

Risks ‘coming fast’ as global supply chain shifts nervously into new year

William B. Cassidy, Senior Editor | Dec 23, 2024, 11:03 AM EST

A strong but slower expanding US economy is signaling strong growth of import volumes at least until spring and no letup of the air cargo boom, while raising hopes of some semblance of a surface freight recovery.

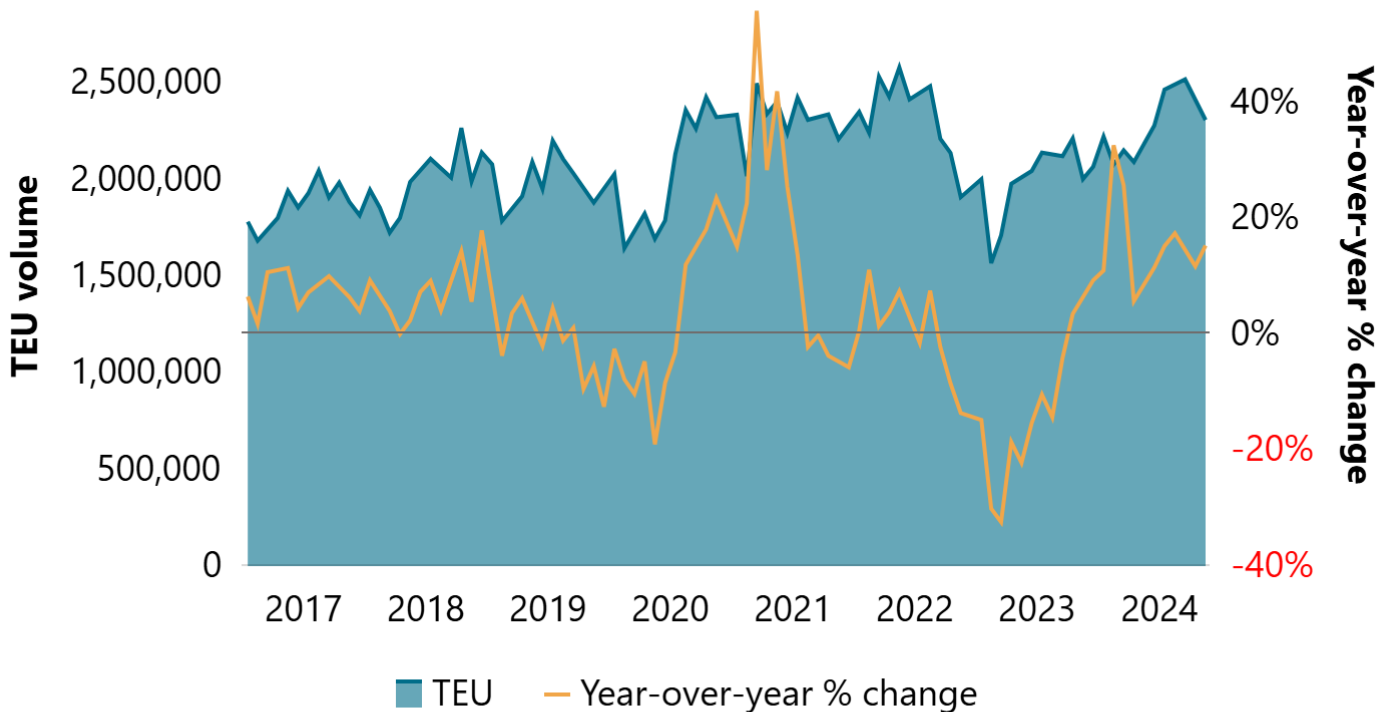
The specter of labor strife and new tariffs, along with strong sales, is driving US retailers to keep imports surging through the spring, according to the Global Port Tracker (GPT) report from Hackett Associates and the National Retail Federation (NRF), [released in early December](#). On a year-over-year basis, GPT projects volumes to rocket 12% in January before dipping 4.1% in February due to a difficult prior-year comparison. US imports in March and April will rise 12.7% and 6.6%, respectively, according to the report.

Although next year will start strong, based on the polling of NRF members, the rest of the year might be weaker than last year. *Journal of Commerce* parent company S&P Global in September forecast total US imports to slip 4.4% in 2025, excluding the impact of any new tariffs. US retail sales will inch up next year by 1.8% compared with a 1.1% expansion in 2025, according to Fitch ratings.

According to the most recent data available from PIERS, a sister product of the *Journal of Commerce* within S&P Global, US imports climbed 15.3% in November, the 14th consecutive month of year-over-year gains and the sixth straight month of double-digit percentage increases.

