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Weekly Market Update

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Latest News

Big changes are coming our way. A new target pledge initiated by Japan has received support from China and South Korea to reach net zero emissions by 2050, end funding of overseas coal production, and introduce a carbon tax, which could spell a downturn for oil and gas producers. Growing demand from the healthcare industry has also compelled many in the logistics industry to adopt new safety protocols as the consumption of PPE and medical supplies stays strong through the fall. Tourism and travel demand remains slow in its pace to recover, with many airline groups pushing back the resumption of long-haul flights to 2021 while serving shorter intra-regional flights. Passenger-to-freighter conversions are trending globally now and may help to mitigate lost passenger belly capacity, alleviating the potential stress of retail electronics brands as they gear up to release products in time for holiday consumer demand. Sea freight analysts project that transpacific routes will see increased capacity in the fourth quarter, but transatlantic routes are also getting their boost with the replacement of five vessels by shipping alliance 2M for increased TEU handling. Ocean freight capacity can expect a major boost come November 14, when Singapore-based alliance ONE launches a new weekly service connecting China, Indonesia, and Malaysia; CMA CGM launches a weekly service via subsidiary CNC for Hong Kong, China, Indonesia, and Malaysia; and Taiwan-based Wan Hai Lines launches its weekly intra-Asia service connecting South China, Indonesia, and Malaysia.

Air Freight

Fixed costs to sink airlines unless governments intervene, IATA warns. Trade body says fleets only 21% smaller than pre-pandemic because of focus on short-haul routes. The International Air Transport Association on Tuesday pleaded for more government aid to stave off bankruptcies and mass layoffs because fixed expenses far exceed paltry revenue streams and are quickly draining cash reserves. IATA downgraded its revenue outlook for next year because of the slow recovery from the coronavirus pandemic. Governments are closing borders and implementing other travel restrictions as infections surge at a record pace in Europe and the U.S. The industry association forecast 2021 airline revenues will be 46% lower than the $838 billion achieved in 2019 compared to a 29% contraction in its previous analysis. The group estimates full-year 2020 traffic will be two-thirds less than last year, with December demand down 68%. Airlines say it will be even more difficult to stabilize their finances during the winter season, when business traditionally slows from the summer. Earlier this month, IATA said member carriers will burn through $77 billion in cash during the second half of 2020, almost $13 billion per month, despite the phased restart of many flight schedules. The slow recovery in air travel means the airline industry will continue to burn cash at an average rate of $5 billion to $6 billion per month in 2021, or $60 billion to $70 billion for the full year. The median airline has 8.5 months of cash on hand at the current burn rate, according to IATA.

COVID vaccine fallout: General air cargo, wait your turn. Shippers will pay more to make flights as space gets tight. Shippers of general commodities such as auto parts, wine, apparel and telecommunications equipment should be prepared for air transportation delays in the coming months, because any new releases of COVID-19 vaccines will take priority, logistics experts say. Cargo carriers, including airlines operating passenger aircraft as mini-freighters, are likely to bump general cargo from flights to make room for emergency shipments of lifesaving vaccines, which also will command the highest rates because of requirements for expedited delivery and special handling. "COVID-19 is going to be the biggest product launch in the history of mankind. We all know when Apple launches a new product what it does to capacity for everybody else. It's a big sucking sound and all of that capacity goes toward moving that single product," said Neel Jones Shah, global head of airfreight at Flexport, a San Francisco-based freight forwarder with advanced technological capabilities to connect supply chain partners. Apple chartered many freighter aircraft to get the iPhone 12 and iPad Air to warehouses and stores ahead of last week's highly anticipated product launch. Potential shipping delays for nonpharmaceutical businesses stem from the severe shortage of airfreight capacity that already exists, because most of the international, widebody passenger fleet remains suspended in the face of weak travel demand caused by the pandemic. About 60% of global air cargo capacity resides in the bellies of passenger aircraft, according to industry analysts.

