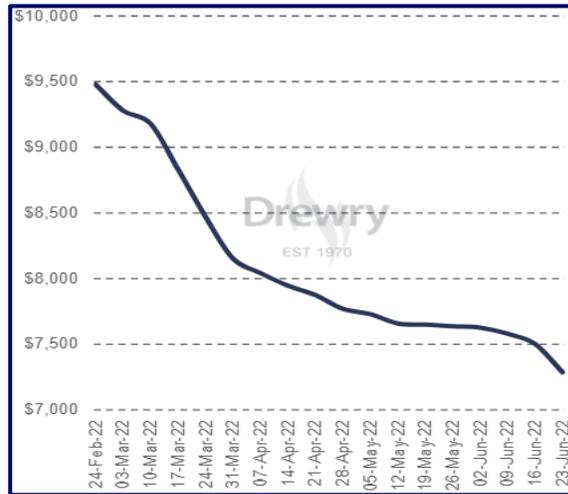


# GLOBAL TRANSPORTATION MARKET REPORT JULY 2022

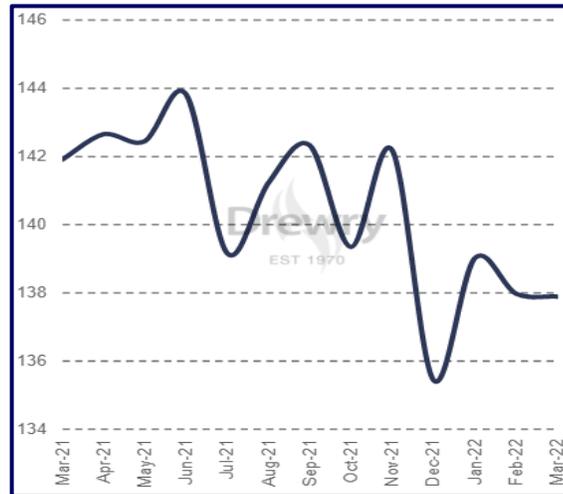


# GLOBAL OCEAN TRENDS

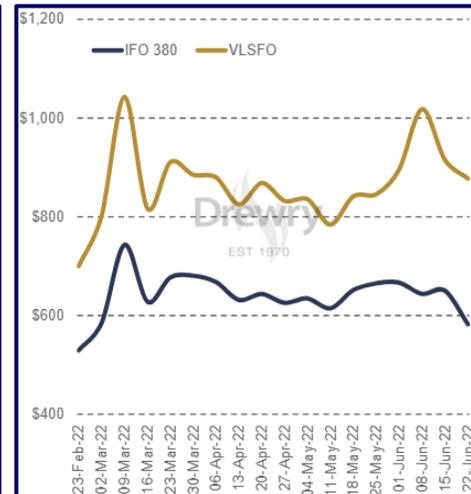
World Container Index



Global Port Throughput



Bunker

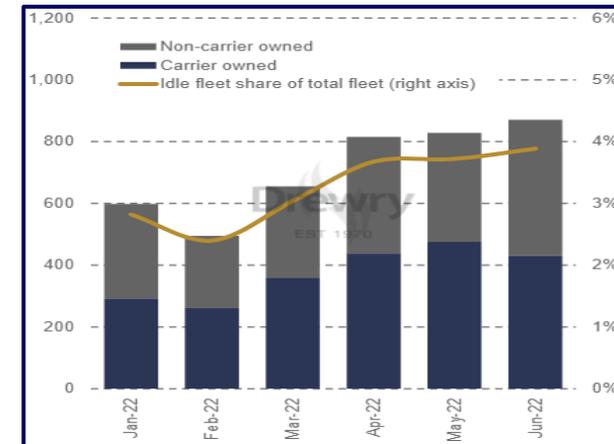
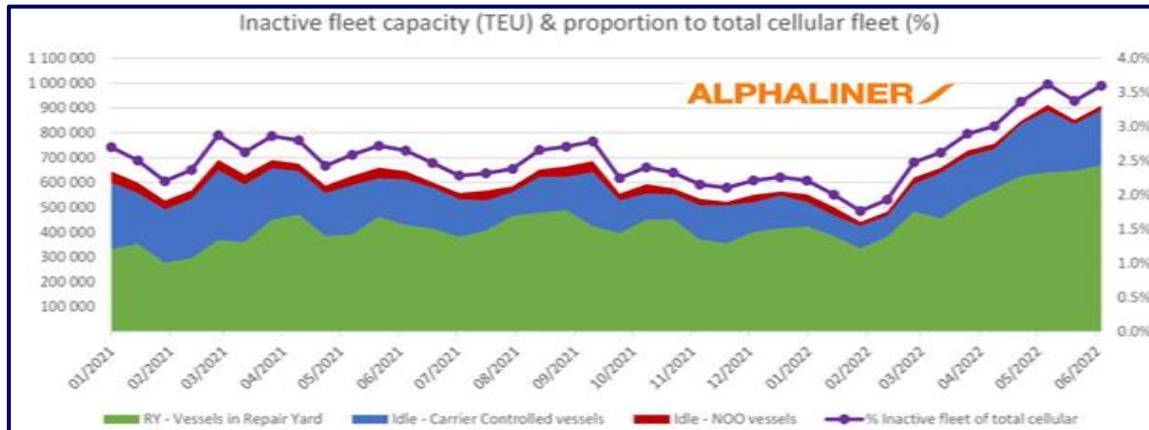


Source: Drewry Marine Research

- The Chinese government indicates there may soon be a reprieve from near-total COVID-19 lockdowns.
- If the government does lift restrictions, expect volumes to increase out of the Asia-Pacific region; however, these elevated levels are not likely to last long into 2023.
- Spot rates show continued signs of normalization. Carriers are deploying tonnage to support demand in a much more irregular manner than usual.
- In response to surging demand for goods over the past three to six months—which account for a third of inflation in the United States—businesses are using robust on-hand inventory to restock rather than placing new orders, resulting in decreased demand for ocean capacity.

# CAPACITY AND IDLE FLEET

Tonnage Inactive



- Inactive capacity is at 223 ships representing 910,042 TEU. This is a continued increase from the previous month accounting for 3.6% of the global fleet.
- The global idle fleet now includes commercially inactive tonnage as well as ships in repair yards.
- Nine vessels were delivered in April, including three 10,000+ TEU vessels delivered to MSC, Yang Ming, and CMA. In all, deliveries in June amounted to more than 50,000 TEU added to the fleet.

# OCEAN TRADE LANES

- Due to redeployment or delay, some loops are missing all tonnage and could technically be considered temporarily suspended. Carriers are looking to maintain more flexible deployment of tonnage moving forward.
- Carriers have dropped Russian calls, allowing for shippers to deploy tonnage on other strings.
- Carriers are expecting a strong finish for Q2. However, the continued spot rate decline indicates weaker demand for the summer months.
- ILWU negotiations continue as demand to both the U.S. Gulf and East Coast ports increase.

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

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

# OCEAN CARRIER UPDATES

**2M**



**Ocean Alliance**



**THE Alliance**



- MSC announced three standalone Asia-to-North America services: West Coast (Sentosa), East Coast (Santana), and Gulf Coast (Zephyr).
- Wan Hai added the Port of Philadelphia to its U.S. East Coast loop (AA9).
- 2M added Zeebrugge to two of its Far East-Europe services (AE6/Lion and AE1/Shogun).
- CMA CGM will lower rates by about 10% from August 1 for large retailers in France. The move aims to support government efforts to curb inflation.

