



Logistics Outlook

Transportation & Infrastructure

January 2024

Build strategy and manage risk through the lens of geopolitics and macroeconomics.

Understand the forces shaping the future of your organization

Assess their economic impact

Separate noise from signal

Find better options



ONYX
STRATEGIC INSIGHTS

ation only.

A unique global network

We are a division of Expeditors, one of the world's foremost supply chain companies. Our core team of global, regional and industry experts is complemented by our extended network of logistics and supply chain practitioners on the ground in 350 locations in 100+ countries globally.

Quantifying impact is at the heart of our value

We believe that geopolitics and macroeconomics can shape any business. But understanding them is only half the story: we combine qualitative analysis and proprietary data to quantify impact on your business and produce actionable insights.

We focus on what matters

We fully integrate macroeconomic and geopolitical analysis, unlike any other consulting firm. Our approach is tailored to the issues, geographies and industries you care about. We focus on getting to the so-what of politics - so you don't have to.

Summary of medium-term input cost pressures

Inflation rates easing, but price levels set to remain historically high

OIL/MARINE FUEL MARKET DYNAMICS

- Crude oil prices face risk tug-of-war: downside macro and upside geopolitical risks
- Fuel spreads have reverted as expected, and will normalize further as +1 mmbd new global refinery capacity will ease pressure

RAW MATERIAL MARKET DYNAMICS

- “Rockets and feathers”: input costs remain high, unlikely to fall further
- Macro and geopolitical dynamics drive higher-for-longer costs, but unlikely return to extreme cost inflation of 2021-22
- Commodities tied to the energy transition and construction are most vulnerable to upward price pressure in 2024

Sourcing
decisions
must remain
cost-
conscious

OCEAN FREIGHT MARKET DYNAMICS

- Geopolitical risk is dominating the market, pushing rates higher in Q1-Q2 with potential for sustained higher rates depending largely on events in the Middle East
- Otherwise, market fundamentals are neutral to bearish as global merchandise trade will improve but will be outpaced by new container capacity

MACRO & GEOPOLITICAL RISKS

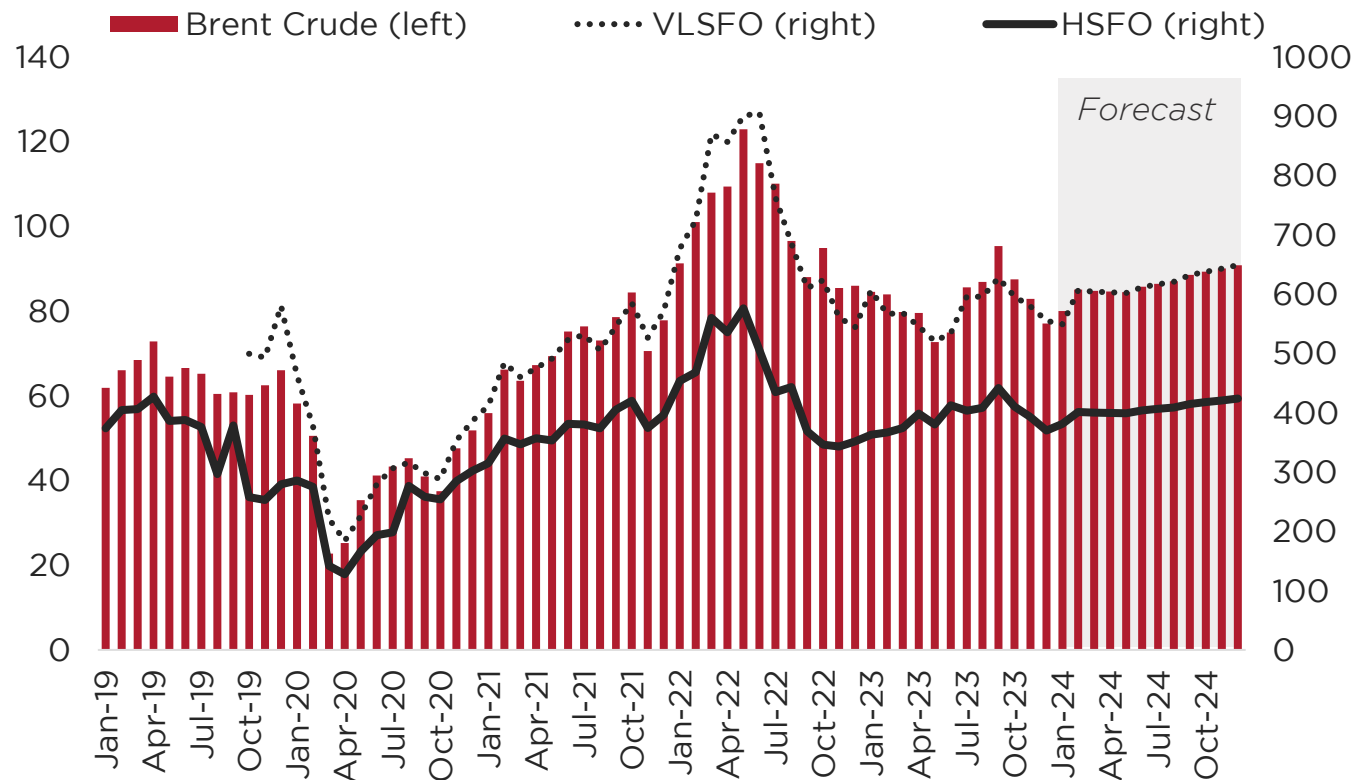
- A regional conflict in the Middle East that affects oil supply could send prices >\$100/barrel
- A swing in momentum in Ukraine raises the risk of Russia further weaponizing energy supplies
- Potential for a prolonged Chinese slump that reduces energy demand and supply of processed inputs

