	2.5	2.2	2.3	-2.8
Real GDP (YoY)	1.2	12.5	5.0	5.7	3.7	1.8	1.9	0.3	0.6	0.3	-0.5	-0.3	0.6	1.6	2.2	2.5	-2.8
Real disposable income	52.4	-28.8	-4.6	-4.9	-10.6	-2.3	0.9	1.0	0.5	0.2	0.3	0.6	1.0	1.7	1.8	1.9	6.2
Real consumer spending	10.8	12.1	3.0	3.1	1.3	2.0	1.7	1.2	-0.5	-1.5	-0.4	0.4	2.9	2.4	2.0	1.8	-3.0

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