

# WEEKLY MARKET *UPDATE*

Week 13 → 3-30-2022

## **LATEST News**

**Sinking oil prices, factory shutdowns, and logistics nightmares:** The global effects of Shanghai's lockdown. Shanghai authorities began a snap lockdown of the city's 26 million residents late on Sunday after mass testing found "large-scale" COVID-19 infections throughout the financial hub. The two-stage lockdown will split Shanghai along the Huangpu River for nine days to allow for "staggered" testing by healthcare workers. Residents on the eastern side of Shanghai have already been confined to their homes as public transportation, including ride-hailing services, have been halted, while many firms and factories have suspended manufacturing or are working remotely. Across the river, residents are scrambling to secure supplies for the upcoming lockdown in a scene that has become increasingly common under China's Zero-COVID policy. Cities including Shenzhen, Dongguan, Changchun, and Shenyang have already faced strict, but short-lived lockdowns in China's ongoing battle against rising Omicron cases. And more lockdowns could be possible moving forward, as authorities seem intent on maintaining strict restrictions in the country.

## **AIR Freight**

**Airlines divert cargo from Shanghai, putting more pressure on rates.** Airlines are cancelling cargo flights from Shanghai Pudong (PVG) following the city's Covid lockdown, with diverted cargo likely to push up airfreight rates at alternative gateways. Yesterday, Cargolux announced it would suspend PVG flights until at least 2 April and, according to Crane Worldwide Logistics, other airlines are watching and will likely "adjust their schedule at the last minute, without prior notice". "Many freighters are also expected to be cancelled from/to PVG due to lack of handling manpower caused by the urgent lockdown, added to the reduction of international passenger flights to PVG since 21 March. That will result in more severe shortage of capacity to and from PVG. "Our airfreight agents also have very limited staff reporting for duty today, which will impact the customs declaration and cargo tendering to terminals and airlines." Indeed, Crane said today there had been a raft of further cancellations from Chinese carriers to/from Los Angeles, Chicago and Amsterdam, Qatar Airways has cancelled PVG flights from 31 March until 5 April, as has Turkish Airlines until Saturday, while Singapore Airlines has also cancelled the majority of flights until Saturday. While some cargo movement is permitted in Pudong, the lack of staff is having an impact. Crane said: "Due to limited staff on duty, the customs clearance was extremely slow yesterday. "Some companies have tried to apply permits for staff and trucks, but the permit only allows them to move inside the logistics park. They cannot go out of the logistics park and send the cargo to terminals, even after customs release. Thus, some warehouses have decided to suspend operations till 1 April, the end of the Pudong lockdown."

**Logistics firms predict Shanghai lockdown airfreight disruption.** Global logistics firms are anticipating disruption, delays and price increases for air cargo supply chains in Shanghai following the start of a nine-day Covid lockdown in the city. Shanghai started a two-phase lockdown on March 28. From this date until April 1, the city's east side, including Pudong, will be locked down. On April 1, the west of the city will lock down until April 5. While China's busiest air cargo hub, Shanghai Pudong International Airport (PVG), itself is not closed, several airlines have cancelled flights in and out of the city, transport around the city has been curbed and a work from home order means production and warehouses are either closed or operating at reduced capacity, all of which is set to see delays and further pressure on capacity within the air cargo supply chain. Scan Global Logistics expects "service disruptions and delays" due to the restrictions on transport that the lockdown imposes. Airport pickup and delivery opportunities are limited and several airlines have cancelled flights to and from PVG, said the company. While other neighbouring airports remain open for cargo transport "the pressure on capacity, handling, and local transportation has already become obvious, with an immediate capacity constraint on airfreight as a direct result". Westbound Logistics Services added: "It is possible that delays will be incurred, to and from the region, for the next couple of weeks." "The port and the airports remain open, but strict rules for trucking have already led to a lack of available transport, which is impacting LCL, FCL and airfreight movements."

