

**GLOBAL
TRANSPORTATION
MARKET UPDATE
MAY 2021**

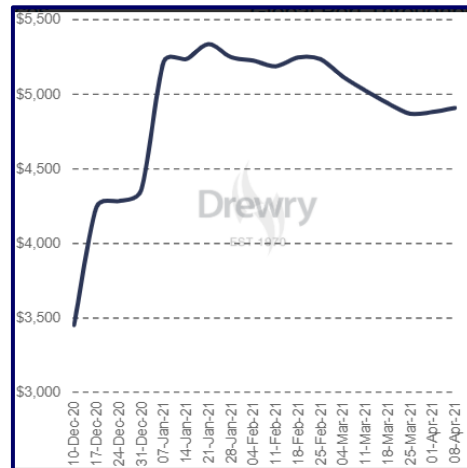


WORLDWIDE LOGISTICS

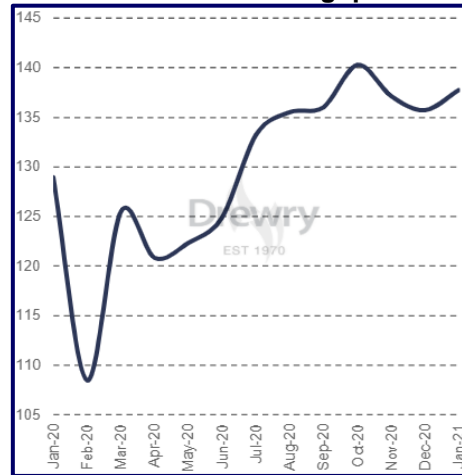


GLOBAL OCEAN TRENDS

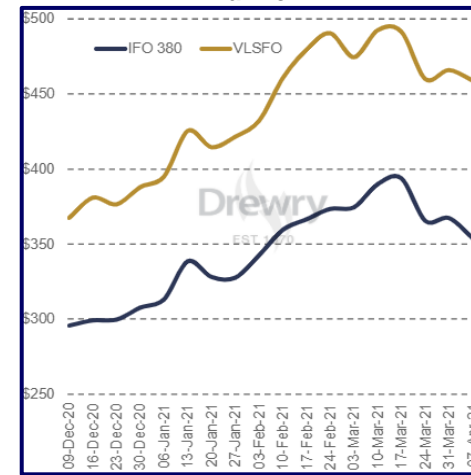
World Container Index



Global Port Throughput



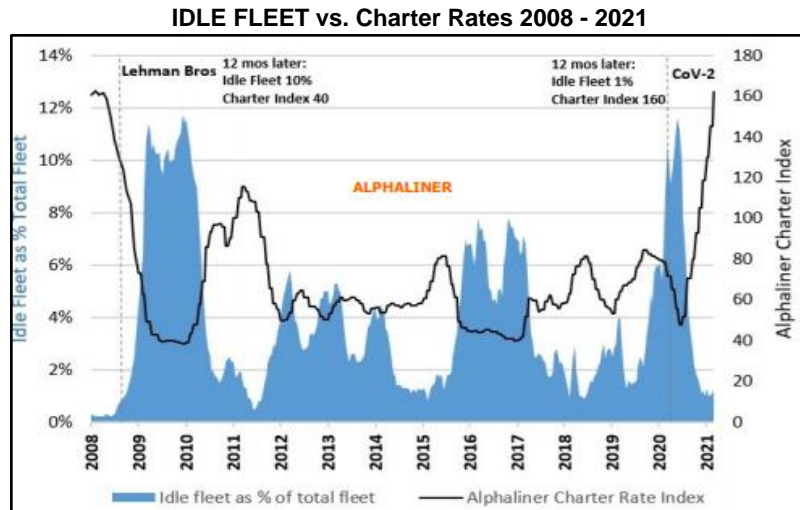
Bunker



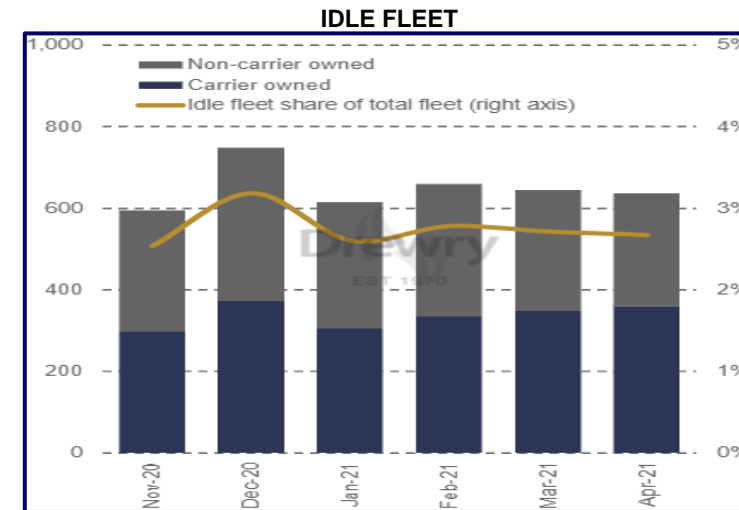
Source: Drewry Marine Research

- Rate trends are not going to reduce or remain constant for long as carriers remain in favor of premium rates with a much less willing commitment of contract volumes/FAK
- Free time reduction is commonplace across carriers as terms become much more rigid
- With port throughput trends continuing to shatter past years, the “new normal” is likely here to stay
- Two schools of thought exist between carriers, those that wish to deploy capacity to meet demand on major trade lanes, thereby attempting to ease backlogs from Asia and those wishing to take advantage of the ability to generate record profits and recover from years of nominal margins by voyage profits being almost guaranteed given the costs in the market
- Shippers’ focus remains on equipment and space as no signs of relief have been seen

CAPACITY AND IDLE FLEET



Source: Alphaliner



Source: Drewry Marine Research

CAPACITY