# MEXICO AND TRANSBORDER

- Cross-border cargo between the United States, Canada and Mexico increased 26% in April compared to the same period in 2021 and, accounting for all modes of transportation, cross-border freight reached more than \$135 billion ([USDOT](#)).
- From April 2021 to April 2022, according to the Bureau of Transportation Statistics, the value of cargo between the United States and Canada amounted to \$69.1 billion, an increase of 31.2%. For the same period, cargo between the United States and Mexico was valued at \$66.2 billion—a growth of 20.9% year-over-year.
- By the end of 2022, Mexico's driver deficit is expected to grow to 32%, and analysts predict 54,000 drivers will be needed to meet transportation needs.

# MEXICO AND TRANSBORDER

- International Updates

## Terminals urge enhanced importer logistics due to Manzanillo port congestion

- In 2021 alone, the port handled a record 3.3 million TEUs, creating logistical chaos that was largely attributed to customs lacking infrastructure and personnel.
- Operators also note that importers often do not have adequate logistics in place, which results in longer warehouse storage times and higher occupancy levels at the port.
- Despite the logistical and operational strategies implemented by the port community for faster dispatching, terminal operators say dwell time for containers at the port has not decreased. However, areas of opportunity have been identified and procedures are being optimized.

# MEXICO AND TRANSBORDER

## **Aeropuerto Internacional Felipe Ángeles opens, regional air cargo volume expected to grow**

- The second airport serving the Mexico City metropolitan area opened on March 21 and will be ready to receive cargo in November.
- Currently, capacity is congested for destinations in Europe and Asia.
- Fuel surcharges continue to increase.
- Expect continued growth of air cargo in the region due to the promotion of e-commerce through retailers like Amazon and Alibaba.
- Airbus reported that due to the growth of air cargo in Mexico and Latin America some carriers in the region are expanding their fleets with aircraft dedicated to this segment.

## Growth in Global Goods Trade



Source: IATA Economics

	World share <sup>1</sup>	April 2022 (% ch vs the same month in 2019)				Year-to-date (% ch vs the same period in 2019)			
		CTK	ACTK	CLF (%-pt) <sup>2</sup>	CLF (level) <sup>3</sup>	CTK	ACTK	CLF (%-pt) <sup>2</sup>	CLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>-1.0%</b>	<b>-10.6%</b>	<b>5.0%</b>	<b>51.6%</b>	<b>3.0%</b>	<b>-9.8%</b>	<b>6.7%</b>	<b>53.8%</b>
Africa	1.9%	7.7%	-16.3%	10.9%	49.0%	19.1%	-10.5%	12.3%	49.3%
Asia Pacific	32.5%	-13.4%	-28.9%	11.3%	63.1%	-3.5%	-20.4%	10.9%	61.9%
Europe	22.9%	-5.8%	-18.5%	7.8%	57.8%	-1.9%	-18.6%	10.7%	63.2%
Latin America	2.2%	-3.0%	-19.1%	7.0%	41.9%	-2.7%	-25.6%	10.3%	43.7%
Middle East	13.4%	2.2%	-5.3%	3.7%	50.4%	1.1%	-8.6%	5.0%	51.7%
North America	27.2%	18.6%	14.5%	1.4%	41.9%	17.4%	10.9%	2.4%	44.0%
<b>International</b>	<b>87.2%</b>	<b>-0.5%</b>	<b>-11.8%</b>	<b>6.6%</b>	<b>58.1%</b>	<b>3.4%</b>	<b>-11.4%</b>	<b>8.7%</b>	<b>60.7%</b>
Africa	1.9%	8.8%	-14.8%	10.8%	49.8%	20.5%	-8.5%	12.1%	50.1%
Asia Pacific	29.5%	-8.6%	-23.4%	11.1%	68.9%	0.8%	-16.4%	11.9%	69.4%
Europe	22.5%	-5.8%	-17.8%	7.6%	59.8%	-2.0%	-18.6%	11.1%	65.4%
Latin America	1.8%	-1.0%	-17.4%	8.3%	50.1%	-2.0%	-24.7%	12.3%	53.1%
Middle East	13.4%	2.3%	-4.2%	3.2%	50.7%	1.1%	-8.4%	4.9%	52.1%
North America	18.0%	18.9%	9.3%	4.2%	51.8%	16.6%	5.1%	5.3%	53.6%

