WEEKLY MARKET UPDATE

KWE Global Logistics Partner

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LATEST News

Canada's imports and exports reach new highs in March. Canadian trade numbers reached record highs in March, with exports up 6.3 percent to a record $63.6 billion, and imports rising by 7.7 percent to a new high of $61.1 billion. Canada's merchandise trade surplus narrowed from $3.1 billion in February to $2.5 billion in March. The export record beat the previous high – set in February this year – by almost $4 billion. Exports of energy products rose by 12.8 percent to a record $17.9 billion in March. Energy accounted for 28.2 percent of total exports, an increase of almost 10 percentage points from the share of 18.3 percent observed in March 2021. Imports of energy products posted significant gains in March, rising 26.3 percent. Higher imports of crude oil and bitumen (+39.9 percent) were primarily behind the increase, with prices and volumes rising markedly. Exports to the United States continued to climb, with an increase of 7.7 percent in March. This was driven mainly by higher crude exports. In contrast, imports edged up 5.4 percent, primarily because of higher imports of energy products and vehicle parts. As a result, Canada's trade surplus with the United States widened from $10.9 billion in February to a record $12.6 billion in March. According to Conference Board of Canada researcher Momanyi Mokaya, Russia's invasion of Ukraine has shown up in trade numbers. Total trade (exports plus imports) with Russia was $2.8 billion in 2021, representing 0.2 percent of Canadian trade activity. Trade with Ukraine in 2021 was $447 million. Mokaya said in an analysis that the direct impact of the trade sanctions imposed on Russia should be minimal for Canadian merchandise trade values. Still, demand for Canada's exports has risen since Canada produces a lot of what Russia does (natural gas, grains, crude oil, metals, fertilizer, lumber etc.). Therefore, Canada's export values are indirectly being affected by higher demand. Canada's exports are also being impacted through higher prices which have jumped due to the conflict.

AIR Freight

Congestion and rates drove huge modal shift to air freight last year. Cargo owners increasingly switched from sea to air in 2021, with port congestion and a narrowing price gap helping the airfreight market grow twice as fast as sea cargo. Furthermore, according to a new whitepaper by Ti Research, the global freight forwarding market bounced back to enjoy the strongest market growth since 2011, recording 11.2% growth in real terms, to $284.9bn. It was a strong performance following one of the most challenging years to date, amid the Covid-19 pandemic, Ti noted, with global trade growing 13% to a record high of $28.5trn. The report said: "The strong growth in international trade in 2021 was mainly the result of pandemic restrictions being phased out, and surging demand for goods encouraged by government support schemes and economic stimulus packages introduced in many countries. "Factors such as the expansion of the e-commerce industry and the rise of free trade agreements have also been contributors to the growth of the global digital freight forwarding market." Airfreight grew by 14.9% – double the rate of sea freight – to reach a nominal value of $128.2bn. Ti said this was driven by strong demand for PPE towards the end of the year, as well as supply chain bottlenecks in sea and land transport. In sea freight forwarding, Ti noted how growth opportunities were lost due to “a shortage of carrier capacity and port congestion”. As a result, the market grew by 6.6%, to $156.5bn, while freight rates were up 69.8%, due to demand being “considerably higher than available capacity”. Indeed, Ti said, port congestion had created a “mismatch between supply and demand” and slowed growth in the sea freight market. For example, according to Maersk, around 12%-15% of global containership capacity was effectively taken out of circulation by congestion in 2021, while Kuehne + Nagel noted 80% of the global sea freight disruption was associated with North American ports.

SEA *Freight*

Blank sailings proliferate. Major ocean carrier alliances have announced additional cancellations totaling more than a third of the scheduled sailings out of Asia through early June, according to container platform Freightos. Data provider project44 shows that Maersk and MSC are the carriers who are leading the charge to blank sailings. Between weeks 17 to 23, according to project44, THE Alliance will blank 33% of its scheduled sailings from Asia, the Ocean Alliance will void 37%, while the 2M alliance of MSC and Maersk will cancel 39% of its headhaul voyages. The Asia – US west coast route has seen the highest amount of blank sailings over the past five weeks both in absolute volume and as a share of offered capacity, according to container data platform Xeneta. Between April 4 and May 8, 63 sailings on this tradelane were blanked, removing a total of 517,300 teu, 25% of the initial capacity offering. Freightos’s head of research Judah Levine said the cut capacity could stabilise container rates out of Asia to Europe and the US west coast, which have fallen by more than 20% since the initial shutdown in Shanghai in March. Drewry’s container index continued its long slide today. The weekly global index dropped by 0.9% to $7,657.20 per 40ft container but remains 33.7% higher than a year ago. “Carriers have been trying to manage this drop in spot rates by implementing blank sailings while trying to lock shippers on longer-term contracts riding on the previous highs in hopes of extending their honeymoon period,” said Shabsie Levy, CEO of digital freight forwarding platform Shifl. “Despite the slowdown, projections for ocean import volumes to the US through the summer months remain higher than last year, indicating a pull forward of demand to avoid peak season delays and possible labor disruptions at West Coast ports when an important dockworker labor contract expires at the end of June,” an update from Freightos stated. In Shanghai, under lockdown for more than six weeks, there has been some good news from the official data with China’s largest city getting closer to its goal of only finding new cases among people already in “closed off management”. Shanghai’s mass testing detected just two new cases outside areas facing the strictest curbs on May 11, officials said on Thursday.

U.S. ports report record imports in March. Imports at major U.S. retail container ports set a new record this spring and are expected to see near-record volume in May as retailers bring in merchandise early, to get ahead of rising costs and potential supply chain issues. According to the latest Global Port Tracker report, released by the National Retail Federation (NRF) and Hackett Associates, U.S. ports handled 2.34 million TEU in March, the latest month for which final numbers are available. That was up 10.8 percent from February and up 3.2 percent year over year. It also topped the previous record of 2.33 million TEU set in May 2021 for the number of containers imported in a single month since NRF began tracking imports in 2002. Retailers trying to get ahead. “Retailers are importing record amounts of merchandise to meet consumer demand, but they also have an incentive to stock up before inflation can drive costs higher,” said Jonathan Gold NRF’s vice-president for supply chain and customs policy. “Whether it’s freight costs or the wholesale cost of merchandise, money retailers save is money that can be used to hold down prices for their customers during a time of inflation. In addition, retailers are preparing for any potential disruptions because of the West Coast port labour negotiations, which are set to begin next week. NRF has previously encouraged the parties to remain at the table and not engage in disruptions if a new contract is not reached by the time the current agreement expires

July 1." Ports have not yet reported April numbers, but Global Port Tracker projected the month at 2.27 million TEU, up 5.7 percent from last year. May is forecast at 2.3 million TEU, which would be down 1.4 percent from last year but nonetheless the third-highest level on record.

MARKET *Sources*

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https://splash247.com/blank-sailings-proliferate/

https://theloadstar.com/congestion-and-rates-caused-huge-modal-shift-to-air-freight-last-year/

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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