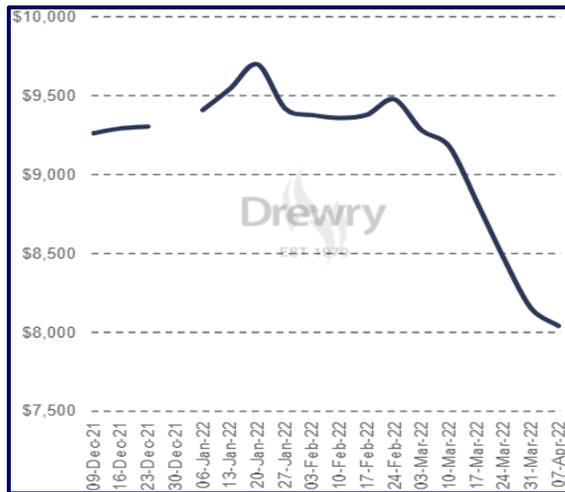


**GLOBAL
TRANSPORTATION
MARKET REPORT
MAY 2022**

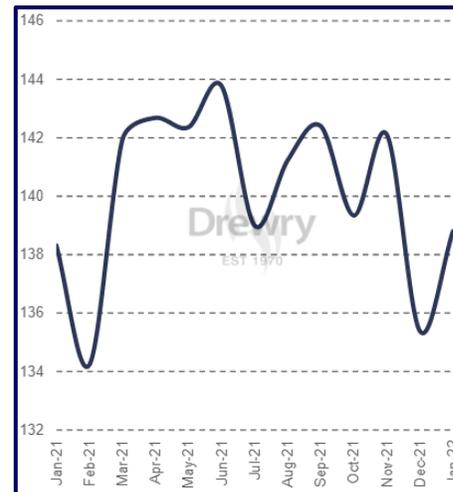


GLOBAL OCEAN TRENDS

World Container Index



Global Port Throughput



Bunker



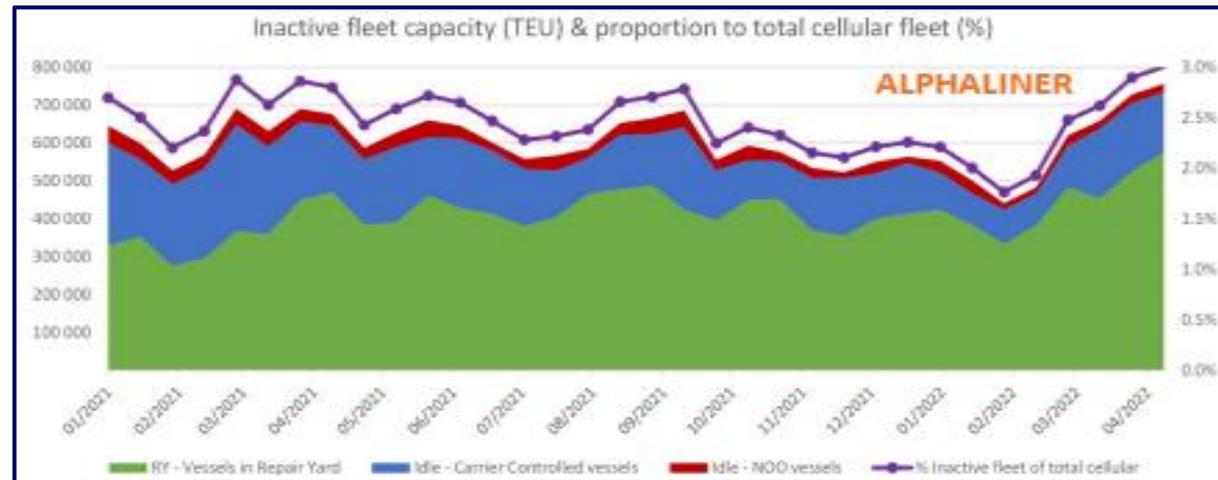
Source: Drewry Marine Research

- In response to zero-COVID lockdowns in Shanghai, carriers are implementing large numbers of blank sailings to consolidate shipments and maintain rates.
- Analysts expect rates and bunker costs to climb in the coming weeks and months.

