Weekly Market Update

Version: 9 (week) → Date: 3-3-2021

Latest News

After worst year on record, Canadian economy enters 2021 with double digit growth. OTTAWA -- The Canadian economy sprinted to the finish line of 2020 with nearly double-digit growth in the fourth quarter, ending its worst year on record on a strong note that has continued into the start of 2021. The economy grew at an annualized rate of 9.6 per cent over the last three months of 2020, Statistics Canada reported Tuesday, down from an annualized growth rate of 40.6 per cent in the third quarter when the country fully emerged from the near-shutdown last spring. Despite the better-than-expected result for the quarter as a whole, growth slowed in December with a 0.1 per cent increase for the month, which followed a 0.8 per cent increase in November. Looking to January, Statistics Canada said its early estimate was for growth in the economy of 0.5 per cent. "Lots of small businesses -- your local barbers, your local restaurant or stores -- may have had to shut down through the restrictions, but a lot of other areas did manage to keep grinding through," said BMO chief economist Douglas Porter. "The sectors that did get closed down in the second wave, when they're able to open up, we think the economy will have a big step up, and then we'll have another, even bigger step up when the vast majority of the population is vaccinated." CIBC chief economist Avery Shenfeld wrote in a note that the early January figure should set aside fears of an outright downturn in the first quarter of 2021. The COVID-19 pandemic was expected to trip up the economy after the virus's spread shuttered businesses and led to millions out of work. The question was how bad would it be.

Air Freight

A leaner, more efficient air cargo market post-Covid – but more expensive. Covid-19 has created a slimline and more efficient – if more expensive – air cargo sector. While volumes are now broadly the same as a year ago, capacity remains significantly down, revealing more efficient use of aircraft. Dynamic load factors, according to Clive Data Services, are eight percentage points higher than in February last year, and six points higher than in February 2019. Not only is the industry making better use of the available space and capacity, but Clive data also reveals a certain 'normalisation' in demand – although there is no 'normalisation' of rates, which are set to see rising fuel surcharges added. However, it is beginning to be difficult to use year-on-year comparisons: not only was Chinese New Year far earlier – in late January – in 2020, but it heralded the start of Covid-related disruption and many Chinese factories did not re-open after the holiday, as the world learned the word "lockdown". However, during Chinese New Year this year, volumes were down by only half the normal amount, noted Niall van de Wouw, MD of Clive. While factories stayed shut in 2020, many stayed open this year, with production continuing. February saw volumes grow year on year, in a four-week comparison, by 2%, but as Mr van de Wouw noted: "If you look under the hood, it is more interesting. "Volumes from China to Europe were five times higher this February than a year earlier – but volumes outbound from Europe were down by 11%. And 2019 volumes are more or less on a par with 2021 – but with less capacity and higher load factors."

Transport buyers dig deeper into wallets for air cargo, Amid volatile airfreight market high rates remain constant. Air cargo rates are climbing sharply again, especially for shipments via Asia, after the slowdown for the recent Chinese New Year holiday was more muted than usual. And there is little prospect for price relief the rest of the year, analysts say, with the supply of large, intercontinental aircraft still far below pre-pandemic levels and ocean capacity oversubscribed.

Market watchers describe conditions for air shipments as volatile. COVID-19 has changed life and economic conditions so much that air logistics professionals say it is too difficult to make assumptions about where the market is headed. Unusually high import demand and a shortage of widebody passenger planes pushed up airfreight rates out of Asia by 50% for the first half of February after a small pullback in bookings following the high Christmas season. Businesses are now paying about 2.5 times more to book air shipments on core lanes than in recent years, according to FreightWaves SONAR and other indices. Many factories in China kept producing this year instead of closing for the spring festival after the Chinese government discouraged people from traveling to visit families. Airfreight volumes correspondingly only dropped 30% for the week of Chinese New Year that began on Feb. 12, about half as much as the industry experienced the previous two years, according to information provided by CLIVE Data Services. And aircraft load factors only dipped 1% compared to about 20% in 2019 and 2020.

Air cargo demand back to pre-Covid levels. All regions saw month-on-month improvement in air cargo demand. Global air cargo demand returned to pre-Covid levels for the first time since the onset of the pandemic crisis. International Air Transport Association (IATA) has released data also showing that January 2021 demand grew strongly over December 2020 levels. Global demand, measured in cargo tonne-kilometers (CTKs), was up 1.1. percent compared to January 2019 and up three percent compared to December 2020. All regions saw month-on-month improvement in air cargo demand, and North America and Africa were the strongest performers. The recovery in global capacity, measured in available cargo tonne-kilometers (ACTKs), was reversed, as a result of new capacity cuts on the passenger side. Capacity shrank 19.5 percent compared to January 2019 and fell five percent compared to December 2020, the first monthly decline since April 2020. In a media briefing on March 2, Brian Pearce, IATA's chief economist noted that for cargo airlines the uptick in demand is "good news", but "unfortunately, for the majority, it's not enough to offset the loss in passenger traffic.

Air cargo capacity declined 12% compared to the same weeks last year. Air cargo capacity to/from Asia Pacific is higher than last year, in part due sustained manufacturing output after Chinese New Year. Intra-Asia lagged behind in capacity compared to other Asia trade lanes. Airline freighters remained largely active in the week after Chinese New Year. Despite operating 12% (or 150k tonnes) less capacity versus the two weeks before, airline freighters still operated +49% more capacity during Chinese New Year than last year. China outbound air cargo capacity declined -39% during the Spring festival. 2021 Spring festival capacity reductions were limited compared to 2020, when capacity almost halved, due to this year's sustained levels of air cargo demand. Grounding of B777 passenger aircraft to result in another ~2% reduction of air cargo capacity. Pratt & Whitney-powered B777 passenger aircraft provided 33k tonnes of capacity in January 2021, representing ~2% of the global total. Further pressure on the air cargo market expected to impact Asia Pacific and North America most.

