



WEEK 21 // MAY 28 2021

# APERTURE & *FOCUS*

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



## GLOBAL APERTURE

That old industry adage about how 90% of the world's goods move by ship is due for a revision with updated passenger destinations for the summer and stagnant sea freight conditions. With new long-haul flights poised to uplift pax-belly capacity in the Americas, Europe, and the Middle East starting next month, the endemic staff shortages and terminal congestion almost seem bearable. The Asia-Pacific market slows once again on the discovery of new Covid-19 outbreaks, with enforced lockdowns curtailing production output and regional demand in some sectors.

Chartered vessel rates are expected to increase through second quarter on high demand by agricultural shippers—the result of work stoppages and protests in parts of Latin America. The containerized market will also see blanked sailings in the coming weeks for transpacific Westbound services as the ports of Singapore and Shanghai grapple with cascading vessel delays. European ports are braced for a few more weeks of post-Suez congestion, but recent news of Hapag Lloyd's purchase of 60,000 TEU containers—and scheduled delivery in July—will assuage shippers of a summer meltdown.

Microchips are still in shortage—retail and automotive the most affected industries with more production closures announced this week, while fabricator attempts to secure more raw materials and manufacturing capacity in East Asia will not bear fruit until late-2021, say industry analysts. Under pressure to maintain production schedules, Taiwan's lockdown extension to mid-June was expected drum up global anxiety despite announcements by fabricator giants that operations have not been affected.

## REGIONAL FOCUS

### AMERICAS

Rates Demand



Capacity Rates Demand



Major air gateways remain congested with few exceptions due to staff shortages, with reduced free storage and delayed cargo releases. Shippers will have to wait out intra-regional air capacity as Canada, Mexico, and the US agreed to extend border closures for non-essential travel until June 21. A shortfall of over 100,000 commercial truck drivers in North America will keep rates high for cross-border transport despite efforts by all three governments' agencies to expedite road improvements in their respective territories.

Analysts say import-related port congestion is expected to stay until summer at US West Coast ports, with US Southeastern ports constrained by geography and size to provide support. In Brazil, government announced on May 23 to vaccinate port workers beginning this week, but Argentinian ports succumb to another 48-hour strike through May 26 after vaccine demands go unanswered, and Colombia's Port of Buenaventura is cut off by major protests blockading roads. A downgrade in safety rating by the Federal Aviation Authority will also prevent Mexican airlines from launching new flights to the US.

### EAST ASIA & OCEANIA

Capacity Rates Demand



Rates Demand



Outbound container rates from Shanghai to Europe rose in excess of \$10,000 for the first time on May 27, according to trade indices. Shenzhen's Port of Yantian reported the discovery of infected port workers on top of heavy inbound congestion on May 25, forcing the port authority to suspend export loading until June 3 to sterilize the terminals. Concurrently, Chinese authorities have increased inspections on imported corn after the discovery of substandard livestock feed from domestic producers, prompting shipping cancellations from US suppliers.

Regional carrier ISC (Incheon Seaport Corporation) began its new service loop from Incheon to Cat Lai on May 24; knock on wood that the port congestion resides when the first vessel arrives. Korean Air also announced intent to operate six more modified cargo planes in the first-half of 2021.

Carrier Hamburg Süd will impose a General Rate Increase on US- and Canada-origin cargo bound for Australia and New Zealand starting July 1.



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## EUROPE, MIDDLE EAST & AFRICA

Capacity  
Rates  
Demand



Rates  
Demand



Many direct flights from Europe to India and Bangladesh are still prioritizing capacity for medical aid shipments, making the Middle East an essential transfer hub for non-essential cargo. Updated connections: flag carrier Saudia Cargo adds twice-weekly pax-freighter service from Saudi Arabia to Denmark, the airport authorities of Shanghai (Pudong) and Budapest launch a direct cargo service, and Cathay Pacific extends its cargo-passenger flights from Hong Kong to Dubai.

European mega-ports are projected to see greater cargo inflows through June; the Port Authority of Rotterdam is suspending plans to implement automated cargo transport on its Container Exchange Route, citing financial and operational risks under current conditions. Transatlantic westbound voyages to the Americas are also seizing up with carrier-imposed premiums and surcharges, though not nearly as much as Asia-Europe trade corridor. Indicators suggest that carriers would rather return empties to equipment-stifled origins than risk further delays.

## SOUTHEAST ASIA

Demand



Rates



Capacity  
Demand



Further spread of the new Covid-19 variant resulted in enforced citywide lockdowns in parts of Vietnam, Bangladesh, Thailand, India, Sri Lanka, Philippines, and Pakistan this week—port operations and on-duty staff are reduced and as a result. Industrial zones in the areas have reportedly also suffered production cuts as a result. With the exception of some intra-Asia and US-bound spot shipments, regional air freight activity has seen little change from the previous week.

Following the landfall of Cyclone Tauktae in West India last week, power supply has been cut in the state of Gujarat and port operations at the Port of Pipavav have been suspended until June 1; arriving cargo will be rerouted to the nearby ports of Nhava Sheva and Mundra. The May 26 arrival of Cyclone Yaas also placed ports in Bangladesh and East India on high alert; some inland waterway services were suspended as a result.

CMA CGM will impose an Overweight Surcharge (OWS) for dry container loads over 20 tons departing from India and Pakistan origins to the Americas. Hapag Lloyd suspends reefer cargo acceptance at the ports of Manila and Subic due to equipment and feeder vessel shortages.

## JAPAN

Rates  
Demand



Capacity  
Demand



The government extends its state of emergency and approves two Covid-19 vaccines for use. Vaccination remains an issue among port workers, and the global container shortage remains an issue among businesses in Japan—shipments of retail goods, lumber, and agricultural produce continue to stall based on local reports.

A direct sea freight consolidation service has been established, connecting Japanese shippers to Melbourne via the Port of Yokohama. To further shipper relief, the Port of Kawasaki will subsidize transport operations involving 40" containers (FEUs).



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