KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

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Latest News

Liberals urged to help reshape supply chains. For most of his years in manufacturing, Dennis Darby remembers sourcing goods from a single supplier and things arriving just on time. The system worked well until the pandemic, which now has throttled the movement of goods globally, pushed up costs for shippers and helped fuel higher inflation rates. As just one example, the cost of a shipping container has gone from just under $2,000 in 2019 to about $10,000 now, said Darby, president of Canadian Manufacturers and Exporters, a national industry association. That extra cost has to be passed on, ultimately to the consumer. The situation is leading to calls on the federal government to use the current snarl in global supply chains to become more active in rethinking and reshaping the country's reliance on foreign suppliers. Not a new idea. The idea has been before the government for some time: Supply Chain Canada in a submission to senior federal officials last year proposed a concerted effort to modernize the country's supply-chain system and make sure it could easily adapt to demand changes and reduce latency times in the future. The organization has put the idea to multiple cabinet ministers in recent days. Still, opposition critics and experts say there is much out of the reach of the government and backlogs will simply have to work themselves out over the coming months, such as the high cost of shipping containers. In the meantime, efforts to produce more goods domestically, such as masks, will take time to ramp up, Carolyn Wilkins, the former second-in-command at the Bank of Canada said in a speech last week where she also said it may not be practical or advisable to try to become completely self-sufficient.

Air Freight

Air freight rates rising as peak season looms, but flights aren't full yet. Air freight is getting more expensive – but all flights aren't full, signalling that demand is not yet as strong as expected. According to the latest figures from Clive Data Services, capacity in October was 17% higher than a year earlier, while the dynamic load factor was 3 percentage points down, at 68%, although it rose 2 percentage points from September. Rates, however, were 37% higher than a year earlier, but Clive noted that there were "significant market performance deviations". "Flights ex-Asia Pacific-Europe remained virtually full, lifting rates by a further 20% over September 2021, while APAC-North America rates reached a double-digit level per kilo. Overall, international rates rose 10% month over month. Load factors out of APAC westbound in October stood at 91%, while eastbound produced a strong 89%. "Some mid-tier markets in Asia, such as Vietnam and Malaysia, showed the highest spot rates – between $9-10 per kg into Europe. In comparison, Hong Kong in the last week of October was close to $7 per kg." Niall van de Wouw, MD of Clive, said the monthly growth in load factors meant "you can see the build-up to the peak season". But he added: "Admittedly, demand is not yet as high as some stakeholders had feared (or hoped). "Capacity on a like-for-like basis (compared with September 2021) was more or less flat (+1%) and, combined with a load factor of 68%, this does not seem to indicate the final sprint to the end of the year has started. "October was a steady month in the market, overall, with some strong seasonality factors, but the dynamic load factor was lower than anticipated, given the strong week-over-week increases we reported in September.

Pressure on supply chains pushes up air cargo rates again in October. Shippers fearing a lack of peak season inventory saw air cargo rates soar again in October, despite no clear signs of a surge in peak season demand for capacity, according to the latest market performance data from industry analysts, CLIVE Data Services. As in previous months, CLIVE's latest market intelligence reports air cargo market performance to pre-covid 2019 levels, as well as 2020 year-over-year comparisons, to provide meaningful analyses of the current conditions. Demand for chargeable weight in October 2021 rose 3% over the same month of 2019 and was +14% higher than last year but CLIVE's 'dynamic loadfactor' indicator - which measures both the volume and weight perspectives of cargo flown and capacity available to produce a true indicator of airline performance – remained lower than had been expected at 68%. Available capacity last month, while still -13% versus October 2019, was +17% compared to October 2020, but the dynamic loadfactor remained -3% pts below the level seen in the first month of Q4 2020. The big shift, once again, was in overall air cargo rates, up +155% and +37% in October 2021 versus October 2019 and October 2020 respectively.

Sea Freight

Coast guard says 109 containers fell off Zim Kingston. The number of containers that fell into the ocean from a cargo ship off Victoria is up to 109 from the original estimate of 40, the coast guard said Wednesday. Deputy federal incident commander Mariah McCooey said three of the boxes have washed up on a beach in Cape Scott on the northern tip of Vancouver Island. The number of lost containers could change and "there's a good chance that a lot of them have already sunk," McCooey told a news briefing. The updated number comes after the owner of the MV Zim Kingston provided information showing 2,000 containers were on board with 1,000 on deck when two caught fire and others fell overboard as the ship approached Vancouver last week. Flare ups- Crews attacked flare-ups inside individual containers overnight, which didn't spread, and they continued to look for hot spots on Wednesday, coast guard official Paul Barrett said. A flyover was planned Wednesday starting from where the containers were lost and following the path where they've been spotted and are projected to drift, he said. The Greece-based ship remains anchored in the Strait of Juan de Fuca. The owner, Danaos Shipping Co., has said it is co-operating with Canadian officials and a salvage contractor to develop a plan to locate and retrieve the lost containers. McCooey said authorities now have a list of contents from all the containers identified as being lost, including industrial and car parts, Christmas decorations, sofas, poker tables, clothing, toys, yoga mats, stand-up paddle boards and other everyday items. Two containers storing hazardous chemicals were among those lost overboard, and that number hasn't changed since the first estimate, she said.

