



Market Report 6/2023



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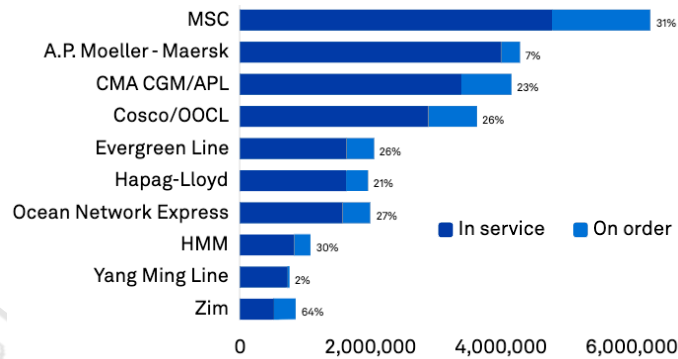
Note
All monetary figures are shown in United States Dollars (USD) unless stated otherwise.

Market Trends



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SHIP ORDERS NEAR 30% OF IN-SERVICE FLEET

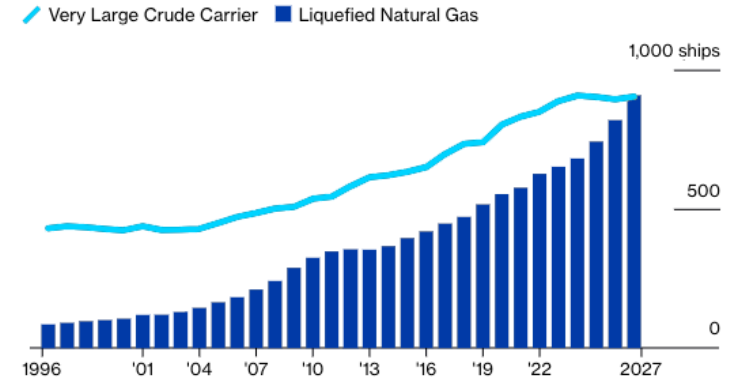


Source: Sea-Web, [S&P Global](#)

WORLD'S FLEET OF GAS SHIPS EXPANDS RAPIDLY

LNG carriers will outnumber the biggest crude vessels by 2027. There were 625 LNG ships versus 849 Very Large Crude Carriers (VLCCs) last year, but this will grow to 907 and 903 respectively. Importantly, U.S. and E.U. lawmakers are still [targeting](#) LNG for its environmental concerns.

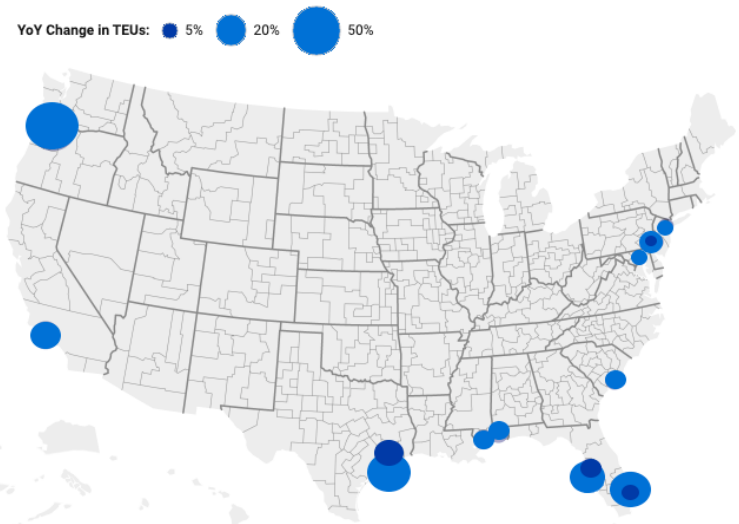
Source: [Clarksons Research](#) accessed via [Bloomberg](#).
Note: LNG ship fleet excludes smaller bunkering vessels for gas.



THE 15 FASTEST GROWING CONTAINER PORTS IN THE U.S.

U.S. port volumes have grown fastest when already near preexisting markets, such as Houston or Seattle/Tacoma. This informative article [details](#) cargo diversions throughout the U.S., with helpful graphs to visualize the trends.

Source: [Source: Supply Chain Dive](#); Descartes Datamyne; created with [Datawrapper](#).



Market Trends



BACK TO TOP

Italy's exports to China have [tripled](#) in little more than a year. Industry experts have posed various theories, but it's still largely unclear why.

