



## Mid-July 2023 North American Freight Market Outlook

### Top News

#### **Union and Employer Reach a 4 Year Deal Ending the B.C Port Strike**

After 13 days of striking, the ports in British Columbia have finally reached a resolution, bringing an end to the disruption that had hindered the flow of millions of dollars into the Canadian economy. On Thursday, July 13, the International Longshore and Warehouse Union Canada Association and the B.C. Maritime Employers Association reached a tentative four-year deal, marking a positive step forward.

With the strike behind them, the ports are now focused on returning to normal operations smoothly. Efforts are being made to clear the backlog of containers as swiftly as possible, enabling the free flow of goods into Canada from the Western Ports once again. This is a crucial step in restoring the efficient movement of goods and reestablishing the necessary supply chains.

The resolution of the strike brings relief to various sectors that rely on the smooth functioning of the ports, including importers, exporters, and businesses engaged in international trade. The resumption of normal operations will help alleviate the

economic impact experienced during the strike period, allowing businesses and consumers to regain stability and resume their activities with minimal disruptions.

## **Bank of Canada Increases Overnight Lending Rate again in July.**

In its latest meeting on July 12, the Bank of Canada has decided to raise the overnight lending rate by an additional 25 basis points. Despite a slowdown in inflation to 3.4% in May, the bank was encouraged by robust job market data, prompting this rate increase.

It is expected that this will be the last rate hike for the summer season, although the possibility of further increases in the fall of 2023 remains uncertain. The Bank of Canada has emphasized its commitment to monitoring the economy closely and making decisions based on the provided data. Insight into the effectiveness of the overnight lending rate increases will be gained from the upcoming CPI update on July 18. This update will offer an initial indication of the bank's approach in the coming months.

Furthermore, the Bank of Canada has expressed its intention to continue raising interest rates until it believes it can achieve its inflation target of 2%. It is predicted that this target will be reached by the end of 2025, at which point a decrease in the overnight lending rate is likely to occur.

## **United States Inflation Falls to 2 year Low**

In a significant development, the United States has experienced a notable drop in inflation, reaching a two-year low of 3%. This marks a full percentage point decrease from the previous month. To combat inflationary pressures, the United States has implemented strong monetary policies, reflected in the current overnight lending rate of 5.25%. These measures have successfully curbed inflation, primarily driven by declines in energy and used car prices. However, food costs remain higher than the desired level set by the Federal Reserve.

Looking ahead, the Federal Reserve is scheduled to convene its next meeting on July 26. It is highly likely that an additional 25 basis points increase will be announced, pushing the overnight lending rate to 5.5%. This rate has not been observed in the 21st century, underscoring the Fed's commitment to address inflationary concerns.

Both the United States and Canada are anticipated to continue their path of gradually increasing interest rates until they reach their respective 2% inflation targets.

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## Canadian Customs Update

### **CARM Registration Update**

The CBSA is implementing their CARM client portal phase 2 in October 2023 where all Canadian importers will be required to register.

Client Portal Users will have access to the following functions:

- Viewing financial transactions
- Paying GST directly on the portal
- estimating and paying for duties and taxes
- requesting and tracking progress of rulings

As time continues more features will be added to the CARM portal that will create more transparency and efficiency.

To sign up for CARM please click the here: [CARM REGISTRATION](#).

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## North America Freight Update

### Ocean Freight

#### **Canada West Coast Port Delays**

The Vancouver and Prince Rupert ports are experiencing ongoing delays due to terminal congestion in Canada.

- The **Vancouver Port** is currently recovering from the port strike and will resume operations soon, average delay is unknown at this point.
- The **Prince Rupert Port** is currently recovering from the port strike and will resume operations soon, average delay is unknown at this point.

#### **United States Port Delays**

Currently the United States is experiencing port delays, the delays are as follows:

- **Houston** is experiencing an average delay of **1 day**.
- **Los Angeles/ Long Beach** is experiencing an average delay of **4 days**.
- **Oakland** is experiencing an average delay of **5 days**.
- **New York/ New Jersey** is experiencing an average delay of **1 day**.

## **General Rate Increases Continue (GRI)**

As the peak season for ocean freight approaches, steamship lines are gearing up to implement another general rate increase on July 15. This increase signifies the growing demand and heightened activity in the shipping industry during this period.

With peak season heading into full swing, it is anticipated that steamship lines will continue to raise their rates approximately every 15 days. This strategy allows them to closely monitor market dynamics and gather valuable feedback based on the rate adjustments. By regularly assessing the impact of these increases, steamship lines can ensure their pricing remains aligned with market conditions while also maximizing their operational efficiency.

