



C.H. ROBINSON

ISM Twin Cities

Professional Development Meeting

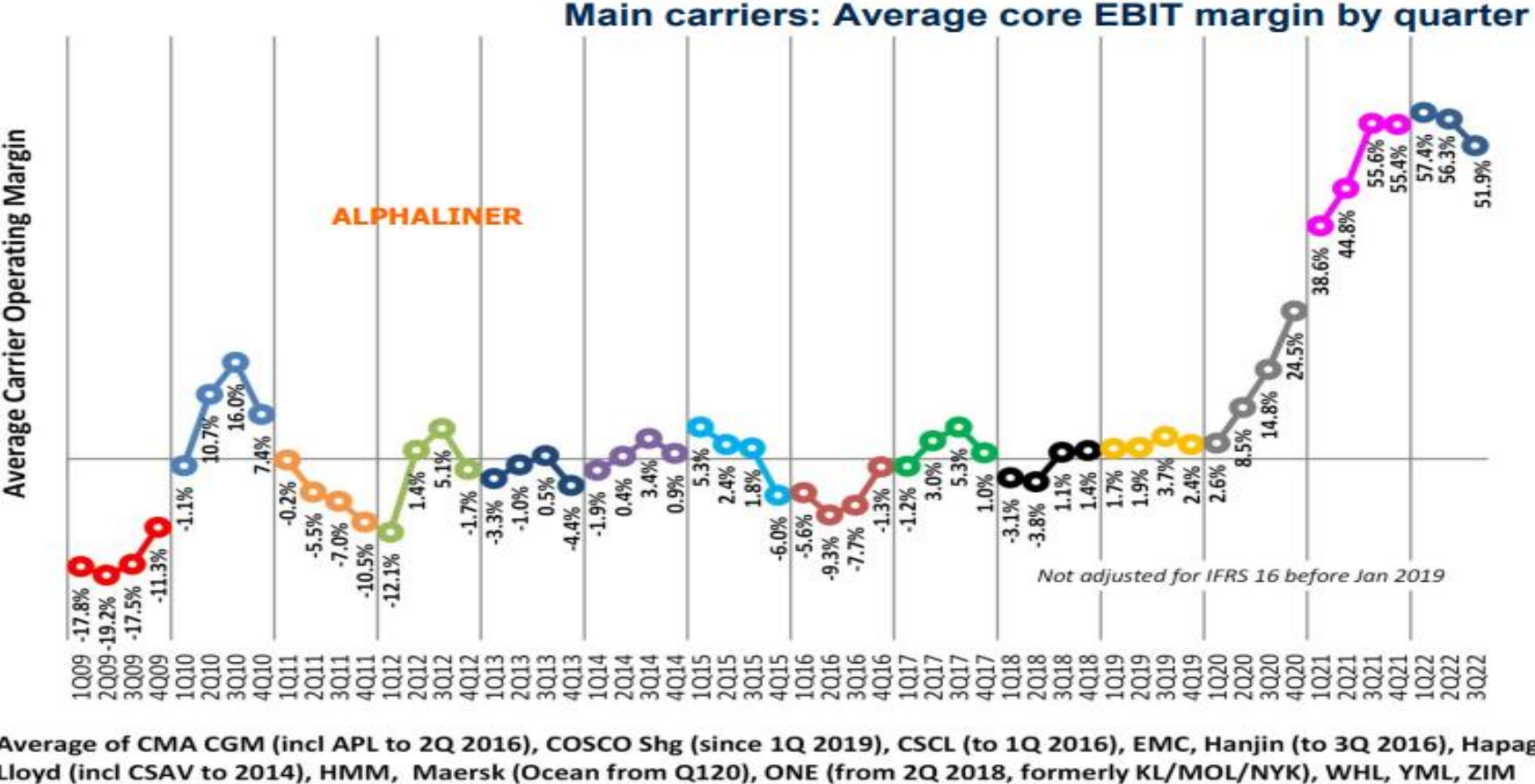
February 21, 2023



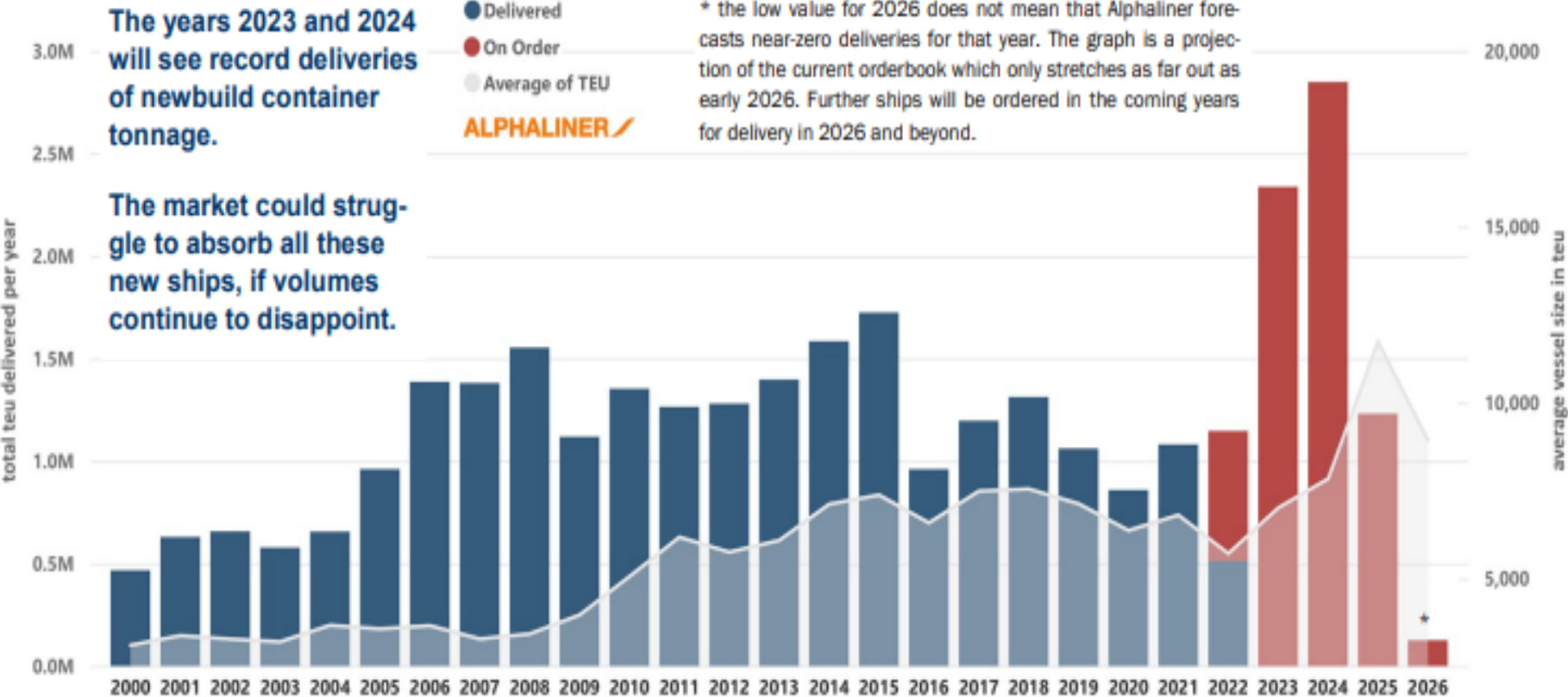
→ Agenda

- ❖ Pre-Pandemic and Pandemic trends – The WHY
- ❖ 2023 supply chain forecast
 - Ocean, air, and inland logistics update
 - Rate trends
 - Transit, delays, and schedule reliability
 - Port union labor
 - Supply and demand trends
 - Geopolitical escalations and trends within supply chain