LA, Long Beach ports will issue fines for backlogged cargo. The Los Angeles-Long Beach port complex will begin fining shipping companies if they let cargo containers stack up as the busiest harbours in the U.S. deal with an unprecedented backlog of vessels. The Los Angeles and Long Beach harbour commissions voted Friday to implement a 90-day "container excess dwell fee" that sets time limits on how long containers can stay at marine terminals. About 40 percent of all shipping containers entering the U.S. come through the Los Angeles and Long Beach ports. The number of ships waiting to unload has risen to record volumes. As of Friday, there were 153 ships at anchor, berthed or "loitering" – cruising while awaiting dock space – and more than 100 of those were container ships, according to the Marine Exchange of Southern California, which monitors port vessel traffic. Ships anchored at the complex have well over a half-million containers on board, officials said. They hold hundreds of millions of dollars worth of toys, electronics, clothing and furniture. Significant crisis "We're going through a significant crisis," Mario Cordero, executive director of the Port of Long Beach, told that harbour commission on Friday. The logjam of ships has interrupted the global supply chain and prompted the Biden administration to allow the port complex to operate 24 hours a day to try to get goods unloaded and out to consumers as the Black Friday and Christmas holiday season approaches. The joint container fee program that starts on Nov. 1 will charge ocean carriers US$100 per container. But the fine increases by $100 per container per day until the cargo moves. Containers moving by truck can remain for eight days before the penalties kick in, while containers moving by rail have a five-day deadline, according to the Port of Los Angeles. The penalties won't take effect until Nov. 15 at the earliest, however, depending on whether daily snapshots of the situation show progress in clearing the docks.

Perishables shippers high and dry as reefer rates soar and boxes run short. Perishables shippers are being left high and dry by shipping lines opting to carry general cargo in unplugged reefers, increasing equipment shortages. And, according to Drewry, reefer freight rates increased again in Q3, with the analyst expecting a similar acceleration throughout next year. A weighted average of rates across the top 15 "reefer-intensive" deepsea tradelanes rose 48% between January and September, Drewry said, and by the end of Q4 these gains are expected to be as much as 55%. It added: "Booming reefer freight rates are following in the wake of the dry cargo sector, as operators realign risk/revenue expectations for refrigerated cargo, in line with more inflated system costs and operational challenges, such as extended dwell times at transhipment ports and longer container equipment cycle times." As a result, Drewry noted, shippers of lower-value cargo, such as bananas, onions, citrus or frozen vegetables, are now confronted with much higher shipping costs after enjoying years of relatively low freight rates, which helped them develop markets far afield. The analyst says seaborne reefer traffic is expected to grow 3.2% this year, to 136m tons, with all commodities showing growth, except bananas. "Trade in meat to Asia is slowing, amid lower pork prices in China, and the banana trade is expected to decline by 5% this year, owing to disease in the Philippines crop and low banana prices in general," Drewry explained. While the production of new reefer containers has reached a record high of 170,000 feu this year, this has "not necessarily resulted in improved equipment availability", Drewry said, since carriers had used reefers to carry dry cargo.

Trucking

CTA promoting industry image in face of truck driver shortage. The Canadian Trucking Alliance (CTA) says it's preparing the largest industry image campaign in association history, with a Trucking is Changing social media campaign that will begin focusing on young people this month. Labor shortages continue to top the list of industry concerns identified by 30 senior trucking executives surveyed by Nanos Research on behalf of the alliance. An aging workforce, training barriers, and lack of interest in the profession were all identified as contributing factors to such shortages. The industry's image and a need to make it more attractive to a younger generation of workers was highlighted among the most popular solutions. "The trucking sector study suggests [a] growing labor shortage concern, which may impact supply chains," noted Nik Nanos, chief data scientist of Nanos Research. "It always been a problem, and it is going to be an increasing problem. Demographics who are driving trucks are closer and closer to retirement," one respondent is quoted as saying. An overwhelming majority – 26 of the respondents – ranked the labor shortage as their top concern. "A majority of senior executives relate a possible lack of capacity to the labor shortages in the trucking industry, with most saying that it is a lack of human capacity and not equipment that is a problem. Many senior executives also added that unseated trucks are also a lack of human capacity," the Nanos report concludes. One in five of the surveyed executives said 10% of their trucks were unseated, while two in five respondents said less than 5% of their trucks lacked drivers. A labor shortage was identified as the top concern in a similar survey conducted by CTA and Nanos Research in 2019. And the conclusions align with Trucking HR Canada findings, which identified 18,000 vacant driving positions in the second quarter of 2021.

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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