

WEEKLY MARKET *UPDATE*

Week 14 → 4-6-2022

LATEST News

Shanghai's 'grim' Covid outbreak threatens more global supply chain disruption. The Covid-19 outbreak in Shanghai remains “extremely grim” with the ongoing lockdown of China’s financial powerhouse threatening to devastate the country’s economy and “tear apart” already very stretched global supply chains. As Shanghai announced another daily record high of 16,766 cases on Wednesday, the director of the city’s working group on epidemic control was quoted by state media as saying that the outbreak in the city was “still running at a high level”. “The situation is extremely grim,” Gu Honghui said. Although low by international standards, this is China’s worst outbreak since the virus took hold in Wuhan in January 2020 sparking the global pandemic. Shanghai’s entire population of 26 million is now locked down and there is growing discontent among people who have been living with restrictions on their movements for weeks as the authorities stick doggedly to their zero-Covid policy of eliminating the disease. At least 38,000 medical personnel have been deployed to Shanghai from other parts of China, along with 2,000 military personnel, and the city is mass-testing residents. A separate outbreak continues to rage in the north-eastern province of Jilin and the capital, Beijing, also saw an additional nine cases. Workers shut down an entire shopping centre in the city where a case had been detected. There are increasing signs that China’s economy is slowing sharply because of the lockdowns. Activity in China’s services sector contracted at the steepest pace in two years in March as the surge in cases restricted mobility and weighed on demand. The closely watched Caixin purchasing managers’ index (PMI) dived to 42.0 in March from 50.2 in February. A drop below the 50-point mark separates growth from contraction. The same survey showed a contraction in the country’s giant manufacturing sector last week and economists warned on Wednesday that there could be worse to come as the Shanghai lockdown begins to affect the figures for the coming months.

AIR Freight

Air Canada Cargo eyes Frankfurt as it looks to go transatlantic with freighters. Air Canada Cargo is set to launch a transatlantic freighter flight next month, when its second converted 767-300 enters its fleet. First stop on the list is Frankfurt, which will see a twice-weekly service, according to SimpleFlying. The carrier is also planning a weekly flight to Cologne and Istanbul, and a thrice-weekly service into Madrid. It has also added routes to Latin America and Miami. Worth a read to discover Air Canada’s full freighter ambitions. On March 30, Air Canada Cargo gave further updates on the expansion of its freighter network. While two of the new routes are part of the Atlantic Canada schedule (Halifax: Five flights per week starting April 19, and St. John's: Six flights per week beginning May 1), the rest feature all in Europe. These new routes will be made possible by the entry of the carrier's second Boeing 767-300ER freighter aircraft, allowing Air Canada Cargo the much-needed dedicated cargo space to cater to increasing demands. Matthieu Casey, Managing Director, Commercial – Cargo, commented. As to be expected, the first on the list is Frankfurt. Air Canada Cargo has long made its intention clear of deploying these

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dedicated freighters to Frankfurt. While the converted aircraft has been to the German city before – eight times in December 2021 – from May, it will operate scheduled twice-weekly flights to the busy European hub. As reported by Simple Flying, the airline has increased its cargo handling capacity at the airport by 35% to facilitate its arrival. The other cities on the continent to see regular Air Canada Cargo operations from May will be: Cologne: One flight per week, Istanbul: One flight per week, Madrid: Three flights per week. The carrier's first converted 767 freighter has been put to good use ever since it entered the fleet. The aircraft was deployed earlier than initially planned in order to provide additional cargo capacity needed into and out of Vancouver to meet increasing demand as a result of the flooding that disrupted British Columbia's transportation network in December.

SEA Freight

Supply chains remain in chaos as Shanghai lockdown is extended indefinitely. The Shanghai lockdown has been extended indefinitely, a move that casts further uncertainty over Chinese supply chains, as new data is published showing the impact on China's ocean freight volumes. The severe restrictions in the eastern half of the city, including Pudong, were due to be lifted on Friday, but nearly all areas remain under lockdown and local authorities have given no timeframe for its end, other than saying it would be done "in stages". And one forwarder told The Loadstar: "Shanghai has started another round of mass-[Covid] testing, with the whole city population of 25 million being tested. "We're promised that anyone with a negative test will be free and positive cases will be moved into quarantine centres, as before. Let's see if they will keep their promises finally, and not make up new rules again." Nearly all of Shanghai is now under lockdown, with most residents unable leave their homes, even for food, while some businesses, such as the container port, are permitted to operate under "closed loop" conditions, where workers sleep on site. Supply chain updates from forwarders have largely focused on reduced trucking capacity and the closure of factories and warehouses, which has prompted ocean freight to be diverted – Ningbo, Qingdao and Tianjin topping the list of alternative ports. However, Crane Worldwide Logistics said: "It continues to be challenging to conduct container drayage. Other cities have become more reluctant to let container trucks from Shanghai enter." And, according to Fibs Logistics, most container gate-in times at Shanghai have been delayed and schedules are "unstable". Ligentia warned customers that its warehouse in Pudong had suspended operations, with its warehouse under closed management. And Crane said cargo handling at Shanghai Pudong Airport had become "almost impossible", noting Delta was the latest airline to announce flight cancellations. The forwarder recommended using Zhengzhou as an alternative gateway for airfreight.

SURFACE Transportation

Ontario ends tolls on highways 412 and 418. Ontario has officially removed tolls from highways 412 and 418, a pair of north-south routes that connect Highway 401 and the tolled Highway 407 just east of Toronto. "The tolls were unjustly imposed and placed a financial burden on the hardworking people of Durham region," said Transportation Minister Caroline Mulroney. "Being able to drive on these highways for free will save drivers both time and money and boost the economic competitiveness of the region." They were the only tolled north-south highways in the province. Toll rates remain on the privately operated 407 ETR and the provincially owned 407 East Extension. The 108-km 407 ETR is run under a 99-year lease agreement, which was sold in 1999 by a previous Progressive Conservative government for \$3.1 billion. Those holding interest in the company include subsidiaries of the Canada Pension Plan Investment Board (50.1%), Cintra Global (43.23%), and SNC-Lavalin (6.75%)

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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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