



WEEK 10 // MARCH 11 2021

APERTURE & *FOCUS*

A Global Network Advisory Series by Kintetsu World Express, Inc.

KWE
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GLOBAL APERTURE

Rumors of an imminent polyurethane foam shortage are putting some automakers on edge, but the real par for the course this week happens to be a new analysis over sky-high Asia-Europe freight rates and their dampening effect on sourcing from China. This coincides with the stated intent of many countries to nearshore and even insource supply chains for the EV, automotive, and technology sectors. There's little pushback from China at least, as it became the latest country to ratify the Regional Comprehensive Economic Partnership (RCEP) on March 9.

Global air freight shows slow but steady month-to-month improvement despite more analysts projecting elevated rates for the next three years; there's possibility of greater uplift once governments have vaccinated enough of the populace to permit regular air travel, and perhaps that is why many airlines continue to prioritize vaccine shipments above others. Until then, the recovery in global air demand will remain largely unmet.

REGIONAL FOCUS

BANGLADESH

Capacity
Demand



Long-term storage rates have reportedly doubled at the Port of Chittagong as over 38,000 cargo containers remain uncollected by importers—allegedly using the port to store good before Ramadan. Although no congestion is reported, the ongoing pandemic has forced airlines to operate on an ad hoc basis for the time being; at the moment, service connectivity has resumed for a significant portion of Southeast Asia.

BRAZIL

Rates
Demand



Trucking freight rates climbed over the past week due to the lagging soybean harvest season, now in direct competition with other grain harvest schedules as more than 250 vessels are scheduled to berth Brazilian ports this month—over 70 just at the Port of Santos, which recently completed an expansion to handle some of the largest container ships in existence. Delays in cargo transit are projected to increase in the coming weeks, which may additionally set back automotive manufacturing—at least for brands that haven't shuttered factories from the computer chip shortage.

No Change



CHINA

Rates
Demand



Economists are astounded by the recent surge in China's foreign trade data, which rose 32.2% year-on-year in the first two months of 2021. However, as of late local KWE sources report significantly lower market demand. On March 9, China became the latest country to ratify the Regional Comprehensive Economic Partnership (RCEP). New feeder routes have been established at Dalian Port by several carriers—including Wan Hai, STIC, and Interasia—to connect with Southeast Asian hubs Singapore, Malaysia, and Vietnam.

Demand

Rates



E.U. REGION

No Change



The latest data on container availability at European ports have shown significant recovery; however, select ports such as Antwerp and Hamburg may still experience some container and equipment deficits, though not nearly as intense as the previous year.

Capacity



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INDIA



Capacity



No Change

Coronavirus clusters are growing once again in the states of Maharashtra, Punjab, Kerala, Tamil Nadu, and Karnataka despite ongoing efforts to vaccinate government workers and the elderly. The ongoing farmer strike continues to affect cargo transit through Delhi, and freighter cancellations from Cathay freighters have adversely impacted capacity at airports in Chennai, Bangalore, and Hyderabad. Sea port conditions have changed little aside from a slight rate increase for transpacific services, according to local KWE sources.

INDONESIA



Capacity



Capacity

The shortage of sea freight containers and space have maintained pressure on air cargo loads, and continues to affect outbound capacity to major hubs in Japan and the Americas.

JAPAN



Capacity Demand



Rates

Capacity

In the current capacity shortage, some carriers are resorting to fill cargo demand with ro-ro vessels (automotive carriers). Shipping lines are rejecting bookings to the UK, underscored by a temporary suspension of services to the London Gateway by shipping alliance ONE. Japan Air Lines has restarted thrice-weekly non-stop passenger services to San Diego and plans to resume their Seattle-Tokyo service before the end of March, slightly raising belly-hold capacity.

KOREA



Rates Demand



No Change

Outbound air freight demand to the US remains strong; however, inter-Asia air routes have succumbed to congestion, driving their rates higher than those of Asia-US routes.

MALAYSIA



Rates Demand



No Change

Port conditions have not changed significantly from the previous week's, although authorities have clarified that terminal congestion is not a result of container and equipment shortages, but rather lack of available space to position them.

MEXICO



No Change



Rates Demand

Auto brands extend production line down-time—some by as long as four weeks—over the computer chip shortfall as automotive exports fell 21.8% year-on-year in February. Supply chain slowdowns in the northern Mexican maquiladoras were also linked to the mid-month winter storm that knocked out Texas' power grid and froze natural gas pipes as Mexico's power generation relies significantly on natural gas imports from the US. Carrier Emirates will resume its Mexico passenger services on July 2—the airline deployed freighter operations to and from Guadalajara last September, but hopes to recover belly-hold passenger capacity as soon as possible.

PAKISTAN



Capacity Demand



Rates Demand

Air terminal operations report no adverse issues, with slight increases in capacity over the past week. Sea port conditions remain impacted as with previous weeks, driving up outbound demand and shipping rates.

PHILIPPINES



No Change



Demand

Metro Manila, along with nine other areas, will still be under general community quarantine in March.

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SINGAPORE



Sustained congestion at the port terminals have increased shipper wait-times. Air cargo operations remain unchanged from the previous week.

UNITED STATES



Consequences of the global freight logjam are appearing on the retail prices of many Chinese imports; despite major year-on-year import gains last month at the Port of Long Beach, about 31 vessels are queued right off the California coast—and have been since February 27. The pile-ups have redirected some ships to the Port of Oakland, but as the logjam spread, local port authorities have also reported cargo volume declines and greater delays. While the Port of Savannah also saw a high number of queued vessels (14 as of March 10) in the past weeks, authorities explain that seasonal fog has always staggered vessel arrivals.

THAILAND



Cargo terminal congestion from the previous week has not abated at Suvarnabhumi Airport and continues to affect air export operations; continued lack of manpower at the terminals is pushing freight tender deadlines earlier as a result. Air import operations are also facing an uphill battle after a return from the holidays with customs clearances taking longer than usual. Container shortages are still rampant at some ports as outbound demand to US and EU destinations stays high, according to KWE local sources.

Retaliatory tariffs levied on UK exports in 2019 related to the Airbus-Boeing trade dispute have been suspended temporarily after US, UK, and European officials met last week to smooth over rocky relations. A bipartisan group of legislators have re-introduced the DRIVE-Safe Act on March 10 to revitalize the trucking industry; the bill remains largely unchanged from its 2019 iteration, which sought to expand the applicant pool and lower the federal age requirement for a commercial driver's license.

U. KINGDOM



The Port of Liverpool reached peak vessel demand in the previous week, forcing a temporary suspension of operations at Terminal 1 as trucker wait times got out of hand. Given the most recent container availability index, UK ports continue to sit on excess amounts of 20- and 40-foot empties. Analysts have also found that in February, some 26% of trucks entering the EU are empty and cross-border exports have also dropped 47% year-on-year. But on the upside, passenger travel demand is gaining back old ground as the UK eases its restrictions and more of the population is vaccinated.

VIETNAM



The ocean freight market is facing unforeseen heavy port congestion and vessel delays as space and equipment remain tight after Lunar New Year. Regional carrier Sealand increases capacity by launching a new service (IA88) to Japan—the first maiden voyage is scheduled to depart Haiphong on March 21. Regional carrier China United Lines also introduced new service routes from Yantian to Europe and South America, with the Port of Haiphong as an intermediary port.

Capacity usage remains critically low as vaccines, fresh produce, and electronics fill up allocated space, forcing some shippers to rely on chartered flights.

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