- Spot rates are expected to remain high, with a continuous shift in tonnage to avoid closures in Shanghai.
- Carriers are monitoring the impacts of driver restrictions in China, especially Shanghai, as well as factory and warehouse closures. Both will affect imports and exports.

CAPACITY AND IDLE FLEET

Tonnage Inactive



Source: Alphaliner

- Inactive capacity is at 198 ships for 756,585 TEU. This is a slight increase from the previous month, accounting for 3% of the global fleet.
- Most of the global idle fleet is in repair yards.
- April saw five vessel deliveries, including one 12,000+ TEU vessel delivered to MSC. In all, approximately 20,000 TEUs were added to the fleet in April. Pandemic restrictions in Shanghai are now resulting in delivery delays.

OCEAN TRADE LANES

- Cargo delays caused by Shanghai's pandemic restrictions led to redeployment of vessel capacity across head haul trades.
- Carriers' market shares on Asia-originating trades have shifted, with Maersk and MSC growing the most, launching independent loops outside of the 2M agreement. (MSC is currently operating 67.4% of its TPEB capacity independently).
- Bunker adjustment factor rates are expected to continue increasing in the coming weeks. Barring further disruptions to the global oil market, surges are not expected; however, fuel costs are likely to drive most freight costs upwards.
- Negotiations between the ILWC and carriers began in April. If an agreement is not reached by July 1, any labor interruption would result in rate increases.

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	Rates expected to hold

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



- Ocean Alliance launches its eighth Asia-to-U.S. East Coast loop on May 9. The Chesapeake Bay Express (AWE7/ECC3) will call on Yantian, Ningbo, Shanghai, Busan, Norfolk, Savannah, Charleston, Miami, and Yantian.
- Hapag-Lloyd is diverting its China-Germany express service to Wilhelmshaven (from Hamburg) due to extreme congestion in Hamburg.
- HMM enhanced its short sea offerings, specifically from Japan to South Korea, adding three weekly services via a slot agreement as a part of the ONE loops.
- Hapag-Lloyd announced the closure of its MPS service (from the Mediterranean to the U.S. West Coast). This is affecting ZIM via a slot agreement, as well.
- 2M announced a reinstatement of Felixstowe to their rotation (AE7/Condor) from the Far East and will remove Wilhelmshaven as a port call.

MEXICO AND TRANSBORDER

New inspection checkpoints cause delays, inflation raises transit costs

- The installation of inspection checkpoints at U.S. border crossings in Texas severely impacted freight flow.
- Due to a shortage of new tractors available in Mexico, carriers must place orders at least six months in advance.
- The price of goods and services in Mexico has been consistently increasing for the past few months, raising costs for crucial transportation supplies, including diesel oil and truck parts.

