



Market Report 9/2023

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

Based on estimated delivery dates, a total of 2.4, 2.9, and 1.9 million TEU are [expected](#) for delivery in 2023, 2024 and 2025 respectively. Despite recycling and scrapping, global fleet capacity is still expected to grow by 18% (approximately 4.5M TEU) between 2023 and 2025.

- Scrap sales have already [passed](#) 100,000 TEU this year, almost 10x the amount recycled during all of 2022.
- Braemar [estimates](#) that 105 ships (Totaling 207,000 TEU) are expected to be scrapped by the end of 2023.

It's estimated that roughly 250,000 rail cars will be [retired](#) in the next five years. Overarching market dynamics for rail car leasing and rail equipment manufacturing appear to be less about current volumes and more about pending rail car scrapping.

Global air cargo rates during Q2 '23 [remained](#) well above '19 levels despite steady increases in capacity and a sharp drop in demand across most major trade lanes.

- Shippers will [have](#) strong negotiating power during winter air freight rate negotiations as demand and spot rates continue to decline.

BRICS (Brazil, Russia, India, China & South Africa), a trade bloc of emerging economies, voted to [incorporate](#) six more countries: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates (UAE). In particular, China and India have significant trading interests with the new entries. BRICS collectively accounts for some 26% of global gross domestic product (GDP) and is projected to reach 37% after the expansion.

There was a 27% YoY [increase](#) in trade between China and Europe during the first seven months of 2023.

Drewry's transatlantic spot index recently [reached](#) its lowest level in over a decade.

India's trade deficit [widened](#) as export demand remained weak while import pricing rose due to a weak local currency.

- Two-way trade between India and the UAE [hit](#) a new high last year, up 23% YoY.
- Air India's annual cargo capacity will [increase](#) by 300% to 2M tons over the next five years.

During Q2, the United States' four biggest retailers (Walmart, Target, Home Depot, and Lowe's) [reduced](#) their inventories by 4%, the largest quarter-over-quarter drawdown since 2015.

Yellow, one of the United States' leading LTL transport companies [moving](#) around 50,000 shipments a day, recently shut down and filed for bankruptcy. This has led to [increased rates](#) within the trucking market as shippers who previously relied on the low-cost carrier are now left with only higher-priced alternatives.

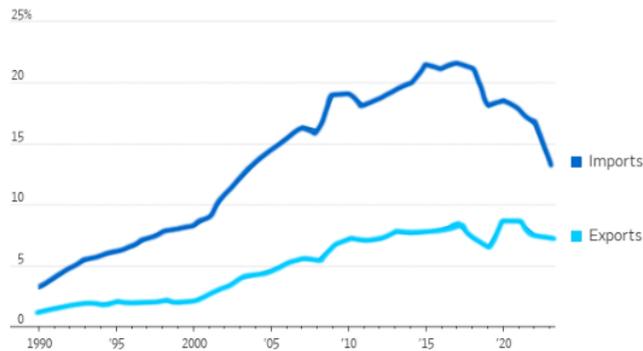
Rail freight volumes have [normalized](#) at Vancouver and Prince Rupert following recent labor strikes, although overall train volume hasn't caught up.

Shipping costs from Asia to the U.S. are [increasing](#) sharply, with the average 40' spot rate from China to the U.S. West Coast rising 61% (avg. \$2,075) during August.

- Carriers [cancelled](#) ("blanked") >35 transpacific sailings to the U.S. West Coast in August. These blank sailings represent at least 236,550 TEUs of capacity, more than 20% of the 1.15M TEUs in service during the month.

CHINA'S SHARE OF U.S. GOODS

Imports and exports

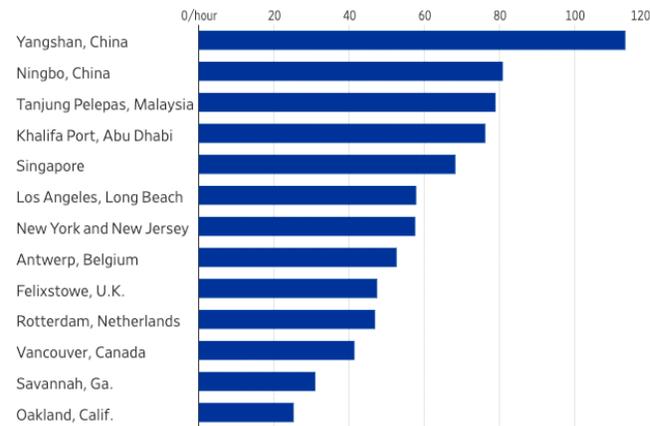


China's 13.3% share of U.S. goods during H1 '23 is the lowest since H1 2003. Asian nations other than China, including India, Thailand, and Vietnam, now account for nearly ¼ of all U.S. imports, while Mexico and Canada have also outpaced China.

