



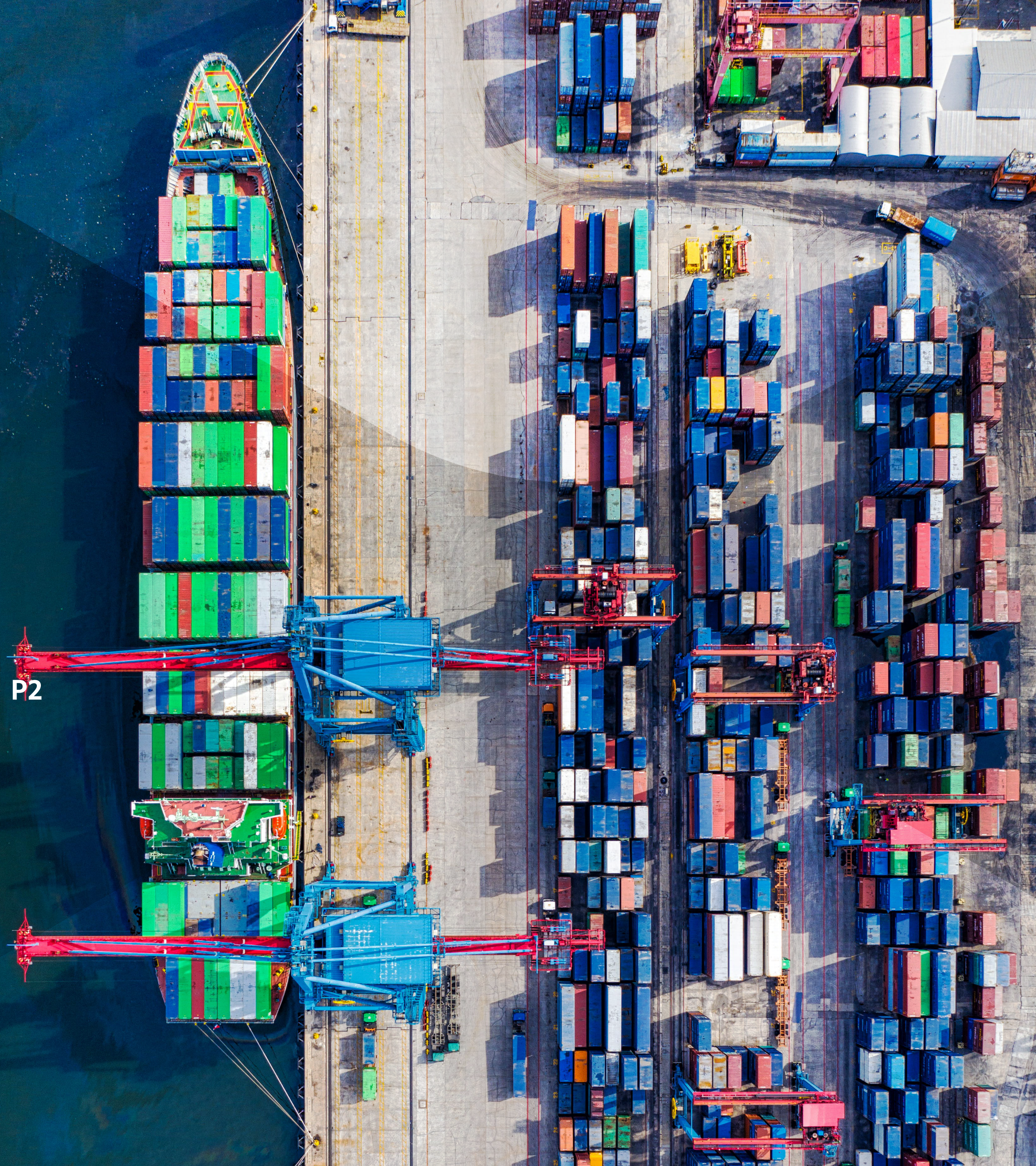
# CROWLEY Insights

Logistics industry positions for unpredictable economy, hopeful for 2024 | **P2**

Advisory boards unlock creative thinking | **P5**

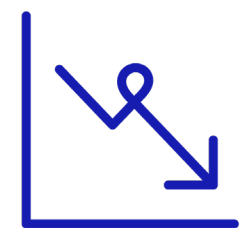
Local businesses drive investment in Central America | **P7**

March 2024





# Logistics industry positions for unpredictable economy, hopeful for 2024



62%

US consumers feeling  
mixed or pessimistic  
about the economy

Source: [McKinsey/ConsumerWise](#),  
February 2024

The logistics business is a bellwether of future economic activity, thanks to insights from their order books and customer anecdotes. Consumer optimism also seems to be on the rise as they plan for increased spending on essential items. However, they continue to navigate uncertainty amid continued economic unpredictability.

