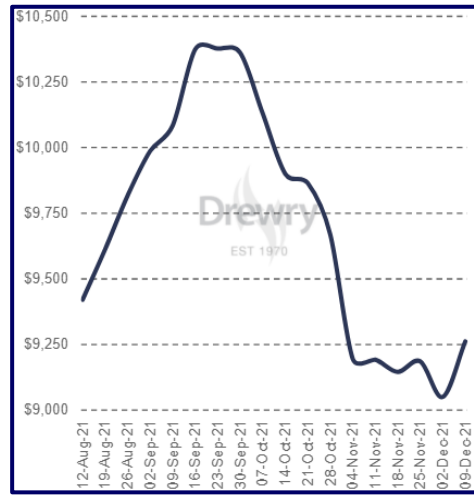


GLOBAL TRANSPORTATION MARKET REPORT JANUARY 2022

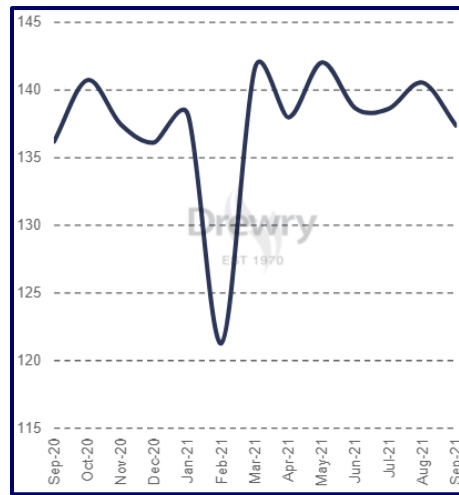


GLOBAL OCEAN TRENDS

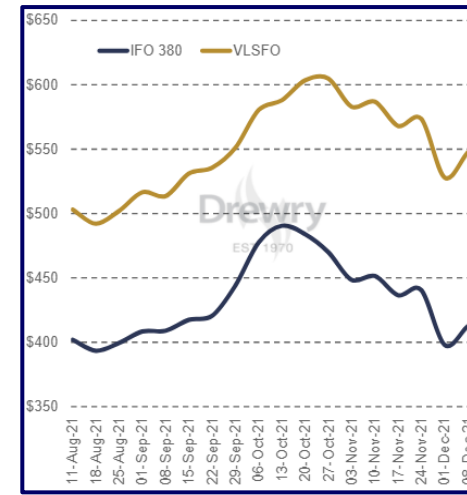
World Container Index



Global Port Throughput



Bunker

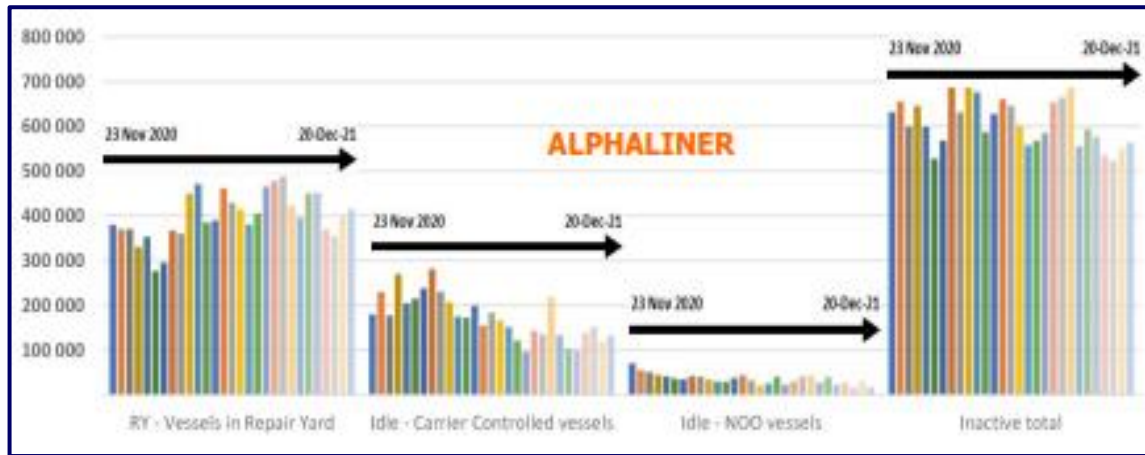


Source: Drewry Marine Research

- Port congestion is leading all carriers to consolidate services and omit port calls.
- The U.S. government is considering intervening with ocean shipping regulations to offset historical volume and congestion.
- Demand and supply are expected to hold or increase as the market shifts its focus to the pre-Chinese/Lunar New Year freight surge.
- U.S. East Coast congestion is increasing, while the West Coast remains at record high levels.
- The United Kingdom continues to report its highest levels of port congestion and delays. This is anticipated to continue in the weeks leading to Chinese/Lunar New Year.

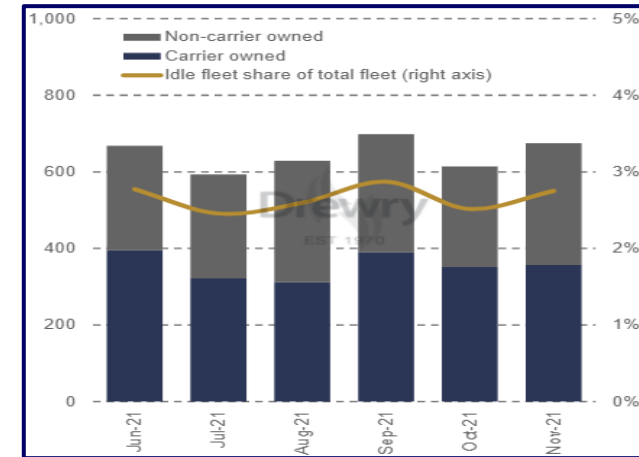
CAPACITY AND IDLE FLEET

Tonnage Inactive



Source: Alphaliner

Idle Fleet



Source: Drewry Marine Research




- Inactive capacity is at 165 ships for 564,021 TEU; 2.3% of the global capacity. This is a slight increase from the previous month.
- The global idle fleet has increased slightly, which analysts have attributed to vessels entering yards/drydock.
- Deliveries in December consisted of 12 vessels, including a new, more than 20,000 TEU vessel delivered to Evergreen.

OCEAN TRADE LANES

- The Ports of Los Angeles and Long Beach plan to implement a new dwell fee starting January 30, following several implementation delays over the course of November and December.
- Felixstowe is at risk of losing the largest number of Far East port calls, due to congestion. Already, Felixstowe had dropped from as many as 10 weekly calls in 2016 to four in early 2022.
