

Weekly Market Update

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Latest News

Global Aperture: Global air cargo demand was up 9.4% on-year in May, according to the latest data analysis by IATA, with the economic recovery of most regions excluding Latin America contributing to this increase. Global air cargo capacity, on the other hand, is still 9.7% below 2019 levels—attributed to the sluggish recovery in air travel. Industry analysts note that the months-long modal shift from sea freight to air across industries has significantly changed shipper attitudes between the two dominant transport modes—namely, the once-held belief that sea freight is more cost-effective than air freight. But a move by many airlines to downsize their fleets and trade-in older widebody jets for narrow-body aircraft may cut overall cargo capacity in the near-future, according to one industry report. This is in part due to major revenue losses suffered during 2020's global lockdown, as well as international and industry campaigns to offset carbon emissions and reduce dependency on fossil fuels. Shipping lines are keen to recoup lost market share caused by pandemic-related port congestion and equipment discrepancies: Evergreen is the latest carrier to announce the procurement of additional containers—6,000 to be exact. This won't necessarily offset the current disruptions sea freight shippers face; some of the more pessimistic projections have touted that industry normalcy won't return until 2023.

CN, CP must take new wildfire prevention measures. Transport Minister ordered Canada's two major railroad operators to step up fire prevention efforts. Federal Transport Minister Omar Alghabra ordered Canada's two major railroad operators to step up their fire prevention efforts as of Sunday as wildfires continue to scorch British Columbia. The Canadian National and Canadian Pacific railways must ensure a 60-minute response time to any fires detected along rail lines running through Lytton, B.C., with the goal of extinguishing or controlling the blaze and asking the local fire service for help if necessary, Alghabra said in a release. "Unprecedented weather conditions in British Columbia continue to pose a serious threat to public safety and railway operations," the statement reads. "The government of Canada remains committed to supporting those affected by the devastating wildfires in British Columbia and will not hesitate to take any safety actions that are necessary to mitigate these risks to public safety and the integrity of railway tracks and infrastructure."

Air Freight

FAA extends exemption to allow passenger-freighters until year-end. The FAA has finally extended the exemption which allows passenger aircraft to carry cargo in the cabin. The deadline expired on 10 July, but it has been extended until the end of this year; and EASA's exemption in Europe also expires on 31 December. The FAA noted that the "demand for passenger air travel has significantly increased; however, the amount of air freight capacity available on passenger-carrying part 121 flights remains below pre-Covid-19 pandemic levels ... air freight capacity has not yet been fully restored to all communities". Members of Airlines for America had asked for a year's extension to the rule – but this was denied. The FFA said it found "that a short-term extension of this exemption will be in the public interest by supporting the continuity of the carriage of air freight". It added: "Although the petitioner requested an additional one-year extension ... the FAA

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is limiting the extension of the exemption until 31 December 2021, based on the FAA's observation of the ongoing trend toward a return to pre-pandemic passenger air travel, and estimation of the continuing need to bolster the capacity for air freight service to certain communities."

CLIVE: Air cargo back on track for recovery. Air cargo demand returned to growth in June following a drop in May as a result of public holidays. The latest statistics from CLIVE Data Services show that air cargo demand in June increased by 1% compared with the same month in 2019 (used for comparison due to impact of Covid) after declining by 4% in May. Load factors for June were nine percentage points up on the same month in 2019 but the data provider said the figure does appear to be declining marginally. CLIVE's dynamic load factor — taking into account both weight and space — has declined from 72% in March, 71% in April, 70% in May, and now to 69% in June 2021. Airfreight rates have also been showing signs of decline over the last couple of months, but this is in line with normal seasonal trends for the quieter summer period. Niall van de Wouw, managing director of CLIVE Data Services, said: "June's performance data was relatively strong and seems to confirm that May's decline was a one-off, as we anticipated, impacted by the public holidays during that month. "The global air cargo market now seems to be back on track, reflecting what The Economist has described as the 'long goodbye' to Covid's impact on our everyday lives. "However, this modest growth is much more related to the lack of capacity supply than strong demand, given the uncertainty that still exists internationally. "In June, we once again saw no signs of recovery in capacity. It is abundantly clear that airlines are micromanaging their flights because the pressure is everywhere and, in the case of cargo-only services by passenger airlines, the capacity out there is expensive to operate. "If rates continue to decline, they are expected to take capacity out of the market – but, overall, we expect load factors and rates to stay elevated, with no short-term trend to change this., "commented."

