



# Market Report 5/2024



# Contents

## Market Trends

Trade lane data, overarching supply chain trends, new service offerings, carriers' business performance, rates, pricing, trade developments, etc.

1-2

**SERVICES**..... 3

**MERGERS & ACQUISITIONS**..... 3

## Technology

Investments & expected improvements, etc.

**TRANSPORT TECHNOLOGY**..... 4

**INFRASTRUCTURE**..... 4

**SUSTAINABILITY/ESG**..... 5-6

## Trade & Compliance

**LAWS/LEGISLATION**..... 7

Government action, rules & regulations, customs & compliance updates, etc.

## Disruption

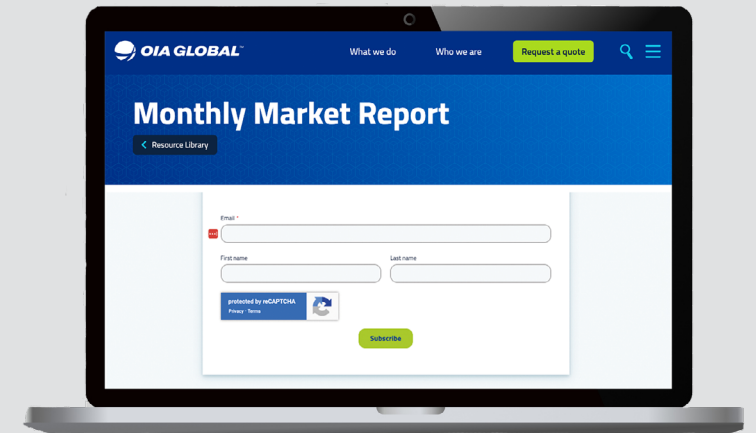
**GENERAL/ACUTE**..... 8

Severe weather, congestion, geopolitical incidents, accidents, etc.



### Note

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



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## SOUTH KOREA BOOSTS CAPACITY

HMM will expand its container ship fleet from 84 to 130 ships by 2030 while also increasing its lifting capacity from 920,000 TEUs to 1.5M. This follows HMM's 2022 announcement when the carrier pledged to invest \$11.4B over five years for new vessels, terminals and logistic facilities.



- Busan recently **launched** a 7<sup>th</sup> container terminal, further extending its capacity. The new facility is the first fully automated terminal in the country **featuring** remotely controlled ship-to-shore (STS) cranes built in Korea. The automated transfer of cargo from ships is expected to raise the port's productivity by up to 20% while also significantly lowering the risk of safety-related incidents.
- South Korea's government will provide \$4B in financing to help double the country's container shipping fleet to 2 million TEUs by 2030.**
- Development began on Jinhae New Port, near Busan, with the first phase expected to cost about \$1B. The three-berth first phase, with a quay length of 4,560 feet, is scheduled to become operational in 2031.



**The COVID-19 pandemic supposedly erased about 24.6M TEU of container market growth as the market only grew 1.5% from 2019-2024 (171M to 173.5M TEU).**

Tanker and dry-bulk vessel prices are sitting near all-time records and could reach new heights in 2024.

**The number of commercial ships passing through the Suez Canal fell 45% YoY during Q1 '24.**



**Demand in the global air cargo market rose +11% YoY in March '24, showing a third consecutive month of growth.** In particular, Feb. '24 airfreight traffic was up YoY in these regions:

- Africa Asia (+42.3%)
- Middle- East-Europe (+39.3%)
- Intra-Europe (+24.5%)
- Middle East-Asia (+21%)
- Europe-Asia (+14.3%)

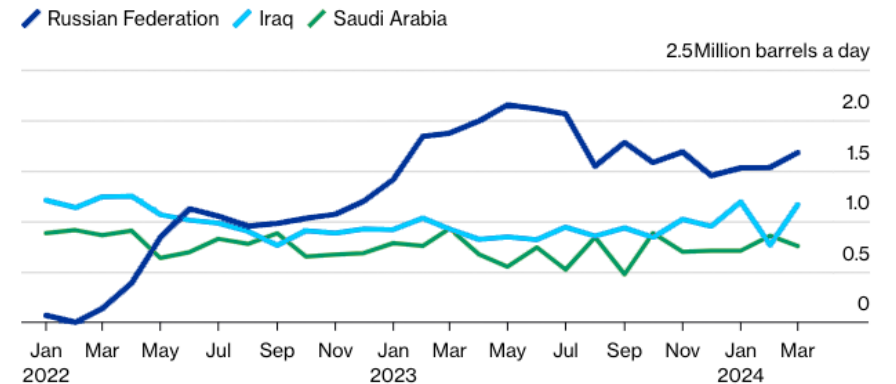
The International Air Transport Association (IATA) also noted that air traffic has outperformed global trade and industrial production.



