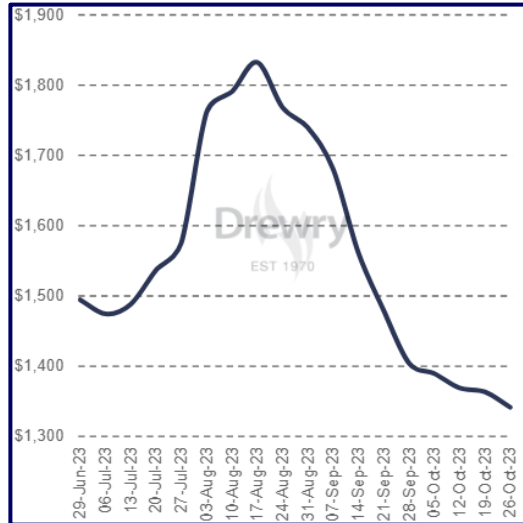


**GLOBAL
TRANSPORTATION
MARKET REPORT
NOVEMBER 2023**

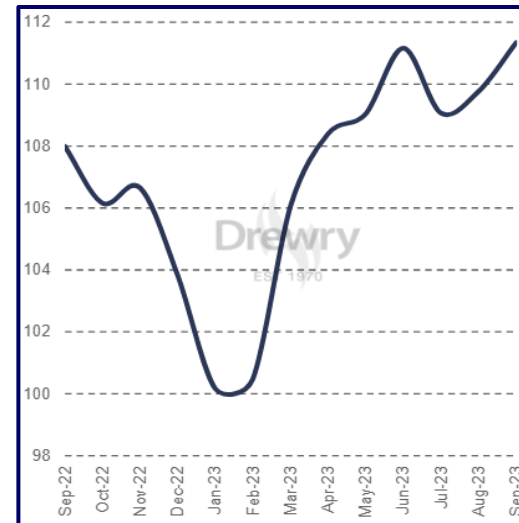


GLOBAL OCEAN TRENDS

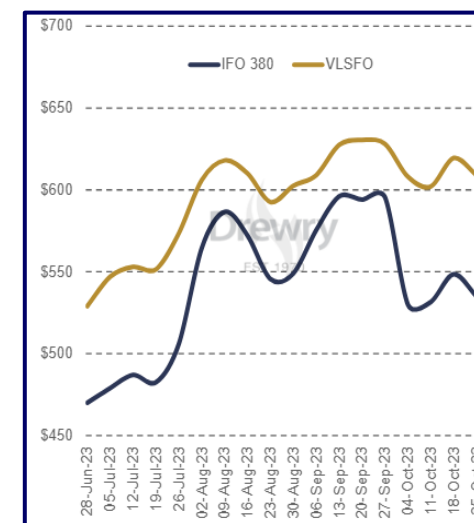
World Container Index



Global Port Throughput



Bunker

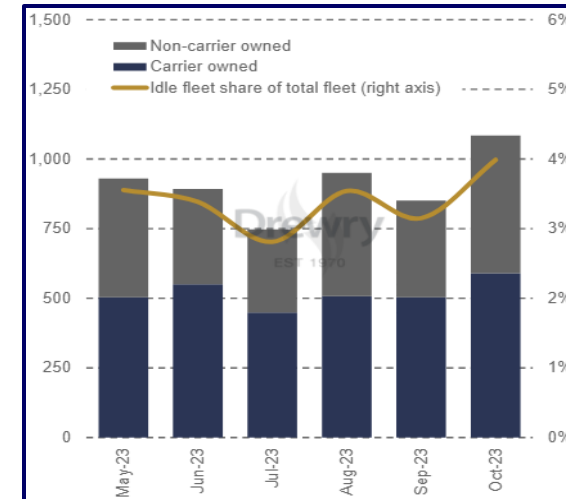
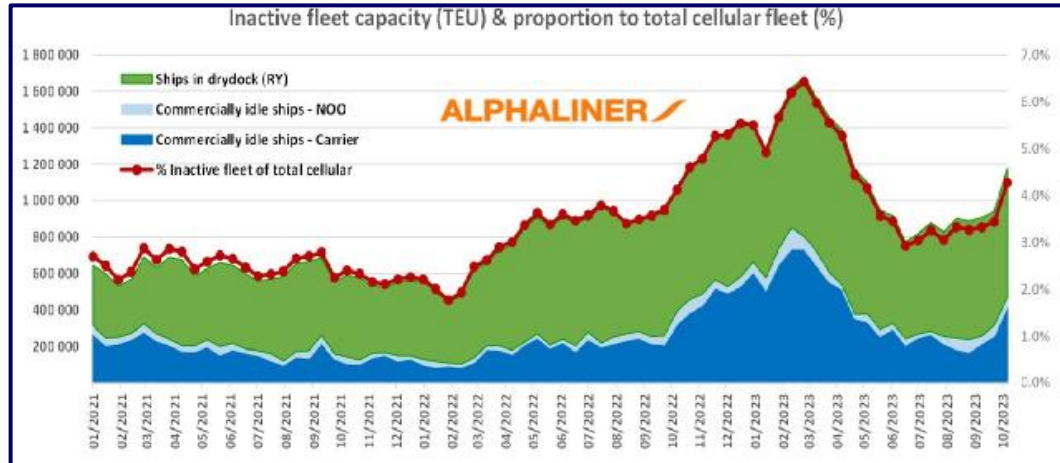


