KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

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Air Freight

Air freight high rates and capacity squeeze continues. Spot prices ex-Asia have remained at exceptionally high levels this week as high demand and constraints on uplift and airport handling capacity continue at key export and import hubs. Air freight rates ex-Asia have remained at exceptionally high levels this week as the squeeze on uplift and airport handling capacity continues at key export and import hubs. The Baltic Air Index (BAI) shows that spot prices this week from Hong Kong and Shanghai to North America remain above US$ per kilo, with rates to Hong Kong to Europe rising to $7.24 a kilo, with rates from Shanghai to Europe trailing a little at US$6.59/kg. US freight forwarder Flexport reports that transpacific eastbound (TPEB) air freight spot rates have begun increasing again from North China due to increases in demand. It reported that Shanghai Pudong (PVG) airport is also "still experiencing some operational handling issues which will likely impact peak volume". On the Asia-Europe (Far Easy Westbound or FEWB) trade, Flexport's latest Air Freight Market Update this week reports that rates "are relatively stable" but highlights that terminal congestion at Frankfurt Airport (FRA) "is expected to continue for another two weeks" and is also starting to impact terminals at Amsterdam Schiphol (AMS). From South China, Flexport said demand and rates "continue to increase for both TPEB and FEWB lanes", with prices ex-Hong Kong (HKG) rising to almost the same levels as ex-PVG. "HKG-US capacity is full for the week with ocean conversions still prevalent in the market," Flexport noted. Ex-Taiwan, the market "is tight with strong demand for the remainder of the month". More generally, it said "standard service on TPEB lanes are full until 26 October", warning customers to "expect booking delays of around 5 to 7 days". Flexport added: "FEWB standard service is also seeing similar congestion delays at origin with the majority of space full until 10/28.

Sea Freight

Container prices in China plunge for both trading and leasing. Container xChange, a logistics tech company specialising in the trading and leasing of containers, has published container prices data trends and insights post-Golden Week which indicate that average standard container prices in China have plunged for both trading and leasing. Average trading prices in China fall by 22%. Container xChange data shows that the average trading price of 40 high cube containers is falling in China since week 39 just ahead of the Golden Week. From $8516 in week 39, the average prices have plunged to $6598 in week 42, a 22.5% decline which is the biggest decline witnessed this year in China. The peak has already been touched at $8576 which was a 52% jump from week 27 (first week of July). At different ports in China, the average trading prices have declined ranging from 1 % to 11% for 40 high cube containers, Qingdao recording the highest 11% plunge from last month, Ningbo 2%, Shanghai 3.4%, Shenzhen 1.7% and Tianjin 0.5%. A 20 ft dry container now costs on an average $3000 which is plateaued since the beginning of September from $3017. The average prices of a 20 ft dry container have reduced from the last week at Shanghai port (from $3359 - $2847), Qingdao port (from $2982 - $2794) and at the Ningbo port (from $ 4300 to $3940). As per the platform's data, 46 ports globally experienced a moderate pullback in average container prices. The hotspots include China, Vietnam, and the United States. All these price falls indicate improvement in congestion which caused skyrocketing freight costs all over the world, the company noted. Leasing rates in China down 35%. Container xChange data also highlighted that the average one-way leasing pickup charges for the China-US stretch are down to $1800 from $2767 in one week (from week 39 to week 40), a 35% plunge, the highest recorded this year on this stretch. Similarly, these rates have also reduced for stretches ex-China to a few ports in Europe (Hungary, Netherlands, Slovakia) and the Russian Federation. The average one-way leasing pickup charges have slumped from $3931 to $3621, a decline of 8% on the China to UK stretch from week 39 to week 40. Similarly, a 5.4% decline from $3646 to $3450 on the China to Belgium stretch during the same period. While the demand will continue to stay strong as the retailers aim to fill the stock ahead of the Christmas holidays, the all-in rates are expected to stay strong too. The situation is more likely to improve by early November and further after the Chinese New Year in February 2022, Container xChange concluded.

City of Long Beach allows logistics companies to stack containers higher. Emergency measure is designed to free up port space, chassis and increase cargo flow. The city of Long Beach on Friday issued an emergency order allowing businesses to temporarily increase how high they can stack ocean containers in their lots in an effort to reduce the massive gridlock gripping the ports of Los Angeles and Long Beach. The rule change does not apply to terminals at the Port of Long Beach, which routinely stack containers up to six high. Many media reports over the weekend didn't make a distinction between the port and inland zone, making it appear the port had new authority to increase vertical storage. Effective immediately, warehouses and container yards will be able to place up to four containers in a stack instead of the two normally allowed under existing zoning provisions. Companies can stack up to five containers with certain safety approvals from the fire department, the city manager said in a statement. The new rules are in effect for 90 days, a period that coincides with the height of the peak shipping and holiday shopping seasons. The zoning restrictions were added to the city code years ago to minimize the visual impact of industrial equipment in neighborhoods. The temporary rule change only applies to properties that are currently zoned to store containers. "Given this current national emergency and [California Gov. Gavin Newsome's] executive order to take necessary steps to alleviate the impacts on the system, the city manager will temporarily waive enforcement of current shipping container stacking and height limits," the city said in a statement. Long Beach officials will assess the effectiveness of the congestion-mitigation solution and any community impacts in the weeks ahead and present more information to the City Council at its November meeting to receive more input.

