

A background image showing a busy port or warehouse. In the foreground, a yellow semi-truck is driving on a road. To the left, a forklift is moving a pallet. In the background, there are stacks of colorful shipping containers, a large cargo ship, and a yellow crane. An airplane is flying in the sky above the ship.

# SUPPLY CHAIN MARKET PULSE

June 2024

## KEY TRENDS AND CHALLENGES IN THE SUPPLY CHAIN

### 1

#### DEMAND/SUPPLY IMBALANCE

- Ocean/Air modes have seen the **demand/supply dynamic reverse** in recent months. Demand is not up, but supply constraints have severely restricted available ocean vessels resulting in higher prices, at least temporarily
- Shippers are dealing with international service and pricing volatility. Lessons learned during the pandemic swings may have better-prepared supply chains.
- Global trucking markets remain relatively stable at significantly lower rates than the pandemic peak. Supply continues to outpace demand

### 2

#### SHIFT IN TRADE FLOWS

- Recently announced USA-Chinese tariffs may accelerate trade shifts on components in effected categories.
- While Trans-Pacific trade routes remain critical due to the ongoing significance of Asian economies, trade routes to Mexico and Central America are gaining prominence, bolstered by their geographical proximity and expanding manufacturing sectors

### 3

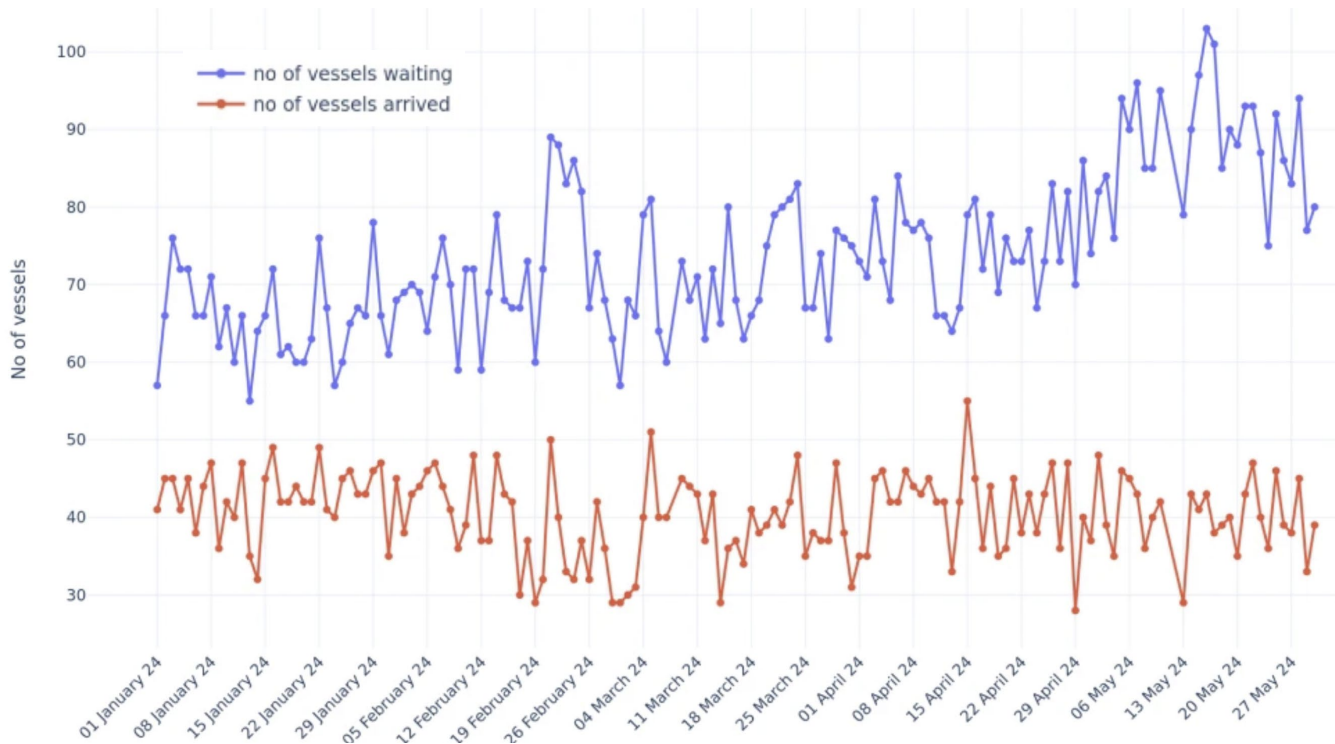
#### SUPPLY CHAIN DISRUPTIONS

- **Supply Chain Impact remains global.** Severe port congestion impacting the port of Singapore is impacting trade lanes globally. Recent pricing increases on major trade lanes bear the impact of equipment imbalances in a single region.
- **Labor actions** continue to be in the news. The North American union representing Longshoreman (ILA) has canceled talks with key stakeholders, setting the stage for contentious negotiations throughout the summer. History has shown work stoppages, or slowdowns could be utilized as negotiating levers

## IN THE NEWS

Ocean Shipping Price Volatility is back! Port congestion in South-East Asia is creating an imbalance of equipment; raising both local and global spot market pricing!

### VESSELS WAITING IN THE PORT OF SINGAPORE – DAILY NUMBER OF VESSELS



### COMMENTS

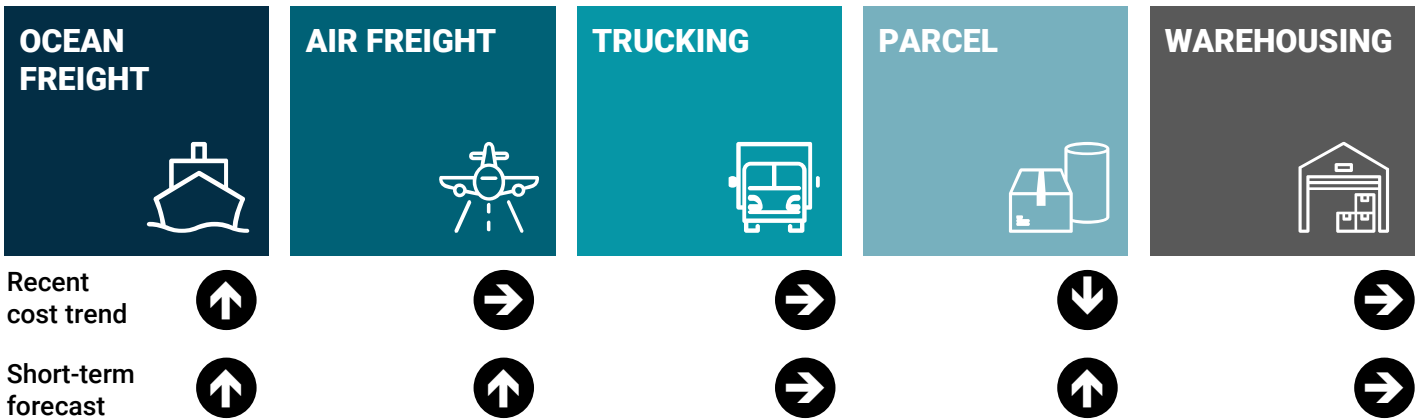
- **Disruption:** Vessels waiting at the port of Singapore have steadily climbed since the beginning of 2024, hitting a high of almost 100 vessels waiting
- Wait-time for a berth is up to one week, increasing from ½ day in January
- As vessels work to maintain their schedules, they are forced to skip the Singapore Port and offload at other ports nearby resulting in further congestion downstream and equipment imbalances across the region
- **Cost Impact:** Spot pricing from China outbound shipments are **jumping by over 100%** due to equipment imbalances
- **Resolution:** Singapore is working to increase capacity and has recently increased handling volumes by 6%
- Carriers are adding additional capacity through expensive charter market to keep volume moving
- Singapore is the **second largest port globally** and is a critical transshipment hub for South-East Asia

Looking for best practices to navigate the most recent supply chain crisis?

