



Market Report 9/2024



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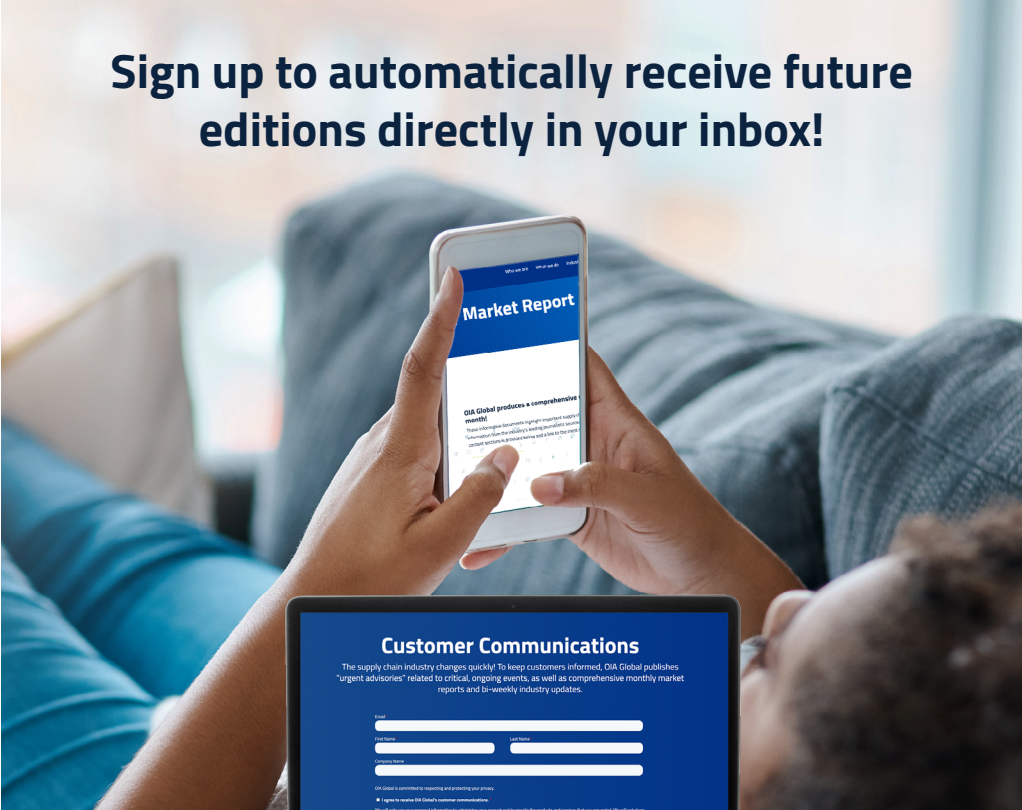
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Note

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

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Market Trends



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Air Freight

"Fast fashion" now **accounts** for roughly half of China's total e-commerce exports, with air freight capacity becoming sparse due to such growth. This shift in demand has caused some air freight carriers to change their behavior by making more charter capacity available, thus meeting the online retailers' needs.

Cargo rates between Southeast Asia and North America **doubled** year-over-year (YoY) to \$5.78 per kilogram.

Air cargo spot rates **increased** for the 6th consecutive month in July, averaging \$2.66 per kilogram (+20% YoY).

Global air freight forwarding demand **grew** +3.0% YoY in Q1 '24 and is estimated to have increased 6-7% during Q2 '24.

Road Freight

The United States' (U.S.) trucking industry is finally **rebounding** after one of the deepest downturns in its history. Demand is increasing even as prices remain suppressed by excess fleet capacity, high fixed costs, and increased competition for limited freight loads.

Following Yellow Corporation's bankruptcy, the remaining U.S. less-than-truckload (LTL) carriers continue to **compete** for Yellow's real estate and terminal businesses. The company still has 116 leased/owned terminals that have yet to be sold or leased to other companies.

- Importantly, more dock doors and denser networks (i.e., more terminals closer together) means that freight traffic will stay more fluid, providing opportunities for faster next-day services.