Source: U.S. Census Bureau accessed via Bloomberg. Note: Figures are annual except for 2023, which is through June.

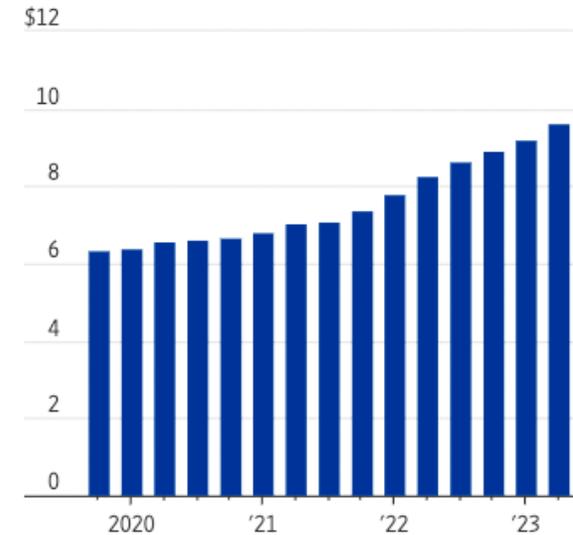
AVERAGE CONTAINER MOVES AT MAJOR PORTS

Measured per hour



Source: S&P Global Market Intelligence accessed via WSJ. Note: moves per hour are calculated by the number of containers moved divided by the hours that a vessel spends in port, including waiting time and cargo loading and unloading time.

AVERAGE RENT FOR U.S. INDUSTRIAL REAL ESTATE



U.S. warehouse rental prices have never been as high as they were during Q2 '23, when the average rent for industrial space reached \$9.59 per square foot. More than four years of rising leases have pushed the price of warehouse space up 50% since Q2 '20.

Source: Cushman & Wakefield

SERVICES

- ⊕ Ocean Network Express (ONE) will **launch** FLX in September '23, a new service connecting South America's West Coast and North America's East Coast.
- ⊕ In response to the Panama Canal's drought and congestion, Canadian Pacific Kansas City (CPKC) **introduced** a new rail solution to connect with Mexico's Port of Lázaro Cárdenas, the country's largest sea port.
- ⊕ Etihad Cargo is **targeting** growth in the Chinese market by adding Boeing 777 freighter services to Hubei Province's newly opened Ezhou Airport, as well as a new service toward Guangzhou. The carrier now operates 10 total freighter flights a week to mainland China.
- ⊖ The U.S. Postal Service (USPS) is continuing its **shift away** from air transport. USPS has **reduced** its air freight volume by >90% during the past two years.

