



# Mid-May 2023 North American Freight Market Outlook

## Top News

### Canadian 2022 Trade Surplus

In order to build a robust economy both nationally and globally, importation and exportation play a vital role. In 2022, Canada experienced a substantial rise in annual merchandise exports, reaching a total of \$779.2 billion, which marks an increase of 22.5% from 2021. Additionally, the value of annual imports increased by 19.9%, totaling \$757.4 billion from 2021.

This resulted in the highest merchandise trade surplus in Canadian history, which amounted to \$21.8 billion. To put this into perspective, 2021 had a trade surplus of \$4.6 billion, representing a significant increase of 373.91% in 2022. If this trend persists, Canada will continue to augment its trade surplus, thereby strengthening its economic trade ties.

In 2022, Canada's total trade value, which includes both imports and exports, amounted to \$1.54 trillion. This figure represents only 0.01% of the world's trade value. Even though Canada experienced increased their total trade substantially it is still a very small piece in global trade giving it more opportunity to grow.

## **Canadian Imports Hit New Records from China in 2022**

The trade between Canada and China reached a new milestone in 2022, as imports from China exceeded \$100 billion for the first time. This marks a 16% increase in imports from China to Canada compared to 2021.

Consumer goods and electronic & electrical equipment were the two categories with the highest import volume. Consumer goods accounted for \$31 billion in imports, while electronic and electrical equipment accounted for \$28 billion in imports.

However, trade between the two nations has slowed down in 2023 as both countries are struggling with inflation, which has led to higher interest rates and reduced consumer spending. Consequently, it is expected that imports from China may not be able to sustain import levels above \$100 billion.

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## **Canadian Customs Update**

### **Trade Compliance Customs Audit**

Trade compliance is mandatory within Canada, and it refers to the rules and regulations importers and exporters must adhere to, to move commercial goods in and out of Canada. The responsibility of compliance is shifted to the importer and exporter of the goods and are required to report accurate information about their shipments to the Canada Border Service Agency (CBSA).

CBSA monitors compliance in two ways.

#### **1) Performing random customs audits**

#### **2) Target specific product audits**

Performing random customs audits are meant to assess the voluntary compliance of Canadian importers and exporters. Targeted audits are based on risk assessment of specific products which are then selected for auditing in January and July of each year.

When a product is identified for a risk-based assessment, the CBSA will examine these goods based on the following factors:

- **Tariff Classification code**
- **Valuation**
- **Origin of the product**
- **Free trade certification**

A targeted audits is represented in this chart (please note this is a CBSA example):

- **Targeted goods: Cell Phone case**

Risk identified: Cell Phone case can be incorrectly classified under various tariff items within headings 39.26, 42.02 and 85.17, whereas the goods could potentially be properly classified under tariff item 4202.32.90 (articles of a kind normally carried in the pocket or in the handbag; with outer surface of sheeting of plastics or of textile materials; other), and be subject to a duty rate of 8%.

Targeted Companies Round 1-2	Cases Closed	Cases in error	Percentage of non-compliance rate	Duty Assessed (dollars)	Penalties (dollars)	Total (dollars)
39	39	36	92%	\$2,972,835	\$46,25	\$3,019,085

To learn more about how customs audits work trade please visit the [CBSA Website](#) or contact [DTS Advance Logistics](#).

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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 experiencing an average delay of 8 days.
- The **Prince Rupert Port** is currently experiencing an average delay of 5 days.

## **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 **2 days**.
- **Oakland** is experiencing an average delay of **1 day**.
- **New York/ New Jersey** is experiencing an average delay of **2 days**.

## **United States Imports Remain Flat**

The demand for imports in the United States of America experienced a slight increase in March, leading carriers to impose a general rate increase. However, the freight market has remained relatively flat throughout April, with the largest importers importing fewer goods due to two factors: a drop in consumer spending and high inventory levels.

Consumer spending has decreased due to the rise in interest rates, causing consumers to prioritize spending on needs rather than wants. Additionally, importers currently have high inventory levels as they overstocked to prepare for supply chain shortages during peak port congestion. These factors have created a low demand environment for imports in the United States of America.

## **Air Freight**

### **Air Freight Demand Increases Gradually**

Air freight demand has been gradually increasing since mid-March, and this trend has continued into April due to the growing need for products by e-commerce companies. It is expected that demand will continue to rise slowly throughout May and the rest of the second quarter.

## **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 **7** days.
- The **Prince Rupert Port** is currently experiencing an average dwell time of **6** days.

## **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 of 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 of 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.