



Transportation & Logistics Industry Update

1Q24 Executive Summary

The first quarter of 2024 brought unforeseen challenges to the transportation and logistics (“T&L”) industry. The revelation of domestic infrastructure flaws through incidents like the recent Key Bridge collapse and the 2023 East Palestine train derailment has sparked wide debate about the stability of infrastructure in the country. Globally, congested ports in Europe and Asia continued to drive up maritime shipping prices, resulting in costly delays for customers.

Global Freight Market Outlook



- In 2024, the **global containership fleet is expected to expand by 6.8%** but is challenged by overcapacity, resulting in a projected drop of 33.6% in container freight rates.
- Freight forwarding market growth is driven by **increased international trade and e-commerce**, while challenges include ongoing Houthi attacks in the Red Sea, sector disruptions and the lunar new year shutdowns in mid-February.¹



- The **global air cargo market had a strong start in 1Q24**, with double-digit demand growth in February and increased general freight spot rates accompanied by a 10% month-on-month rise in global air cargo traffic.²
- Market forecasts point to global air freight capacity exceeding market demand, as airlines anticipate **substantial growth in passenger capacity**, with e-commerce continuing to drive growth.



- **Ocean freight capacity is projected to exceed demand in 2024** as various factors, including the conflicts in the Red Sea and Ukraine, lead to increased freight rates and delayed goods.
- The tightening supply/demand balance has prompted ocean carriers to expand land-freight services for West Coast port users, while **container volumes are expected to grow slightly faster** than the global economy.

Key Sector Trends

The impact of OPEC+ production cuts and geopolitical risks on oil prices coincides with significant changes and advancements in the industrial, transportation and e-commerce sectors, influencing the logistics industry.

Trend	Category	Type	Implications	Trend Impact
Increase in Fuel Prices	Macro	Fuel	OPEC+ production cuts and heightened geopolitical risks, including attacks on commercial ships in the Red Sea, are expected to tighten global oil supply and potentially lead to increased oil prices later in 2024.	 Medium- to Long-Term
Industrial Rent and Vacancy Rent	Macro	Warehousing	In 2024, the industrial sector is expected to see a slowdown in rent growth despite notable 7.7% year-on-year rent growth in the U.S. industrial sector in February 2024 and an increase in vacancy rates due to a surge in new supply. Despite the slowdown, the long-term outlook for industrial real estate remains positive due to reshoring, nearshoring and the lasting impact of e-commerce. ³	 Primarily Medium-Term
Truckload Market Volatility	Macro	Shipper	The transportation market shows increasing demand and capacity, possibly leading to improved conditions but also more competitive rates for shippers, with a volatile yet potentially improved outlook for the balance of 2024.	 Medium- to Long-Term
Increasing Freight Rates	Macro	Shipper	The transportation market faces projected freight rate declines and continued volatility due to geopolitical tensions and disruptions, despite a potentially brighter outlook for improved stability.	 Predominantly Long-Term
Carrier Consolidation	Macro	Shipper	The logistics industry is experiencing strategic acquisitions, carrier consolidation and increased negotiating power for shippers, leading to exclusive contracts and a surge in M&A activity, especially among small to mid-sized enterprises in Europe.	 Primarily Medium-Term
E-commerce Logistics	Macro	Delivery	The e-commerce sector's rapid growth, expected to reach \$6.3 trillion in 2024, is driving substantial changes in logistics, with companies such as FedEx and UPS prioritizing advanced logistics solutions to efficiently deliver products and align with the overall trend of digital transformation. ⁴	 Predominantly Long-Term
Automation and AI in Logistics	Technology	Warehousing/ Shipper/ Delivery	The logistics automation market is growing and evolving through technological advancements, including robotic process automation and artificial intelligence integration, to streamline operations and optimize supply chain performance.	 Predominantly Long-Term

Unprecedented Challenges: Baltimore Bridge Collapse and the East Palestine Derailment

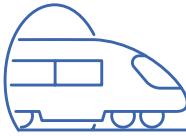
The collapse of the Francis Scott Key Bridge in Baltimore after cargo ship ‘Dali’ collided with the bridge have had significant repercussions on the region and the country, leading to the shutdown of one of the nation’s most crucial seaports, displacement of thousands of jobs, and restricted mobility for millions of people.⁵

- The collapse of the Francis Scott Key Bridge in Baltimore resulted in six fatalities and 40+ vessels stuck inside the area made inaccessible by the fallen bridge, **disrupting the transportation of 2.5 million tons of coal and car shipments.**⁶
- Shipment costs for imported cars and trucks and for exports of farm tractors and construction equipment **are expected to rise**, as Baltimore is the largest U.S. port for “roll-on, roll-off” vehicle shipments, with over 750,000 cars and light trucks handled by state-owned terminals in 2023.⁷
- Transportation disruptions are expected in the Mid-Atlantic region, impacting supply chains reliant on imports into the Baltimore port and **particularly affecting container, coal and bulk dry shipping.**⁸
- The incident is expected to accelerate a shift of cargo to the U.S. West Coast and may cause congestion and delays at other East Coast ports, such as the ports of New York–New Jersey and Virginia, **affecting the timely delivery of goods.**⁹
- Additionally, it is expected to result in a **10% increase in average volume at these ports**; ports as far away as Savannah, Georgia, and Charleston, South Carolina, might also absorb the spillover.