Ocean Freight

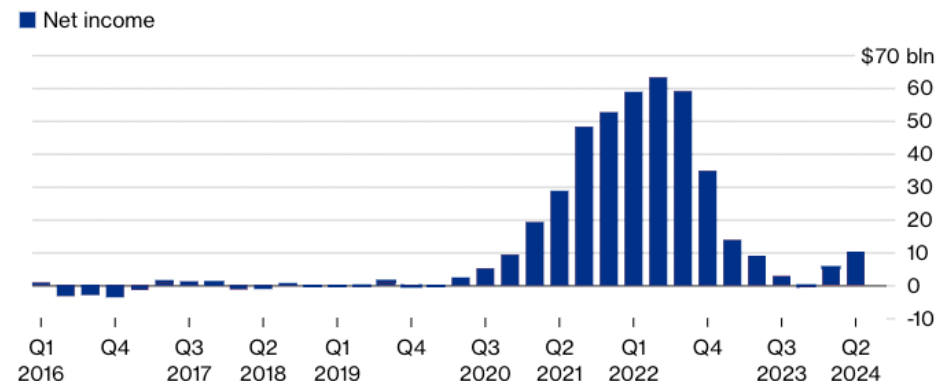
The world's leading container shipping lines **have** 371 vessels on order, with 162/371 being LNG powered (roughly 2.2M TEUs). 80 of these vessels are >15,000 TEUs in size.

COSCO has added 54 vessels to its orderbook in the last month, with >\$6.85b of **commitments** in new shipbuilding over the next decade.

Manufacturing orderbooks for dry freight containers are full as ocean carriers and container leasing companies have **booked** every Chinese manufacturer's available production slot until mid-October '24.

CARRIERS' PROFITS RISE AGAIN

The major ocean liners' net income nearly **doubled** to \$10.2B in Q2 '24 **amidst** record volumes and **high rates**.



Source: McCown Container Results Observer, Blue Alpha Capital.

Market Trends



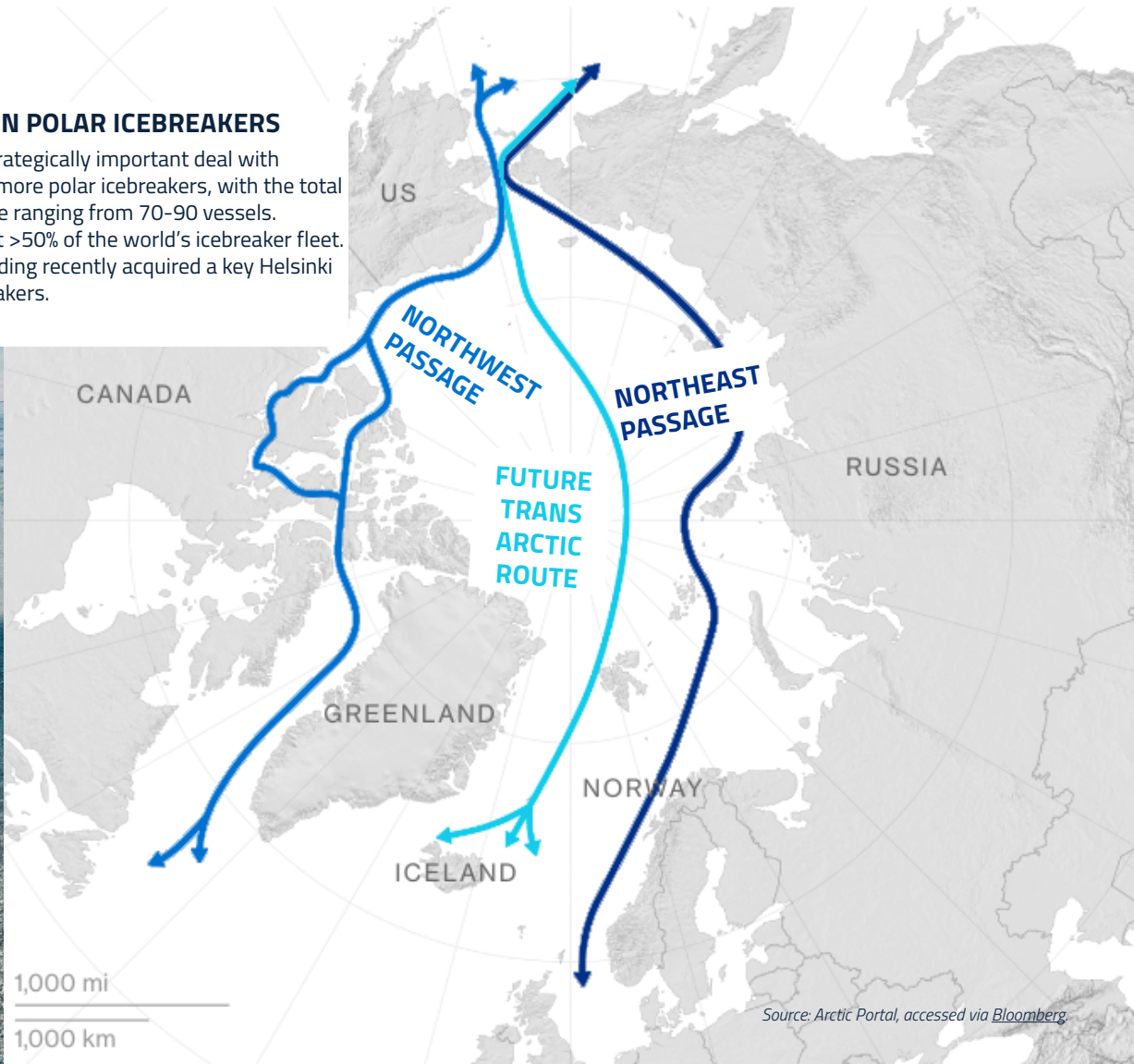
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U.S. & ALLIES INVEST IN POLAR ICEBREAKERS