The U.S. economy has been resilient in the face of rising interest rates. But consumers remain cautious as talk of a potential recession following the current inflationary period lingers. In addition, anxiety regarding the political

landscape ahead of a presidential election in 2024 is also weighing on investment decisions.

“We are not forecasting a deeper recession but a slow recovery,” said Todd Simpson, vice president of finance, Crowley Logistics. “Volumes have been on a downward trend since the highs of 2022, with slower than expected recovery coming out of the summer months.”

Concerns over supply chain issues led to a rise in shipping volumes last year, as businesses stockpiled in the hopes ▶



of continued strong demand. As consumers closed their purses, that excess inventory had to be chipped away, but now a more accurate idea of consumption is emerging.

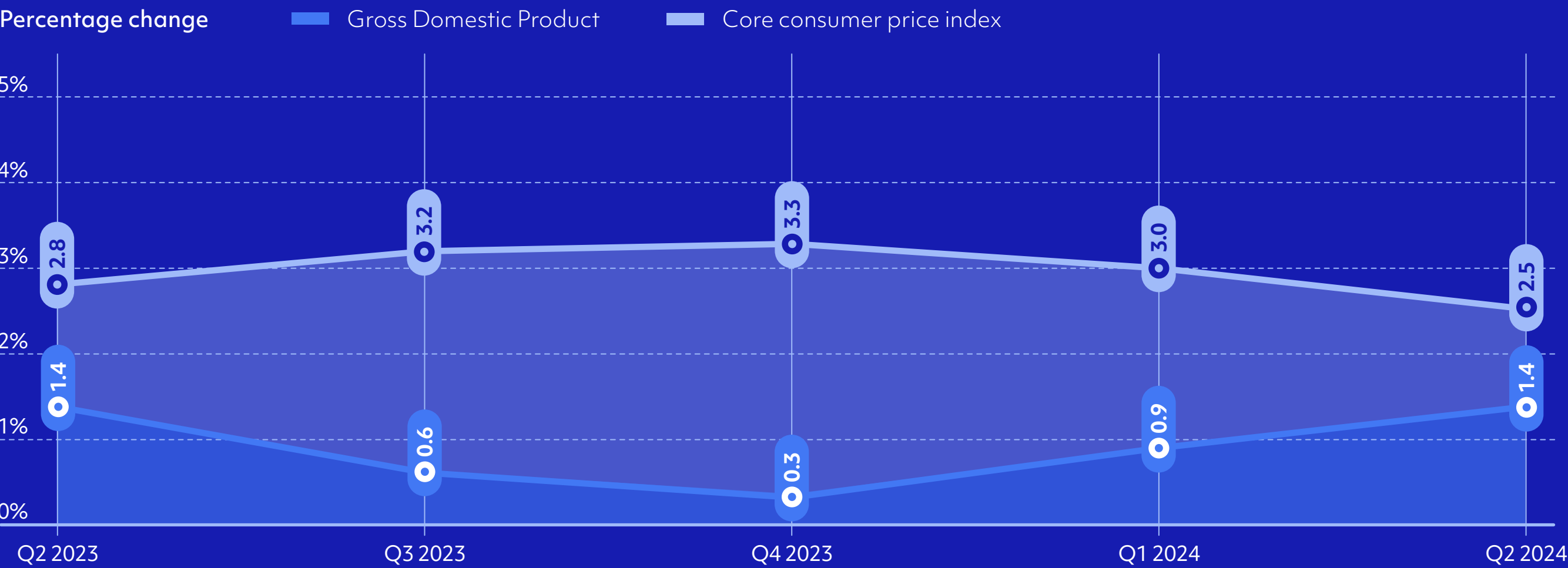
“Customers are ordering based more on consumer demand, on what they need at the time – they’re not building up inventory supplies,” said Simpson. “They’re not seeing significant growth in the future, at least for the first half of 2024.” He expects shipping volumes in 2024 to match those of 2023, slowly increasing in the latter half of the third quarter.