- MSC has on their orderbook 35 orders (estimating adding an additional 660,000 TEU) by 2022. This will place them as the largest carrier globally and within the 2M alliance
- Blank sailings are expected to continue on head-haul trades, keeping capacity at a premium with rates expected to increase this month
- Charter market rates for vessels are keeping historically idle tonnage active in the market. This is further indication demand continues to outweigh capacity and will not be changing in the near future

OCEAN TRADE LANES

- Demand still outweighs all capacity across trades
- Premium rates are required in order to ensure cargo loading
- Backlogs with carrier bookings are typically ranging from two to four weeks, depending on the origin
- Shippers need to consider alternative routes to avoid congestion points in the current market by booking to alternate ports and utilizing an over the road solution for final delivery
- Equipment is still experiencing global shortages and very little free time term enhancement

Trade Lane	Status	Comments
TPEB to USEC		Utilization 100%
TPEB to USWC		Utilization 100%
CBP to N Eur		Utilization 100%
CBP to MED		Utilization 100%
SE Asia to N Eur		
SE Asia to MED		
ISC to US		

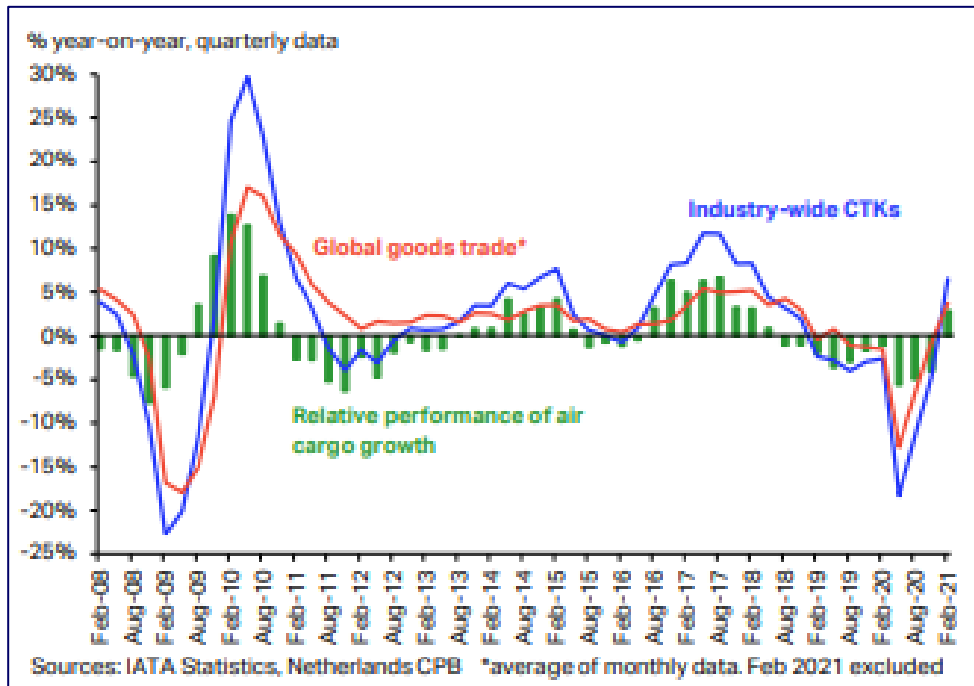
Trade Lane	Status	Comments
N Eur to AP		
MED to AP		
US to N Eur		
US to MED		
MED to US		
N Eur to US		
US to ISC		