The frequent rate adjustments during peak season reflect the dynamic nature of the shipping industry, where supply and demand fluctuate significantly. As shippers and businesses navigate this period, staying informed about these rate increases becomes crucial for effective logistics planning and budgeting.

To adapt successfully to the evolving ocean freight landscape, it is recommended that businesses closely monitor the rate updates provided by steamship lines and engage in proactive communication with their shipping partners.

## **Importation to the United States Remains Stagnant**

Importation in the United States has remained soft, primarily driven by the decline in consumer spending. The increasing interest rates have prompted consumers to limit their spending, thereby impacting the demand for imported goods. Notably, the major industries affected by this shift include home improvement goods, electronics, retail, and furniture.

Another factor influencing importation is the inventory levels of many importers who stocked up on goods during the pandemic to mitigate potential supply chain disruptions. As a result, these importers are focusing on selling their existing inventory before placing new orders, leading to a temporary slowdown in import activities.

However, there is anticipation of a slight increase in demand as seasonal importers begin to make bookings. This category of importers typically deals with seasonal goods such as outdoor furniture, which experience higher demand during specific times of the year.

Overall, the import landscape in the United States is currently experiencing a soft phase, influenced by multiple factors including consumer behavior, inventory

levels, and interest rates. By closely monitoring these dynamics, importers can adapt their strategies and effectively navigate the evolving market conditions.

## **Air Freight**

### **Air Freight Import and Export Update**

The North American air freight industry has been struggling with stabilizing both import and export volume. While exports experienced a decrease in volume, imports remained resilient and showed an overall increase in the month of June.

For North American export capacity, there was an average month-over-month decrease of **-0.4%**. Among the trade lanes, the route from North America to the Asia & Pacific market witnessed the largest decline in volume of **9%**. On the other hand, the Middle East trade lane saw the greatest increase in export volume, with a month-over-month growth of **9%**.

In terms of North American imports, there was an average month-over-month increase of **6%**. The trade lane from Africa to North America stood out with the highest increase in import volume, recording a significant growth of **21%**. Conversely, the Asia Pacific trade lane to North America experienced the largest reduction in volume, with a decrease of **4%**.

As peak season begins, it is expected to see more imports coming from the Asia Pacific market into North America.

## **Land Freight**

### **Canadian West Coast Rail Dwell Times**

The most utilized ocean ports in Canada are based in the western provinces, more specifically British Columbia as it is on the transpacific trade route which allows trade with many Asian countries.

The two ports in British Columbia are the Vancouver and Prince Rupert Port, due to the high volume they receive. This volume creates rail dwell times that can cause delays of moving cargo onto the rail. These delays do still play a factor but have improved since 2023 and are expected to improve continuously throughout the year.

The current rail dwell times are as follows:

- The **Vancouver Port** is currently experiencing an average dwell time of **10 days**.
- The **Prince Rupert Port** is currently experiencing an average dwell time of **9 days**.
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## **CN Train Reservation Penalties, Item 2500**

The CN provides reservation services to secure space on the train. This will allow shipment prioritization when the reservation service is used. Reserving a spot is free but modifications and cancelations will incur penalty charges. The charges are as follows:

### **Units in International Services Excluding Reefer**

Cancelations and modifications can be made without a fee until 7:00am local time of the original terminal on the same day as your reserved train service. If cancelations or modifications are made after this time a **\$50** charge will be posted. If a reservation expires a **\$100** charge will be posted to the party that made the reservation.

### **Reefer Units in International Service**

Cancelations and modifications can be made without a fee until 12:00pm local time of the original terminal on the Monday of the week of your reserved train service. If cancelations or modifications are made after this time a **\$150** charge will be posted. If a reservation expires a **\$200** charge will be posted to the party that made the reservation.

### **Units in Domestic Service**

Cancelations and modifications can be made without a fee until 10:00am local time of the original terminal on the same day as your reserved train service. If cancelations or modifications are made after this time a **\$50** charge will be posted. If a reservation expires a **\$100** charge will be posted to the party that made the reservation

## **CN and CP Congestion Improves in Q2 2023**

In 2022, Canadian terminals experienced heavy congestion, which prevented trucking companies from returning empty containers to the CN and CP. However, the situation continues to improve going into the second quarter of 2023 as shipment demand has dropped, allowing terminals to catch up on the backlog on containers.

As terminal congestion continues to improve, congestion will not be resolved instantaneously. Fortunately, drivers will no longer have to wait for 4-5 hours to drop off a container. The average wait time for drivers is expected to decrease to 2-3 hours.

The decrease in terminal congestion will also help prevent detention charges, as drivers will be able to return containers before the free time expires.