

## Weekly Market Update

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### Latest News

**Viewpoint: Global supply chain reaching 'a critical moment in time'**. The price of containers is one thing; the toll on human capital is another. Headlines on China's port problems dominate the news cycle, but the ripple effects of the delta variant expand way beyond the Middle Kingdom. Trade is a global network and only works efficiently when all participants are healthy and cooperative. The U.S./China trade war ignited the U.S./Asia supply chain expansion. The ravages of the delta variant, however, have destroyed this "diversification." In the shadows of the news on the Yantian and Ningbo port closures, the impact of the delta variant across the entire global supply chain is being overlooked by the mainstream media and American consumer. The stress levels of logistics managers and supply chain managers are at all high-time highs — and for good reason. It's more than the price of the container, which is up over 500%. It's the impact on the human capital in the supply chain. Remember, it takes people to make and move product. Containers tell this story. In early August, the Vietnam Textile and Apparel Association (Vitas) warned that just 30-35% of the country's textile and garment factories were operational and warned that "90% of the industry's supply chain is broken." The country's lockdown has had little effect on containing the virus. According to the Johns Hopkins Coronavirus Resource Center, in the past week, the country has reported record-high infection rates. The pace of vaccinations in Vietnam's textile and garment industry is still very low. The country has fully inoculated just 2% of its 98 million people. U.S. Vice President Kamala Harris announced during her bilateral meeting with Vietnamese Prime Minister Pham Minh Chinh that 1 million doses would begin to arrive in the next 24 hours. This allotment brings the total vaccine donation to 6 million doses. Vitas, The American Apparel and Footwear Association, and two other associations, sent letters to the prime minister, imploring the Vietnamese government to make vaccinating workers in the apparel, footwear, and travel goods production sectors a top priority. "The U.S. has already provided 5 million doses, but we are advocating with our government [to] supply more on an urgent basis. We urge you to underscore this message and request such support as an urgent priority," AAFA CEO Steve Lamar wrote in a letter to Chinh last month. "We hope that you will prioritize these donated materials with these key industries and in the south, which has both a high concentration of new [COVID-19] cases and economic activity critical to the health of the economy."

### Air Freight

**BRIEF** Shanghai airport terminal closure leads logistics firms to expect cargo delays. Dive Brief: Freighter suspensions that began Friday remain in effect at Shanghai Pudong International Airport after the Shanghai Health Commission reported five new COVID-19 cases among cargo workers. One of the airport's terminals, PACTL, closed due to the new cases, with around one-third of flights out of PVG airport affected, according to Ligentia. Before the closure took place, Shanghai Pudong airport was only operating at 33% capacity due to China's quarantine measures. "It is still unknown when flights will operate again," Matt Castle, vice president of

air freight products and services at C.H. Robinson, said in an email Monday. **Dive Insight** Affected freighter flights won't operate out of the airport again until the area is considered safe due to "China's zero-tolerance Covid-19 policy," Castle said. China has implemented strict measures to contain the spread of COVID-19, leading to strains on already limited air cargo capacity out of the country. "At Shanghai Pudong, for example, staff have been asked to work for seven days, quarantine in a hotel for seven days and then quarantine at home for a further seven days," Ligentia said. "As a result of staff quitting, long handling times (2-3 times longer than normal) have been recorded and some cargo flights have taken off with very little or no cargo over the weekend." Logistics companies expect delays and longer transit times due to the suspensions. Shanghai Pudong International handles more than 3.1 million tons of cargo annually and "is one of the main loading nodes in China," according to ShipHub. Mechanical and electrical products, along with automobiles, make up a large share of Shanghai's exports in 2020, the city said in a news release. "The impact of this suspension will see a serious backlog in PVG in the coming days," SEKO Logistics said on Twitter. "Airlines are diverting flights to airports to the South or West of China." SEKO also said some forwarders are considering alternative export methods, such as shipping via ocean to Singapore and flying out of Singapore Changi airport. Maersk said in a customer advisory Friday it's adding capacity with flights in less affected airports to reduce the impact to customers. Some cargo flights have already been diverted to Hong Kong, and the closure of the terminal's cargo operations will lift airfreight rates from China further, according to Ligentia.

## Sea Freight

**Ningbo's Covid-hit Meishan Island box terminal now fully open.** The Meishan Island International Container Terminal (MSICT) at Ningbo-Zhoushan port, which partially reopened last week has now reported that the terminal will resume full operations from today. A Covid-19 scare, following a positive test on a docker who lived at the terminal's dormitory, saw MSICT close on 11 August, sparking fears of another substantial event to disrupt global supply chains. In the event, local authorities immediately imposed a strict lockdown and the move has now led to the facility reopening fully. MSICT handles around 6m teu a year, about 20% of Ningbo-Zhoushan port's annual volumes, and there will be a substantial backlog to clear. Last week, project44 reported 41 ships were at anchor awaiting a berth and cargo handling at Meishan Island.

**Shortages, congestion and Covid delays push container prices sky-high.** The Covid lockdown at the southern Chinese hub port of Yantian in June has resulted in a 180% spike in the price of containers, according to online trading platform Container xChange. Its Container Availability Index (CAx) component that covers the average price of transactions on its platform, spanning all box sizes sourced from Yantian, surged from \$5,515 in June, to \$15,336 this month. "We saw a real and measurable spike in container prices and a major drop in container availability when terminals at Yantian saw operations disrupted through most of June," said Container xChange co-founder Christian Roeloffs. And he said there were "early indicators" of a similar impact from the more recent port disruptions after lockdowns at Ningbo and in Vietnam. But even without further disruptions, the acute shortage of equipment from strong demand and deteriorating port congestion is guaranteed to send new and second-hand container prices higher, according to CEO and founder of Container xChange Dr Johannes Schlingmeier. "It is likely that container prices will rise on lower availability in the coming weeks, due to the lag between liner schedule disruption and container availability and pricing," said Dr Schlingmeier.

## Trucking

**Truckload rates ease in U.S. index.** Truckload rates hit new highs and freight volumes remained elevated in July but retreated from June's record levels. Truckload rates hit new highs and freight volumes remained elevated in July but retreated from June's record levels, as shippers paid a premium for transportation amid pandemic-related supply chain disruptions. The DAT Truckload Volume Index was 222 in July, down eight percent compared to June. The Index is an aggregated measure of dry van, refrigerated (reefer) and flatbed loads moved by truckload carriers, and is an industry-standard indicator of commercial freight activity. A baseline of 100 reflects freight volume in January 2015. "Shippers not only experienced escalating spot and contract rates in July, they were hampered by port congestion, unloading delays, shortages of trucks and drivers and more recently tighter intermodal capacity," said Ken Adamo, chief of analytics at DAT. "With  
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holiday merchandise already arriving at ports, for many shippers there is more freight than the commercial transportation system has the capacity to handle efficiently. All modes are under stress.”

## Market Sources

<https://theloadstar.com/ningbos-covid-hit-meishan-island-box-terminal-now-fully-open/>

<https://theloadstar.com/shortages-congestion-and-covid-delays-push-container-prices-sky-high/>

<https://www.freightwaves.com/news/viewpoint-global-supply-chain-reaching-a-critical-moment-in-time>

<https://www.insidelogistics.ca/freight-rates/truckload-rates-ease-in-u-s-index-176862/>

<https://www.supplychaindive.com/news/shanghai-pudong-cargo-airport-covid-coronavirus-suspension/605384/>

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