MERGERS & ACQUISITIONS

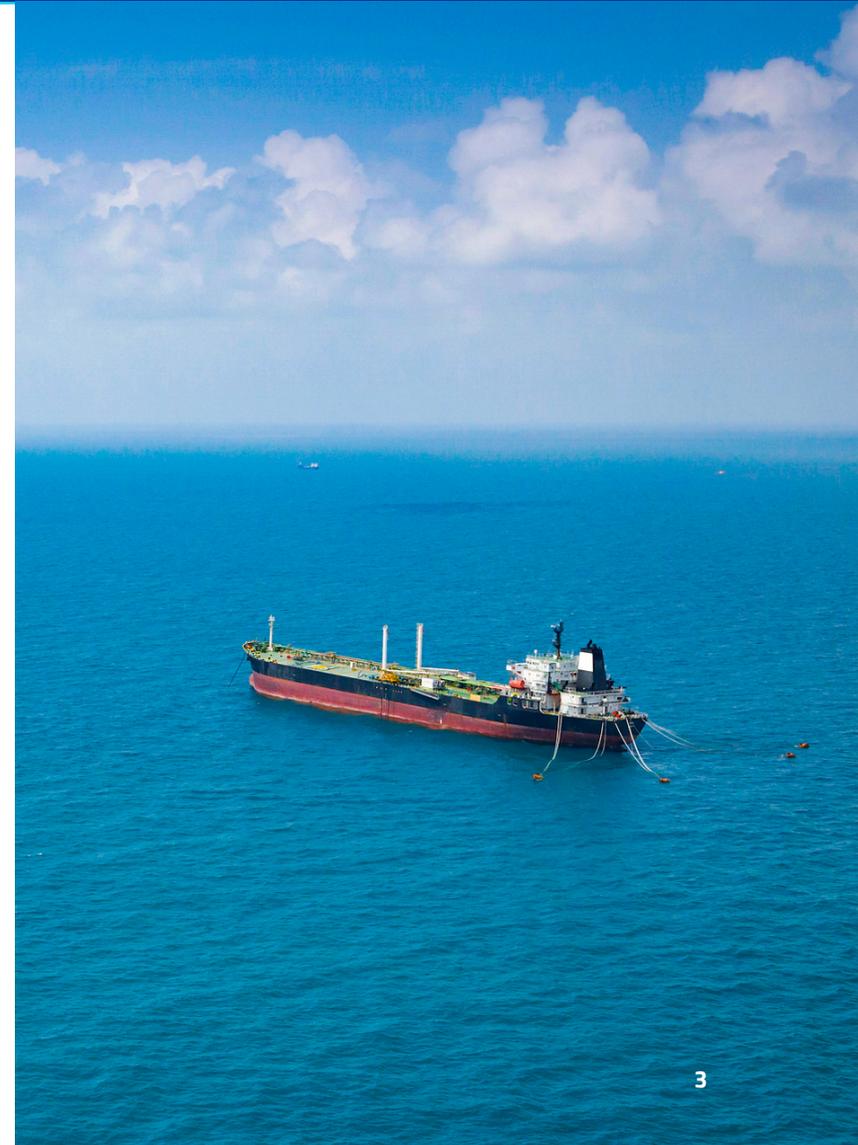
Following Yellow's bankruptcy, there is now a **bidding** competition for the corporation's 160+ terminals. Old Dominion **offered** \$1.5B for Yellow's network, surpassing Estes' recent \$1.3B **bid**.

The board of the Port Authority of New York and New Jersey **signed off** on CMA CGM's plans to overtake operations at two key terminals: GCT Bayonne and GCT New York.

Forward Air Corp. and Omni Logistics entered into a **definitive agreement** that will **combine** their organizations in a cash-and-stock transaction.

Russia's state-owned VTB bank has **taken over** the country's largest shipbuilder, financially troubled United Shipbuilding Corporation (USC), which operates about 40 shipyards, design offices and repair yards across Russia.

Mediterranean Shipping Co. (MSC) acquired a majority stake in AlisCargo Airlines SpA and plans to take full control of the Milan-based company in early 2024, **reiterating** their seriousness about air cargo growth.



Infrastructure

- 🇨🇳 Shandong Port Group (SPG) **released** a three-year plan to construct a world class port cluster within the northeastern province. The group's cargo handling capacity is expected to reach 2B tons while its container handling capacity will exceed 40M TEU.
- 🇺🇸 Crowley and Morgan Stanley are **partnering** to support the United States' emerging offshore wind energy market. The joint venture will focus on repurposing existing U.S. port facilities and leasing them to offshore wind developers under long-term contracts.
- 🇺🇸 Port Houston **completed** Wharf 6 as part of its Bayport Container Terminal Expansion Project.
- 🇺🇸 Louisiana lawmakers agreed to **restore** funding for the Port of New Orleans' pending container terminal project, allocating \$13.5M for projects in St. Bernard Parish.
- 🇺🇸 The Port of San Diego will **construct** a shoreside charging station to supply renewable energy for Crowley's next zero-emissions tugboat, eWolf.

🇺🇸 Los Angeles International Airport's (LAX) major **cargo upgrades** are part of a \$30B capital investment program, Los Angeles' largest public works program ever. The project will **redevelop** obsolete facilities across the sprawling complex **into** a consolidated cargo village with advanced technology.



- 🇨🇦 Transport Canada will **provide** \$69M to Toronto Pearson International Airport to build a new cargo terminal and freighter parking area, as well as \$16.3M to double the size of Ottawa International Airport's cargo terminal.
- 🇪🇸 The Port of Valencia will further **develop** its inner rail network and **install** green electrical connections for ship **maintenance** at the Transversal de Costa-MSC quay.
- 🇸🇦 The Saudi Ports Authority (MAWANI) and the Port of Rotterdam **signed** an agreement to enhance cooperation in developing "smart" ports. The agreement covers a variety of areas: digital transitions, human capital development, commercial opportunities, and the green ports initiative.
 - In related news, Rotterdam's expansion **includes** the construction of a fourth LNG tank measured at 180,000 cubic meters.