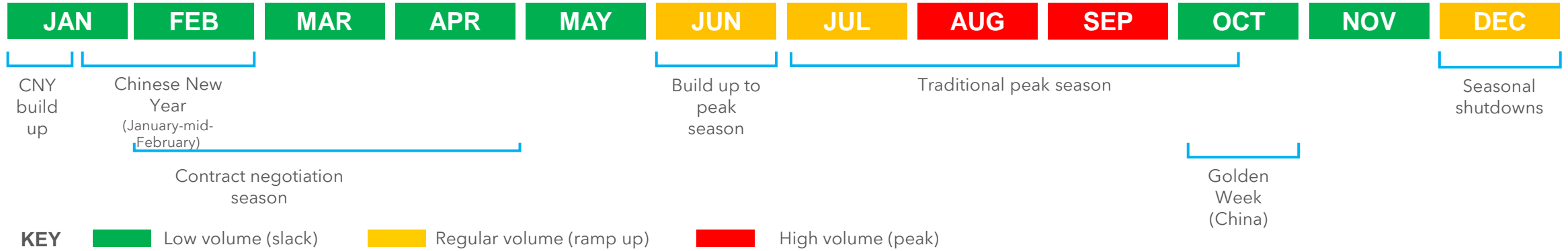
→ Pre-Pandemic and Pandemic Trends



→ Actual and projected container ship deliveries



→ 2023 OCEAN IMPORT CALENDAR



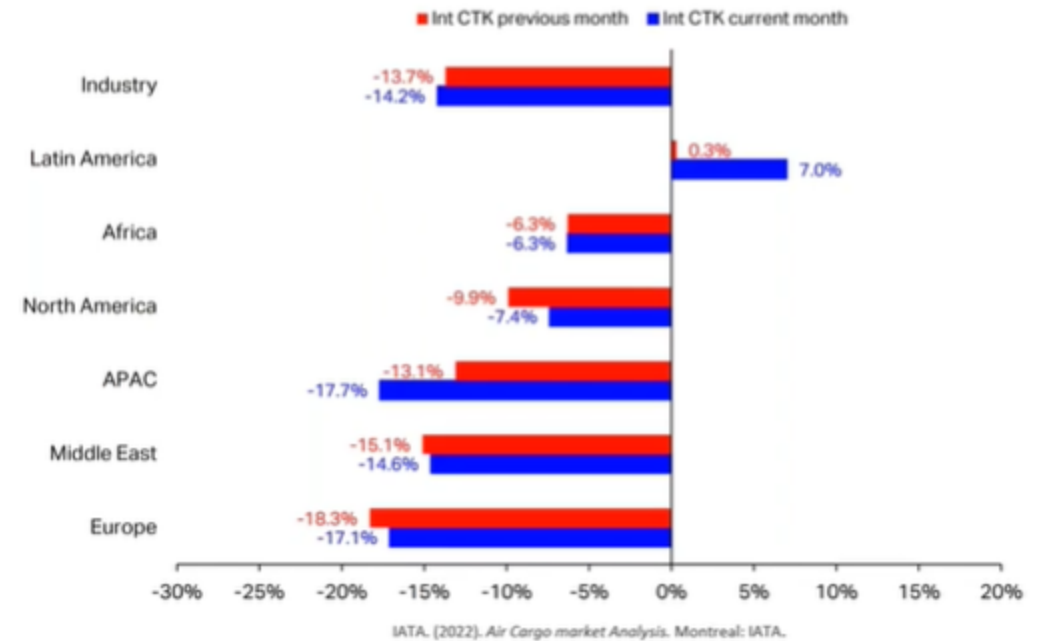
HISTORICAL DISRUPTIONS	CURRENT DISRUPTIONS	WORLD EVENTS	CAPACITY / DEMAND	FUTURE CHINESE NEW YEAR	UNION LABOR CONTRACTS	WEATHER
<ul style="list-style-type: none"> Pandemic Polar vortex Void/Blank sailings/parked vessels Tariff wars 	<ul style="list-style-type: none"> Schedule reliability Continued congestion at US East Coast, US Gulf ports, and Canada West Coast ports Chassis shortages 	<ul style="list-style-type: none"> COVID-19 (China) Russia/Ukraine Europe energy crisis Rising inflation and interest rates Continued high energy cost globally 	<ul style="list-style-type: none"> Increased capacity on Transatlantic Large vessels orderbook Rationalization of capacity by carriers Slowdown in Global trade 	<ul style="list-style-type: none"> January 22, 2023 February 10, 2024 January 29, 2025 February 17, 2026 Extended shutdowns 	<ul style="list-style-type: none"> USWC ILWU [Negotiations ongoing] USEC expires September 30, 2024 Port of Vancouver expires March 2023 Port of Montreal expires December 31 2023 	<ul style="list-style-type: none"> Hurricane/Typhoon season Severe weather in Pacific Winter and Spring flooding