Freight truck owners-operators entered the market in large numbers during the pandemic but are fleeing now. 31,000+ fleets [surrendered](#) their operating authorities between January and April 2023, with more than 24K being one-truck outfits, accounting for roughly 79% of the losses.

After China lifted wide-ranging Covid restrictions, many [hoped](#) the decision would catalyze international trade. It has become increasingly clear that hopes of a trade boost are gone. China's economic data for April [showed](#) a list of worries, although China's share of U.S. imports in April did increase 6% month-over-month (MoM) to 37%.

Supply chains are [playing](#) with spare capacity for the first time since June 2020. GEP's [global supply chain volatility index](#)—tracking demand conditions, shortages, transportation costs, inventories, and backlogs—fell to -0.4 in April, the first negative reading since mid-2020.

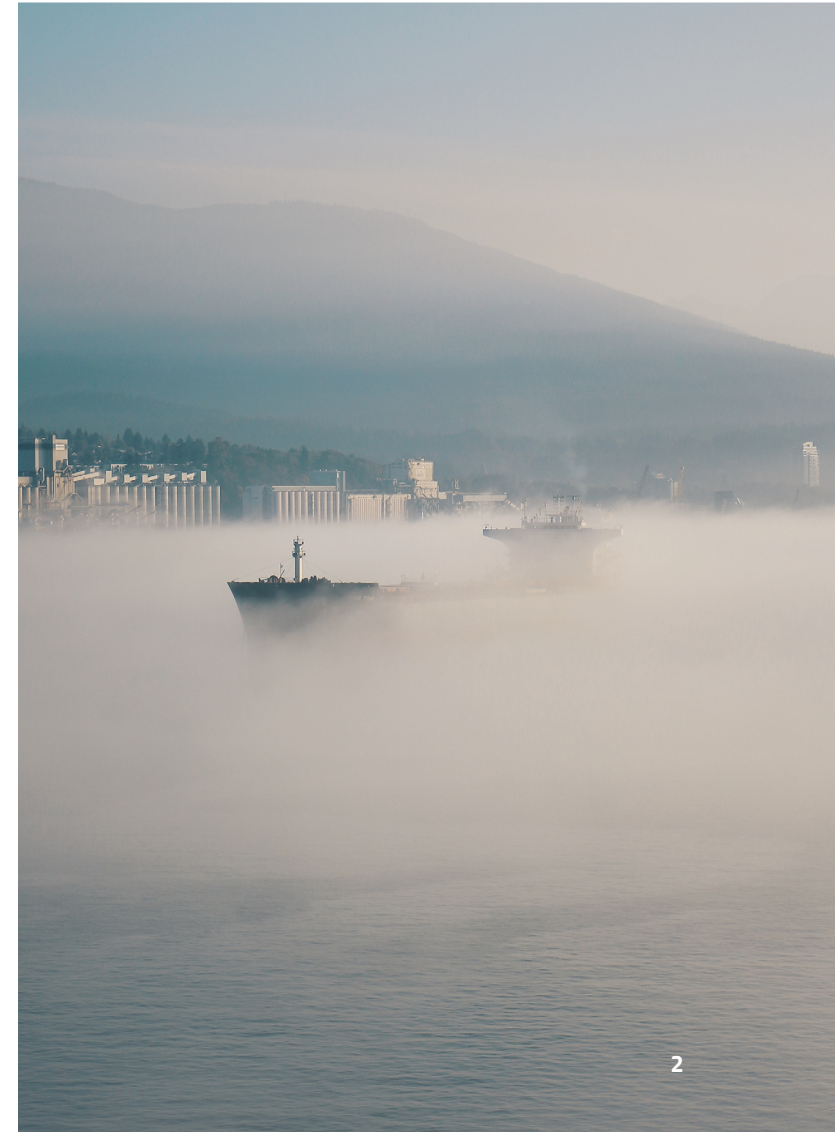
Container line schedule reliability continues to [improve](#) and has largely returned to pre-pandemic levels, according to Sea-Intelligence analysis.

Without a significant increase in exports from China, the prospect of a traditional peak season is [slipping](#) away. Shippers are hoping for a late peak season, but the numbers do not look promising.

Boeing CEO David Calhoun recently [stated](#) that he thinks supply constraints in the airline industry could drag on for the next 5-10 years. Component shortages have restricted output as Boeing and arch-rival Airbus SE have struggled to scale up production.