The U.S. recently [signed](#) a strategically important deal with Finland and Canada to build more polar icebreakers, with the total demand over the next decade ranging from 70-90 vessels.

- Finland has already built >50% of the world's icebreaker fleet.
- Canada's Davie Shipbuilding recently acquired a key Helsinki Shipyard to build icebreakers.



Mergers & Acquisitions

Two parts of China State Shipbuilding Corporation (CSSC), China's largest shipbuilding conglomerate, will [merge](#) in a deal that's expected to reduce competition and create a new global shipbuilding behemoth.

■ Mediterranean Shipping Company's (MSC) overland subsidiary, Medlog, has [acquired](#) Maritime Transport, the United Kingdom's largest road hauler.

Avance Gas Holding Ltd., a leading global operator in the transportation of liquefied petroleum gas (LPG), [agreed](#) to sell its fleet of Very Large Gas Carriers (VLGC) to BW LPG Ltd for \$1.05b.

PSA Baltics N.V., a subsidiary of PSA International, [acquired](#) an 85% majority stake in Loconi International S.A., expanding its reach into new markets throughout Central and Eastern Europe while also improving connections with its Baltic hub in Gdansk, Poland.

Noatum, an AD Ports subsidiary, [purchased](#) a majority share in Safina B.V., an Egyptian maritime agency and cargo services supplier throughout the Middle East. The transaction is scheduled to be finalized in Q3 '24 and will see the established agency [rebrand](#) itself as Noatum Maritime Egypt over time.

Infrastructure



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Ethiopia—landlocked since Eritrea seceded in 1993—has been trying to [regain](#) direct and secure access to the ocean, with the country's persistent efforts fueling tensions throughout the Horn of Africa.

Now, Djibouti is offering to grant Ethiopia access to its northern Port of Tadjoura in exchange for political recognition of the breakaway semi-autonomous state. For context, Ethiopia is already heavily dependent on Djibouti's main ports, which provide +/-90% of Ethiopia's international trade.