OCEAN CARRIER UPDATES



- Vessel rotations are being adjusted by all alliances to allow for avoidance of more congested areas. Changes include omissions, longer transits, and additional ports of call. Focus remains on LA/LGB (with pressure building in SEA/TIW) in North America and alternating calls at China Base Ports.
- The effectiveness of sailing amendments and blank sailings are showing an impact on congestion, but it is far from over. The vessels in LA/LGB for example have improved to 18 (from 25+)
- The levels of equipment remains unchanged across all carriers. Global containers are scarce, and bookings should be placed as far as a month in advance
- Carriers in all alliances are rejecting IPI points in favor of port-to-port routes to quicken container turn times
- No signs are indicating the conditions will change in the next two quarters

Air Cargo Growth



Source: IATA Air Cargo Market Analysis

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	February 2021 (% ch vs the same month in 2019)				February 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.0%	-14.9%	12.8%	57.5%	10.8%	-10.3%	10.9%	57.5%
Africa	2.0%	42.3%	6.6%	11.9%	47.6%	33.1%	3.7%	10.5%	47.6%
Asia Pacific	32.4%	7.1%	-29.2%	23.5%	69.2%	9.2%	-13.8%	14.6%	69.2%
Europe	22.3%	4.7%	-13.1%	10.9%	64.1%	10.5%	-8.1%	10.8%	64.1%
Latin America	2.4%	-18.4%	-37.8%	10.2%	42.9%	-19.8%	-32.0%	6.5%	42.9%
Middle East	12.9%	8.7%	-14.8%	13.0%	59.8%	4.4%	-19.3%	13.6%	59.8%
North America	27.9%	17.1%	1.9%	5.9%	45.3%	19.3%	-2.2%	8.2%	45.3%
International	85.8%	9.6%	-13.7%	13.6%	64.2%	10.4%	-10.2%	12.0%	64.2%
Africa	2.0%	44.2%	9.8%	11.6%	48.4%	34.5%	7.7%	9.7%	48.4%
Asia Pacific	29.2%	10.5%	-23.6%	23.9%	77.4%	8.2%	-16.6%	17.7%	77.4%
Europe	22.0%	4.7%	-12.5%	10.8%	65.7%	10.5%	-7.1%	10.5%	65.7%
Latin America	2.0%	-20.5%	-43.0%	15.8%	55.8%	-20.1%	-36.8%	11.7%	55.8%
Middle East	12.9%	8.8%	-14.9%	13.1%	60.4%	4.5%	-19.3%	13.7%	60.4%
North America	17.6%	17.4%	4.4%	5.9%	53.2%	23.0%	6.7%	7.0%	53.2%

¹% of industry CTKs in 2020 ²Change in load factor vs. the 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.

