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Eco X-Press

Ecosphere Global Logistics Newsletter

Let's Chat!

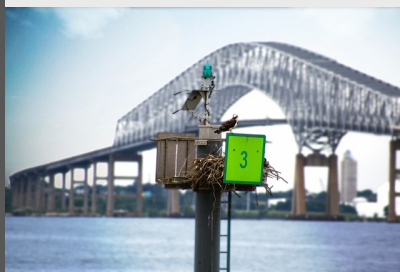


Welcome to our May Market Update! As we navigate through the ever-evolving landscape of global trade and logistics, we're committed to keeping you informed with timely insights and analysis to support your business decisions.

In this edition, we'll delve into key developments shaping the international freight and logistics industry, providing you with a comprehensive overview of market trends and challenges. From supply chain disruptions to technological advancements and regulatory changes, we'll explore how these factors are impacting the movement of goods across borders and how your organization can adapt and thrive in this dynamic environment.

Our team of experts has curated the latest market data and industry intelligence to provide you with actionable information that can drive efficiencies, optimize costs, and enhance your competitive edge. Whether you're a seasoned industry veteran or a newcomer to the world of global logistics, our goal is to equip you with the knowledge and insights you need to make informed decisions and stay ahead of the curve.

USA



As April draws to a close, a significant milestone marks the gradual recovery of operations at the Port of Baltimore. Following the collapse of the Francis Scott Key Bridge over a month ago, the arrival of the first container ship signifies a pivotal moment in restoring maritime activity to its former vigor. Navigating through a temporary 35-foot channel, the vessel brought with it nearly 1000 containers, symbolizing resilience amidst adversity.

In response to the bridge collapse on March 26th, four temporary channels have been meticulously opened to facilitate the passage of vessels. This fourth channel, though fleeting in its duration, boasted dimensions of 35 feet in depth and 300 feet in width, enabling several stranded ships to finally set sail from the port. Notably, the recent series of channel openings, culminating in the largest of the four, have reinstated 15% of the pre-collapse commercial activity at the Port of Baltimore. This adjustment proved pivotal in allowing large commercial vessels, laden with containers, vehicles, and farm equipment, to navigate the waters once more.

However, the repercussions of the bridge collapse have reverberated beyond the confines of Baltimore. Surrounding ports, such as the Virginia International Gateway, Norfolk, and New York, have experienced a surge in activity as ships were diverted from Baltimore. Consequently, terminals in these ports have reported an increase in wait times, indicative of the strain placed on their resources.

As operations continue to inch towards normalization, the vessel Dali remains grounded, awaiting refloating and removal in the days to come. The current projection for the full reopening of the Baltimore port is set for the end of May, aligning with the US Army Corps of Engineers' target to restore the federal

navigation channel to its original specifications: 700 feet wide and 50 feet deep. However, until this goal is realized, commercial shipping remains restricted, and delays may persist, underscoring the ongoing challenges faced by the maritime industry in the wake of unforeseen events.

As the US enters the peak of produce season, the agricultural heartlands burst into activity. Commencing with the onset of spring and extending through the summer months, this period not only heralds the abundance of fresh fruits and vegetables but also triggers a ripple effect across the logistics landscape. While your cargo may not be perishable produce, the heightened demand for timely transportation of fresh goods exerts a significant influence on the movement of general cargo.

Regions spanning the Southeast, Southern states, as well as California and Oregon, emerge as focal points of agricultural activity during this season. It's imperative to anticipate and plan meticulously, recognizing the potential impact on transportation networks. Trucking operations, in particular, experience fluctuations as the urgency to transport perishable goods escalates. While not all cargo requires refrigerated transport, the heightened demand for such vehicles can strain availability and scheduling.

In navigating the complexities of produce season, foresight and flexibility emerge as indispensable assets. Planning well in advance and embracing adaptable pickup schedules can mitigate disruptions and ensure the seamless flow of cargo amidst the seasonal surge in demand. By anticipating the unique challenges posed by produce season and proactively strategizing, businesses can navigate this period with efficiency and resilience.

Airfreight continues to demonstrate robust performance, fueled in part by the expansion of B2C commerce, particularly notable in the growth trajectory from China to North America. Rates surged in the latter half of March and have since remained steadfast, setting the stage for potential challenges as the peak airfreight season looms in November and December. The anticipated surge in demand during these months, driven by both B2C growth and traditional freight, is expected to exert further upward pressure on rates and intensify competition for available cargo space.

In response to the escalating demand, several airfreight carriers are strategically bolstering their capacities by adding more freighter services from China to the USA and expanding their fleets. This proactive approach aligns with broader growth strategies aimed at capitalizing on burgeoning market opportunities.

