



Transportation & Logistics Industry Update

3Q24 Executive Summary

The transportation and logistics (“T&L”) industry navigated a complex landscape in 2024’s third quarter, marked by a brief strike by the International Longshoremen’s Association (“ILA”), the ongoing Red Sea shipping disruption and a downturn in Chinese exports – all contributing factors to the current volatility in ocean rates. Although M&A activity slowed as a result of high interest rates, a few significant mergers are poised to reshape the industry in the final quarter of 2024 and beyond. Despite these challenges, a recovery is anticipated in 2025, particularly in the trucking and third-party logistics sectors. Overall, macroeconomic and technological shifts in the industry are expected to continue exerting an influence on shipping capacity, global forwarding rates and container demand as we head into peak season.

Global Freight Market Outlook



- The global container market recovered in early 2024, but August saw challenges from weak cargo demand and congestion in China, **leading to declining rates**.¹
- Publicly traded carriers are facing inflationary pressures and rising fuel costs, resulting in **moderate rate increases**, while focusing on growth and yield improvement.²








- July marked the **eighth month of double-digit growth in air cargo**,³ with a 13.6% YoY rise in cargo tonnes-kilometers, driven by strong e-commerce demand.⁴
- Despite an IT outage, **global traffic volumes remained stable**, with international routes up 14.3% and air cargo capacity increasing by 8.3%.⁵



- The IMF predicts modest U.S. GDP growth amid geopolitical tensions and manufacturing weaknesses, while **carriers ordered a record 1.4 million TEUs in August**, despite delays from rerouting.⁶
- Ship demand growth is expected to weaken in late 2024 due to reduced cargo volumes and an expanding fleet, **risking a supply-demand imbalance similar to 2023** amid potential disruptions.⁷

Key Trends Within the Sector

The T&L industry faces fluctuating demand, volatile shipping rates and slow M&A activity, but AI-driven efficiencies and market stabilization are expected to drive future growth.

Trend	Category	Type	Implications	Trend Impact
Industrial Rent and Vacancy Rent	Macro	Warehousing	The U.S. industrial sector saw notable rent growth, with vacancy rates rising to 6.7% and \$36.9 billion in transactions through August. ⁸ Despite a slowdown in industrial development, it remains high compared to historical levels, with moderate new supply supporting rent growth and absorption.	 Medium- to Long-Term
Truckload Market Volatility	Macro	Shipper	The U.S. trucking industry is recovering from a downturn; demand is improving but prices remain low due to excess fleet capacity and rising competition. Stabilization is likely as inflation slows and interest rates are cut, with potential for sustained growth despite potential disruptions like the port strikes. ⁹	 Primarily Medium-Term
Volatility of Ocean Freight Rates	Macro	Shipper	Shipping rates surged by 19.1% in July due to supply chain bottlenecks but dropped 10.3% in August; rates continued declining in mid-September as demand stagnated. ¹⁰ Shipping rate volatility is driven by the Red Sea crisis, tariff uncertainties, inventory surges and the brief U.S. labor strikes, which caused port congestion and further tightened shipping capacity.	 Medium- to Long-Term
Carrier Consolidation	Macro	Shipper	The transportation and logistics M&A landscape in 3Q24 remained volatile, with slow deal activity due to high interest rates and lower freight volumes. Recovery is expected later in the year, however, particularly in the trucking and 3PL sectors, driven by improved market conditions and increased logistics outsourcing. ¹¹	 Primarily Medium-Term
Integration of AI	Technology	Warehousing/ Shipper/ Delivery	AI, including generative AI, is transforming the transport and logistics sector by improving efficiency and decision-making, and addressing challenges such as demand prediction, dynamic pricing and supply chain optimization. ¹²	 Predominantly Long-Term

Volatility of Ocean Rates

Global ocean freight rates surged in early 2024 due to the Red Sea crisis.¹³ Even though ongoing uncertainty and shipping diversions have kept rates elevated, **rates recently have been increasing even more.**¹⁴