AIRFREIGHT OVERVIEW

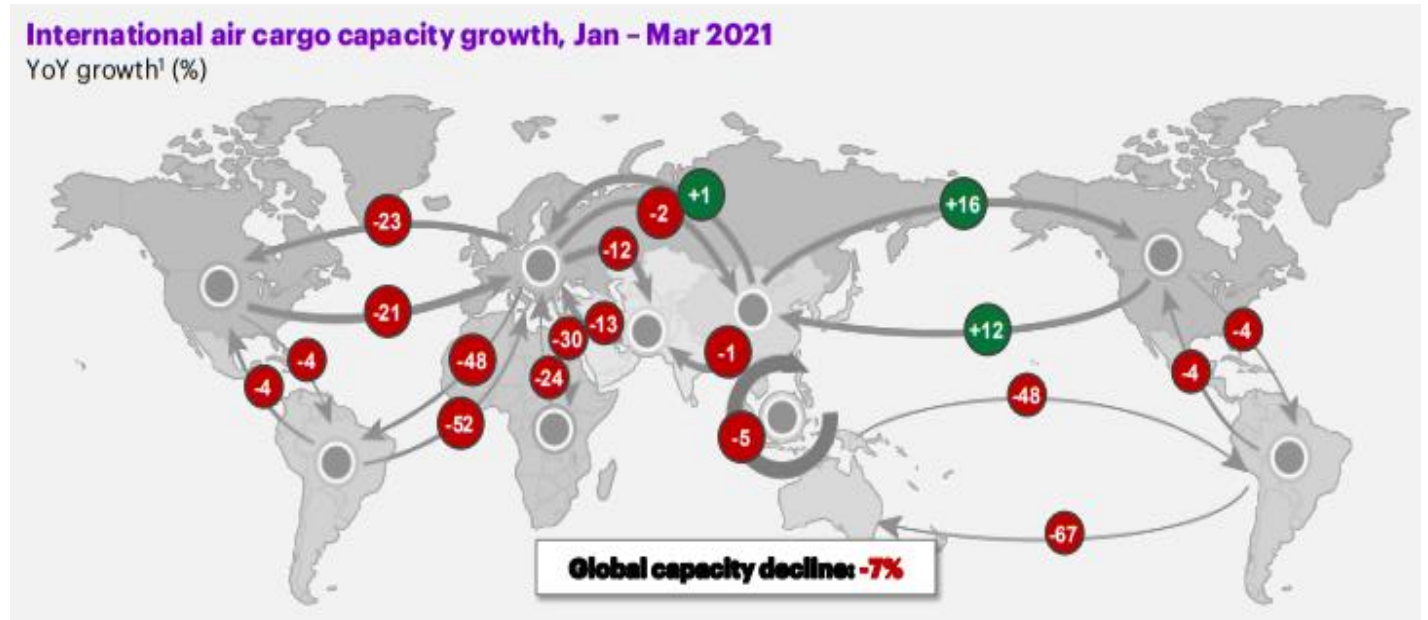
Companies might prefer a modal shift to Airfreight as their preferred means of transport to help recover some of the lost time out of their production processes.

The blockage of the Suez Canal this March will further exacerbate the supply chain bottlenecks and will likely be visible in data in the coming month.

Continued pressure due to modal shift to airfreight is expected. RFQs airlines are fielding are at record highs and charter rates will likely increase in the coming weeks.

TRADELANES

- Tight capacity, coupled with improving demand post COVID-19 is creating high load factors, higher pricing, and a shortage of available capacity.
- Recovery on AP trade lanes is a result of the surge and continued drive to fill inventories for e-Commerce consumers. Paired with the increased buying confidence of North American consumers this will further spike on the trade in the coming months.
- In Europe, due to the pressure on the base ports and after-effects of the Ever Given incident in the Suez Canal, analysts are watching for pressure to the Europe and AP trades as modal shift is expected. Companies are fielding more inquiries than before and anticipate rates climbing as a result.



