Mid-December 2023 North American Freight Market Outlook

Top News

Hapag-Lloyd Container Ship hit by a Missile in the Red Sea

A Hapag-Lloyd container vessel recently encountered a missile strike while sailing the Red Sea. Fortunately, no casualties were reported, but some cargo loss occurred due to the attack. In light of such incidents, we strongly recommend acquiring comprehensive cargo insurance, including coverage for war-related risks, for any containers navigating the Red Sea, as other container ships in the region have also faced similar threats.

Bank of Canada Holds Interest Rates Stable

On December 6th, the Bank of Canada announced its decision to maintain the overnight lending rate at 5%. This choice was in line with expectations, given the decrease in inflation to 3.1% in October and the ongoing contraction of the Canadian economy. While the Bank of Canada emphasized its readiness to raise the overnight lending rate if inflation becomes problematic, the likelihood of an increase is considered low, as it could potentially lead Canada into a severe recession. The most common expectation among economists is that the Bank of Canada may opt for a reduction in the overnight lending rate in the second or third quarter of 2024.

Federal Reserve Set to Cut Interest Rates by 75 basis points in 2024

On December 13, the Federal Reserve convened to declare their decision on interest rates. For the third consecutive time, the Federal Reserve held interest rates stable but hinted at potential rate cuts in 2024. The Federal Reserve stated that the economy is in a good position and inflation is progressing towards their 2% target. For this reason, they are looking into three rate cuts in 2024 and an additional four rate cuts in 2025, each likely to be 25 basis points.

If this does take place, consumer demand will likely increase as more disposable income will be available to spend on product and could ignite some demand in the freight market.

Transpacific Trade Lane: Insider Insights for Q1 2024

As we approach the end of the fourth quarter, it's crucial for our readers to mark some significant dates on their freight calendars. China’s Lunar New Year is set to begin on February 9th, 2024, signaling the imminent arrival of a freight rush prior to this event. Considering this, we anticipate steamship lines to introduce a General Rate Increase (GRI) in the latter part of December, maintaining these rates through the end of January.

For importers with cargo ready dates from mid December to the January 27, we strongly recommend notifying your account manager at least two weeks in advance. This proactive approach ensures that suitable vessel space can be secured. It's important to note that the Lunar New Year typically leads to short-term congestion, as both importers and shippers aim to have their cargo shipped by at least January 27. This is because shippers and truckdrivers will soon begin their journeys home for the holidays, leaving limited means for cargo to reach the port.

As these dates draw near, we will continue to provide updates as the situation develops.

Canadian Customs Update

Final Phases for Implementing New Labeling Amendments

The Canadian Food Inspection Agency (CFIA) has issued a notice to the industry, serving as a reminder that the flexibility granted to regulated parties following the conclusion of the transition period for the 2016 nutrition labeling amendments will cease on December 14, 2023.

The implementation plan for these regulatory amendments unfolded as follows:

- A 5-year transition period for regulated parties to align with the new labeling requirements, concluding on December 14, 2021.
- A subsequent year where CFIA focused on education and compliance promotion to assist the industry in overcoming challenges posed by COVID-19, concluding on December 14, 2022.
- A final year during which CFIA applied enforcement discretion in cases of non-compliance, provided regulated parties had a comprehensive plan outlining their intent to comply by December 14, 2023, concluding on December 14, 2023.

Effective December 15, 2023:

- Regulated parties are required to adhere to the new labeling requirements.
- CFIA inspectors will employ the Standard Inspection Process to address instances of non-compliance.

North America Freight Update

Ocean Freight

Canada West Coast Port and Rail 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 the current average delay is **7 days.**
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United States Port and Rail Delays

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

- **Houston** is not experiencing any delay.
  Los Angeles/ Long Beach is experiencing an average delay of **9 days**.
- **Oakland** is experiencing an average delay of **3 days.**
- **New York/ New Jersey** is experiencing an average delay of **3 days.**

Ocean Freight Rates Expected to Increase

In the second half of December, it's anticipated that steamship lines will implement a rise in ocean freight rates. This uptick is attributed to importers and shippers eager to dispatch their cargo before the closure of factories for the Chinese New Year, inducing a short-term surge in demand for ocean freight. This short-term demand will continue and peak right before Chinese New Year Begins. After the Chinese New Year celebration ends, it is forecasted that ocean freight rates will fall to levels similar of mid-November.

Air Freight

Air Freight Rates Stay Stable from China

During the winter holiday peak season, there was a notable surge in air freight demand, leading to a gradual increase in air freight rates. As we approach mid-December, these rates have stabilized, and it is anticipated that they will start to decline after the conclusion of Chinese New Year.

Land Freight

Canadian Trucking Companies Decrease their FSC Rates

Gasoline prices across Canada are finally on the decline as interest rates make their impact felt throughout the economy, lowering the Fuel Surcharge (FSC) rates, especially in Western Canada. Notably, in the greater Vancouver area, the FSC rate has dropped from **46%** to **36%**, marking a significant reduction. This decline in FSC is expected to benefit importers by lowering their costs. Ultimately, this reduction in FSC charges should translate into lower costs for end-users when purchasing goods. As interest rates continue to influence the economy, it is anticipated that FSC charges will gradually decline on a month-by-month basis.

CN Train Reservation Penalties, Item 2500

The CN is providing 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 Continues to Improve in Q4 2024

In 2022, Canadian terminals experienced heavy congestion, which prevented trucking companies from returning empty containers to the CN and CP. However, the situation has improved throughout 2023 as shipment demand has dropped over the year, allowing terminals to catch up on the backlog on containers.

The decrease in terminal congestion will also help prevent detention charges and driver wait time surcharges.