Double-digit US import growth streak continued in November

Total containerized US imports, in laden TEUs, with year-over-year change



Source: S&P Global

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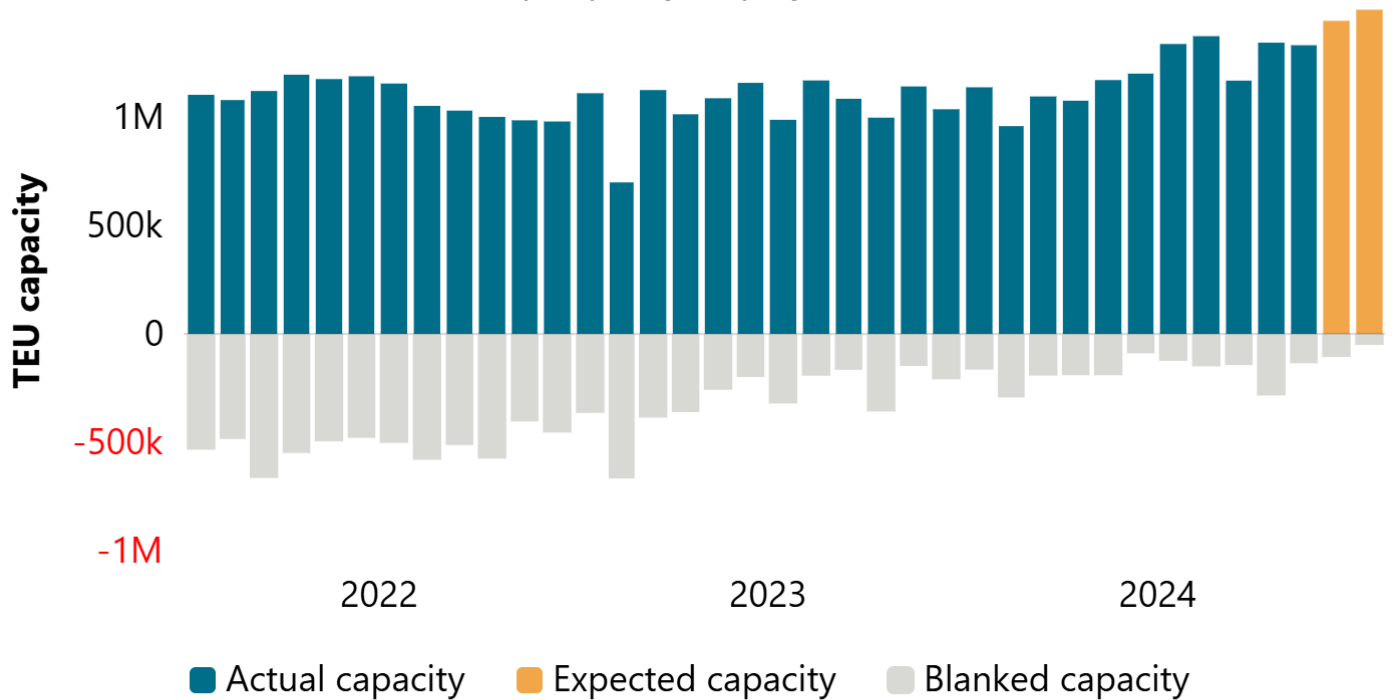
November also marked the nineteenth consecutive month that US imports exceeded 2 million TEUs. If NRF forecasts come to fruition, December imports will break the pandemic-era record of 19 straight months.

A rush to beat tariffs imposed by President-elect Donald Trump and a strike at US East and Gulf coast ports could sap capacity in the short term, but encouragingly, the overall outlook for vessel capacity is robust. Container lines, for example, are set to deploy a record level of capacity in January — nearly 1.5 million TEUs — between Asia and the US, according to maritime intelligence provider eeSea.

“Once we get to January, whether it’s on the political front, the labor front, the alliance shake-up, everything is coming fast,” Sanjay Tejwani, CEO of consulting firm 365 Logistics, told the *Journal of Commerce*, referring to the launch of the new container carrier alliances starting in February.

Carriers increasing trans-Pacific vessel capacity through January

Asia–US West Coast container ship capacity, deployed and blanked, with forecast



Notes: as of Dec. 5, 2024

Source: eeSea

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Rarified air

If shippers do get in a pinch, they’ll likely find it even more difficult and more costly to turn to air cargo transport rather than ocean shipping. More than 12 months of double-digit percentage growth in air cargo demand that has outstripped available capacity, combined with constant waves of disruption, is forcing shippers and their service providers to better plan their use of air freight. Chinese e-commerce giants Temu and Shein have fueled much of the growth even as the US and other countries look at tightening up de minimis levels.

Usually regarded by ocean shippers as an emergency option, air cargo is seeing a greater volume of non-essential products to get around container shipping challenges, a move that comes at a substantial cost to shippers. For example, average air cargo rates from Asia to North America hit a 2024 high of \$6.61 per kilogram in early December, according to the Baltic Air Index. Shippers are changing their behavior as a result.

“The closing months of 2024 could have been very messy again for shippers, but we are not hearing that,” he said. “That’s not because the volumes are not there, or the flights are not full, it is because everything, overall, is being managed better,” said Niall van de Wouw, chief air freight officer at rate benchmarking platform Xeneta.