Transport Technology

NEW ARTIFICIAL INTELLIGENCE USE CASES WITHIN THE SUPPLY CHAIN INDUSTRY

Some of the world's biggest companies (Siemens, Unilever, Maersk, etc.) are using artificial intelligence to handle different aspects of the supply chain: negotiating contracts, finding new suppliers, and identifying human rights infractions. For example, new laws in Germany [require](#) companies to better monitor their supply chain's environmental and human rights issues, particularly in China's Xinjiang region.

TRAJECTORY BASED OPERATIONS

The Federal Aviation Administration (FAA) is collaborating with counterparts in Japan, Singapore, and Thailand to test the [Trajectory Based Operations](#) (TBO) system, which is designed to expedite aircraft movements for better traffic control. The FAA says that future air traffic controllers will likely [rely](#) on automatic data exchange rather than voice-based information. A more digital system would provide each country with immediate awareness of ongoing flight patterns, allowing them to plan for when an aircraft enters its area of responsibility.

62 alternative-fueled vessels were [ordered](#) in July, including a record number of methanol-fueled ships.

- Evergreen plans to invest in 24 new 16,000-TEU methanol dual-fuel container ships. Overall, the Taiwan based company expects to [invest](#) \$5B in methanol-fueled ships.

The maritime sector is [introducing](#) carbon-free propulsion initiatives. Recent tug-barge examples suggest feasibility in combining a mega-size barge with a mega-size tug to provide propulsion and navigation.

Orient Overseas Container Line Ltd. (OOCL) recently [welcomed](#) a new 24,188 TEU mega vessel.

Canada's government will [invest](#) CAD \$463M (USD \$345M) into shipbuilding infrastructure. Most of the money will be used to enhance and expand Irving's Halifax Shipyard and supporting facilities in Nova Scotia.

HMM [signed](#) a new shipbuilding order with Huangpu Wenchong for four 38,000-ton multi-purpose heavy-lift ships. Shanghai Merchant Ship Design and Research Institute (SDARI) will design the vessels, with each of them being equipped with advanced features, including three cargo holds, a combination of hydraulic folding hatch covers, hoisting hatch covers, as well as an array of different sized cranes.

Chassis maker CIE Manufacturing, formerly known as CIMC Intermodal, [stopped](#) all U.S. imports indefinitely after a U.S. Customs and Border Protection (CBP) investigation began into whether the company intentionally evaded duties on Chinese goods.

Phillips Industries claims to have [developed](#) a new solution for smart-trailer connectivity with tractors. The new EC47 offers two ethernet connectors, two CAN network connections, 4 AUX connections, and a 7-way J560 power connection.



Mitsubishi's *Pyxis Ocean* [set sail](#) on its maiden voyage powered by WindWings, an advanced wind propulsion system. The *Pyxis Ocean* is retrofitted with two 37.5m-tall sails, with each wing saving 1.5 tons of fuel, or 4.65 tons of CO₂ emissions, per day.

[Check out](#) these other eye-catching photos of wind-powered ships!



Laws/Legislation

MERCHANDISE PROCESSING FEE

Effective 1 October 2023, U.S. Customs and Border Protection (CBP) will **increase** the minimum and maximum Merchandise Processing Fee (MPF) for entries.

- MPF minimum will increase to \$31.67 (currently \$29.66)
- MPF maximum fee will **increase** to \$614.35 (currently \$575.35)

The percentages will remain the same, and the MPF ad valorem rate of 0.3464% **will not** change.

SAFE MARITIME TRANSPORTATION SYSTEM

The Safe Maritime Transportation System (SafeMTS) is a new database that stores voluntary “near-miss” incidents. It is an interagency project **between** the U.S. Department of Transportation’s Bureau of Transportation Statistics (BTS) and the U.S. Maritime Administration (MarAd).

CDS EXPORTS: The U.K. will **switch** from the existing CHIEF system to its new Customs Declaration Service (CDS) for **exports** on 30 November 2023. The switch for **imports** already occurred in October 2022, and Her Majesty’s Revenue & Customs (HMRC) decided to **adopt** a phased approach for **exports** following industry feedback.

ETS USHERS IN NEW ERA OF OCEAN SHIPPING

The European Union’s Emissions Trading System (ETS) will start **incorporating** ocean transport emissions on 1 January 2024, creating a new era of ocean shipping. The ETS applies an emissions surcharge to every container moving in, out, or through the European continent.