← POTENTIAL FUTURE DISRUPTIONS →

→ Air rates and capacity update

- Rates expected to be roughly 30–50% higher than pre-pandemic levels
- Increased passenger flights promote additional belly capacity for 2023
- Decreases in demand in conjunction with new capacity will soften pricing. However, strong ecommerce business, Ukraine conflict, and economic uncertainty could change trajectory.

International CTK growth (airline region of registration)





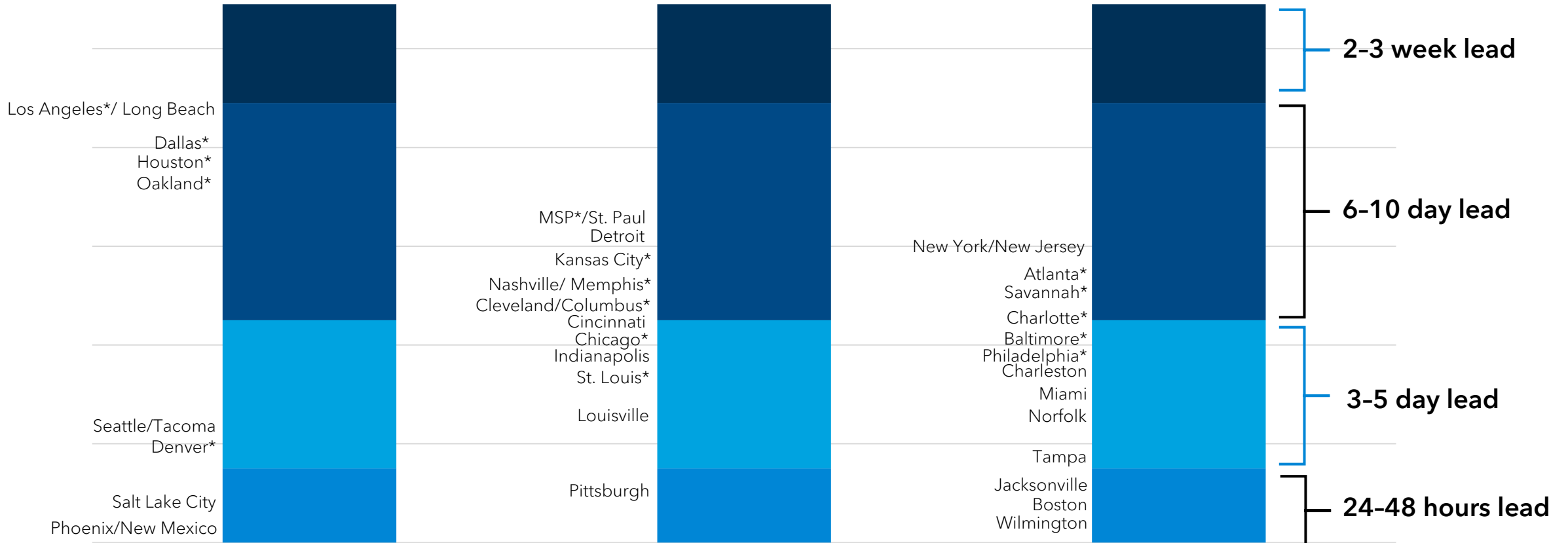
Drayage capacity Lead Times - 2023[†]