Sea Freight

Debate starts in Canada about legislating shipping emission targets. Canada is the latest nation to start holding a national discussion on whether to take shipping emission regulations into its own hands, rather than relying on the International Maritime Organization (IMO) to serve as the global shipping legislator. Laurel Collins, who serves as the member of parliament for Victoria representing the New Democratic Party, is leading a campaign to get Ottawa to legislate on shipping emissions, risking a further splintering of shipping regulation with the European Union pressing ahead with its own carbon trading scheme for the sector and the US House of Representatives looking at following suit depending on which way the presidential election goes next Tuesday. Collins is calling for Canada to put in place a formal framework for shipping emissions reductions, complete with specific targets and federal funding for carrying out monitoring and other related tasks. "Canada should be taking a leadership role in this," Collins said in an interview with the Toronto Star. "We need incentives and mandates for the shipping industry." Last week's Intersessional Working Group on Reducing Greenhouse Gas Emissions from Ships at the International Maritime Organization (IMO) agreed to make an existing target legally binding: to reduce the carbon intensity of shipping by 40% compared with 2008 levels in the next 10 years.

Cargo a small bright spot for Winnipeg Airport. Freighter landings increased in Q3 over 2019. WINNIPEG, Manitoba – Travel restrictions and self-isolation protocols continued to hinder Winnipeg Airports Authority's (WAA) recovery efforts in the third quarter of 2020. Cargo operations remained strong. The number of cargo plane landings increased by 1.85 percent in the third quarter of 2020 compared to the same period in 2019. The airport also welcomed a steady flow of large cargo aircraft from around the world, keeping Winnipeg connected to international markets. Passenger traffic remained low, averaging 2,051 passengers a day moving through Winnipeg Richardson International Airport (YWG). This is an 85 percent drop in traffic when compared to the third quarter of 2019, when 13,273 passengers a day travelled through the airport. Third quarter traffic did increase by 132,95 travelers over the second quarter of 2020, due in part to the lifting of provincial self-isolation protocols on June 21 for travelers arriving from Western Canada or Northwestern Ontario.

Ocean carriers chasing premium rates are disrupting the supply chain, claims. A shortage of containers rather than space on box ships is the main driver of the unrelenting spike in freight rates on headhaul routes. Moreover, the focus by carriers to reposition their empty equipment as quickly as possible back to Asia, to take advantage of skyrocketing spot rates, has left exporters around the world scrambling for boxes. Indeed, one UK-based carrier executive told The Loadstar recently it was "discouraging" its export sales teams from "pushing too hard" for bookings. "We would much rather stick the empties back on the ship to Asia where we can use them straight away with premium-rated cargo, than have them tied up for weeks on an export load from Europe," he said. Notwithstanding that rates from Europe have surged by around 90% in the past year, they are still only about half the headhaul rates, and that is before carriers add their premium fees for securing container availability and for space guarantees, which can double the rate for shippers desperate to get their cargo to the European market. Elsewhere, exporters from the US to Asia are facing an even greater crisis than European shippers, with transpacific headhaul rates at least eight times greater than for the backhaul

Trucking

US-Mexico truck freight down 11% in August. Trucks accounted for 70.5% of all freight between the US and Mexico in August. Trucks moved $33 billion in freight between the United States and Mexico in August, a 10.9% decrease compared to the same period last year. According to recent data from the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS), trucks were still the dominant mode of transport for freight along the southern border, accounting for 70.5% of all goods moved in August.
Total cross-border freight by mode:
Truck $33 billion
Rail $6.5 billion
Maritime vessels $4.3 billion
Air cargo $1.2 billion
Pipeline $400 million
The three busiest truck border ports in the U.S. in August were Laredo, Texas ($14.6 billion), Detroit ($8.9 billion) and Buffalo-Niagara, New York ($4.7 billion), accounting for 46.3% of total cross-border truck freight.

Market Sources

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