## INDIA / RUSSIA OIL TRADE CONTINUES

Despite tightening western sanctions, new oil firms—using names unfamiliar to even the most experienced merchants—have been constantly emerging to facilitate shipments between India and Russia. **The Russian ocean container market increased 17.7% in Q1 '24 and India recently granted marine insurance approval to four Russian firms.**

Source: Kpler via Bloomberg



# Market Trends



BACK TO TOP

- Import volumes at U.S. ports are **expected** to reach 2 million TEUs in May '24, with the projections 5.5% higher YoY.
- Mexican exports to the U.S. have increased sharply over the past three years and remain significantly higher than pre-pandemic levels.
- China/Mexico trade **grew** 34.8% in 2023. Mexico's imports from China have also spiked.

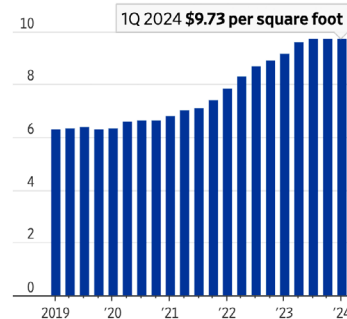


## AVERAGE RENT FOR U.S. INDUSTRIAL REAL ESTATE (QUARTERLY)

Asking rents for U.S. warehouse space across during Q1 '24 increased 53% as compared with Q1 '20 (pre-pandemic levels).

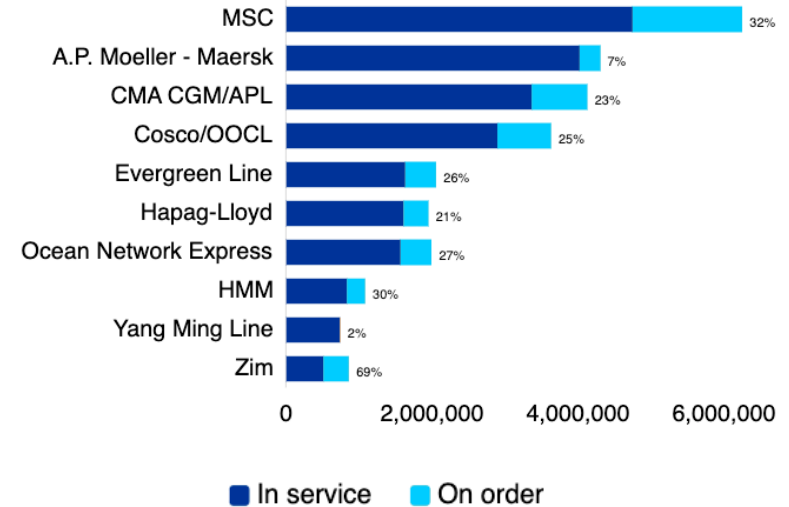
Notably, Vacancies for industrial buildings in Los Angeles—the largest market for such property type in the U.S.—have **risen** to the highest levels in a decade.

Source: Cushman & Wakefield via Bloomberg



## TOP 10 GLOBAL CONTAINER FLEET OPERATORS

Percentage of TEUs on-order vs. in-service.



Source: Sea-Web, S&P Global

## Services

- ⊕ CMA CGM Air Cargo recently **purchased** three new Boeing B777F freighters and will begin **offering** transpacific air cargo **services** this summer.



- ⊕ Union Pacific (UP) **added** a new Chicago-Southern California route, with transit times ranging between 4-6 days.
- ⊕ Less-than-truckload (LTL) services provider XPO is already **opening** locations that it acquired during a December '23 court-supervised auction for bankrupt Yellow Corporation.
- ⊕ Maersk **applied** for a U.K. aircraft operating license.

