



# Market Report 5/2023



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**Note**  
All monetary figures are shown in United States Dollars (USD) unless stated otherwise.

- The air freight market—declining for 13 consecutive months—stabilized in March, with volumes only down 3% year-over-year (YoY), the lowest monthly decline in more than a year.



- The number of shippers' six-month agreements rose to 36% in Q1 2023, up from 23% in Q4 2022, according to Xeneta data.



- There's still little evidence that transpacific rate increases are being supported by higher import demand or improved bookings.

- Some carriers have been using huge cash reserves [accumulated](#) during the pandemic-driven boom to bolster their networks and gain a competitive advantage. Many are actively working to increase their tonnage, boost capacity, and grow their market share.



- Braemar has [forecasted](#) the global LNG fleet will expand by 36% between now and 2027. South Korean builders continue to take the majority of newbuild contracts for gas-related ships.



- Ocean Network Express (ONE) [did not include](#) a full-year forecast for 2023 in its 2022 results, saying the outlook for 2023 is extremely difficult to predict. Maersk predicted its best-case scenario for 2023 would be an 84% decline YoY, which aligns with Blue Alpha Capital's forecast of an 80% drop in profits for the major container lines in 2023.

- The number of vessels [crossing](#) the **Suez Canal** saw 20% year-over-year growth in Q1 2023.

- **The Port of Antwerp-Bruges'** throughput totaled 68.7M metric tons in Q1 2023, down 4.5% YoY.

- The **Russian container market** [posted](#) a significant decline (16%) compared to Q1 2022, with total marine containers throughout Russian ports amounting to 1.09 TEU as compared to 1.3M TEU in Q1 2022.

- According to Descartes data, **U.S. imports** totaled 1.8M 20' TEUs in March, down 27.5% YoY but up 6.9% from February and up 4.2% from March 2019, pre-COVID. Notably, imports from China have declined, which have been counterbalanced by a combined increase from Thailand, South Korea, and Japan.

- **U.S. exports** from foreign manufacturers declined by 16.3% in Q1 as compared to the same period in 2022.

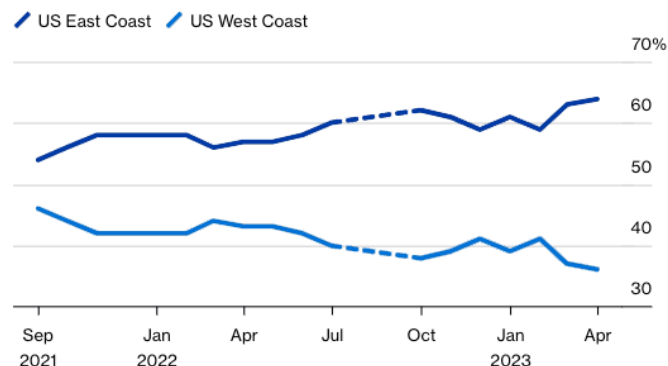


# Market Trends



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As of 11 April 2023, only 36% of imported goods [arrived](#) through U.S. West Coast ports, the smallest proportion since mid-2021 and down from 42% in the second half of 2022.



Source: FourKites tracking data; includes import shipments arriving at U.S. ports for FourKites customers; data for July-August 2022 not provided.

## TRANSATLANTIC AIRFREIGHT CAPACITY

There will be a huge influx of belly capacity hitting the air freight market soon, which is expected to drive rates down further as carriers scramble to fill their aircraft with cargo.

- [American Airlines](#) will [add](#) 400+ widebody flights a month to its network this summer, much of it on the transatlantic.
- United Airlines will add 20+ international routes, boosting its overall network by 25%.
- Delta will increase transatlantic flights out of its New York and Atlanta gateways and has added Geneva, Switzerland and Nice, France to its European destinations. The airline is running 1,750 flights a week to 85 global destinations in total.

## MEXICO PICKS UP ASIAN LOSSES

Mexico has [become](#) a leading option for companies seeking a new location because it is close to American consumers, it has a relatively cheap labor force compared with other North American countries, and it already has a free-trade agreement with the U.S. and Canada. This also allows shippers to save on the cost of tariffs currently imposed on many Asian products. Additionally, Mexico [provides](#) shorter distances, reducing the need to carry so much inventory and offsetting the risk of production disruptions or freight delays.





