



WEEK 16 // APRIL 22 2021

APERTURE & *FOCUS*

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



GLOBAL APERTURE

Copper. Rubber. Plastics. Cotton. Chicken wings. Day in and day out, business journalists are reporting more raw material shortages across industries—a consequence of the metaphorical wedge that the global pandemic has driven between suppliers and consumers. But carriers—namely ocean alliances—show they're not the ones losing out with record-breaking first quarter revenues, and shipping analysts foresee the trend of rising premium rates to eventually spread from container shipping to dry bulk and tankers.

Passenger travel has made visible attempts to rebound in conjunction with worldwide vaccination efforts, both of which will continue despite the stopgaps of extended and renewed lockdowns in every region, which have depressed trader confidence. On the other hand, consumer spending seems to behave inversely even with recent price hikes, which in turn has lifted cargo performance but also stretched freighter capacity and shipper margins.

As airlines hold off on new plane orders and countries attempt to make heads of future travel-bubble agreements, long-lasting damage to the aviation industry over the past year has some analysts skeptical of a return to normalcy in 2021, which means freighters and consolidation services will have to hold down the proverbial fort for now.

REGIONAL FOCUS

CAMBODIA

BANGLADESH



On April 14, the government extended its country-wide lockdown for an additional week. Air travel has been restricted by the Civil Aviation Authority until April 28, but some have been exempted, including passenger flights to and from China, and cargo freighter services.

No Change



The government has enforced its lockdown of Phnom Penh and other urban centers, reducing available port staff, airline workers, and customs officers until April 28, with possibility of extension. Businesses are once again mandated to have employees work remotely, and factory production has largely been suspended since April 19. Local KWE sources also report an acute shortage of cross-border truck drivers, especially to and from Vietnam.

BRAZIL



Container operations at two terminals of the Itaguai Port were suspended on April 16 by local authorities for alleged "environmental irregularities"; date of resumption has not been announced. A new amendment to Brazil's Ports Law will introduce temporary use contracts and revise the validity periods for leased port facilities. Spanish government has extended their ban on flights to and from Brazil to May 11th, however France will resume air connections with Brazil on April 24th.

CHINA

No Change



While new air, sea, and rail freight routes have opened to Greece, Ukraine, Japan, and Bangladesh, a combo of inclement weather conditions and ship bunching have slowed operations at several ports including Shanghai, Ningbo, and Qingdao. Maersk's April 20 update warns that the ongoing container shortage is set to pummel Asian ports in the coming two weeks, especially those integral to Asia-Europe trade. In lieu of the upcoming Labor Day holidays beginning May 1, heavy export demand has dwindled equipment in South China ports, especially 40-foot containers.

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E.U. REGION

Rates Demand



Rates Demand



Cargo operations across Europe's major ports are facing a perfect storm one week after the Suez Canal blockade: ship bunching, vessel delays, container repositioning, and cargo rollovers have been reported in megaports of Belgium and Italy. In the wake of new Covid-19 variant outbreaks, several EU member states have imposed travel restrictions on India, Brazil, and South Africa.

Cargo volumes at the Port of Dublin saw a net loss in the first quarter as Brexit regulations tapered off freight entering through Britain via the Port of Calais. Instead, some shippers are taking alternative—and less efficient routes from Ireland to ports in France and Spain to bypass Brexit-related paperwork.

HONG KONG

No Change



Capacity Demand



Lithium batteries will see greater restrictions and scrutiny from Customs officials and airlines following an incident last week where shipments of batteries caught fire on the tarmac of Hong Kong International Airport. Travel restrictions have also been placed on India, Pakistan, and the Philippines for 14 days on April 20. Increased exporter demand ahead of the Labor Day holidays from May 1-5 and Japan's Golden Week celebration will strain equipment availability at Hong Kong Port.

INDIA

No Change



No Change



New lockdown restrictions by region have been announced this week, with some areas to be enforced starting April 23; New Delhi enforced its lockdown on April 19. While essential services such as cargo handling and transport are allowed, commercial businesses and their employees must present valid identification to commute. A large exodus of migrant workers from India have been observed since the announcement, which has also affected cross-border trucking availability.

INDONESIA

Rates Demand



Capacity

Demand



The government has extended its smart-lockdown policy on select regions until May 3—cargo operations have seen minimal delays over the past week. The Transportation Ministry has been asked to impose a moratorium on issuing new licenses for container depots, which have been alleged by trade groups as a central cause to traffic congestion surrounding the port.