## GEMINI COOPERATION

Under the Gemini Cooperation, Maersk and Hapag-Lloyd **plan** a "hub-and-spoke" model: large ships operating in mainline trades between major ports, fed by shuttle networks of smaller ships from other ports.



- The new vessel-sharing partnership expects to deliver 90% schedule reliability on its 58 global services when it launches in February 2025.
- Notably, the Gemini Cooperation is **hoping** to end the practice of blank sailings as part of its schedule reliability pledge.

## Mergers & Acquisitions

FourWorld, a U.S. hedge fund, is seeking to **reverse** a high-profile 2023 deal: Frontline's \$2.35B purchase of oil tankers from Euronav, in exchange for a stake in the business of Compagnie Maritime Belge (CMB).

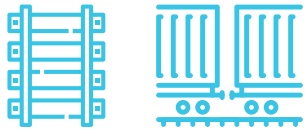
- Now, the hedge fund wants to unwind the transaction via the Belgian courts, with FourWorld chief investment officer John Addis calling it "one of the most egregious cases we have ever seen" of a majority shareholder taking advantage of minority interests.

Proficient Auto Logistics (NASDAQ: PAL) **will be** the company name for an initial public offering (IPO) that includes the merger of five automotive haulers: Delta Automotive Services, Deluxe Auto Carriers, Sierra Mountain Group, Tribeca Automotive and Proficient Auto Transport.




EU regulators are threatening to **halt** IAG SA's €400 million (USD \$428M) takeover of Air Europa unless anticompetitive concerns are addressed.

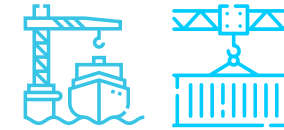
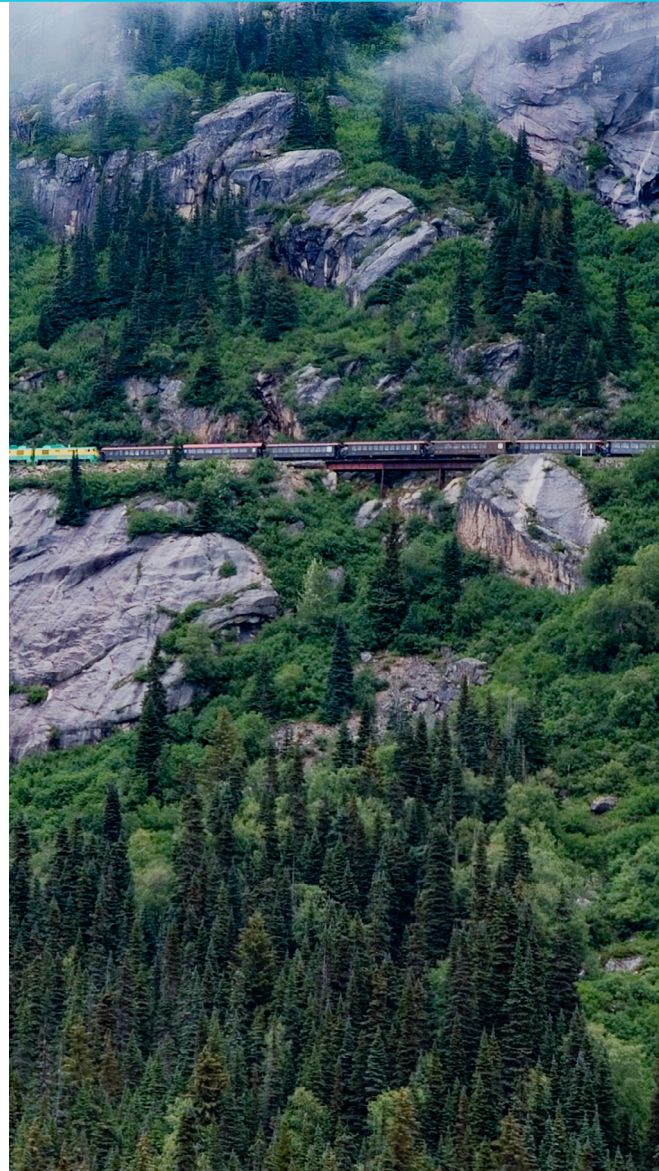
Shareholders of Eagle Bulk Shipping **voted** in favor of a proposed **merger** with Star Bulk Carriers.