## **SEA Freight**

**Ship charter rates still 'spectacular' but war could tip the balance.** Liners continue to pay record sums to charter ships for up to a half decade. Do container line bosses believe the historic freight boom will end anytime soon? If the ship charter market is any indication, it sure doesn't look like it. Liner companies continue to pay record-high sums to rent container ships for up to five years, even as the Russia-Ukraine war caps rate gains. The Harpex index, which measures container-ship charter rates, has held steady at its highest level ever for the past three weeks. Alphaliner recently said that charter rates are at "historic highs" and have plateaued "after weeks of continued rises." The conflict hasn't pulled rates down yet. But it has paused new charter deals and temporarily kept rates from going even higher, according to container-ship owners speaking at the Capital Link International Shipping Forum on Tuesday. 'Wait and see' before 'pressing on the gas pedal again' George Youroukos, chairman of Global Ship Lease (NYSE: GSL), said during the Capital Link forum: "The Ukraine war has added to the already expected inflation and with that in mind, we see some liner companies taking a wait-and-see stance [on ship charters]. "Nothing has changed with the fundamentals. But psychologically, people want to see how this is going to be resolved before pressing on the gas pedal again."

## **SURFACE Transportation**

**Canada commits to zero-emission truck sales targets and incentives.** Zero-emission vehicles (ZEVs) will need to account for 35% of Canada's medium- and heavy-duty truck sales as early as 2030, under a series of sales targets and incentives unveiled in a new federal emissions reduction plan. Where feasible, all the vehicles sold in certain segments will need to be zero-emission models as early as 2040. Interim sales targets are being explored for the mid-2020s as well. The targets announced on March 29 become some of the most aggressive in North America. California, in a previous move endorsed by 15 other states and the District of Columbia, wants 30% of new medium- and heavy-duty trucks to be ZEVs by 2030. Canada's 2030 Emissions Reduction Plan also includes more than \$780 million in related financial incentives. Details around \$547.5 million in purchase incentives for medium- and heavy-duty zero-emission vehicles, along with eligibility

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dates, are to be unveiled in the coming federal budget. Another \$199.6 million will be invested to retrofit large trucks already on the road. And \$33.8 million will be available for projects that demonstrate hydrogen-electric trucks, to address barriers such as technical standards that apply to longhaul trucks. Several provinces such as B.C., Quebec, and those in Atlantic Canada, as well as the Yukon and Northwest Territories, offer incentives to purchase zero-emission vehicles within their jurisdictions. Ontario canceled its rebates in 2018.

**Ontario permanently boosts speeds on six highway segments.** six sections of southern Ontario highways will see speed limits permanently set at 110 km/h beginning April 22, up from the 100 km/h seen on most 400-Series highways.

The affected segments include:

Queen Elizabeth Way (QEW) from Hamilton to St. Catharines (32 km)

Highway 402 from London to Sarnia (90 km)

Highway 417 from Ottawa to the Ontario/Quebec Border (102 km)

Highway 401 from Windsor to Tilbury (approximately 40 km)

Highway 404 from Newmarket to Woodbine (approximately 16 km)

Highway 417 from Kanata to Arnprior (approximately 37 km)

Work on related pilot projects began in the fall of 2019. And the Ontario Ministry of Transportation says operating speeds and collision trends on affected sections of highway are comparable to similar sections of highways where speeds remain at 100 km/h. Trials of 110 km/h speed limits will also be introduced in Northern Ontario. Those will cover about 55 km of Highway 400 from MacTier to Nobel, and 45 km of Highway 11 from Emsdale to South River. “With road safety top of mind, these sections have been carefully selected based on their ability to accommodate higher speed limits,” said Ontario Transportation Minister Caroline Mulroney, in a related release. The province notes that six other provinces have posted speeds above 100 km/h on certain segments of highways. Those include Alberta, Manitoba, New Brunswick, Nova Scotia, Saskatchewan, and British Columbia. But B.C.’s Ministry of Transportation and Infrastructure rolled back its 10 km/h increases on 15 sections of highways in 2018 after pilot projects that began in 2014 showed an uptick in speed-related collisions. University of British Columbia professors saw fatal collisions rise 118% on roads with higher speed limits, along with a 43% increase in total auto insurance claims. Ontario didn’t release specific data from its pilot project. Two Ontario mayors cited the value of higher speeds to support the economy. “The Province of Ontario recognizes the importance of our economic trade corridors, especially here in southwestern Ontario,” said Windsor Mayor Drew Dilkens. “Adjusting the speed limits recognizes that vehicle safety and fuel efficiency has evolved since these limits were previously set. Today’s announcement is a common sense approach which preserves safety while locally recognizing conditions across Ontario.”

## **MARKET *Sources***

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<https://www.aircargonews.net/business/supply-chains/logistics-firms-predict-shanghai-lockdown-airfreight-disruption/>

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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