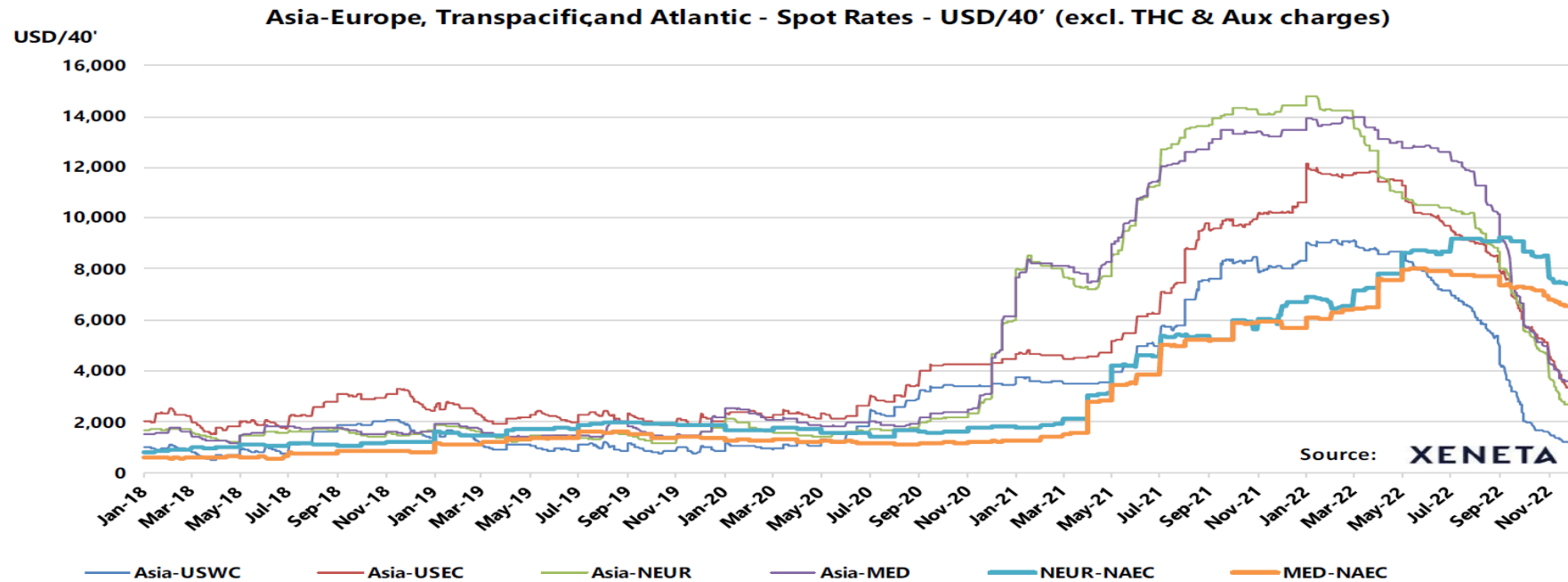
Western and Gulf

Midwest and Ohio Valley

Eastern Region



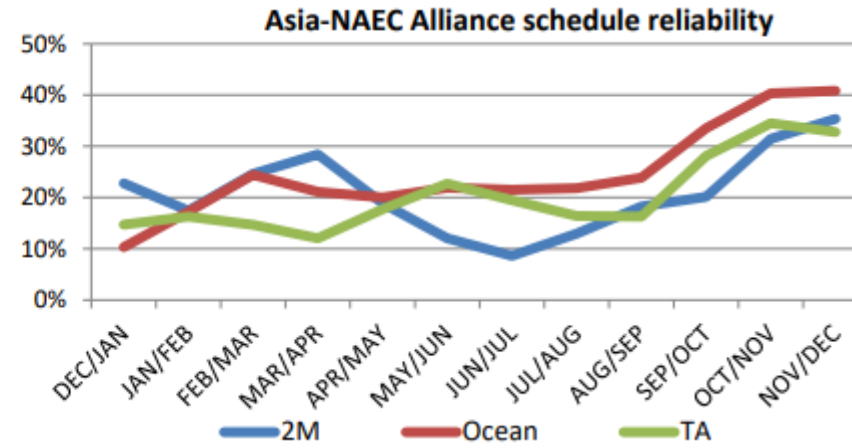
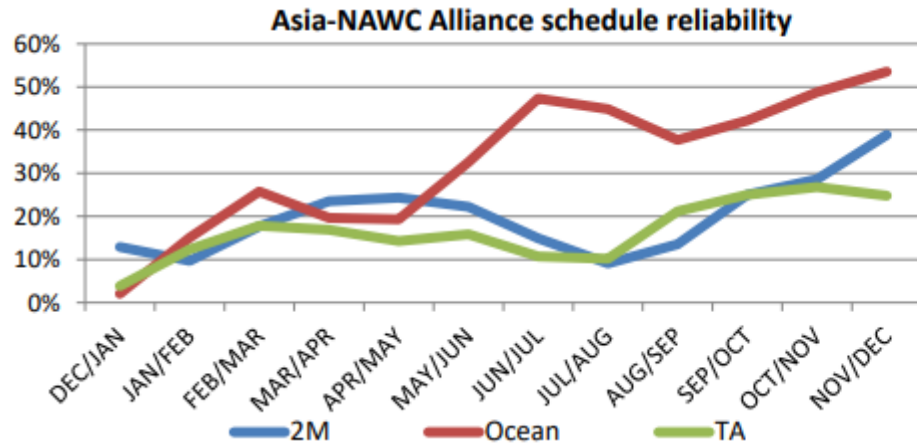
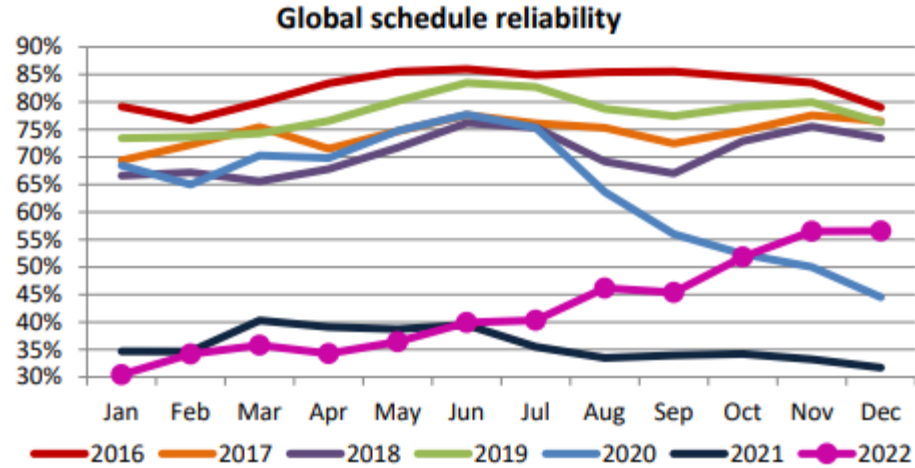
→ RATE Trends/Volatility



Source: Alphaliner

- Rates moving down closer to more “traditional” levels
- West Coast port to port rates have moved faster than the other routings, which are now catching up
- Other trades starting to stagnate or slow down as well (Europe, India Subcontinent...)
- SSLs changing strategies