Source: Drewry Marine Research

- Short-term rates continue to decline on head haul trades. Meanwhile, westbound trade lanes from the Far East have recently eroded, as rates have failed to level off despite additional blank sailings.
- Implementation of general rate increases announced for November has been delayed and shippers are seeing existing rates extended into November.
- Indications remain that peak season will be muted.
- Eastbound transpacific imports have started to increase, with volumes increasing approximately 15% at the ports of Long Beach and Los Angeles. While the bump is a positive indicator, a significant peak season remains unlikely.
- Transatlantic rates have stabilized in the short term, at levels considerably lower in comparison to the height of the pandemic.

CAPACITY AND IDLE FLEET

Tonnage Inactive






- Inactive capacity is at 315 ships representing 1.18 million TEUs, a slight increase from the previous month, accounting for 4.3% of the global fleet.
- Carriers received 15 vessels in October, with MSC and OOCL taking delivery of two 24,000+ TEU vessels each. Based on MSC's orderbook for the future, the carrier's capacity should solidify their position as a global standalone carrier with sufficient market share.

OCEAN TRADE LANES

- Some analysts speculate that 2M will choose to end vessel sharing, particularly on the east-west loops, in advance of its dissolution, which is expected to begin at the end of 2024. Vessels are currently redeployed on their own independent loops.
- Blank sailings continue, with minimal effect on rates for some head haul trades. Capacity remains abundant and order books continue to signal future capacity additions, suggesting that carriers will keep rates low in the coming quarters.
- Ships deployed on shortsea trades, particularly in Europe, are expected to see changes in tonnage, with those below 1,000 TEU replaced with vessels below 2,000 TEU that were initially intended for the intra-Asia trade. It remains to be seen how this transition will impact port turn times, with respect to the availability of equipment.

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

Trade Lane	Status	Comments
N Eur to AP	Available space; quick booking turn time.	
MED to AP	Available space; quick booking turn time.	
US to N Eur	Available space; quick booking turn time.	
US to MED	Available space; quick booking turn time.	
MED to US	Available space; quick booking turn time.	
N Eur to US	Available space; quick booking turn time.	
US to ISC	Available space; quick booking turn time.	
Med to ISC	Available space; quick booking turn time.	

	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



- THE Alliance suspended two services in Asia due to light cargo: the "FE5" Asia-Europe loop and the "EC4" transpacific service.
- To prevent further pressure on already low rates, THE Alliance members will temporarily withdraw their Asia-U.S. East Coast "EC4" service later this month. The loop is one of four joint services of Hapag-Lloyd, ONE, HMM and Yang Ming that connect Asia to the East Coast of North America.
- In January, ZIM will start a new service between the U.S. Gulf, Mexico, and the East Coast of South America via its Caribbean hub in Kingston.
- Due to the conflict in Israel, Ocean Network Express dropped Haifa and Ashdod from its Eastern Mediterranean-Adriatic "AIB" service. For direct links between ONE's Damietta hub in Egypt and Israel, the carrier reinstated its "Israel Express" service.
- Following the blanking of five joint 2M Asia-to-Northern-Europe voyages around China's Golden Week holiday, the partners will continue to skip one of their five weekly sailings on the trade through the first half of December.
- Hapag-Lloyd and CMA CGM removed Norfolk from the itinerary of their joint India-U.S. East Coast "India America Express 2" service, also known as the "Indamex 2" or "IN2."

MEXICO

- Transborder

Ground capacity shrinks as costs rise

- As more drivers migrate to the United States, vehicle availability has dropped 15-20%, leading to increased costs.
- Costs are also up due to the weak exchange rate between the U.S. dollar and the Mexican peso.

Railway

- Ongoing Ferromex service suspensions have led many customers to switch from rail to ground freight, increasing demand in an already capacity-strapped market.