Drewry estimates that global box production [contracted](#) 71% year-over-year (YoY) to 306,000 TEU in Q1 2023, the lowest level [since](#) the same period in 2010.

Trucking companies are [contending](#) with a combination of extremely low rates and higher operating costs (maintenance, insurance, driver salaries, equipment). On a cash flow-adjusted basis, current spot rates are equivalent to \$1.19 a mile *without* including increases in the cost of capital to finance operations.



OCEAN SERVICES

- ⊕ In June, 2M alliance partners MSC and Maersk will [deploy](#) nine extra vessels on their Asia-Europe services. This capacity injection is intended to reduce speeds, providing a buffer to absorb schedule changes.
- ⊕ Maersk [unveiled](#) its 'Al Maha' ocean service, connecting Europe to the Middle East, with port rotations across the United Arab Emirates (UAE), Saudi Arabia, Oman, Qatar, Egypt, and Morocco. The service will include seven vessels with a nominal capacity of 8,500 TEUs per week.
- ⊕ Rosatom and Novatek, Russia's largest natural gas producers, plan to [launch](#) year-round navigation in the eastern portion of the Northern Sea Route by early 2024.
- ⊕ Mediterranean Shipping Company (MSC) [reinstated](#) its Swan service as a standalone offering. The Swan service is expected to provide fast transit times between China, Benelux, Poland, and the Baltics. Notably, it will be the first to offer direct calls to Gdynia, Poland, and Klaipeda, Lithuania from Asia.

AIR SERVICES

- ⊖ CMA CGM Air Cargo has pulled out of the U.S. market again and [redeployed](#) its aircraft to Asia and the Middle East. The company recently [started](#) four services a week on an A330F between Mumbai and Paris, and their website no longer showed Chicago and Miami as destinations for its freighter fleet.
- ⊕ 13 years after scrapping its freighter business during bankruptcy reorganization, Japan Airlines will [reintroduce](#) a dedicated cargo fleet and [convert](#) three Boeing 767-300ER jets from its passenger fleet into pure freighters.
- ⊕ China's Central Airlines (Zhongzhou Airlines) [started](#) a new cargo route between Shenzhen and Jakarta, Indonesia. The route operates 6x a week, with a weekly transportation capacity exceeding 120 tons.
- ⊕ United Parcel Service (UPS) [began](#) a new flight from its air hub in Louisville, Kentucky, USA, that will connect to Irish airport hubs in Dublin and the East Midlands. These Boeing 767 flights will operate every weekday.

- ⊕ IAG Cargo [announced](#) additional capacity for the summer season between Latin America, the Caribbean and its European hubs in London, Madrid, and Barcelona.

RAIL SERVICES

- ⊕ Canadian Pacific Kansas City (CPKC) now [offers](#) a daily intermodal service [between](#) the U.S. Midwest and Mexico. Trains will link between Chicago, Kansas City, and Texas with Monterrey and San Luis Potosi in Mexico. There is also a three-day service to and from Laredo, Texas; four-day service to and from Monterrey; and 4.5-day service to and from San Luis Potosi.
- ⊕ Crowley has partnered with Canadian railway (CN) to provide integrated rail and ocean services between Mexico, the U.S. Midwest and Canada. The service may benefit those seeking to avoid congestion at the U.S.-Mexico border. More details [here](#).

PRICING

Shipping equities significantly outperformed the S&P 500, Dow Jones Industrial Average and Nasdaq Composite in early 2023, but since 1 March 2023, the opposite has been true.

Freight Waves [published](#) a lengthy, detailed article about different container shipping stock prices and their recent fluctuations.

MERGERS & ACQUISITIONS

BYE BYE BOLLORÉ

The Bolloré Logistics name will disappear as its operations are brought underneath the CEVA Logistics brand. The CMA CGM Group has already bid to [acquire](#) Bolloré, a family-owned business, but the deal now requires regulatory approval. The acquisition is valued at roughly €4.6B and would [make](#) CMA CGM Group one of the top five companies in the logistics industry worldwide.

LUFTHANSA EXPANDS ITALIAN PRESENCE

Deutsche Lufthansa AG [agreed](#) to buy an increased stake (41%) in Italian carrier ITA Airways, which will cost them €325M (USD \$349M). The Italian government will also contribute an additional €250M. Lufthansa is already the region's biggest airline group, and the strategic move allows them to expand in Europe's third-largest aviation market.