Rail derailments in the United States, including the 2023 East Palestine train derailment in Ohio, prompted significant scrutiny of the U.S. railroad industry and resulted in a U.S. Senate committee approving bipartisan rail safety legislation that tightens rules on trains carrying explosive substances.¹⁰

- The train that derailed in East Palestine caught fire and released more than a million gallons of hazardous materials and pollutants, **sparking concerns about U.S. rail safety**¹¹, and the derailment forced residents to abandon their homes.¹²

Implications for Investment in U.S. Infrastructure

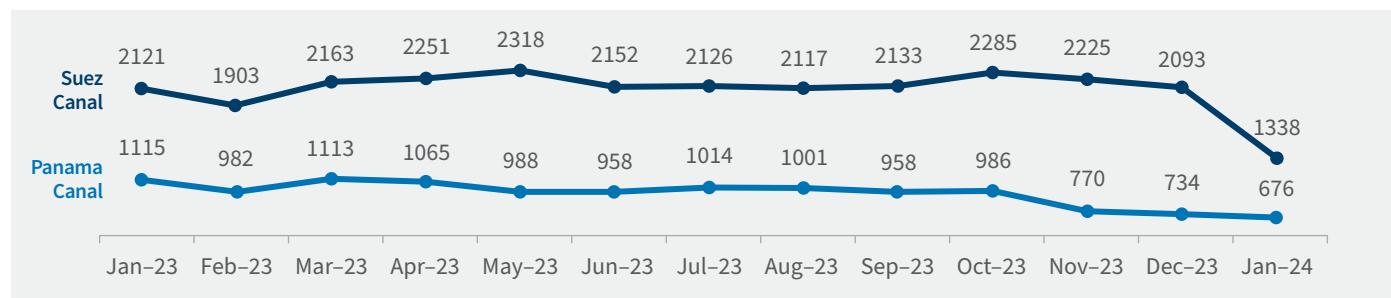
<p>The collapse of Baltimore’s Francis Scott Key Bridge has reignited concerns about our aging bridges and the urgent need for maintenance and repair investments.</p>	<p>37%</p> <p>of Americans surveyed says U.S. infrastructure is either “bad” or “terrible” in quality¹⁷</p>
<p>Approximately one in three U.S. bridges requires repairs or replacement, and a significant number of highway bridges are over 50 years old.¹³</p>	<p>47%</p> <p>of Americans surveyed say the U.S. should increase federal spending for roads, bridges, mass transit and other infrastructure¹⁸</p>
<p>Only a portion of the total amount allocated by the bipartisan Infrastructure Investment and Jobs Act — \$110 billion of \$1.2 trillion total — went to roads and bridges.¹⁴</p>	
<p>As of 2023, more than 300,000 bridges were determined to be in “fair” condition and another 42,000 in “poor” condition, including some large spans.¹⁵</p>	
<p>The federal government approved \$60 million in federal emergency relief funds for Maryland’s initial costs for rebuilding the Francis Scott Key Bridge; in September 2023, DOT granted over \$1.4 billion in Consolidated Rail Infrastructure and Safety Improvement (“CRISI”) grants to 70 projects for passenger and freight rail safety.¹⁶</p>	

Rerouting Challenges: Red Sea and Suez Canal Shipping Interruptions

Starting in November 2023, increasing assaults on vessels in the Red Sea have been compounding the effects of disturbances in the Black Sea related to the conflict in Ukraine and disruptions in the Panama Canal due to droughts induced by climate change.¹⁹

- Monthly transits in the Suez and Panama canals have **dropped by more than 40%** compared to their peaks, with the decline in the Suez Canal occurring rapidly in 1Q24 (Figure 1).²⁰
- Due to the risk of attack in the Red Sea, many ships are now opting for a longer route around Africa, leading to a significant **decrease in container tonnage** crossing the Suez Canal.²¹
- Heightened sea freight risk through the Suez Canal due to attacks by Houthi rebels in Yemen has led to an **80% drop in maritime traffic** in the Red Sea and the Suez Canal.²²
- By February 2024, 586 container vessels had been rerouted, leading to an **82% decrease in container tonnage** crossing the Canal.²³
- While some carriers such as Höegh Autoliners and MOL Auto Carrier Express continue to use the Suez Canal, 62% of global shipping capacity is represented by fleets opting for diversions.²⁴

Figure 1: Number of monthly transits in Suez and Panama Canals, January 2023 – January 2024²⁵



Source: UN Trade & Development

The disruptions in the Panama Canal have **increased demand for rail and road transport services in 1Q24**, as shippers no longer have the option of rerouting through the Suez Canal.²⁶

- The Panama Canal is experiencing disruptions due to climate-induced drought, resulting in significantly low water levels. Consequently, the Panama Canal Authority has reduced daily transits from an average of 36 to 22, with further reductions planned.²⁷
- Before the current Red Sea crisis, ships were rerouted through the Suez Canal, but during February and March 2024, the demand for rail and road transport services increased.