Check out this AlixPartners insight [here](#)

# FREIGHT COSTS

The freight market has seen geopolitical shocks begin to normalize. Pricing volatility returns across some modes due to freight market imbalances



## WHAT IS MOST IMPORTANT TO KNOW?

**International Transportation prices are ticking upward resulting from limited supply due to regional congestion in APAC and managed pricing from carriers**

- Ocean & Air Freight prices are ticking upwards due carrier service limitations

**Major parcel players are facing revenue declines in a more challenged market**

- Parcel carriers have been aggressive on pricing in an attempt to win business; however, shippers should prepare for rise in ground parcel delivery costs as US parcel revenue sees first decline in seven years

**Companies are continuing to look at structural aspects of their supply chains**

- To further optimize, companies are shifting from procurement exercises to optimizing a changed Supply Chain network as a result of constant waves of disruptions of different kinds

**Although transportation costs have likely bottomed, volatility will remain with prices eventually increasing throughout 2024 and beyond**

- Supply Chain resilience is going to be key in 2024
- This environment provides opportunity to optimize core carrier base enhancing service and capacity commitments

## WHAT ACTIONS CAN WE TAKE?

**Take advantage of every opportunity – freight procurement remains a hot market**

- RFPs are not the only answer; shippers should renegotiate rates with incumbents for faster results and rationalize their truckload supplier community with top performing suppliers

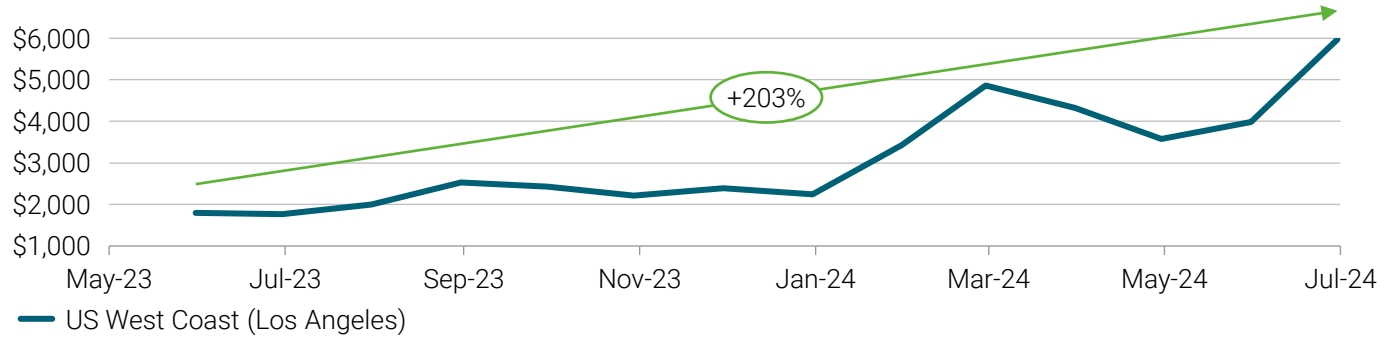
**Strategically review the network**

- Review and use this time as an opportunity to reset the strategic distribution network.
- Align where the organization needs to be physically, and from a capability standpoint to take advantage of the next growth period

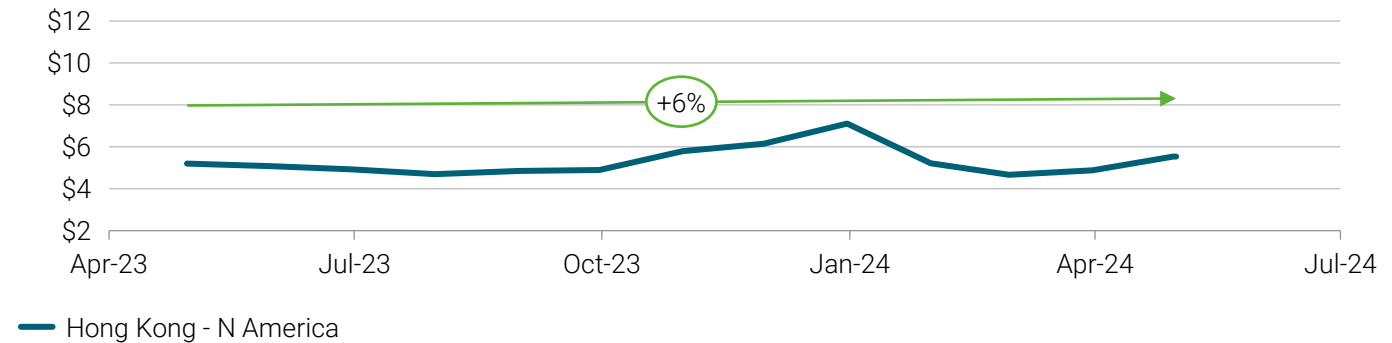
# FREIGHT TRENDS

Recent macro-economic have sent international transportation rates spiking higher. Domestic trucking remains depressed due to supply/demand imbalance

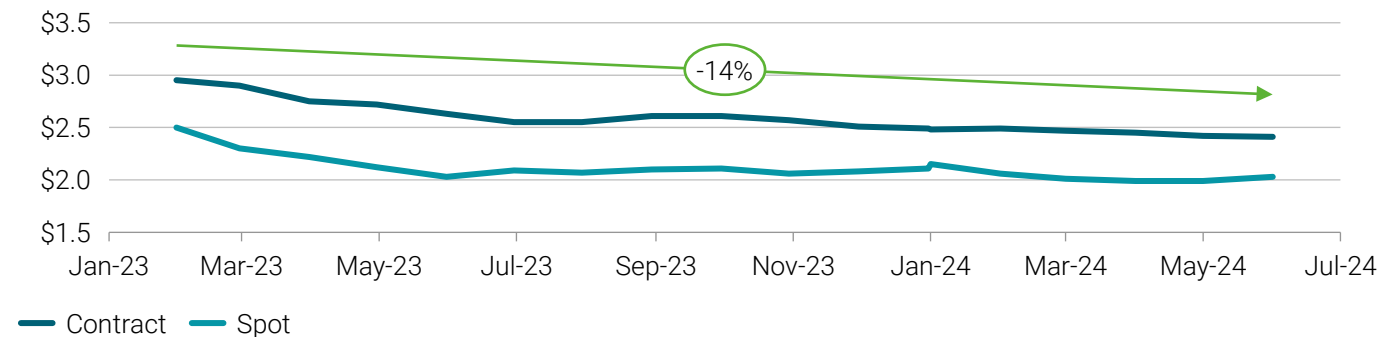
## OCEAN FREIGHT – SHANGHAI TO U.S. – (\$/40FT)



## AIR FREIGHT – HONG KONG TO U.S. – (\$/KG)



## TRUCKING: DRY VAN – (\$/MILE)



### KEY TRENDS AND FACTS



#### KEY DRIVERS CAUSING RATE CHANGES ARE:

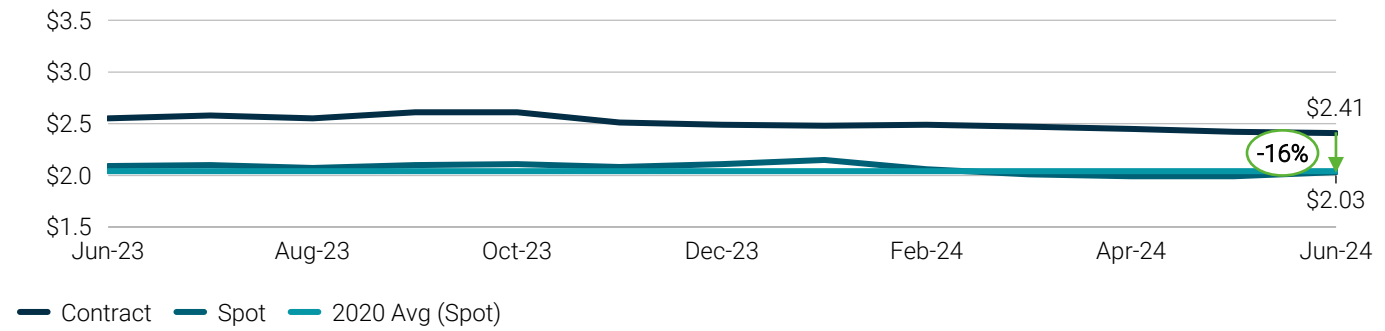
- Port congestion, container shortage and an early peak season are all driving up spot prices
- Air demand remains elevated, driven by the cargo diversion from the Red Sea Crisis and growth in E-Commerce
- TL rates remain low as shippers refrain from building inventory and carrier exits slow, prolonging the road to recovery

