KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

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Air Freight

Air brokers struggle to find peak lift as shippers bid to avoid port congestion. Port congestion is providing unprecedented opportunities for air charter brokers – but an absence of passengers is creating challenges in capacity as shippers gear up for peak season. The head of cargo charters at Hunt & Palmer, Jamie Peters, told The Loadstar: "When it comes to moving cargo, forwarders and shippers are facing continuous issues. "Everything is geared towards Q4 with expectations of a substantial peak period, but it is becoming impossible to locate any large aircraft capacity with less than one or even two weeks' advance notice; there are extremely limited openings. "Any that do exist come at a very high premium that most customers are turning down… for now, at least." With peak season hurtling into view, forwarders have become increasingly concerned that there "simply is not sufficient cargo capacity", particularly on already congested key tradelanes, notably Asia-Europe and Asia-North America. Mr Peters said enhanced Covid rules at Chinese airports was "profoundly" impacting carriers' ability to "squeeze-in" additional flights, with passenger service returns also playing a role. "Carriers operating passenger aircraft as 'preighters' have reduced, as they look to return them to passenger services. They were probably hopeful the passenger markets would return swiftly, but it appears that's not happening as quickly as they might like," he added. "And while there are more cargo aircraft operating, most of these quickly received commitments for longer-term capacity."

Sea Freight.

Carriers blank nearly half of all Asia – Middle East sailings. Consumers in the Middle East face slimmer choices in the shops as global liners shun the region in favour of the higher paying main east-west tradelanes. New analysis from Alphaliner shows carriers have blanked up to 50% of dedicated Asia – Middle East sailings due to a lack of tonnage and vessel delays as well as the keenness to ensure other higher paying routes are better serviced. Noticeably, Shanghai to Jebel Ali spot freight rates are the lowest of all the deep-sea routes monitored by the Shanghai Containerized Freight Index (SCFI). The current rate of $4,000 per teu is a far cry from the $20,000 per feu being raked in by carriers on Shanghai to US west coast destinations at the moment. Alphaliner analysis shows none of the seven dedicated Central China – Middle East services operated by the big carriers currently offers weekly sailings due to a chronic lack of tonnage. As of yesterday, Alphaliner counted just 29 ships deployed on these services, while 50 would be required according to pro forma schedules. "The shortage of tonnage in the Far East – Middle East trade is not only the result of port congestion: many ships have been redeployed to the main East – West routes, where cargo demand is very strong and spot freight rates are at historical highs," Alphaliner pointed out in its most recent weekly report. The Asia – Red Sea trade is also affected. The Ocean Alliance operates two services jointly with Pacific International Lines (PIL). These loops require 17 ships, but are currently operated with only eight vessels, according to Alphaliner data. Many other regional trades have been hit hard as global liners have focused more tonnage on the main east-west trades from Asia to North America and Europe – the biggest loser being Africa.

Record 56 containerships queued at LA/Long Beach ports. There are now nearly twice as many containerships waiting to get into the Ports of Los Angeles and Long Beach (LA/LB) as there are berthed for cargo operations. The number of containerships either at anchor or adrift in San Pedro Bay has now reached a new record of 56, according to the Marine Exchange of Southern California. At the same time there are 31 containerships at berth in the ports of LA/LB meaning that if numbers of continue to rise there will soon be double the number of boxships outside the ports as they can handle at any one time. The number of ships waiting at LA/LB has surged as importers look to be beat the peak season. According to the Port of Los Angeles the waiting time at anchorage is 8.5 days based on a 30-day rolling average. For the week of 12 – 18 September it expects import volumes of 133,582 teu, up 9.14% on the previous week, and 25.06% year-on-year. Import volumes are expected rise further 21.65% at the Port of LA in the week of 19 – 25 September to 162,498 teu, up 45.37% year-on-year. A record imbalance between import and export volumes is causing a huge pile up of empty containers in Southern Californian ports as Seatrade Maritime News reported last week. The upcoming Golden Week holidays from 1 – 7 October in China may give some respite with container lines blanking a number sailings for this period. Meanwhile it is not just delays to imports that are causing concerns in the US, environmental groups are worried about the pollution from the large number of ships waiting at anchor.