The Pharr-Reynosa international bridge between the U.S. and Mexico will undergo a \$44m expansion, with the project adding two more cargo truck lanes and two more inspection booths. **Once completed, the second bridge will create the Rio Grande Valley's largest international cargo crossing with Mexico.**



International Container Terminal Services, Inc (ICTSI) [allocated](#) \$300M to raise annual capacity at its Port of Manzanillo terminal from 1.4m TEUs to 2m TEUs.

- Notably, annual growth in container shipping between China/ Mexico was +34.8% in '23 as compared to just +3.5% in '22.



Turkish port operator Yilport Holding will spend \$1.62b to [expand](#) two ports in El Salvador: La Union and Acajutla. Yilport will operate the ports in partnership with El Salvador's Comisión Ejecutiva Portuaria Autónoma (CEPA) and it is the country's largest ever private investment.



Kazakhstan Railways (KTZ) [will add](#) approximately 579 new locomotives by 2029. The state-owned operator says that it expects to purchase 374 "modern locomotives" between 2025-2029, as well as 200 other locomotives supplied by CRRC.



India's government [approved](#) eight new rail projects that will add 900km and 64 new stations to the Indian Railways (IR) network:

- Gunupur - Therubali (73.6km)
- Junagadh - Nabarangpur (116.2km)
- Badampahar - Kendujhargarh (82.1km)
- Bangriposi - Gorumahisani (85.6km)
- Malkangiri - Pandurangpur (173.6km)
- Buramara - Chakulia (60km)
- Jalna -Jalgaon (174km)
- Vikramshila - Katareah (26.2km)



Transport Technology



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The U.S. Department of Transportation (DOT) **released** an aggressive national plan to **advance** V2X (vehicle-to-everything) communication technologies:

- 40% of intersections nationwide being V2X enabled before 2032 and 75% by 2037.
- Deploy V2X across 20% of the National Highway System (NHS) by 2029 and 50% before 2032, with full deployment no later than 2036.
- Get more commercial vehicle models to have the necessary GHz spectrum for communications on the V2X wireless system.



V2X communication technologies optimize system performance, help **prevent** crashes, improve transportation efficiencies, and improve awareness of poor roadway conditions or work zones.

In the future air freight market humans will still fly the planes but artificial intelligence (AI) will likely manage the information. AI is rapidly maturing in its ability to capture and interpret unstructured data, and it is learning to overcome complexity with unlimited scale. Over time volume growth will continuously train the AI models and improve their precision, with the AI leveraging modern workflow applications to manage information between Transport Management Systems (TMS) and other partners. Eventually, air freight stakeholders will no longer require manual intervention, and the stage will be set for full autonomous execution.

The U.S. Federal Aviation Administration (FAA) recently **approved** drone flights without visual observers in common airspace.

Lloyd's Register, a UK classification society, and Core Power, a maritime and technology innovation company, **launched a joint study into the updated safety rules and improved operational and regulatory understanding needed for the application of nuclear power in container shipping.** The work will **consider** relevant safety and regulatory issues for potential next-generation nuclear-propelled feeder containerships. Maersk has also agreed to be part of the study to learn how these novel solutions may impact its cargo operations.

Kraft Heinz is **using** an AI-powered software platform ("Lighthouse") to anticipate shifts in demand and adjust plans accordingly. Lighthouse leverages proprietary algorithms and data from suppliers, factories, and distribution centers to assess product demand and provide recommendations about potential disruption.

Implementation of the Panama Canal Authority's (ACP) new long-term slot allocation (LoTSA) system has been delayed until 1 October 2024, except for LNG and LPG tankers.

DUAL-FUEL VESSELS PROLIFERATE

A.P. Moller Maersk is actively **signing** new build orders and time-charter contracts for dual-fuel vessels to match its planned renewal pace of 160,000 TEUs per year.

Wan Hai Lines recently **invested** in its first methanol dual fuel vessels, contracting up to 20 newbuild vessels with CSBC and Hyundai Samho.

