

## Weekly Market Update

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### Latest News

**Coronavirus: What's happening in Canada and around the world on Wednesday.** People living in several provinces — including Alberta, Ontario and broad swaths of Quebec — are facing tighter public health restrictions as officials raise the alarm about more transmissible coronavirus variants and growing pressure on hospitals. Ontario Premier Doug Ford is expected to make an announcement later Wednesday, with sources saying the province will issue a stay-at-home order. The update comes as health officials reported 3,215 new cases of COVID-19 and 17 additional deaths on Wednesday. According to updated provincial COVID-19 data, hospitalizations stood at 1,397, with 504 patients in intensive care units. Of the ICU patients, 476 were still testing positive. The planned announcement from the premier also comes as schools in Canada's largest city move to online learning because of a third surge of coronavirus infections fuelled by more contagious virus variants.

### Air Freight

**Forwarders to have a greater say in IATA's cargo programme.** The Cargo Agency Conference (CAC) will in the future be required to consult with freight forwarder councils before any future resolutions are made. Following a recent decision, CAC, which is entirely composed of airlines, will have to consult with Regional Joint Councils before any future resolutions, or amendments to resolutions, are proposed and considered by the CAC. The Regional Joint Councils are composed of local freight forwarder associations affiliated with the International Federation of Freight Forwarders Associations (FIATA), as well as individual freight forwarders and airlines. "Obtaining Regional Joint Council views in advance of adopting resolutions will strengthen the Air Cargo Program by ensuring the efficient global implementation of resolutions," IATA said in a statement. Muhammad Albakri, IATA's senior vice president for customer, financial and digital services, said: "This is a major improvement for all concerned. The Air Cargo Program works to improve the safety, security, and efficiency of cargo distribution. Considering the views of all interested parties at the beginning of the decision-making process is a win-win. "The freight forwarders and their associations will have a stronger voice to influence the process. The CAC will be able to make better decisions with broader input to the decision-making process. And once decisions are made, they can be implemented universally with stronger support from all parties." IATA, which is the secretariate for the CAC, said the new streamlined consultation process will help to run the Air Cargo Program more efficiently, reduce costs, and improve and enhance cargo distribution performance throughout the industry.

**Options for shippers narrow as air cargo charter prices hit new heights.** Supply chain shocks aside, the last two weeks of March saw air freight stabilise, with just single digit fluctuations in rates. But, as anticipated, forwarders have reported sky-high charter rates in response to the Ever Given Suez crisis. "Charter prices are going through the roof for the coming two weeks, capacity seems scarce and, indeed, some shippers have reached out to us for alternative solutions via air," said one forwarder specialising in Asia-Europe. The potential modal shift triggered by Suez is also nudging change in future prices, according to Peter Stallion, head of air and containers for Freight Investor Services, which examines forward demand. "The big change is attempted sea to air conversion, a result of congestion at the Suez Canal delaying cargo. What were straightforward cargo schedules will become time-critical and start to move via aircraft charter. "The nature of the index (with a delay of one week) means we haven't really seen a responding impact in the index prices on any of the routes. However, looking forward, into April

and May, we've seen corresponding buy interest pushing up Asia to Europe prices." Meanwhile, retail inventories are at near-record lows, explained Bruce Chan, vice president global logistics at Stifel, while US stimulus cheques are likely to "supercharge retail demand flows on eastbound transpacific routes". He added: "And progressive re-opening and vaccination in the US could drive activity in the realm of pharmaceuticals and even fresh foods.

## Sea Freight

**A global headache: Covid-caused container port congestion.** Shippers everywhere are wondering when they'll see their containerized cargo arrive. Container terminal and port congestion, largely at West Coast ports, has reached record levels this winter. In Vancouver, which has been hit only mildly, the average container dwell time was 4.7 days in the month of February, and CN alone had more than 130,000 on-dock footage, with dwell times of five to seven days. The situation is symptomatic of a global transportation sickness created by the Covid-19 pandemic. According to Eleanor Hadland, Drewry's senior analyst for ports and terminals, the congestion crisis was brought about by a combination of factors. When demand began to rebound last year, liner companies reacted by adding capacity on the strongest routes, particularly the transpacific. This meant that already labour-crunched terminals were flooded with more boxes than they could handle. As delays in container handling worsened, the liner companies adopted a "cut-and-run" strategy, Hadland said, which caused a build-up of empty containers, and only amplified congestion at terminals. Canadian ports have been impacted, Hadland said, mostly by the lack of schedule regularity as the liners skip past their regular calls at Vancouver and Prince Rupert.