Although keeping an ear to the ground and parsing client interactions provide a reliable reading of market sentiment, economic indicators help paint a broader picture of the economy to forecast demand and set up for growth opportunities.

High interest rates and nagging inflation will continue to constrain disposable income, with consumers having to cover essential goods and services first. Also, spending patterns have changed from the beginning of the pandemic, when purchases of TVs, computers, patio furniture and apparel rose significantly while people were working from home, said Simpson. ▶



U.S. ECONOMIC OUTLOOK PROJECTIONS TO Q2 2024



\*Interest rates on 3-month Treasury bills

Source: Congressional Budget Office



“I think during the peak of Covid, consumer spending increased on home goods and other non-necessities designed to lessen the burden of isolation and shutdowns; this spending has since slowed,” he said.

Lukewarm consumer demand combined with higher availability of space on container ships is putting downward pressure on global ocean freight rates, a trend that is

expected to endure. For ocean carriers, one buffer to this trend is the ability to operate on contracts instead of the spot market.

“We have seen longer extension of contracts,” said Simpson. The supply chain shock that accompanied the Covid-19 pandemic caused such an aberration in spot prices that now many shippers want to lock in rates for longer.

“Pre-pandemic contracts were usually for about a year, but we are starting to see contracts now go up to three, even four year-long contracts,” said Simpson.

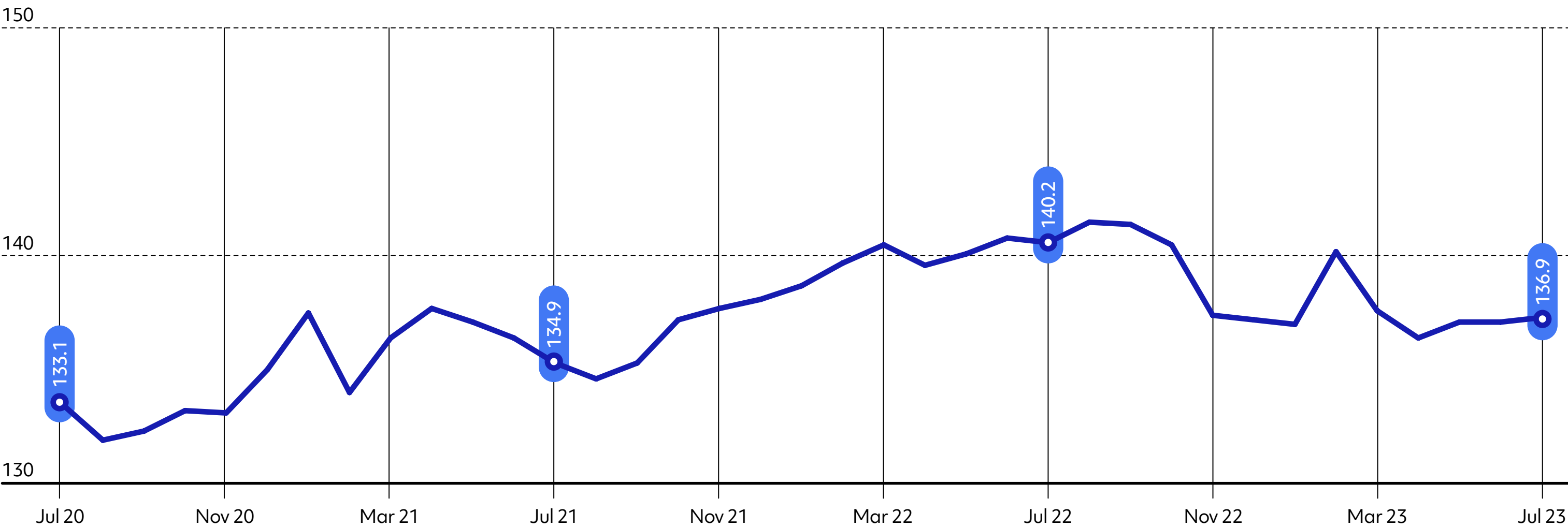
At the same time that inflation and high borrowing costs are putting a damper on spending and stifling economic growth, the uncertain political landscape adds a layer of caution to consumer sentiment.

“As we move into election season, I think some of the negativity we may hear will keep consumers, as well as companies, from making significant investments,” said Simpson. “The overall sentiment regarding the economy and, part of it being the politics, will play into people’s psyche.”

Getting the economy to a sustained growth pace means overall sentiment improves and turns positive. And when that happens, the logistics industry will see the early signs of a rebound as demand starts to increase.