MEXICO

- Ocean Updates

CMA CGM plans to add megaships to China-Mexico trade

- As the nearshoring trend continues in North America, bolstered by the 2020 United States–Mexico–Canada Agreement, CMA CGM is betting on Mexico with plans to incorporate much larger container ships on its China-Mexico sailings.
- The commercial route for containers between China and Mexico – the second largest Latin American economy – has gained ground compared to other routes, such as Brazil.
- Amid ongoing trade disagreements between China and the United States, U.S.-bound exports from China have decreased, advancing Mexico's position as the United States' main trading partner.

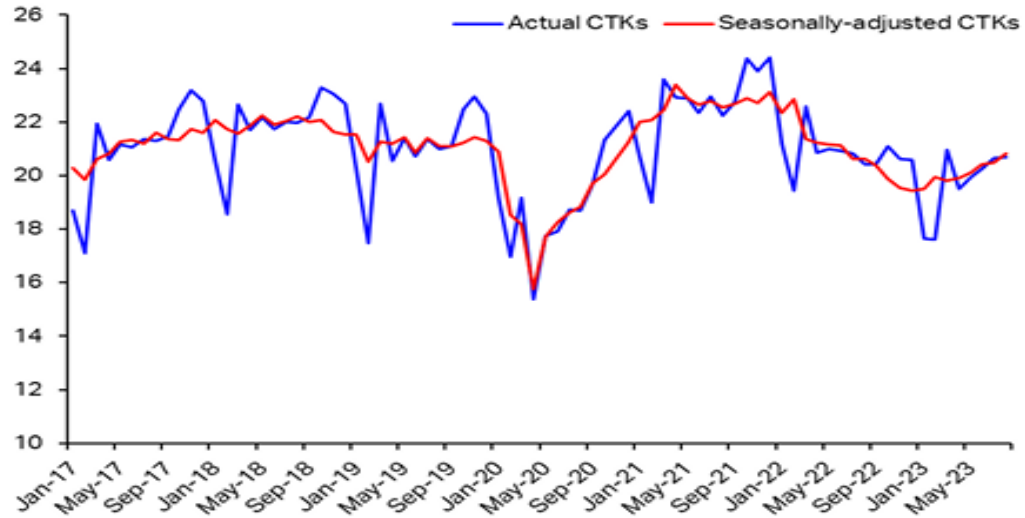
MEXICO

- Air Updates

Awesome Cargo gets Mexican AOC, air exports grow in last half of 2023

- After receiving its air operator certificate (AOC) from Mexico's Federal Civil Aviation Agency on Oct. 13, Awesome Cargo plans to launch two routes between Mexico and the United States.
- Fuel surcharges remain unstable; some have decreased.
- Despite the lack of stable growth in the air cargo market, Mexico's heavyweight exports grew by 5.9% in the last half of 2023, while imports increased by 17.8% year-over-year.
- Volumes have somewhat stabilized, particularly in the oil/gas and automotive industries.
- In September, all cargo flights were transferred from Mexico City International Airport (MEX) to Felipe Ángeles International Airport (NLU).

Global Tonnage Flown per Kilometer (CTK) (billions per month)



	World share ¹	August 2023 (% year-on-year)				August 2023 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	1.5%	12.2%	-4.4%	42.0%	-1.3%	3.9%	-2.2%	42.0%
Africa	2.0%	-4.7%	3.8%	-3.5%	38.8%	4.5%	-15.8%	7.5%	38.8%
Asia Pacific	32.4%	4.9%	28.5%	-9.9%	44.3%	-4.1%	11.0%	-7.0%	44.3%
Europe	21.8%	-0.2%	3.6%	-1.8%	48.4%	-12.0%	-13.5%	0.9%	48.4%
Latin America	2.7%	6.2%	13.7%	-2.3%	32.6%	-0.6%	13.2%	-4.6%	32.6%
Middle East	13.0%	1.4%	15.7%	-5.8%	40.7%	2.9%	9.8%	-2.7%	40.7%
North America	28.1%	-1.2%	2.7%	-1.5%	37.7%	10.1%	7.6%	0.8%	37.7%
International	86.9%	1.2%	11.8%	-5.0%	47.2%	-1.7%	1.8%	-1.6%	47.2%
Africa	2.0%	-4.8%	2.9%	-3.2%	39.8%	5.6%	-15.9%	8.1%	39.8%
Asia Pacific	29.7%	2.0%	20.2%	-9.3%	52.1%	-3.5%	6.7%	-5.5%	52.1%
Europe	21.5%	-0.4%	4.1%	-2.3%	50.9%	-12.5%	-15.3%	1.6%	50.9%
Latin America	2.3%	5.8%	16.8%	-3.7%	35.9%	2.3%	25.3%	-8.1%	35.9%
Middle East	13.0%	1.3%	15.9%	-5.9%	41.0%	2.9%	9.9%	-2.8%	41.0%
North America	18.4%	1.8%	6.9%	-2.2%	44.2%	12.3%	9.5%	1.1%	44.2%

¹% of industry CTKs in 2022

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.