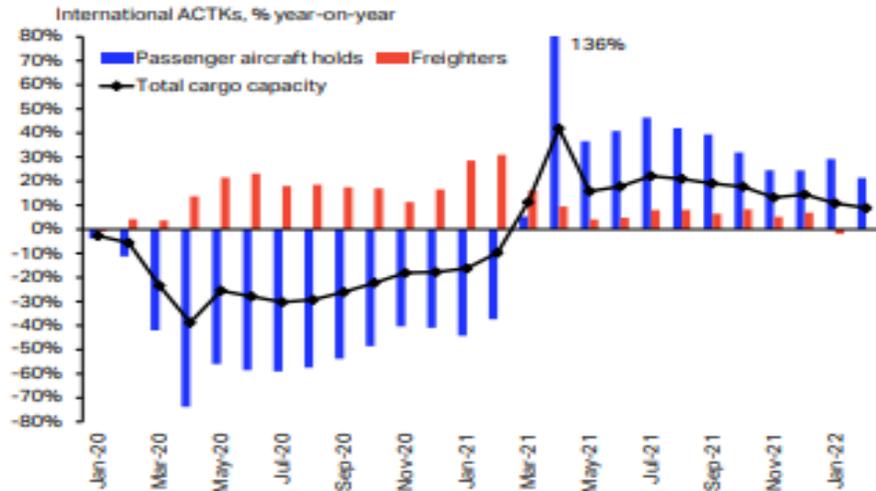
MEXICO AND TRANSBORDER

- International Updates

Mexican ports maintain acceptable levels of ship dwell time

- Maersk reported that its global network's key ports continue to face congestion, mainly due to pandemic-related labor shortages and increased freight volumes. However, Mexican ports are maintaining acceptable dock wait times.
- In Latin America, Maersk added, weather continues to affect the ports of the Gulf of Mexico, especially Altamira and Veracruz, which have dealt with frequent closures and resulting delays—although both continue to report low wait times compared to other ports.
- According to Secretaria de Marina - Armada de México (SEMAR), during the first two months of 2022, Veracruz operated a total of 174,643 TEUs—an increase of 4.1% compared to the first two months of 2021. Altamira handled 129,168 TEUs, a decrease of 6.6% from the same time period last year. In both cases, according to Maersk's analysis, the wait time for the arrival of ships remains between one and three days. In Manzanillo and Lázaro Cárdenas, the wait time is less than one day.

Belly Space and Freighter Capacity Development



Source: IATA Economics using data from IATA Monthly Statistics

	World share ¹	February 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%	11.9%	-5.6%	8.3%	53.2%	8.1%	-7.3%	7.7%	53.6%
International	87.2%	12.4%	-7.3%	10.7%	61.3%	9.0%	-8.6%	9.7%	60.1%

¹% of industry CTks in 2021 ²Change in load factor vs same period in 2019 ³Load factor level

	World share ¹	February 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%	11.9%	-5.6%	8.3%	53.2%	8.1%	-7.3%	7.7%	53.6%
Africa	1.9%	34.5%	-4.3%	14.5%	50.2%	27.2%	-8.1%	13.6%	49.1%
Asia Pacific	32.4%	10.6%	-14.6%	13.5%	59.2%	4.8%	-15.7%	11.7%	60.0%
Europe	22.9%	6.2%	-11.1%	10.4%	63.6%	6.0%	-10.0%	9.2%	60.9%
Latin America	2.2%	-0.9%	-32.0%	14.9%	47.6%	-3.4%	-30.6%	12.6%	44.6%
Middle East	13.4%	3.2%	-8.6%	6.1%	52.9%	2.7%	-10.3%	6.6%	52.2%
North America	27.2%	24.2%	14.3%	3.4%	42.9%	17.6%	10.0%	2.9%	44.9%
International	87.2%	12.4%	-7.3%	10.7%	61.3%	9.0%	-8.6%	9.7%	60.1%
Africa	1.9%	36.4%	-1.2%	14.0%	50.8%	28.7%	-5.6%	13.3%	49.9%
Asia Pacific	29.5%	13.8%	-11.8%	15.6%	69.1%	8.6%	-13.4%	13.9%	68.7%
Europe	22.5%	6.3%	-11.2%	10.8%	65.7%	6.0%	-10.0%	9.5%	62.9%
Latin America	1.8%	-0.7%	-32.6%	18.9%	58.9%	-3.4%	-30.3%	15.3%	54.9%
Middle East	13.4%	3.2%	-8.8%	6.2%	53.4%	2.7%	-10.4%	6.7%	52.6%
North America	18.1%	26.9%	10.6%	7.0%	54.3%	19.3%	6.1%	5.9%	53.2%

¹% of industry CTks in 2021 ²Change in load factor vs same period in 2019 ³Load factor level

Source: IATA Economics

AIR FREIGHT OVERVIEW

- Following Shanghai's lockdowns, demands have softened; however, once plans to lift the lockdowns are announced, demands and rates are expected to surge.
- Long-term contract rates are not on offer, due to current market conditions in China. Volatility in the spot market is expected to surge following any news about the easing of lockdowns and restrictions.
- Belly capacity appears to be increasing. Therefore, passenger freighters may not make much of an impact on overall capacity moving forward.