Source: DAT, Drewry, TAC database, Freightwaves, AlixPartners analysis

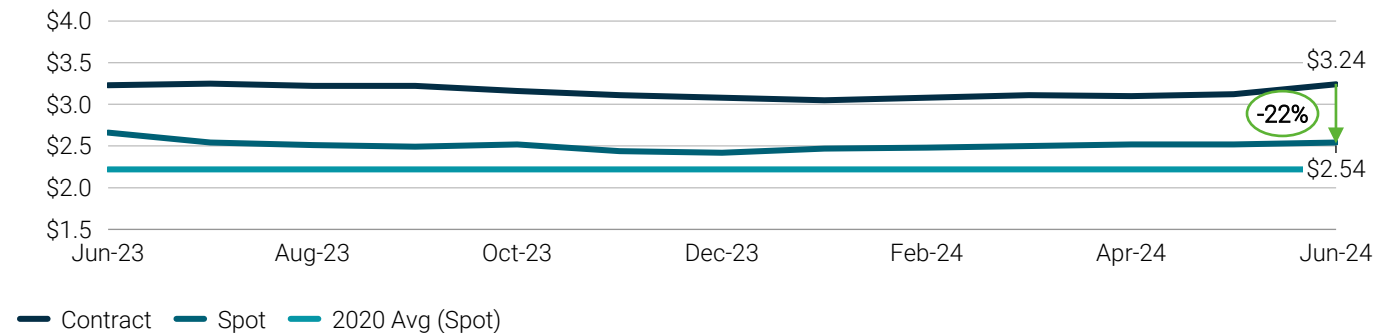
# TRUCKING FREIGHT

Spot rates experience a small uptick, averaging 4-7% above YoY rates since early May

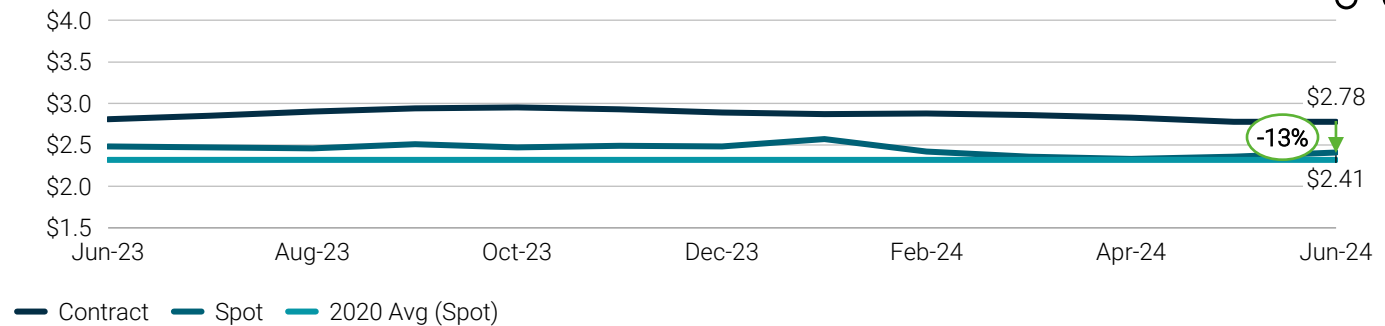
## DRY VAN – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:\$ PER MILE)



## FLATBED – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:\$ PER MILE)



## REEFER – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:\$ PER MILE)



### KEY TRENDS AND FACTS



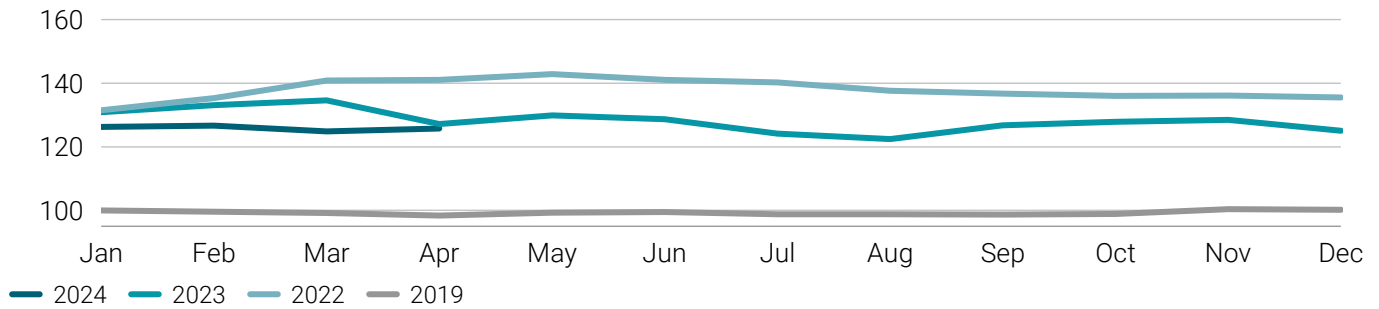
- **Flatbed spot rates remain relatively flat**, reflective of residential housing construction which has not seen an in-year increase with mortgage rates hovering around 7% (DAT).
- **A tentative deal has been reached between the Canadian government and union workers at the border**, avoiding large disruptions to truck traffic and the North America supply chain ([S&P JoC](#)).
- Employment in the trucking industry experienced the largest MoM decrease since August 2023 ([WSJ](#))

Source: DAT, WSJ, Freight Waves, AlixPartners analysis

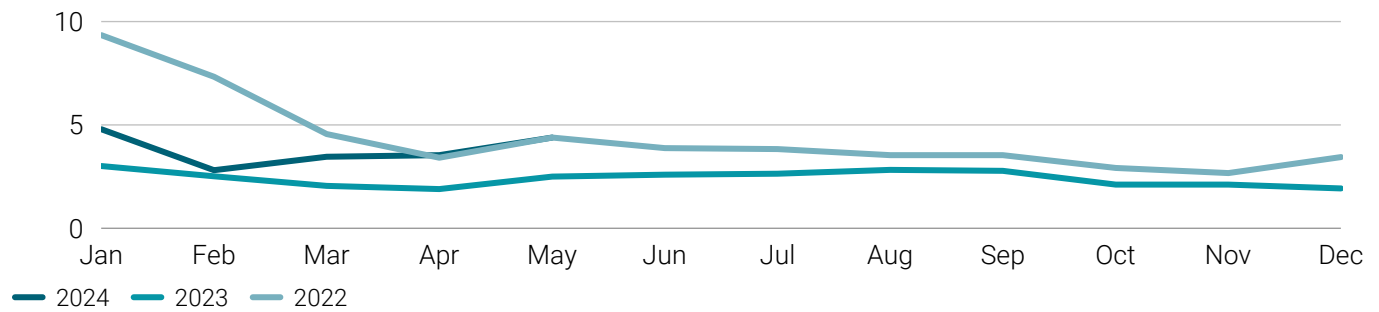
# TRUCKING FREIGHT

Truckload market shows little improvement with dampened demand and tender rejection rates remaining below 5%

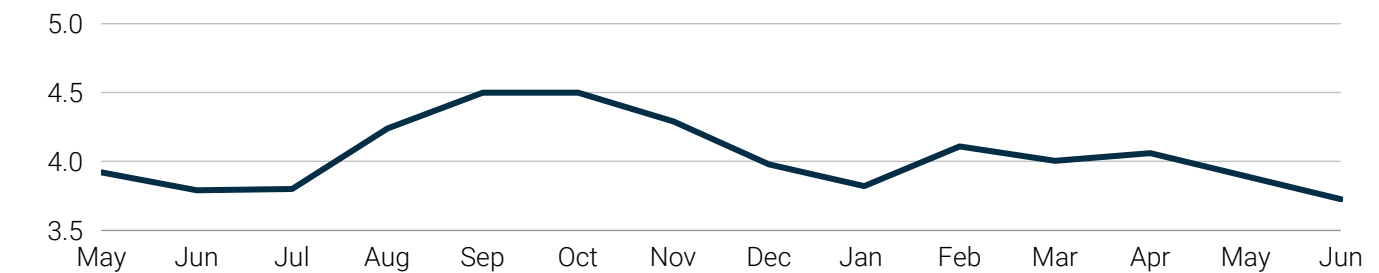
## PPI – GENERAL TRUCKING, YEAR OVER YEAR, INDEX (100)=JAN 2019



## VAN LOAD-TO-TRUCK RATIO – YEAR OVER YEAR



## DIESEL – \$ PER GALLON



### KEY TRENDS AND FACTS



- The **truck freight recession continues with rates remaining at unsustainable levels** as carriers face increased costs including insurance and maintenance; continued **concern of overstocking from shippers** is a contributor to the prolonged recovery ([S&P JoC](#))
- **Small carriers remain in the market despite the high operating costs and low rates** because of the exceptionally high profitability experienced in 2021 and 2022 ([DAT](#))
- **Outbound Tender Rejection Index is ~4.5%**, which may place pressure on rates to increase ([Redwood Logistics](#))