- Dubai-listed logistics company Aramex has [signed](#) a joint venture agreement with Abu Dhabi's AD Ports Group to create a non-vessel owning common carrier

CHINA MERCHANTS GROUP

China Merchants Group is progressing through a complex [resource integration](#). Once complete they will have a fleet of 500+ bulk carriers and containerships deployed on the Yangtze river. Annual dry and bulk cargo volume will exceed 130M tons and container volumes will be more than 1.3M TEUs, making them the largest public feeder service provider on Yangtze.

- Daewoo Shipbuilding & Marine Engineering's board of directors will [allow](#) recapitalization of the financially troubled shipbuilder to proceed. The shipyard will become part of the Hanwha Group as Hanwha will provide nearly \$1.4B in capital, acquiring a 49.3% ownership stake in return.
- Flexport [acquired](#) Shopify Logistics' assets, including Deliverr, a key fulfillment technology services provider.
- After revisiting the issue, port logistics firm HHLA [confirmed](#) that the German government will [allow](#) Cosco's 24.9% [acquisition](#) of a container terminal at the Port of Hamburg.

Infrastructure

-  **MOBILE, ALABAMA:** The Port of Mobile has a new 34-acre container depot **supporting** container and intermodal traffic. The facility offers a range of services: container maintenance and repair, storage for loaded and empty containers, warehousing, and chassis start-stop capabilities.
-  **SAVANNAH, GEORGIA:** Savannah, the second-fastest growing U.S. port for imports during the last decade, will **add** 1.5M TEUs of annual capacity in 2023. Georgia Ports Authority (GPA) has planned a \$204M storage yard at Garden City, allowing shippers to reduce their demurrage exposure. The port's annual capacity should increase by 50% to reach 9M TEUs.
-  **CHATTOGRAM, BANGLADESH:** Maersk has **expanded** its warehouse footprint to over half a million square feet in Bangladesh. The expansion includes a state-of-the-art export custom bonded warehouse in Chattogram, commissioned in partnership with ISATL.
-  **VANCOUVER, CANADA**
DP World and the Vancouver Fraser Port Authority have **completed** the Centerm Expansion Project. The newly expanded terminal can now handle 1.5M TEU a year (900,000 previously) and adds 15% to the terminal's overall footprint.
-  **OXAGON, SAUDI ARABIA**
Saudi Arabia's **Port of NEOM**, formerly known as Duba Port, **expanded** its capabilities by launching a fixed-call partnership with CMA CGM. The deal adds general cargo handling, storage, and passenger services, as part of its ongoing development strategy, which saw \$2B (SR 7.5B) during the first phase of development.



Transport Technology

AIR FREIGHT MARKET EMBRACES DIGITIZATION

The airfreight industry has a reputation for its complex documentation and invoicing processes. Now, many companies' "smart contracts" are being [built](#) on blockchain technology.

Blockchains [allows](#) shippers and carriers to have an immutable, secure record of all touchpoints along the cargo's journey, while also making it impossible to retroactively alter the records. For example, FedEx Logistics and Electrolux will allow merchants to electronically sign off on air cargo bookings (via a digital marketplace) before a freight forwarder completes the transaction with the airline.

UPS VIRTUAL REALITY TRAINING

UPS has nearly [doubled](#) the number of driving simulators at its facilities. The company spent over \$343M on safety training courses in 2022, helping more than 20,000 drivers learn how to navigate pedestrians, parked cars, and oncoming traffic.

CALIFORNIA PORT DATA PARTNERSHIP

California's five containerized ports—the Port of Hueneme, the Port of Long Beach, the Port of Los Angeles, the Port of Oakland, and the Port of San Diego—[signed](#) a [Memorandum of Understanding](#) (MOU) to launch the "California Port Data Partnership." The five ports will jointly work on cloud-based data interoperability to [support](#) improved freight system resilience, transport efficiency, emissions reduction, and economic competitiveness.

