



GLOBAL LOGISTICS UPDATE

SEPTEMBER 2021

Higher Rates Across Modes to Continue into 2022



Demand for goods in the global economy is high and, in many cases, outstripping supply. Major ports in China have shut down terminals in the world's largest ports due to single COVID cases. Hurricane Ida hit the U.S. gulf coast. Political unrest in certain parts of the world is preventing easy transport. And labor shortages in certain regions is reducing capacity for logistics providers. These are just some of the issues that will push shipping rates up into 2022. Our goal is to keep you informed as we monitor this dynamic and crucial part of our supply chain.





OCEAN

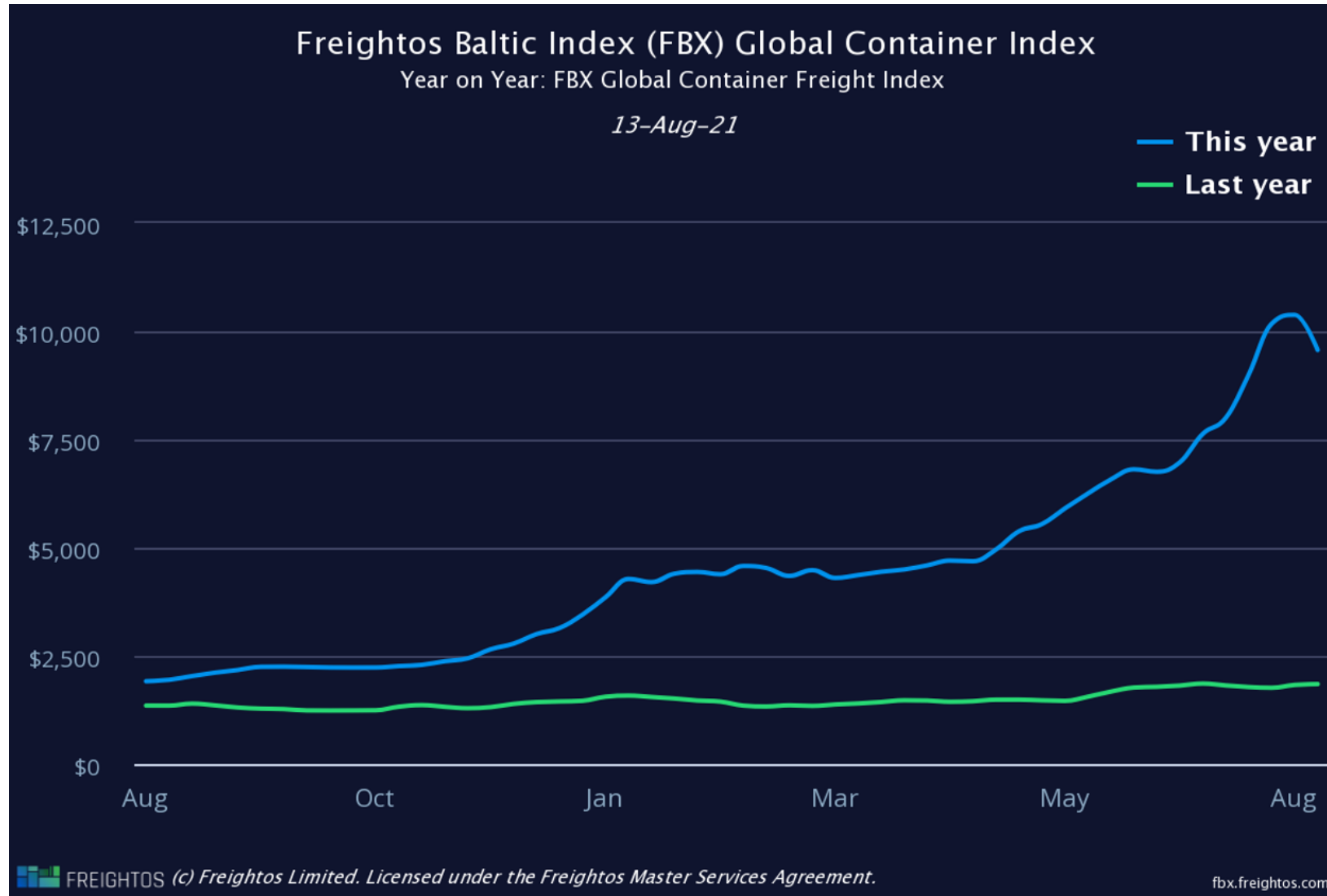


OCEAN: High Level Summary



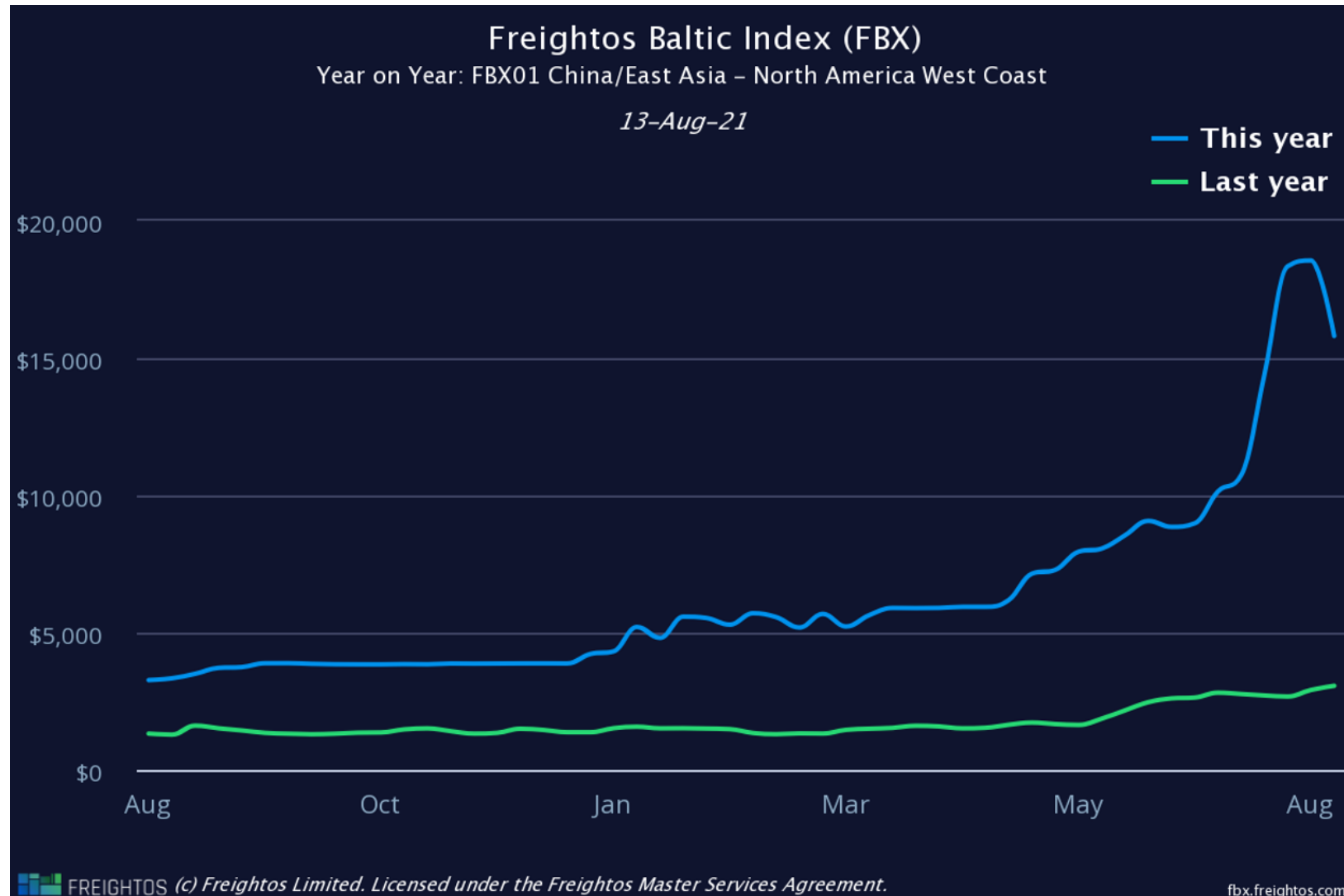
- High rates and competition for ocean freight capacity is the new normal
- Longer lead times, expect 2X the norm of last year
 - e.g.: Shanghai/Los Angeles/Chicago 70+ days vs 30-35 days
- Global reliability schedule very low
 - YoY level, schedule reliability down by 38%
 - Asia / US West Coast is at 24.0% reliability with an average delay for late vessels of 10 days
 - Asia / North Europe is at 23.8%, with an average delay for late vessels of 7.5 days
- 20 cancelled sailings have been announced between weeks 33 and 36, representing 4% of total scheduled sailings
- Port congestion and disruption
- Port stays for vessels has increased from 6 days to 12+ days
- COVID induced terminal closure in Ningbo, China for 6 days – one of the world's busiest ports