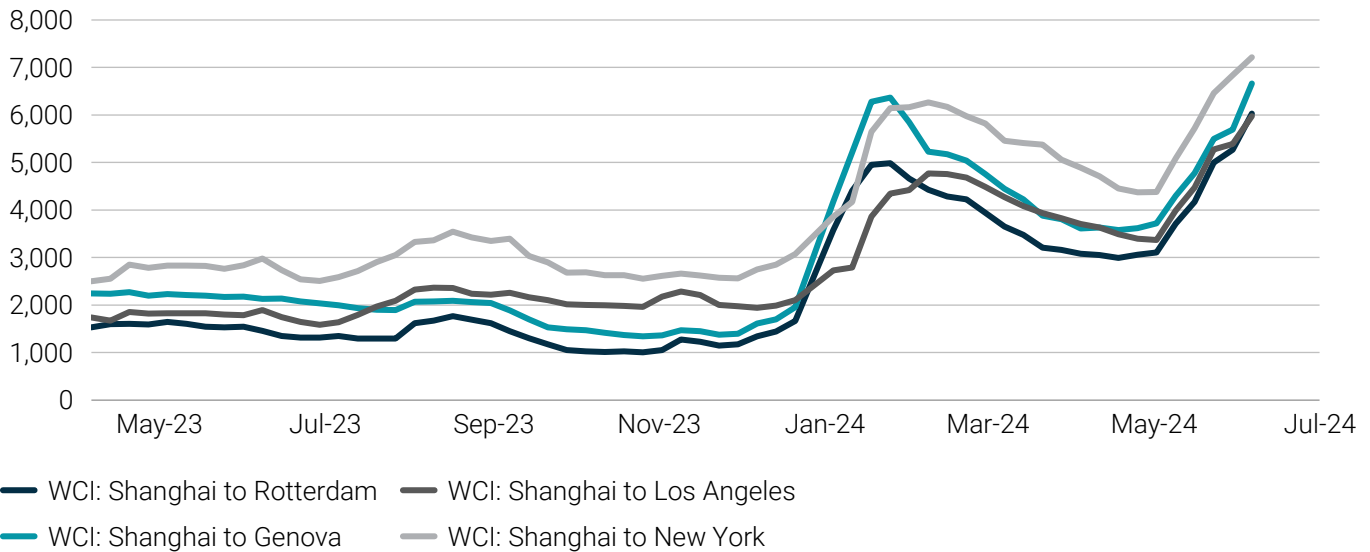
Source: DAT, FRED, Bloomberg, AlixPartners analysis

# OCEAN FREIGHT

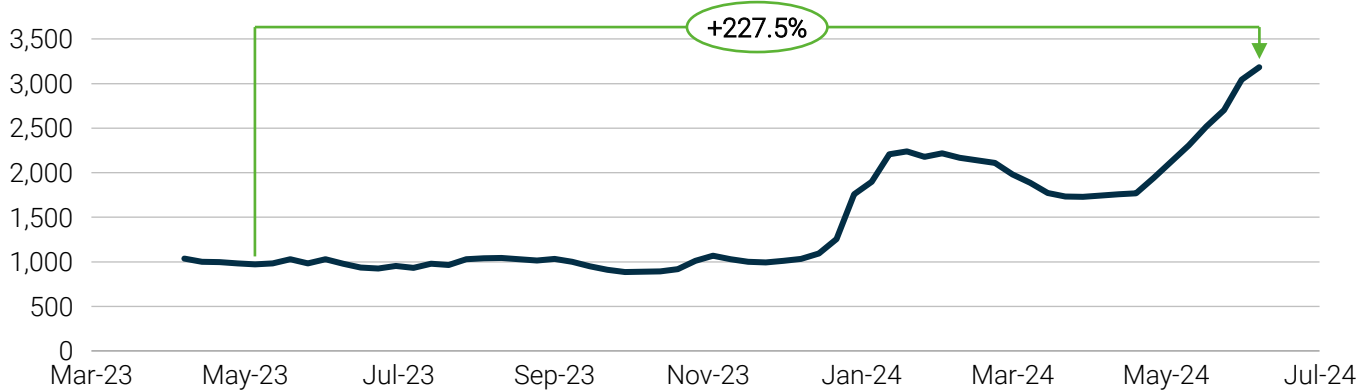
Ocean rates are continuing to spike across Asia outbound lanes as ports face capacity issues in South-East Asia impacting global equipment availability and imbalance

## TRANSPACIFIC: CENTRAL CHINA (SHANGHAI) TO U.S. MONTHLY SHIPPING RATE FOR 40FT CONTAINER EVOLUTION (UNIT: \$)

Drewry: Trade Routes from Shanghai (US\$/40ft)



Shanghai Container Freight Index (US\$/20ft)



### KEY TRENDS AND FACTS



- Global port congestion is estimated to be tying up 6-7% of all container capacity, helping to driving up spot pricing ([JOC](#))
- Early peak seasons economics are also contributing to the spike in China outbound shipments as retailers try to pull ahead inventory ([Loadstar](#))
- India to US shipments are seeing price declines due to over capacity; highlighting that these spot pricing swings are being driven by individual trade lane economics ([Freightwaves](#))

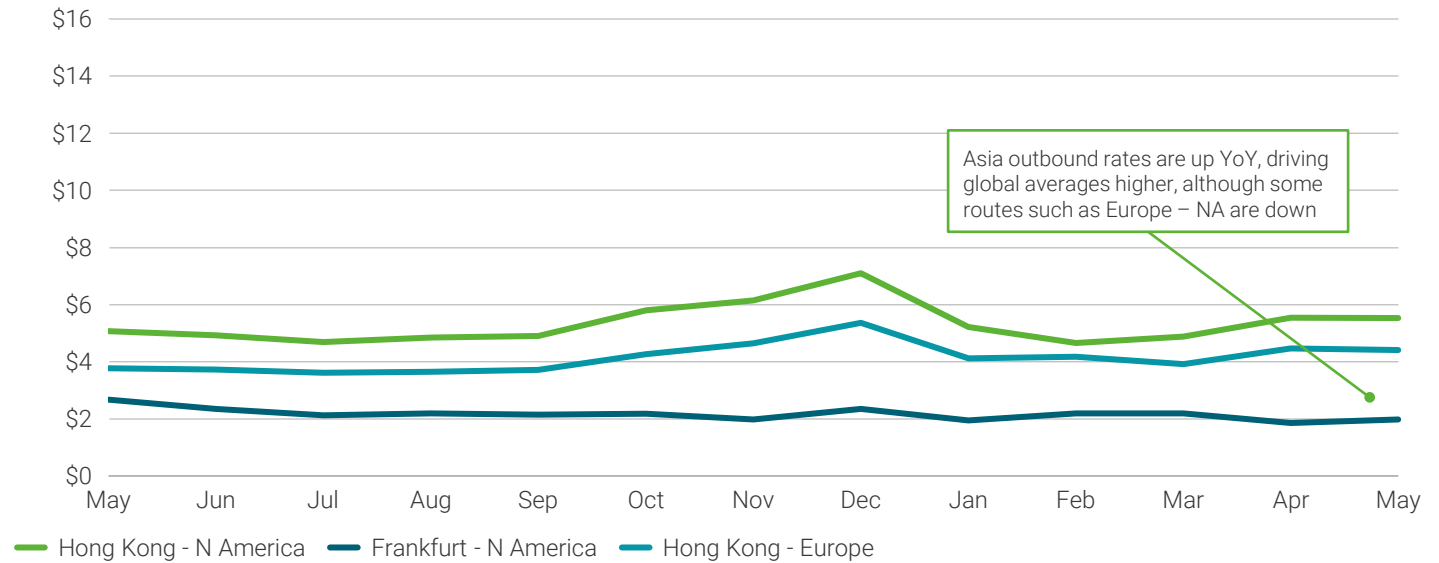
Source: Drewry Ocean report, TI Insights, Journal of Commerce, SCFI, AlixPartners analysis