Steady upward pressure on fuel costs

Tightening supplies will bring more upside price risk

Marine fuel costs move with crude oil; high-grade premium has narrowed

Marine bunker fuel prices (Rotterdam, USD/tonne) and Brent crude spot price (USD/barrel)



Outlook through 2024

Demand: Uncertainty clouds the market

- Global outlook is soft, with downside risks in Q1-Q2 and potential rebound in H2 2024
- Continued air travel recovery back to pre-pandemic trend
- Trade recovery picks up in 2024

Supply: Steady growth and excess capacity

- Resilient US production growth in 2023
- OPEC maintains price floor
- Steady expansion in refining capacity for higher-grade marine fuels

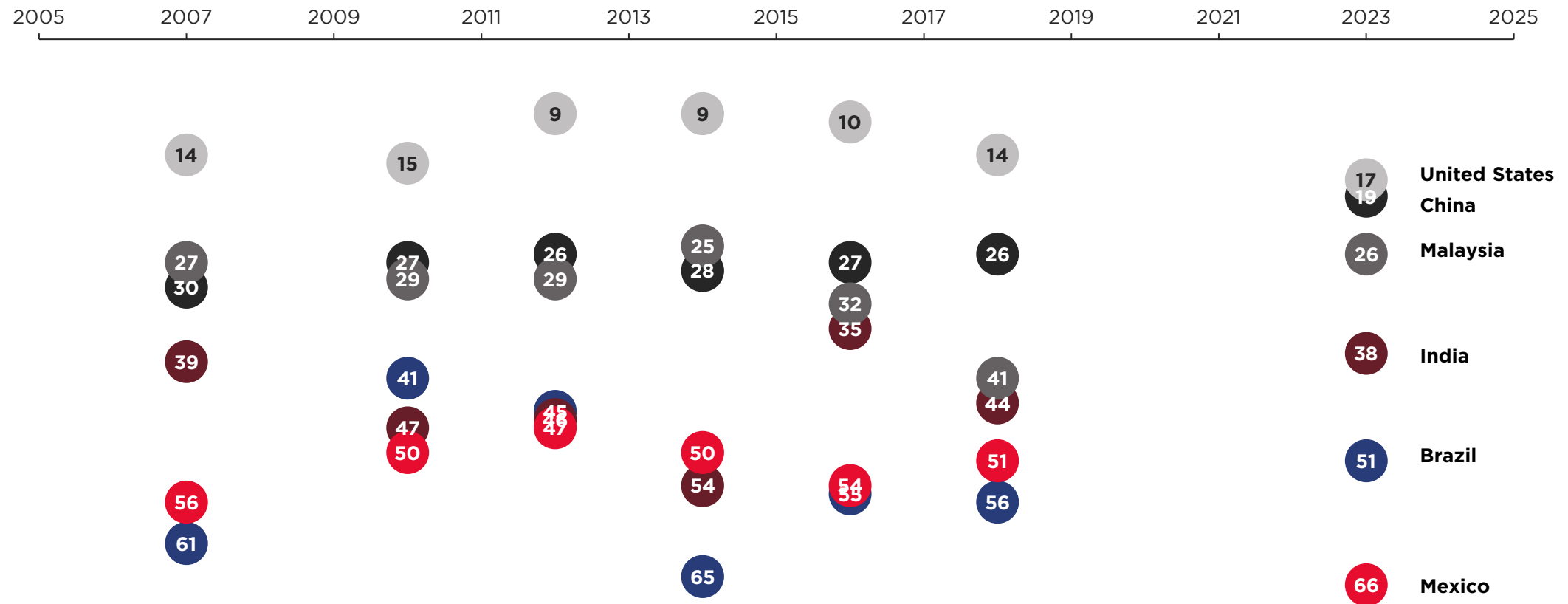
Factors to watch - policy and geopolitics

- Tightening balance in late 2024 increases vulnerability to shocks
- Geopolitical wildcards
- IMO and EU regulations on maritime emissions will necessitate a shift to renewable fuels