CAPACITY DEVELOPMENT

Pandemic, weather limit capacity

- If China announces plans to loosen any current COVID-19 restrictions, resulting surges in demand and rates are expected—potentially hitting the market at the same time as seasonal purchasing upticks for European and North American consumers.
- Analysts project any surge would severely strain capacity and challenge procurement.
- Heavy flooding has led to fuel shortages in Johannesburg, South Africa, resulting in airline delays and cancellations affecting inbound and outbound freight.
- Many flights out of Shanghai remain cancelled, with more expected as a result of the lockdowns.
- Concerns are mounting that Beijing may be forced to lock down due to COVID-19 case increases.
- At the same time, pandemic-related cargo rerouting within China is causing congestion at the receiving airports, including Beijing, Guangzhou, Shenzhen and Zhengzhou.

AIR TRADE LANES

- China's zero-COVID restrictions and Russia's ongoing war in Ukraine are severely impacting air freight operations.
- Analysts project the summer will see an enormous surge in freight volumes, particularly from China, if cities end their lockdowns.
- War risk surcharges and increasing fuel surcharges continue to push rates higher.
- Following an initial round of re-openings in April, 1,118 companies in Shanghai were approved to resume operations in early May.
- China Southern Airlines updated flight plans through May 10 to add 20 freighters out of Guangzhou and Hong Kong to Amsterdam, Frankfurt, London and Los Angeles.

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

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

AIRLINE UPDATES

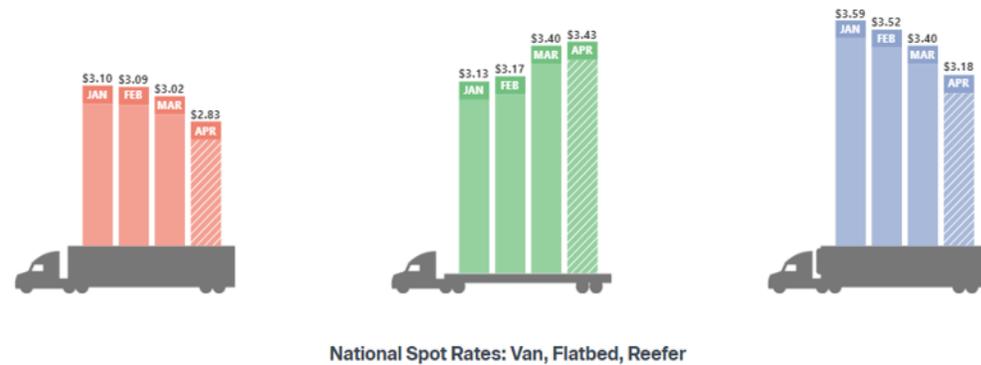
CURRENT STATE

- All carriers have announced rate increases, especially fuel surcharges. Cargolux and Lufthansa are among numerous airlines announcing fuel surcharge increases of more than \$1.40/kilogram.
- Suspension of services to Hong Kong and Shanghai due to rising COVID-19 cases have restricted capacity and pushed up rates.
- Rising fuel prices are also contributing to increased trucking costs. Likewise, origin and destination costs are increasing as a result of labor restrictions (particularly in China due to COVID-19 limitations) and congestion from cargo rerouted out of lockdown areas.
- Compared to the Asia-Pacific region, ground handling conditions and cargo recovery in the European Union, United Kingdom and United States are much more stable.