Spiralling shipping costs threaten survival of small businesses. Shippers are facing a 'meltdown of the container shipping market' as they enter the peak season, with SME cargo owners paying the price in high freight rates and supply chain disruption as they fight to recover from the pandemic. With deployed capacity failing to keep pace with growing consumer and business demand, a "rapidly disintegrating" box shipping market was pushing up shipping rates beyond the reach of many small and medium sized businesses. "Global levels of container traffic grew again in the second quarter to reach record levels but have still not yet quite recovered to the level that trends implied three years ago, when lines reduced their level of newbuildings," said MDST chairman Mike Garratt. He added that the capacity shares based on vessel sharing agreements or consortia in some key markets now exceed 40%. "This high level of consolidation has the benefit of enabling lines to adjust capacity allocation in line with changing demand but, combined with the resulting very high levels of utilisation, have allowed freight rates to remain at historically unprecedented levels and imply that some potential freight may be being suppressed." Performance indicators, including skipped ports, continue to compared poorly with pre-pandemic levels, he added. The quarterly report assesses container shipping across eight key metrics that include capacity, costs and revenues, competitiveness, connectivity and service performance. The latest report covers the period where the Suez Canal blockage and the closure of Yantian was felt of schedules and port calls. But even these events were "barely discernible" in a "globally consistent picture of rising rates, declining service and ships sailing at close to their maximum capacity". It found that carrier profitability was soaring and showed the continued growth of the average earnings per container carried compared to the unit costs of carrying that container, which had barely changed over the course of the past 18 months. Globally, carriers are earning more than twice per container than at the start of the pandemic, the report showed.

Huge jump in number of boxes needing handling adds to pressure on terminals. The number of containers moved per vessel call has increased exponentially during the pandemic, placing enormous pressure on ship working and landside operations, according to a new IHS Markit report. The latest Port Performance Data compiled by the analyst reveals that vessel exchanges – containers handled – at major US, North European and Asian ports jumped between 10% and 70% in the first half of the year on the same period of 2020. In North Europe, container move increases were led by Felixstowe, which saw and 18% leap in boxes handled, followed Antwerp, with an increase of 14%. In Asia, Singapore's 27% surge was followed by a 24% jump at Yantian and a 23% increase at both Shanghai and Ningbo. However, Southern California's Long Beach facilities recorded the highest increase of the ports surveyed. with a massive 73% more container moves per vessel call. IHS Markit said call sizes had been growing prior to the pandemic outbreak, due to the increase in vessel sizes and tighter optimisation of networks, but the "strongly rebounding and unpredictable demand" had "amplified the trend causing delays at many global ports". Turloch Mooney, associate director, maritime and trade, at IHS Markit, said: "The severe operational strain is caused by the surge in cargo volumes coming in much more concentrated loads. "This spike in demand is placing heavy stress on ocean and landside operations, increasing yard congestion and cargo dwell times, with knock-on effects on equipment repositioning and intermodal links further fueling the problem and resulting in sustained congestion at key global gateways." The higher volumes per call – and resulting longer time spent in port – has led to a backlog of containerships awaiting a free berth.

Trucking

Trailer orders bounce back due to "tremendous" pent-up demand. Trailer orders bounced back to 15,100 units in August, as some manufacturers opened up 2022 order boards, according to preliminary data from FTR. Orders surged 79% from July but remained down 47% from last August. FTR says some OEMs began taking "limited bookings" for 2022 in August, with fleets eager to lock in build slots. Manufacturers will be incapable of filling all their 2021 orders, with some being rolled into 2022. "The disruptions in the supply chain have disrupted production in 2021 and are now delaying order placements in 2022," said Don Ake, FTR's vice-president – commercial vehicles. "OEMs do not know when they will be able to ramp up production, so a tremendous amount of uncertainty exists. The supply chain is expected to remain clogged for several more months and then improve at a gradual level throughout the first half of next year. "There is enormous demand for new trailers in 2022. OEMs are not producing enough trailers in 2021, so pent-up demand grows every month. Freight growth is expected to be robust, rolling into next year. Fleets are desperate for more new trailers today, and they perceive an even greater need next year. When OEMs begin booking at full throttle for 2022, there could be a record number of trailer orders for the month."

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.

If you have any questions, please contact your local KWE representative.

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