



WEEK 9 // MARCH 3 2021

APERTURE & *FOCUS*

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

KWE
Global Logistics Partner

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GLOBAL APERTURE

The air cargo market stays volatile despite performing above pre-pandemic levels—the 1.1% year-on-year gain in cargo tonne-kilometers (CTKs) in January was and continues to be offset by slashes to air passenger business in light of further coronavirus outbreaks, according to IATA. Without a recovery in belly-hold capacity, the air cargo industry remains stunted in its post-pandemic growth, with many tourism advocates calling for a standardized framework to revive cross-border travel.

Global sea freight carriers are throwing out a litany of General Rate Increases, Low Sulfur Fuel Surcharges, and Container Recovery Charges set to take effect on April 1—those imposed in the Middle East and Southeast Asia regions are possibly an attempt to dissuade further seasonal demand associated with Ramadan, while those affecting coasts of the Americas may be carrier attempts to sieve demand and safeguard from future terminal congestion.

REGIONAL FOCUS

BRAZIL

Capacity
Demand



Rates
Demand



National trade data showed strong gains in February despite being an off-season for agriculture, attributed to increases in metal ore extraction and manufactured exports. South American carrier LATAM Airlines announces new plans to expand its freighter conversions in the wake of higher air cargo traffic thanks to e-commerce. The planned joint venture between LATAM and Delta Airlines was also approved by Brazil's antitrust authority, greenlighting the two carriers to coordinate interregional services.

CANADA

No Change



No Change



The US's recent cargo congestion may be a gain for the Port of Vancouver if vessels begin diverting further north from the overcrowded ports of Los Angeles and Long Beach. But on the other side of the Canadian Coast, shippers and port officials are moving to circumvent and mitigate a looming strike at the Port of Montreal.

CHINA

Capacity



Rates

Demand



Although recent trade data shows a healthy recovery in China's eight major ports, the effects of the container shortage have now come back full-circle as exporters in China are seeing vessel delays and equipment deficits that, by some estimates, may last until summer.

E.U. REGION

Rates
Demand



Rates
Demand



A recent decision by the UK to unilaterally extend inspections of agri-produce entering Northern Ireland is under scrutiny by EU lawmakers, alleging a violation of trade policy and threatening legal action. Carrier CMA CGM will impose a peak season surcharge on March 15 affecting all ports in North and Western Europe as well as those in the Mediterranean and Black Sea to control cargo volumes ahead of the Ramadan season.

The European Commission released a new set of objectives for its trade policy on March 3, including the reformation of the World Trade Organization, reinforcing the transition to digital trade, and strengthening its regulatory impact.

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INDIA

No Change



No Change



The government has extended its suspension of international passenger flights until March 31, with the exception of countries with existing travel bubble agreements.

INDONESIA

Rates



Capacity

Capacity



Although terminal backlogs have not been reported, local KWE sources have relayed capacity deficits by several airlines; outbound services to India and US destinations are significantly affected.

JAPAN

Capacity



Rates
Demand



The state of emergency in Japan will be lifted in six urban areas but will remain in Tokyo area for another week. Registered trade data shows automotive exports fell for a third consecutive month in January—nearly 9% year-on-year, due to the effects of the global chip shortage on production.

KOREA

No Change



No Change



Korean auto brands that were able to stockpile on semiconductor chips before the global shortage hit estimate a recovery in production starting third quarter. Automotive and semiconductor shipments remain the top performing exports in February, and China holds position as Korea's largest buyer for the second consecutive month, up 20% year-on-year.

MALAYSIA

Rates
Demand



No Change



Trade data shows improvements to the export sector in February, likely due to the uncharacteristic production activity through Lunar New Year holidays. Terminal congestion has improved little from the past week, sustaining high demand in air cargo—fortunately, this comes with news of a recovering domestic economy as the government prepares to relax lockdowns on March 5.

MEXICO

No Change



Rates
Demand



Cargo activity in Mexico's ports decreased on average by 11.8% year-on-year in January despite slight climbs by the ports of Veracruz and Manzanillo. Mexican officials began working with US and Canadian peers on February 24 to address supply chain challenges that have affected several industries with respect to the current trade bloc agreement.

PAKISTAN

No Change



Rates
Demand



A transnational cargo train connecting Pakistan with Iran and Turkey is set to resume this week—the result of several project completions to the China-Pakistan Economic Corridor. For their longstanding efforts in diplomacy, both China and Pakistan celebrated 70 years of established relations, underscored by a gift of half a million doses of coronavirus vaccines to the latter country. Current export activities at Karachi and Qasim Port are still relatively low in comparison to import; local KWE sources report that some carriers are still struggling with insufficient container and equipment, with eight ships currently waiting to berth the latter port.

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PHILIPPINES

Capacity
Demand



No Change



Flag carrier Philippine Airlines increases its flight frequency to Tokyo-Narita and Haneda airports.

U. KINGDOM

Rates
Demand



Rates
Demand



Container congestion is spreading north, with the Port of Liverpool being the latest affected area—truckers report demurrage costs on top of long wait times to receive cargo. Officials are working to establish free trade zones at eight ports across the UK in their bid to restore trade activity post-Brexit.

SINGAPORE

No Change



Rates
Demand



A rise in activity at the Port of Singapore has also led to higher outbound rates, but sources still report lengthy wait-times for vessel berthing, which significantly contribute to ongoing terminal congestion.

UNITED STATES

Rates
Demand



Capacity



No Change



Since the global chip shortage was publicized, the US President has called for a comprehensive review of supply chains and state leaders are working on a \$37 billion assistance bill for semiconductors, pharmaceuticals, minerals/metals, and advanced batteries. US Agricultural exporters have called on the FMC and now the President to investigate and intervene in the container shipping crisis. While the investigation may lead to long-term changes in the ocean freight market, in the short-term many exporters in the Midwest and Southeastern parts of the US are hard-pressed to recover from the sudden winter storm and the ensuing power outage, icy roads, and other logistical setbacks.

THAILAND

Capacity
Demand



Rates



Capacity



Terminal congestion at the Suvarnabhumi Airport persists, affecting air export performance. Freight flights by Hong Kong Airlines from Bangkok to Hong Kong have resumed following the end of the Lunar New Year, slightly increasing market capacity. Local KWE sources observe that outbound rates to US and European destinations have significantly fallen from the previous week, while demand to China has picked up.

Some ocean carriers still lack equipment and containers to move cargo, though a new direct service connecting Laem Chabang to Chinese ports begins its first sailing on March 21. However, long-haul outbound services are still plagued with high demand, low capacity, and a growing backlog of containers.

VIETNAM

Rates
Demand



Capacity



No Change



Outbound air cargo demand and rates increased sharply following the end of Tet Festival, affecting US and EU destinations. Capacity slightly decreased over the past week due to some flight cancellations at origin and destination airports, according to local KWE sources.

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