



# Transportation & Logistics Industry Update

## 2Q24 Executive Summary

The transportation and logistics (“T&L”) industry faced several significant challenges in 2Q24 with lasting global implications, including the effects of ongoing geopolitical tensions and the threat of labor strikes in the United States and Europe. The T&L market saw a surge in ocean freight prices and growing demand for air freight due to longer transit times caused by Red Sea shipping disruptions and congestion in Asian ports. Potential labor strikes in Europe and the United States pose an additional threat to an already strained logistics sector. However, an increase in capacity and the opening of new sea routes are expected to reduce freight prices in 2025 despite current T&L pricing pressures.

### Global Freight Market Outlook

The global freight market is showing steady growth in volume, reflected by an increase in the number of M&A deals and rising demand for air freight forwarding services.



- Increased volumes coupled with disruptions in major shipping routes have led to **significant increases in demand for air and ocean freight** in 2Q24.<sup>1</sup>
- Hostile developments in the Red Sea have presented **manifold challenges for global trade**, ranging from extended transit durations and capacity limitations to elevated expenses and increased uncertainty.



- General cargo has **shown faster growth than specialized products** in 2024, due to increasing demand from e-commerce and disruptions in the container shipping sector.<sup>2</sup>
- The air cargo market is **set for a strong second half of the year**, driven by sustained e-commerce growth, increasing ocean shipping costs, and disruptions in the Red Sea.

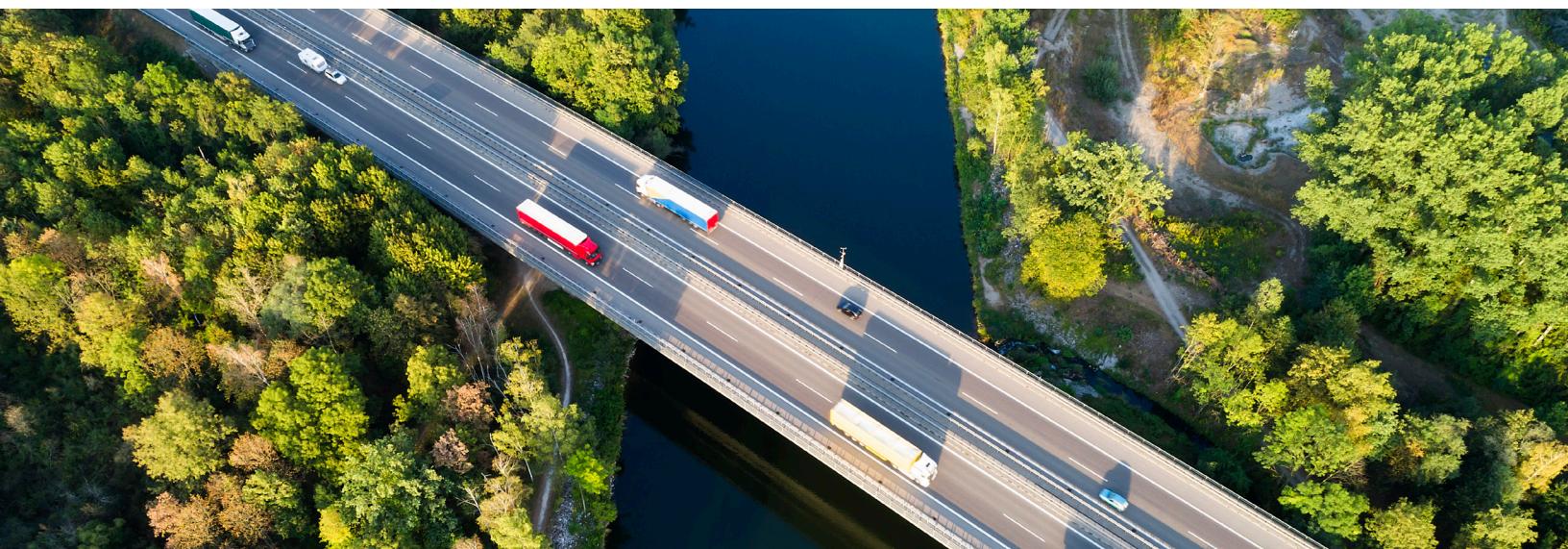


- Entering 2024, shippers expected a buyer’s market for ocean freight, with carriers adding capacity in 2023 and planning to do so again. Instead, global geopolitical events and high demand across trade lanes in 2Q24 have **reduced available capacity and increased shipping rates**.
- Due to the necessity of rerouting via the Cape of Good Hope, new capacity added in 2023 and early 2024 **hasn’t been sufficient to meet growing demand**.