“Whether it’s raw material or finished goods, it will need delivery to destination. We are starting to see that demand pick up for us,” said Simpson. “That activity usually heralds a turn in consumer sentiment and is a harbinger of future economic growth.”

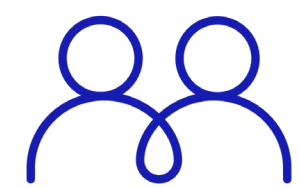
AMOUNT OF FREIGHT CARRIED BY THE FOR-HIRE TRANSPORTATION INDUSTRY  
Freight Transportation Services Index, July 2020 - July 2023 (Index at year 2000=100)



Source: [The Bureau of Transportation Statistics](#)



# Advisory boards unlock creative thinking



**880k**

advisory boards globally

**20%**

increase in advisory boards  
since 2021

Source: [Advisory Board Centre](#)

As companies grow and face new challenges, business leaders often have to take a dose of “thinking outside the box” to devise fresh strategies for success. But they no longer need to go it alone. Increasingly, executives are enlisting advisory boards to help them step outside the day-to-day and see the business from a whole new perspective.

The use of advisory boards by corporations large and small is on the rise: there are 880,000 advisory boards globally, according to the professional organization - Advisory Board Centre. It estimates there are about 2.6 million professionals working as advisors, double the number observed in 2019, according to the Centre’s State of the Market Report 2023-2025.

An advisory board is a select group of professionals handpicked by an organization to help solve problems and explore opportunities, usually focused on a specific area of the business. The interaction of individuals from different backgrounds and professional careers – academics, former business owners and CEOs, digital media specialists, venture investors, financial analysts, ambassadors, military officers, to name a few – leads to diverse thinking that can ignite innovations.

Take the advisory board that Crowley has convened to support its Government Solutions business unit. Among its members are retired high-ranking officers from the U.S. Navy and the U.S. Marine Corps who can offer guidance grounded on their experience and expertise with one of Crowley’s customers, the U.S. government. ►





# We asked ourselves, how do we take a step back, get out of the weeds, and get really critical external feedback and ideas, innovation and guidance.

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**Brett Bennett,**  
Senior Vice President,  
Crowley Logistics

These advisors and others help different teams within Crowley to connect with decision-makers, collaborate with industry partners, stay current with changing policy, and share insight into future market dynamics.

Distinct from a corporate board of directors, which is usually concerned with business strategy and regulatory compliance, the advisory board's role is to promote frank discussions and robust conversations while imparting insights from their areas of expertise.

Advisory boards are often convened to deal with some significant business hiccup, but they can also be a way to proactively approach risk management.

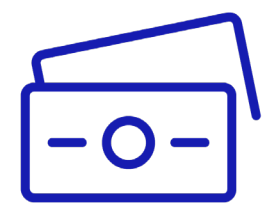
At Crowley, the catalyst for convening a logistics-specific advisory board in late 2022 was the realization that its staff and operations were ready to embrace change after Covid-19. The flexibility and resiliency on display as the pandemic unraveled the supply chain brought home the fact that transformation is part of the culture of the 132 year-old company.

"We asked ourselves, how do we take a step back, get out of the weeds, and get really critical external feedback and ideas, innovation and guidance," said Brett Bennett, senior vice president of Crowley Logistics, who leads the company's logistics advisory board. Engaging with an advisory board can help promote a culture of collaboration and learning within an organization, which is crucial for business growth. But the effectiveness of advisory boards will be determined by the willingness of the company's executives to expand their horizons and accept outside viewpoints.

"We approach our work with the advisors from the frame of mind that we're going to grow, to change, become more resilient and more nimble," said Bennett. "And we have to think more broadly and more externally than we have in the past."



# Local businesses drive investment in Central America



## \$10bn

of new investment and

## 2m

new jobs targeted by 2026

Source: [HUGE Business and Investment Council](#)

A dynamic group of business leaders, researchers and policy experts in Honduras, the U.S., Guatemala and El Salvador have joined forces to bolster investment in Central America. Their goal is to promote economic prosperity by realizing the potential of the region's resources, both human and natural.

Called ThinkHUGE Council, the group is committed to diligently employing their combined expertise and capital to create rewarding jobs that will boost quality of life, sustain economic growth, and ultimately establish the region as a reliable supplier of goods and services to the U.S. and beyond.

