

Weekly Market Update

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Latest News

First COVID-19 vaccine could be delivered to distribution points as early as end of December; Fortin says. Military, partners will be ready to deploy vaccines as soon as they are approved by Health Canada. Federal officials today explained how they plan to roll out millions of COVID-19 vaccine doses in the coming weeks as Ottawa launches its mass inoculation campaign. The initial supply of the doses will be limited — just three million Canadians are expected to get shots in the first three months of 2021. Millions more doses are expected to arrive as the supply chain stabilizes. One of the principal challenges facing the immunization effort is the distribution of vaccines that must be kept at very low temperatures – well below those that a standard commercial refrigerator can offer. The Pfizer vaccine, which is expected to get the green light from Health Canada as early as this month, needs to be kept at approximately -80 degrees Celsius to remain stable. The Moderna product, another vaccine that uses groundbreaking messenger RNA (mRNA) technology, must be kept at -20 degrees Celsius.

Even as political relations worsen, Canada-China trade thrives. Canada's business with China appears to be thriving during the pandemic even as diplomatic relations remain in a deep freeze. Exports to China increased close to 10 per cent in the first seven months of the COVID-19 pandemic over the same period a year previous, according to new analysis from the Canadian International Development Platform (CIDP), which is part of the Norman Paterson School of International Affairs at Carleton University. This growth occurred even as exports, by value, to many other traditional customers sunk during the pandemic, which hit Canada in March. Overall, Canadian exports fell nearly 20 per cent in the same March to September period, CIDP's analysis of Statistics Canada data shows. For instance, exports to the United States declined 22 per cent in this period. Exports to China for the March to September period exceeded \$14.7-billion, compared with \$13.4-billion in 2019.

Air Freight

Global air cargo capacity declined 18% in the last two weeks compared to last year. The Transpacific trade lane shows strong air cargo capacity increases in the last two weeks and is now 1-4% higher compared to last year. Capacity on the Transatlantic and Europe – Asia Pacific has improved significantly in the last weeks. Widebody belly capacity is increasing during Q4 and is currently 'only' down 57% of 2019 levels. Over the last four weeks, 268,000 tonnes of air cargo capacity have been added; 95,000 tonnes correspond to increases in widebody belly, 119,000 to airline freighter and 54,000 to integrators' capacity. Europe outbound capacity has increased primarily to Asia Pacific so far in the last two weeks. Asia Pacific accounted for 92% of Europe's outbound capacity growth; China remains as the main destination from Europe, with an increase of 22% in the last two weeks compared to the previous two weeks.

Vaccine distribution a moving target. Aviation industry getting ready, but will it be needed? As announcements of possible viable vaccines against Covid-19 begin to mount, the global logistics industry is bracing for the implications. What exactly will it take to distribute enough doses – between 10 and 14 billion – to inoculate practically the entire population of the planet? The answer is that nobody knows, but everybody is working on it. The challenges range from ensuring the

vaccines are stored and transported at the correct temperatures, to making sure they are secure from tampering and theft and facilitating their travel across international boundaries. The air cargo industry is perhaps the most excited about these challenges and has been working to develop guidelines and resources to help companies in the sector prepare. In November, IATA released its first set of guidelines with recommendations for governments and the logistics supply chain in preparation for what will be the "largest and most complex global logistics operation ever undertaken". "Delivering billions of doses of a vaccine that must be transported and stored in a deep-frozen state to the entire world efficiently will involve hugely complex logistical challenges across the supply chain," said IATA's director general and CEO, Alexandre de Juniac. "This guidance material is an important part of those preparations."

Sea Freight

Ocean carriers push shippers to use 20-foot containers with 40-foot in short supply. Demand for ocean shipping has maxed out carrier capacity for the foreseeable future, leading shippers to deal with an uptick in rolled cargo and carriers to turn away bookings for shipments out of Asia, according to Gene Graves, the executive director of United Shippers Alliance. Carriers keep pushing back the timeline for when they expect the situation to improve, Graves said. "At one time it was the end of October, then the end of November, and then December and now — and I think it's a good, conservative thing — they're saying that space won't free up and equipment won't get better until after Chinese New Year, which is the first part of February," he said. The maxing out of capacity has resulted in a plateauing of spot rates, but at highly elevated levels. Spot rates from China to the U.S. West Coast are currently nearly triple the same point last year, up more than 193% YoY, according to Freightos. Other trade lanes, though, have seen upticks in prices recently that has led the Drewry World Container Index to increase 12% in the last week, which represents a 138% YoY increase. Rates are expected to stay elevated in the coming week, Drewry said.

ONE Apus stack collapse could be the largest container loss since MOL Comfort. New details have emerged about the loss of containers overboard from the ONE Apus this week that suggest it could be the largest single container loss since the sinking of the MOL Comfort in 2013. Yesterday ONE released a situation report saying 1,900 boxes or more could have been lost on Monday night when the vessel hit heavy weather in the Pacific. "The vessel was on passage from Yantian to Long Beach, approximately 1,600NM north-west of Hawaii, when it encountered a violent storm cell, producing gale-force winds and large swells which caused the ONE Apus to roll heavily, resulting in the dislodging of the lost containers. "Early investigations onboard the ONE Apus have determined that the impacted container bays remain unsafe for close-quarter inspections; however, it is estimated that the number of lost or damaged units could exceed 1,900, of which some 40 are believed to be DG [dangerous goods] containers," the statement said.

Forwarders see their cargo bumped as vaccine shipments take off. Forwarders are beginning to feel the pain as vaccine distribution begins – they are getting bumped from booked flights. "Singapore Airlines has been loading vaccines in Amsterdam for the past few days," claimed one European air freight forwarder, "I keep getting freight offloaded. It's started." The Pfizer/BioNTech vaccine, which was today licensed by the UK, is made in Belgium as well as in Michigan, Massachusetts, and St. Louis in the US, while BioNTech was reportedly considering sites in Germany too. The most temperature-sensitive of the vaccines available so far, it one must be kept ultra-cold – at -70C – but, noted IATA Cargo chief Glyn Hughes last week, it's actually easier to transport than 'fridge-cold' vaccines. "Pfizer's packaging includes thermal and external coolants. It is self-contained and sealed," he explained. The distribution of Covid-19 vaccines is going to be complex, with strings of networks reaching around the world, and depending on manufacturing sites and government orders. Along with Russian vaccine Sputnik V, there are five potential Chinese-made vaccines as well as the much-publicised Moderna and AstraZeneca options. Many are already being carried. Turkish Airlines Cargo said last month it was flying a Chinese vaccine from Beijing to Brazil and AirBridgeCargo has started delivering China's CanSino version in partnership with UPS and pharma logistics company Marken. And this morning, Alibaba's Cainiao Smart Logistics Network said it was partnering with Ethiopian Airlines to send temperature-controlled medicines from Shenzhen to Africa twice a week. The new commodity isn't the only Covid-related shipment to take up air freight capacity, however. One forwarder noted "huge tonnages of testing kits for Covid-19 are heading to the EU from Korea with top priority, mainly to Frankfurt – over 1,000 tonnes are going on direct freighter services to all EU/UK lanes in December".

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