## Key Trends Within the Sector

Geopolitical tensions have troubled the transportation and logistics industry in terms of delays, port congestion and high costs.

Trend	Category	Type	Implications	Est. Length of Impact
Industrial Rent and Vacancy Rent	Macro	Warehousing	The highest vacancy rates in the U.S. in the past nine years occurred in 2Q24, and vacancy is expected to increase in 2H24 as a result of the uptake in demand related to onshoring and nearshoring manufacturing activities, a boom in e-commerce and a reduction in supply owing to a slowdown in construction activity. <sup>3</sup>	 Primarily Medium-Term
Truckload Market Volatility	Macro	Shipper	Truck companies are looking to reduce their fleets and capacity due to excess supply in the market. Reduction in supply and growth in demand due to resilient consumer spending and increased manufacturing activity likely marks the beginning of recovery in the U.S. truckload market.	 Medium- to Long-Term
Increasing Freight Rates	Macro	Shipper	Geopolitical disruptions, longer shipping times and high demand have increased freight rates. Increasing container capacity and opening of sea routes will improve market conditions in 2025.	 Medium- to Long-Term
Carrier Consolidation	Macro	Shipper	Consolidation is expected to increase in 2H24 as carriers are looking to expand their reach and product portfolio through acquisitions. Growth in trade relations with Mexico will lead to a surge in U.S. M&A activity.	 Primarily Medium-Term
Integration of AI and GenAI	Technology	Warehousing/ Shipper/ Delivery	Companies are leveraging AI and GenAI across business operations, such as forecasting, customer support and repetitive administrative tasks to increase operational efficiency, reduce costs and enhance customer satisfaction. <sup>4</sup>	 Predominantly Long-Term



## Global Port Congestion: Delayed Shipments and Higher Prices

Unprecedented port congestion globally, driven by various factors, including early arrival of peak shipping season, rerouted lanes and geopolitical tensions, is causing delayed shipments, potential supply shortages and higher prices.

- The beginning of peak shipping season, longer transit routes to avoid the Red Sea and bad weather in Asia have resulted in **unprecedented global port congestion in 2Q24 (Figure 1)**.
- Global port congestion **reached an 18-month high in June**, with 60% of ships waiting at anchor in Asia. Ships with a total capacity of more than 2.4 million twenty-foot equivalent container units (TEUs) were waiting at anchorages as of mid-June.<sup>5</sup>
- Ocean carriers are **skipping ports or decreasing their time at port**, and not picking up empty containers, to keep vessels on track for delivery; this has resulted in empty containers piling up in Sri Lanka and the U.A.E., while China and Singapore are reporting shortages.<sup>6</sup>
- A return to normal trade patterns is **increasingly unlikely during 2024**, and diversions could potentially stretch out to 2025 and beyond.

