



WEEK 49 // DECEMBER 3 2020

APERTURE & *FOCUS*

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

KWE
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GLOBAL APERTURE

The effects of a lopsided recovery effort across the world are coming into focus for business leaders: the Worldwide Air Slot Board (WASB), a multi-organizational group comprised of air transport industry associations, published a joint proposal asking regulatory agencies around the world to revise slot conditions in the face of a prolonged industry collapse and filled aircraft graveyards. Analysts report that global air cargo capacity in the most recent week has seen increases in Transpacific, Transatlantic, and Europe-Asia Pacific lanes despite being 18% lower year-over-year for the first two weeks of November. The onset of several covid-19 vaccine distribution plans is impacting air freight capacity as ad hoc shipments are denied by carriers to make room for temperature-controlled cargo.

Wan Hai Lines opens a new North China-East India service route to start December 13; the route will be served by six vessels with individual capacities of 4,250 TEUs to provide greater frequency and service coverage in the stricken regions. MSC announces a new General Rates Increase for India and Bangladesh outbound to US coasts, effective December 14.

REGIONAL FOCUS

CHINA

BANGLADESH

Rates
Demand



Rates
Demand



The imposed congestion surcharge for cargo handled through Chattogram Port to neighboring hubs has resulted in decreased bookings from leading perishables exporters. Government officials in India are opening several new trade routes with neighboring Bhutan to facilitate alternative cross-border trucking options to Bangladesh. For its part, the Bangladesh government has also inaugurated a handful of rail construction projects that it hopes will mitigate future instances of regional bottlenecks.

Demand
Rates



Demand
Rates



Air China and China Southern has cancelled all flights to Los Angeles until December 10 following the announcement of an increase in covid-19 cases and a citywide curfew, and all UPS flights have been reportedly cancelled, according to local KWE sources. The country's new export regulatory framework came into effect on December 1, adding license restrictions to sensitive technology, military, and dual-use goods that would be exported overseas. Inclement sea port conditions remain unchanged from the previous week.

CAMBODIA

Rates
Demand



Capacity
Rates
Demand



Local KWE sources report no instances of cargo backlogs, traffic congestion, or trucker shortage for air freight operations. However, container shortage and vessel capacity are big concerns for sea freight operations from this week onward as carriers begin to reject ad hoc bookings.

E.U. REGION

Rates
Capacity
Demand



Rates
Demand



In preparation of a no-deal Brexit, the Port of Rotterdam warns that UK shippers shipping goods through Netherlands will have to complete electronic documentation for container processing or risk stalled shipments starting January 1. Carriers have also announced plans to reinforce intra-regional services, especially between Ireland and the Schengen hubs. Meanwhile, European regulators may potentially approve the region's first covid-19

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vaccine by December 29, prompting airports in Frankfurt, Brussels, and other European cities to finalize distribution plans.

Hapag Lloyd announces a new terminal security charges at the Port of Antwerp, effective January 1.

HONG KONG

No Change



Rates
Demand



Port conditions remain unchanged from the previous week.

INDIA

Demand



Demand



Official trade data shows a 9.1% year-over-year decline in exports for November, attributed to slowing demand for petroleum, engineering goods, and chemicals, while imports fell 13.3% for the same period. On November 27, the Directorate General of Civil Aviation (DGCA) extended the ban on international passenger flights until December 31 in compliance with government regulations.

The government has drafted a new bill that would, if passed, prohibit carriers from levying freight charges not specified in bills of lading or other transport documents. Container backlogs at Chennai, Katupalli, and Nhava Sheva Ports are being addressed after temporary suspensions of activity in the end of November.

INDONESIA

Capacity
Demand



Rates
Demand



Cargo backlogs have not waned for outbound US lanes, and many air carriers are refusing ad hoc shipments until December 9, according to KWE local sources. Routes to Europe have also seen major demand increase for electronics, semiconductor, and automotive parts. Port container shortages are now affecting Intra-Asia lane capacity, causing a slight recess in sea freight demand.

JAPAN

Capacity
Rates
Demand



Demand
Rates



Japan's total export value increased by 5% in October year-over-year, attributed to a major increase in demand from China and the EU for semiconductor manufacturing equipment and non-ferrous metals like aluminum, copper, lead, nickel, tin, titanium and zinc.

A week after Korea's two largest airlines merged, the Japanese government is now suggesting flag carriers All Nippon Airways (ANA) and Japan Airlines (JAL) merge if the coronavirus pandemic persists; both carriers have approached the government for relief funding.

Outbound sea freight capacity hits a snag due to major disparities between current cargo allocations and the endemic shortage of containers, which has reached Japanese ports—only long-haul routes are given consideration for booking.