Undoubtedly, a variety of macroeconomic factors, paired with unforeseen events, have greatly impacted the global transportation and logistics industry in 1Q24. Container vessels unable to pass through the Red Sea and Panama Canal and the deterioration of infrastructure in the United States have been unprecedented challenges. Nevertheless, the slight turnaround in M&A deals within the sector signals that market competition will continue to increase, as providers race to scale their capabilities to achieve greater market share.

The full 59-page 1Q24 T&L Report contains additional information on the sector's macro trends, M&A activity, bankruptcies and industry challenges. Please reach out to [Ron Scalzo](#), [Rick Jordon](#) or [Adam Terry](#) for access.



Endnotes

- ¹ [“2024: A Challenging Year for Air and Ocean Freight Market,”](#) Bollore Logistics (January 5, 2024).
- ² [“Market Update: Air & Ocean Freight,”](#) House of Shipping (March 2024)..
- ³ Evelyn Jozsa, [“Historic Levels of New Supply Push Industrial Vacancy Rates Higher in Q1 2024,”](#) CommercialEdge (April 29, 2024).
- ⁴ Libin Chacko Kurian, [“Customisation, competence, costs drive Indian contract logistics,”](#) Indian Transport & Logistics (April 5, 2024).
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- ⁶ Nacha Cattan, Brendan Murray, Heather Perlberg, [“Baltimore Bridge Collapse Reverberates From Cars to Coal,”](#) Bloomberg Government (March 27, 2024); Kevin O’Marah, [“Baltimore Bridge Collapse Will Impact Supply Chains, But Not As Much As You Think,”](#) (March 27, 2024).
- ⁷ David Lawder, [“Baltimore bridge collapse to cause logistics headaches, not supply chain crisis,”](#) Reuters (March 27, 2024).
- ⁸ Jane Courtnell, [“What Will Be the Impact of Baltimore’s Bridge Collapse on Vessel Movement and Maritime Trade?,”](#) Pole Star (April 8, 2024).
- ⁹ Enda Curran, Brendan Murray, Augusta Saraiva, [“Baltimore Bridge Collapse Will Redirect Cargo Across the US,”](#) Bloomberg (March 26, 2024).
- ¹⁰ Jessie Badley, Pamela Lein, Caleb Ryce, [“Train derailment in East Palestine, Ohio: The toxic risks of transporting hazardous chemicals,”](#) Open Access Government (April 15, 2024); Clark Mindoc and David Shepardson, “Norfolk Southern agrees to pay \$600 million to settle Ohio derailment lawsuit,” Reuters (April 9, 2024).
- ¹¹ Ibid.
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- ¹⁴ Philip Bump, [“The Baltimore bridge collapse is a reminder of the scale of U.S. infrastructure,”](#) The Washington Post (March 26, 2024).
- ¹⁵ Ibid.
- ¹⁶ [“Fact Sheet: One Year After Train Derailment, Biden-Harris Administration Continues to Support People in East Palestine, Ohio and Nearby Communities and Hold Norfolk Suffolk Accountable,”](#) The White House (January 31, 2024); [“Fact Sheet: Biden-Harris Administration Actions Following the Francis Scott Key Bridge Collapse,”](#) The White House (April 5, 2024).
- ¹⁷ Kathy Frankovic and David Montgomery, [“How Americans rate U.S. infrastructure after the Baltimore bridge collapse,”](#) YouGov (April 5, 2024).
- ¹⁸ Ibid.
- ¹⁹ [“Navigating Troubled Waters: Impact to Global Trade of Disruption of Shipping Routes in the Red Sea, Black Sea and Panama Canal,”](#) UN Trade & Development (February 2024).
- ²⁰ Ibid.
- ²¹ Ibid.
- ²² [“Red Sea Crisis: How Rerouting Is Impacting Shipping Costs,”](#) GEP (March 11, 2024).
- ²³ [“Navigating Troubled Waters: Impact to Global Trade of Disruption of Shipping Routes in the Red Sea, Black Sea and Panama Canal,”](#) UN Trade & Development (February 2024).
- ²⁴ [“Red Sea Crisis: How Rerouting Is Impacting Shipping Costs,”](#) GEP (March 11, 2024).
- ²⁵ [“Navigating Troubled Waters: Impact to Global Trade of Disruption of Shipping Routes in the Red Sea, Black Sea and Panama Canal,”](#) UN Trade & Development (February 2024).
- ²⁶ Ibid.
- ²⁷ Ibid.

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