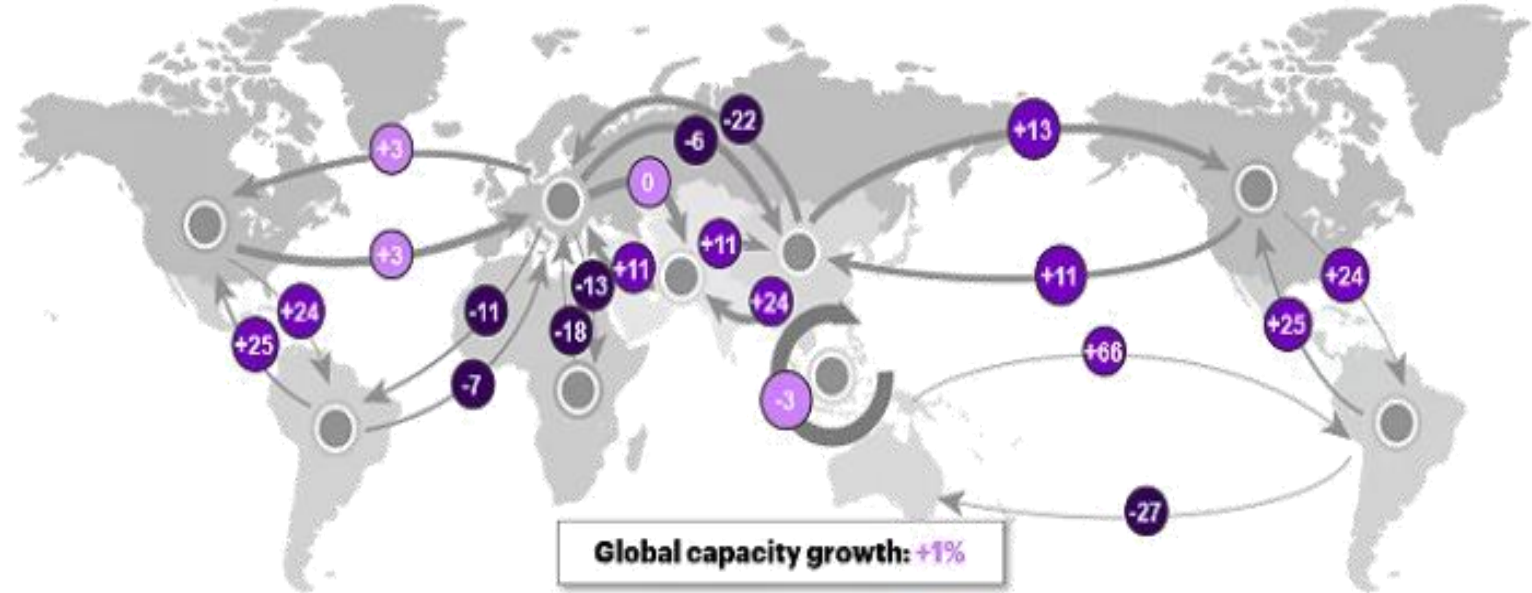
AIR FREIGHT OVERVIEW

- The air freight market recorded annual growth for the first time since February 2022.
- Double-digit growth continued for air cargo capacity.
- Global trade demand remains sluggish.
- U.S. consumer purchasing increased after several stagnant months, while China's has been negative for 15 consecutive months.

CAPACITY DEVELOPMENT

- Most markets around the world experienced growth in capacity due to increased passenger numbers, despite disruptions due to natural disasters.
- Ticket sales data shows consistent demand in both domestic and international capacities across all geographies.
- The increase in belly freight capacity has been a challenge for the charter/freight market.
- Most analysts forecast a muted peak season.