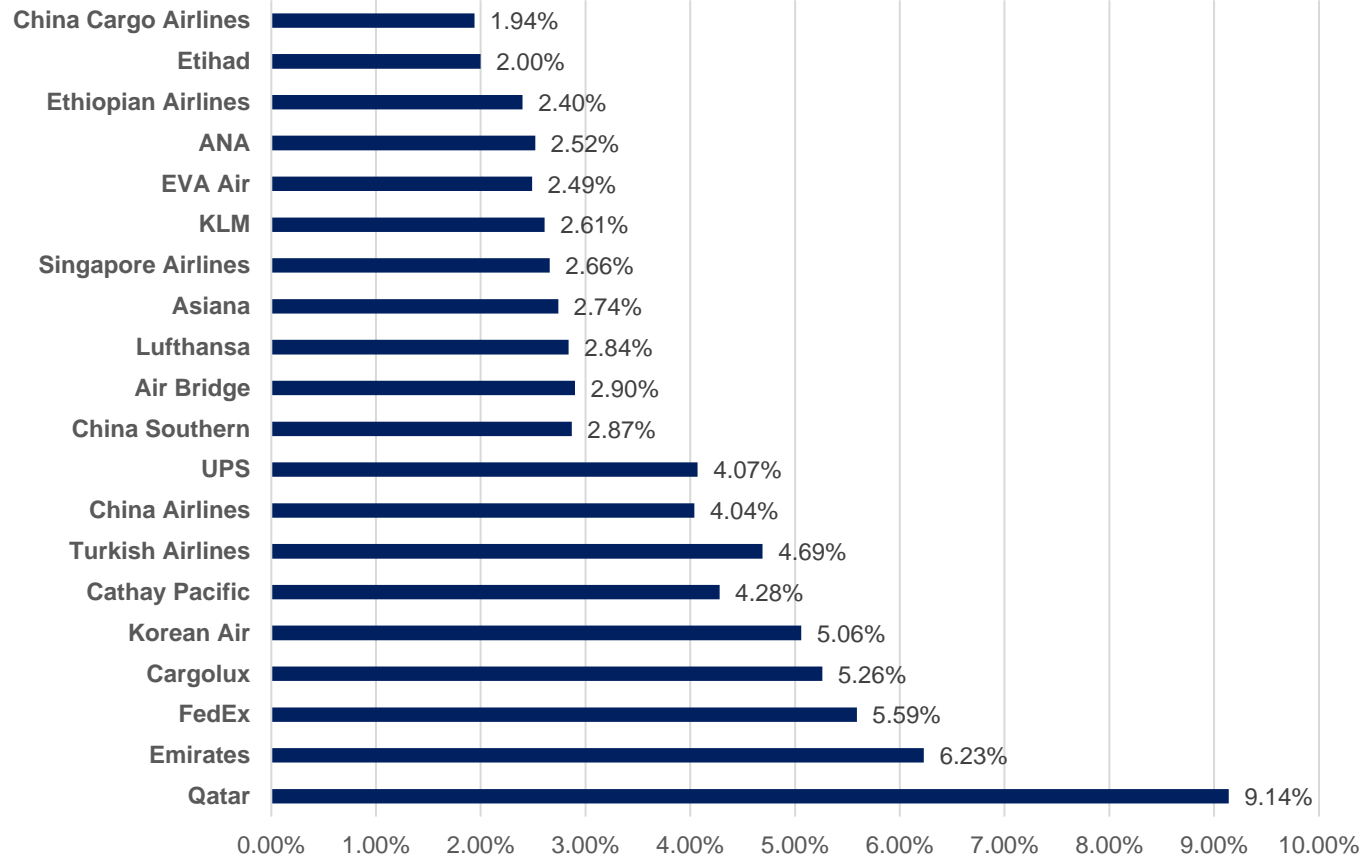
Source: Seabury Intel

AIR TRADE LANES

- Demand still outweighs all capacity in the global market
- Premium rates are required in order to reduce cargo transit times as airlines are prioritizing higher yielding cargo
- Backlogs with carrier bookings ranges from two to three days to as long as five to seven days depending on the market. All bookings need to be based upon a priority/express service level.

Trade Lane	Status	Comments	Trade Lane	Status	Comments
AP to US	Red	Utilization 98%	US to LATAM	Red	Utilization 95%
US to AP	Red	Utilization 98%	LATAM to US	Yellow	Utilization 90%
Europe to AP	Red	Utilization 98%	Europe to LATAM	Red	Utilization 98%
AP to Europe	Red	Utilization 98%	LATAM to Europe	Yellow	Utilization 90%
Europe to US	Red	Utilization 98%	India to US	Red	Utilization 100%
US to Europe	Red	Utilization 98%	US to India	Red	Utilization 100%

Global FTK Share of Top 20 Carriers



Source: Qatar Airways, Graphic Compiled by AIT Worldwide.