JAPAN

Rates Demand



Rates Demand



Overall exports in March rose by 16.1% year-on-year—the highest rate of increase since 2018, attributed to heavy demand for vehicles, plastics, and metals. On April 16, the Prime Minister convened with the US President to announce a new “Competitive and Resilience” (CoRe) partnership that will increase collaboration across several fields of research and technology development.

MALAYSIA

Rates Demand



Rates Demand



State officials of Johor will propose measures to limit the movement of workers traveling to Singapore as the country's Covid-19 infection rates drastically rise. Port Klang seems to be at the epicenter of Asia's port congestion and container shortage, alongside the Port of Singapore. Some carriers have paused new bookings until the end of April in attempts to alleviate pressure, but that's only added fuel for high rates and even higher demand.

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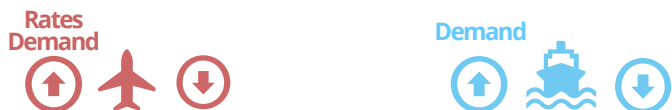
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MEXICO



The Gulf area ports of Tuxpan and Tampico have reported significant increases in container traffic attributed to imports from China, as ports on the Pacific Coast such as Manzanillo have been hard-pressed to increase operational capacity. Business leaders of El Paso-Juarez regions are suggesting their maquiladoras for potential nearshoring sites to fabricate semiconductors; the move will not alleviate current shortages, but may prevent future supply chain hang-ups. Border travel restrictions with Canada and the US are extended until May 21, pending further notice.

SRI LANKA



Singapore Airlines will increase weekly flights to Colombo as the country's aviation industry gradually recovers from the pandemic. A recent parliamentary bill to further develop Colombo Port with investment from China has come under fire by opposition groups, with several amendments to be made by order of the nation's Supreme Court on April 22. Government officials have also signaled that chemical fertilizers will soon ban the import of chemical fertilizers. Emirates will increase its services connecting Colombo to Dubai on May 3, adding a seventh flight to serve rising demand.

PHILIPPINES



Outbound space is still tight from Manila to transpacific and European destinations as spillover demand from sea freight pushes carriers to prioritize urgent cargo at-cost. No change has been reported on sea freight operations from the previous week.

THAILAND



Air terminal congestion at Suvarnabhumi Airport eased during the Songkran festival holiday, although local KWE sources report congestion to come in the weeks ahead. Customs processes and trucking services are operating normally. Port conditions have not changed over the previous week, according to local KWE sources.

SINGAPORE



Singapore Airlines will suspend its passenger services through Hong Kong from April 24 onward, with subsidiary Scoot to follow suit on April 30 following the discovery of a Covid-19 positive travelers aboard previous flights. Carrier COSCO reports a shortage of 20-foot containers and will control intra-Asia services to destination ports with surpluses of equipment, according to local KWE sources.

U. KINGDOM



London-Heathrow Airport has refused to squeeze in additional passenger flights from India ahead of the country's induction to the UK's travel ban on April 23. Cross-border truckers are no longer required to obtain permits to cross the English Channel and the Port of Felixstowe will extend cargo loading and pickup times to mitigate delays.

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UNITED STATES

Rates
Demand



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Ports from coast-to-coast report record-breaking cargo throughput in March, with many terminal operators and industry groups convinced the surge will last through summer. Agricultural exporters may not be happy about this, as reports have surfaced of backlogged produce at port terminals.

On April 20, the FMC ruled to permanently extend a relief measure issued in 2020 that gave shippers and carriers extra time to file original service contracts with the regulatory agency; the amendment goes into effect on June 2 following the expiration of last year's relief measure. Automakers continue to reduce production shifts on par with dwindling semiconductor inventories, and legislators are working to pen out a new infrastructure bill following talks between the President and industry leaders. As domestic travel blooms through spring, United Airlines and Delta announces summer flights to Europe for vaccinated Americans after dismal first quarter earnings despite strong cargo revenues and unwavering demand.

VIETNAM

Rates
Demand



Capacity

Rates
Demand



No changes to air market conditions from the previous week. Market challenges continue port-side with congestion at Vietnam's transshipment hubs. Inundated with different issues at origin and destination ports, carriers have continued to increase container rates, while delays elsewhere have also significantly affected transit times and local operations, according to KWE sources.