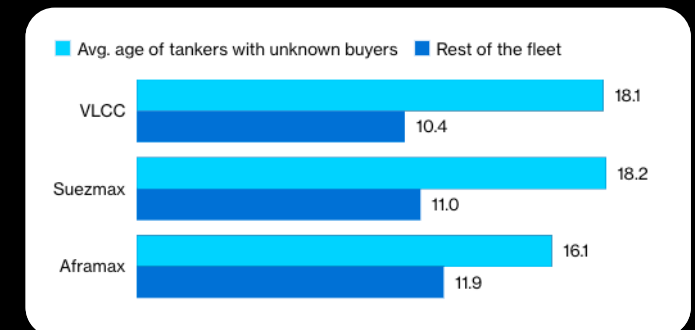
GO WITH THE FLOW

The U.S. Department of Transportation's (DOT) [Freight Logistics Optimization Works](#) (FLOW) project recently [developed](#) a data exchange "to pool information on goods movement, including incoming container volumes and available logistics equipment." The project's second phase—Fall 2022 to Spring 2023—focused on [building](#) daily data dissemination into the portal, covering metrics such as inbound container bookings, available container slots, or available chassis. 53 companies [representing](#) the end-to-end supply chain are now part of FLOW, with notable participants including Costco, Walmart, and Union Pacific railroad.

TANKERS GETTING OLDER, YET MORE PROFITABLE

Publicly-listed shipping companies have been selling their old and soon-to-be-scrapped vessels at high prices, with many vessels now residing in Russia's "shadow fleet" oil trade.

Tankers aged 20 years or more [comprised](#) just 1% of the global tanker fleet before Covid and were still a rarity at 3% before Russia's invasion of Ukraine, but they're now expected to comprise 11% of all tanker demand by mid-2025. Tanker newbuilding orders have [risen](#) by 250% YoY. Aframaxes/LR2s account for most orders at 39%, followed by suezmaxes at 30%.



Source: VesselsValue accessed via [Bloomberg](#)

Transport Technology

- COSCO is [progressing](#) on plans to launch its first electric-powered containerships on China's Yangtze River, with two vessels [expected](#) to begin service in late 2023. The ships can supposedly reduce carbon emissions by about 32 tons per 24 hours as compared to conventional fuel ships of the same size.
- Trucking company Peterbilt finally [unveiled](#) the Model 589 after ten years of research, customer outreach, and engineering design. The 589 replaces the 389 model, and it was introduced at a formal ceremony at the Texas Motor Speedway.
- BlackBerry [announced](#) a strategic partnership with McLeod Software to deliver enterprise software solutions for the transportation and logistics industry. [BlackBerry Radar](#), which provides monitoring and asset tracking for trailers, intermodal containers, chassis, equipment, and railcars, will be integrated directly into McLeod's trucking management system (TMS).
- Korea Ocean Business Corporation (KOBIC) will help [finance](#) 20 new feeder vessels for South Korean-Japanese trade routes. Currently, KOBIC owns 15 ships: four 8,600 TEU, five chemical tankers, and six 4,600 TEU containerships acquired from HMM.
- The 5G internet-of-things (IoT) is [expected](#) to have wide [ramifications](#) on the logistics industry. IoT devices can help businesses optimise their supply chains by providing real-time data on the performance of equipment and machinery. IoT connections and superior digitization are expected to become a 3.23B industry by 2025, a compound annual growth rate of 87.9%.
- DP World's CARGOES Community [unveiled](#) an innovative dashboard for shipping lines at the company's Jeddah terminal to fully digitalize the customer experience.



Sustainability

CANADA'S NET-ZERO CHALLENGE

The Ports of Montreal, Québec, and Trois-Rivières [announced](#) participation in the Canadian federal government's Net-Zero Challenge. The Port of Montreal has already made a series of [commitments](#) towards carbon neutrality, territorial protection, and improvements to the city-port interface.

PIER WIND

The Port of Long Beach [released](#) plans for a massive offshore wind project—"Pier Wind"—that will generate up to 20 megawatts of energy per turbine. Once assembled, the 1,100-foot-tall turbines can be towed by sea to generate renewable energy for different parts of the state. Local officials must plan with state and federal authorities, so construction is still more than three years away.

CASCADE CLIMATE IMPACT MODEL

Boeing has [released](#) the [Cascade Climate Impact Model](#), an interactive data modeling tool for public use that identifies the effects of various sustainability solutions in reducing aviation's carbon footprint.

PORT ELECTRIFICATION

The U.S. Environmental Protection Agency (EPA) [announced](#) a \$4B investment in port electrification. \$3B will be for "technologies to reduce harmful air and climate pollutants at U.S. ports," and the bulk of the agency's Clean Ports Program will be for "electrification of equipment at ports." Funding will also be available for vehicle emissions reductions under another "Clean Heavy-Duty Vehicle Program."