<sup>1</sup>% of industry CTKs in 2021

<sup>2</sup>Change in load factor vs same period in 2019

<sup>3</sup>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

- Volumes are falling alongside declining capacity from Asia, continuing a trend that has persisted for several consecutive months.
- Two primary events continue to drive these reductions: COVID-19 restrictions in China and the ongoing Russian invasion in Ukraine.
- Rates are expected to decrease as restrictions ease and volumes increase; however peak season will be followed by a softer market.

# CAPACITY DEVELOPMENT

- Carriers are reporting their capacity as flat or lacking compared to 2021 levels. For some lanes, cargo volumes are down by 40% in comparison to 2019 figures. Cargo revenue ton kilometers for the past month from Cathay Pacific are showing 32.5% reduction year-over-year.
- Export routes from Southern Europe to non-Asia destinations have stable rates and ample capacity.
- Airlines have been working to add capacity in what analysts assume may be optimistic views on the transforming market.
- Schiphol has announced an estimated 12% reduction in flights (from 500,000 to 440,000 per year) beginning in November 2023. The goal of the initiative is to abate the negative impact on people and the environment.
- Demand is expected to continue easing across trades, aligning with a reduction in spot rates as well as capacity and ground handling delays. Disruptions may persist, particularly if external factors (further COVID-19 restrictions, additional actions stemming from the Russian invasion of Ukraine, etc.) cause a surge in the market.

# AIR TRADE LANES

Ground handling congestion has eased outside Europe and the United Kingdom. This is a result of decreased demand and a continued reduction in spot rates.

If the Chinese government lifts COVID-19 restrictions, then opportunities open up for additional flights to export goods from Asia.

Inventory levels for U.S. importers are higher than in past months, contributing to softer demand.

Analysts continue to monitor strikes and congestion in Europe that could affect import deliveries. Ground handling at major EU and U.K. airports have experienced strain and disruption.

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

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

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

# AIRLINE UPDATES

## CURRENT STATE

- Ground handling at Frankfurt International Airport is experiencing a sharp reduction in staff, which is severely disrupting Lufthansa operations. Currently, cargo airlines have been asked by ground handling agents in Frankfurt to reduce cargo volumes during peak times. Some of the planned flights will be switched to other German airports.
- Amsterdam Airport Schiphol is cutting flights, saying there are thousands of travelers per day beyond the capacity of current security staff.
- London Gatwick and Heathrow airports are asking airlines to limit their flight numbers.
- Nearly 2,000 flights from mainland European airports were canceled in one week in June, with Schiphol accounting for nearly 9%. An additional 376 flights were canceled from U.K. airports; 28% of the cancellations were from Heathrow.

## FUTURE STATE

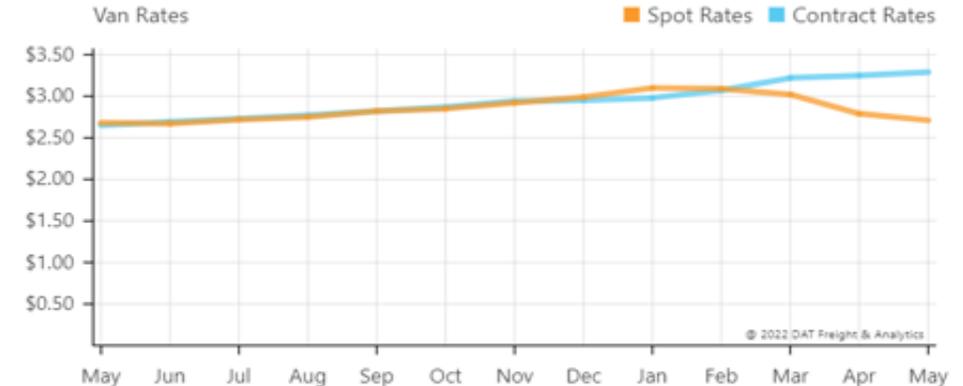
- The surge of Asia-Pacific air exports predicted by airlines after China lifted COVID-19 restrictions (especially in Shanghai) has not materialized.
- Continued increases in fuel surcharges, a slower than expected ramp up of Chinese manufacturing, and a seasonal lull may all be contributing factors to the sluggish market.
- While anticipating the usual increase in demand after the summer months, analysts are monitoring the market for signs indicating whether today's lower rates will remain stable into Q3.

