

Weekly Market Update

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Air Freight

WorldACD: Air cargo sees “some kind of normality” in April. Global airfreight volumes and capacity were up in April 2021, the latest figures from analyst WorldACD, suggesting — as with March figures — “some kind of normality”. Global demand in April was up 53% on a year ago, while widebody capacity was up by 51%, reflecting the collapse in bellyhold networks a year ago. Additionally, the average airfreight rate per kg increased which is 12% lower than a year earlier when the initial Covid-related capacity crunch hit the market. The analyst added that last month, available bellyhold capacity on widebody passenger aircraft almost tripled year on year and was “very close to the total capacity produced on widebody freighters”. Comparing April 2021 figures with the same period in 2019 to reflect pre-Covid levels, the analyst’s recorded increased demand in: general cargo (61%), live animals (78%) and flowers (67%). For special cargo, vulnerable/high-tech increased by 30%, while pharma declined by 3%. Continuing figure comparisons with 2019, airlines based in the Americas gained the most in air cargo exports (8%), a bit more than Asia Pacific (7%) and Europe (1%). Meanwhile, Africa (-5%) and the Middle East and South Asia (-17%) were “less fortunate”. Continuing comparisons with 2019, demand for express increased year on year by 59%; while demand for shipments in excess of 5 tonnes increased by 32%, “reflecting the growing importance of charters during the Covid-19 period.” Finally, the analyst compared rates in April 2021 with the same period in 2019. Rates in Asia Pacific increased by 117%, and from the Americas and Africa they increased by 30%. Meanwhile, rates increased from China to Europe by 117%; and 152% to North America. In addition, rate increases from Europe to North America were up 137%.

Global freighter capacity ‘maxxed out’ for this year and next. Global freighter capacity is “maxxed out” for this year and next year and even though a significant amount of conversion work is underway to transform aircraft from passenger to all-cargo configuration this will not produce a substantial amount of additional (maindeck) capacity in 2022 nor in the following years, according to analysis from a leading global management consultancy. “The freighters that are flying currently are flying maximum block hours, every freighter aircraft still fit to fly - irrespective of how old and inefficient - has been put into service, which has enabled maindeck capacity to increase by 30% when compared to pre-COVID levels,” Ludwig Hausmann, who leads the air cargo service line within the global transport and logistics practice of McKinsey & Company told Lloyd's Loading List in an interview. “But belly capacity, which prior to the health crisis represented 55% of all air cargo capacity, is still down by slightly over 50%. The upshot is we have a capacity shortfall of around 12-13% and for the gap to close, you really need to believe that belly capacity is coming back to close to where it was before.”

Sea Freight

Rise in container traffic and global economic recovery may be growing apart. As economies continue to rebound, global container trade is expected to grow by 5.8% this year, according to a forecast today from Alphaliner. Recently, the IMF revised its global GDP growth forecast for this year to 6%, which suggests container volumes are set to track economic growth. However, Alphaliner’s analysis suggests that in fact the opposite will happen, and “the long-term trend shows

a continued decline in the teu-to-GDP growth multiplier, linking container traffic to global economic growth". It explained that, in the 1990s, the teu-GDP multiplier hovered around the 3.4 mark and began to decline at the turn of the century – in 2000, GDP grew by around 5% while container volumes grew 12.5%. From then until the global financial crisis in 2008, the multiplier averaged 2.6, and then fell further, to 1.4, between 2010 and 2019. The analyst said: "Since 2015, four individual years have dropped below 1x, a situation which may be repeated in 2021. "The data appears to reflect greater protectionism efforts worldwide and a decline in overall global cross border trade and removes what was once a key indicator for the industry." According to Drewry, global container port throughput declined 1% last year, with 793m teu handled by ports worldwide – which, in volume terms, represented a drop of 9m teu on 2019. Meanwhile, global GDP contracted by 3.3% in 2020.

Reefer shortage drives perishables shippers to air, but 'price shock' kicks in. US perishables shippers are facing some tough choices – with ocean capacity severely constrained, increasing numbers are considering shipping by air, but soaring air freight rates are a major obstacle. Meanwhile, US agriculture exports are struggling. According to one report, there are shortages of frozen, dehydrated and fresh potatoes in many markets, because US exports of the vegetable have been hobbled by the shortage of ocean containers. Importers of fruit and other vegetables are also feeling the pain, one based in Miami reported vessels bringing in fruit from Central America had suffered delays, resulting in missed departure times for reefer trucks heading to supply US markets. This in turn has resulted in several days of delays getting the imported produce to its destinations.

Trucking

B.C. adding incentives for low-carbon trucks. Government is expanding weight allowances for low-carbon commercial vehicles to compensate for lower carrying capacity. The B.C. government is expanding weight allowances for low-carbon commercial vehicles. This will provide another incentive to encourage operators to "go green" with their fleets and help decrease greenhouse gas emissions in the commercial trucking sector. The new allowance aims to offset the loss of payload capacity that commercial operators experience with greener vehicles. Low-carbon options weigh more than standard diesel trucks due to the size of their battery packs and hydrogen tanks. To address this, B.C. is offering a 1,500 kg allowance to electrically powered, full-sized commercial vehicles and a 1,000 kg allowance to hydrogen-powered vehicles. To further support broad adoption, the government will make increases to maximum gross combination vehicle weight, up to 65,000 kg and 64,500 kg respectively. This is consistent with allowances already made for liquified natural gas (LNG) and compressed natural gas (CNG) fueled trucks and buses. "Compared to low- and zero-carbon passenger vehicles, clean technology for heavy-duty vehicles is still in early development," said Dave Earle, president and CEO, BC Trucking Association. "These weight allowances make low-emission options more affordable for the trucking companies and drivers serving communities across British Columbia."

Warehousing

Warehouse operators 'in the driver's seat' as demand and costs keep rising. Warehousing costs in the US are set to continue their ascent through this year, a new study from InsightQuotes has warned. Its annual Warehousing Cost and Pricing Survey shows an average yearly increase of 5.59% for 2021, following a 3.3% rise last year. Of the warehouse operators surveyed, 61% are raising prices this year, while last year, 69% of respondents put up their charges. The survey is based on input from more than 600 warehouses in the network of InsightQuote subsidiary Warehousingandfulfillment.com. According to real estate investment trust Prologis, the utilization rate of warehouses stood at almost 85% at the end of the first quarter and, with demand well in excess of supply, this is unlikely to change in the foreseeable future. Prologis suggests rents in logistics real estate will rise 6.5% this year, and its latest quarterly industrial real estate survey, published at the beginning of May, showed its highest reading since late 2018. It bases the robust growth projections on strong retail sales and importers building up inventories. E-commerce has been another powerful driver of demand for warehouse space. According to one report, Amazon has increased its logistics footprint in Canada, for example, by nearly 12 million sq ft in nine major markets since the end of 2019. And InsightQuotes points out that growth has been consistent in recent years, but accelerated markedly through the pandemic

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