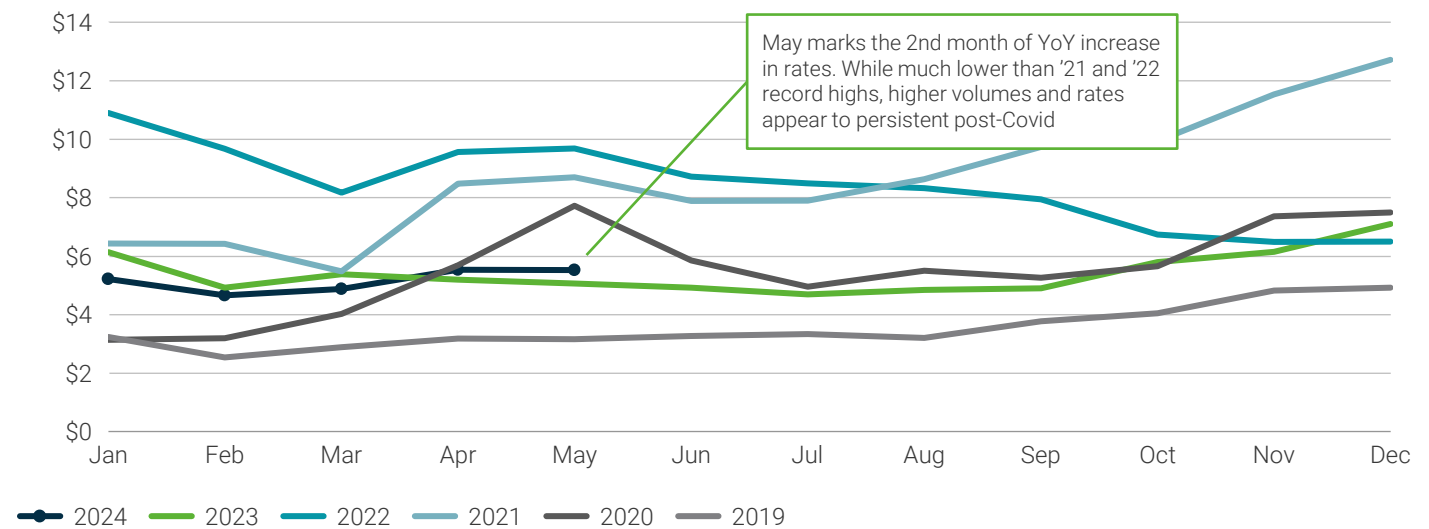
# AIR FREIGHT

Global air freight spot rate increased to \$2.58/kg, a 9% increase year-over-year

## KEY INTERNATIONAL ROUTES (UNIT:\$ PER KG)



## HONG KONG TO NORTH AMERICA HISTORY (UNIT:\$ PER KG)



### KEY TRENDS AND FACTS



- **Global air freight demand** and rates remain **elevated YoY**, driven by Asia – Europe and Asia – N. America e-commerce demand, and continuing mode-switching due to the Red Sea crisis
- **The short-term trend is becoming a mid-term trend.** If peak season reflects the first half, the air freight industry will see double digit growth in 2024
- **Europe – US corridor** has been relatively soft, with **rates falling below 2019 levels** on some routes, likely due to competition with products from Asia

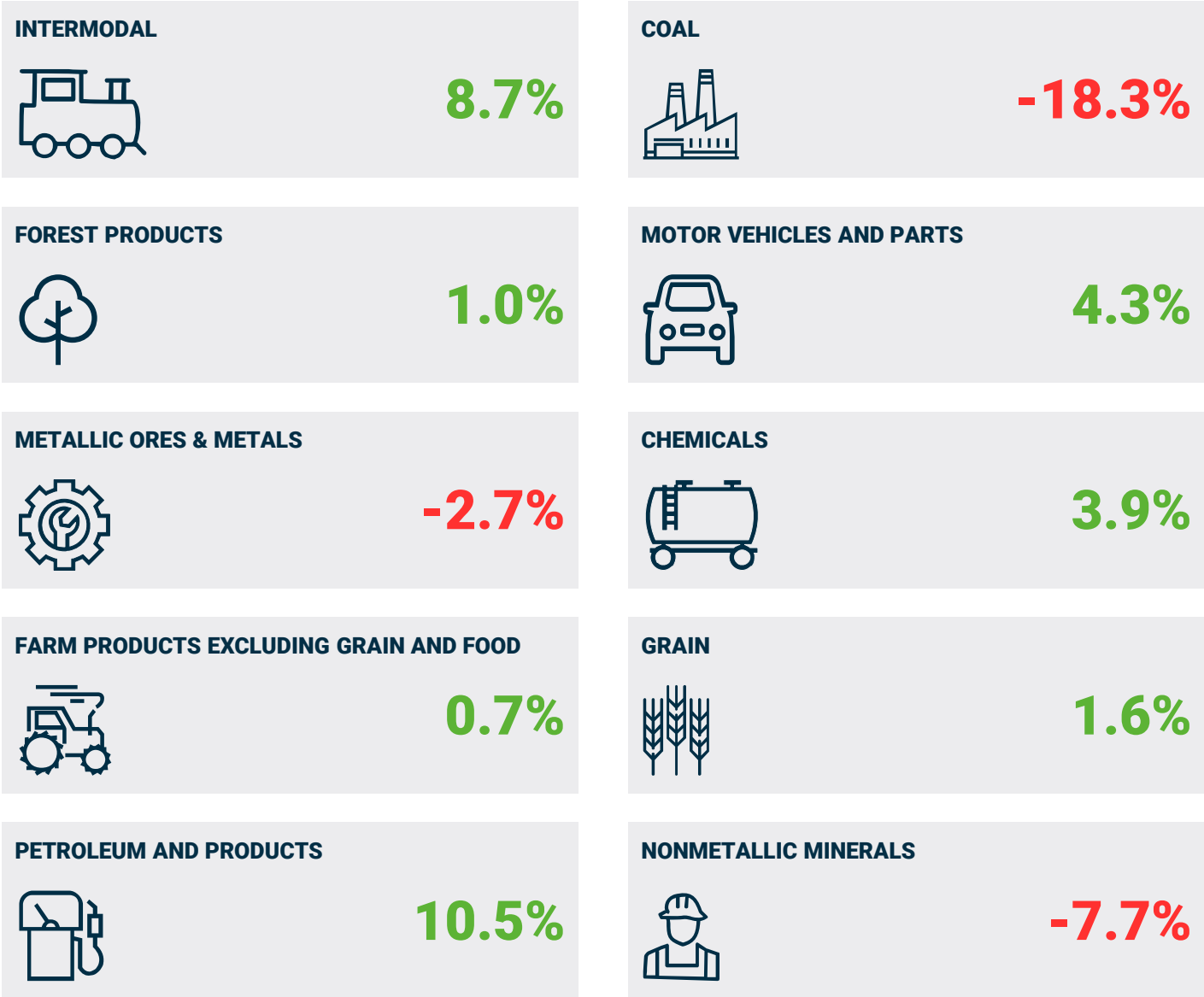
Source: Baltic Exchange Air Freight Index - TAC database, [American Journal of Transportation](#), [Air Cargo News](#), AlixPartners analysis



# RAIL FREIGHT


Total US rail traffic in May was up 1.9% YTD versus 2023. Carloads declined 5.0% and intermodal traffic increased 8.7% YTD

## U.S. RAIL VOLUME BY COMMODITY – YEAR-TO-DATE CHANGE VS 2023



Source: Association of American Railroads

### KEY TRENDS AND FACTS



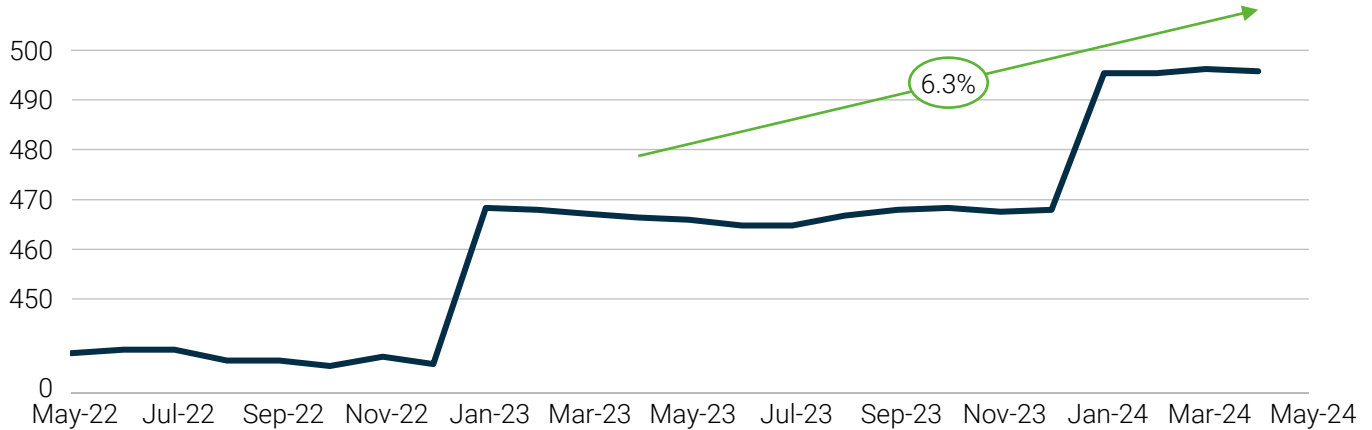
- Rail carloads (excluding coal) have increased for the fourth consecutive month, with intermodal traffic surging for the month of May. With the increase of imports expected this summer, intermodal has the opportunity to continue to see growth as long as rail service is maintained
- Canadian railroads, CN and CPKC, rejected the offer to stagger negotiations with the Teamsters Canada Rail Conference (TCRC), which would avoid simultaneous work stoppages if a strike or lock out would occur. We are still awaiting a decision from the CIRB if the union will have the right to strike, but if authorized, a strike would still be unlikely until mid to late July