OCEAN: GLOBAL OCEAN CONTAINER INDEX (YoY)



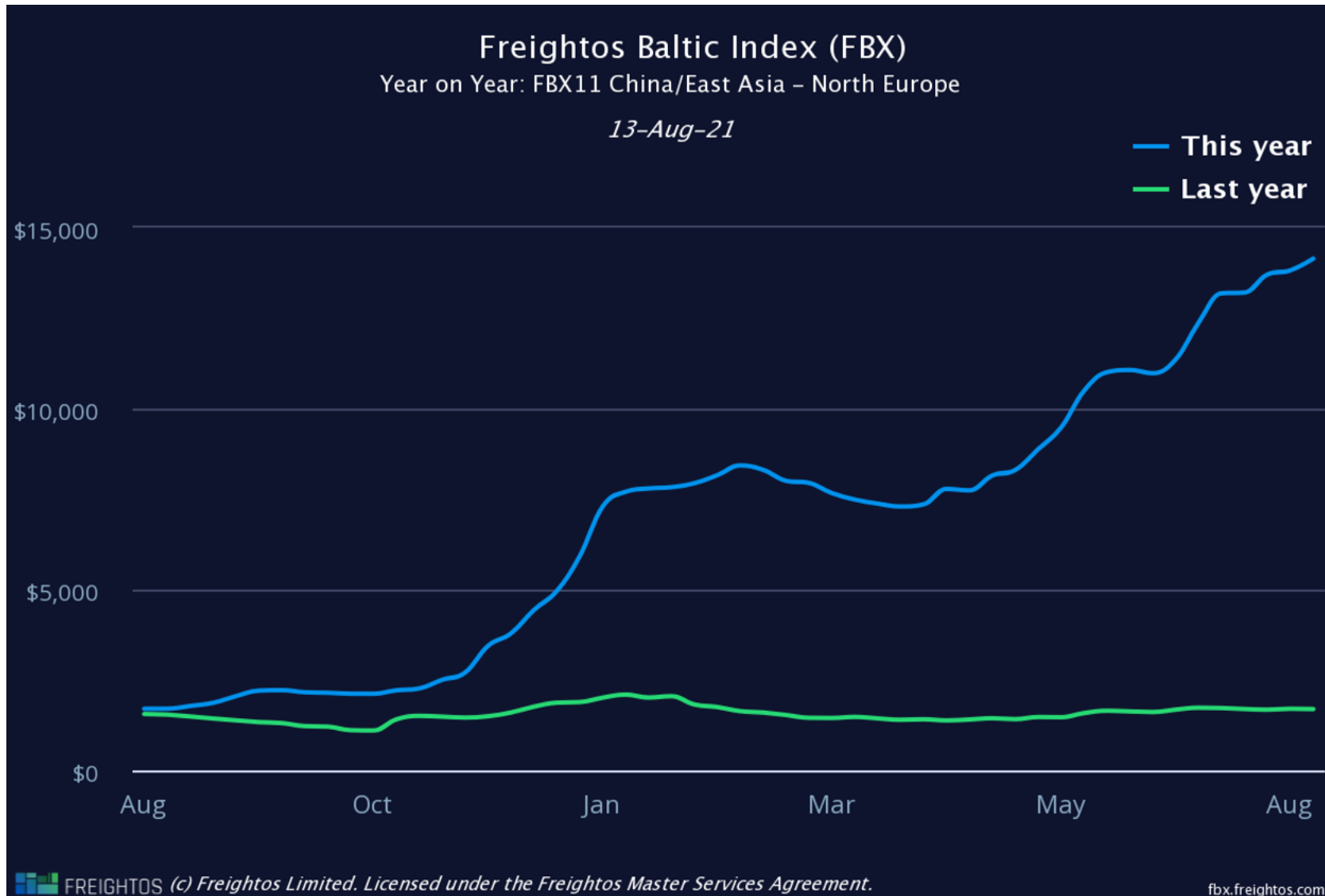
Container index
is up 420% from
2020

OCEAN: China to NA West Coast



Container index
is up 450% from
2020

OCEAN: China to North Europe



Container index
is up 720% from
2020



ROAD



ROAD: Regional Dynamics

North America

Tight Capacity

- Hurricane Ida will increase truck demand to supplement rail disruptions.
- Currently market has 6 available loads per 1 available truck, vs. pre-pandemic levels of 2 to 1, expected to increase in the coming weeks.

