

Weekly Market Update

Version: 23 (week) → Date: 6-10-2021

Air Freight

Air cargo demand up 12 percent in April. Year over year demand climbs, and up 7.8 percent from March. Air cargo demand continued to outperform pre-Covid levels (April 2019) with demand up 12 percent in April, according to the International Air Transport Association (IATA) April 2021 global air cargo market report. As 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 April 2019 which followed a normal demand pattern. Global demand, measured in cargo tonne-kilometers (CTKs*), was up 12% compared to April 2019 and 7.8% compared to March 2021. Seasonally adjusted demand is now 5% higher than the pre-crisis August 2018 peak. The strong performance was led by North American carriers contributing 7.5 percentage points to the 12% growth rate in April. Airlines in all other regions except for Latin America also supported the growth. Capacity remains 9.7% below pre-COVID-19 levels (April 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 26.2% in April 2021 compared to the same month in 2019, while belly-cargo capacity dropped by 38.5%. Underlying economic conditions and favorable supply chain dynamics remain supportive for air cargo. Global trade rose 4.2% in March, as well, competitiveness against sea shipping has improved.

More time-critical air services could answer prayers of ocean-shy shippers. European shippers looking to avoid chaos on the ocean and ship their goods on time can now take up air freight capacity on a widened network. Emirates SkyCargo announced this morning it was resuming flights from Birmingham, UK, from 15 June, three times a week. Birmingham has been designated a Covid quarantine airport for travelers arriving from 'red list' countries, and the flights will be passenger services. Forwarders were delighted with the news, noting that Qatar Airways Cargo had also resumed Birmingham flights. "We are very pleased to learn that both Emirates and Qatar Airways will be operating direct scheduled flights again from next week in Birmingham Airport with decent wide-bodied aircraft that will re-open the inbound capacity, avoiding some of the more congested routes and gateway airports," said Elliot Carlile, head of commercial air products at Metro Shipping. Metro uses Birmingham as its central air freight hub, which it says in a normal environment is "market-leading" for location and capacity in the UK. "Also, this is superb for direct uplift for our export customers on the eastbound lanes and a real benefit with added capacity. This is primarily driven by the passenger situation but has a massive benefit to air cargo into the Midlands, and beyond." Meanwhile time matters, a German critical express business, has expanded to offer daily weekday flights between Frankfurt am Main, Birmingham and Dublin, as well as same-day air services between Europe and the US, via Paris. The additional flights come as forwarders and shippers scramble to avoid delays at sea.

IATA- Air Cargo Market Analysis April. Air cargo trends upwards on a favourable backdrop.

- Global cargo volumes continue to trend upwards at a strong pace. Industry-wide cargo tonne-kilometres (CTKs) grew by 12.0% in April compared to pre-crisis values in April 2019. Seasonally adjusted CTKs rose by 4.0% month-on-month and are now around 5% above the pre-crisis peak of August 2018, before US-China trade wars had started.
- The industry is supported by a strong economic rebound as well as favourable supply chain dynamics, notably very low inventory levels and more competitive pricing relative to container shipping in recent months.

DISCLAIMER - All information is provided in good faith for guidance and reference purposes only. It is of a general informational nature, and KWE Canada takes no legal responsibility for the accuracy or the information provided via this document. KWE Canada makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for any loss arising from the use of the information provided.

- Both air cargo rates and volumes are close to all-time high values, providing strong financial support to a number of airlines.
- Airlines in most regions are posting strong volume performance, notably in Africa and North America. But airlines based in Latin America are losing market shares to carriers elsewhere and have performed poorly in recent months.

Sea Freight

Pearl River Delta jammed. The principle goods highway to the world's consumers is jammed. In the wake of a Covid-19 outbreak at Yantian Port in eastern Shenzhen on May 25, vessels have backed up in the South China Sea, while others have sought alternatives in western Shenzhen, Hong Kong and Nansha to the south of Guangzhou. However, the Pearl River is now packed with anchored giant boxships waiting for berths to open up as the below enlargeable image taken by MarineTraffic at 4pm local time today clearly shows (green dots represent ships at anchor). Liners are also increasingly taking the decision to avoid the area as a whole as Covid outbreaks spread to Nansha and Shekou in western Shenzhen. Newly enforced lockdown measures in the area are also limiting the availability of truck drivers. By way of an example Maersk, the world's largest liner, now advises that 64 vessels have omitted Yantian and Shekou, up from 40 vessels listed just two days ago. The situation has now surpassed March's Suez Canal blockage in terms of container disruption with median dwell times for containers at Yantian now pushing 18 days according to data from project44. "From port handling in Yantian alone, the sheer number of containers (not vessels) impacted now exceed the number of containers impacted in Suez," Lars Jensen, CEO of advisory Vespucci Maritime, wrote in an update on LinkedIn today.

Yantian 'contagion' will spread around the world. The ripple effects from the congestion at southern China's main export hub will put further pressure on a fragile supply chain. Long-suffering cargo owners face another wave of pain as the terminal congestion from the coronavirus outbreak in southern China threatens to ripple around the world. The ports of Yantian, Shekou and Nansha have been affected to varying extents by a spread of infection that has led to reduced handling capacity at terminals since the end of May, when a six-day stop on export containers entering Yantian was imposed. Carriers have already announced significant disruptions to sailings and schedules due to the outbreak, with the Alliance cancelling or transferring 29 calls since the end of May and confirming omissions running up to June 25.