Seaspan Corporation recently **entered** into shipbuilding contracts for 27 dual-fuel containerships as part of its fleet expansion program:

- Four 9,000 TEU methanol dual-fuel containerships
- Four 9,000 TEU liquefied natural gas (LNG) dual-fuel containerships
- Five 17,000 TEU LNG dual-fuel containerships

Regent Craft **received** approval from the U.S. Coast Guard for its Navigational Safety Risk Assessment, a significant milestone in the development of all-electric sea gliders. The approval allows Regent to begin testing its full-scale sea glider prototype.



Sea gliders, classified as maritime vessels under U.S. law, are all-electric hydrofoiling wing-in-ground craft that operate within one wingspan of the water's surface. Notably, Regent has already secured >600 sea glider orders from various airline and ferry operators, valued at >\$9b.

GLOBAL ORGANIZATIONS START INTRODUCING GHG PRICING TOOLS & SYSTEMS

The International Chamber of Shipping (ICS) recently **presented** a GHG pricing mechanism to incentivize the accelerated production and uptake of near-zero GHG marine fuels, such as green ammonia, hydrogen, methanol, and other sustainable biofuels.

The primary objective of this proposed scheme is to accelerate the uptake of new green marine fuels by reducing their cost disadvantage, with feebates (rewards) being disbursed to ships based on the quantity of CO₂e emissions prevented.

The GHG fees would be charged to ships per ton of CO₂e emitted, and the feebate mechanism would be shared via an automated, web-based platform. ICS has already developed and submitted the prototype for such a mechanism.

The European Commission (EC) recently **unveiled** the *Ship Financing Portal* which provides organizations with a repository of financial tools for fleet renewals and retrofitting. The platform is **designed** to improve access to financing for the wider maritime industry.

The Biden administration is **allocating** \$291m in federal grants to transition the U.S. aviation industry toward more sustainable fuel sources.

- Sustainable aviation fuel (SAF) can reduce greenhouse gas (GHG) emissions significantly and is sourced from fossil fuel alternatives such as fats and oils from food, or yard waste.

DNV's latest *Maritime Forecast 2050* annual report **emphasizes** that **regardless of which direction the maritime industry's decarbonization journey takes, it will come at a significant cost**. Multiple, different simulated scenarios estimate these cost increases per transport type:

- Container vessels (+91-112%)
- Bulk carriers: (+69-75%)
- Tankers (+70-86%)

Laws/Legislation



Turkey **introduced** a new tax regulation for individual e-commerce purchases from abroad. The regulation increases import fees for goods from the European Union and other origins and decreases some exemption thresholds. For example, the import duty on parcels from the EU will increase from 18% to 30%, and the exemption threshold will go from the current 150 euros to 30 euros as of 21 August 2024.

- Although the new rules **target** low-value goods coming from Asia, it will inevitably affect purchases from European sellers too.



Western economic sanctions **imposed** on Russia will likely remain in place for decades, even if there is a peaceful settlement in Ukraine. Dmitry Biriachevsky, head of the economic cooperation department in Russia's foreign ministry, **noted** that Moscow is already sharing strategies with other sanctioned countries—mainly, Iran, Venezuela, and North Korea—to create an international “anti-sanction” coalition that can resist Western pressure.

- Despite the trade restrictions, Russia's economy still grew by 4.7% in H1 '24.



U.S. CUSTOMS OFFICIALS TARGET LOW VALUE PACKAGES

U.S. Customs and Border Protection (CBP) is facing a surge in low-cost (*de minimus*) shipments as Americans continue to embrace e-commerce. Companies typically **leverage** the *de minimis* exemption for direct-to-consumer parcels transported via air cargo as it limits their logistics costs, and **CBP is trying to improve its ability to stop contraband from entering the country via these de minimus packages.**

The graphic below shows how many *de minimus* shipments CBP has processed each fiscal year.

