



# Market Report 7/2024





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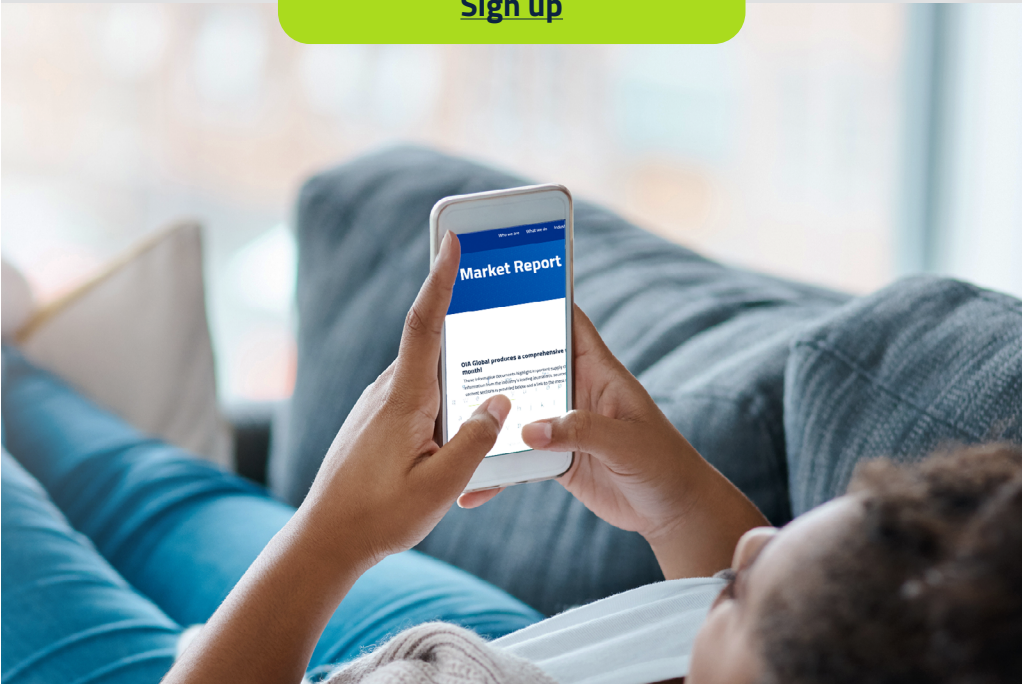
### Note

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

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# Market Trends



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## RED SEA CRISIS—6 MONTHS LATER

More than six months after the Red Sea crisis began, the economic impact on Egypt's Suez Canal is [becoming](#) more clear.

- Revenues dropped 64.3% to approximately \$337.8M, as compared to \$648M recorded in May '23.
- The number of vessels dropped to 1,111 in May '24, as compared to 2,396 ships in May '23.

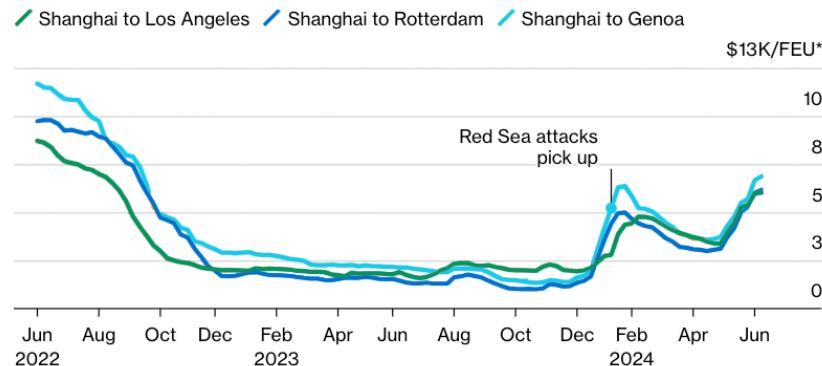


Global port congestion recently reached an 18-month high, with 60% of the ships waiting at anchor in Asia.

## SPOT RATES SURGE AMIDST CONGESTION

The Rates from Asia-USA and Asia-Europe are now exceeding \$6,000 for a 40' container.

Analyst firm Kearney published its 35<sup>th</sup> annual [State of Logistics Report](#), which [anticipates](#) that container capacity will begin to tighten in H2 '24, likely resulting in further rate increases.