Logistics infrastructure progress stalled in key markets

Logistics performance across the world

Logistics Performance Index (LPI): Rank out of 139 countries



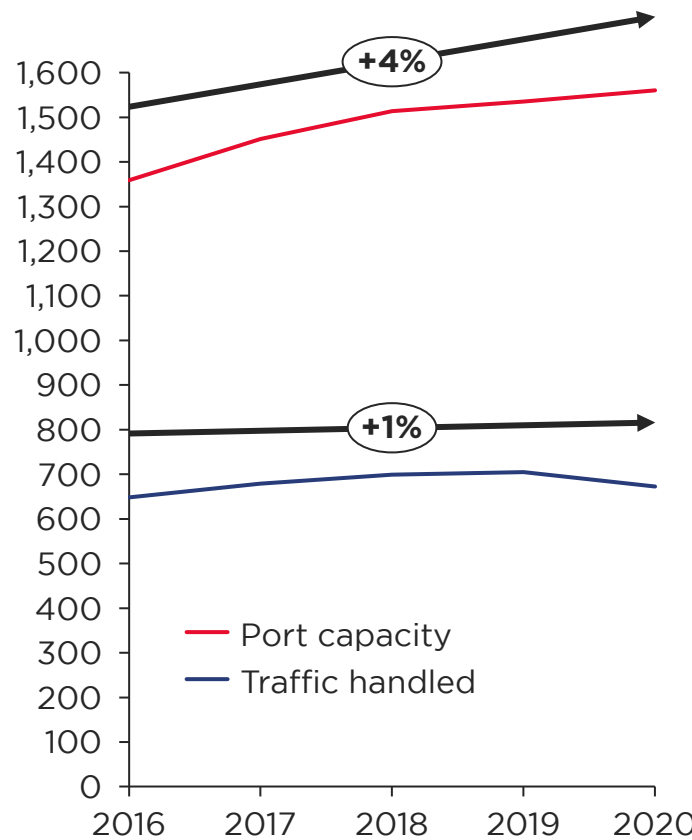
Source: World Bank, Onyx

© Onyx Strategic Insights. Reproduction by written authorization only.

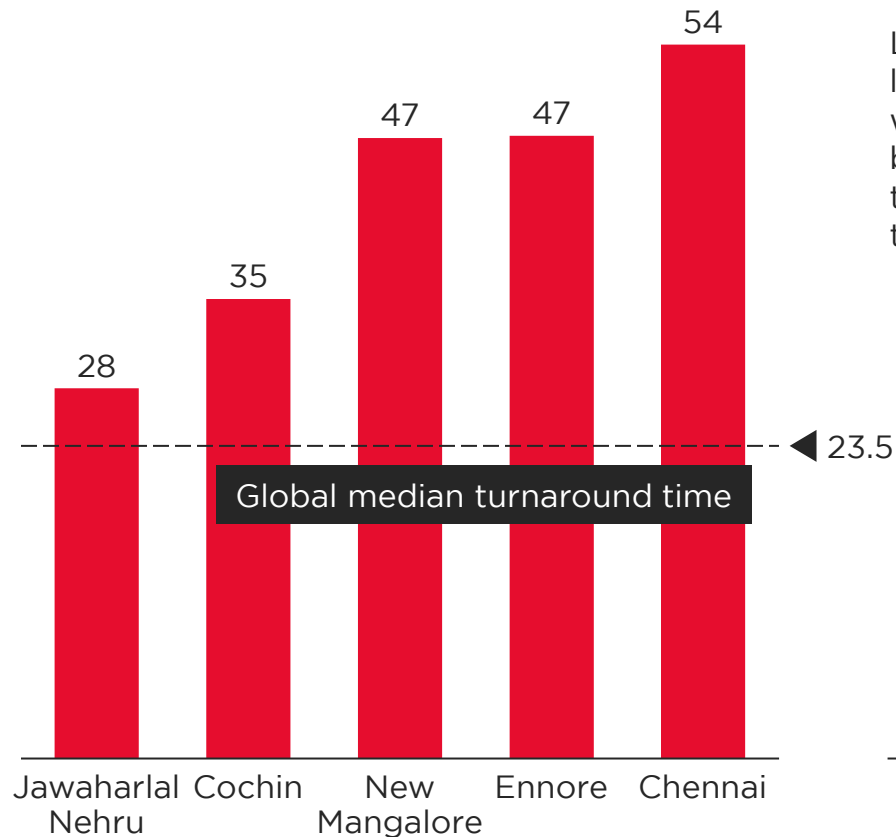
Growth in India's port capacity has been sluggish