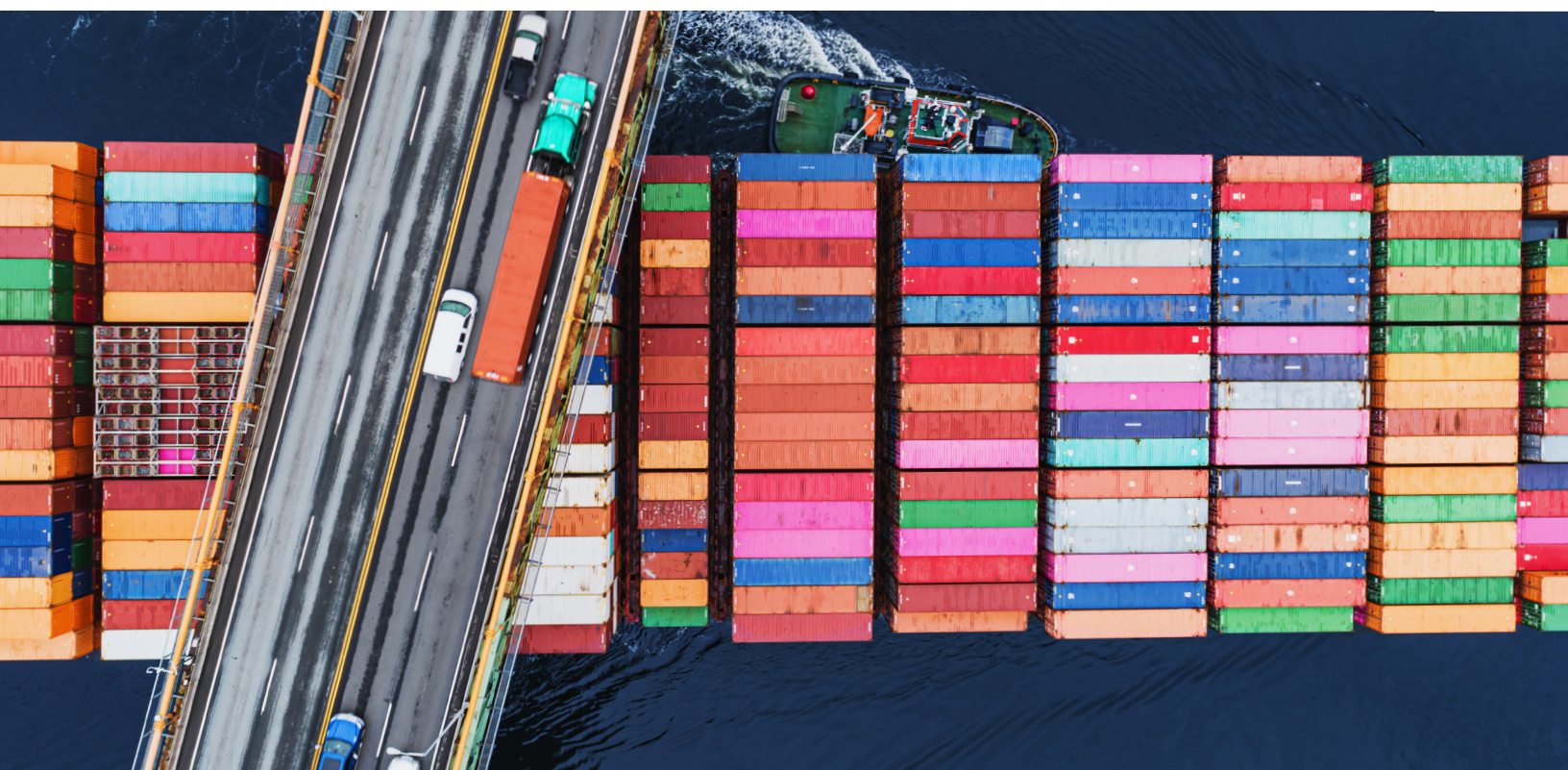
- Rates on major shipping lanes **rose an average of 19.1% in July** but fell 10.3% in August. Rates rose as a result of multiple factors, but **supply chain bottlenecks were key.**¹⁵

Spot freight rates on all major container lanes **continued to decline through mid-September** as demand remained flat.¹⁶

- In early September, shippers faced more immediate concerns, particularly the increasing likelihood of a strike on the U.S. East and Gulf Coasts. Shippers began shifting cargo to the West Coast to avoid the looming ILA strike, reducing demand and driving down East Coast spot rates.¹⁷ However, the strike ended sooner than expected with a tentative agreement, and it **did not severely impact rates.**¹⁸
- The Shanghai-New York leg of Drewry's World Container Index ("WCI") **saw a 21% decline in spot rates**, falling to \$6,661 per 40ft.¹⁹