Source: [Drewry World Container Index](#); Note: \*FEU = 40-foot equivalent container units

Containers are being left out of position due to a surge in demand on the Transpacific and Asia-Europe routes, port congestion in Singapore and other key Asian hubs, and the longer transit times around southern Africa. **These diversions are stretching container equipment supplies**, as reflected by an increase in Chinese container lease rates and widespread equipment scarcities at North Asian ports. **As equipment availability becomes more acute throughout Asia, the shortages have also spilled into the Transatlantic trade.**

**Notably, ocean shipping disruptions are driving more cargo owners toward air cargo.** The International Air Transport Association (IATA) **published** data showing significant growth in air cargo demand, particularly during Q2 '24. World ACD published a comprehensive regional breakdown, showing "There have been some significant **increases** in average spot prices in the last five weeks to the USA from Asia Pacific as a whole."



# Market Trends



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Russia is quickly **developing** the Northern Sea Route (NSR) to become an Arctic maritime shortcut. The government has a publicly stated goal of achieving year-round container transportation between China and Russia's northwestern ports within 3 years.

- Officials expect transit cargo to reach 3 million tons this year, around 50% more year-over-year (YoY).
- Ship tracking data **shows** Indian purchases of Russian oil reaching a nine-month high in April '24.

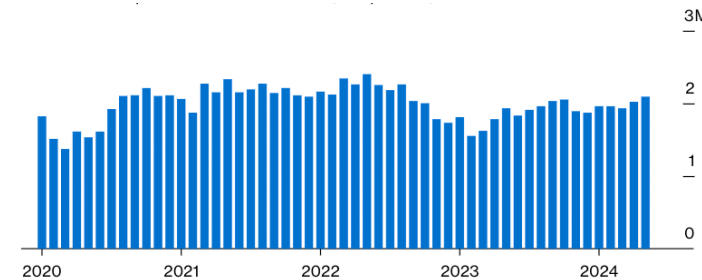


According to the World Bank's **projections**, there will be a 37% increase in trade among Azerbaijan, Georgia and Kazakhstan, and a 28% increase between these three nations and the E.U. is expected by 2030. Georgia's ports are the main gateways for this expected cargo growth.



## U.S. IMPORTS REBOUND

The graphic shows millions of imported 20' containers (or equivalent).



In April Port Laredo, Texas, was the #1 U.S. trade gateway **among** the nation's 450 airports, seaports and border crossings:

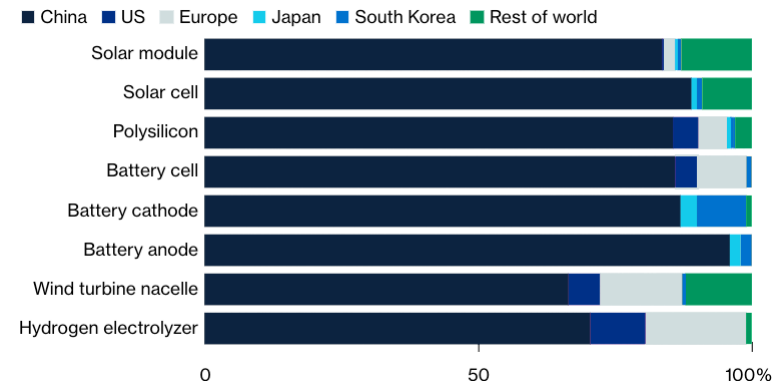
- Laredo **handled** 266,692 commercial truck crossings between Mexico and the U.S. in April (+15.7% YoY).
- It was the 13<sup>th</sup> consecutive month that Laredo was the country's top-ranked international commercial trade port.

Source: National Retail Federation and Hackett Associates, accessed via **Bloomberg**. Note: May 2024 is an estimate.



## CHINA CONTINUES TO DOMINATE GREEN SUPPLY CHAINS

China is leading in the global share of manufacturing capacity for crucial clean technologies.



Source: **BloombergNEF**. Note: Capacity is for physical facility location, not manufacturer headquarters.



## NEWBUILD VESSEL PRICES REACH PEAK LEVELS

Driven by strong order demand, the average newbuild order prices recently **reached** the highest point since 2008, having increased 3% in 2024.



Ocean carriers have **taken** delivery of almost 1.6 million TEUs of capacity so far this year, but the 1+ million TEUs has made little difference in the monthly effective capacity provided to the marketplace, **according** to Drewry.

## Mergers & Acquisitions

- Qatar and Rwanda have been working on an air cargo deal for 5+ years, but it has been delayed by the Covid-19 pandemic and the 2022 World Cup. The deal would grant Qatar's airline, one of the world's largest, a 49% stake in Rwanda's flagship carrier airline for an undisclosed sum. Senior executives close to the negotiations **expect** a final agreement as early as July '24. Notably, RwandAir already has access to Qatar Airways' network thanks to a code-share agreement, providing access to regional capitals such as Burundi's Bujumbura.