"The organization is focused on mobilizing private investment for massive job creation, and a good standard of living in the Northern Triangle," said Greg Huger, executive director of ThinkHUGE.

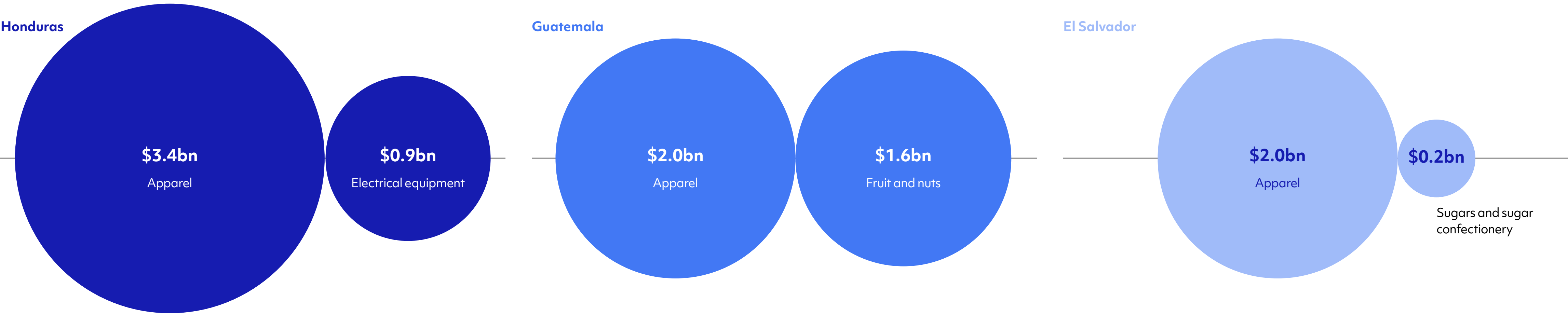
The Council, created in early 2021, is indeed thinking huge: it aims to deploy \$10 billion in new investment to create half-a-million new direct jobs, and another 1.5 million indirect jobs in five years. Halfway through that target, projects worth \$4.56 billion are in development in the three Central American countries, with a potential new 130,000 jobs being created.

Because the initiative was born from the vision of local businesspeople instead of being proposed by government agencies, the group's ability to marshal private capital and focus their efforts is unmatched, said Huger.

"This is not a think tank – it's a 'do' tank," he said. "These are successful businesspeople who move fast, and have capability and experience." ►



2022 EXPORTS TO THE USA



Source: [Trading Economics, October 2023](#)

Source: [Trading Economics, October 2023](#)

Source: [Trading Economics, October 2023](#)

THE POWER OF “WALK THE WALK”

Among the association’s 21 founding members are some of the region’s largest financial institutions, apparel and textile companies, real estate developers, business strategists, logistics and shipping, bottling, agribusiness, travel, and media businesses.

These executives have been running profitable companies, offering good pay and benefits for their employees for years. To some extent, ThinkHUGE is a platform for them “to practice what they preach” and engage other

companies to take advantage of partnerships in the region, said Mr. Huger.

For their part, the U.S. partners gain access to geographically close, reliable suppliers as a viable alternative to China, where issues of human rights, environmental concerns, and trade tensions create uncertainty and pose risks.

Already, the U.S. is by far the primary market for goods from the Northern Triangle countries, with apparel and textiles standing out as their main export product. Tucked

just below Mexico’s southern border, Honduras, Guatemala, and El Salvador sent a combined \$15.14 billion worth of goods to the U.S. in 2022.

WORKING ALONGSIDE GOVERNMENTS

As an organization spearheaded and funded by the private sector, ThinkHUGE has the independence and agility to access resources needed to pursue its mission. But there are some aspects of the initiative, such as developing infrastructure and modernizing customs procedures, that require governmental involvement. ▶





# This is not a think tank – it's a 'do' tank

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Greg Huger,  
Executive Director,  
ThinkHUGE

With a portfolio of target projects and financial commitments in hand, ThinkHUGE founders are engaging the governments of Honduras, Guatemala and El Salvador to find ways to create a business environment that attracts investment to the region.

It has also been in close contact with some agencies of the U.S. government. The Council's purpose of fostering economic growth in Central America is closely aligned with President Joe Biden's administration strategy to address the root causes of migration from the region.

Collaboration with the public sector is already underway to improve workforce development and transportation network infrastructure.