→ SCHEDULE & CONGESTION



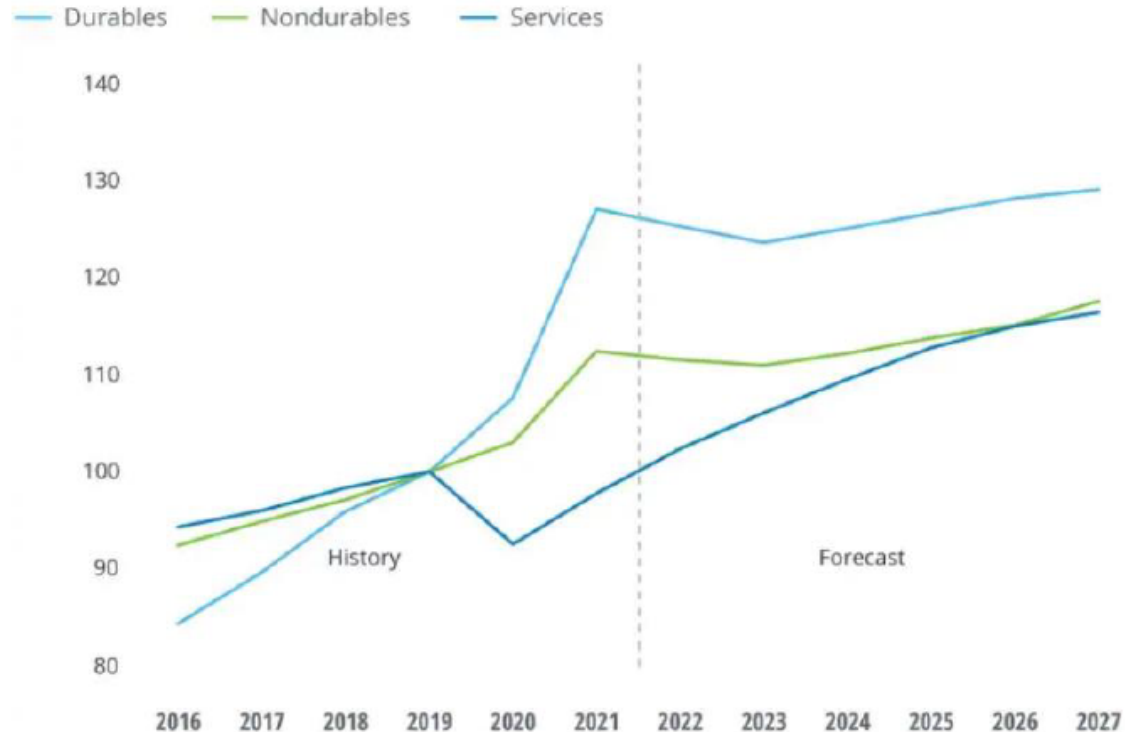
Sources : Sea Intelligence, Port of Long Beach

→ ILWU Update

- No signs of progress
 - Expired July 1, 2022
- Wages and automation
- Conflict in Seattle
 - ILWU and IAM (Intl. Association of Machinists and Aerospace Workers)
- Diversion to East Coast
 - Furniture, Clothing, Electronics, etc.

→ U.S. CONSUMER SPENDING OUTLOOK

Consumer spending, index, 2019=100



Source: Deloitte analysis.

Deloitte Insights | deloitte.com/insights

- Spending on durable consumer goods jumped US\$103 billion in 2020, during pandemic, while spending on services fell US\$556 billion.
- As the pandemic impact wanes, in Q2'22 durables spending was down 6% from the peak in the second quarter of 2021.
- Durable goods spending is expected to fall over the next few years as consumer spending “renormalizes” and consumers resume spending on services. This level is still substantially higher than pre-pandemic period.

