

## Weekly Market Update

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 **Latest News**

**Computer chip manufacturers confirmed that supply constraints** will hamper the production of consumer electronics through the first half of the year and automakers warn the deficit may also affect car production. EV lines will also take a second hit from pandemic-related supply chain disruptions in South Africa that have backed up cobalt supply—essential to battery production. Over 300 companies and organizations related to maritime transport have signed the Neptune Declaration on Seafarer Wellbeing and Crew Change on January 27 in a pledge to once again re-shore sailors who have been refused entry at ports, now numbering in the hundreds of thousands. New requirements for testing and self-isolation have been legislated in nearly every major country for passengers and flight crew.

 **Air Freight**

**Covid restrictions causing bottlenecks, but some air cargo carriers carry on.** A new Covid-driven bottleneck has hit the supply chain out of China: a severe shortage of truck drivers and air routes disrupted by crew restrictions. Quarantine laws mean that yesterday was the last day to work and be out of quarantine by the Chinese New Year's Eve on 11 February. The result is that truck drivers are now self-isolating, and not working, before going to be with their families. "The toughest thing now is finding trucks and drivers, it's even harder than finding containers," said one forwarder. "Effectively, new year has started much earlier than in any previous years." The situation in China also depends on the region: people wanting to leave mid-risk areas need to have had a negative Covid test within seven days in order to travel. No one can leave high-risk areas. Covid restrictions are continuing to bite into air transport in particular. KLM appears to have stopped flights into China following new crew restrictions, although the carrier said it would confirm later today. And all direct passenger flights from the UAE to the UK have been cancelled, causing concern among forwarders trying to avoid routing cargo through the EU.

**Reversal of fortune: Capacity drains from air cargo market again New wave of COVID infections forces airlines to pull back flight operations.** Tight capacity has been a reality for the airfreight market since the start of the COVID pandemic, but after months of gradual supply improvement the situation has taken a turn for the worse. Nearly 40% of available airlift disappeared last April, but by the end of 2020 the year-over-year gap was halved as passenger airlines selectively added flights and all-cargo carriers operated more aircraft and flights. But with a global resurgence of COVID cases and the spread of highly contagious mutant viruses, passenger airlines in January were forced to cut back international flying. Global air cargo capacity fell 16% in the past two weeks compared to the same period a year ago, according to Accenture's Seabury Consulting business. Capacity declined by double digits in many trade lanes, except between Asia and North America. Aviation appraiser and consulting firm IBA reported a 9% drop in flight numbers across all major regions between January 11-17, with European passenger carriers dropping 16% of flights, or 10,000 trips, in the three weeks since Christmas. Even Ryanair, Europe's busiest airline for the period, slashed capacity from 4,100 flights to 1,700 last week, a 59% drop. U.S. carriers chopped their schedules by 11%

**Air Canada Cargo continues to provide capacity** to and from Mexico and the Caribbean through cargo-only flights. (Air Canada announced last week that passenger flights to those locations are suspended to support the Government of Canada's COVID-19 mitigation efforts.)

## Sea Freight

**Containership schedule reliability at lowest level since records began.** Global container service scheduled reliability has declined to its lowest levels since records began, according to new data from SeaIntelligence Consulting. The analyst's latest schedule reliability data for December shows just 44.6% of vessels arriving on time, "which means that for the fifth consecutive month, global schedule reliability has been the lowest across all months since Sea-Intelligence introduced the benchmark in 2011". It said December's reliability index, which covers global shipping rather than a specific trade, had declined by 31.7 percentage points on December 2019. SeaIntelligence Consulting chief executive Alan Murphy explained: "This slump in schedule reliability coincided with the carriers' introduction of capacity on the major tradelanes, above and beyond what we have seen before. "With continued widespread port congestion, and with carriers still not letting off capacity-wise (especially on the major trades) not even for Chinese New Year, shippers might not see improving schedule reliability until the second quarter of 2021," he added. Not a single carrier managed to improve reliability, year on year, although the analyst noted that HMM and Zim did manage to improve their reliability levels in December compared with November.

**Ocean freight rates set to stabilize but at high levels.** Freight industry sources believe prices will plateau and then fall after Chinese New Year – but will remain elevated for some time compared with their levels in 2019 as carriers continue deploying blank sailings to limit significant overcapacity. Ocean freight rates on transpacific and Asia-Europe trade lanes soared on sustained demand and a shrinking pool of available, empty containers last year but the weeks to come are set to bring a stability in prices while remaining at relatively high levels, according to expert and industry sources.

**CP and union reach tentative deal Three-year deal with traffic controllers.** Canadian Pacific Railway Limited and the Teamsters Canada Rail Conference Rail Canada Traffic Controllers (TCRC-RCTC) are pleased to announce a tentative three-year agreement. "I want to congratulate the TCRC-RCTC and CP's negotiating team on this successful outcome," said CP president and CEO Keith Creel. "This is positive news for these important members of our CP family, who are integral to our safe and efficient operation." The TCRC-RCTC represents approximately 300 rail traffic controllers in Canada. "We believe this tentative agreement is in the best interests of our members, and look forward to its successful ratification," said TCRC-RCTC General chair Jason Bailey.

## Trucking

**Hydrogen could be key to clean long-haul transport in Canada.** Long haul transportation, core to shipping people and goods across Canada's vast geography, remains an obstacle to the country embracing clean energy. Between 1990 and 2018, Canada's transport emissions grew 55%, much of that coming from trucks — both freight and light passenger models. With the long-awaited launch on December 16 of a national hydrogen strategy, the federal government signaled that hydrogen will be part of its long-haul solution. The strategy aims to position the country as a global leader in the production, export and use of clean hydrogen and associated technologies. To support those goals, the government has invested \$1.5 billion in a fund to support low-carbon fuels, including hydrogen. Hydrogen fuel-cell vehicles are fast to fuel up, have longer mileage ranges than electric vehicles, and emit only pure water. But they require a network of refueling stations (unlike EVs, which can be charged in an owner's driveway). Also, they're far more scarce than EVs — offering few options to consumers. Sourcing the hydrogen further complicates the national plan. Most hydrogen currently is produced using fossil fuel. As technology improves, electrolyzers powered by renewable energy will help boost production. In an ideal scenario, geothermal energy in Alberta, wind or sun in the prairies, or hydroelectric power in Ontario or Quebec would be captured in hydrogen and shipped (via a pipeline even) wherever it's needed. With enough infrastructure to support such a system, hydrogen potentially could be used to heat homes, or power industry.

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## Market Sources

<https://ajot.com/news/hydrogen-could-be-key-to-clean-long-haul-transport-in-canada>

[https://www.aircanada.com/cargo/en/shipping/e-services/#tab\\_e-booking](https://www.aircanada.com/cargo/en/shipping/e-services/#tab_e-booking)

<https://www.freightwaves.com/news/reversal-of-fortune-capacity-drains-from-air-cargo-market-again>

<https://theloadstar.com/covid-restrictions-causing-bottlenecks-but-some-air-cargo-carriers-carry-on/>

<https://theloadstar.com/containership-schedule-reliability-at-lowest-level-since-records-began/>

<https://www.insidelogistics.ca/labour-management/cp-and-union-reach-tentative-deal-174490/>

<https://www.lloydsloadinglist.com/freight-directory/news/Ocean-freight-rates-set-to-stabilise-but-at-high-levels/78382.htm#.YBlgEJeSmUk>

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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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