Sea Freight

No relief for perishables shippers: reefer rates will stay high into summer. From 1 April, Hapag-Lloyd will raise rates for general and reefer containers from Egypt to Latin America, while higher rates will kick in at MSC for cargo going from Australia, the Middle East and the Indian subcontinent to the US as well as from the US to Latin America. Yesterday's announcements mark the latest increases in reefer rates and spell further grief for perishables shippers. Like general 20ft and 40ft ocean containers, reefer units have been in short supply, lagging demand because of the slower circulation of boxes caused by reduced productivity at ports owing to Covid-19 measures and the ensuing congestion at terminals. However, the problems struck the reefer sector disproportionately hard as a result of faster growth in demand compared with general merchandise, according to Drewry Shipping. Last August, the consultancy forecast 3.7% annual growth for the sector, to reach 156m tonnes by 2024, compared with annual growth of 2.2% for general cargo over the same period. But shippers around the world are struggling to get their hands on enough boxes to move their perishables, and transit times have been severely disrupted.

More blank sailings 'a harbinger' of soaring rates on the transatlantic. Container spot rates on the transatlantic headhaul North Europe to North America east coast tradelane have recovered to pre-pandemic levels but have so far not seen the hyper-inflation impacting other routes. According to Friday's Freightos Baltic Index (FBX) reading, the price for a 40ft container is on par with the rate in April last year and compares with a low in September. But the lull could end soon, according to one leading analyst, as carriers focus on maximizing returns from relatively underperforming parts of their networks. In comparison with the unprecedented increases in spot rates on Asia-Europe, the transpacific and most other routes from Asia, the transatlantic tradelane has "remained remarkably stable throughout the pandemic period," said Niels Madsen vice-president of product and operations at SeaIntelligence. However, he warned that a significant increase in the number of blank sailings on the trade could be "a harbinger of coming rate increases". "Blank sailings on the transatlantic developed quite differently from the other deepsea trades," said Mr Madsen. "Last year there was only one H1 spike in blank sailings, as the coronavirus impact was only seen from the spread of the pandemic in Europe and North America."

Steady as she goes. In spite of the continuing pandemic, ports across Canada are maintaining focus on long-term infrastructure development. In spite of the continuing pandemic, ports across Canada are maintaining their focus on long-term infrastructure development. As the world economy continues to chafe from last year's recession, the ongoing resurgence of coronavirus infections and the slower-than-expected rollout of vaccinations, port authorities are pressing ahead with projects that will ensure future prosperity and trade opportunities. To hear Brian Friesen tell it, terminal capacity and supply chain efficiencies are the keys to intermodal success. That's why he's excited by the long-term prospects of three major infrastructure projects that are entering crucial stages of development at British Columbia's Port of Prince Rupert in 2021. "We are in the midst of a multi-year effort to create an integrated intermodal ecosystem," said Friesen, the port authority's vice-president of trade and communications. "These are big and interesting investments in a growing and successful port that is well positioned on the Pacific Great Circle Route."

Trucking

The Canadian Trucking Alliance (CTA) received a notice from the Canada Border Services Agency (CBSA) advising stakeholders that as of March 15, 2021, import transactions of food commodities (meat, fish, dairy, eggs, processed eggs, processed fruits or vegetables, honey, maple and, fresh fruits or vegetables) will automatically be rejected by the Canadian Food Inspection Agency (CFIA) when transmitted electronically, unless a valid Safe Food for Canadians (SFC) licence is obtained by importers moving goods into the country. Importers must obtain their SFC licence before presenting their shipment at the border and will not be able to obtain an SFC licence at the border if needed. Shipments may be refused/rejected entry into Canada by CFIA if importers have not met this requirement, potentially causing delays for trucks crossing the border. CTA is recommending that carriers that move food products that may fall under the SFC licence requirements are encouraged to reach out to their customers to ensure that they are in compliance prior to March 15. Members can also direct their customers to the Canadian Food Inspection Agency (CFIA) website for further information, and consult the CFIA's website for further details on commercially importing food to Canada.

Market Sources

https://theloadstar.com/no-relief-for-perishables-shippers-reefer-rates-will-stay-high-into-summer/

https://theloadstar.com/a-leaner-more-efficient-air-cargo-market-post-covid-but-more-expensive/

https://theloadstar.com/more-blank-sailings-a-harbinger-of-soaring-rates-on-the-transatlantic/

https://www.freightwaves.com/news/transport-buyers-dig-deeper-into-wallets-for-air-cargo

https://www.insidelogistics.ca/features/steady-as-she-goes/

https://www.insidelogistics.ca/capacity/air-cargo-demand-back-to-pre-covid-levels-174857/

https://www.accenture.com/us-en/services/travel/seabury-consulting-accenture

https://www.ctvnews.ca/business/after-worst-year-on-record-canadian-economy-enters-2021-with-double-digit-growth-1.5329769

http://cantruck.ca/new-cfia-license-requirements-coming-into-effect-for-importers/

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.
Thank you, we appreciate your business.

Visit Our Website *www.kwe.ca*
Kintetsu World Express, Canada Inc.