## SERVICES

CMA CGM [began](#) a new air cargo route between Paris, France and Guangzhou, China. The route is scheduled to operate three flights per week and is expected to bring 20,000+ tons of cargo growth to Baiyun Airport each year.

- CMA will also [launch](#) a wide-ranging new land transport service through Lekki Port in Nigeria.

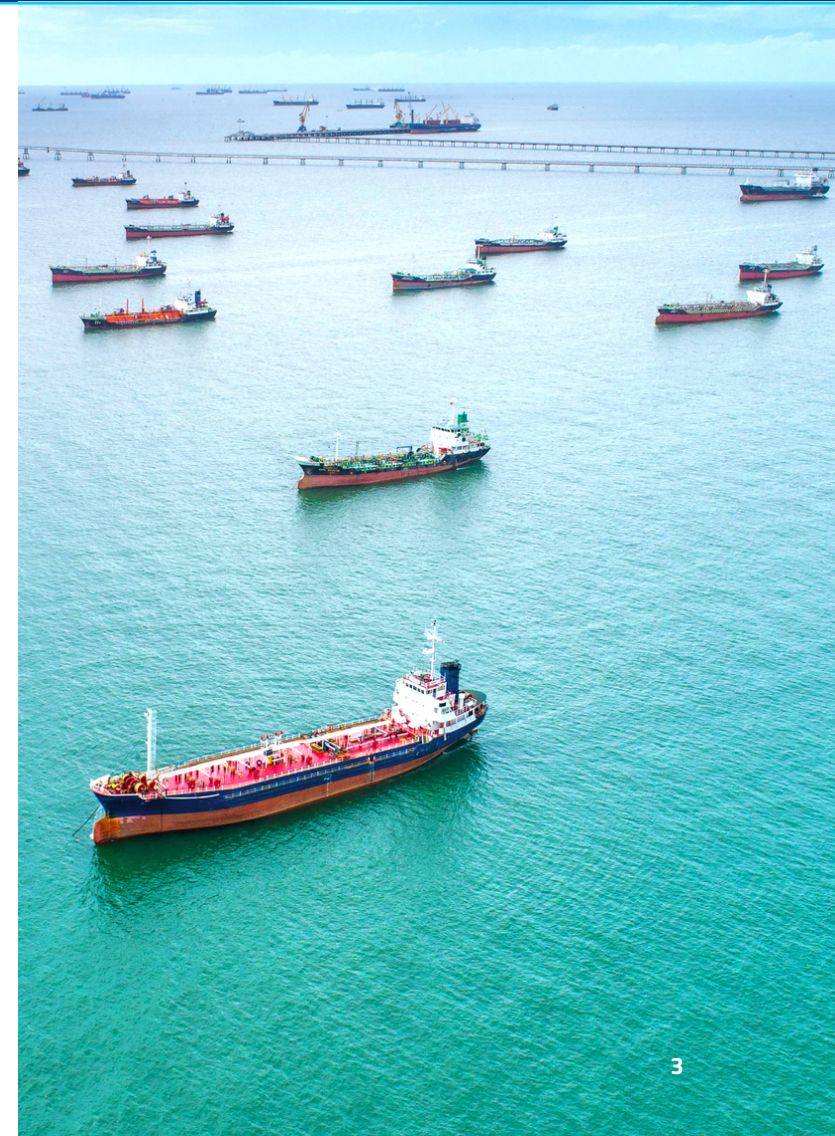
Aero Africa plans to [expand](#) its operations in China and the United Arab Emirates (UAE) by launching a new sea-air transport product. The company's sea-air solution will provide transportation from Asia to 70 different African destinations via Dubai.

HMM is hoping to enter the ammonia trade, and the company has already [signed](#) a memorandum of understanding (MoU) with LOTTE Fine Chemical for marine transportation. The MoU also covers the bunkering of ammonia and methanol fuel.

## SERVICES

Canadian National (CN), Union Pacific Railroad (UP), and GMXT will [launch](#) the Falcon Premium intermodal service connecting Mexico, the U.S., and Canada. Falcon Premium will directly [connect](#) all CN origin points within Canada and Detroit, Michigan, to GMXT terminals in Monterrey, Nuevo Leon, and Silao, Guanajuato.

