

Weekly Market Update

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Air Freight

Cargo airlines cancel hundreds of China flights amid COVID outbreak. Rates shoot up as lost shipping capacity adds to aircraft supply shortage during peak-season rush. Chinese restrictions to control a spike in COVID infections have severely curtailed cargo operations at several airports and reduced crew availability, forcing airlines to cancel hundreds of flights as the peak shipping season kicks into high gear in a sector already struggling to keep up with high demand. Logistics professionals say the growing scarcity of long-haul aircraft could push freight rates near \$20 per kilogram on certain trade lanes within a few weeks, making air transport five or six times more expensive than normal for the fall rush. The only time shipping costs have been that high was during the early days of the pandemic when the mass grounding of passenger flights took away a vast amount of cargo space. The most current data from logistics providers and risk intelligence analysts shows that 531 flights, or 43% of the daily total, were canceled from Beijing and that airlines scrubbed 408 flights, a third of the daily total, at Shanghai Pudong International Airport, as of Aug. 6. Two-thirds of the flights were canceled in Xiamen. And Suman Shuofang International Airport, which serves the cities of Wuxi and Suzhou in southern Jiangsu province, is not accepting import cargo. "You're taking a few thousand tons a week of capacity out of an already very tight market, so that is going to have a subsequent impact on rates. They've gone up in the past several days as a lot of these decisions have been made. And I suspect we're going to be in super peak market conditions here in the coming days," said Neel Jones Shah, executive vice president and global head of airfreight at FL export, in a phone interview. The mass cancellation of cargo flights in China is the latest in a series of supply chain disruptions this year that include a large container ship getting stuck in the Suez Canal for six days, a partial COVID lockdown of the Yantian terminal in the Port of Shenzhen for nearly a month and spun off shipping delays around the world, and wildfires in British Columbia that halted intermodal rail traffic to and from the Port of Vancouver.

Pandemic rules bring China air cargo chaos as ground staff quit and rates soar. Ground handling staff in China are quitting in droves over new Covid rules, triggering the cancellation of hundreds of flights and the prospect of freight rates reaching "extraordinary" levels. According to one Chinese forwarder, long handling times at Shanghai Pudong (PVG) saw some cargo flights taking off empty over the weekend. He told The Loadstar: "Export cargo handling times are six to 10 hours, two-to-three times longer than normal. "PVG is the most affected and, over the weekend, many flights could only load a small part of their outbound cargo, while others just flew back without any cargo, creating a huge backlog for upcoming flights." Rickard Ingvarsson, CEO Asia at Scan Global Logistics, said the situation in China had deteriorated following the Nanjing Airport closure this month, with Shanghai, Beijing, Guangzhou, and Tianjin all impacted by strict quarantine measures. "This has caused a big influx of resignations among operations staff, as well as equipment shortages," he told The Loadstar. "Quarantine rulings vary for ground staff handling aircraft and cargo, from 14 days home quarantine after seven days working at site, to a 7+7+7 roster, whereby they work seven days, quarantine for seven and then rest for seven, likely resulting in further limits on carriers' ability to serve demand."

Sea Freight

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Partial reopening of Ningbo terminal scheduled for next week. Shipping agent sources in Ningbo have ascertained the port's planned reopening of its Meishan terminal. The aim is for a partial reopening of the terminal from a week today. Meishan, which has been closed for seven days because of a single case of Covid, accounts for approximately 20% of the 30m teu the port handles annually. It is mainly used by the Ocean Alliance. The terminal will partially reopen on the August 24, with a full reopening scheduled for September 1. Agents anticipate it will take 10 days to two weeks to clear the boxship backlog with the whole port back to normal operations by the middle of next month. The port authority gave an update on operations today, claiming that despite Meishan's closure it had been able to work at 90% capacity in recent days with many ships switching to different terminals. Despite this impressive achievement, the port, the world's largest in overall tonnage terms, is experiencing unprecedented congestion with many liners deciding to skip calls there in the wake of the Covid case. Ningbo's municipal government has also given an update on its Covid investigations today. More than 90,000 people have been tested over the past week with no further positive cases reported.

Global port congestion building – busy Ningbo terminal shut for sixth day. Today, AIS data from VesselsValue shows around 50 containerships at anchor near Ningbo-Zhoushan Port, where operations at Ningbo Meishan Port Terminal remain halted for the sixth consecutive day, after a member of staff tested positive for Covid-19. Pressure on supply chains is building as a result of a series of incidents, the most recent at Ningbo-Zhoushan, and the latest data suggests nominal capacity is approaching levels seen in the early days of the pandemic when carriers blanked sailings in the first half of last year. According to data company project44, Ningbo Meishan terminal began turning vessels away last Wednesday, following the positive test on the worker, who had tested negative three days earlier and who was staying at the terminal's on-site dormitory. Meanwhile, port congestion in Asia, Europe and the US has severely affected carrier services, cutting available capacity as ships sit at anchorage awaiting berths to load and unload cargo. Ningbo Meishan Terminal handles around 25% of the container cargo at Ningbo-Zhoushan, which is being redirected to other terminals. On Thursday, project44 said there were 28 ships at anchor, awaiting a berth, east of Ningbo – that figure has nearly doubled in the four days since. And, according to project44, the average number of weekly port calls at Ningbo has plummeted by 70%, "from nearly 200 container vessels to less than 60 this week", it said, adding: "Ocean carriers are diverting and initiating blank sailings to and from the port. project44 has recorded 37 blank sailings as of 13 August."

More supply chain delays as Ningbo port congestion worsens. Container vessels queue up for dock space, switch to other ports as Chinese authorities investigate COVID infections. The closure of a critical container terminal at the Port of Ningbo in China because of a COVID infection is having swift ripple effects that are likely to spread worldwide, adding to shipping delays and stretching order lead times as companies try to stock shelves for the holiday shopping season. As of 4 p.m. Friday, local time, 40 vessels were waiting at anchor for a berth outside Ningbo, and an additional 30 container ships were parked outside the Port of Shanghai, according to Kuehne + Nagel's SeaExplorer platform. The average wait time for a berth is two to three days, said Franziska Bietke, global sea logistics marketing manager for K + N, the largest ocean freight forwarder by volume in the world. Port officials suspended operations at Ningbo's Meishan Terminal early Wednesday after a single worker tested positive for COVID. All inbound and outbound container operations at the facility have been redirected to other terminals until further notice, adding to congestion at those locations. Meishan is one of five container terminals in Ningbo and handles about a quarter of the port's total volume. Authorities say trucking, container yard and dockside activity will remain on hold until the Ningbo Municipal Health Commission can determine the extent of the outbreak. In two days, the average number of weekly port calls to Ningbo has plunged 70% from nearly 200 container vessels to fewer than 60 this week as ocean carriers divert vessels and initiate blanked sailings to and from the port, according to data provided by project44, a supply chain visibility platform. The Chicago-based data company said it has recorded 37 blanked sailings as of Friday, meaning carriers are skipping Ningbo to maintain schedule integrity on their routes.

Market Sources

https://www.freightwaves.com/news/cargo-airlines-cancel-hundreds-of-china-flights-amid-covid-outbreak?utm_campaign=eBulletin_210816&utm_medium=email&utm_source=autopilot

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<https://www.freightwaves.com/news/more-supply-chain-delays-as-ningbo-port-congestion-worsens>

<https://splash247.com/partial-reopening-of-ningbo-terminal-scheduled-for-next-week/>

<https://theloadstar.com/pandemic-rules-bring-china-air-cargo-chaos-as-ground-staff-quit-and-rates-soar/>

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Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

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