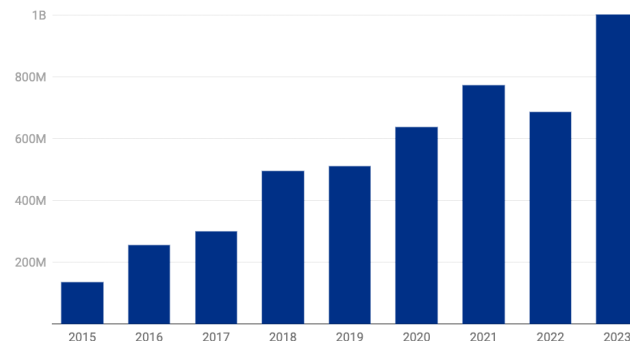


Image source: Max Garland, Supply Chain Dive. Data source: U.S. CBP created with Datawrapper.
Note: CBP's fiscal year is October 1st - September 30th.



CANADA IMPLEMENTS NEW TARIFFS ON CHINA—U.S. EXPECTED TO DO THE SAME

Canada will **impose** a 100% tariff on Chinese-made electric vehicles (EVs) and a 25% tariff on imports of Chinese steel and aluminum products.

The U.S. government is **planning** tariff increases at similar rates and will issue its final determination soon. U.S. Trade Representative Katherine Tai strongly **endorsed** Canada's actions in a recent statement issued by her office.

The United States' impending decision marks the culmination of a Section 301 tariff **review** imposed by former President Trump in 2018. Once the final ruling is published, tariff increases affecting about \$18B in annual imports should **take effect**.



LTL CLASSIFICATION UPDATES EXPECTED IN 2025

The National Motor Freight Traffic Association's (NMFTA) National Motor Freight Classification (NMFC) is the standardization system that **classifies** freight for less-than-truckload (LTL) shipping throughout North America. It simplifies how carriers and shippers determine shipping costs and procedures. NMFC will implement these changes in a phased approach:

- Standardized density scale for LTL freight with no handling, storability, and liability issues.
- Unique identifiers for freight with special handling, storability, or liability needs.
- Condensed and modernized commodity listings.
- Improved usability of the ClassIT, the NMFC's online classification tool.

Disruption



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CANADIAN GOVERNMENT ENDS RAILWAY LABOR DISPUTE SHORTLY AFTER LOCKOUT STARTS

Amidst a bitter labor dispute, the Canada Industrial Relations Board (CIRB) [ordered](#) Canadian National Railway Co. (CN) and Canadian Pacific Kansas City (CPKC) to resume operations and for 9,300 workers to return to their posts. Both railways have [said](#) a full recovery for freight traffic will take several weeks.

- The brief lockout [pushed](#) spot market truck rates up by double digits in trade lanes between central Canada and West Coast ports.
- Trucking rates [remain](#) elevated as the disruption and dislocation of rail capacity continues even as CN and CPKC employees returned to their jobs.

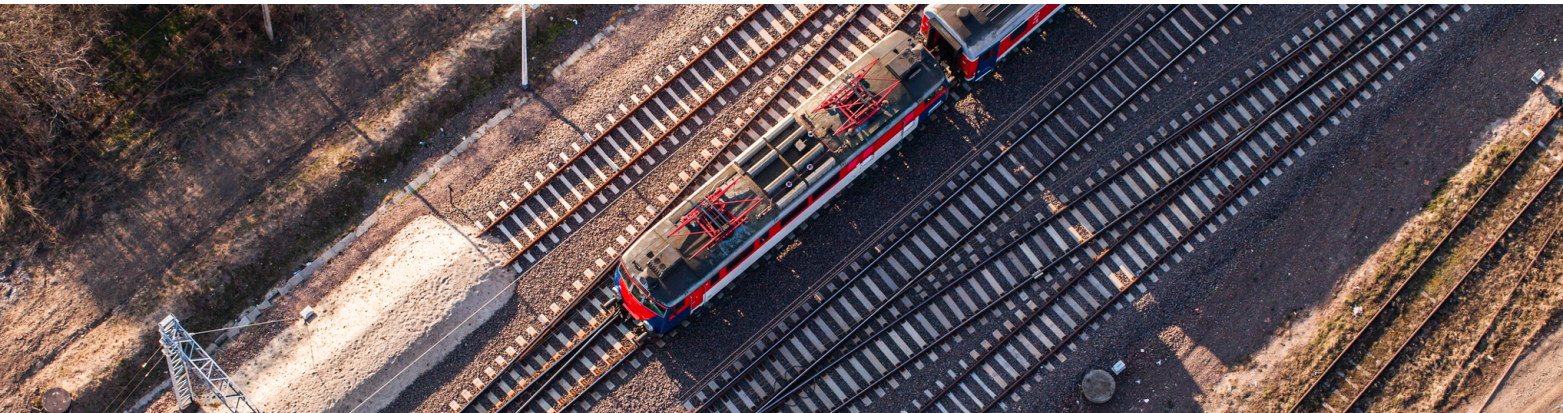
In related news, Norfolk Southern and BNSF Railway recently [reached](#) tentative five-year contract agreement with their unions four months before the opening of national collective bargaining.