- As the number of port calls drops, consolidation and the volume of freight per call is increasing, with MSC Allegra expected to handle an estimated 23,500 TEU on her maiden calls to Zeebrugge and Antwerp.
- Booking turn times in Europe are very long for all trades.
- Trucking, intermodal capacity and driver availability remain strained for all major destinations.

Trade Lane	Status	Comments
TPEB to USEC	Red	Utilization 100%
TPEB to USWC		Utilization 100%
CBP to N Eur		Rate increases expected
CBP to MED		
SE Asia to N Eur		
SE Asia to MED		
ISC to US		
N Eur to ISC		Yellow

Trade Lane	Status	Comments
N Eur to AP	Yellow	Stable rates expected
MED to AP		Rates expected to stabilize
US to N Eur	Red	
US to MED		
MED to US	Yellow	Rates expected to hold
N Eur to US	Red	Rates expected to increase
US to ISC		
Med to ISC	Yellow	Increases expected

	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 will launch U.S. Gulf Coast service with its Santana loop (previously only serving USEC destinations).
- 2M is reducing its Asia-North Europe network starting this month. This does not necessarily mean traffic reduction, but rather consolidation and therefore increased freight volume per port call.
- Five 2M loops, six OCEAN loops and two THE Alliance loops will now serve Shanghai.
- Hapag-Lloyd has announced a rework of its network to reduce redundancy and overlap.
- The Yantian Port Group, along with other project stakeholders, recently broke ground on an additional container terminal in Yantian, within Shenzhen city. The new terminal will be the first module of the larger Yantian East project and it will add to the western modules of the Yantian International Container Terminals.