# NORTH AMERICAN TRANSPORTATION

## National Average Rates



*powered by DAT iQ*



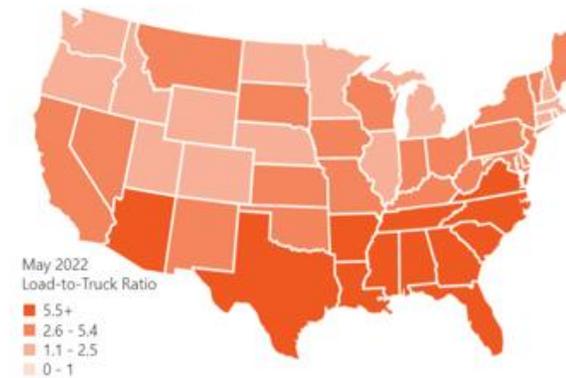
- Multiple issues on the U.S. West Coast could converge to affect capacity and rates. The longshore contract expired July 1, and while most experts predict there will not be a strike, the situation remains fluid. Even a labor slow down would create massive bottlenecks and critically hinder already-congested ports and warehouses.
- The U.S. Supreme Court recently denied to review the reversal against the two-year injunction of California's AB5 legislation. Trucking companies will have to immediately evaluate next steps to continue operating in the state. This could also create driver shortages in the Los Angeles market and possibly cause a ripple effect with other copycat states.

# NORTH AMERICAN TRANSPORTATION

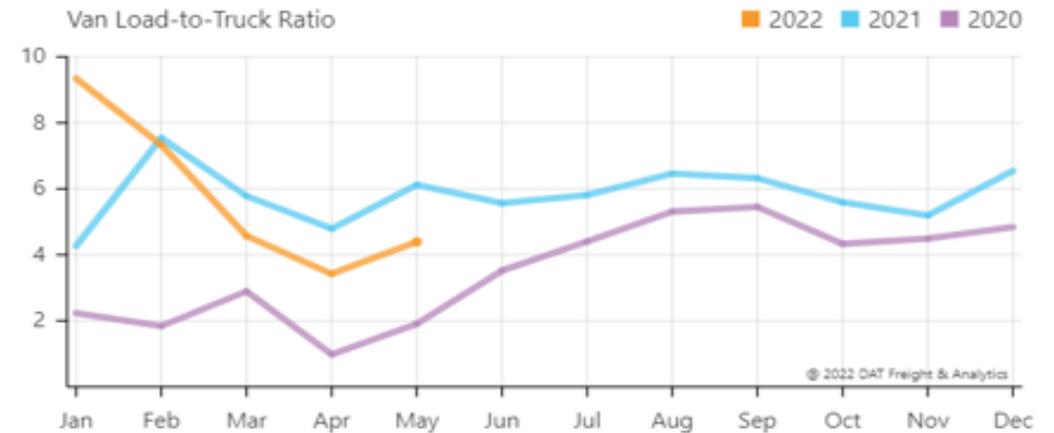
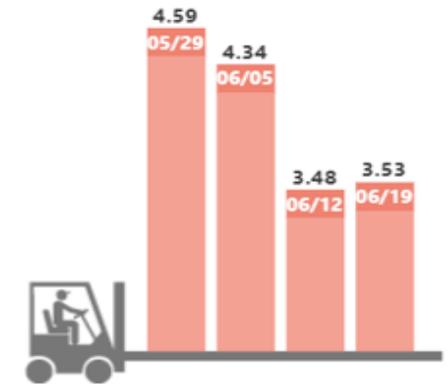
- Consumer spending is declining, creating inventory overflows for retailers and suppliers. Spending on retail and electronics has shifted to services, such as travel and dining.
- As ports continue to deal with an influx of cargo, truck capacity from the West Coast is expected to tighten in July and August.