International Cargo Capacity: 2023 vs. 2019






Source: Accenture.com, Cargo Capacity

AIR TRADE LANES

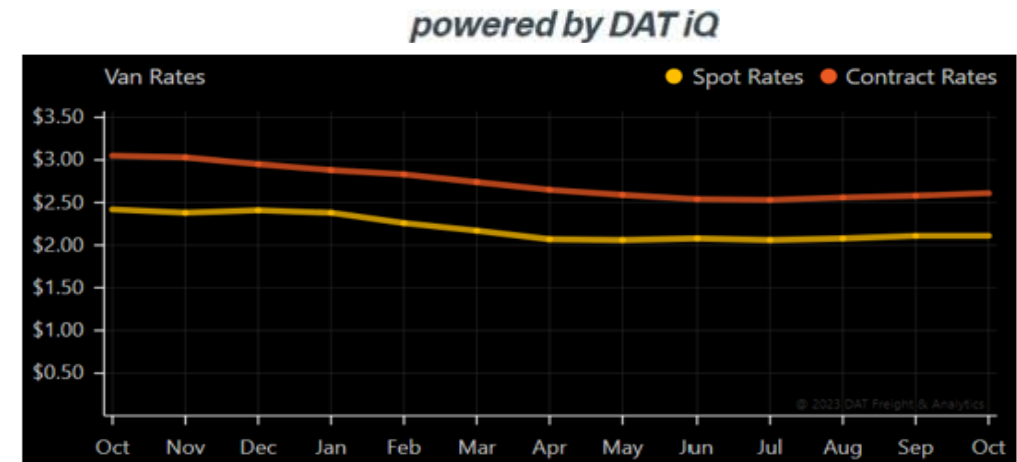
- Some markets are seeing increasing FSC (fuel surcharge) levels.
- Rates have stabilized month-over-month, which some analysts view as a positive sign; however, in the near term, load factors remain low.
- The supply/demand imbalance remains unchanged, and capacity between Europe and the United States has fully recovered to pre-pandemic peak levels, with an increase of as much as 13% year-over-year.
- Ground handling delays remain minimal.
- Rates remain very low, in some cases as much as 33% less in comparison to the same time last year, suggesting significant increases are unlikely in the coming months.

Trade Lane	Status	Comments
AP to US	Available space; quick booking turn time.	
US to AP	Available space; quick booking turn time.	
Europe to AP	Available space; quick booking turn time.	
AP to Europe	Available space; quick booking turn time.	
Europe to US	Available space; quick booking turn time.	
US to Europe	Available space; quick booking turn time.	

Trade Lane	Status	Comments
US to LATAM	Available space; quick booking turn time.	
LATAM to US	Available space; quick booking turn time.	
Europe to LATAM	Available space; quick booking turn time.	
LATAM to Europe	Available space; quick booking turn time.	
India to US	Available space; quick booking turn time.	
US to India	Available space; quick booking turn time.	

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

NORTH AMERICAN TRANSPORTATION

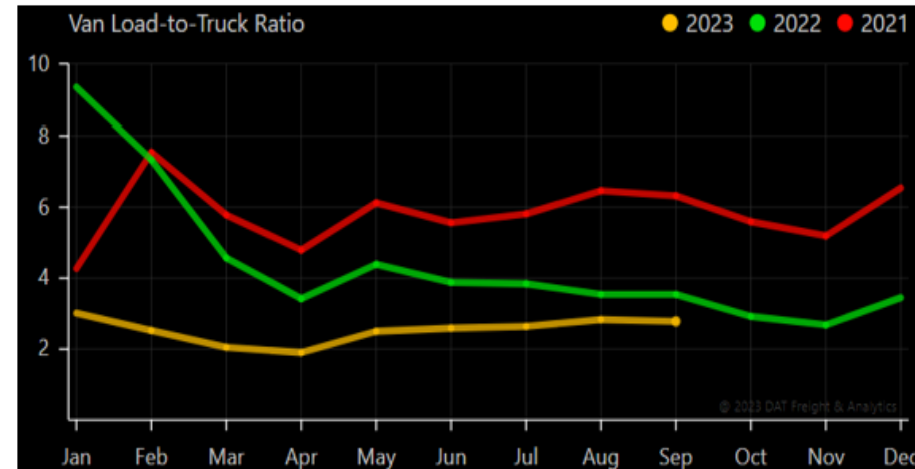
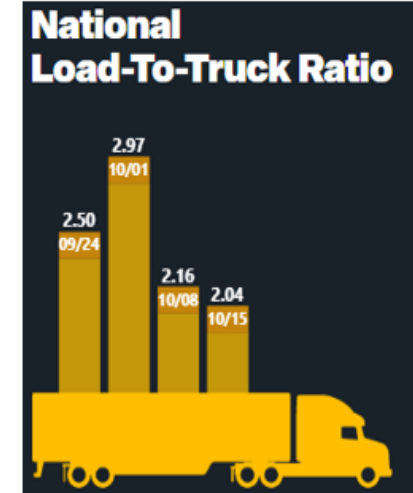
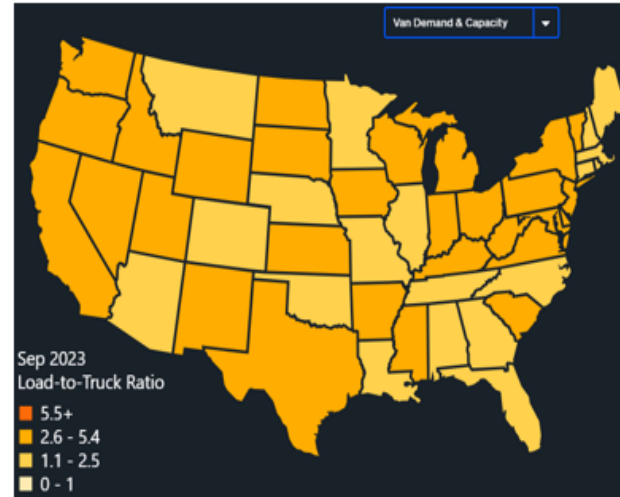