This summer, North Carolina State University's textile school secured a \$2 million grant from USAID, the U.S. development agency, to train 1,500 Hondurans in yarn spinning, knitting, dyeing and finishing, and apparel production. ThinkHUGE's textile cluster, or committee, has been a strong advocate for training and educating workers to support the sector's expansion, which will create some high-tech jobs as well.

Four of the Council's founding member companies are investing a combined \$650 million to build new yarn spinning plants that will make the region self-sufficient in these inputs, which are currently imported from China.

"With the vagaries of the global situation, that's deemed to be a big risk for business, so the [spinning plants] eliminate that risk," said Huger. "It also creates a vertically integrated textile industry that is much more stable than a textile or garment industry based only on sewing."

## **BOLSTERING INFRASTRUCTURE**

Another area of focus is logistics. A resilient and efficient supply chain relies on good roads, airports and seaports; efficient border and customs procedures; and modern warehousing facilities. Crowley has taken the lead ►



within ThinkHUGE to explore partnerships to develop the region’s infrastructure.

To this end, the group is in close contact with the Central American Integration System, or SICA (its acronym in Spanish), which has developed a logistics master plan consisting of more than 350 projects to connect the region and streamline transit between the countries.

ThinkHUGE is investing in some of the plan’s projects – one of the group’s founding members is building a modern highway in Guatemala to help improve transport between Mexico and Guatemala.

Another crucial infrastructure development is the creation of a corridor for manufacturing and logistics between Puerto Barrios, Guatemala, and Puerto Cortez, Honduras, on the Caribbean Sea, to connect this stretch of road with the “dry canal” that links with the Acajutla port on the Pacific Ocean in El Salvador.

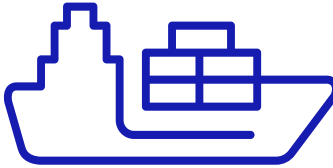
“We are in a critical moment of development and we are engaging with the governments to achieve greater collaboration with the private sector,” said Claudia Kattan, vice president, Central America for Crowley Logistics. “They

need to understand that the capital could go to Colombia, to Brazil, anywhere, really, but we need to work together to make sure it is invested in the Northern Triangle.”

**LET THERE BE LIGHT, WITH INNOVATION**

Economic growth needs power, so strengthening the energy supply in the Northern Triangle is high on ThinkHUGE’s agenda. This is also an area where the group can showcase its vision to spur progress in a sustainable way. ►

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new Crowley LNG-fueled containerships by 2025

Source: [Crowley](#)







# We are in a critical moment of development and we are engaging with the governments to achieve greater collaboration with the private sector

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Claudia Kattan,  
Vice President, Central America  
for Crowley Logistics

One of the organization's members is developing a project to bring compressed natural gas from New Orleans to Honduras, which will fuel a converted coal and heavy fuel oil power plant. The firm is building two very large ships that will transport cylinders of compressed natural gas below deck, and U.S. cotton for the textile industry above deck.

Yet another project is designed to use solar panels and pump storage technology to generate clean power and transmit it to the industrial centers in Honduras. The idea is to ultimately connect it to the Siepac grid, an electric power network across six countries in the region, to deliver low-cost energy throughout Central America.

One example of Crowley's investment in the region is the development of four new ships powered by liquefied natural gas that will serve the U.S., Central America and Caribbean routes. "These are bigger, cleaner ships that will help us expand our fast-direct transit capabilities in the region," said Bob Goldenberg, vice president for commercial operations. Delivery of the new-build vessels is slated for 2025.

With the impetus for nearshoring on its side, ThinkHUGE is putting significant private capital to work toward objectives that are shared by the four governments in the group: job creation, social responsibility, and healthy communities.

At its core, is the desire of capable businesspeople to spur economic growth and elevate the region as a worthy investment destination.



# Has nearshoring become a buzzword? Experts say 'no'.

## THE IMPORTANCE OF NEARSHORING

It is no surprise that many firms are pondering the region's promise as a dynamic manufacturing hub.

Abundant labor, low barriers of trade, and shorter transit time are just a few of the reasons that investing in that part of the world holds promise for a more resilient and reliable supplier of goods and services to the U.S.

To turn this potential into reality, a group of representative enterprises from the Northern Triangle countries – El Salvador, Honduras, and Guatemala – decided to join forces to sustain the growing interest in the region. Along with their U.S. counterparts, they formed ThinkHUGE Council.



[Read more](#)

## [The Importance of Nearshoring](#)