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WEEKLY MARKET *UPDATE*

Week 4 → 1-26-2022

LATEST *News*

Trucker protest won't cause food shortages, government says. Transport Minister Omar Alghabra is assuring Canadians there's no reason to fear food shortages will result from a small minority of truck drivers refusing to comply with a vaccine mandate in order to cross the Canada-U.S. border. In an interview, Alghabra said the large grocery store chains and other retailers have assured him they have plenty of goods to provide their customers, despite some labour shortages and supply chain bottlenecks caused by the COVID-19 pandemic. Moreover, he said there's been no "measurable impact" on the number of trucks crossing the border since the vaccine mandate went into effect on Jan. 15. Alghabra acknowledged that pandemic-induced supply chain disruptions and the role truckers play in ensuring the smooth flow of goods into the country are serious issues deserving of "rational and meaningful" debate and "even criticism" of government policy. But he called out critics, including Conservative politicians, for exaggerating and embellishing the problems, spreading fear among Canadians already stressed by almost two years of coping with the global health crisis. "I don't want to minimize the fact that we have to remain vigilant and work together to address these issues (of supply chain disruptions)," Alghabra told The Canadian Press, adding he plans to hold a summit on the issue with retailers on Monday. "But this notion that we're going to starve is really unfortunate and does disservice to Canadians, to Canadian society and to the debate that we need to be having." A convoy of truckers and others opposed to public health restrictions is on its way from British Columbia to Parliament Hill for a weekend "freedom rally" against mandatory vaccinations. Some supporters of the convoy, including some Conservative MPs, have taken to social media to warn the vaccine mandate for truckers will leave store shelves empty. Some have gone so far as to predict Canadians will starve.

AIR *Freight*

Covid-hit Lufthansa Cargo cancels all transit freight via Frankfurt hub. Lufthansa Cargo is the latest carrier to suffer operationally from an outbreak of Covid and has been forced to cancel all transit traffic through Frankfurt. It has advised customers to cancel all transit bookings, saying in a note to customers this morning: "We unfortunately see no other option at the moment than to take some measures at the Frankfurt hub. As of now … there will be a transit embargo for Frankfurt." It added that customers should cancel shipments which have not been delivered, while freight which has already been accepted will be dispatched "as soon as possible". LC added: "We firmly believe these measures will contribute to stabilization and that we can gradually return to normal operations." However, a spokesperson would not be drawn on how long it will take to recover, stating: "We hope that the measures will show a positive effect within days so we can go back to normal. "Unfortunately, due to confidentiality we cannot say anything regarding our staff or the staff of our suppliers." In its note to customers, it said: "Due to its high contagion, the Omicron variant of the coronavirus continues to keep us very busy and the infection figures in the Frankfurt/Germany area have reached new record levels. We are now also painfully feeling the increased infection incidence.

"Currently we are facing an increasing number of Coronavirus cases within our organization, especially at the Frankfurt hub. This is leading to a reduction in staffing levels, which is delaying our operations at this stage."

SEA *Freight*

Boxship charter rates hit new highs. Containership charter rates are storming to new record highs with demand for tonnage described as frantic. "All sizes are seeing rates firming strongly, with, in some cases, staggering figures agreed, well above earlier benchmarks," Alphaliner noted in its most recent weekly report. Illustrating this, Alphaliner pointed out that 3,500 teu ships are now obtaining $60,000 per day for 36 months employments, up from $45,000 only a few weeks ago. The same trend is observed for slightly smaller units of 2,700 teu, where the new benchmark for similar periods is now close to $50,000 for standard units, up from $42,000 at the beginning of the year. Sending rates skyward was the Pasha Hawaii raid, reported by Splash earlier this week, for seven charters for ships ranging in size from 2,100 to 3,500 teu with most taken on a three-year basis. The Alphaliner Charter Rate index has hit a new historic high this week at 476 points. More long-term fixtures are being concluded with a de-escalating structure "There is a growing trend towards forward fixing far into the future, with some vessels extended or fixed nearly one year before being delivered. This development highlights charterers' concern that they might end up without any vessel at all if they do not secure tonnage now," Alphaliner noted. "Tonnage supply is short for the rest of the year and charterers will have to consider smaller tonnage than what they were originally looking for," stated the latest report from the compilers of the New ConTex chartering index.