- Lackluster consumer spending is leading to projections for a softer peak season. Truck capacity is plentiful, keeping the rate per mile flat.
- As the conflict in Israel leads to rising tensions in the Middle East, apprehension regarding risks to the global oil market could lead to a tightening of supplies and increases in energy prices.

NORTH AMERICAN TRANSPORTATION

- Load-to-driver capacity remains favorable in most U.S. markets.
- Shippers and industry experts continue to project a lackluster peak season as underperforming import orders result in weak trade volumes.

Dry Van Capacity Data



powered by DAT iQ

United States Inflation Rate



TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

ECONOMIC INDICATORS

The U.S. inflation rate remained steady at 3.7% in September, defying market expectations of a slight decrease to 3.6%, as a softer decline in energy prices offset slowing inflationary pressures in other categories.

Energy costs fell by 0.5%, following a 3.6% decrease in August, primarily driven by a rebound in fuel prices. Additionally, prices increased at lesser rates for food (3.7% vs. 4.3%), new vehicles (2.5% vs. 2.9%), apparel (2.3% vs. 3.1%), medical care commodities (4.2% vs. 4.5%), shelter (7.2% vs. 7.3%), and transportation services (9.1% vs. 10.3%).

The U.S. inflation rate is expected to be 3.0% by the end of this quarter, according to Trading Economics' global macro models and analysts' expectations. In the long term, it's projected to trend around 2.5% in 2024, and 2.4% in 2025, according to econometric models.