- Air Incheon will **become** South Korea's second-largest cargo airline after being **selected** as the preferred buyer for Asiana Airlines' cargo business.

- Lufthansa hopes to **acquire** the Italian state's failed airline Alitalia in two stages. Under stated terms of the rescue plan, Lufthansa would initially **pay** the Italian state €325M for a 41% stake in Alitalia's successor, with an option to acquire the rest later.



- The Chinese state-owned Antong Holdings, parent of Quanzhou Ansheng Shipping, will **acquire** Sinotrans Container Lines (Sinolines) and China Merchants RoRo Transportation (Guangzhou) from China Merchants Energy Shipping Company (CMES), **expanding** its container shipping operations and entering the car-carrier business.
- UPS **plans** to **sell** its truckload brokerage business Coyote Logistics to RXO for \$1.025B.

## Infrastructure



The governments of China, Kyrgyzstan and Uzbekistan **signed** an agreement to build a new 523km railway connecting the three countries. Estimated to cost more than \$8B, the new railway is expected to carry 15M tons of freight a year and cut end-to-end transit times by seven days.



India's government **authorised** the **establishment** of a major port in VadHAVAN, near Dahanu in Maharashtra, India.

- The port will include nine container terminals, each 1km long, four multipurpose berths, four liquid cargo berths, a RoRo dock, and a Coast Guard berth.
- The project aims to generate about 23.2M TEUs of container handling capability.



The Port of Salalah's \$300M **expansion** is on track, which aims to **increase** Oman's annual container handling capacity from 5 to 6 million TEUs by the end of '24.



Cosco Shipping Ports Abu Dhabi Container Freight Station (CSP AD CFS) will now **use** the Etihad Rail network to move containers to logistics hubs and industrial zones across the United Arab Emirates (UAE).



Spain's Ministry of Transport and Sustainable Mobility will **invest** €2.1B in Asturias, a northern region which includes the city of Gijón. An additional €675M will be spent to complete the network by 2050.



Ukrainian Railways (UZ) and Ukraine's Ministry of Community Development, Territories and Infrastructure **secured** €300M in loan financing from the European Bank for Reconstruction and Development (EBRD) to support the procurement of roughly 80 electric locomotives.



The Federal Aviation Administration's (FAA) reauthorization bill, which aims to modernize the U.S aviation system, **appropriates** more than \$105B to the FAA for the next four years and includes \$19.35B in grants for airport infrastructure improvement, supporting >3,300 airports across the U.S.

DP World **increased** its investments in two preexisting port terminals in Peru and Ecuador:



The \$400 million Bicentennial Pier expansion at DP World Callao will boost the terminal's capacity by 80%, positioning it as a leading logistics hub on South America's west coast. The pier's extension to 1,050 meters will allow it to accommodate up to three vessels simultaneously and increase its annual capacity to 2.7M TEUs.



In Ecuador, DP World is planning to expand its berth at the Port of Posorja to enhance capacity and operational efficiency. The \$140M expansion will extend the port to 700 meters of berth space and integrate advanced port equipment.



### LOUISIANA EXPECTS GROWTH AMIDST INVESTMENT

The Louisiana State Legislature **boosted** the Port of New Orleans' funding, committing \$230.5M to the Louisiana International Terminal (LIT) and other infrastructure projects.

- Once completed, the LIT will be capable of **handling** 2 million 20' TEUs annually as well as ultralarge container vessels travelling through the Panama Canal.
- The LIT will be built in Violet, Louisiana, about 17 miles downriver from the Crescent City Connection bridge. The new terminal's location aims to eliminate air draft restrictions for vessels that currently call at the Port of New Orleans.



## Transport Technology

- Honda recently [introduced](#) a Class 8 hydrogen fuel cell truck. The operational truck concept is powered by three new Honda fuel cell systems and is now in mass production via a joint venture production facility with General Motors (GM).
- Peterbilt [announced](#) its largest electric vehicle (EV) order to date as it will sell 150 Model 579 EVs to Einride, a Swedish autonomous and digital freight technology developer.



- Despite production delays, Emirates SkyCargo is still planning to [convert](#) ten 777-300ER passenger aircraft into freighters.

### GOOGLE TARGETS NETWORK DESIGN

Google researchers are [studying](#) how to help shipping lines tackle inefficiencies in their network design, particularly related to scheduling. Google's [Shipping Network Design API](#) could result in higher profits using fewer ships as it considers multiple variables simultaneously rather than sequentially.