MEXICO AND TRANSBORDER

Transborder Crossings

- **Tijuana and Mexicali** – No impacts. Current crossing times are SB one hour and NB two hours.
- **Juarez** – No impacts. Current crossing times are SB one hour and NB two hours.
- **Laredo** – No impacts. Current crossing times are SB one hour and NB two hours.

Over the Road/FTL

- **Carta Porte**

Effective Jan. 1, this supplement is now a requirement, "however, taxpayers have until March 31, as a transition period, to correctly issue their electronic invoice with Carta Porte supplement without fines and penalties."

- **Driver Shortage**

The first two weeks of January will see shortages of availability of operators due to holidays, increasing the time it takes to return to the border to cover the cargo available.

MEXICO AND TRANSBORDER

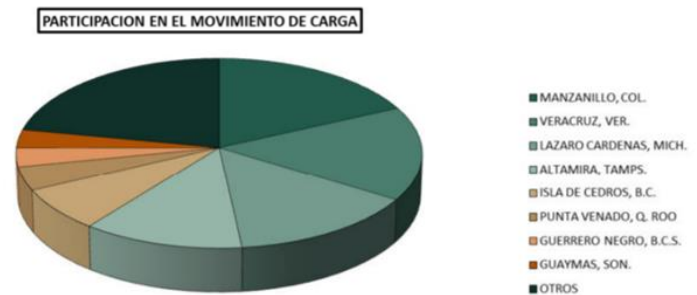
- Air and Ocean Updates

Ocean Market

- Capacity, equipment and port issues in China remain a challenge for Mexico consignees. Congestion and vessel turn times at the Ports of Los Angeles and Long Beach are having a significant effect on pricing.
- Mexico ports recorded a volume increase of 22% from 2021.
- Truck capacity remains a challenge for Manzanillo and Lazaro Cardenas.

Top Ports of 2021:

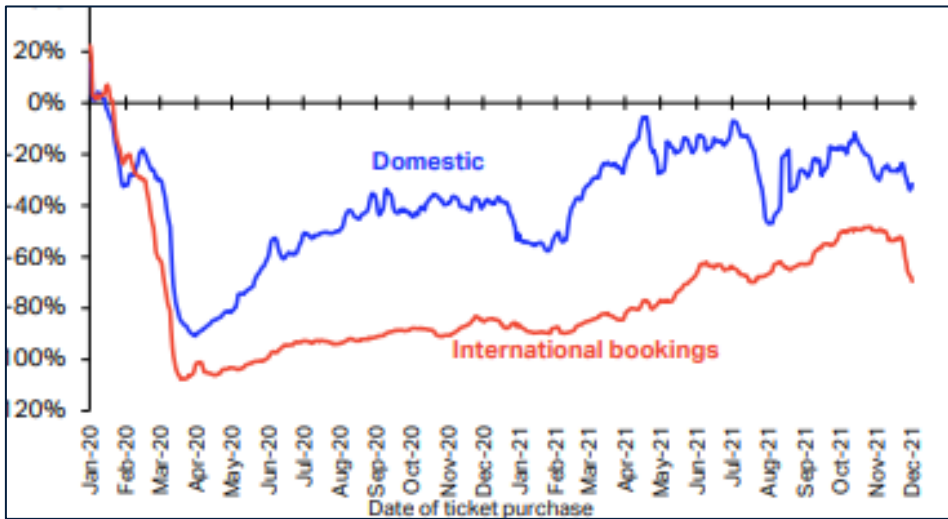
- Manzanillo
- Veracruz
- Lazaro Cardenas
- Altamira



Air Market

- Export rates are more stable and offer enough capacity for all destinations.
- Congestion continues to challenge import volumes, due to low capacity in the ocean market. This remains particularly pronounced on freight from Asia.
- Records for the Mexican air market continue, recording 19% growth for Q4 and likely to continue.

Global Bookings % Change vs. 2019 Same Period



Source: IATA Economics using DDS ticketing data

AIR FREIGHT OVERVIEW

- Scheduled flights remain on the rise despite omicron variant. Countering this, passenger bookings have shown decreases, which have airlines predicting risks to financial recovery.
- Although demand continues to outpace capacity, capacity is showing slight increases. The leading factor remains the demand for speed of receiving goods.
- Airlines continue to see trade growth due to high-demand market conditions. With ocean shippers continuing to face record high rates, air remains a viable option.