Spot rates ease, but 'no reason' to expect quick return to pre-pandemic levels. There was a further slight softening of container spot rates from Asia to the US and Europe this week, but carriers appear to have held their nerve and avoided any significant discounting after China's Golden Week holiday. The Freightos Baltic Exchange (FBX) US west coast component declined by 2%, to $17,069 per 40ft, while the east coast reading edged down by 1%, to $20,501 per 40ft. Meanwhile, Drewry's World Container Index (WCI), which does not include premium fees, was unchanged for the US west coast, at $10,898 per 40ft, but down by 1% for east coast ports, at $13,939 per 40ft. According to the Ningbo Containerized Freight Index weekly commentary, freight rates on the transpacific are being kept elevated due to "the serious stagnation of ships at the port of destination". Indeed, the number of vessels at anchor or drifting in the San Pedro Bay area awaiting berths at Los Angeles and Long Beach has climbed back over 70 this week. Nevertheless, there is some evidence that demand is easing, according to data from the port of Los Angeles' Signal cargo forecaster, which shows manifested cargo on ships arriving in the coming week is just 1% higher than for the same week of last year, at 142,719 teu. Meanwhile, the FBX reading for North Europe slipped by 1.5%, to $14,259 per 40ft, with Drewry's WCI as flat at $14,555 per 40ft. Conversely, for Mediterranean ports, the FBX was unchanged, at $13,361 per 40ft, while the WCI showed a decline of 1%, to $13,544 per 40ft. In many cases, shippers from Asia to Europe are obliged to pay premium fees, to secure equipment and guarantee prompt shipment, of up to $3,000 per 40ft. Several of The Loadstar's shipper contacts have reported standard 20ft containers becoming more difficult to get in Asia than 40ft boxes and that carriers were asking around $10,000 for prompt shipment from China.

Trucking

Vaccine mandate could see 38,000 truck drivers abandon cross-border work: CTA The Canadian Trucking Alliance (CTA) believes one in five of Canada's cross-border truck drivers will quickly abandon international work when the U.S. requires them to prove they're double-vaccinated beginning in January. The estimate is based on current vaccination rates across Canada. About 120,000 Canadian truck drivers run cross-border routes, while 40,000 U.S.-licensed drivers do the same. And CTA expects Canada would require U.S.-based drivers to prove their vaccination status if the U.S. moves ahead with its mandate. Based on vaccination rates south of the border, the alliance estimates 40% of the border-crossing U.S. drivers would opt out of cross-border trucking, too. Collectively, that could mean a loss of 38,000 truck drivers for cross-border work. Many Canadian trucking companies report close to 85-90% of their truck drivers are vaccinated, Canada's largest trucking association says. But it also notes that many carriers involved in cross-border trade still have lower vaccination rates, depending on where they're based.

Ontario applauded for plan to license staffing agencies. Staffing agencies that are broadly used as a source of temporary truck drivers can expect new licensing requirements in Ontario, as the province looks to crack down on operations that exploit workers. "The underground activity … makes millions of dollars off the backs of workers by not paying minimum wage, not paying holiday pay, and not paying overtime pay," said Ontario Minister of Labour, Training and Skills Development Monte McNaughton, when announcing proposals earlier this week. He also referred to recruiters that charge illegal hiring fees and claw back pay. If enacted, the rules will see new licences for agencies and recruiters, required security bonds, and fines and possible jail time for offenders. There are also plans for dedicated enforcement teams to investigate agencies that are exploiting or trafficking workers. "I think it's fantastic," said Dave MacDonald, president of Revolution Staffing. "In every industry you have pretenders and professionals, and unfortunately in our industry there's a fair number of pretenders." "What I'm looking for is regular auditing of the businesses. We run a very transparent business," he said, adding that "unscrupulous" operations are often guilty of not following safety protocols. The Ontario Trucking Association (OTA) has applauded the move, saying it will help to target temporary help agencies that follow a Driver Inc. business model. That model refers to businesses that misclassify employees as independent contractors. "The Driver Inc. scheme is used to sidestep requirements like WSIB premiums, labor standards, and tax laws – all of which exploit vulnerable workers and warp the competitive playing field for compliant companies," said OTA president Stephen Laskowski.

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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