Secondary trades suffer as carriers continue to chase the big bucks. The cellular fleet grew by 4.5% last year, to 24.97m teu, but capacity was cut on some routes as carriers re-deployed as much tonnage as they could on the more lucrative east-west tradelanes. According to today's Alphaliner data, the transpacific carriers deployed a further 1.3m teu of capacity on the Asia-North America trade last year than in 2020, a huge 31% increase in slots – albeit that about half the extra capacity was required to mitigate the impact of long wait times for ships along the US west coast. The consultant's analysis found that the other main winner in the capacity upgrade last year was Asia-Europe, which saw an increase of 10% in slots on the route, many of which were provided by ad-hoc carriers deploying small, expensive chartered tonnage, encouraged by sky-high freight rates and ample demand. According to Alphaliner, the only other above-par tradelanes were Latin America-related services, which saw a 6% increase in capacity. The biggest losers from the capacity shift were the intra-Asia trades, down 11% across the myriad connecting services, equating to a loss of more than 331,000 slots. "Several Chinese carriers switched tonnage to the transpacific, while other lines have been chartering small or medium-sized tonnage previously deployed within Asia for ad-hoc sailings to the US," said Alphaliner. "Only the carriers themselves will know how much cargo they have been able to transfer from dedicated intra-Asian services to the Asian legs of deepsea services," it added.

Liner shipping profits tipped to hit $200bn this year. Analysts are increasingly confident that liners will smash 2021's record earnings this year. Consultantcy Drewry is predicting container shipping will notch up a combined EBIT of $200bn this year, up from its revised 2021 total of $190bn. "The smoother earnings forecast rationale stems from a pivot away from the volatile (and likely retreating) spot market towards longer-term contracts that are expected to be signed at much higher levels in upcoming negotiations," Simon Heaney, senior manager of container research for Drewry, wrote in the company's latest Container Forecaster report. Annual contract freight rates this year will be going up by more than 60% on the major routes, when compared with 2021 contract rates, Drewry estimates, allowing for greater profits even as volumes fall. "The pandemic and ensuing supply chain crisis is the primary driver of the supercharged carrier profits and share price bonanza. In simple terms, the longer the congestion lasts, the longer that freight rates and carrier profits will stay extremely high," Drewry suggested. Analysts at HSBC, meanwhile, reckon liner shopping will make a $163bn operating profit this year, up 8% year-on-year. "This is mainly driven by strong tailwinds in contract rates fuelled by a 77% increase in spot rates (SCFI) in the past 12 months. Shippers and liners are entering into contract negotiations earlier than before. Head-haul (Asia-US, Asia-Europe) long-term rates look set to double or triple from those set last January, according to Xeneta, an analytics platform," a report published by HSBC today stated.

SURFACE *Transportation*

Business groups urge feds to walk back trucker vaccine mandate. Business leaders are urging Ottawa to ease vaccine mandates for cross-border truckers to relieve the congested supply chain with the United States, while Liberals and Conservatives sparred over the extent of the problem and how to resolve it. Prime Minister Justin Trudeau defended the mandate Monday as a necessary step to keep supply chains open, arguing that COVID-19 itself is the biggest risk to Canada's economy. The mandate, which came into effect after an exemption ended Jan. 15, means Canadian long-haul truck drivers must now be vaccinated against COVID-19 to avoid a two-week quarantine after crossing the border, while unvaccinated non-Canadian truck drivers will be denied entry. The U.S. brought in its own vaccine mandate for truckers on Saturday, which means that unvaccinated Canadian drivers will also be unable to return below the border. In separate statements, the Canadian Chamber of Commerce and the Canadian Manufacturing Coalition both urged Trudeau to back down. Perrin Beatty, the president of the chamber, said that while "we strongly favour getting as many people vaccinated as possible," the government should allow more time before imposing the mandate on truckers. "Until now, governments have considered truckers to be providing an essential service, which has kept supply chains functioning even during the most serious waves of the pandemic," Beatty said in a written response to questions.

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.

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