

Weekly Market Update

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Latest News

Export boom drives Canada's largest trade surplus since 2014. Canada's trade sector unexpectedly recorded its largest surplus in more than six years on across-the-board increases in exports. The nation ran a surplus of C\$1.4 billion (\$1.1 billion) in January from a revised deficit of C\$1.98 billion in December, Statistics Canada said Friday in Ottawa. Economists were predicting a gap of C\$1.4 billion. It marked the first time Canada has run a monthly trade surplus since May 2019 and represents the largest since 2014. "The surprise trade surplus is a welcome development in what was expected to be a very challenging time for the economy," Benjamin Reitzes, rates and macro strategist at the Bank of Montreal, said in a report to investors. "This is just another sign that the economy weathered the second wave impressively well." Exports rose 8.1% in January, versus a 0.9% increase in imports. Shipments of energy products were up 5.9% on rising oil prices. Non-energy exports increased 8.5%. Canada's trade deficit was running at historically elevated levels for much of last year, but the picture has changed sharply in recent months amid improving trade flows globally. Merchandise trade with the U.S. was the big driver behind the gain in January. Shipments south of the border rose 11.3% to the highest value since Sept 2019. Aircraft and other transportation equipment rose 72.3% on the month. That was due to a Canadian airline retiring a large number of planes from its fleet and shipping them to the U.S., the agency said. Excluding that one-time gain, trade would be roughly balanced.

The pace of Canada's COVID-19 vaccine rollout, which has lagged that of many other developed nations, is expected to be drag on the country's economic recovery in the short-term and may have long-term implications as well, according to economists and business groups monitoring the situation. Canada had administered roughly five vaccine doses per 100 people as of Monday, compared to 31 in the United Kingdom, 23 in the United States, and seven in Germany, according to Bloomberg News figures. Trevin Stratton, chief economist at the Canadian Chamber of Commerce, said the lagging rollout will have an impact on business survival and the economic recovery, particularly in the hardest-hit industries. "We will be looking at a greater number of business closures ... the longer the vaccine rollout takes," he said. "That means fewer businesses to propel recovery and fewer jobs and salaries to contribute to demand and consumption." In addition, Canada could fall behind on capital investments and project finance as investors choose countries where the population is closer to herd immunity against the virus, said Stratton, who is also senior vice president of policy at the chamber. "If our advanced economy peers roll out vaccines faster than Canada, then there is a risk that investors will put their money where they will have a faster or more robust return on investment," he said, adding that Canada may yet take steps to close the vaccination gap. "Getting this right will be the single greatest factor for economic recovery over the short-term," he said.

The air cargo market stays volatile despite performing above pre-pandemic levels—the 1.1% year-on-year gain in cargo tonne-kilometers (CTKs) in January was and continues to be offset by slashes to air passenger business in light of further coronavirus outbreaks, according to IATA. Without a recovery in belly-hold capacity, the air cargo industry remains stunted in its post-pandemic growth, with many tourism advocates calling for a standardized framework to revive cross-border travel. Global sea freight carriers are throwing out a litany of General Rate Increases, Low Sulfur Fuel Surcharges, and Container Recovery Charges set to take effect on April 1—those imposed in the Middle East and Southeast Asia regions are possibly an attempt to dissuade further seasonal demand associated with Ramadan, while those affecting coasts of the Americas may be carrier attempts to sieve demand and safeguard from future terminal congestion.

Air Freight

Air cargo 2021: The good, the bad and the ugly. Goods continue to fill planes, but worsening passenger demand hinders freight growth. The air cargo industry has officially recovered from the depths of the pandemic, with volumes in January 1.1% above the 2019 level. The bad news, according to the International Air Transport Association, is that freight capacity lost ground for the first time since April, dropping 5% on a monthly basis, because passenger airlines pulled back on flight activity in response to COVID outbreaks and widespread travel restrictions. The amount of available airlift for cargo in January was 19.5% less than 2019, according to IATA's monthly market report. That's the bottom line from the 49% plunge in international bellyhold cargo capacity combined with a 29% hike in freighter capacity. The limited space is putting pressure on cargo owners and logistics companies experiencing reservation delays and paying top dollar to guarantee spots on passenger or all-cargo carriers because of the heavy flow of cross-border trade. Since hitting bottom last April, the air cargo market has seen a V-shaped recovery, while airlines' passenger business is still in a depression. Figures released by London-based CLIVE Data Services, which has access to more current data, generally dovetailed with IATA but didn't show positive volume growth until February. Load factors remain very strong, with aircraft nearly 70% full on average and month-over-month volumes climbing 7% despite February being three days shorter than January. "If we normalize for last year's Leap Year, we can see a 2% growth in global volumes compared to February 2020," Niall van de Wouw, CLIVE's managing director, said in the company's monthly analysis.