Slow turnaround times and low containerization levels

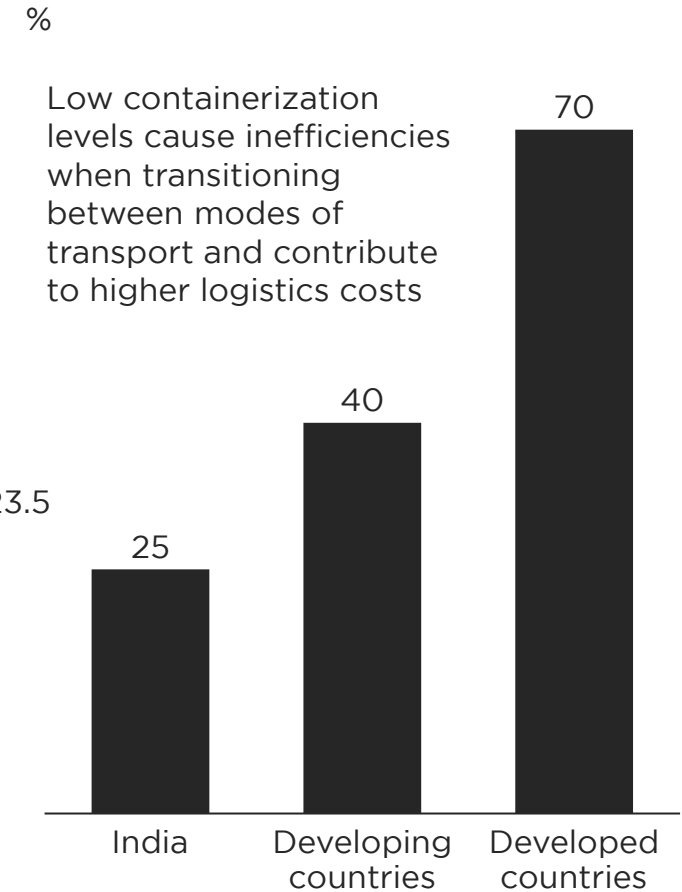
CAPACITY AT MAJOR PORTS
MILLION TONNES



AVERAGE TURNAROUND TIME IN 2021
HOURS



ESTIMATES OF CONTAINERIZATION LEVELS (2022)
%



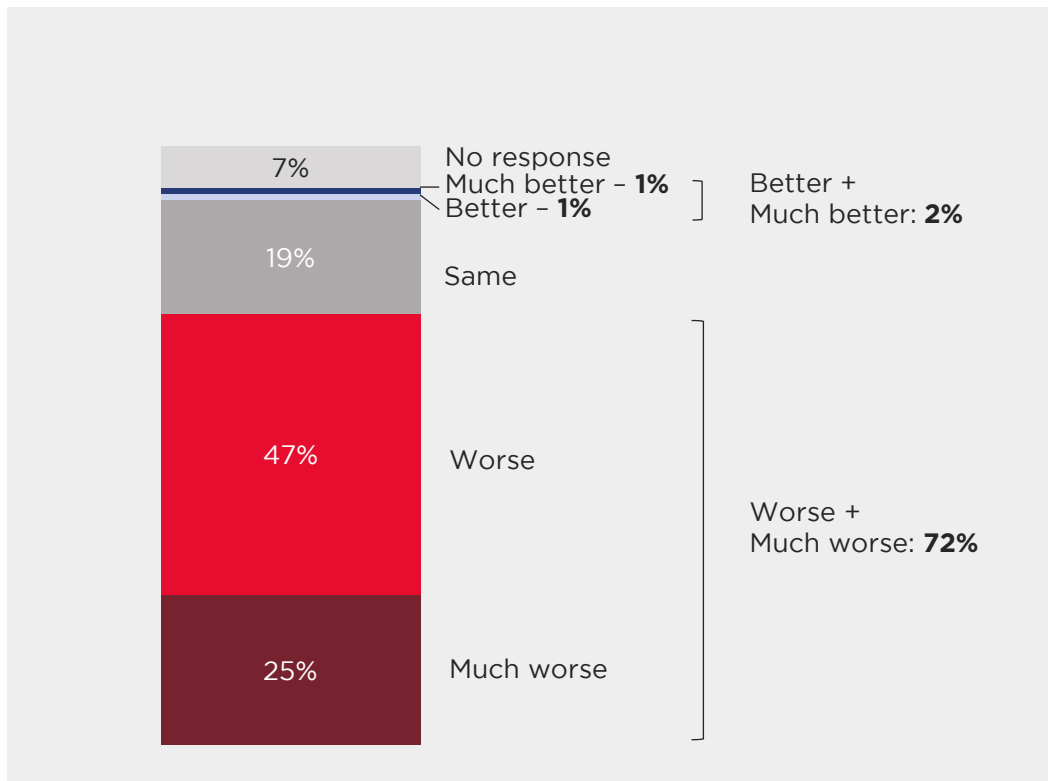
Source: Onyx; Ministry of Ports, Shipping, and Waterways
© Onyx Strategic Insights. Reproduction by written authorization only.