Knight-Swift Transportation, the United States' largest truckload carrier, is **searching** for more acquisitions as it hopes to become a \$2B operation.



## Rail Infrastructure

-  Iraq, Turkey, the United Arab Emirates (UAE), and Qatar agreed to **cooperate** on a \$17B project to create a new double-track freight railway between Iraq's Grand Port at Al Faw and the Turkish border.
-  The president of Kyrgyzstan **announced** that the new \$8B, 523km railway connecting China, Kyrgyzstan and Uzbekistan will be built via a joint venture between the three countries.
-  Uruguay **reopened** its Central Railway, an upgraded 273km north-south line from Paso de Los Toros to the Port of Montevideo.
-  Norway will **invest** \$40B in rail infrastructure over the next 12 years as part of its new National Transport Plan.
-  The World Bank's International Development Association will **loan** \$200M for improvements to Tanzania's 970km Dar es Salaam-Isaka meter-gauge line. The money will finance safety, climate resilience and operational efficiency improvements.
-  Ukrainian Railways **began** construction of a 22km line between Uzhhorod and Chop, which will boost Ukraine's cross-border rail freight services with Hungary and Slovakia.



## Transport Technology

San Diego Gas & Electric and Bali Express **celebrated** the first heavy-duty electric freight truck crossing the U.S.-Mexico border.

Smart Green Shipping (SGS), has developed FastRig, a 20m-long device that could help the shipping industry fight carbon emissions. SGS expects FastRig to be capable of cutting ships' fuel consumption by as much as 30%. The technology would primarily be marketed to operators of dry bulk ships and tankers because these vessel types have enough available deck space for the sails.



Image source: FastRig accessed via Financial Times.

- The U.S. Environmental Protection Agency (EPA) **launched** the \$1B Clean Heavy-Duty Vehicles Grant Program to fund the **replacement** of polluting heavy-duty vehicles with zero-emission vehicles. Funded through the Inflation Reduction Act, the program will award competitive grants for projects that reduce air pollution from Class 6-7 vehicles.
- A \$150M U.S. DOT grant will **help** U.S. ports **cut** air pollution as part of the Federal Highway Administration's (FHWA) Reduction of Truck Emissions at Port Facilities (RTEPF) Grant Program.
- Starting January 2025 the EU will **introduce** a landmark rule that requires all airlines to quantify and report non-CO<sub>2</sub> emissions of flights departing from within the bloc.
- The U.K. **imposed** new sustainability targets for airlines, requiring that 10% of all jet fuel on flights taking off from the UK will need to be comprised of sustainable aviation fuels (SAF) by 2030.

The Science Based Targets initiative (SBTi) **set new standards** for the automotive industry's Scope 3 category 11 emissions to **help** automakers meet 1.5° Celsius emission reduction targets.

Geotab recently published a report, **Taking Charge: On the road to the EV Future**, focused on fleet electrification. The report **consists** of three key studies: light-duty EV suitability assessment; medium/heavy duty electrification potential; and charging behavior analysis from aggregate data.

## ZERO EMISSION MARITIME BUYERS ALLIANCE

Hapag-Lloyd **won** the Zero Emission Maritime Buyers Alliance (ZEMBA)'s inaugural tender for the zero-emission shipment of containers from Singapore to Rotterdam, which will cover 1.2B TEU-miles over a two-year period beginning in 2025. The pilot program will **provide** stakeholders with the necessary tools to track ocean transport services' verified emissions intensities, enhancing trust and confidence in the overall market.

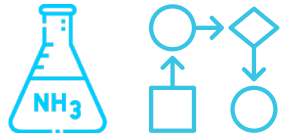


**HOW IT WORKS:** The maritime "book and claim" system **links** a demand signal with a credible and transparent chain of custody model. By decoupling fuel attributes from the physical value chain, "book and claim" enables digitalized transactions. This ensures that cargo owners can make informed investments in low-emissions fuel technologies, moving the market from announcements of e-fuel projects toward actual investments, deployment, and widespread commercial availability.