Sea Freight

Port of Montreal strike threat already disrupting shippers. Shipping Federation of Canada is warning that a potential strike at the Port of Montreal is already having a damaging impact. The Shipping Federation of Canada is warning that a potential strike at the Port of Montreal is already having a damaging impact even as negotiations are set to resume Wednesday with the help of mediators. The trade association representing the interests of ocean-going ships says the threat of a work stoppage is forcing North American importers and exporters to divert large volumes of international cargo away from the port and is causing havoc to supply chains. The federation says that damage to the local, provincial and national economies would be significant and could not happen at a worse time because of the logistics of delivering medical supplies and equipment in the midst of a pandemic. The Maritime Employers Association met last week with the longshoremen's union affiliated with the Canadian Union of Public Employees (CUPE). The union representing 1,125 longshoremen and the employer concluded a seven-month truce last August after a 10-day strike that expires March 20.

UK ports plead for more time to build border posts for new customs procedures. As more ports confirm they are unlikely to be ready for the 1 July deadline, the UK government is facing increasing pressure to delay new border control procedures. Post-Brexit UK import procedures are implemented in three phases to ease the burden on the country's supply chains, but many feel the government's late-in-the-day approach has left scant time for key structural changes. Portsmouth International Port director Mike Sellers said despite the port's "critical role" in UK trade, it had not received necessary funds to "meet even the most basic requirements". He told The Loadstar: "Unless we proceed, at [our own financial] risk, the situation for trade would be severe and unsustainable when government import checks are in place, which has the ability to affect UK plc at a time when economic recovery is paramount. "Portsmouth was identified as a port of national importance, and the DfT funds critical freight routes through Brittany Ferries, so it's vital we support the flow of goods and trade. We are prepared to do what it takes, as we understand the strategic importance of our port to UK plc and need to provide confidence for our customers that trade will continue. "However, without further support [from government], this reassurance is vulnerable."

Trucking

Driver shortage crisis a 'demographic time-bomb' that will get worse, says IRU. The driver shortage crisis will continue to plague the road freight industry this year, according to new research from the International Road Transport Union (IRU). The Geneva-headquartered organization yesterday published the results of its

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latest survey, of around 800 trucking firms in more than 20 countries, which shows that while driver shortages eased in some parts of the world last year, elsewhere they grew. In Europe, for example, last year unfilled truck driver jobs fell from 24% of total vacancies in 2019 to 7%, as demand declined due to the pandemic and redundancies in other sectors urged. And in China, the number of unfilled positions is just 4%, which the IRU said made it the least-affected country. However, to the west, Central Asian countries were said to have the worst shortages, with around 20% of positions unfilled. And as economies begin to recover, driver shortages are again expected to increase – European firms believe the number of unfilled roles will leap to 17% over the course of the year, and similar increases are expected elsewhere. The IRU said: “Transport companies forecast driver shortages to intensify again in 2021 as economies recover and demand for transport services increases. This shortfall is expected to reach 18% in Mexico, 20% in Turkey, 24% in Russia and almost 33% in Uzbekistan.”

Canada’s fast-approaching ELD mandate won’t be enforced — at first. No devices certified yet as government takes slow road to implementation. Canada took a slower road than the United States to implementing its electronic logging device (ELD) mandate for commercial vehicles. In doing so, it added teeth: a requirement that ELDs undergo certification by a third party accredited by the government. When the Canadian ELD mandate takes effect on June 12, it won’t have any immediate bite. Initial enforcement measures, according to the Canadian government, will consist of “education and awareness.” The mandate approaches as no ELD has been certified for use under the Canadian rule. Transport Minister Omar Alghabra announced the soft rollout of enforcement last Tuesday. He did not explain why the government is taking that route but highlighted the challenges facing the industry during the COVID-19 pandemic. “This will give sufficient time for the industry to obtain and install certified electronic logging devices without penalty as of June 12, 2021,” Sau Sau Liu, a spokesperson for Alghabra’s ministry, Transport Canada, which is overseeing the rollout, told FreightWaves in an email. Liu declined, however, to provide specifics about when enforcement would begin to include penalties.



Market Sources

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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.

Thank you, we appreciate your business.

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