Driver Shortage + Sharp Wage Increases

- Deficit of 38,000 drivers vs pre-pandemic level
- Driver wages to increase nearly 3x vs previous range in many regions

Europe

Driver Shortage

- Impacting specific countries, like the UK
- ONS Labor Force Survey revealed 14,000 EU truck drivers left jobs in the UK in 2020, and only 4% returned by July 2021

Capacity Constraints

- In particular areas like Germany, UK
- Across Europe, capacity down 27% vs. last year

Asia Pacific

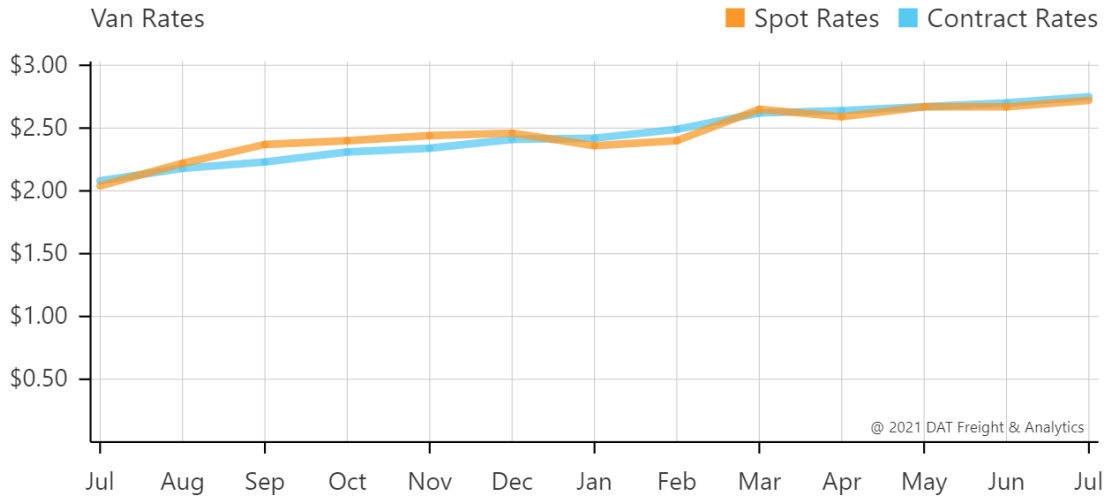
Rates Remain Stable

- Index showing only small fluctuation vs. previous years

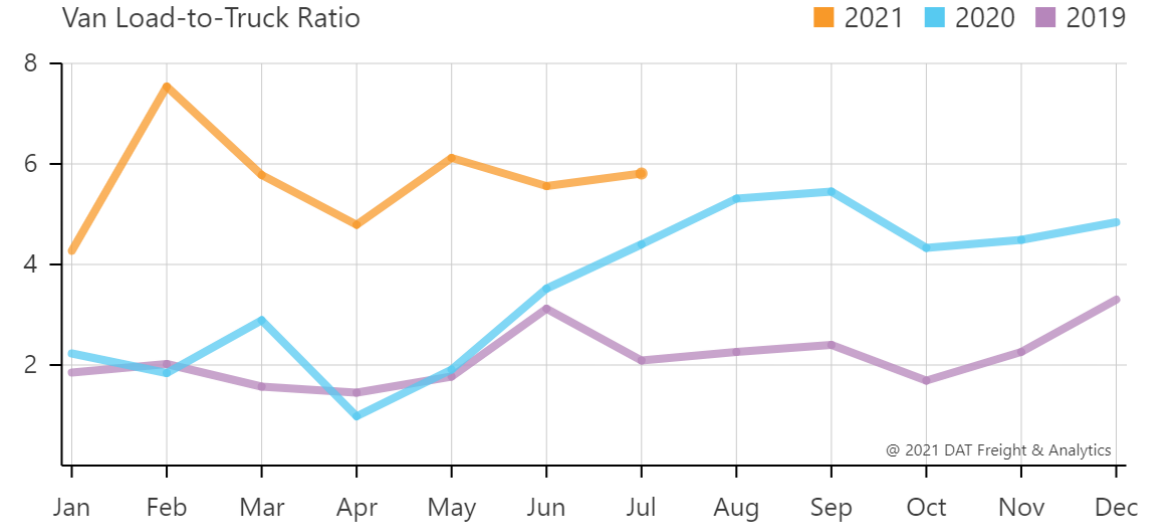
Regular Capacity Available

ROAD: NA Price & Capacity Index (VAN)