Coming soon!



OIA Global's annual Environmental and Social Governance (ESG) report, Forward, highlights the company's efforts during the 2023 calendar year and strategic initiatives for the year ahead. The report contains ESG performance metrics for managed logistics, packaging design, raw materials management, data security, workplace safety, and employee engagement.



## AMMONIA / METHANOL FEASIBILITY

Ammonia is **gaining** traction as a serious, maybe even dominant, part of the future fuel market.

The Global Maritime Forum **released** a report outlining strategies for ports to become stakeholders in green methanol and ammonia bunkering. The report details how different sources of green methanol and ammonia could become available to the shipping industry and how ports can secure their supply to meet the International Maritime Organization's (IMO) target of at least 5% use of zero-emission fuels by 2030.

- Singapore **conducted** the first ship-to-containership methanol bunkering for Maersk in 2023, with the industry's annual demand carrying the potential to reach >1M tons by 2030.

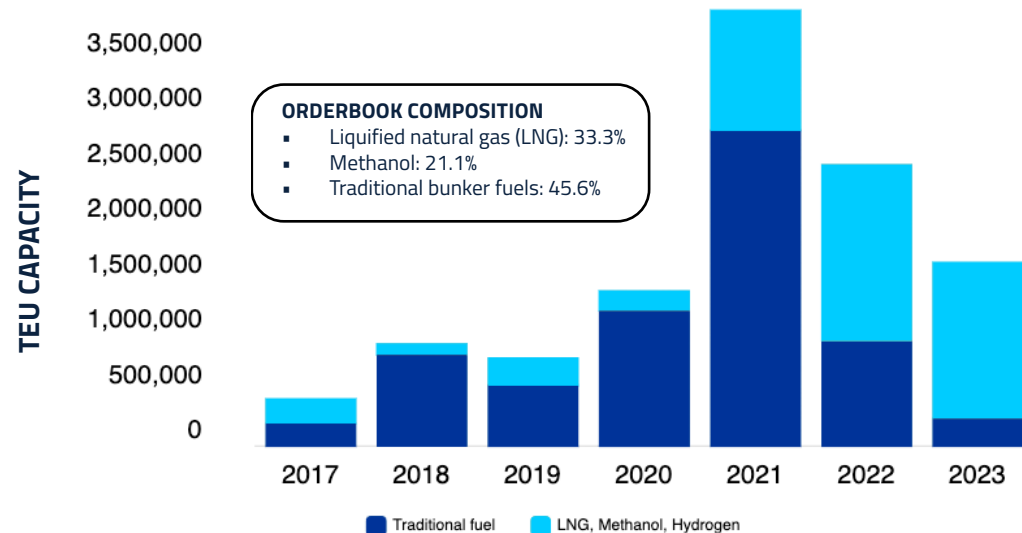
Hanwha Ocean, one of the world's leading shipbuilders, is **collaborating** with Amogy to accelerate the implementation of Amogy's cutting-edge ammonia-to-electric power system.

Hapag-Lloyd and non-operating shipowner Seaspac **announced** a \$120M investment to retrofit five 10,000 TEU vessels to run on methanol: the *Seaspac Amazon*, *Seaspac Ganges*, *Seaspac Thames*, *Seaspac Yangtze* and *Seaspac Zambezi*. The project will launch in Q1 '26, with the retrofitting process expected to take 80-90 days per ship.

## DUAL-FUEL VESSELS DOMINATE ORDERBOOK

Almost 60% of new vessels to be **delivered** before 2030 are designed to run on alternative fuels, but market fragmentation is **slowing** down the production and uptake of renewable fuels within the maritime sector.

### ORDERS PLACED FOR SHIPS WITH ALTERNATE FUEL PROPULSION



Source: S&P Global, accessed via JOC



## Laws/Legislation



### MARITIME TRANSPORTATION DATA SYSTEM

The Federal Maritime Commission (FMC) is **attempting** to expand which shipment data can be used and shared throughout America's supply chain. The initiative will be the foundation for the Maritime Transportation Data System, which will be used to improve the accuracy of estimated arrival times at U.S. container ports, including all intermodal shipments.