- The number of LNG newbuild orders has more than doubled YoY: 34 orders were placed in '23, [compared](#) to 78 during the first five months of '24 (+129% increase).



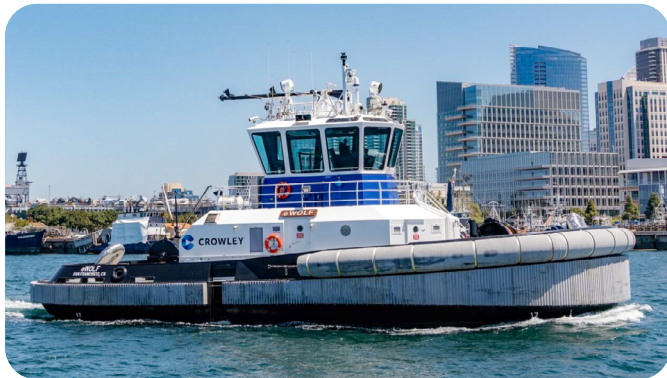
### GREEN METHANOL FUEL CELL MODELS

Blue World Technologies, a Danish fuel cell system developer, is actively [testing](#) a 200kW high-temperature PEM fuel cell module which will run on green methanol. Maersk is an investor in the company and a 1mW fuel cell system is set to be [installed](#) on one of Maersk's methanol vessels as a pilot project in 2026.



Fuel cells appear the next logical step for [producing](#) auxiliary power on ships, using methanol, LNG or ammonia for the fuel. Fuel cells can obtain significantly higher efficiency than engines, converting chemical energy into electrical while skipping an engine's intermediate heat phase.

- Crowley recently [launched](#) *eWolf*, the **first all-electric ship assist harbor tugboat in America**. The 82-foot (25-meter) vessel [features](#) a fully integrated electrical package for battery energy storage and is supported by a microgrid shoreside charging station.



- Engineering company Houlder unveiled a 10,000cbm methanol bunkering vessel as part of the [SPINE maritime project](#). The SPINE project aims to [establish](#) an interface between ships, remote control centers, port operating systems and national energy infrastructure to address challenges in maritime decarbonization.



- An independent study, commissioned by the Society for Gas as a Marine Fuel (SGMF), [revealed](#) that **GHG reductions of +/- 61% are now achievable using ammonia as a marine fuel, depending on how the marine technology is employed**. Importantly, the analysis included GHG emissions from the supply chains and emissions released during the onboard combustion process (slip).













- Lauren Riley, chief sustainability officer for United Airlines, the United States' third-largest airline, [said](#) that a major hindrance for sustainable jet fuel providers was a lack of infrastructure and that **sustainable aviation fuel (SAF) will only become economically viable if there is collaboration with the oil industry**: "They don't have access to the pipelines," she said. "They don't have the traditional logistics support. We're going to need access to pipelines. Oil companies are a critical part of the solution."

**Air freight greenhouse gas (GHG) emissions have grown by 25% since 2019, according to recent study by Stand.earth.**





## Laws/Legislation

-  The Canadian government **passed** into law the first four Clean Economy Investment Tax Credits (ITCs) to attract investment, boost innovation, create jobs, and steer the nation's economy towards achieving net-zero emissions by 2050.
-  U.S. Customs & Border Patrol (CBP) is **increasing** enforcement on low-cost (*de minimus*) goods entering the country.
-  U.S. President Joe Biden **issued** an **executive order** that formalizes a White House council on supply chain resilience and mandates a comprehensive report by the end of 2024.
-  The U.S. National Highway Traffic Safety Administration **implemented** new fuel economy standards for pickup trucks, vans, and passenger vehicles. The final rule calls for pickup truck and van fuel efficiency to increase 10% per year for model years 2030-2032 and 8% per year for model years 2033-2035. The intent is to **make** the U.S. fleetwide average about 35 mpg by model year 2035.
-  The first phase of a National Motor Freight Classification overhaul will **take effect** in Q1 '25. The changes are **designed** to simplify the classification system via a standardized approach to LTL pricing based on density, handling, stowability and liability.
-  The E.U. is implementing new levies on Chinese vehicles that are as high as 48%, joining the U.S., Turkey and other nations who have intentionally limited their imports from China.
-  The E.U. set an intermediate goal of **shifting** 30% of its road freight moving >300 kilometers (185 miles) to rail/water transport by 2030.
-  The European Parliament **adopted** new measures which should decrease empty parcel space significantly. Although the regulation aims to address growing waste and reduce the amount of unused space in parcels, it could also **lead** to savings with carriers that charge for volumetric weight on their last mile deliveries.
  - Businesses should start to monitor how much of their parcel space is left unused.
  - Businesses should consider adapting their packaging to four to six different sizes that are able to hold most of the products while maintaining logistics efficiency.
-  During the next decade, India plans to **establish** a new shipping company and **expand** its fleet by at least 1,000 ships. The country's goal is to reduce its reliance on foreign firms by at least 1/3 by 2047.
-  South Korea plans to **launch** a 5 trillion won (USD \$3.6B) fund to reduce its dependence on foreign supplies and protect its supply chain.
-  Two years ago, the Peruvian National Port Authority (APN) **awarded** Cosco Shipping an exclusive license to develop and run a new multipurpose port at Chancay, Peru. Now, APN has nixed that decision and APN's lawyers are asking a judge to withdraw the annulment request. Dropping the lawsuit permanently restores Cosco's right to operate Chancay on an exclusive basis.
-  The High Court of Bangladesh **suspended** its cabotage rules for six months. Cabotage rules require every foreign vessel to obtain a waiver certificate from the country's shipping regulator before loading any cargo destined for or leaving Bangladesh.
  - Cabotage laws apply to merchant ships in most countries that have a coastline to protect the domestic shipping industry from foreign competition, preserve domestically owned shipping infrastructure for national security purposes, and ensure safety in congested territorial waters.