Freight charges for container shipments have dropped sharply as China's exports slow. The Shanghai export container settlement freight index for the North America route **has fallen nearly 40% from its July peak.**²⁰

- According to Huatai Futures research, shipments for the Christmas retail season, which historically have taken place from August to September, began as early as April in 2024, **signaling a decline in container volumes from September to November.**²¹
- China's export sector **experienced a downturn in July with a 2.3% monthly drop in exports**, despite a 2.7% rebound in August. This slowdown is mirrored in the sharp decline in freight rates.
- The United States has healthy inventory levels after a surge in shipments from May to July. With replenishment largely complete, **freight demand is expected to weaken.**²²
- Similarly, data from the UK Container Trade Statistics showed that **shipments from East Asia to Europe fell in July**, dropping from 1.75 million TEUs in June to 1.58 million TEUs.²³
- The Shanghai export container settlement freight index for the European route fell 10.6% in the second week of September, **down nearly 30% from its July high**, while the U.S. West Coast route dropped 6.9%, **a 40% decrease from its July peak.**²⁴

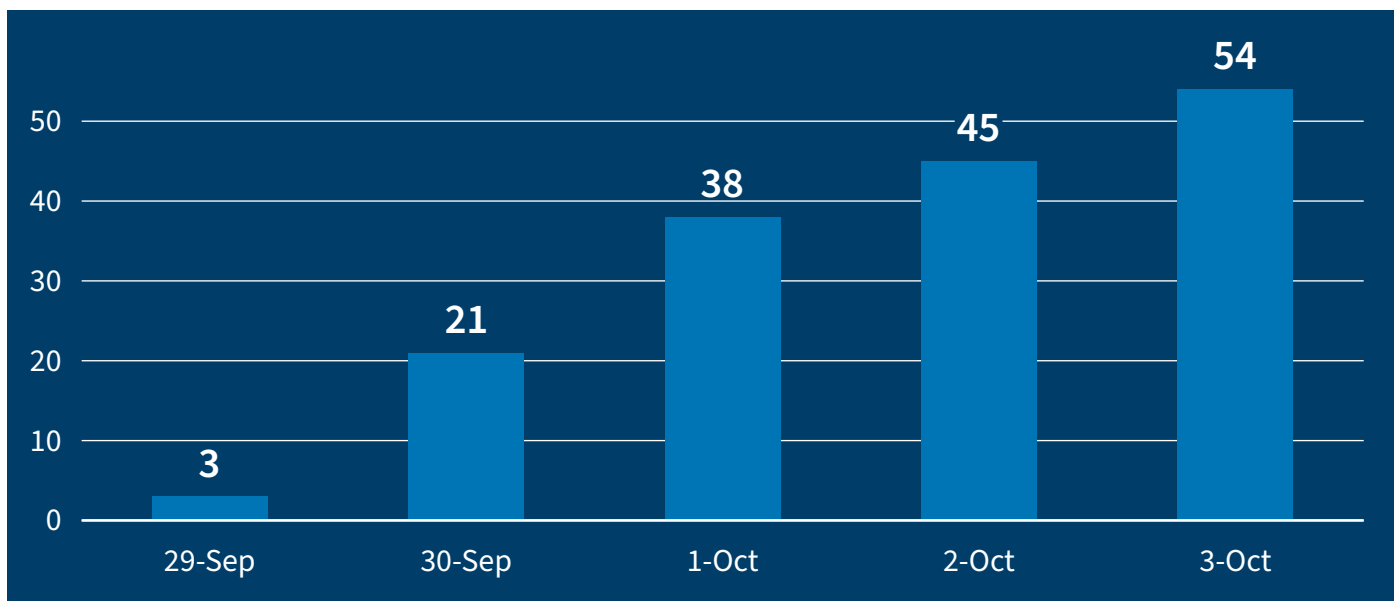


Labor Strikes at the U.S. East and Gulf Coast Ports

U.S. dockworkers and port operators **reached a tentative agreement to end a three-day strike**, which lasted from October 1 to October 3 and had halted shipping on the East and Gulf Coasts.²⁵