Rates continue to climb and capacity available is volatile



Rates increased 33% YOY and 2% vs June 2021
Load-to-truck ratio increased 32% YOY and 4% vs June 2021



Van Load-to-Truck Ratio: # loads available / truck
e.g., In July it shows there are ~6 loads to tender for every available truck.

ROAD: EU Price & Capacity Index (VAN)

Rates and capacity available are volatile

Price & Capacity Index

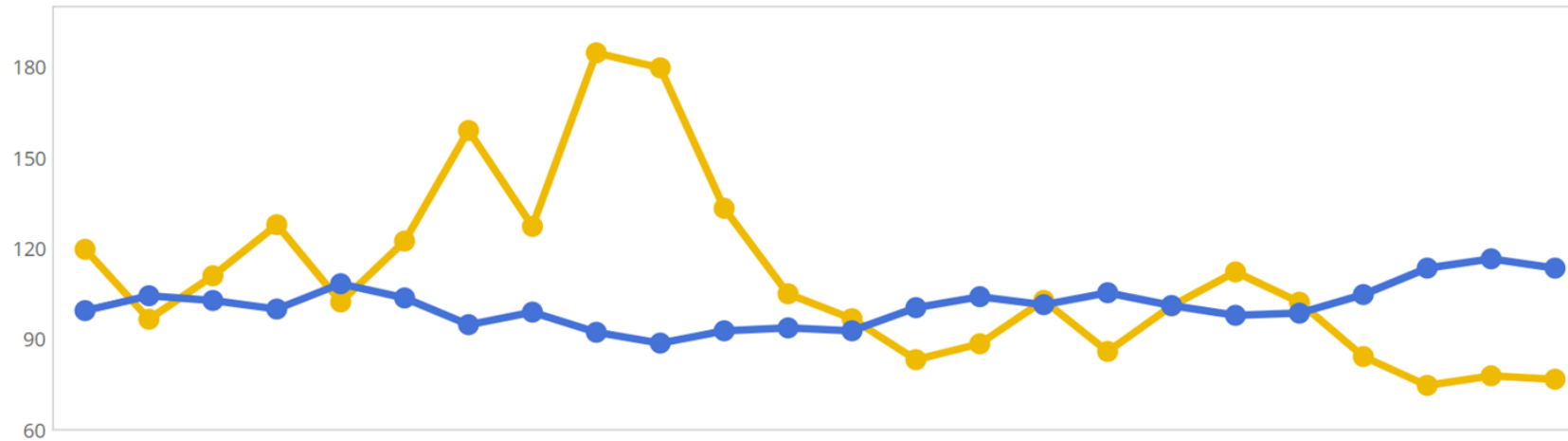
Price Index —●—
Capacity Index —●—

Price Index

▲ 21.1% Jul 2021 vs Jul 2020
▼ 2.6% Jul 2021 vs Jun 2021

Capacity Index

▼ 26.9% Jul 2021 vs Jul 2020
▼ 1.4% Jul 2021 vs Jun 2021



**Price increased 21%
YoY and reduced
2.6% vs. June 2021**

**Capacity reduced
27% YoY and 1.4%
vs. June 2021**

Please note: All TMM Charts are based on real transports. For some combinations sufficient data required for building our index is not available. In this case you will see gaps.