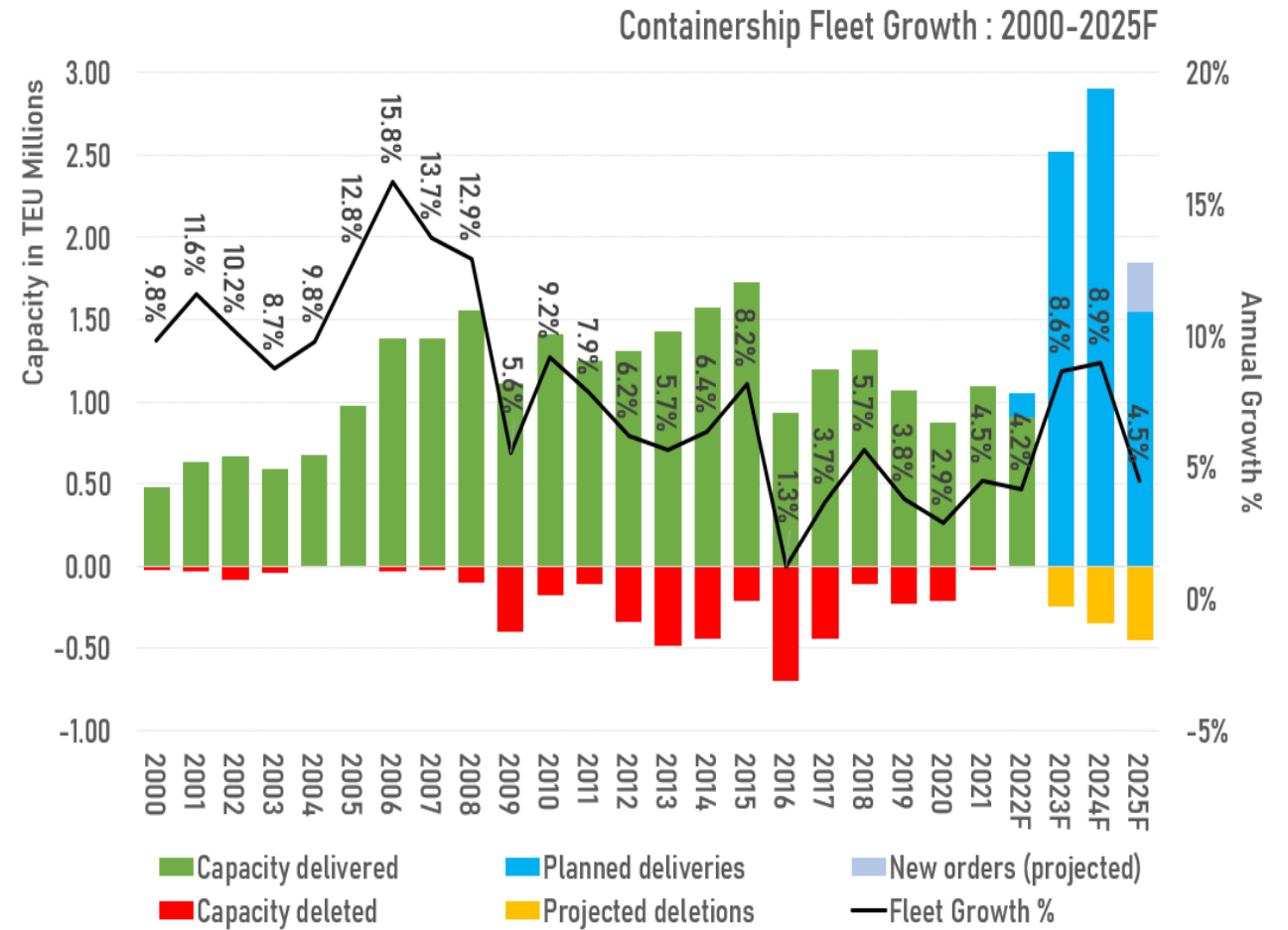
→ U.S. CONSUMER DEMAND OUTLOOK



- Decline in consumer demand will diminish container volumes in the months ahead
- Import cargo volumes expected to be hit the hardest by a potential economic recession in the U.S.
 - Retail
 - Home Improvement
 - Furniture
 - Electronics
- Overall container imports will continue to grow, although at a slower pace compared with 2021

→ SUPPLY

- Gap between supply and demand growth set to widen in 2023
- Capacity allocation to the most rewarding trades - where to now?
- Shift from West Coast to East Coast



Source : Linerlytica

→ Geopolitical trends - KPMG

- **Nations Skeptical about cooperation**
 - More than 6 out of 10 global organizations expect that geopolitical instability may have a detrimental impact on their supply chain in the next 3 years
- **Cyber Criminals ramping up**
 - Almost half of global organizations consider cyber security as an important operational challenge for their supply chains through the next 3 years
- **Material access in turmoil**
 - 71% of global companies highlight raw material costs as their number one supply chain threat for 2023
- **Manufacturing footprint changing shape**
 - More than 7 out of 10 companies that announced a shift of their manufacturing locations between 2018-2023 moved operations into broader Asia.
- **Retail and distribution supply chains are morphing**
 - 67% of organizations consider meeting customer expectations for speed of delivery as a critical force impacting the structure and flow of their supply chains over the next 12-18 months
- **Technology investments accelerating**
 - 6 in 10 plan to invest in digital technology to bolster their supply chain processes, data synthesis and analysis capabilities
- **Scope 3 emissions scrutinized**
 - 53% of organizations plan to increase their focus on sustainable sourcing



C.H. ROBINSON

Thank you,

Sri Laxmana

Vice President, C.H. Robinson

sri.laxmana@chrobinson.com

612-991-9212