China restricted the export of gallium and germanium, two key metals used in semiconductors and electric vehicles. The decision was largely in retaliation to the Biden Administration’s recent export restrictions, which have **impacted** global sourcing strategies. Notably, China accounts for around 94% of the world’s gallium and 83% of the world’s germanium.

New York City’s Brooklyn-Queens Expressway is **utilizing** its first-ever automated truck weight enforcement system to prevent further damage until the roadway can be modernized.

Sustainability

New York state **announced** a \$12M initiative to develop innovative, replicable solutions that advance electric vehicle (EV) adoption and integration. The state wants to transition to zero-emission vehicles by 2035 and to achieve a zero-emission electricity sector by 2040.

NYK and Mitsui O.S.K. Lines (MOL) have been **commissioned** to study different vessels’ liquefied CO₂ transport capabilities as part of a Japanese carbon dioxide capture and storage project. They are **studying** the optimal method of transporting liquefied CO₂, including testing the technical feasibility and operability of low-pressure and low temperature solutions during bulk transport.

Tariffs/Surcharges

Hapag-Lloyd **announced** a new Peak Season Surcharge (PSS) from East Asia to North America. The PSS applies to all containers, begins 1 September 2023, and will continue until further notice.

 Taiwan's defense ministry said the Chinese military recently [sent](#) 33 warplanes and six navy vessels toward Taiwan as a show of strength.

 There [were](#) 582 recorded thefts across the U.S. and Canada in Q2 '23, a 57% increase YoY. The [explosion](#) in strategic theft is largely due to thieves who leverage the same tools as everyone else: load boards and the internet.

 The Baikal-Amur Mainline, a key Russian rail line across Siberia, is [unusable](#) after heavy rainfall caused the Kholodnaya River to overflow and destroy a dam. The flooding destroyed >200 meters of track and support poles, prompting a state of emergency in the Severo-Baikal region.

 Extreme weather will [create](#) lasting consequences for the Dovrebanen rail line between Oslo and Trondheim, according to the Norwegian Railway Directorate. The most serious incident was the collapse of the 172 meter-long Randklev bridge over the Gudbrandsdalslågen river.

GOTTHARD TUNNEL, SWITZERLAND

A derailed freight train [blocked](#) the Gotthard tunnel in Switzerland, a key route linking Northern and Southern Europe and the world's longest railway tunnel (57 kilometers). The railway passage accounts for nearly 70% of all train freight moving through the Swiss Alps.



BLACK SEA HUMANITARIAN CORRIDOR

Ukraine is [releasing](#) cargo ships into the Black Sea that have been trapped since Russia's invasion. The new "humanitarian corridor" is a test of Russia's de facto blockade, and it is still unclear how this change will impact trade flows.

STRAIT OF HORMUZ

The U.S. and U.K. governments both [warned](#) of an increased risk to commercial shipping near Iran's waters, particularly near the Strait of Hormuz. The Strait [resides](#) at the mouth of the Persian Gulf and is a strategic waterway for oil transit, with about 1/5 of the world's oil products passing through it.



 Mozambique's Port of Beira is quickly [becoming](#) an alternative gateway for Malawi, Zimbabwe, Zambia, the Democratic Republic of Congo, and even parts of South Africa due to permanent delays and congestion at the Port of Durban, the largest port in sub-Saharan Africa. The Port of Beira recently set a new mark in monthly volume (31,767 TEUs), surpassing March 2021's previous record (29,446 TEUs). Notably, in 2022 the World Bank classified the Port of Beira as the best in Southern Africa in terms of containerized cargo performance.

PANAMA CANAL DROUGHT

The area around the Panama Canal is [experiencing](#) some of the driest years in the country's 143 years of records, with rainfall measurements 30-50% below normal. In response, the Panama Canal will [maintain](#) a maximum authorized draft of 44 feet (13.41 meters) for its Neopanamax locks and 39.5 feet (12.04m) for its Panamax locks.



Panama Canal Authority (PCA) Administrator Ricaurte Vásquez [called](#) the ongoing drought “unusually severe” and warned that “significant restrictions” and water-conserving measures would remain in place until late 2024.

- PCA [reduced](#) the total number of ships that can pre-reserve a transit from 19 to 14.
- Approximately 34 ships can now [move](#) through the canal in both directions each day, as [compared](#) to the 34-42 it normally handles at peak capacity.
- With transits capped, shipowners have been forced to reserve slots for crossings, which quickly created an ‘auction’ for the available slots. Container lines like CMA CGM and Hapag-Lloyd have reacted by [adding](#) canal transit surcharges to try and offset these costs.
- During August the average waiting time for unbooked transits was 9-11 days.

