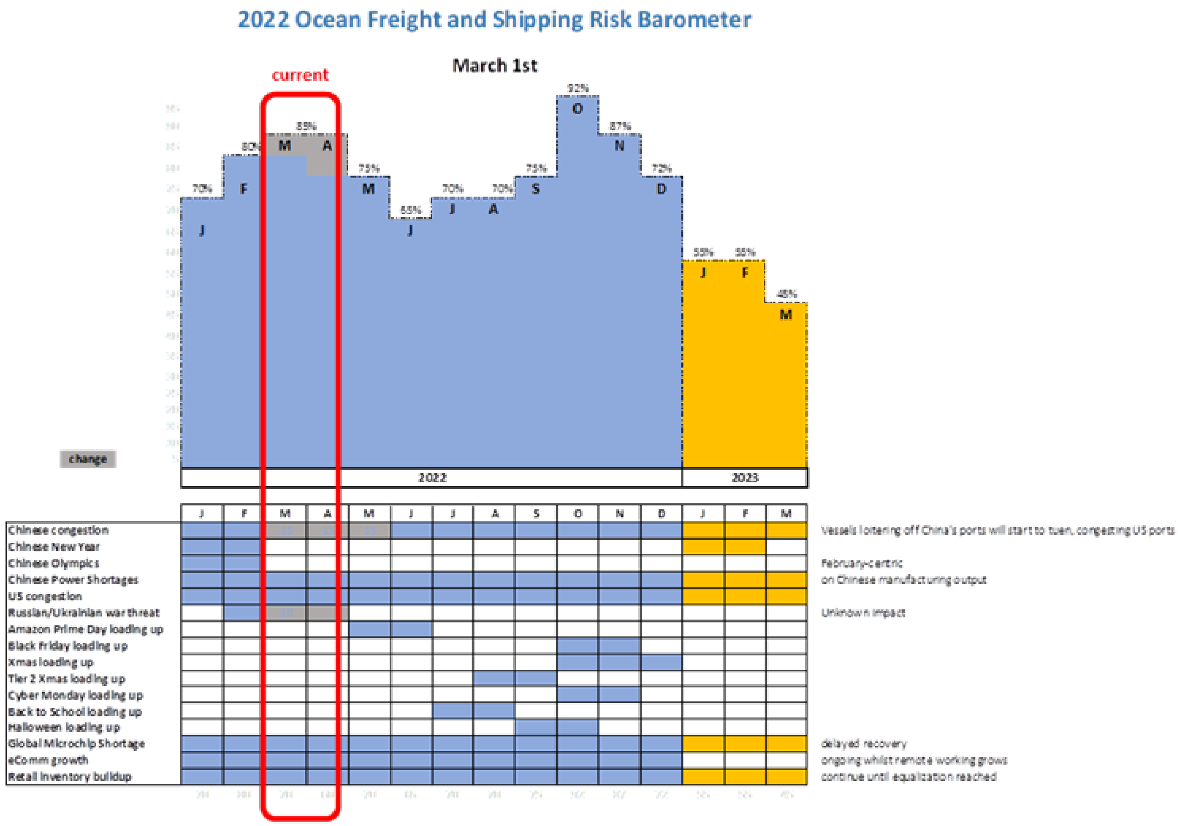
ACC NEWS

February 28, 2022

With escalating tensions from the Russian invasion of Ukraine, we need to watch the following, among others;

- ***Oil price increases*** pushing up ocean freight rates
- Effect on ***ocean vessel availability***
- ***Cyber warfare*** – it is being reported that as Russia increasingly feels the wrath of sanctions and embargoes, they will resort to cyber warfare, particularly against ocean freight in that this will, they plan, slow down and affect Western economies.
- ***One Belt One Road*** – this is the land link between China and the EU. It includes 800 miles of the Trans-Siberian rail line, as it transits through Russia en route to the EU. Depending upon China's position and (Russian) engagement, this, if affected, will directly impact ocean routes from China to the EU, bumping into ocean freight from China to NA.
- ***Gas and diesel prices in NA***, which will float higher as global oil prices rise, affecting land delivery rates
- ***Capital markets*** are on edge
- Longer term – should the Russian military advance be severely hampered, they will introduce ***increasingly lethal weaponry***, irrespective of civilian casualties. This morning the Chechnyan leader advised Russia to flatten Ukrainian cities that do not surrender, saying that Russia is proceeding "too softly". Should this happen, which looks increasingly likely, global events and reactions will escalate.
- As the Russian economy drops, already happening, they more than likely will resort to ***countermeasures***, including blocking natural gas to the EU. This will knock into global gas and oil prices even further.
- Countries "sitting on the fence" such as Brazil, Israel, South Africa, and others may be forced to take positions, ***affecting raw materials, global labor, and strategic minerals availability***.
- Watch ***China*** closely, they have not yet taken any firm position

We have included the Weekly Ocean Freight Barometer (shown below) in our weekly issues. It has been updated with the grey areas in March/April.



Earlier today, the article below appeared in Freightwaves.

- Russian import bookings declined 40% over the past week and will obviously fall further after growing ~64% in 2021 from the previous year, resulting in a 75% increase in goods by value, according to the Census Bureau. This put the imported goods value at its highest level since 2012. This direct economic hit will more than likely be dwarfed by the numerous indirect consequences of Russia's recent invasion yet to come.
- Many companies realized that geopolitical risk has become one of the biggest threats to supply chain management over the past four years. The U.S. trade war with China highlighted how much our two economies are reliant on each other for success thanks to many American companies relying on cheaper foreign production of their goods.
- Countries with autocratic leadership may have a low-cost labor force but our ideals are not in alignment, which increases the risk for confrontation. Russia is not America's largest trade partner but many of our largest trading partners, like Germany and China, have strong economic ties to the country.
- Most current supply chain woes have been driven by demand that exceeds the current transportation capacity limits. This conflict will impact maritime shipping capacity worldwide and add to the already present price inflation.
- Russia is the world's 11th-largest economy and one of the main producers of oil and supplier of industrial metals like aluminum and palladium, which have been increasing in price this year. All of these are critical components of production of finished goods that have been fueling the U.S. economic growth of the past year.

- Oil prices have been erratic prior to the invasion but this will only make things worse. Fuel prices currently account for roughly 15%-20% of the current cost of spot truckload shipments and the sharp increase over the past few weeks will keep rates elevated even if the market eases.
- In the longer run, companies have no choice but to consider the implications of international trade relationships. Companies have had to overorder due to concerns about tariffs or scarcity of product for the past three years. The pandemic ordering behavior has driven warehouse prices up as capacity has contracted nearly every month since March of 2020, according to the Logistics Managers' Index.
- War is a terrible thing and there are many consequences much worse than continued supply chain disruptions and inflation. Here's to hoping for a swift resolution and a positive outcome for the individuals whose lives are in danger through no fault of their own.