Mexico: Deteriorating security impacts transport

Most companies think security will continue to worsen

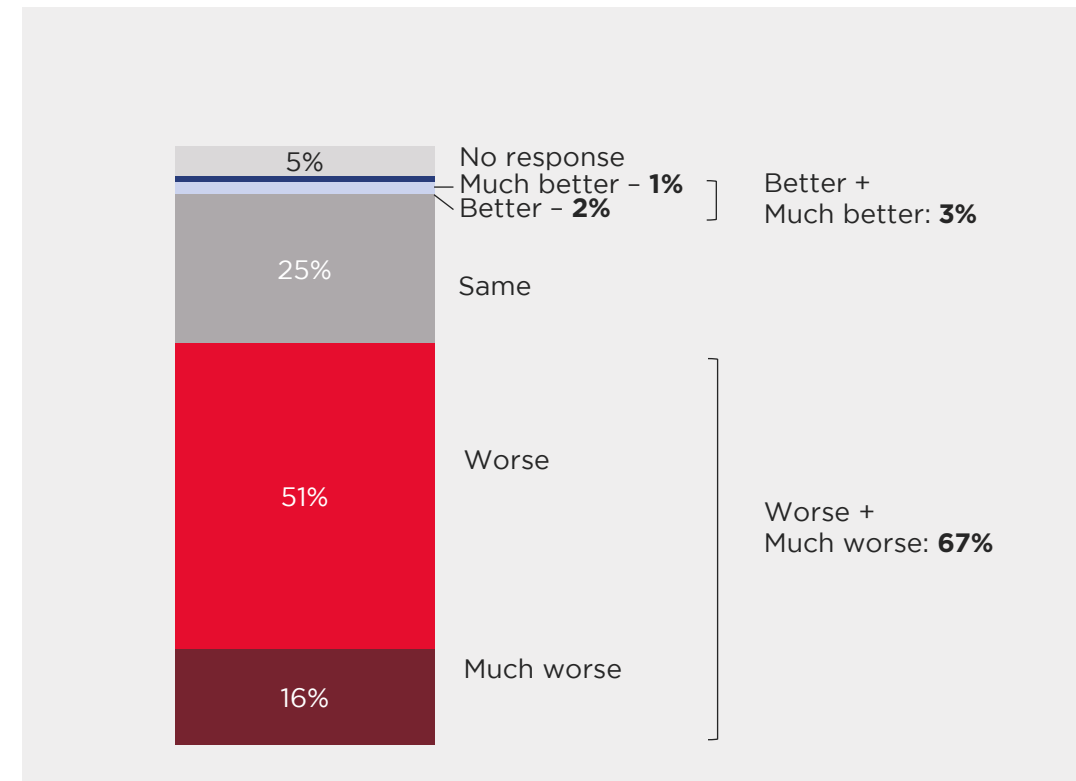
How do you view the security situation in the country today vs. 12 months ago?*

Share of respondents, AmCham Mexico 2022 survey



How do you think the country's security situation will be in the next 12 months?*

Share of respondents, AmCham Mexico 2022 survey



* Based on a 2022 survey of C-suite and security executives from foreign and domestic businesses operating in Mexico
Source: AmCham Mexico Business Security Survey 2022, Onyx

© Onyx Strategic Insights. Reproduction by written authorization only.

Mexico City area and US-Mexico border states see worsening security perceptions

Baja California is no longer viewed among safest states

Perception: 10 states with the greatest challenges regarding business security*

AmCham Mexico Business Security Survey

Rank	2018	2022
1	Tamaulipas	Estado de México
2	Estado de México	Guanajuato
3	Ciudad de México	Ciudad de México
4	Michoacán	Michoacán
5	Guerrero	Jalisco
6	Veracruz	Tamaulipas
7	Jalisco	Nuevo León
8	Guanajuato	Puebla
9	Sinaloa	Veracruz
10	Puebla	Chihuahua

Perception: 10 states with the least challenges regarding business security*

AmCham Mexico Business Security Survey

Rank	2018	2022
1	Yucatán	Hidalgo
2	Querétaro	Morelos
3	Aguascalientes	Nayarit
4	Campeche	Oaxaca
5	Quintana Roo	Tabasco
6	Baja California	Quintana Roo
7	Sonora	Tlaxcala
8	San Luis Potosí	Yucatán
9	Chiapas	Baja California Sur
10	Tlaxcala	Campeche

* Based on a 2022 survey of C-suite and security executives from foreign and domestic businesses operating in Mexico
Source: AmCham Mexico, Onyx

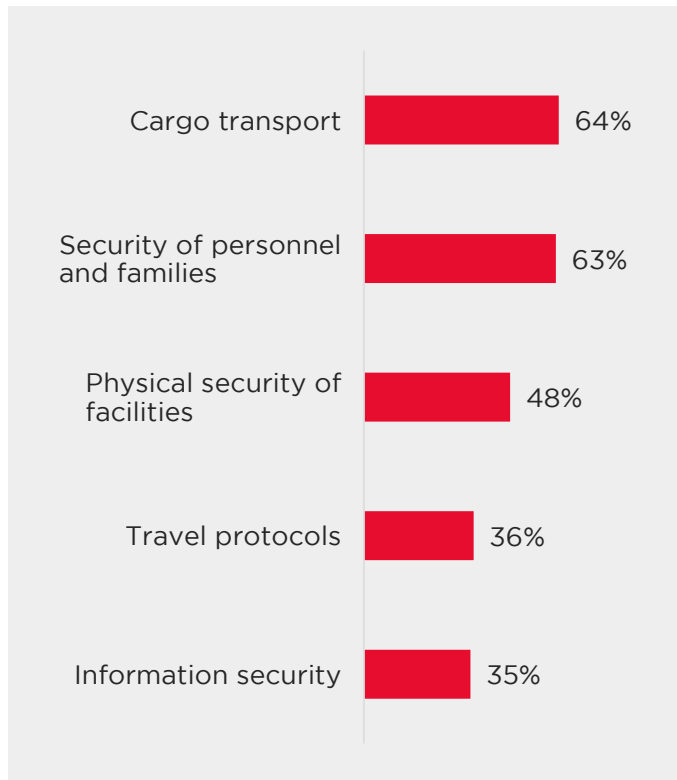
© Onyx Strategic Insights. Reproduction by written authorization only.