No relief for shippers until Q4? It will all depend on demand. "There's nothing we want more than to be back on track – tomorrow," Lars Mikael Jensen, head of global ocean network at Maersk, tells the latest Loadstar Podcast, out today. "I feel we've been in a peak for nine months now. Normally, you're in a peak for one or two months and you survive. But this is nine months and it's not stopping." Mr. Jensen, who explains how exactly Maersk is attempting to keep its schedules and improve capacity, acknowledges that it could be some time yet. "We are seeing a super tight supply chain in ships, and in ports, and in trucking and warehouses." He adds: "We are trying to pump more capacity into the supply chain...in all likelihood this will [carry on] until the third quarter." It's not only high demand and consumption, but the constant flow of 'incidents' – Suez, Yantian, Covid-related delays – that are causing a series of ripple effects. Mathijs Slangen, Flexport VP for sales and marketing in Europe, explains that he is seeing demand for air cargo, but warns of "other complexities" affecting the mode, including the lack of belly capacity and congestion caused by a higher-than-normal usage of freighters. "Air cargo could easily become a bottleneck." Jensen warned: "Add to this ripples such as problems in recent weeks getting new empty containers into South China. Then you will have a pile of cargo in backlog coming out of Yantian once everything re-opens given rise to a surge on the destination side with some timelag. You will have a pile of reefer cargo already on vessels inbound for Yantian, but which is now being discharged in other ports increasing the risk that other ports will run out of reefer plugs (as we also saw in early 2020)." Like the Suez blockage, shippers have been warned to brace for extended ripple effects from the Yantian closure over the summer months.

Trucking

More inspections, fines coming to Driver Inc. fleets. Canada's Labour Program is beginning to crack down on fleets that misclassify truck drivers as incorporated businesses rather than employees – delivering another blow to the business model referred to as Driver Inc. Labour Canada has already informed several carriers about plans to inspect pay records, contract details, and workplaces. And a related letter, reviewed by Today's Trucking, warns of administrative fees and fines if a company knowingly misclassifies employees to avoid employment-related obligations. The threat of fines, and the ability to publicly name employers that don't comply with Canada Labour Code obligations, came into force on Jan. 1. "Any employer who knowingly misclassifies an employee in order to avoid their obligations is contravening the (Labour) Code," an Employment and Social Development Canada (ESDC) spokesperson said, responding to questions from Today's Trucking. "Employers may be subject to various enforcement measures, including compliance orders, prosecution, or most recently administrative monetary penalties." The administrative monetary penalties relating to misclassified employees can range from \$1,000 to \$12,000, depending on the number of employees and the federally regulated fleet's gross annual revenue. "The naming of employers will act as an additional incentive to comply with the Code and related violations. It will also make current and potential employees aware of employers that have violated the Code," the ESDC spokesperson said. That information would be published for "serious violations" once all reviews and appeals are exhausted.

FTR's Trucking Conditions Index (TCI) reached a record high of 16.82 in April, surpassing the previous high in March. The index got a boost from lower diesel prices in April. FTR predicts solid freight demand, high capacity utilization, and strong rates will keep the index in high positive territory in the near term and in positive single digit ranges well into 2022. "We have yet to see signs that the driver capacity situation is changing, and May's weak payroll jobs data for trucking is one indication. Over the next few months, one potential constraint – generous unemployment benefits – will end," said Avery Vise, FTR's vice-president – trucking. "While those benefits likely contribute to the hiring challenge, we are skeptical that their demise will fundamentally change the dynamic. Given robust competition for labor – job openings in the economy are at an all-time high – trucking's capacity challenge could linger longer than usual. One signal we are watching closely is the spot market. If rates and volumes begin to ease, that could indicate a balancing of freight demand and route guide capacity."

Market Sources

<https://theloadstar.com/no-relief-for-shippers-until-q4-it-will-all-depend-on-demand/>

<https://theloadstar.com/more-time-critical-air-services-could-answer-prayers-of-ocean-shy-shippers/>

<https://splash247.com/pearl-river-delta-jammed/>

<https://www.insidelogistics.ca/transportation/air/air-cargo-demand-up-12-percent-in-april-176057/>

<https://www.lloydsloadinglist.com/freight-directory/news/Yantian-%E2%80%9898contagion%E2%80%9999-will-spread-around-the-world/79257.htm#.YMJLi76SmUI>

<https://www.iata.org/en/iata-repository/publications/economic-reports/air-freight-monthly-analysis---april-2021/>

<https://www.trucknews.com/business-management/more-inspections-fines-coming-to-driver-inc-fleets/1003151545/>

<https://www.trucknews.com/business-management/another-month-another-record-for-trucking-conditions-ftr/1003151626/>

This announcement applies to all Kintetsu World Express Transportation Services, including our Air Freight, Sea Freight, Ground Freight and Logistics.

DISCLAIMER - All information is provided in good faith for guidance and reference purposes only. It is of a general informational nature, and KWE Canada takes no legal responsibility for the accuracy of the information provided via this document. KWE Canada makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for any loss arising from the use of the information provided.

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.

Visit Our Website www.kwe.ca

Kintetsu World Express, Canada Inc.



DISCLAIMER - All information is provided in good faith for guidance and reference purposes only. It is of a general informational nature, and KWE Canada takes no legal responsibility for the accuracy of the information provided via this document. KWE Canada makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for any loss arising from the use of the information provided.