Sea Freight

Fires and safety measures bring delays and congestion at Vancouver port. Trains have again been limping out of the port of Vancouver to the Canadian interior, due to damaged tracks and increased safety measures. Meanwhile, at the port, vessels are piling up, prompting warnings of lengthy delays. The devastating wildfires that ravaged the Canadian town of Lytton and the nearby First Nations community this month continue to take a toll on freight traffic moving through the Fraser Canyon Valley to and from the port of Vancouver. The fire damaged the tracks of both Canadian National (CN) and Canadian Pacific (CP), as well as a bridge owned by the former. CP has managed to resume services on its line, but the CN line remains closed. Under a co-production arrangement, CN is now moving trains on the re-opened CP line, besides diverting some traffic to BNSF infrastructure. However, the joint use of the track through the valley effectively halves capacity for the two Canadian carriers. By one estimate, the pair used to move up to 60 trains a day through the region. CN has also shifted some traffic to its line that connects Vancouver with Prince George, up the coast, according to a company spokesman. "We expect to run one to two re-routed trains a day," he added. The route through the Fraser Canyon Valley stands to be more time-consuming after the federal transport minister set slower train speeds in areas deemed to be at extreme risk of fire. This reduces permitted speeds from 26-35 mph to 25 mph.

Ocean rate hikes leading towards significant goods price inflation. Goods imported from Asia face sizeable increases in prices in the coming months, as the impact of unsustainable container shipping prices gradually filters down through supply chains, freight sources believe. Most imported goods face sizeable increases in prices in the coming months, as the impact of unsustainable container shipping prices gradually filters down through supply chains, some freight sources believe. The managing director of one substantial UK logistics and maritime services group told Lloyd's Loading List that significant inflation in goods prices was inevitable now that current levels of shipping costs exceed the value of the goods inside the boxes in probably the majority of commodities shipped by sea – unless governments or competition regulators can somehow persuade container lines to return pricing to more sustainable levels. With the cost of shipping a 40ft container from China to the UK having risen rapidly to between \$18,000 and \$20,000, including surcharges, Peter Wilson, MD of Cory Brothers, said large numbers of importers were now making losses on goods imports at the current prices. And that also leaves freight forwarders vulnerable to significant financial liabilities in the event that importers go out of business – with the value of goods in many cases no longer sufficient to cover the freight costs in the event of payment default by the end customer

Container congestion registered in every corner of the planet. The state of global container congestion continues to roil supply chains right across the world.

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Exclusive data from maritime intelligence service eeSea shows the world's most congested box spots, ranking all ports by the sum of mainline vessels either in port or waiting. The ratio between in port and waiting is an approximation of the congestion. Hong Kong, for example, has a high waiting ratio of 67%. Oakland, Savannah, Seattle, Vancouver are all above 65%, while Yantian, the scene of a Covid-19 outbreak that hampered productivity throughout June, has done well to clear much of its backlog over the past couple of weeks. The data is based purely on AIS and covers mainliners, not feeders, something eeSea may add as a function at a later date. "While feeders do contribute to congestion, they're usually considered a consequence, not a contributing factor," explained Simon Sundboell, eeSea's founder. Extreme consumer demand, principally in the US, has combined with Covid-19 shipping and port dislocations all year, creating unprecedented congestion across the globe as well as record freight rates and all-time lows for liner schedule reliability. Lars Jensen, founder of container consultancy Vespucci Maritime, has estimated that 10% of the world's shipping capacity has been taken out due to port congestion issues.

Trucking

Higher contract rates begin to pull volume from spot truck market. Dive Brief: Truck postings on the spot market began to show signs of growth in June, growing 13% compared to May. This was relatively flat on a YoY basis, increasing 0.3% YoY, according to the latest figures from DAT. Demand remained higher than at the same point last year, with spot posts up more than 101% YoY, but posts fell 6% compared to May. DAT Principal Analyst Dean Croke said this is the result of more shipments moving to the contract market as carriers have been able to secure higher rates there, reducing the incentive to focus on the spot market. The entry of new capacity into the market along with a dip in demand compared to May did manage to keep rates level. Van and reefer rates fell by 0.2% and 0.1% compared to May, respectively, but were both still elevated compared to June 2020. The shipment figures from DAT align with the latest Cass Freight Index report, which showed that shipments declined by 4.2% in June compared to May. "Fading Federal stimulus was likely a contributor, but our industry discussions suggest shipment volumes continue to be hindered by supply constraints, which range from driver and trailer shortages in TL and LTL to chassis shortages hampering intermodal capacity," Cass wrote in its report. But Cass' rates and expenditure figures, which include information for freight outside of the spot market alone, both jumped compared to May and June 2020. Rates grew more than 23% YoY and 12% compared to May. Cass noted the month-to-month shifts in rates were partially explained by the type of shipments that were in the market. "The proportion of smaller/lower-cost LTL shipments in the data set rose in May, then returned to a more normal level in June, and this mix shift pressed total embedded rates higher in June just as it pressed the series lower in May," the report explained.

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.

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