Despite the gradual relaxation of flight restrictions between the US and China post-COVID, recent developments have seen a significant uptick in cargo capacity. The US Department of Transportation's decision to escalate permitted flights from 35 to 50 per week during April reflects a concerted effort to accommodate heightened cargo demand and facilitate smoother trade flows.

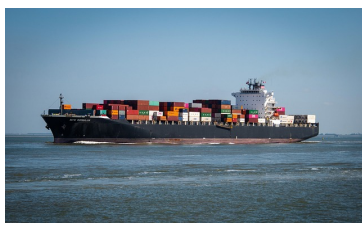
As businesses gear up for the anticipated peak season, prudent planning becomes paramount. Shippers and importers are advised to proactively anticipate potential logistical bottlenecks and allow for extended lead times wherever feasible. Moreover, with economists noting a rebound in retail sales following a subdued start to the year, albeit below initial projections, anticipation mounts for a predicted decline in interest rates later in 2024. This anticipated financial adjustment is poised to further stimulate demand across airfreight and sea freight sectors, underlining the imperative for proactive planning and strategic foresight amidst evolving market dynamics.

After five months of intensive negotiations between rail operator employers and the Teamsters Canada Rail Conference (TCRC), tensions have escalated to the brink of strike action. The TCRC, representing operators and dispatchers, has issued a call for strike action should a resolution fail to materialize by May 22. The looming threat of a nationwide strike, involving key players such as Canadian National Railway (CN) and Canadian Pacific Kansas City (CPKC), underscores the critical juncture at which labor relations currently stand.

With the next negotiation meeting slated for May 13, stakeholders are anxiously awaiting the outcome in hopes of averting a potentially disruptive labor strike. Recognizing the far-reaching ramifications of such an event on the Canadian supply chain and the broader North American economy, both parties are under increasing pressure to find common ground and secure a mutually acceptable agreement.

The impending strike serves as a stark reminder of the delicate balance between labor rights and economic stability. As negotiations enter a pivotal phase, the stakes are high, with the outcome poised to shape the trajectory of rail transportation and its ripple effects across industries. All eyes remain fixed on the negotiating table, where the fate of countless businesses and livelihoods hangs in the balance.

Red Sea



Currently, the Red Sea region remains in a state of cautious stability following the tumultuous events of recent months. While the initial crisis stage has subsided, challenges persist, with shipping lines grappling with the nuances of a new normal characterized by fluctuating rates and extended transit times. Despite concerted efforts to adapt, several ports in the region continue to face operational hurdles, hampering the full restoration of services at major hubs.

The impact of service disruptions reverberates most acutely in South East Asia and India, where longer transit routes via the Cape of Good Hope compound ongoing congestion issues. In response, shipping lines are undertaking significant schedule adjustments to alleviate strain without exacerbating operational bottlenecks.

Notably, industry giants like CMA CGM and MSC have already initiated modifications to their Indian service ports of call, precipitating instances of cargo rolling and port omissions.

Compounding these challenges is the congestion plaguing key maritime hubs such as Jebel Ali, which cascades into vessel delays at Nhava Sheva and Mundra ports in India. As India's export trade is poised for growth, stakeholders are urged to proactively plan for potential disruptions, emphasizing the importance of securing ample lead time for shipments traversing the Indian Subcontinent (ISC).

Meanwhile, air-sea hubs like Dubai, Bangkok, and Sri Lanka serve as pivotal junctures for transitioning volume from the Far East to Europe and North America, albeit amid lingering congestion concerns. Despite the absence of booking suspensions, operational efficiencies are constrained, posing logistical hurdles for seamless cargo movement.

While reports suggest a decline in Houthi vessel attacks, ongoing diversions are expected to persist, prolonging the disruption landscape. Anticipating a return to regular scheduling, industry stakeholders brace for a tumultuous transition period characterized by port congestion and equipment shortages. The simultaneous influx of vessels and containers upon resumption of normal operations underscores the need for proactive contingency planning and strategic resource allocation.

In navigating these challenges, a temporary uptick in sea-to-air modal shifts is anticipated as stakeholders recalibrate operations to accommodate evolving dynamics, underscoring the resilience and adaptability inherent in global supply chain networks.

The congestion woes extend to China's bustling ports, with Guangzhou, Yantian, Shekou, and Shenzhen grappling with berthing delays. Compounding these challenges are less-than-ideal weather conditions, contributing to vessel bunching at key maritime hubs such as Qingdao, Ningbo, and Shanghai. As we navigate through these congestion issues, it's imperative to heed the looming threat of typhoon season, which typically spans from July to September but can manifest anytime from now until December. The specter of terminal and port closures looms large during typhoon season, potentially disrupting sailing schedules and causing delays in Estimated Time of Departures (ETD) and Estimated Time of Arrivals (ETA) when impacted.