GLOBAL FTK BY CARRIER - YTD

The top 20 airlines handling 75% of the global airfreight market have been focused on yields, while capacity has remained grounded.

With vaccine increases fueling travel increases the summer months will see additional capacity injected to the market.

Even with this capacity, the expectation is for freighters to be the primary source of cargo tonnage for the remainder of 2021.

AIRLINE UPDATES

CURRENT STATE

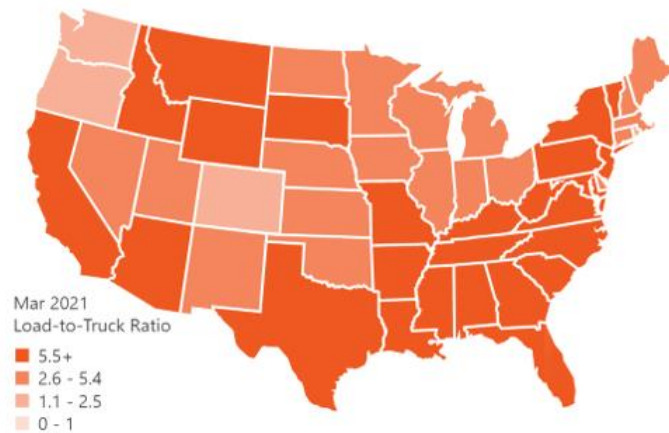
- With the ocean congestion (and Suez fallout) more ocean cargo is being converted to air freight. As a result, rates are increasing and capacity is further strained.
- Strong demand is surging for capacity into India due to ventilator needs to respond to the COVID-19 pandemic. Capacity has been already strained to Indian destinations and rates will remain at record highs until the COVID-19 outbreaks are curbed.
- Demand and capacity are still out of balance causing rates to be fluctuating constantly
- Charters are still the preferred means of AP exports
- Ground handling (at global gateway cities) is highly congested with significant backlogs. This is driven by staffing constraints, and improvements are not expected in the coming months.

FUTURE STATE

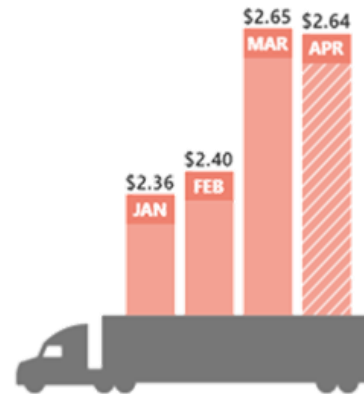
- Passenger services and additional freighter capacity are expected to slowly increase through Q3 and Q4. Passenger fares are anticipated to be higher than pre-pandemic levels, and the impact is expected to be gradual.
- The surge in demand caused by ocean shippers requiring air freight is expected to begin to decrease by Q4.
- Charter demand is going to surge through 2021. May capacity has been fully booked and will continue to be pre-purchased through year's end.
- With India's COVID-19 surging, it is expected for passenger capacity to be removed from servicing this market, and until under control Charter will be the preferred means of airfreight to and from India.