Maersk launched a new U.S.-China air cargo link. The service will [commence](#) with two weekly flights between Greenville-Spartanburg International Airport (GSP) and Shenyang Taoxian International Airport (SHE) and two weekly flights between Chicago Rockford International Airport (RFD) and Hangzhou Xiaoshan International Airport (HGH). Both services will increase to three weekly flights starting in May 2023.



## PRICING

### CRUDE TANKERS

Prices for secondhand crude tankers have [reached](#) their highest levels in 25 years. Tanker owners who legally transport Russian products under the price cap are often earning significantly more the standard freight rate. Kpler data [showed](#) that 36% of Russian crude was carried by EU-linked tankers in February, with private Greek owners primarily [reaping](#) the rewards. U.S.-listed tankers are largely irrelevant as they face reputational issues with their investors, banks, and larger charterers.

### GEOPOLITICAL RISK BETWEEN TAWAIN/CHINA

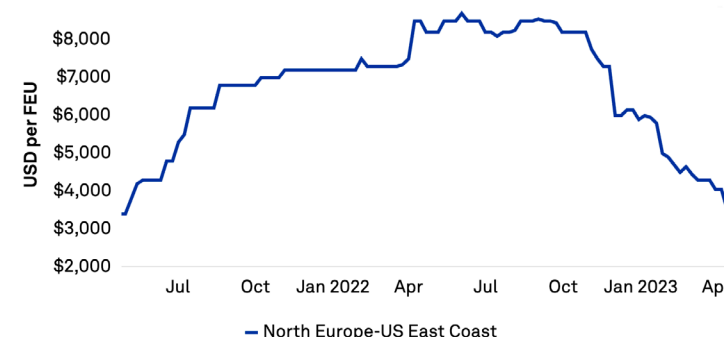
The perpetual threat of a Chinese move on Taiwan is being exemplified by long-term contract rates. A container ship sailing from Shanghai to Kaohsiung, Taiwan, travels just 600 nautical miles, whereas a ship [going](#) from Shanghai to Los Angeles travels 5,700 nautical miles (9.5x farther) and incurs higher fuel costs, yet long-term contract rates for these two trades are now roughly the same: around \$2,000 per 40' TEU.

## PRICING

- The Shanghai Containerized Freight Index recently saw the fourth consecutive weekly increase, signaling that global spot rates *could* have already reached a bottom.
- LNG newbuild prices have [hit](#) record highs (\$259.5M) for a standard ship, a number that is deterring some owners from ordering more.
- Diesel demand is [weakening](#) in many of the world's largest economies, impacting heavy-machinery fuel that powers everything from commercial trucking fleets to construction equipment. Diminishing factory output and weaker demand for trucks has [dragged](#) prices down further.
- OOCL's [transatlantic](#) air flights in Q1 2023 were up 25% YoY at 128,233 TEU; however, its average rate on the route fell 16.5%, to \$2,432 per TEU.

## PRICING

### CONTAINER RATES FROM NORTH EUROPE TO U.S. EAST COAST IN USD PER FEU



Source: Platts accessed via JOC

### FUEL PRICE VOLATILITY

Jet fuel prices continue to be uncharacteristically off sync with crude oil trends. The pricing remains volatile, with the current average price hovering around \$2.80 per gallon [according](#) to IATA.



# Market Trends

## MERGERS & ACQUISITIONS

### HMM SALE GETS GREEN LIGHT

Privatization of HMM is finally set to [progress](#), and investment bank Samsung Securities has been appointed to find a buyer.

### GERMANY RECONSIDERS COSCO DEAL

Hamburg's Container Terminal Tollerort (CTT) has been [classified](#) as critical infrastructure, placing the previous COSCO agreement in doubt. The deal will be postponed while the German government reexamines the potential impact.

Triton International, the world's largest owner and lessor of shipping containers, is being [taken](#) private by Brookfield Infrastructure Partners in a deal [valued](#) at \$13.3B. The transaction is [expected](#) to close in Q4 2023, pending approval from regulatory entities and Tritons' shareholders.

India's government will [invite](#) bids for the privatization of Shipping Corp of India Ltd (SCI). SCI currently owns and operates around 1/3 of India's total tonnage.

After record profits in the last two years, cash-rich CMA CGM is [offering](#) \$5.48B for Bolloré's transport and logistics businesses. CMA [noted](#) that negotiations would take a considerable amount of time, and there is no assurance that a final agreement will be reached.