Cargo transport is among the greatest concerns

With minimal help from authorities, most companies apply security enhancements from within

Which are among the greatest concerns in terms of company security?*

Share of respondents



Which of the following have had an impact on improving company security?*

Share of respondents



What type of company measures have helped improve security conditions?*

Share of respondents



* Based on a 2022 survey of C-suite and security executives from foreign and domestic businesses operating in Mexico
Source: AmCham Mexico, Onyx

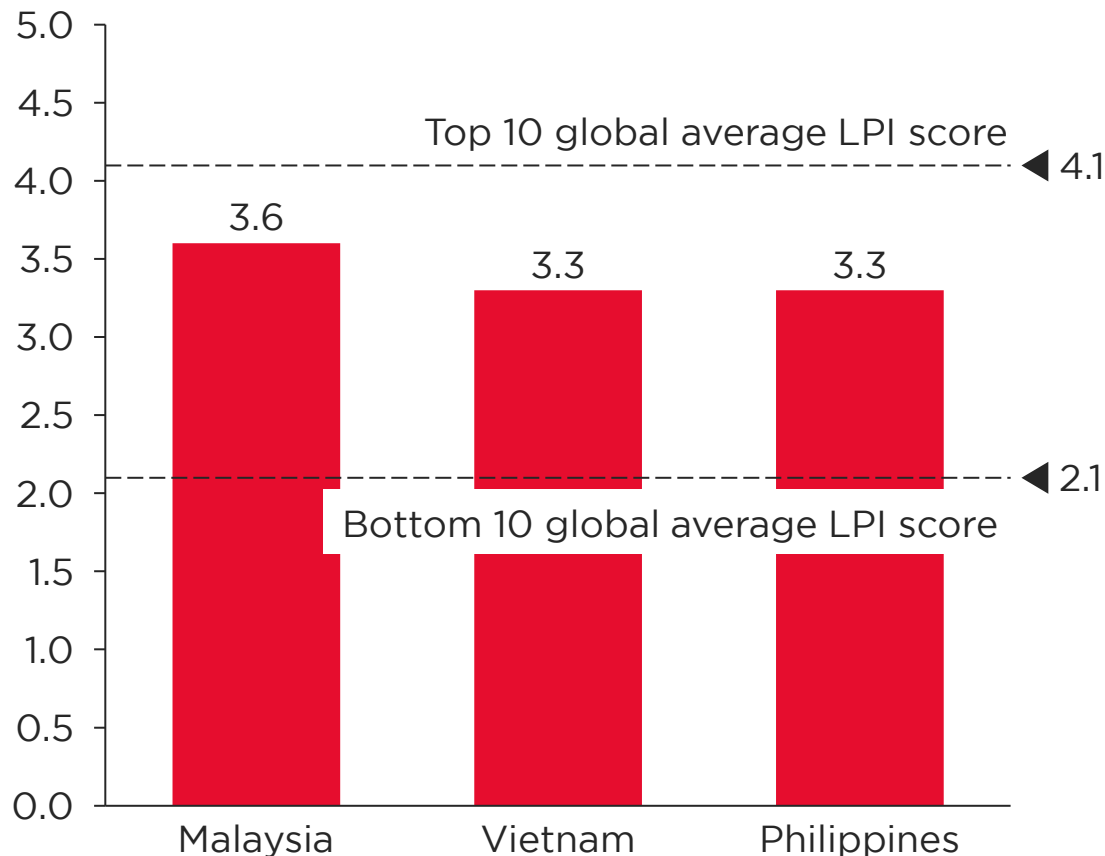
© Onyx Strategic Insights. Reproduction by written authorization only.