## Acute Disruption



Swiss Federal Railways (SBB) [confirmed](#) the 57.1km Gotthard Base Tunnel will fully reopen on 2 September 2024, subject to approval from the Federal Office of Transport (OFT).



South Carolina Ports [signed](#) an agreement with the International Longshoremen's Association (ILA) to jointly reopen Leatherman Terminal.



Chittagong, Bangladesh is [dealing](#) with a huge backlog of outbound containers.



Yard density levels in Algeciras, Spain is tight, with the imbalance being caused by delays in vessel arrivals and long layovers.



Port workers in Germany and France are [deadlocked](#) in negotiations over wages and pension reforms.



A possible strike at U.S. East Coast ports would have a major [impact](#) on the Transatlantic trade.



### SINGAPORE CONGESTION

Singapore, one of the world's most vital gateways for seaborne freight, is [experiencing](#) a sustained period of congestion.

- Delays at Singapore have [reached](#) +/- seven days.
- Roughly 450,000 TEUs of containerized vessel capacity was waiting to berth at the end of May '24.
- Terminal operator PSA Singapore is reactivating some of the facilities at its older Keppel Terminal in response to the extra demand.
- Some carriers are [skipping](#) the port completely to keep schedules on time.



### PANAMA CANAL SITUATION IMPROVES

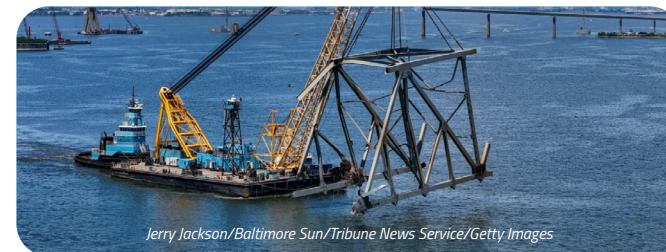
The Panama Canal's water levels have been [rising](#) and if rain patterns hold, the waterway could [return](#) to full capacity next year. Shippers now wait less than two days to [transit](#) the canal.

- Effective July 11<sup>th</sup>, the number of daily transits will increase from 32 to 33.
- The draft will increase to 48 feet on July 11<sup>th</sup>, up from 47 currently.
- Effective July 22<sup>nd</sup>, the number of daily transits will increase to 34.
- Effective August 5<sup>th</sup>, the number of daily transits will increase to 35.



### POST-BRIDGE COLLAPSE, BALTIMORE FULLY REOPENS

The Fort McHenry Channel is fully [cleared](#), and the Port of Baltimore is officially [reopened](#) for business. Maryland Port Administration Executive Director Jonathan Daniels [said](#) he doesn't expect vessel counts to return to previous levels until 2025.



### U.S. INTERSTATE RANKINGS

Trucker Path [released](#) rankings of the best and worst interstate routes for truck drivers in the U.S., with the ratings based on parking availability, truck stop ratings, and fuel prices. The analysis rates Interstate 90, I-5, and I-44 as the best:

- I-90 runs from Seattle to Boston
- I-44 runs from northern Texas to St. Louis
- I-5 runs along the U.S. West Coast from the Mexican border up to Canada





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