	World share ¹	October 2021 (% ch vs the same month in 2019)				October 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.4%	-7.2%	8.5%	56.1%	13.5%	15.6%	-1.0%	56.1%
Africa	2.0%	25.9%	6.6%	6.9%	45.0%	19.6%	18.5%	0.4%	45.0%
Asia Pacific	32.6%	3.6%	-15.7%	12.3%	66.1%	17.1%	11.2%	3.4%	66.1%
Europe	22.3%	9.0%	-7.2%	9.3%	62.6%	17.9%	19.4%	-0.8%	62.6%
Latin America	2.4%	-5.8%	-22.7%	7.5%	42.1%	7.6%	18.2%	-4.2%	42.1%
Middle East	13.0%	9.4%	-8.7%	9.5%	57.2%	9.7%	15.4%	-3.0%	57.2%
North America	27.8%	18.6%	3.1%	5.9%	44.9%	7.8%	16.9%	-3.8%	44.9%
International	85.5%	10.4%	-8.0%	10.7%	64.1%	16.4%	16.8%	-0.2%	64.1%
Africa	2.0%	26.7%	9.4%	6.2%	45.4%	19.7%	18.1%	0.6%	45.4%
Asia Pacific	29.1%	7.9%	-12.9%	14.7%	76.0%	22.1%	21.6%	0.3%	76.0%
Europe	21.9%	8.6%	-7.4%	9.5%	64.7%	17.8%	19.6%	-1.0%	64.7%
Latin America	2.0%	-6.6%	-28.3%	13.5%	58.4%	5.9%	11.1%	-2.9%	58.4%
Middle East	13.0%	9.4%	-8.6%	9.5%	57.5%	9.7%	15.4%	-3.0%	57.5%
North America	17.5%	18.8%	-0.6%	9.2%	56.6%	11.6%	9.7%	0.9%	56.6%

¹% of industry CTKs in 2020

²Change in load factor vs same month 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.

CAPACITY DEVELOPMENT

- Thanks to a continued increase in passenger bookings and resulting belly space, air capacity recovery has reduced its deficit to less than 5% from 2019 levels.
- COVID-19 will continue to impact recovery, as indicated by recent omicron-related reductions in bookings. Airlines continue to monitor the situation closely.
- As of December 2021, transatlantic trades showed an approximately 5% reduction compared to 2019 levels of capacity growth.
- Although rates from the Asia Pacific region to the United States softened in December, Chinese/Lunar New Year demand combined with omicron impacts will cause rates to climb this month.
- Congestion at U.S. and European destinations remains a challenge, with strained labor supply to breakdown cargo.

International Air Cargo Capacity Growth 2021 vs. 2019



Source: Seabury Intel

AIR TRADE LANES

- Asia Pacific cancellations have increased significantly, impacting capacity. This is due to quarantine measures and crews testing positive for COVID-19.
- For Europe, original CX & LH freighter frequency was 12 per week. Both will suspend these routes in Q1.
- Cancellations are going to significantly impact the worldwide airfreight capacity, resulting in volatile pricing in Q1.

Trade Lane	Status	Comments
AP to US	Red	Utilization 98%
US to AP		Utilization 98%
Europe to AP		Strained capacity ex UK
AP to Europe		Utilization 98%
Europe to US		Destination ATL has slightly more capacity
US to Europe		Utilization 98%

Trade Lane	Status	Comments
US to LATAM	Red	Utilization 95%
LATAM to US	Yellow	Utilization 90%
Europe to LATAM	Red	Congestions from DE and UK
LATAM to Europe	Yellow	Utilization 90%
India to US	Red	Utilization 100%
US to India	Red	Utilization 100%

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

AIRLINE UPDATES

CURRENT STATE

- Sick leave among crew members due to the omicron variant has caused labor shortages and schedule impacts.
- PO/5Y has posted cancellations due to freighters' AOG. This has further impacted capacity out of Asia.
- Hong Kong's strict measures to curb COVID-19 spread include placing crews into mandatory seven-day quarantine, which is leading to cancellations.
- As a result of COVID-19 curbing measures, European and North American exporters are dealing with cargo left behind as inbound shipments to China are suspended.