In the realm of airfreight, April witnessed disruptions following heightened tensions between Israel and Iran, prompting several carriers to adjust their services. United Airlines extended the suspension of its daily service from Newark to Tel Aviv, while American Airlines and Delta preemptively suspended flights to the city following US travel advisories warning of potential unrest, effective October 7. Although these airlines had initially planned to resume operations, recent developments have necessitated delays in their reinstatement plans. American Airlines has pushed back its services to October, while Delta aims to resume services on June 7. Similarly, Air Canada, which briefly resumed flights to Israel mid-April after a six-month hiatus, has once again suspended its service until the end of May. Despite these suspensions, airlines such as KLM, Lufthansa, British Airways, Air France, Iberia, and Alitalia continue to service Tel Aviv.

The confluence of increased volume shifting from ocean to air, coupled with the service suspensions arising from the Israel-Iran situation, has propelled airfreight rates to elevated levels. Notably, according to the International Air Transport Association (IATA), Middle East carriers witnessed a staggering 19.9% year-on-year demand growth for air cargo in March, underscoring the robust resilience of the airfreight sector amidst geopolitical uncertainties and logistical challenges.

Let's discuss your
business needs

In early April, Finland saw a temporary respite from strikes that had plagued the nation since March. The protests, ignited by proposed changes to labor market legislation and social security cuts, brought ports and rail systems to a standstill, severely disrupting the flow of import and export cargo. The reverberations of the strikes were felt far and wide, with factories shuttering operations and local transport networks paralyzed. Notably, Finland's national airline, Finnair, bore the brunt of the turmoil, canceling 500 flights and overhauling refueling operations as fuel deliveries ground to a halt for two weeks. The strike-induced chaos also cast a pall over Helsinki Airport, resulting in significantly reduced traffic during the period of industrial action. To circumvent the logistical gridlock, cargo was rerouted through neighboring Estonia and Sweden, with Germany's Bremerhaven and Rotterdam in the Netherlands witnessing heightened yard density as vessel schedules endured disruptions.

Meanwhile, road freight traversing Europe grapples with a myriad of challenges amid the prevailing geopolitical and economic uncertainties. Germany's rollout of new truck tolls in December 2023, extending toll obligations to vehicles weighing 3.5 tons or more, coupled with escalating energy and insurance costs, have compounded the burden on transportation expenses. The European Union, Great Britain, and Norway collectively face an estimated shortage of 233,000 drivers, a figure projected to surge to a staggering 745,000 by 2028.

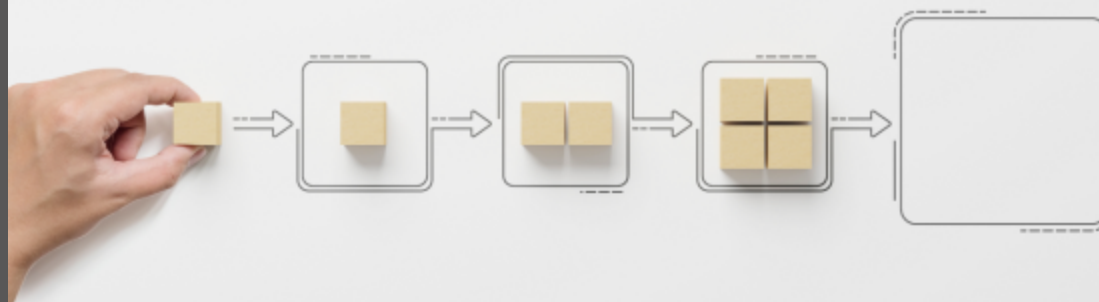


Efforts to retain existing drivers, coupled with initiatives aimed at offsetting costs associated with professional entry and skill enhancement, have further propelled transport rates upwards.

Against this backdrop of turmoil and instability, the economic outlook remains shrouded in uncertainty, exacerbated by ongoing geopolitical tensions and the specter of escalating conflicts in the Middle East. The disruption of the Red Sea shipping route adds another layer of complexity, raising concerns of potential supply bottlenecks that could impede production and fuel price hikes. With forecasts clouded by uncertainty, prospects for market recovery this year remain dim, although signs of promise emerge with declining inflation paving the way for economic growth towards the latter part of the year. As the landscape of uncertainty persists, stakeholders brace for continued challenges while cautiously anticipating the glimmers of hope on the horizon.

As always, we value your partnership and trust in our services. Thank you for choosing us as your logistics partner, and we look forward to continuing to serve you with excellence.

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