- In related news, Mediterranean Shipping Company (MSC) also [acquired](#) Bolloré Africa Logistics in 2022, including all the group's shipping, logistics, and terminal operations in Africa and its terminal operations in India, Haiti and Timor-Leste.




Etihad Cargo [announced](#) a strategic partnership with SF Airlines which will enable both carriers to operate flights from each other's hubs. The partnership will provide Etihad Cargo's customers with access to 25 destinations in China via SF Airlines' trucking network.

Since August 2020, MSC has [acquired](#) more than 300 second-hand container vessels to raise its operating fleet capacity to 4.9M TEU. MSC is also set to receive four more 24,000 TEU vessels soon: the *MSC Claude Girardet*, *MSC Gemma* and two yet to be named.

Hapag-Lloyd has [completed](#) its 40% shareholding acquisition of J M Baxi Ports & Logistics Limited (JMBPL). The move strengthens Hapag's presence in the growing Indian market while also expanding its terminal and infrastructure business.

Newly formed Canadian Pacific Kansas City (CPKC) will [rely](#) on Schneider National for intermodal services. Schneider will act as the "strategic intermodal carrier" for CPKC's north-south corridor between Chicago and all major points in Mexico. The trucking carrier will [start](#) to move freight on CPKC's network by the middle of May.

## Infrastructure

-  **NORFOLK, VIRGINIA, USA:** The Port of Virginia plans to [invest](#) more than \$18M to expand capacity at the Virginia Inland Port near Front Royal and the Richmond Marine Terminal. Both projects are part of a larger, \$1.4B gateway investment program that seeks to expand and modernize the port's functions and increase long-term competitiveness.
-  **CHICAGO, IL, USA:** Chicago Rockford International Airport has [completed](#) 95% of its \$50M cargo expansion project, [adding](#) three cargo warehouses totaling 240,000 square feet and parking positions for six 747 aircraft.
-  **DALLAS, TX, USA:** Dallas Fort Worth International Airport (DFW) is [redeveloping](#) its cargo facility to increase capacity and meet international e-commerce needs. The project will add approximately 350,000 feet of new warehouse space and seven large cargo aircraft parking positions, with completion slated for late 2024.

## Infrastructure

-  **JACKSONVILLE, FL, USA:** BAE Systems [unveiled](#) a \$200M upgrade to its ship repair yard in Jacksonville. The improvements include a Pearlson Shiplift for drydocking, which will be the largest lift of its kind in the Americas. The project will increase the yard's drydocking capacity by 300% once complete in 2025.
-  **VANCOUVER, BC, CANADA:** Canada's federal government [gave](#) conditional environmental approval for a planned mega-container terminal in Vancouver, a major milestone that the port authority has [desired](#) since 2013. The RBT2 terminal will have an annual capacity of 2.4M TEU and is intended to give Canada's largest container gateway enough capacity to avoid congestion as it continues growing.
-  **TIANJIN, CHINA:** Chinese port operator Tianjin Port Group and Singapore-based PSA International have [signed](#) an agreement to jointly develop new port and energy businesses. They will [target](#) 'smart' port equipment manufacturing and work to improve digitization.





## Transport Technology

India's recent investments in technology and physical infrastructure are [paying](#) dividends in the form of smoother-flowing cargo, according to the World Bank's latest [logistics report](#). For example, a program launched in 2015 and generalized in 2020 includes tracking devices on shipping containers, providing consignees with end-to-end visibility. This technology helped reduce dwell times from 32.4 days in 2015 to 5.3 days in 2019.

The global Unmanned Aerial Vehicle (UAV) market will [achieve](#) a \$52.3B value by 2030, according to a recent industry [report](#). The sector was worth \$24.9B in 2022, meaning that between 2023 and 2030, the global UAV industry is predicted to register a compound annual growth rate of 11.2%.

### EMERGING WAREHOUSE TECHNOLOGIES

Besides barcodes, several new technologies have [entered](#) the warehouse data capture landscape. Systems that use radio frequency identification (RFID) tags and readers are already well established, and real-time locating system (RTLS) solutions are quickly gaining popularity. Additionally, demand for inventory picking robots in warehouses is [poised](#) to leap from <2,000 annual shipments in 2022 to >50,000 by the end of the decade. It's also [expected](#) that the price of robotic picking will drop as more technology floods the market.