ILA / USMX CONTRACT SET TO EXPIRE AT END OF SEPTEMBER

The International Longshoremen's Association (ILA) is [seeking](#) a significant wage increase in its next six-year contract with the United States Maritime Alliance (USMX), its maritime employers on the U.S. East and Gulf coasts. The union is prepared to strike if a new labor deal is not signed before the current contract's expiration on 30 September 2024.

If a strike occurs, the container buildup would need to be handled in addition to the normal container flow. Analysts at Sea-Intelligence, a leading shipping advisory firm, [estimate](#) that it would take 4-6 days to clear the backlog from just a one-day strike and that a two-week strike would leave the ports without normal operations until 2025.



Disruption



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On August 16th CMA CGM's 13,000 TEU ship *Belem* **lost** as many as 99 containers off South Africa's coast during adverse weather.



Switzerland's 57km Gotthard Base Tunnel, a key north-south link between Switzerland and Europe, is fully **reopened** after a train **derailment** and 13 months of repairs.



Devastating flooding throughout Bangladesh has **made** many parts of the Dhaka-Chittagong highway, the country's main cargo route, largely inoperable.

Bangladesh's export networks are slowly **returning** to normal after violent protests and political upheaval recently impacted the country's supply chain.

- The same political unrest has **caused** an indefinite postponement of the 12.24km line between Agartala, India and Akhaura, Bangladesh.

RED SEA CRISIS—LATEST UPDATES

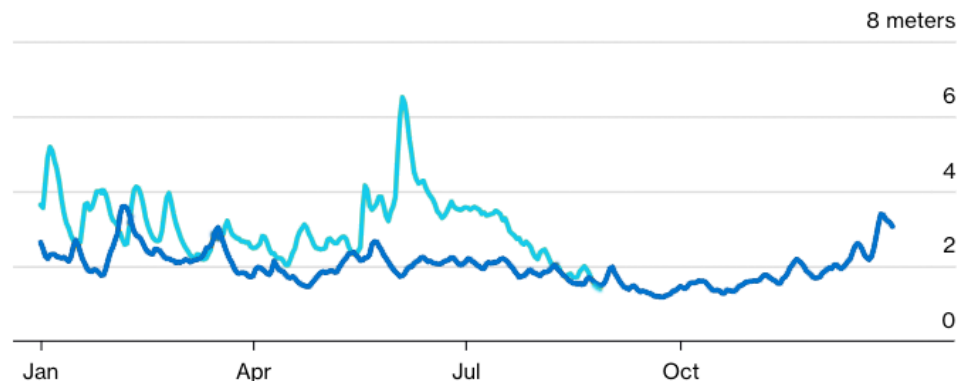
The longer the Red Sea crisis lasts, the more likely it **becomes** that niche carriers will solidify their financial position and customer relations in the region because it provides them with a stronger foundation to compete in the wider intra-Asia market when the crisis is resolved.

The cost of insurance for ships sailing through the Red Sea has nearly **doubled** after a recent Houthi attack on the Greek-flagged Sounion tanker.

FALLING RHINE RIVER

Measured water levels at the key waypoint of Kaub, Germany. The figures show the measured water level, which is not the actual depth of the river.

2019-2023 average 2024



Source: German Federal Waterways & Shipping Administration via the German Federal Institute of Hydrology, accessed via [Bloomberg](#).





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