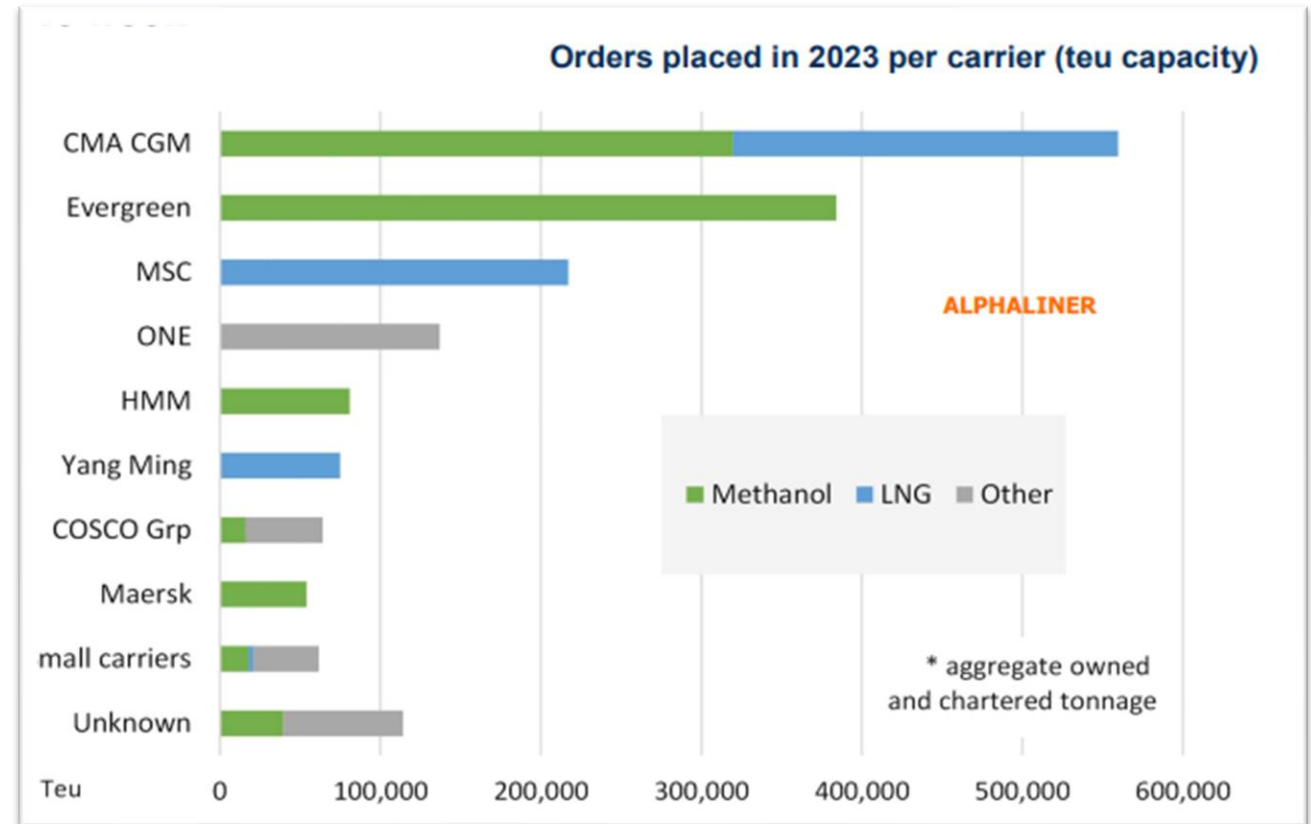
Source: U.S. Bureau of Labor Statistics

SUSTAINABILITY OCEAN INSIGHTS

- Partially due to an effort to decarbonize liner shipping, 83% of the 187 container ships carriers ordered between January and September are considered "green."
- Methanol power has been the carriers' preferred sustainable option, representing 52% of the 139 newly ordered vessels in the global orderbook.
- The remaining traditional fuel ships could be retrofitted for sustainable fuel in the future.

Green fuel reality: Different terminologies of declaration

- Most new container vessels will be classified as either "dual-fuel capable" (ships that can run on liquid natural gas, methanol or ammonia, as well as traditional fuels) or "green fuel ready" (capable of retrofitting).



Source: Alphaliner Weekly, Issue 41, 2023

SUSTAINABILITY

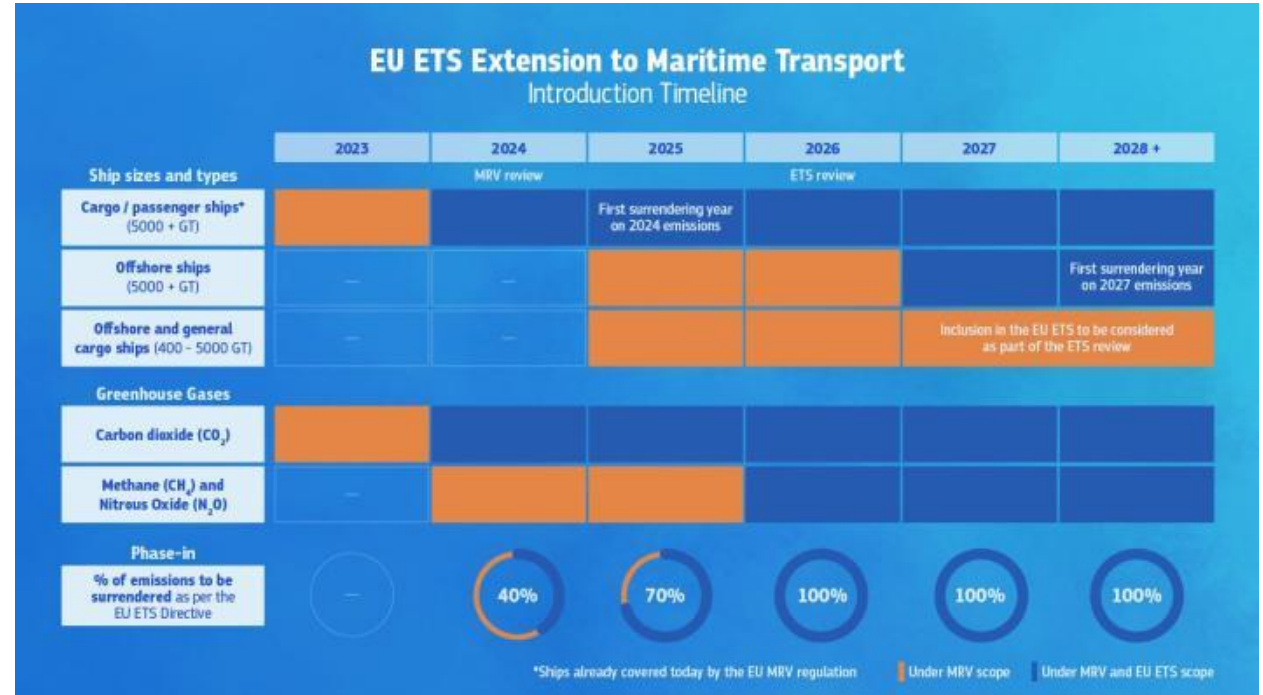
EU EMISSION TRADING SYSTEM

The EU Emission Trading System (EU ETS) launched in 2005, under a "cap and trade" principle. Based on the total GHG (greenhouse gas) emissions, the system's annual reductions include the possibility to buy or sell emission allowances to other market participants.