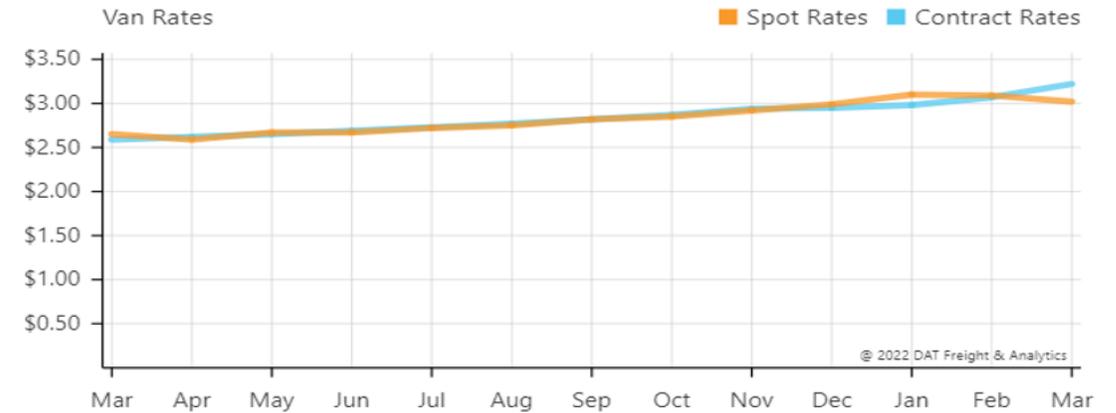
FUTURE STATE

- Expect ongoing announcements of short-term rate increases and rising origin/destination costs due to escalating fuel prices.
- Flight suspensions resulting from crew quarantines and wartime airspace restrictions are expected to continue.
- Rates are projected to remain volatile, with increases anticipated in the coming weeks.
- Expect rapid changes in the market. AIT recommends shippers make bookings as soon as possible to secure the best options, pricing and capacity.

NORTH AMERICAN TRANSPORTATION



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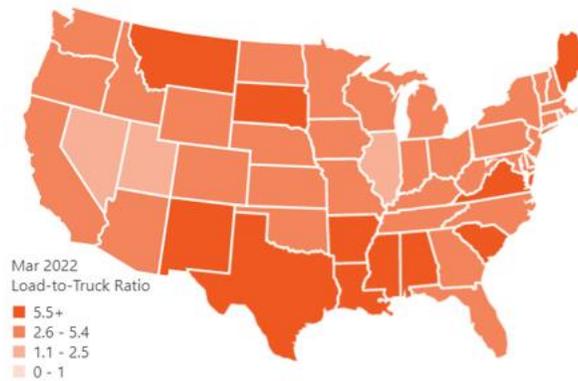
- Thanks in part to the slowest start to the produce season since 2017, the national average spot rate for reefers plunged 23% — and it's expected to fall further.
- The price of fuel continues to impact owner-operators and their ability to make ends meet. While rates are decreasing, fuel surcharges have become the largest percent of spend for transportation.
- Product and materials shortages due to China's ongoing struggle to contain COVID-19 are causing concerns among suppliers and manufacturers. Many ground carriers are bracing for a repeat of 2021's port congestion crisis in late May and June, when the need for inland transport may outweigh the supply of trucks. Finally, if ILWU labor negotiations are not resolved by July 1, a longshoreman strike at U.S. West Coast ports would present new challenges.

NORTH AMERICAN TRANSPORTATION

- Load-to-driver ratios continue to soften, reflecting favorable availability in the first quarter as well as April. Produce season and transborder shipments are leading to higher ratios in states along the Gulf Coast and southern U.S. border.
- Manufacturers of household items like mattresses and appliances are reporting falling demand, a trend reversal for homebound consumer goods. This shift may be the beginning of a more sustained drop in spending on durable discretionary items. Greater spending on household goods has been part of the overall surge in e-commerce during the pandemic that prompted transportation companies to meet the increased shipping demand. (WSJ)