### U.S. TRADE OFFICE PROBES CHINESE SHIPBUILDING

On 12 March, 2024, five national labor unions **requested** an investigation into the acts, policies, and practices of the People's Republic of China (PRC). In response, the U.S. Trade Representative (USTR) initiated an investigation of the PRC's acts, policies, and practices in the maritime, logistics, and shipbuilding sectors.



### TEN-T GUIDELINES

The European Parliament formally adopted a revised version of the Trans-European Network for Transport (TEN-T) on April 24<sup>th</sup>. The TEN-T regulation establishes several mandatory targets:

- Adoption of ERTMS **signaling** across the entire network
- Passenger train speeds of at least 160km/hour by 2040
- Increase the number of transshipment terminals
- Improved links between neighboring non-EU countries

Additionally, member states must **complete** their major transport links by 2030. They must also cut transport infrastructure ties with Russia, while strengthening those with Ukraine.



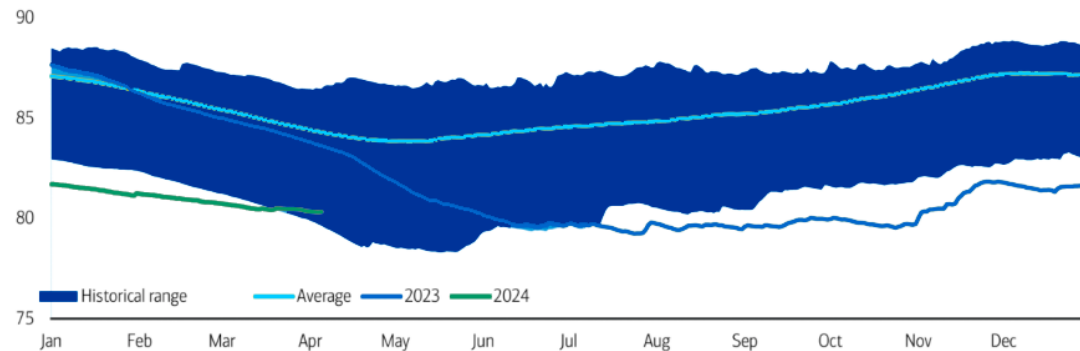


## PANAMA CANAL DROUGHT PREDICTIONS

Officials predict the end of drought and a return to normal operations by 2025, with current rainfall forecasts predicting the Panama Canal could **return** to full capacity in time for 2024's peak season. Water levels at Gatun Lake are currently at the low end of their historical range, so the Panama Canal Authority **expects** to offer 31 transits a day starting 16 May 2024, meaning the canal will be operating at around 90% capacity.

**May 16<sup>th</sup>-May 31<sup>st</sup>:** daily transits will be **increased** from 17 to 24 at the Panamax locks while Neopanamax will be 7 (31 total).

**June 1<sup>st</sup>:** daily transits will be increased from 7 to 8 in the Neopanamax locks (32 total).



Researchers at Colorado State University **predict** an "extremely active" 2024 Atlantic hurricane season due to warm ocean surface temperatures.

## Acute Disruption

The Port of Portland will **cease** operations on 1 October 2024 amidst growing financial losses. After negotiations with a potential third-party collapsed, the local port authority was **faced** with no port operator, a lack of financial support from the state, and mounting financial losses that could no longer be offset.

### MEDITERRANEAN PORTS OVERFLOW

Due to the ongoing Red Sea Crisis, many ships are transiting around South Africa and dropping off containers at ports on the Mediterranean's western side, such as Algeciras and Tangier. From there, short distance "feeder" services ferry goods to other southern European terminals, but these **Mediterranean ports are nearing their full capacity and warning of full storage yards.**

### AFTERMATH OF BALTIMORE BRIDGE COLLAPSE

- Maersk, which chartered the *MV Dali*, **confirmed** that the vessel owners have invoked General Average (GA).
- The Port of Baltimore **opened** multiple, temporary alternate channels; however, the deepest is only 35 feet.
- The trapped ships are finally **departing** the area and entering the Atlantic.
- The Port of Virginia **expanded** its operating hours to handle the increased cargo volumes: 3 a.m. to 6 p.m. on weekdays and 8 a.m. to 5 p.m. on Saturdays.



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