Note: Carloads are traffic classified into 20 major commodity categories. Rail intermodal units are shipping containers and truck trailers moved on railcars  
 Source: AAR, Progressive Railroading, JOC, Teamsters Canada

# USA PARCEL

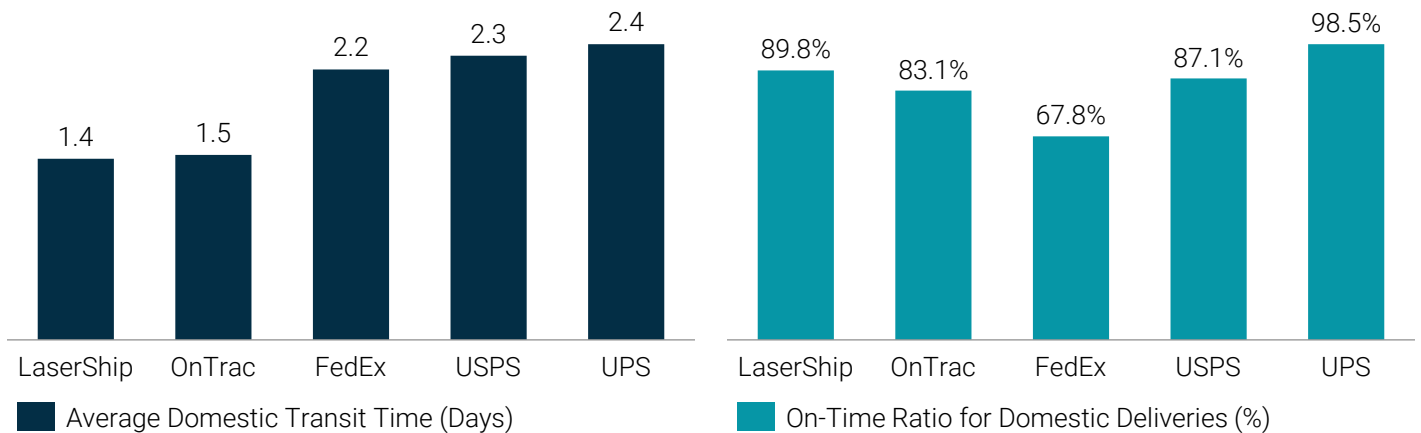
Package Shippers Association raises concerns over USPS Parcel Select rate increase by 25%; US parcel delivery performance saw a great improvement in 2023 vs. 2022

## PRODUCER PRICE INDEX – STANDARD COURIER SERVICES INDEX<sup>1</sup>



1. Measures the average change over time in the selling prices received by domestic producers for their output. For e.g.: If a 1kg package average parcel selling price in US was \$5 in Dec 1992, today it is about  $5 \times 466 / 100 = \$23.3$

## Q4-2023 DELIVERY PERFORMANCE METRICS FOR THE TOP CARRIERS WITHIN USA<sup>2</sup>



2. Based on study conducted by Parcel Monitor

### KEY TRENDS AND FACTS



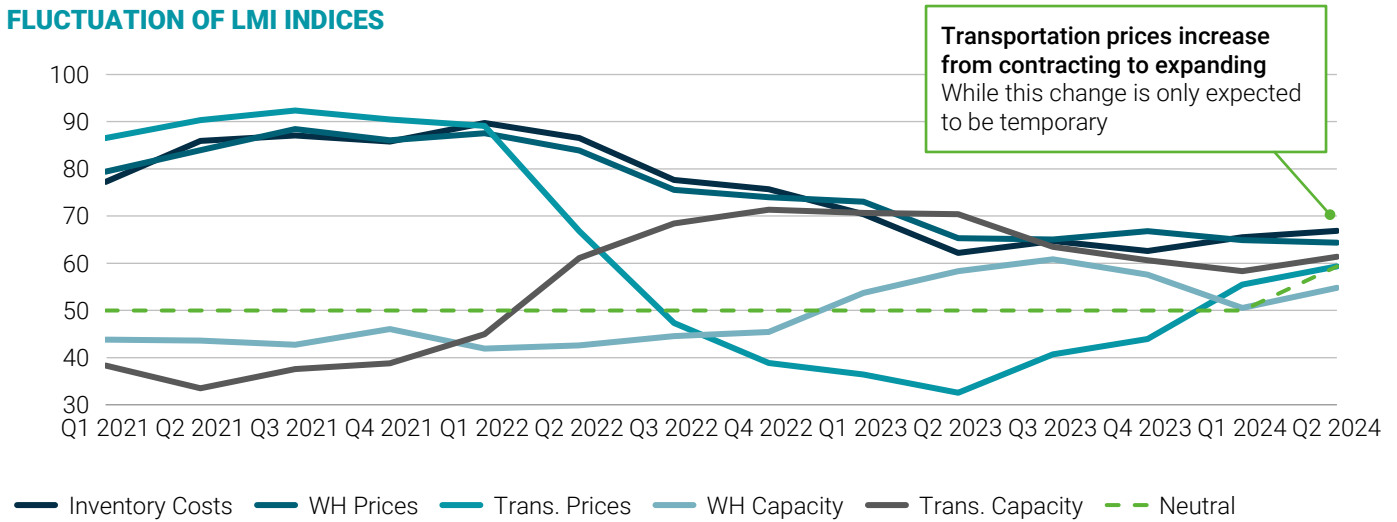
- The United States Postal Service (USPS) has announced a significant 25% average rate increase for its Parcel Select service, set to take effect in July 2024; By adjusting rates, USPS intends to balance its role as a last-mile provider for major carriers like FedEx and UPS and potentially recapture full distribution volumes directly.
- Based on a recently published study from Parcel Monitor<sup>2</sup>, 2023 saw a great improvement in terms of delivery performance as the average performance metrics have improved for the US parcel industry:
  - Average domestic transit time of just 2.56 days, a remarkable 24.3% improvement from 2022
  - The first-attempt delivery success rate saw an impressive leap to 97%, up from 85% in 2022
  - Issue ratio – which includes delays, damages, and mis-deliveries – decreased by 3.6% to 6.4% in 2023
  - On-time delivery ratio remained relatively stable at 98%, only a slight 0.4% dip from the previous year

Sources: 1. Federal Reserve Economic Data (FRED); 2. [Parcel Monitor report 2024](https://www.supplychaindive.com/news/us-postal-service-parcel-select-ddu-price-changes/715862/); Garland, M. (2024, May 13). USPS plans 25% average price hike for Parcel Select shippers <https://www.supplychaindive.com/news/us-postal-service-parcel-select-ddu-price-changes/715862/>; Garland, M. (2024, May 29). 'Unprecedented': Shipping group frets over USPS' planned price hike <https://www.supplychaindive.com/news/package-shippers-association-postal-service-rate-increases/717394/>