Figure 1 – Average Dwell Times in Days (June 2024)<sup>7</sup>



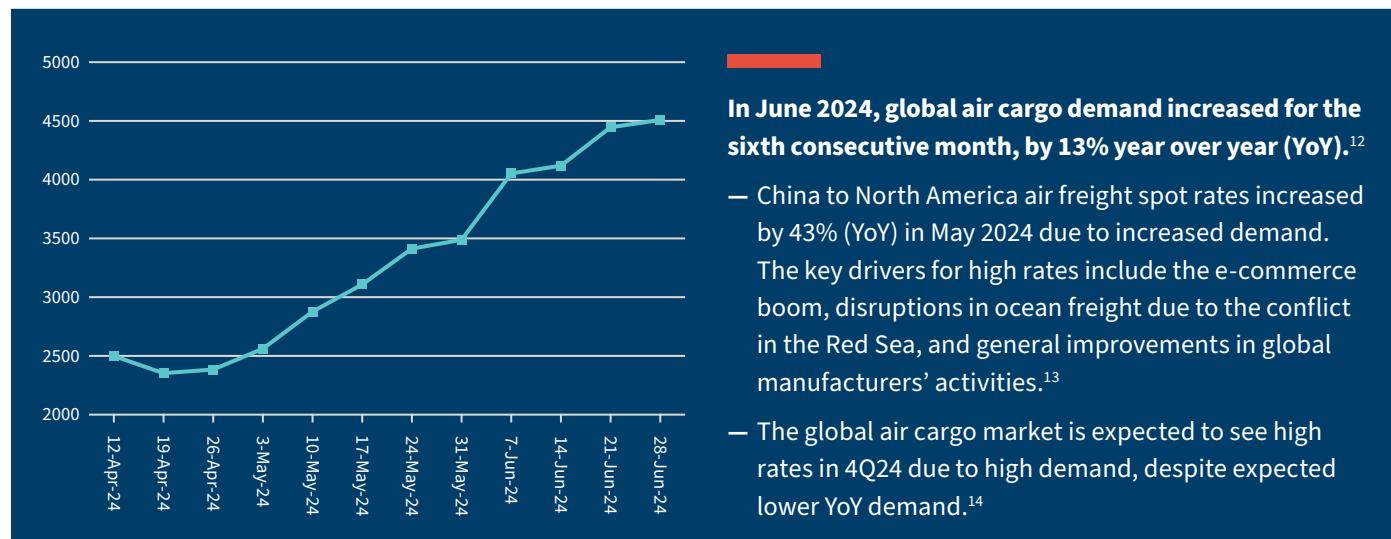
Source: Beacon Port Congestion Report

## Soaring Ocean Freight Rates and Increasing Pressure on Air Cargo

Increased volumes, coupled with disruptions in major shipping routes, have led to significant increases in demand for ocean and air freight in 2Q24.

- Cancelled sailings from Asia due to bad weather, vessels skipping ports and longer sea routes due to disruption in the Red Sea have resulted in **capacity shortages and an increase in spot ocean freight rates**.<sup>8</sup>
  - Global container freight pricing **increased by 80%** from April to June 2024 (Figure 2).
  - Ocean freight rates are forecast to **surpass \$20,000 per container** due to high demand and capacity shortage. In June 2024, ocean freight rates from the United States to the Far East increased by 36%–41% month-over-month, and air cargo rates have also spiked by 9% in 2024.<sup>9</sup>
  - To deal with excess demand, smaller ocean carrier companies are repositioning vessels and booking charters; this will **increase the number of containers entering North America through different ports** than shippers are accustomed to.<sup>10</sup>

**Figure 2 – Freightos Baltic Index (FBX): Global Container Freight Index (\$, April – June 2024)<sup>11</sup>**



Source: American Journal of Transportation

### Supply Chain Disruptions: Threat of U.S. and European Labor Strikes

The expected labor strike in the United States and Europe will come at a time when ocean freight container shipping is already under strain due to Red Sea disruption and equipment shortages, potentially leading to severe supply chain disruption.

U.S.	Europe
<ul style="list-style-type: none"> <li>— In June 2024, The International Longshoremen's Association (ILA) announced that it had suspended negotiations over a new labor contract for workers at U.S. East Coast and Gulf Coast ports, resulting in potential labor strikes.<sup>15</sup></li> </ul>	<ul style="list-style-type: none"> <li>— In July 2024, Germany's power labor union Verdi called another round of two-day "warning strikes" at the major container ports ahead of the next round of wage and contract negotiations.<sup>19</sup></li> </ul>
<ul style="list-style-type: none"> <li>— If an agreement is not reached between the ILA and the United States Maritime Alliance (USMX), then it could contribute to spot rates remaining elevated well into the summer months.<sup>16</sup></li> </ul>	<ul style="list-style-type: none"> <li>— Workers at Germany's largest port, Hamburg, started a two-day strike on 9 July to demand higher wages<sup>20</sup>; workers from the port in Bremerhaven to the west of Hamburg joined the industrial action.<sup>21</sup></li> </ul>
<ul style="list-style-type: none"> <li>— At an operational level, strike action could lead to a build-up in waiting time and congestion outside of the ports as well as higher yard density, longer export dwell times and lower productivity.<sup>17</sup></li> </ul>	<ul style="list-style-type: none"> <li>— The National Federation of Ports and Docks (FNPD CGT) halted operations at all ports in France for periods of four hours on several days in May and June.<sup>22</sup></li> </ul>
<ul style="list-style-type: none"> <li>— The labor strike will come at a time when ocean freight container shipping is already under severe strain due to Red Sea disruption and equipment shortages, possibly resulting in severe supply chain disruption.<sup>18</sup></li> </ul>	<ul style="list-style-type: none"> <li>— Labor unions representing dockers and other port workers carried out their threat to stage several one-day strikes, as well as numerous four-hour work stoppages, in protest over pension reform that increased the statutory retirement age in France.<sup>23</sup></li> </ul>