The International Air Transport Association (IATA) [forecasts air cargo volume growth will decelerate to an expansion of 6% in 2025](#), approximately half the clip seen in 2024. New capacity will also enter the market at a slow rate, with IATA expecting a 6.4% increase compared with a 9.6% expansion in 2024.

Driving through the doldrums

On land, US truckload demand and rates have been anything but volatile. Total truck volumes for the first 10 months of 2024 were 0.7% below the same period in 2023, according to the trucking ton-mile index produced by Jason Miller, Eli Broad professor of supply chain management at Michigan State University.

The American Trucking Associations (ATA) For-Hire Truck Tonnage Index, based on freight volumes hauled by both truckload and less-than-truckload (LTL) members of ATA, was up 3% from January in October, but the index was choppy and volatile throughout 2024. In October, the index was up 1.2% from September but flat year over year, according to ATA data.

Comparatively, truck capacity has been plentiful, as reflected by low spot rates and contract pricing. Shippers reported only occasional market tightness — most often in Southern California, where port volumes absorbed some excess capacity — and no real trouble finding trucks.

Capacity is tighter in the LTL sector, which saw the number of terminals, trucks and drivers shrink after Yellow, then the third-largest LTL provider, went bankrupt in 2023. That company’s shutdown eliminated about 10% of US LTL capacity. With capacity still tight heading into 2025, LTL carriers are pushing increases in the mid- to upper double-digit percentage range in annual contracts.

“We are at a transitionary point in the market,” Ryan Hammett, director of market intelligence and insights at third-party logistics company C.H. Robinson Worldwide, said at the Traffic Club of Chicago Transportation & Logistics Customer Forum in November.

“We’ve been stuck at the bottom of this freight cycle for more than two years now, but there are signs things are changing and we’re moving from a period of oversupply into a little bit more balance,” Hammett said of US truckload capacity.

Steady on the rails

International intermodal volumes enjoyed a boost last year because of surging freight to the US West Coast, rising by double-digit percentages. Total inland point intermodal (IPI) volumes will end the year between 8.91 million and 9.1 million units, according to a *Journal of Commerce* forecast based on data from the Intermodal Association of North America.

A potential shift of cargo back to the East and Gulf coasts following a finalized longshore contract would put downward pressure on international intermodal growth. If that were to happen, total international intermodal traffic could be flat to slightly down in 2025 across North America. Assuming a gradual shift back to the East Coast, IPI volumes in 2025 will be between 8.9 million and 9.1 million units, according to the *Journal of Commerce* forecast.

Domestic intermodal volume grew in 2024 as well, although only by mid-single digit percentages year over year. Given the amount of available container capacity available, another single-digit percentage increase in 2025 could be on the horizon.

The rise in domestic intermodal volume was a tale of two markets. Demand to move freight out of Southern California was robust in the second half of 2024, but outside the West Coast, growth was minimal or non-existent.

Domestic intermodal volumes are set to expand 3% to 4% year over year in 2025, according to the *Journal of Commerce* analysis.

Fueling a freight recovery

For the past three years, an uptick in US freight demand has often seemed only a few quarters away, but a catalyst for stronger growth has consistently failed to materialize. Ongoing cuts to the US federal funds rate, perhaps coupled with tax cuts, may provide such a catalyst.

It's unclear when or how much the US economy and freight demand — which, as the past two years have demonstrated, are not always closely linked — will strengthen in 2025. The inflation rate has slowed, but consumer prices and home mortgage rates remain comparatively high.

Mortgage rates are not linked directly to the US federal funds rate, but to the 10-year US Treasury bonds. Cuts to the funds rate by the US Federal Reserve don't immediately move those bonds. Still, lower mortgage rates are seen as a much-needed catalyst for freight volumes.

Logistics executives hope freight demand may increase even if the overall economy slows, as predicted. The inverse has taken place over the past two and a half years, as the US economy avoided a recession while experiencing a shortfall in freight demand.

S&P Global forecasts US real GDP expansion will drop from 2.7% in 2024 to 2.1% in 2025. Encouragingly, shipper sentiment is showing signs of improving, boding well for 2025 volumes, according to the BlueGrace Logistics Confidence Index.

The percentage of shippers surveyed by BlueGrace that had a positive view of revenue growth for the next quarter increased from 66% to 68% for the first quarter of 2025. More importantly, the share of respondents with a negative view of revenue growth dropped from 15% in the previous survey to 9%.

The data points to a complex environment where “optimism is present, but caution prevails,” BlueGrace said.

Aside from a jump in production in December, US manufacturing has been relatively weak in 2024, according to the US manufacturing Purchasing Managers' Index (PMI) report.

“To really say that the market is turned, we're going to have to see manufacturing come back,” said Vince Paperiello, senior vice president of intermodal at STG Logistics. “We're going to have to see housing starts coming back.”

Contact William B. Cassidy at bill.cassidy@spglobal.com.