# WAREHOUSING TRENDS

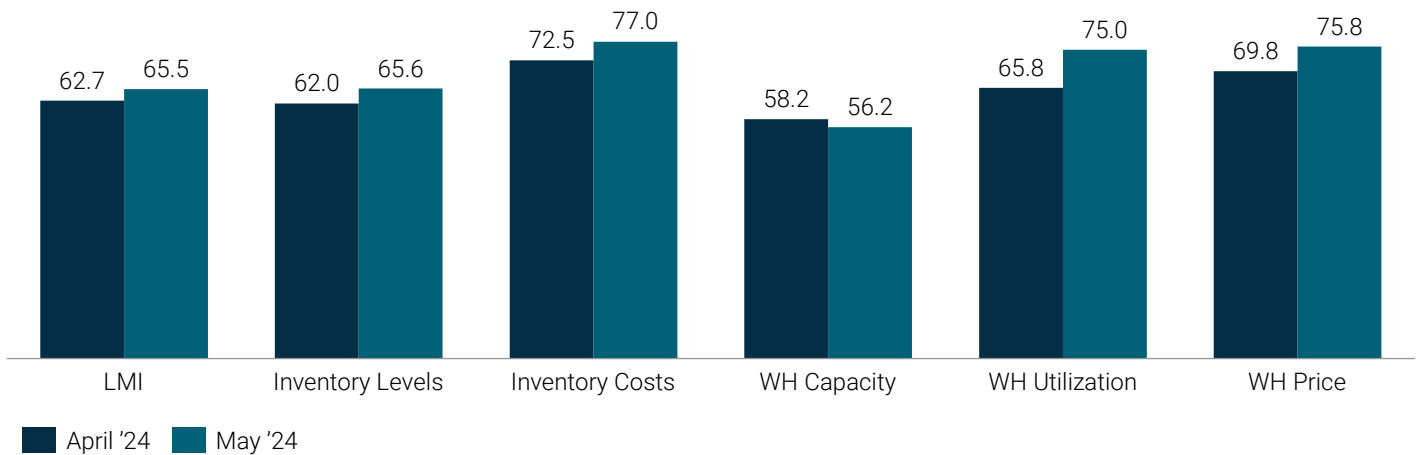
Logistics Manager's Index rises to 55.6 in May, driven by a notable increase in Transportation Prices, despite a decrease in Inventory Levels

## FLUCTUATION OF LMI INDICES



Logistics Manager Index (LMI) Legend: +50 = Increasing -50 = Decreasing

## LMI SURVEY – NEXT 12-MONTH PREDICTION



### KEY TRENDS AND FACTS



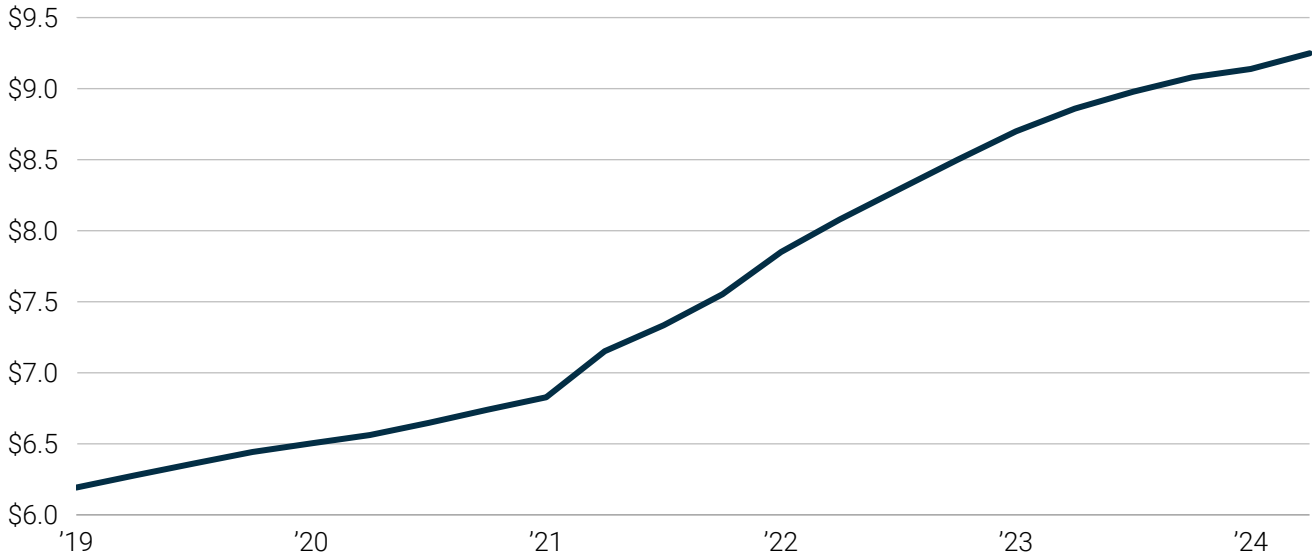
- [Overall Logistics Managers' Index](#) reached 55.6 in May, up (+2.7) from April's reading of 52.9
- Transport and logistics operators (including Lineage Logistics) aim to [break a bottleneck in public stock offerings](#), with companies exploring listings after a period of tight funding and weak freight demand
- [Interest rate uncertainty continues to drive a focus on liquidity](#) and cautious investment strategies, affecting areas from capital expenditures to inventory levels and working capital

Source: Logistics Managers' Index, Wall Street Journal, Supply Chain Dive, AlixPartners analysis

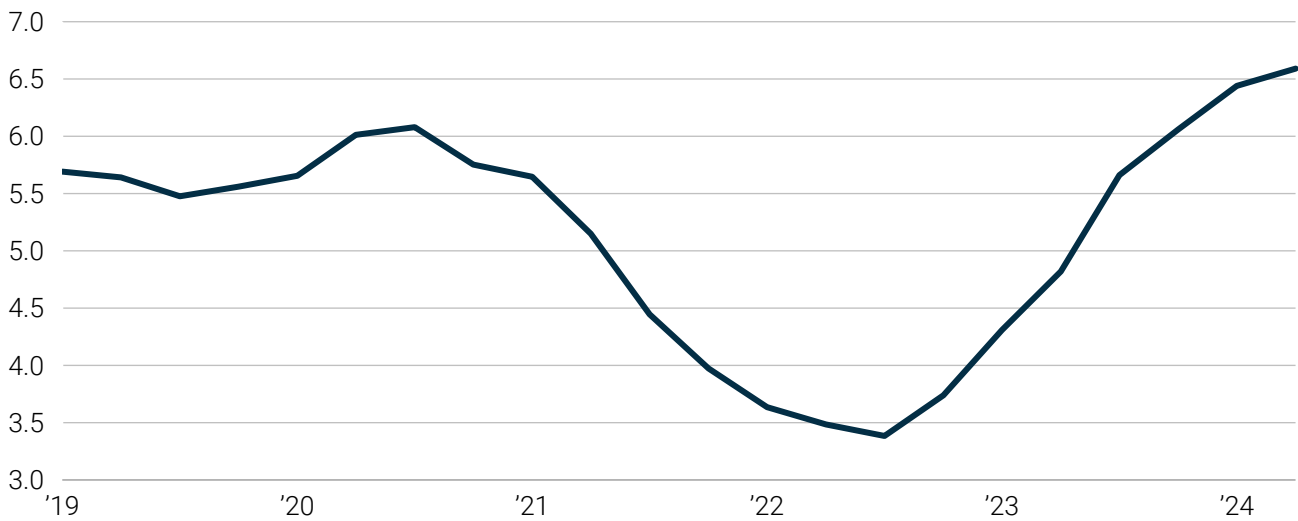
# WAREHOUSING TRENDS

National warehousing vacancy and rent per sq. ft. continue to very slightly increase, likely in response to inventories continuing to contract