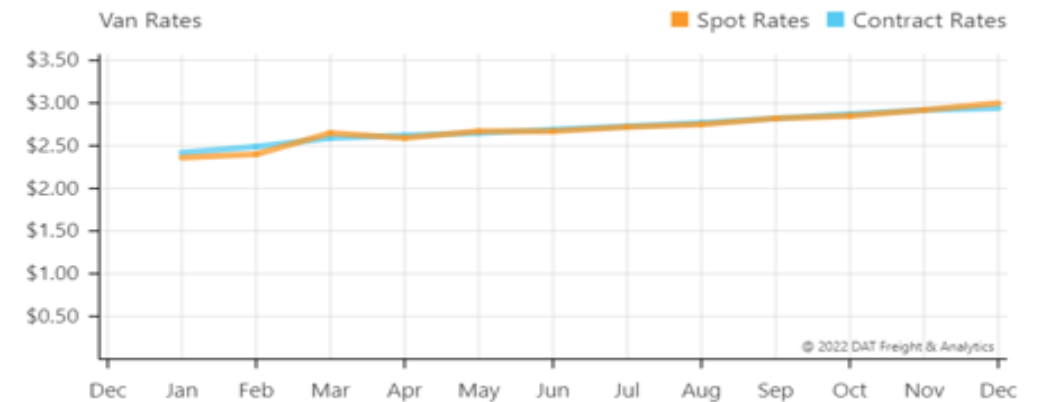
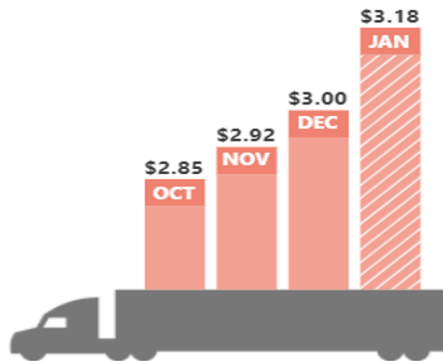
FUTURE STATE

- Closures intended to slow the spread of COVID-19 in Xian have impacted the supply chain, specifically, the high-tech industry, with two of the largest chip manufacturers currently closed.
- More than 22% of previously scheduled flights from the Asia Pacific region have been cancelled.
- Expect further cancellations and capacity strain if COVID-19 continues to spread in Hong Kong.
- Rates are expected to increase as capacity is removed from the market.

NORTH AMERICAN TRANSPORTATION

powered by DAT iQ

National Average Rates

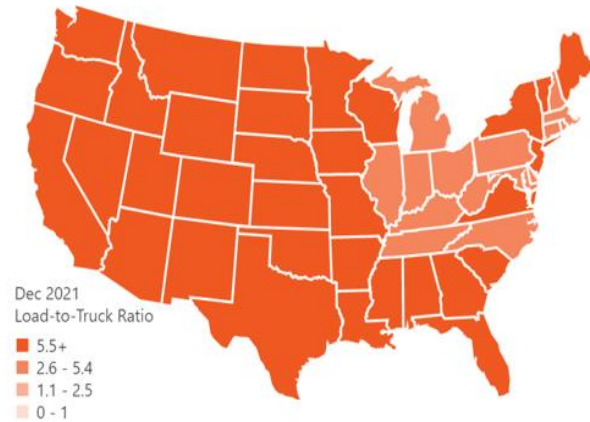


- DAT intelligence expects record high rates to continue well into 2022, due to fewer truck builds, labor constraints and further supply chain disruptions.
- Spot rates jumped sharply heading into January as demand for capacity continues to increase.
- Consumer spending habits continue to drive demand in the market and, in turn, higher rates.