Vietnam's logistics performance middling in ASEAN

But Hanoi is investing heavily in its infrastructure to grow capacity

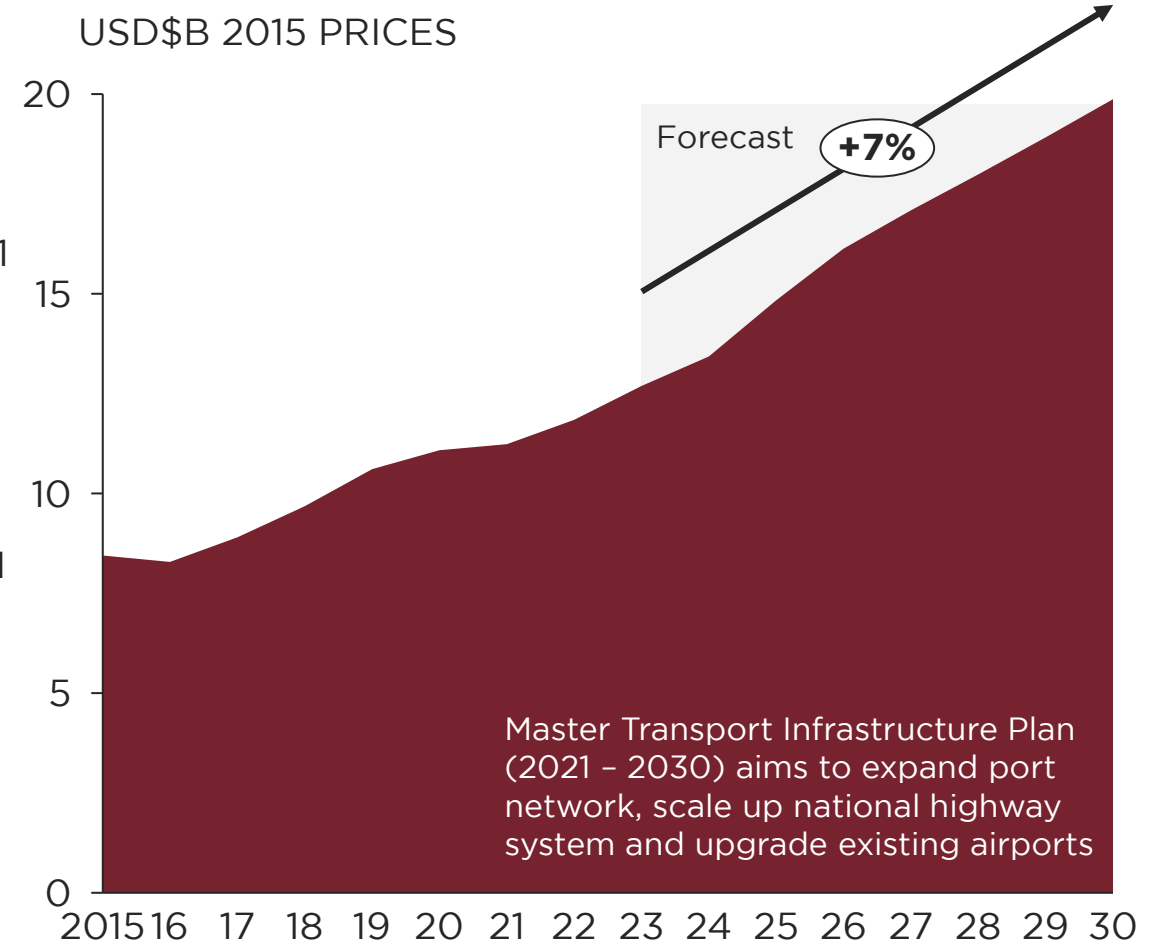
WORLD BANK LOGISTICS PERFORMANCE INDEX 2023