## NATIONAL AVERAGE MARKET RENT/SQ FT (\$)



## NATIONAL AVERAGE VACANCY RATE (%)



### KEY TRENDS AND FACTS



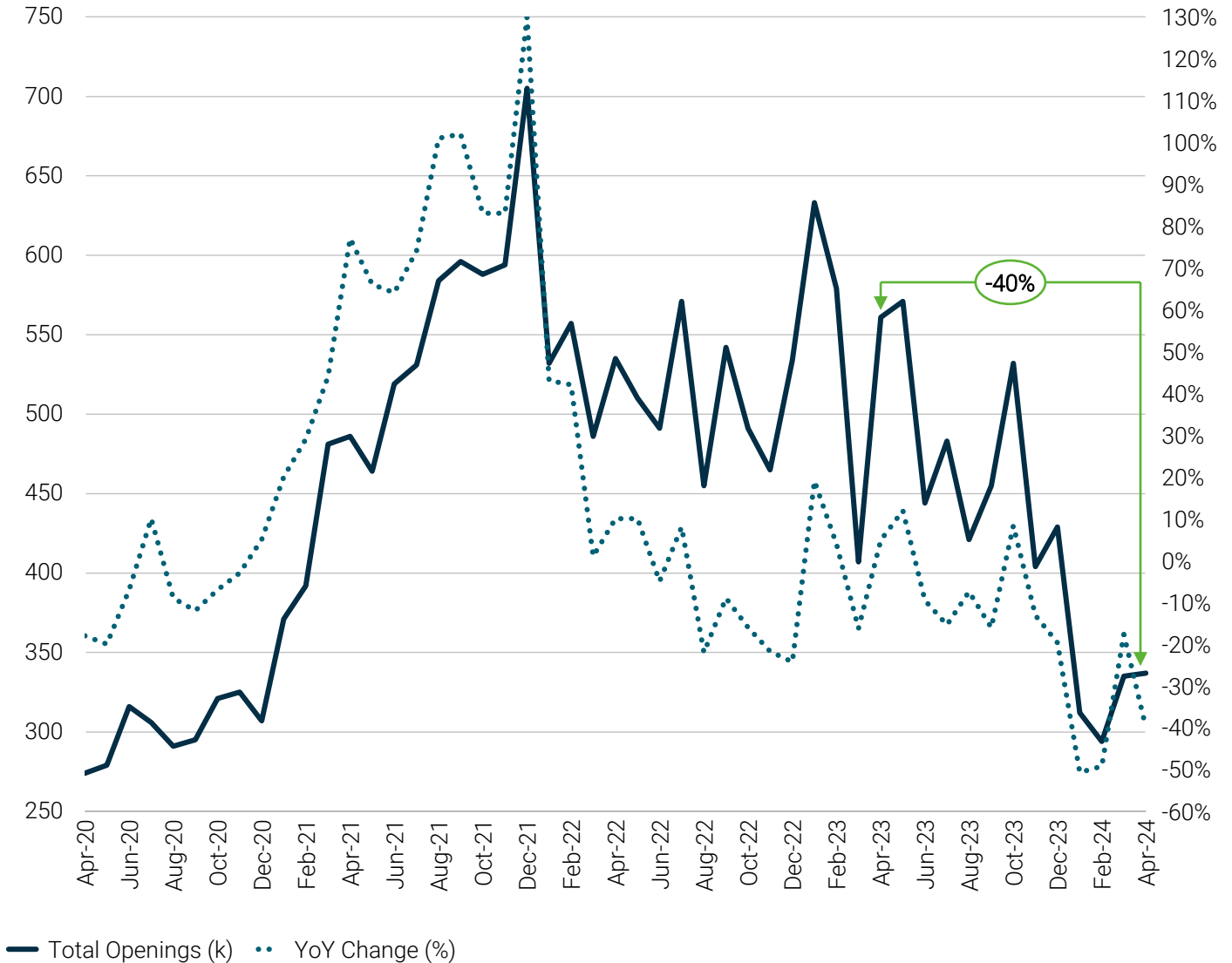
- Quarterly vacancy has increased 2.3% from Q1 2024 so far in Q2, likely a result of falling inventory levels and continued hesitance to re-sign leases with uncertainty around interest rates.
- [Amazon moves to lease or buy 16 million square feet of new warehouse space](#) in the U.S. this year in efforts to drive faster delivery; plans to double its number of same day fulfillment sites
- [ITS Logistics](#) continues efforts to expand its national footprint; [DHL launches \\$57.5M distribution center](#) in Irving, Texas as part of larger 5-year growth plan

Source: AlixPartners & Mohr Partners, Freight Waves, Supply Chain Dives, AlixPartners analysis

# LABOR

Logistics job openings in March were down 40% YOY but were generally stable from the month prior (<1% Δ)

## TOTAL TRANSPORTATION, WAREHOUSING, AND UTILITIES JOB OPENINGS – JANUARY 2024 (THOUSANDS; SEASONAL ADJ.)



### KEY TRENDS AND FACTS



- BLS estimated that there were **337k job projected openings** in the warehousing, transportation, and utilities sector in April; up <1% from the prior month but down 40% YOY
- **Truck transportation jobs declined** for the first time in 6 months, as carriers react to challenges faced in the current truckload rate environment in the first half of the year
- Industry experts hypothesize that declining truck transportation jobs are a sign of **small companies and independent owner-operators that launched during the high-demand** period are now exiting the market as profits decline

Source: U.S. Bureau of Labor Statistics Job Openings, AlixPartners analysis, Freight Waves

## IMPORT TRENDS

China had been a go-to hub for U.S. manufacturers, but US/China relations and tariffs have been pushing trade towards other countries (Vietnam, Mexico, India gained most)

CATEGORIES	TOTAL US IMPORTS			COUNTRY WISE CHANGES (2018 V LTM MARCH 2024)			
				CHINA	VIETNAM	INDIA	MEXICO
	2018 (\$B)	LTM MAR 2024 (\$B)	CHANGE (%)	CHG. %	CHG. %	CHG. %	CHG. %
Apparel & Textiles	\$116	\$109	(6%) ▼	(33%) ▼	17% ▲	16% ▲	1% ▲
Automotive & Transportation Parts	\$340	\$428	26% ▲	(11%) ▼	156% ▲	(4%) ▼	42% ▲
Chemicals & Allied Industries	\$233	\$326	40% ▲	6% ▲	142% ▲	68% ▲	63% ▲
Computer & Electronics	\$363	\$444	22% ▲	(23%) ▼	225% ▲	638% ▲	35% ▲
Food & Beverage	\$151	\$211	39% ▲	(18%) ▼	6% ▲	12% ▲	68% ▲
Footwear, Headgear & Others	\$32	\$32	(1%) ▼	(28%) ▼	34% ▲	(3%) ▼	68% ▲
Furniture	\$67	\$65	(3%) ▼	(47%) ▼	122% ▲	44% ▲	23% ▲
Leather Goods	\$15	\$14	(5%) ▼	(59%) ▼	21% ▲	25% ▲	36% ▲
Mechanical & Electricals	\$379	\$445	20% ▲	(32%) ▼	566% ▲	90% ▲	30% ▲
Metals, Parts and Products	\$139	\$158	14% ▲	(17%) ▼	82% ▲	64% ▲	41% ▲
Misc. Goods & Manf. Products	\$476	\$564	19% ▲	(2%) ▼	186% ▲	17% ▲	36% ▲
Plastics & Rubber products	\$86	\$102	18% ▲	(8%) ▼	272% ▲	79% ▲	53% ▲
Special classification provisions	\$85	\$102	19% ▲	55% ▲	866% ▲	82% ▲	28% ▲
Temporary legislation	\$18	\$23	28% ▲	32% ▲	176% ▲	49% ▲	9% ▲
Wood & Pulp Products	\$47	\$50	6% ▲	(35%) ▼	250% ▲	122% ▲	56% ▲
<b>Total</b>	<b>\$2548</b>	<b>\$3086</b>	<b>21%</b>	<b>(23%)</b>	<b>131%</b>	<b>54%</b>	<b>39%</b>

LTM March 2024 U.S. Imports (\$B)

\$419

\$118

\$84

\$478

### Key nearshoring trends:

- Over the past 6 years (2018 to Last Twelve Months ending Mar 2024), overall imports into the US increased by 21%. However, imports from China decreased by 23% from \$543B to \$419B
- Vietnam, Mexico, and India** have been the biggest gainers
  - Vietnam has seen 131% increase to reach \$118B; All categories have grown in imports from Vietnam
  - Imports from Mexico increased by 39% to \$478B (which is now more than China); Metal parts and Footwear, Headgear & Others have seen biggest increase in Mexico
  - Imports from India have seen a consistent growth across industries, overall increase of 54% in imports into US to \$84B



AlixPartners' Global Trade Optimizer (GTO) platform tracks real-time import trends across countries, product categories, importing companies and suppliers to help our clients be proactive with footprint diversification

## FURTHER READING – COMMENTARY FROM OUR RETAIL EXPERTS

Retail product flow: Time to abandon the “one-size-fits-all” regional supply chain



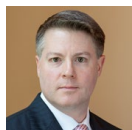
In today's dynamic retail landscape, supply chain management has become more complex than ever before. The rise of omnichannel retailing, shifting customer preferences, and global disruptions have introduced complexities beyond what traditional supply chains were designed to handle.

Many retailers still rely on a “one-size-fits-all” and cost-focused supply chain with regional distribution capabilities. However, as supply chain dynamics become more intricate, strategies related to product flow are evolving to mitigate various industry challenges. Retailers that have mastered segmented product flows through optimized paths for each product category have been able to dramatically improve inventory turns, reduce touches, and shrink network footprints while enhancing service levels and reducing end-to-end costs.

You can find the full article [here](#). It explores some common pressures faced in the retail landscape and discusses product flow tactics to address them.



## ALIXPARTNERS SUPPLY CHAIN EXPERTS – REACH OUT TO LEARN MORE



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**Sven Vogeles**  
Director



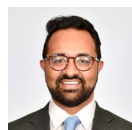
**Mark Scales**  
Director



**Kai Kang**  
Sr Vice President



**Andrew Kerr**  
Sr Vice President



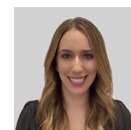
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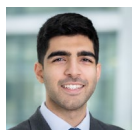
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