Effective Jan. 1, 2024, EU ETS will also **apply to maritime transport** for cargo and passenger ships at or above 5,000 gross tonnage. The applicable emissions, starting with CO₂ in 2024 and continuing with CH₄ and N₂O from 2026, depend on four factors: port calls between two EU ports (100%); emissions emitted at berth (100%); leaving an EU port and arriving at a non-EU port (50%); arriving an EU port while leaving a non-EU port (50%).

Some ocean carriers have already announced **ETS surcharges**, and they're expected to become a new standard for all ocean freight leaving or arriving at an EU port. Cost for an Asia-to-Europe trade lane currently varies widely, **from 12 to 70 euros per TEU and 31 to 105 euros per TEU for reefer containers**.

Importers and exporters who choose to ship via renewable fuel-powered vessels will be **exempt from the ETS surcharge**, per the Renewable Energy Directive.

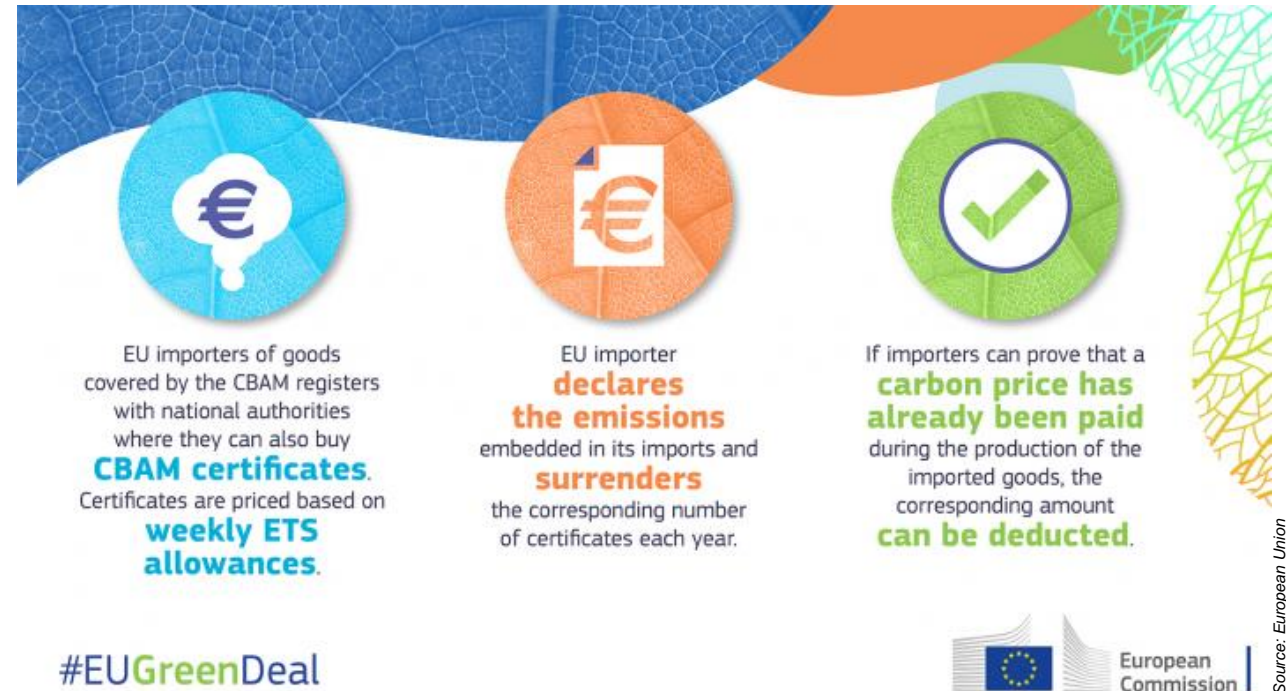


SUSTAINABILITY CARBON BORDER ADJUSTMENT MECHANISM

On Oct. 1, the Carbon Border Adjustment Mechanism (CBAM) entered its initial phase. The CBAM is one pillar of the EU's Fit for 55 Agenda, which includes a wide set of policies to reduce net greenhouse gas (GHG) emissions by at least 55% by 2030.

In the initial phase, the CBAM applies to all **EU importers for carbon-intensive imports**. This applies currently to **cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen**. All EU importers must report the GHG emissions for their imports quarterly; the due date for the first reporting period (Q4 2023) is Jan. 31, 2024.

A detailed overview of all applicable products, reporting levels, and relevant details can be found on the website of the European Union, together with eLearning material and the link to the portal for the transitional registry. Access should be requested through the National Competence Authority (NCA). The current overview is available here.



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

dgrosso@aitworldwide.com

Global Sustainability

Chelsea Lamar

clamar@aitworldwide.com

International Air and Ocean

Kent Thompson

kthompson@aitworldwide.com