powered by DAT iQ

National Van Demand and Capacity



National Load-to-Truck Ratio



Van Load-to-Truck Ratio



CUSTOMS BROKERAGE

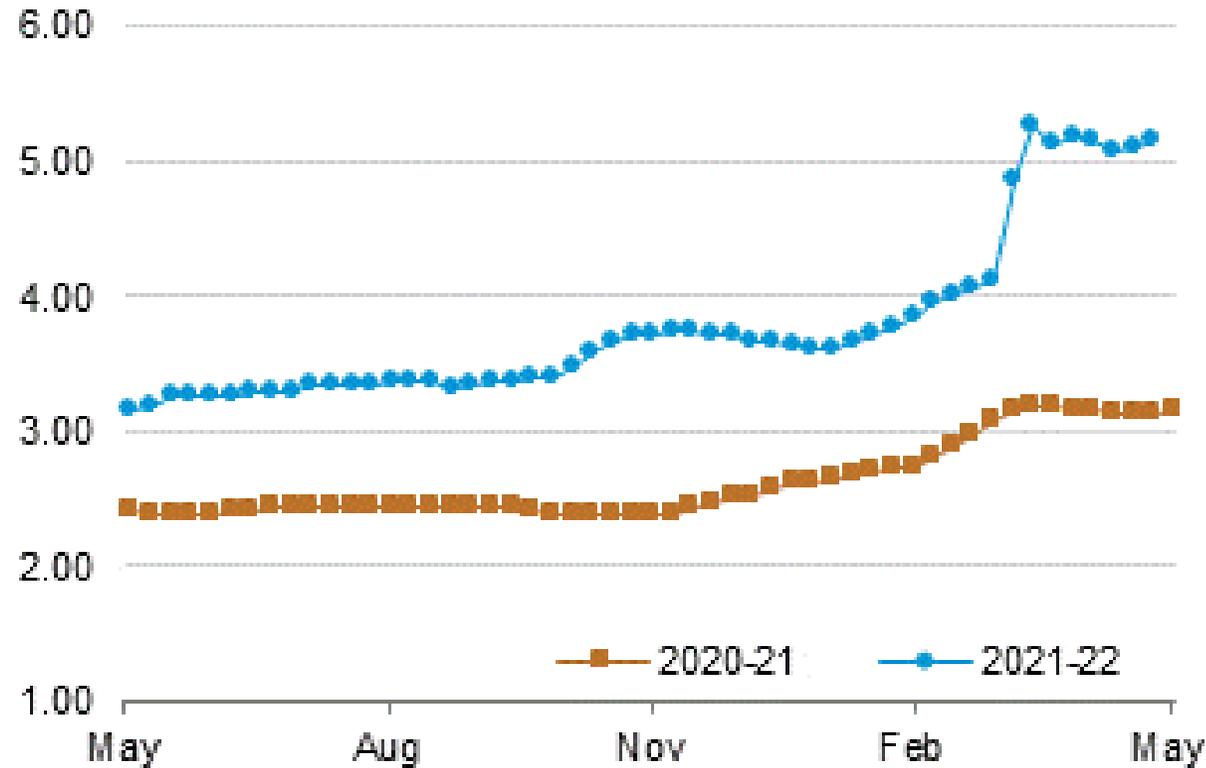
Refunds available for Section 301 China tariffs paid after April 12

- As of April 12, 2022, the U.S. reinstated several exemptions to the Section 301 tariffs on goods imported from China, dating from Oct. 12, 2021, through Dec. 31, 2022.
- Refunds for tariffs paid since Apr. 12 are not automatic. To obtain a refund, an importer must file a post-summary correction.
- For product exclusion status, visit USTR.gov.

Questions?

Email ChicagoCHB@aitworldwide.com.

U.S. on-highway diesel fuel prices dollars per gallon



Source: U.S. Energy Information Administration

ECONOMIC INDICATORS

- As the war in Ukraine intensifies, fuel price concerns have not diminished. Prices for energy, agricultural commodities, and metals have spiked as a result of the invasion, and economic forecasters expect continued headwinds for the U.S. economy through Q3 2022. (The Conference Board)

Diesel	Retail prices 04/25/22	Change from last	
		Week	Year
U.S.	5.160	0.059 ↑	2.036 ↑
East Coast	5.209	0.058 ↑	2.116 ↑
Midwest	4.987	0.066 ↑	1.929 ↑
Gulf Coast	4.916	0.061 ↑	1.999 ↑
Rocky Mountain	5.154	0.060 ↑	1.926 ↑
West Coast	5.841	0.046 ↑	2.190 ↑

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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

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