REFUELEU

The European Parliament and European Union (EU) member states have [reached](#) an agreement on the ReFuelEU aviation initiative which will require fuel suppliers to blend sustainable aviation fuels (SAFs) into paraffin in increasing amounts over time. By 2050, this measure is expected to reduce CO₂ emissions from aircrafts by around 66%.

- The EU and South Korea have [established](#) a "green partnership" to strengthen bilateral cooperation and exchange best practices on climate action.

INDIA INCENTIVIZES GREEN TECHNOLOGY

India's Ministry of Ports, Shipping & Waterways (MoPSW) has vowed to provide 30% financial support for projects that promote green shipping. With the government's recent financial incentives, many ports are already [embracing](#) hydrogen and green tugboats. The Indian government [plans](#) to make green hydrogen-based fuels available at the nation's biggest ports by 2035. The overall objective is to reduce carbon emissions per ton of cargo handled by ¼ as of 2030 and by 2/3 as of 2047.

SHARING RENEWABLE ENERGY INFRASTRUCTURE

Wave Energy Scotland (WES) [commissioned](#) research to understand and quantify the benefits of sharing renewable energy infrastructure within the supply chain, in particular floating wind farms and wave energy developments. The [report](#), *Wave and Floating Wind Energy—Opportunities for Sharing Infrastructure, Services and Supply Chain*, investigated a series of scenarios covering the full range of sharing opportunities, with promising conclusions.

Laws/Legislation

U.S. LAWMAKERS CONTINUE TOUGH STANCE ON CHINA

U.S. lawmakers are **asking** giant brands like Nike and Adidas, as well as fast fashion companies like Temu and Shein, to confirm their garments do not contain materials sourced from China's Xinjiang province. Lawmakers are pressing for detailed descriptions of how each company complies with the **Uyghur Forced Labor Prevention Act** (UFLPA) to ensure that products remain compliant.

Additionally, a new bill **proposed** in the U.S. Congress seeks to bar the use of Chinese-manufactured cranes in U.S. ports while also requiring a security review of all existing cranes. Notably, 70-80% of the large container cranes used in ports worldwide are now **manufactured** by Shanghai Zhenhua Heavy Industries Company Limited (ZPMC). The new legislation would require ports remove any cranes if they're deemed a security threat.

RAIL STORAGE CHARGES

Rail storage continues to plague shippers since it was not included in either the Ocean Shipping Reform Act (OSRA) of 2022 or the Ocean Shipping Reform Implementation Act.

More than 70 trade associations sent a **letter** to the House Transportation and Infrastructure Committee asking for clarification about rail storage fees charged during international ocean shipping. The message states that rail storage charges should be billed through the contracting ocean carrier and subject to the demurrage and detention (D&D) invoicing requirements of the Ocean Shipping Reform Act. It also notes a gap in authority between the Surface Transportation Board and the Federal Maritime Commission (FMC) when regulating these charges.

SHOOT YOUR SHOT

The U.S. Department of Energy (DOE) recently **launched** the **Clean Fuels & Products Shot**. The "shot" hopes to dramatically decarbonize the transportation and chemical industries through a staged research, development, and demonstration strategy that will provide the technologies necessary to cut greenhouse gas (GHG) emissions.

NOx REGULATIONS SAGA

The U.S. Environmental Protection Agency (EPA) wants to **update** its NOx regulations, which would take effect in 2027. These new **rules** have major implications for original equipment manufacturers' (OEM) business strategies and smaller logistics companies. The segment facing the toughest challenges will be fleets with 20 trucks or fewer, which currently comprise 90% of industry capacity.

In direct response, the U.S. House of Representatives voted to **overturn** the EPA's proposal. The bill now advances to President Joe Biden's desk, who has **vowed** to veto Congress' legislation, thus keeping the EPA's new NOx rules intact.

- The House Transportation and Infrastructure Committee recently **advanced** five bills to address road freight and supply chain challenges, including truck parking, commercial driver licensing, and some weight limit exemptions.

Laws/Legislation

LONGER LORRIES

Beginning 31 May 2023, any business in England, Scotland, or Wales is permitted to use longer trucks for freight transportation. The new trucks measure 18.55m long, about 2.05m longer than the standard size. The legislation is intended to spur economic growth but has received criticism given its lack of consideration for public safety.