**Ocean shippers urged to lock in rates at 'acceptable' levels.** Freight forwarders are urging ocean freight shippers to lock in rates at acceptable or sustainable levels, with the recent Suez blockage further reducing the likelihood that sea freight prices will return this year to anything like pre-Covid levels. Although shipping activity resumed in the Suez Canal last week after the Evergreen containership Ever Given was re-floated, forwarders have been bracing for further supply chain disruption in the aftermath of the week-long blockage. Florence Gautrais, global ocean freight director at Geodis, told Lloyd's Loading List that forwarders were expecting the incident to add to port congestion both in Asia in Europe and may lead to fresh shortages of equipment, "further impacting uplifts and departures to Europe and the US. "In addition, the itineraries of delayed vessels might change or planned ports omitted for rescheduling purposes, creating artificial void sailings, with serious repercussions for available capacity," she noted. "We are preparing ourselves for this situation and continue to explore solutions to the congestion already experienced." She said the French forwarder had quickly identified containers from its own customers on the Ever Given and on the vessels that were queued as a result of the blockage of the vessel, noting: "We have been able to identify and rapidly flag all of our shipments impacted – approximately 10,000 boxes on the Ever Given and other vessels, based on the list of affected vessels received from our carriers. For re-routed vessels via the Cape of Good Hope, we have already received updated ETAs and have informed our customers accordingly."

**The lull before the 'post-Suez storm' of vessel arrivals at North Europe ports.** The main container ports in North Europe were eerily quiet at the weekend, due to the almost week-long blockage of the Suez Canal by the Ever Given. But now, an armada of late-running ULCVs is enroute from the Mediterranean, providing an intense challenge for vessel operators to turn ships around as quickly as possible and return them, as well as desperately needed empty equipment, back to Asia. For example, the 19,273 teu Cosco Shipping Scorpio cleared the canal on 1 April and, with around 60 other containerships is steaming towards the port of Rotterdam. The fully-laden vessel, deployed on an Asia-North Europe loop by the Ocean Alliance was stemmed to arrive on Saturday. However, according to the latest VesselsValue data, it is making a slow-steaming speed of 14 knots and a revised eta of 10am on 13 April. Some vessels will be asked to reduce speed to avoid unnecessary fuel consumption if obliged to wait for a berth and others asked to speed up to meet a berthing window, and the alliances will be obliged to juggle the rotations of the ships in their loops in order to mitigate the impact of vessel bunching at ports. For their part, terminal operators are warning carriers that there is a limit to their capacity. The Loadstar understands both Antwerp and Rotterdam are taking a harder line than normal on requests to discharge UK cargo at their hubs, fearing terminals will become overwhelmed with boxes on the quayside awaiting relay or feeder connections. Discharging a forward port's cargo also brings the problem of targeted containers being over-stowed, obliging the terminal operator to dig out and re-stow containers and thus extend the time in port, delaying the berthing of subsequent vessels.

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## **Trucking**

Tight trucking capacity won't ease until later in 2021. Spot load posts on the DAT load board were up nearly 130% YoY in March, but capacity continues to be an issue with truck postings falling almost 7% YoY. Comparing levels to March 2020 is difficult given the freight environment in the early days of the pandemic, but spot posts were up even more (232%) compared to the same period in 2019. The strong demand for spot loads and the lack of capacity has resulted in rates maintaining an elevated level. Spot rates were up YoY and MoM in March across van, reefer and flatbed modes. The supply-demand imbalance has pushed up the DAT load-to-truck ratio across trucking modes, increasing 100% YoY for van, almost 285% YoY for flatbed and 117% for reefer. But van and reefer ratios did each fall more than 23% compared to February. The overall freight environment has seen strong demand over the last few months, as consumer spending remains strong and weighted toward goods rather than services.

## **Market Sources**

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<https://theloadstar.com/options-for-shippers-narrow-as-air-cargo-charter-prices-hit-new-heights/>

<https://theloadstar.com/the-lull-before-the-post-suez-storm-of-vessel-arrivals-at-north-europe-ports/>

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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. Thank you, we appreciate your business.

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