NORTH AMERICAN TRANSPORTATION

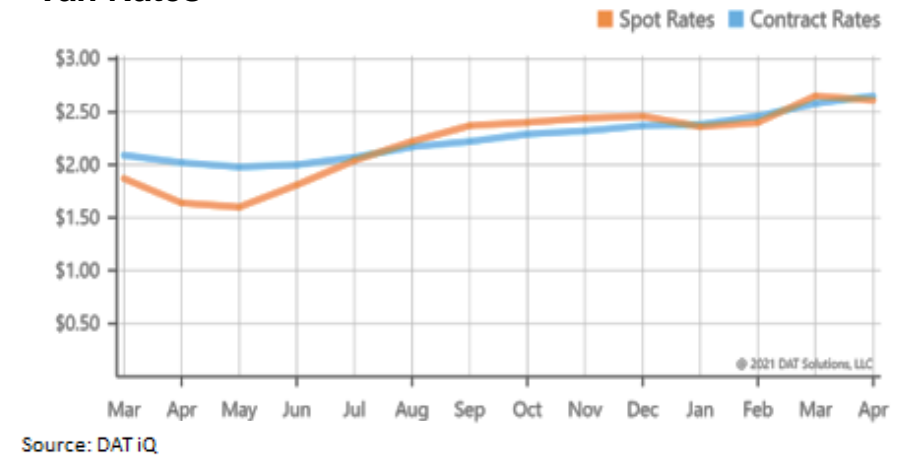
National Van Demand and Capacity



National Average Rates



Van Rates







- Load-to-driver remains high in the coastal port markets, as well as southern border states where produce season competes for capacity
- Strong demand trends are likely to continue for the spot rate market through the end of 2021, with capacity fluctuation throughout the United States
- Trucking companies are urgently competing to hire drivers to meet capacity demands by raising driver pay, offering enticing hiring bonuses and upgrading equipment
- Domestic air cargo options are available with airlines adding more aircraft to meet the growing passenger demand

NORTH AMERICAN TRANSPORTATION

While week-over-week spot rates and load-to-truck ratios fluctuate, the year-over-year comparisons remain extremely high as driven by overall capacity demand.

Powered by DAT iQ

INDUSTRY TRENDS		WEEK APR 19 - APR 25 VS. APR 12 - APR 18	MONTH MAR 2021 VS. FEB 2021	YEAR MAR 2021 VS. MAR 2020
	Spot Load Posts ⓘ	-2.2%	+22.3%	+129.9%
	Spot Truck Posts ⓘ	+3.0%	+30.9%	-6.9%
	Van Load-To-Truck ⓘ	-9.5%	-23.4%	+100.1%
	Van Spot Rates ⓘ	+0.2%	+10.4%	+41.8%
	Flatbed Load-To-Truck ⓘ	-2.3%	+34.6%	+284.6%
	Flatbed Spot Rates ⓘ	+1.6%	+7.9%	+26.2%
	Reefer Load-To-Truck ⓘ	-8.8%	-23.2%	+117.4%
	Reefer Spot Rates ⓘ	+0.4%	+9.1%	+34.1%
	Fuel Prices ⓘ	-0.2%	-0.7%	+25.6%

CUSTOMS AND BROKERAGE

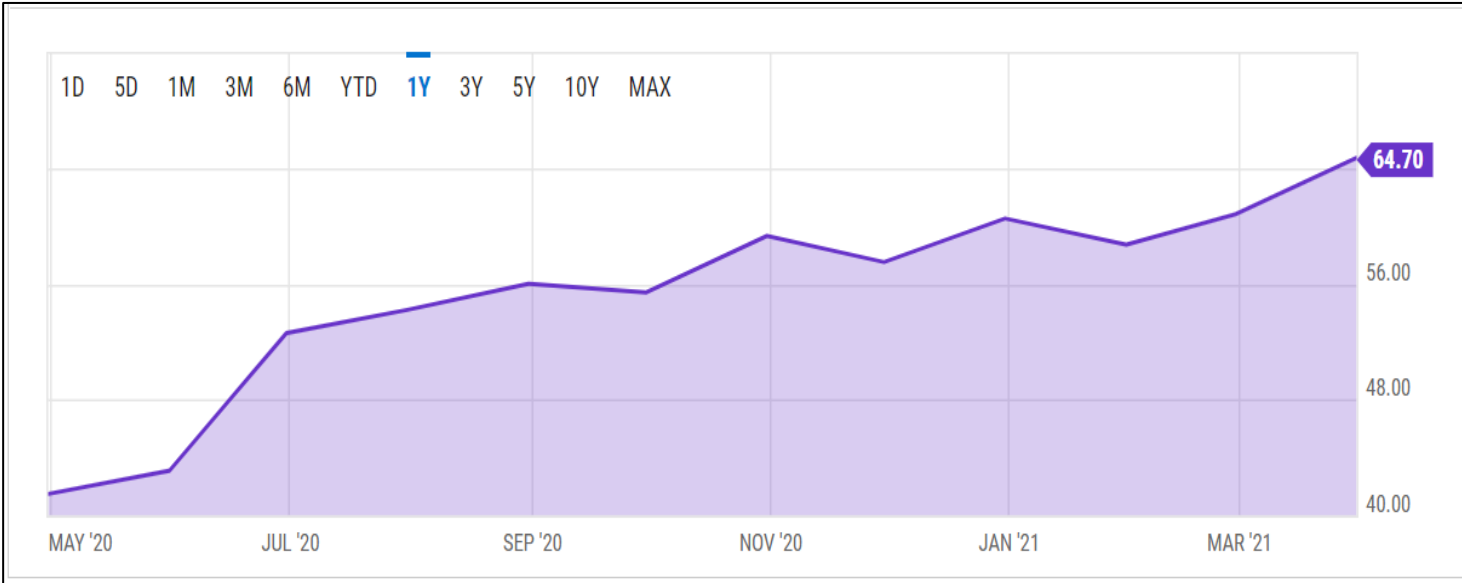
- Table from cbp.gov represents trade remedy enforcement duties collected through April 21, 2021
- There is bipartisan support to bring back previous exemptions, and the new administration has mentioned there will likely be changes to the overall tariffs with China; however, the administration has been vague on what it will look like and when they will make any changes
- GSP is also pending renewal, adding to additional duty collection overall. There is support in Congress to pass this through, potentially re-adding India in 2021, but this still seems to not be a priority issue in the near-term
- The Consumer Product Safety Commission (CPSC) has recently begun targeting additional products through ACE filings. This has caused delays in full releases with customs, pending CPSC review and release