1 = LOW, 5 = HIGH



INVESTMENT IN TRANSPORT AND STORAGE

USD\$B 2015 PRICES

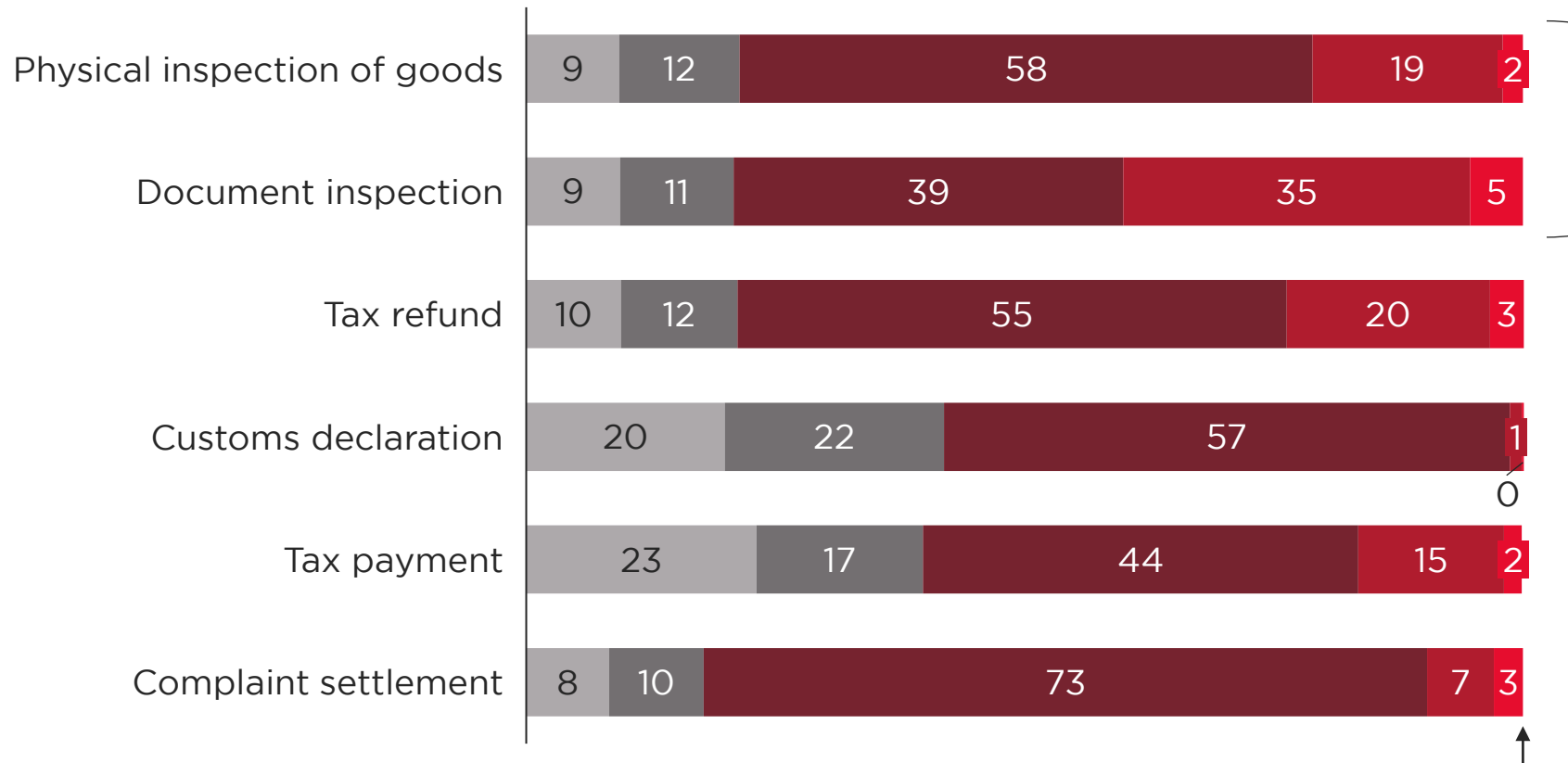


Customs procedures still a hurdle for businesses

Businesses cite red tape and corruption as issues

2020 SURVEY ON BUSINESSES' SATISFACTION WITH IMPORT-EXPORT ADMINISTRATIVE PROCEDURES % OF RESPONDENTS

Level of ease in carrying out customs procedures



In a separate survey released in 2023 by Vietnam Chamber of Commerce and Industry:

- 59% of firms face issues with “specialized inspections”, such as checks on product quality
- >30% declined to answer a question on “unofficial fees”

Get in touch

Website
onyxsi.com

Contact
info@onyxsi.com

LinkedIn
<https://www.linkedin.com/company/onyxsi/>

Twitter
<https://twitter.com/OnyxInsights>

Disclaimer

Onyx Strategic Insights ("Onyx", "Onyx SI", "We", "Our", or "Us") is a division of Expeditors International of Washington, Inc. ("Expeditors").

The information in this website, article, event invitation or other written form, or shared during or provided in materials as part of an event or other forum ("Content") is for informational purposes only. The views, opinions, analyses, estimates, predictions and/or strategies ("Views") expressed in the Content are those of the respective Onyx authors and/or speakers who publish and/or present the Content, and may differ from those of other Onyx employees and/or Expeditors and its officers, directors, and employees. The Content is as of a certain date and is often based on current market and/or geopolitical conditions and is subject to change without notice.

We do not guarantee the accuracy, completeness, timeliness, or availability of the Content. In preparing this Content, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was acquired from public sources. Any mention of third-party trademarks, brand names, products and services is for referential purposes only and is not meant to imply any sponsorship, endorsement, or affiliation unless otherwise noted. Copying, re-publishing, or distributing this Content is strictly prohibited without prior written consent from an authorized representative of Onyx.

The Content does not represent an offer or commitment by Onyx or Expeditors to provide any service. The statements in the Content are not intended to be legally binding, and any references in the Content to services that may be offered by Onyx and/or Expeditors are subject to, and superseded by, the terms and pricing set forth in the separate legally binding documentation and/or terms and conditions applicable to those service offerings. Nothing in the Content shall amend the applicable documentation and/or terms and conditions.

The Content and Views are not advice on legal, accounting, trade compliance, tax, financial, investment, regulatory, technology or other matters. You should always consult your own legal, accounting, trade compliance, tax, financial, investment, or similar advisors before making any relevant decisions. In no event shall Onyx, Expeditors or any of its directors, officers, employees or agents be liable for any use of, any decision made or action taken in reliance upon, or any inaccuracies or errors in or omissions from, the Content or Views.

The information in the Content does not include all applicable terms or issues and is not intended as an offer or solicitation for the purchase or sale of any service. Our services are subject to applicable laws and regulations, as well as our service terms and policies. Not all services are available in all geographic areas or to all customers. Credit is subject to approval. Rates and programs are subject to change. Certain restrictions apply.