Kintetsu World Express, Canada Inc.

Weekly Market Update

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Air Freight

x-China air freight rates continue rise. Ex-China air freight prices are continuing to rise this week on the back of highly constrained air freight capacity and strong demand, leading to very high load factors. Air freight data specialist TAC Index highlighted that as air cargo capacity is continuing to tighten, "some carriers are starting to take advantage of the situation by forcing trade-up from economy product to priority due to constrained capacity", likening this to airlines "moving the curtain in business class to the max". Among the 'Top Movers' this week of lanes tracked by TAC Index data is Shanghai-Amsterdam, where spot rates have seen a rise this week of around 18% to more than CNY34 (US$5.25) per kilo, while prices from Shanghai to a basket of European airports have risen a further 7% this week to $5.11 per kilo, according to the Baltic Exchange's Baltic Air Index (BAI).

Air cargo demand in March outperforms pre-Covid levels; capacity recovers 5.6%. The International Air Transport Association (IATA) released March 2021 data for global air cargo markets showing that air cargo demand continued to outperform pre-Covid levels (March 2019) with demand up 4.4 percent. March demand reached the highest level recorded since the series began in 1990. Month-on-month demand also increased albeit at a slower pace than the previous month with volumes up 0.4 percent in March over February 2021 levels. Because comparisons between 2021 and 2020 monthly results are distorted by the extraordinary impact of COVID-19, unless otherwise noted all comparisons to follow are to March 2019 which followed a normal demand pattern. Global demand, measured in cargo tonne-kilometers (CTKs), was up 4.4 percent compared to March 2019 and 0.4 percent compared to February 2021. This was a slower rate of growth than the previous month, which saw demand increase 9.2 percent compared to February 2019. A weaker performance by Asia-Pacific and African carriers compared to February contributed to softer growth in March. Global capacity, measured in available cargo tonne-kilometers (ACTKs), continued to recover in March, up 5.6 percent compared to the previous month. Despite this, capacity remans 11.7 percent below pre-COVID-19 levels (March 2019) due to the ongoing grounding of passenger aircraft. Airlines continue to use dedicated freighters to plug the lack of available belly-capacity. International capacity from dedicated freighters rose 20.6 percent in March 2021 compared to the same month in 2019 and belly-cargo capacity dropped by 38.4 percent.

Sea Freight.

Rates misery goes on: shippers face huge increases or their cargo rolled. Shippers from Asia to Europe saw a further spike in container spot rates this week, particularly for Mediterranean ports. And ocean carriers are said to be preparing big increases in short-term rates as cargo-rolling becomes the norm. On the transpacific, carriers are 'sold out' for the rest of May and into June, with this week's spot rate increases from Asia to the US west and east coasts described by one shipper as "academic". The North Europe component of the Freightos Baltic Index (FBX) increased by 5% this week, per 40ft, which represents a remarkable 475% increase on the same week of last year. For the Mediterranean, the FBX spot jumped 10%, per 40ft, as shippers from Asia scrambled for space to meet urgent inventory replenishing for the summer holiday season. Short-term rates have spiked by a 'less spectacular' 345% compared with 12 months ago. The Ningbo Containerized Freight Index commentary reported "considerable cargo" for Europe was rolled this week, as demand for space "remained very high". The Loadstar has this week seen FAK carrier rates to North Europe of up to $14,000 per 40ft, with one Shenzhen-based forwarder offering a "very good rate", with guaranteed

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space, of $12,000 per 40ft from Chinese main ports to Felixstowe or London Gateway for a late May shipment. For the transpacific tradelane, this week's FBX recorded a 3.5% increase for Asia to the US west coast, per 40ft, and a 5.5% uplift to spot rates for the east coast, per 40ft. And there is no let-up in sight in the demand for imports from Asia, the US National Retail Federation predicting that the restocking of low inventory levels by retailers will continue for several more months and into the peak season. "Space in May is already full, with demand remaining healthy through to the beginning of the third quarter," said Jon Monroe, of Washington state-based Jon Monroe Consulting.

Liner contract rates set new records. Contract rates in container shipping are soaring to record levels. The contract rates published on the China Containerised Freight Index (CCFI) last Friday hit 2,074 points. Putting this in context, the combined index peaked at 2,072 points on February 19 following Chinese New Year. The CCFI is defined as being equal to index 1,000 at the beginning of 1998. The previous record was set in May 2012 at an index level of 1,335. Aside from that, the CCFI has only been above index 1,250 at one other time: in the first week of October 2004. Since the new record of 2,072 was set in February, the CCFI slowly declined to 1,853 on April 16 whereafter the ripples from Suez Canal blockage started having an impact. Lars Jensen, founder of consultancy Vespucci Maritime, noted in a post on LinkedIn that typically contract rates lag spot rates by around three weeks. Spot rates have been in renewed record territory for much of the last month. With liner reliability plummeting, and spot shipments increasingly hard to confirm, there has been an uptick in contracted box booking this year. Data from New York Shipping Exchange (NYSHEX) shows that the concept of enforceable contracts has seen a significant increase on the Pacific headhaul trade in 2021. In Q1 2020 only 1% of the volume signed on enforceable contracts in the Pacific was for eastbound headhaul cargo – the vast majority of contracted cargo was related to the backhaul market. In Q1 2021 this has changed to 39% of the volume contracted on enforceable contracts being on the Pacific eastbound head haul trade. As overall contracted volumes has increased as well, this shift is a direct reflection of an uptake on the headhaul and not a down turn on the backhaul.

Unilever Plc and other big retail brands are among consumer giants adopting a toolkit to audit their shipping supply chains in an effort to help bring seafarers stuck on commercial vessels back home and eliminate human rights risks. The voluntary initiative, which launches later this week, calls on companies that put cargo on shipping containers to address problems stemming from government-imposed restrictions on crew changes. It's estimated more than 200,000 crew around the world are still stuck on vessels beyond the expiration of their contracts and well past globally accepted safety standards. The program—part of a project by the UN Global Compact—is also expected to be endorsed by the powerful Consumer Goods Forum, a body that counts hundreds of the world's biggest consumer companies as members, including Coca-Cola Co., Marks & Spencer Group Plc and Nestle SA. "Businesses, from multinational firms to global brands, have a responsibility to respect the human rights of seafarers as workers along their supply chain," said Sturla Henriksen, a UN Global Compact special adviser for sea issues. "There is a vast gap between business aspiration and business action on human rights. This tool seeks to address that."

Trucking

Ontario, Michigan discussing partnership to vaccinate Ontario truckers. The Ontario government is reportedly working with the state of Michigan to discuss partnering to vaccinate Ontario-based cross-border truck drivers. The Ontario Trucking Association (OTA) said in a release that it called on provincial officials to reach out to the state to see if an arrangement could be made, similar to those between North Dakota and Saskatchewan and Manitoba. North Dakota is offering vaccines to those essential workers just across the U.S. border. "The province of Ontario time and time again has stepped up to support our industry, and its truck drivers specifically, during this pandemic – whether it's by urging the supply chain to improve treatment of drivers, expand access to washrooms, food and medical attention; and now, to increase vaccination availability of truck drivers by working with our counterparts south of the border," said OTA chairman Wendell Erb. "OTA would once again like to thank Premier Ford and Minister Mulroney for their leadership and unwavering commitment to our sector and, specifically, our professional driving community." Details of a partnership are not yet available, but OTA says discussions of an agreement are continuing

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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