Overall, industry-related trends observed in 2Q24, both new and ongoing, will have lasting effects on the logistics market. These effects include increased demand for air freight driven by a rise in ocean container rates, port congestion in Asia and forced rerouting due to continuing Red Sea attacks. While looming labor strikes threaten to further destabilize the market in the latter half of 2024, there is hope that increased capacity and the opening of new sea routes will bring freight prices down to more normal levels in 2025.

For more information or to view the full 2Q24 Transportation & Logistics Report, please reach out to [Ron Scalzo](#), [Rick Jordon](#) or [Adam Terry](#).

#### Endnotes

- <sup>1</sup> Lori Ann LaRocco, “[Fears are rising ocean freight rates may surpass \\$20,000 with no relief for global trade into 2025](#),” CNBC (June 13, 2024)
- <sup>2</sup> “[Global volumes rise again in June as market indicates a ‘hot Q4’ for air cargo rates](#),” American Journal of Transportation (July 8, 2024).
- <sup>3</sup> “[Industrial Pipeline Slows as Deliveries Continue to Outpace Construction Starts](#),” CommercialEdge (July 2024).
- <sup>4</sup> Rahul Garg, “[Six e-commerce supply chain trends to watch out for in 2024](#),” ITLN (January 16, 2024).
- <sup>5</sup> Lisa Barrington and Jeslyn Lerh, “[Singapore port congestion shows global ripple impact of Red Sea attacks](#),” Reuters (June 27, 2024).
- <sup>6</sup> Lori Ann LaRocco, “[Sudden container crunch sends ocean freight rates soaring, setting off global trade alarm bells](#),” CNBC (May 23, 2024).
- <sup>7</sup> “[Port Congestion Report](#),” Beacon (July 4, 2024).
- <sup>8</sup> Lori Ann LaRocco, “[Fears are rising ocean freight rates may surpass \\$20,000 with no relief for global trade into 2025](#),” CNBC (June 13, 2024); Lori Ann LaRocco, “[Sudden container crunch sends ocean freight rates soaring, setting off global trade alarm bells](#),” CNBC (May 23, 2024).
- <sup>9</sup> Lori Ann LaRocco, “[Fears are rising ocean freight rates may surpass \\$20,000 with no relief for global trade into 2025](#),” CNBC (June 13, 2024).
- <sup>10</sup> Ibid.
- <sup>11</sup> “[Global Container Freight Index](#),” Freightos Baltic Index (April-June 2024).
- <sup>12</sup> “[Global volumes rise again in June as market indicates a ‘hot Q4’ for air cargo rates](#),” American Journal of Transportation (July 8, 2024).
- <sup>13</sup> Lori Ann LaRocco, “[Fears are rising ocean freight rates may surpass \\$20,000 with no relief for global trade into 2025](#),” CNBC (June 13, 2024); “[Global volumes rise again in June as market indicates a ‘hot Q4’ for air cargo rates](#),” American Journal of Transportation (July 8, 2024).
- <sup>14</sup> “[Global volumes rise again in June as market indicates a ‘hot Q4’ for air cargo rates](#),” American Journal of Transportation (July 8, 2024).
- <sup>15</sup> Peter Sand, “[Labor strike fears at US East and Gulf coast ports – where do shippers go from here?](#)” Xeneta (June 14, 2024).
- <sup>16</sup> Ibid.
- <sup>17</sup> Ibid.
- <sup>18</sup> Ibid.
- <sup>19</sup> Greg Knowler, “[Port strikes in Germany, France disrupting cargo movement](#),” S&P Journal of Commerce (June 13, 2024).
- <sup>20</sup> “[Germany: Unionized port workers strike July 9-10 and plan protest July 10 in Hamburg](#),” Crisis24 (July 9, 2024).
- <sup>21</sup> Greg Knowler, “[Port strikes in Germany, France disrupting cargo movement](#),” S&P Journal of Commerce (June 13, 2024).
- <sup>22</sup> Stuart Todd, “[French ports face a month of chaos and disruption as workers strike](#),” The Load Star (October 6, 2024).
- <sup>23</sup> Ibid.

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