Kintetsu World Express, Canada Inc.

Weekly Market Update

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Air Freight

Airline group says cargo grew 7.7% in August. Limited freighter, passenger capacity squeezes shippers. The International Air Transport Association reported Wednesday that international air cargo volumes in August grew 8.6 % compared to pre-pandemic levels, continuing a yearlong upward trend and bolstering the market narrative that demand is growing even faster in September because of the holiday shipping rush. Counting domestic transport, the pace of growth tapered to 7.7% from 8.8% (revised) in July but remained ahead of the long-term average of 4.7% growth. Growth likely would have been higher with retailers and manufacturers trying to keep up with customer orders amid widespread slowdowns in ocean shipping, but airfreight capacity deteriorated in August. IATA said available cargo space fell 1.6 points to 12.2% below 2019 levels, the largest drop since the start of the year. Airfreight professionals and analysts attribute the capacity reduction to airlines pulling back some flights as countries instituted further travel restrictions to prevent the spread of the delta variant. IATA said load factors reached an all-time high for August. The combination of strong demand and a limited supply of aircraft has led to significant rate increases this year. Optimism that airlines will return more passenger aircraft to service has grown since the Biden administration announced in mid-September that the U.S. will open borders to vaccinated travelers from Europe and other countries. Some airlines are already adding flights as bookings tick up. Clive Data Services, which has access to more current data, reported at the beginning of the month that August cargo volumes grew 1% versus 2019, with load factors up 6% to 66%. The tight market sent spot rates up 20% month-over-month, and rates were up 112% from two years ago, it said. Soaring demand and COVID-related quarantine measures at Chinese airports have since pushed rates much higher, according to analysts.

Sea Freight

Power cuts hit China factories and give container shipping another shock. Factories in at least ten Chinese provinces have either cut output or closed temporarily this month, after government-imposed power cuts to curb carbon emissions. By Friday, at least 10 publicly listed companies told the Shanghai and Shenzhen stock exchanges their factory output had been hit by the power cuts, and their 2021 earnings could be adversely affected. The cuts followed China’s economic planning agency, the National Development and Reform Commission, released a “dual-control” plan to restrict energy-intensive activities and consumption. The plan commanded provincial governments to ration electricity consumption to control emissions in line with President Xi Jinping’s target for carbon emissions to peak by 2030, and to achieve carbon-neutrality by 2060. Affected provinces include Jiangsu, Guangdong and Zhejiang, which are among the most industrialized in China, their factories producing steel products, plastics, home appliances, chemicals, and textiles. All three provinces had received ‘red ratings’ for missing consumption targets. The provinces are also home to China’s busiest ports, Ningbo, Guangzhou, Nansha, Yantian and Shekou. And Jiangsu province lies along the Yangtze River Delta and its container exports are usually processed by Shanghai or Ningbo. As this is the peak season for container shipments to US and European retailers, the new moves could exacerbate delays in receiving shipments at the ports, especially when the power cuts last beyond the end of September. And congestion on the US west coast has held up shipments, with some 70 ships waiting outside Los Angeles and Long Beach due to surging imports and insufficient trucking and land-based logistics.

Ocean terminal and inland congestion forces river barges to store boxes. Barges are being turned into floating storage platforms to alleviate pressures on Northern Europe's ocean terminals, as inland waterway operators report surging congestion. Wait times at Rotterdam have sky-rocketed over the past week to almost seven days, masking a positive start to a month in which delays on inland services hit a near-five-year low around the 40-hour mark. But on Friday, Contargo informed customers wait times for barge handling had hit 163 hours for Rotterdam and 43 hours for Antwerp, but failed to explain the cause. However, one source told The Loadstar: "The cause is two-fold – obviously, ocean-side congestion is having a knock-on impact, with yards and terminals well over capacity, in terms of storage, and now refusing to accept new boxes without evacuation of the backlog. "Barge owners are now being called in to fill their vessels with some 400 teu of empties and find a way of connecting these to ocean carriers for evacuation." However, with near week-long delays for handling at the Dutch terminal, barge owners were forced to consider alternatives, with some simply offering their vessels as storage sites until the backlogs begin to clear.

Major Chinese ports volumes slump mid-September due to typhoon. Container volume at eight major Chinese ports dropped 12.6% in mid-September impacted by typhoon shutdowns. Export container volume at eight major Chinese container ports declined 13.6% year-on-year while the domestic volume declined 9.7%. The port of Shanghai, Ningbo-Zhoushan and neighboring ports had to shut down temporarily due to the typhoon. Cargo throughput at major coastal hub ports declined 15.8% year-on-year while the international trade cargo throughput dropped 15.1%.

Trucking

B.C. offering fleets $100K for fuel-saving tech. The B.C. Trucking Association (BCTA) in partnership with the B.C. Ministry of Transportation and Infrastructure has announced the third offering of the CleanBC Heavy-duty Vehicle Efficiency (HDVE) Program is now open. The program provides funding of up to $15,000 per vehicle and $100,000 per fleet for the adoption of qualifying fuel saving technology including auxiliary power units, aerodynamic devices, and CNG, LNG and dual fuel hydrogen vehicles. This year's program funds are being distributed on a first come, first serve basis until the funds are fully allocated or until the program deadline on March 31, 2022, whichever comes first. To be eligible for program incentives, BCTA membership is not required. Companies must meet the eligibility criteria, and applicants must first complete a free, half-day course delivered online. The mandatory course describes the benefits of using different fuel-saving technologies and practices and provides additional information on the CleanBC HDVE Program. The next online course offerings are Oct. 12, 19, and 26. For details, visit BCTrucking.com.

Market Sources

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This announcement applies to all Kintetsu World Express Transportation Services, including our Air Freight, Sea Freight, Ground Freight and Logistics.

Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

If you have any questions, please contact your local KWE representative.

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