BORDER TARGET OPERATING MODEL

Her Majesty's Revenue & Customs (HMRC) presented a new draft of the **Border Target Operating Model** which aims to better regulate imports of live animals, animal products, plants, and plant products from the EU to the U.K. The project will simplify and digitize necessary controls, and the final version should be available in summer 2023.

DEMURRAGE & DETENTION RULES UPDATE

Effective 1 June 2023, Ocean Network Express (ONE) will stop levying demurrage and detention (D&D) charges if a U.S. terminal is "completely closed or inaccessible." This decision follows other major carriers' lead since Maersk, HMM, Hapag Lloyd, and MSC have already updated their D&D billing practices to align with the FMC's recent changes.

LI-BATT CERTIFICATION

The International Air Transport Association (IATA) gave Incheon International Airport and its partners the first ever "Center of Excellence for Independent Validators (CEIV) Lithium Batteries" (Li-Batt) certification for an airport facility. Individual airlines, forwarders, and operators worldwide have previously achieved IATA's Li-Batt certification, but this collective certification for an airport and its entire community is understood to be a first.

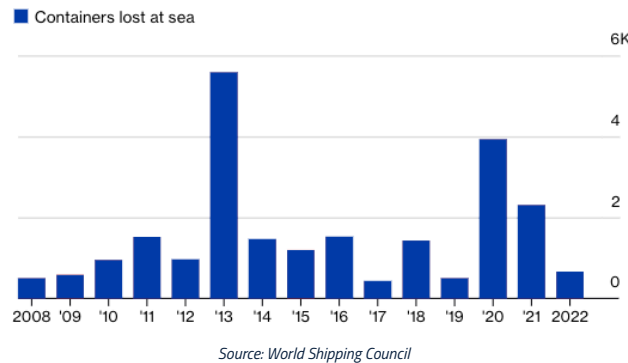
TARIFFS/SURCHARGES

Drought conditions in the Panama Canal have forced authorities to reduce the maximum draft allowed for vessels. In response, some transpacific carriers have imposed hefty surcharges for shipments that do not meet the necessary conditions. For example, Hapag-Lloyd implemented a "Panama Canal Charge" of \$500 per container effective 1 June 2023 for all cargo loaded on its Asia-U.S. East Coast sailings.

General Disruption

CONTAINERS LOST OVERBOARD

661 shipping containers fell overboard in 2022 after spikes in 2020-21.



AIR FREIGHT LABOR ISSUES

FedEx Express pilots [voted](#) overwhelmingly to strike in hopes of gaining a new contract. In contrast, American Airlines and its pilots have [reached a preliminary agreement](#) for a new four-year labor contract after months of tense negotiations. Pilots with United Airlines and Southwest Airlines are still amidst their own negotiations.

CYBERATTACKS TARGET THE SUPPLY CHAIN

Globally, businesses are expected to [incur](#) nearly \$46B in costs from software supply chain attacks this year, according to a recent [study](#). The US, UK, Australia, Canada, and New Zealand, recently [warned](#) of “stealthy and targeted malicious activity,” from a state-sponsored actor based in China that’s [focused](#) on a broad range of computer networks, including the maritime and transportation industries.

Ironically, Asian companies have actually experienced a disproportionate amount of supply chain cyberattacks, accounting for 25% of all incidents. To counter this rising threat, global spending on cybersecurity is [expected](#) to rise another 12.3% in 2023, reaching approximately \$219B.

Acute Disruption

SUEZ SHENANIGANS

A bulk cargo carrier briefly ran aground in the Suez Canal but was quickly [refloated](#), clearing a disruption to one of the world’s most vital waterways. In January 2023, a bulker carrying 65,000 tons of Ukrainian grain went [aground](#) due to a technical issue, and in August 2022, a tanker briefly grounded in the lower canal, stopping traffic for several hours. This latest incident is a stark reminder of how frail and tenuous some key trade routes truly are.

- The U.S. Navy and its regional partners will [increase](#) the rotation of ships and aircraft in the Strait of Hormuz to [counter](#) Iran’s recent actions and [bolster](#) regional security.
- The Panama Canal’s drought has resulted in container vessels lightening their loads and shippers diverting freight to the U.S. West Coast or through the Suez Canal.