



WEEK 26 // JULY 2 2021

# APERTURE & *FOCUS*

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



## GLOBAL APERTURE

The return of air passenger demand turns rocky with news of the Covid-19 Delta variant's spread pushing parts of Asia-Pacific back on lockdown, walking back previous forecasts to transition away from 'freighters' by summer. The new season might not bring significantly more vacation travelers, but it has already brought record breaking heatwaves and erratic storms across the parts of the world, forcing some airlines to delay or cancel flights in Canada, Hong Kong, and the US.

Easement of vaccine distribution between some countries may restore cold chain capacity—a boon for agricultural shippers as food and beverages remain highly impacted by lack of available space; several global fast-food chains have reported ingredient shortages over the past month.

Demand for metal ores and finished alloys rises with new shipbuilding orders, aircraft purchases, and capital goods expenditures—signaling heavy business investment across sectors, including a race by several countries to onshore fabrication and manufacturing capabilities. However, operational constraints at ore mines in South America, Australia, and South Africa will keep inventories capped until local infection rates are contained. This comes at a time when even automotive production in Japan and China have reported major setbacks due to the ongoing semiconductor shortages, and water scarcity moves to the forefront of manufacturing concerns.

OPEC+ member nations will meet in the beginning of July to discuss changes in oil & gas production after a monthlong cut in output raised fuel surcharges and associated duties in nearly all modes of transport. Hopefully by then big box retailers and e-commerce giants will have completed their early restocking season, bringing freight rates back to manageable levels.

## REGIONAL FOCUS

### AMERICAS

Rates Demand



Rates Demand



Following the enforcement of ICAO's 100% cargo screening mandate, airline cargo receipt cut-off times have been revised to 12 hours prior to takeoff, slowing export operations already delayed by shortages of airline staff and truck drivers. Chronic backlogs have also been reported at local warehouses in Mexico City and Monterrey, delaying import and export movements by up to nine hours.

Nationalization has not improved Mexico's port conditions thus far, with about a dozen cargo ships waiting just outside Manzanillo Port over the weekend. Domestic shipping groups have complained that operational delays are in part due to a lack of experience by the Mexican Navy.

US ports are not faring much better despite government efforts—the Federal Maritime Commission (FMC) most recently called for collaborative efforts to alleviate equipment shortages in the port

complexes of Long Beach-Los Angeles and New York-New Jersey, and a bipartisan proposal seeks to amend the Shipping Act of 1984 and require ocean carriers to accept all US export container bookings. To be fair, port congestion has eased significantly from the previous week: idled ships off the coast of Los Angeles-Long Beach have dropped to about 10 vessels this week.

Results of the strike vote by Canada's Customs and Immigration Union have yet to be announced, but an unrelated rally by the United Truckers Association will take place at Vancouver Port on July 1, posing imminent concern to shippers.



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## ASIA-PACIFIC



Though Yantian Port announced resumption of normal activities, major transshipment ports in the region are still grappling with the cascading effects. Hapag-Lloyd's monthlong suspension of import bookings to Chittagong Port via Singapore has diverted pressure to alternative ports such as Colombo—not surprisingly, port officials have reported increased dwell times as a result. Bangladesh will also enforce a new national lockdown to begin July 1, driving migrant workers out of the country and adding at least another week of pressure to exporters.

Cross-border cargo truckers from India are protesting the severity of the lockdown measures, which have closed rest areas and restaurants at the Benapole Land Port—leaving many unable to withstand the 2-5 day wait times associated with cargo unloading and inspection. With India's international flight ban extended to July 30, volatile sea freight rates, and nation-wide trucking utilization up 15% on-year in June, the protests may further set back regional and international supply chains.

Cargo congestion at Penang Port has abated according to the port authority's commission chairman, thanks in part to the phased clearance of non-essential cargo that was greenlight last week. However, rising infection rates have moved the Indonesian government to reconsider stricter lockdowns starting July.

Though battered by downturns in the pandemic economy, the transportation industry has stepped up to alleviate shippers itching to prep for winter holiday season. Starting with airlines: ANA deploys a twice-weekly cargo service between Beijing and Tokyo starting July 2 to sate microchip and e-commerce demand; a thrice-weekly cargo service linking Shenzhen and Los Angeles was launched on June 26 and will be jointly operated by SF Airlines and Atlas Air; Cathay Pacific announced plans to convert two more planes for cargo flights; Malaysian operator AirAsia bulks up its dedicated cargo fleet to support hubs in Bangkok and Kuala Lumpur; and Vietnam Airlines gets the green light to operate passenger and cargo routes through Canada.

Maritime transport seems focused on strengthening intra-Asia feeder services and transpacific routes: Mumbai-based operator Round The Coast Pvt. Ltd. restarts their domestic service connecting ports in Southwest India; Maersk will launch two weekly transpacific services in August from China and Vietnam origins starting August; and China-based carrier CULines will launch three new routes connecting China to the Philippines, Thailand, and Brazil—the services are scheduled to debut July 2 and July 15, respectively.

## EUROPE, MIDDLE EAST & AFRICA



Port congestion in Antwerp and Rotterdam has remained virtually unchanged from the previous week, with the arrival of ultra-large container vessels from Asia pushing delay times. Ripple effects of the Yantian Port congestion have also hit Asia-Europe rail services, delaying operations at inland depots from China to Belgium.

Airline strategies are currently split: some established carriers have taken a significant number of planes out of storage in anticipation of third quarter traveler demand, while smaller budget-friendly airlines continue operating chartered cargo-only flights. But a new wild card also looms beyond the horizon: over a dozen new airline startups are gearing up to capture unmet demand and laid-off aviation staff.

Transcontinental rail demand is expected to stay high until All-Water Services have regained their standing, but the disparity in carrying capacities means that even with higher service frequencies, opting for rail transport is only one among several bandage solutions for hurt supply chains.

As regional demand continues to rise for UK-Europe Roll-on/Roll-off (RoRo) services and vessel operators increase service frequencies, continued dialogue with UK truckers and port owners reveal that wait times at the ports of Felixstowe and Liverpool have declined significantly since the beginning of June, although ongoing improvements to port IT systems did result in some delays over the week.



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