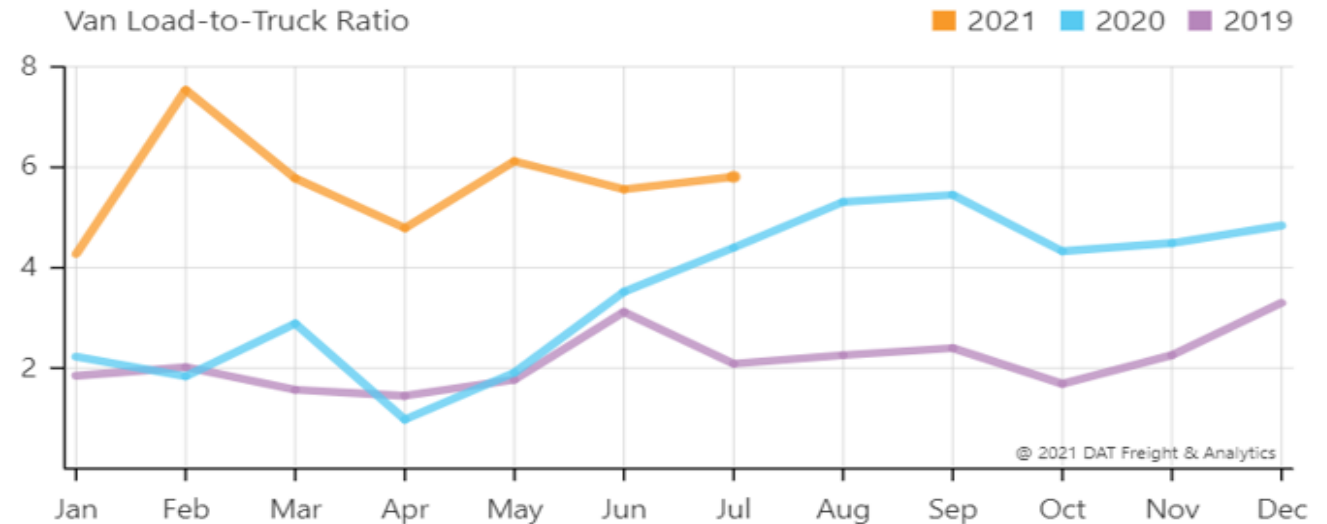
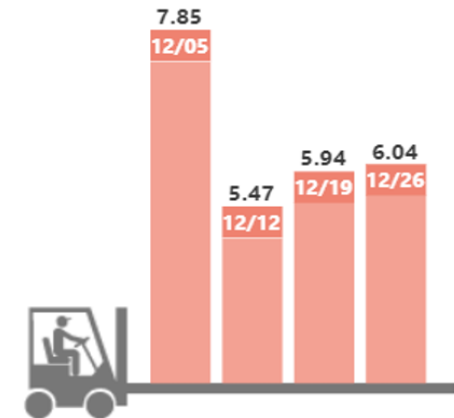
NORTH AMERICAN TRANSPORTATION

- The load-to-truck ratio is exclusively calculated by the dry van full-truck-load availability and varies by state as displayed on the map at right.
- Higher load-to-driver ratios have expanded to 77% of the United States.
- Trailers remain in very high demand as ending lease agreements are quickly being renewed. Additionally, many big-fleet carriers are not turning in their peak season rentals and trailer leasing companies have large order backlogs to fill.

National Van Demand and Capacity



National Load-to-Truck Ratio



CUSTOMS BROKERAGE

2022 brings customs updates for United States imports

- The most recent changes to the Harmonized Tariff Schedule for U.S. imports goes into effect Jan. 27.
- New European Union tariff rate quotas for steel and aluminum began Jan. 3.
- The United States Customs and Border Control continues to focus on forced labor, which will have an impact on any importer with shipments from Xinjiang, with diligence put onto any importer to prove goods are not made with forced labor.
- The table below represents duties and taxes from trade remedy programs through Dec. 31, 2021.