### BOXBAY

UAE-based DP World announced its BOXBAY high-bay storage system will be [installed](#) at its terminal in Busan, South Korea, to boost container handling efficiency. The BOXBAY system was initially developed to handle heavy metal coils and has since been refined for port logistics. The fully automated rack-like container storage system allows direct access to each container at any time, thus improving efficiency and environmental performance.

## Sustainability

The Ports of Singapore, Long Beach, and Los Angeles have **signed** a green shipping corridor (GSC) pact. The parties will **collaborate** on the supply and adoption of alternative fuels and explore the necessary infrastructure and regulations for bunkering. The memorandum also aims to identify digital shipping solutions and develop best practices for green ports and the bunkering of alternative marine fuels.

Canadian Pacific (CP) and Kansas City Southern (KCS) recently **combined** to create Canadian Pacific Kansas City (CPKC), the first and only single-line railway network connecting Canada, the U.S., and Mexico. The creation of CPKC is expected to bring significant environmental benefits, including the avoidance of more than 1.6M tons of GHG emissions and the diversion of 64,000 trucks to rail. This is expected to culminate in a 1.9M ton total reduction of GHG emissions over the next five years.

The U.S. Environmental Protection Agency (EPA) recently unveiled its “Greenhouse Gas Standards for Heavy-Duty Vehicles – Phase 3.” The proposal **targets** light, medium, and heavy-duty vehicles for the model year 2027 and beyond. The EPA **projects** the proposed standards would mitigate nearly 10B tons of CO<sub>2</sub> emissions and reduce oil imports by approximately 20B barrels through 2055.

The European Union (EU) and Norway will **form** a “green alliance” to **bolster** cooperation in clean industries like carbon/hydrogen capture and storage as they work to strengthen the region’s potential as an energy technology hub.

- Important context: the North Sea **holds** the bulk of Europe’s potential to **store** carbon dioxide. The development of carbon capture and storage (CCS) projects across the globe is expected to provide a new source of cargo demand for the maritime industry, in addition to offsetting demand for conventional hydrocarbon cargo.

British Columbia’s government **plans** make the Port of Prince Rupert “the greenest port in Canada.” Key initiatives include equipment electrification, alternative fuels, port design and infrastructure, emissions from idled vehicles and equipment, and digital technology.

Maersk recently **launched** the world’s first green methanol-powered containership. The vessel, a 2,100 TEU capacity feeder ship, is the first of nineteen carbon neutral Maersk ships that will be powered by green methanol fuel.

- Important context: Maersk has set ambitious sustainability goals, aiming to become carbon neutral by 2040—a decade ahead of most other companies in the industry. The company has also set nearer-term targets calling for a 50% reduction in greenhouse gas (GHG) emissions intensity from its ocean fleet and a 70% reduction in absolute emissions from its fully controlled terminals by 2030.

A record 325 LNG carriers are now on order, equivalent to about ½ of the existing fleet. Notably, more than 40% of LNG ships in the current order book will **incorporate** green technologies such as exhaust gas economizers and air lubrication systems.



## Laws/Legislation

### WATERFRONT COMMISSION OF NEW YORK HARBOR

In a unanimous vote, the U.S. Supreme Court said that New Jersey could unilaterally [withdraw](#) from the Waterfront Commission of New York Harbor, a 70-year-old group originally [created](#) to combat organized crime and union corruption. New Jersey said its state police force would take over the commission's law-enforcement duties on its side of the river.

### FEDERAL EXCISE TAX ON TRUCKS

Legislation has been introduced into both the U.S. House of Representatives and Senate to [repeal](#) the 12% federal excise tax (FET) on the purchase of new trucks, which critics says penalizes trucking companies who invest in cleaner, safer vehicles.

### OCEAN SHIPPING COMPETITION ENFORCEMENT ACT

Representative John Garamendi recently [proposed](#) the Ocean Shipping Competition Enforcement Act, which would allow the Federal Maritime Commission (FMC) to block anticompetitive agreements among carriers and marine terminal operators without first obtaining a federal court order. Currently, the FMC cannot block an agreement that it judges to be unreasonably anticompetitive; instead, it must petition the U.S. District Court for the District of Columbia and persuade it to take action. Garamendi, one of the original sponsors of 2022's Ocean Shipping Reform Act (OSRA), said the new bill is needed because "nine foreign-flagged ocean liners...openly collude under three carrier alliances handling some 80% of cargo."