Source: CBP.gov

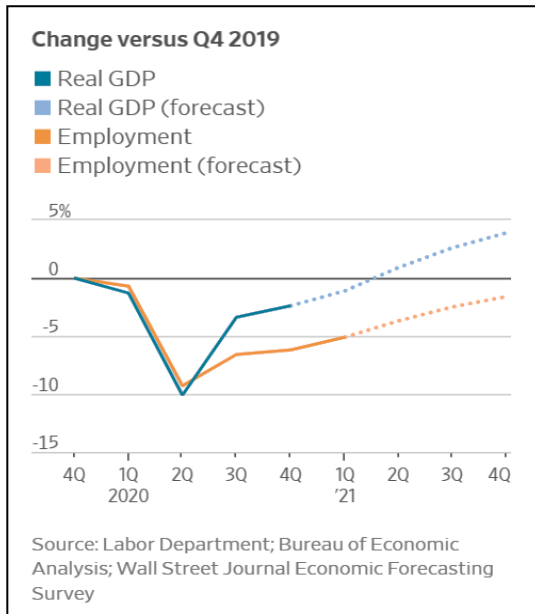
TRADE REMEDY ENFORCEMENT	IMPORTED PRODUCTS	TOTAL DUTIES ASSESSED ¹
Section 201 Duty Assessment	Washing Machines ²	\$247,724,453
	Washing Machine Parts ³	\$2,355,530
	Solar Panels ⁴	\$2,311,155,259
Section 232 Duty Assessment	Aluminum ⁵	\$2,443,206,909
	Steel ⁶	\$7,767,100,149
Section 301 Duty Assessment	China ⁷	\$86,155,522,127
	EU ⁸	\$1,116,223,333

For more information on CSPC or entry filing requirements, please reach out to chicago@aitworldwide.com

US ISM Manufacturing PMI



Source: US Dept. of Labor



- U.S. spending confidence with consumers is projected to increase faster than payrolls through the duration of this year. This is expected to hold shipping demand high, especially via e-Commerce
- Realized expenses to products from the supply chains are hitting consumers at the shelf level. As long as the demand is held elevated by capacity constraints, the price for transportation of goods will remain elevated
- U.S. ISM Manufacturing PMI is at a current level of 64.70, an increase from 60.80 last month and 49.10 one year ago

ECONOMIC INDICATORS

Port surges from delays cause bottlenecks inland where labor cannot be hired fast enough to meet the workload. The congested nature and extreme strain on equipment is not expected to alleviate any time soon.

Manufacturing confidence in new orders, inventories and production growing.

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

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