powered by DAT iQ

National Van Demand and Capacity

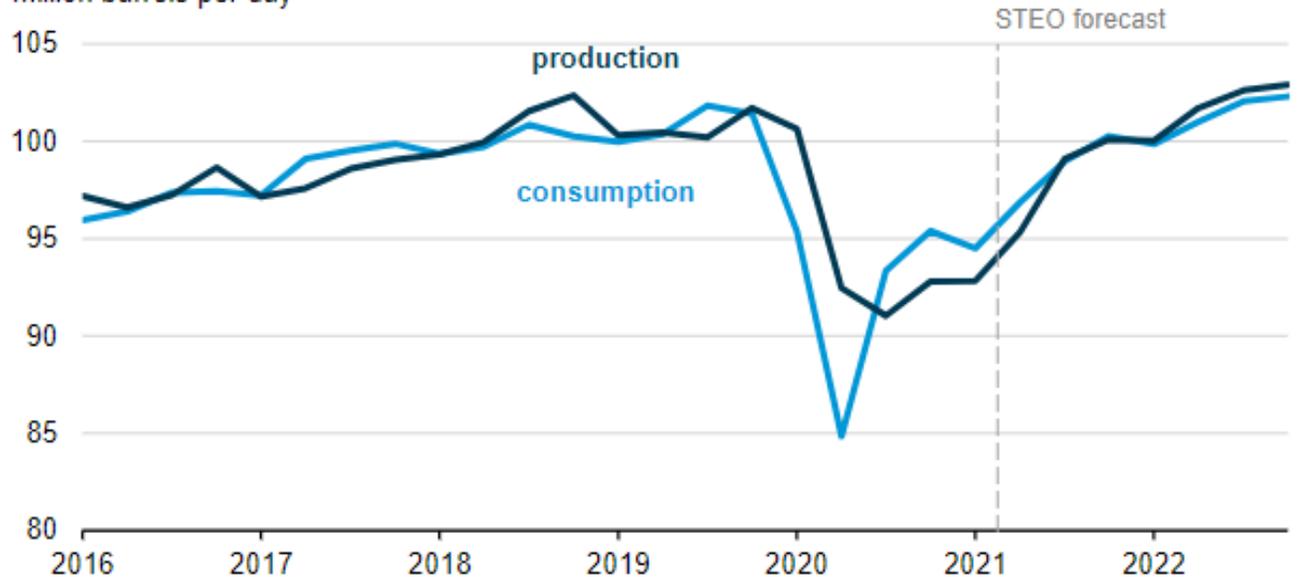


## National Load-to-Truck Ratio



Quarterly world liquid fuels production and consumption (2016–2022)

million barrels per day



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook* (STEO)

## ECONOMIC INDICATORS

- In the June Short-Term Energy Outlook, the U.S. Energy Information Administration forecasts that rising global production of petroleum and other liquid fuels (driven by OPEC, Russia, and the U.S.) will limit price increases for global crude oil benchmarks. Brent and West Texas Intermediate forecasts production will increase more rapidly than consumption, ending the large global stock draws seen in the first two quarters of 2021 and limiting the upward movement of crude oil prices.

# TURN INSIGHTS INTO ACTION WITH AIT

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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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