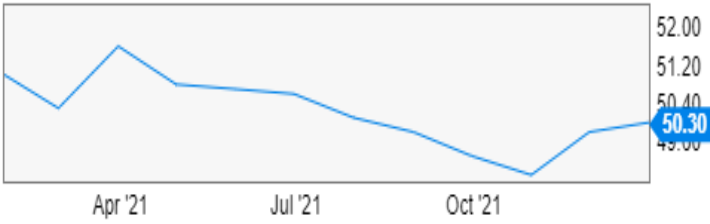
TRADE REMEDY ENFORCEMENT	IMPORTED PRODUCTS	TOTAL DUTIES ASSESSED ^{1*}
Section 201 Duty Assessment	Washing Machines ²	\$282,481,104
	Washing Machine Parts ³	\$3,004,060
	Solar Panels ⁴	\$2,809,343,718
Section 232 Duty Assessment	Aluminum ⁵	\$2,813,671,859
	Steel ⁶	\$9,623,809,989
Section 301 Duty Assessment	China ⁷	\$119,602,809,685
	EU ⁸	\$1,119,778,631

** Trade Remedy duties assessed = Estimated Trade Remedy duties, determined by the trade community, and final Trade Remedy duties, ascertained by CBP, including adjustments for refunds.*

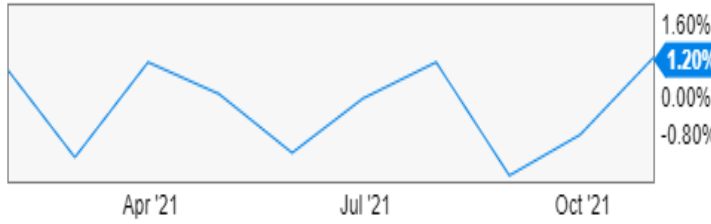
- For more information on U.S. import-related questions please contact chicagochb@aitworldwide.com.

Major Production & Business Activity Indicators

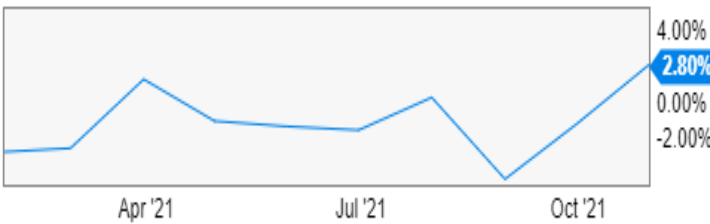
China PMI



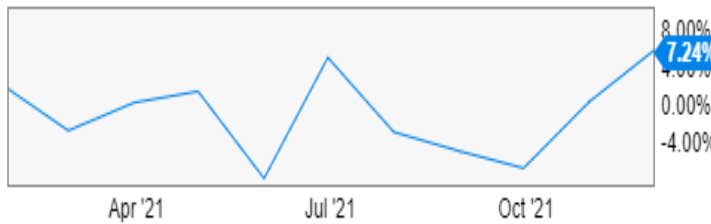
European Union Industrial Production Index MoM



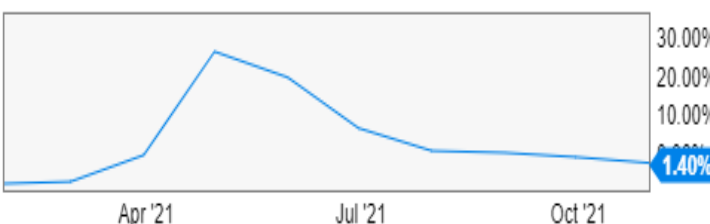
Germany Industrial Production Index MoM



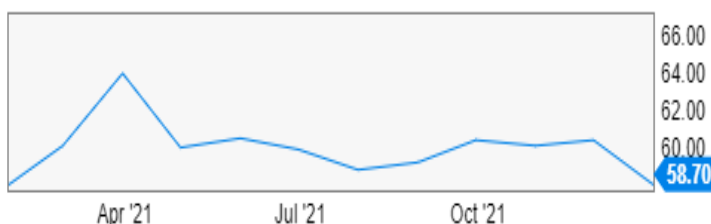
Japan Industrial Production Index MoM



UK Industrial Production Index YoY



US ISM Manufacturing PMI



ECONOMIC INDICATORS

- According to the International Monetary Fund, the global economy is projected to grow 4.9% in 2022.
- The severity of the current COVID-19 omicron wave is likely to have a larger impact on the market than previously anticipated, including first quarter growth projections.
- Outside of the United States and the United Kingdom, the Purchasing Manager's Index continues to report confidence in global manufacturing.

TURN INSIGHTS INTO ACTION WITH AIT

Partner with a global network of experts on logistics plans tailored to you

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

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Kent Thompson

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