ROAD: China Road Freight Index

Freight index shows low fluctuation since 2018

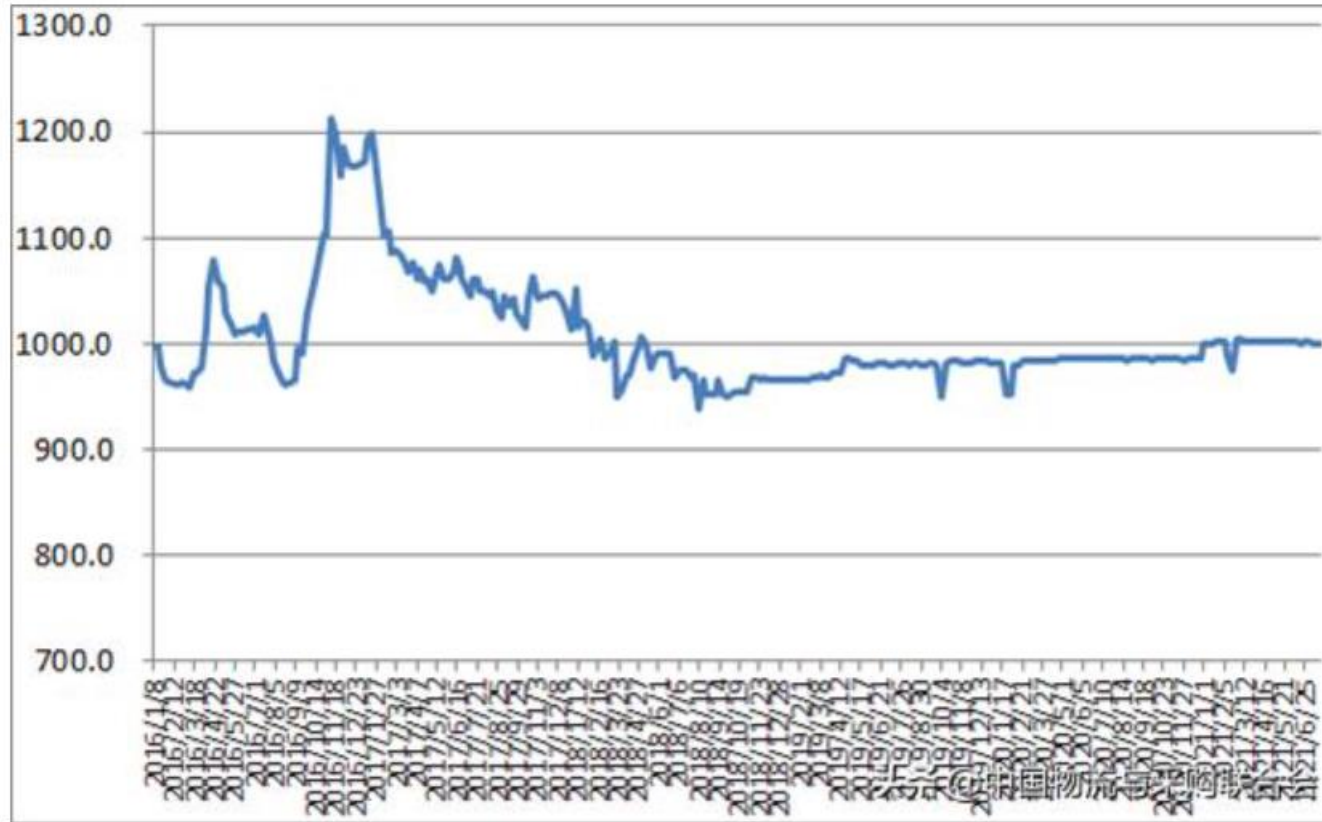


Figure 1 China's highway logistics freight index in each week from 2016 to 2021



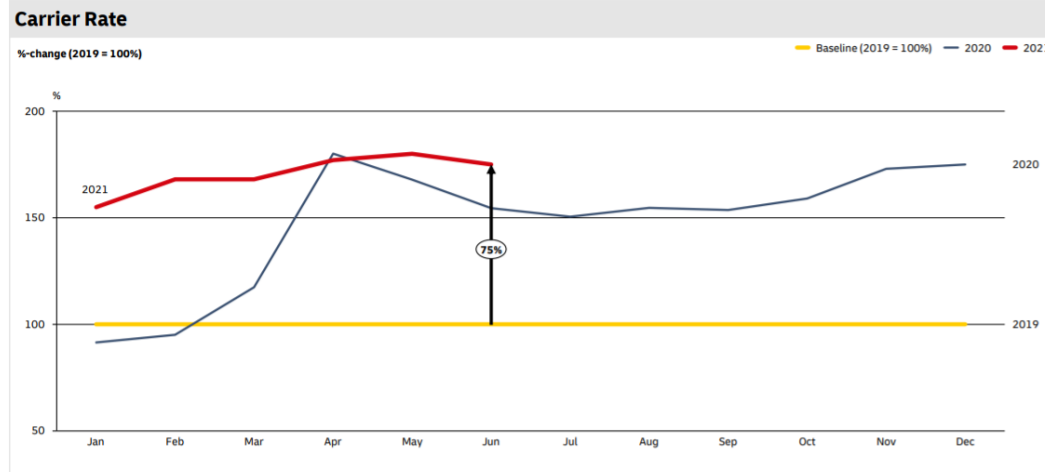
AIR



AIR: High Level Summary

- Capacity still insufficient to support current demand
 - Total air cargo capacity is down 23% vs. 2019 baseline due to reduced passenger flights
- Demand growth remained high for all regions
 - Volume growth increased 31% YoY in Jun 21 as a result of ocean freight disruptions and increased demand
- Global imbalance of demand and supply is expected to continue well into 2022
- Rates expected to remain at or above current levels into 2022 due to demand vs. capacity imbalance and upcoming peak season
 - Rates today are 75% higher than 2019 baseline

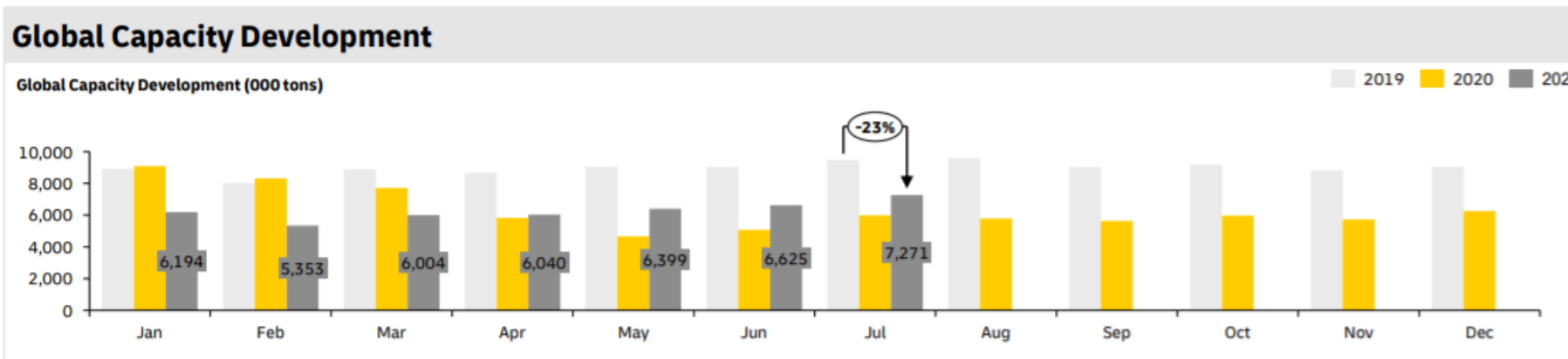
AIR: Global Air Freight Index



Source: IATA; average freight rate including other charges

Current rates are 75% higher than 2019 baseline

Global capacity down 23% vs 2019 baseline





RAIL



RAIL: High Level Summary for North America

- Rail rates in the U.S. are 15% higher vs. 2020 as a result of port congestion and high demand.
- ~10,000 employee vacancies in the NA railroad industry, creating unprecedented reliability issues.
- Record container import volume is straining rail capacity.
- Entering peak season, which is expected to be up 12.6% YoY.
- Shortage of 3,500 container chassis to move containers to and from rail is exacerbating rail reliability.
- Hurricane Ida infrastructure damage is still being assessed. Shut down of rail due to the storm will create backlog issues into Sept-Oct.

Looking Forward...

- Global economy continues to expand as COVID situation improves around the world.
- Higher rates across all modes will continue well into 2022.
- Container availability to improve slightly in late 2021 after peak season.
- Potential for more port lockdowns/disruptions in Fall / Winter related to COVID.
- Global demand forecast to overrun shipping capacity this year and next:
 - Volume growth of 5 to 7%
 - Capacity growth of 4%
- Air Freight Rates (AFR) expected to remain high due to demand vs. capacity imbalance and upcoming peak season.
- Total landed cost for air freight is becoming more favorable than ocean freight.
- Sharp increase in orders placed for new trucks is expected to bring some additional capacity beginning 2022.

AJ's Response



- Our long-standing relationships with our logistics team are helping us to get the best service levels possible in this environment.
- Where inbound freight is coordinated by our suppliers, our AJ team is working to help where possible when our suppliers run into problems.
- We highly recommend all customers work with their AJ sales team to plan ahead and plan around lead times.
- When necessary our experienced sales team is available to help you transition any product you may need.