### CANADIAN BILL S-211

Canadian Bill [S-211](#), "Fighting Against Forced Labour and Child Labour in Supply Chains Act," has a very explanatory title. The bill has already been approved by the Senate and continues to advance through Parliament, with many expecting it to become law. More details can be found [here](#).

## TARIFFS/SURCHARGES

Container lines are particularly [aggressive](#) in the levels of general rate increases (GRIs) they're seeking this year. They're using GRIs to forcibly push up Asia-U.S. spot rates, yet there's widespread skepticism on rates' staying power given the gravitational pull of weak demand.

### "DYNAMIC" PRICING

How adjustable can rates become? UPS and FedEx are [advancing](#) their pricing capabilities beyond just surcharges during high-demand periods. In general, added fees have become more prevalent since home delivery boomed during the pandemic and strained carriers' networks.

## General Disruption

Material sourcing from Chinese manufacturers is a leading supply chain [risk](#) in 2023, according to analytics firm Everstream's annual risk [report](#). Everstream also highlighted other key risks: cybercrime, ESG violations, financial insolvencies, and high commodity prices stemming from energy shortages.

According to [data](#) from the American Chemistry Council (ACC), 93% of the 76 companies questioned said that supply chain disruptions are still impacting their U.S. chemicals manufacturing businesses. Most firms (86%) said they were forced into modifying their operations because of issues and/or transportation disruptions during the second half of 2022.

**FEDEX PILOTS:** The Air Line Pilots Association International (ALPA), which represents FedEx pilots, recently [approved](#) a ballot measure giving its members the [authority](#) to call a strike when legally permissible. It's important to note that the ballot approval does not mean a strike is inevitable.

- The National Mediation Board must first [decide](#) that additional mediation efforts would not be productive and offer the parties an opportunity to arbitrate the contract dispute. The FedEx Master Executive Council [said](#) a strike would only occur if negotiations broke down between the two parties and if the federal government authorized a walkout.





## Acute Disruption

### PANAMA CANAL DROUGHT CONDITIONS

The Panama Canal Authority (ACP) has been [forced](#) to lower the maximum draft for vessels passing through the Panama Canal's Neopanamax locks due to an ongoing drought. Despite [implementing](#) water-saving measures, the level of Gatun Lake has been falling faster than anticipated. The first 11 days of April saw precipitation levels in the Canal watershed plummet to approximately 70% below the historical average.

### FRENCH BORDER BIOMETRICS

This November, France will institute fingerprint and biometric scans for U.K. arrivals, the same protocol it will apply toward other citizens from non-EU or third world countries. This is expected to create even more processing times for inbound travelers from Britain.

## Acute Disruption

### EAST CHINA SEA

The Chinese and Japanese defense ministries recently [established](#) a direct telephone line as a liaison mechanism for maritime and aviation-related matters in the East China Sea. The [dispute](#) is over the uninhabited Japanese-controlled islands, known as Senkakus in Japanese and Diaoyu in Chinese.

### UK'S OFFSHORE WORK STOPPAGES

The U.K.'s Unite the union [joined](#) a growing wave of industrial action as roughly 1,300 offshore workers conducted a 48-hour stoppage starting Monday, 24 April 2023, causing disruption for several major offshore operators.

## Acute Disruption

### BLACK SEA GRAIN INITIATIVE

Russia hoped the Black Sea Grain Initiative would [restore](#) its exports of fertilizer and wheat, and since this has not occurred to their liking, they have now threatened to pull out of the deal completely. Russian negotiators [refused](#) to promise participation beyond May 2023 during some of the latest negotiations.

### SHORTAGE OF CO<sub>2</sub> TANKERS

If many of the CO<sub>2</sub> projects currently undergoing feasibility studies get approved, there could be a major shortage of shipping capacity. Only two CO<sub>2</sub> carriers are currently on order and will be dedicated to the [Northern Lights project](#), which commences in 2024. Shipyards should [anticipate](#) signings of carbon dioxide tankers to match all the planned CO<sub>2</sub> storage projects around the world.