- The three-day strike at the U.S. East Coast ports ended quickly but still caused vessel congestion, **leading to a temporary reduction in shipping capacity**.²⁶
- The deal reportedly includes a **62% wage increase over six years**, raising average wages from \$39 per hour to approximately \$63 per hour. The strike's resolution is expected to restore port operations immediately.²⁷
- The strike concluded sooner than investors anticipated, **causing a decline in shipping stocks** as the anticipated surge in freight rates did not materialize.
- At least 54 container ships were queued outside the ports as a result of the strike, which **halted unloading and risked causing shortages of goods** ranging from bananas to auto parts (**Figure 1**). The strike affected 36 ports.²⁸
- Vessel congestion at the U.S. East Coast ports peaked at 460,000 TEU on October 4 but is **quickly easing**, as all affected ports have resumed operations.²⁹

Figure 1 – Number of Container Ships Waiting Outside of U.S. East Coast Ports (Sep 29–Oct 3, 2024)³⁰



M&A Spotlight: Major Deal in Carrier Consolidation

In September 2024, DSV signed an agreement to acquire Schenker, the logistics arm of German state rail operator Deutsche Bahn, for **\$15.7 billion** in a move to strengthen its global network. The deal is expected to give the group an estimated **6%–7%** of the fragmented global logistics market.^{31,32}



As the fourth quarter's peak season approaches, it will be compelling to see how these industry trends continue to reshape the T&L landscape. Despite challenges in the third quarter, signs of economic recovery are evident, with growth in the air cargo sector, a gradual rebound in M&A activity and a tentative agreement with U.S. dockworkers that helped avert widespread disruption. The trends that we saw in this quarter are expected to continue influencing the industry's trajectory into 2025.

For more information or to view the full 3Q24 Transportation & Logistics Report, please reach out to [Ron Scalzo](#), [Rick Jordon](#) or [Adam Terry](#).

Endnotes

- ¹ [“Ocean Freight Rate Tracker Q3 2024,”](#) Transport Intelligence (August 22, 2024).
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- ⁵ [“Air Cargo Market Analysis,”](#) IATA (July 2024).
- ⁶ [“Container Shipping Market Overview & Outlook September 2024,”](#) BIMCO (September 26, 2024).
- ⁷ [“Ocean Freight Market Update,”](#) DHL (October 30, 2024)
- ⁸ [“Reshoring Trends Shape Future Industrial Demand and Development Activity,”](#) CommercialEdge (October 2024).
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- ¹³ [“Ocean Freight Rate Tracker Q3 2024,”](#) Transport Intelligence (August 22, 2024).
- ¹⁴ Ibid.
- ¹⁵ Ibid.
- ¹⁶ Gavin van Marle, [“Ocean freight rates continue to tumble as peak comes to an early end,”](#) The Load Star (September 13, 2024).
- ¹⁷ Ibid.
- ¹⁸ [“USEC port strike: 10-17% capacity decline to come,”](#) Sea Intelligence (October 10, 2024).
- ¹⁹ Gavin van Marle, [“Ocean freight rates continue to tumble as peak comes to an early end,”](#) The Load Star (September 13, 2024).
- ²⁰ Li Rongqian and Denise Jia, [“Freight rates plummet as China’s export growth slows,”](#) Nikkei Asia (September 16, 2024)
- ²¹ Ibid.
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- ²³ Ibid.
- ²⁴ Ibid.
- ²⁵ Doyinsola Oladipo and David Shepardson, [“US port workers and operators reach deal to end East Coast strike immediately,”](#) Reuters (October 4, 2024).
- ²⁶ [“USEC port strike: 10-17% capacity decline to come,”](#) Sea Intelligence (October 10, 2024).
- ²⁷ Doyinsola Oladipo and David Shepardson, [“US port workers and operators reach deal to end East Coast strike immediately,”](#) Reuters (October 4, 2024).
- ²⁸ Ibid.
- ²⁹ [“Congested Vessel Clearing Up Quickly As Labor Dispute Resolved Tentatively,”](#) Linerlytica (October 7, 2024).
- ³⁰ Doyinsola Oladipo, [“US port strike throws spotlight on big union foe: automation,”](#) Reuters (October 4, 2024).
- ³¹ [“DSV, 1132 - DSV SIGNS AGREEMENT TO ACQUIRE SCHENKER,”](#) DSV (September 13, 2024).
- ³² [“How DSV’s \\$15.9 Billion DB Schenker Acquisition Made It the Largest Freight Forwarder,”](#) Transportation & Logistics International (September 24, 2024).

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