KOREA

No Change



No Change



Korean sea freight carrier HMM introduced a fifth vessel with 4,600 TEU capacity on November 30 to assist scheduled cargo exports from Busan Port to the US, with plans to introduce two more ships in December. These ships will largely contain automobile parts, medical supplies, other large appliances. Their inclusion to existing US routes may shift the call schedules, route plans, and unloading orders of nearly 100 ships operated by HMM.

Several manufacturing facilities in the southern industrial city of Gwangju associated with EV, automotive, and electronics are witnessing new virus outbreaks, and have temporarily suspended production to screen and quarantine workers. According to local KWE sources, market conditions for air and ocean freight remain largely unchanged from the previous week.

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MALAYSIA

Rates
Demand



Capacity
Rates
Demand



Market conditions remain largely unchanged from the previous week, although the major shift from air to sea modal transport has freed up air capacity for Intra-Asia lanes, according to local KWE sources. Unfortunately, the high demand and lack of available capacity for sea freight is beginning to black out entire sailing days in December.

MEXICO

Rates
Capacity



Demand



The government will extend tax cuts to the southern border of Mexico, halving the current VAT and reducing the income tax (ISR) by 10%. For at least the next 30 days, 30% of cargo that is arriving regularly in the port of Lázaro Cárdenas will be redirected to other ports to reduce bottlenecks as the rail blockade in Michoacán ends. Despite the longstanding setbacks, Mexico's exports increase 2.9% year-over-year in October, attributed to gains in demand for automotive products.

PHILIPPINES

Rates
Demand



Transpacific air freight routes has come under fire due to increased congestion at US destinations and a major rise in peak season demand. Outbound demand to India is also increasing as a result of shippers moving away from dismal sea freight market conditions.

SINGAPORE

No Change



Demand



According to local KWE sources, Singapore Airlines will only accept scheduled cargo allocations to Hanoi, Taipei, Incheon, London, and US destinations due to overbookings of chartered flights, backlogging subsequent ad hoc shipments for the next two weeks.

Steamship cargo allocations are predominantly being reserved for China-origin shipments, causing a reduced load capacity at the Port of Singapore. The decrease in sea freight capacity has consequently increased market demand.

SRI LANKA

No Change



Rates



Demand

Despite the current outbreak and lockdown, air operations are reportedly running as usual, and current flight schedules are unaffected according to local KWE sources.

The cargo backlog at Sri Lanka's Colombo Port is reportedly still in effect, with a reduced port workforce struggling to handle transshipment of goods from Indian exporters.

TAIWAN

Capacity
Rates
Demand



Rates
Demand



Outbound capacity to Shanghai, EU hubs, and US hubs has significantly increased to handle regional holiday demand from importers. Local KWE sources report equipment shortages in Taiwan's four major ports, with vessels from ports in China, Japan, and various Southeast Asian countries calling late arrivals. Capacity to US destinations remains heavily impacted due to peak season demand as carriers incentivize shipping to Intra-Asia routes.

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THAILAND



Exports registered a year-over-year decrease of 5.6% in October with a shrinking domestic economy and an appreciation of the baht due to the recent inflow of foreign investment, which analysts speculate may inhibit exports. Flag carrier Thai Airways announced its cooperation with the ministries of commerce, agriculture, and transport to ship perishable cargoes to key markets in Asia and Europe.

According to local KWE sources, congestion remains an ongoing issue at Suvarnabhumi Airport's BFS cargo terminal, reducing freight tender cut-off time for exports and intermittently affecting the cargo terminal's import operations. Daily government protests continue in Bangkok, bringing traffic congestion in the capitol's highways and impeding trucking operations in the metropolitan areas.

UNITED STATES



The Boeing 737 MAX aircraft resumed commercial operations in the US on December 3 after being globally grounded for 20 months; American Airlines is utilizing its fleet for domestic passenger travel following the FAA's reversal of the ban. Both American Airlines and United Airlines are pausing scheduled outbound flights to Shanghai after reports surfaced of air crew movement and accommodations in the country. Delta Airlines has nevertheless resumed nonstop flights to China on December 3.

The surge in e-commerce imports has unsurprisingly filled ships, port terminals, and warehouse storage across America, to the point where a vessel suffered a container collapse en route to the Port of Long Beach. Now trade associations and industry leaders are calling on the FMC to address bottlenecks and related port charges levied by carriers and terminals. Congestion and late vessel arrivals are expected to increase in the coming weeks.

U. KINGDOM



The Brexit trade talks are reportedly in the "last leg of negotiations" but many shippers will not be holding their breath as the Port of Felixstowe's capacity-related congestion continues. Two vaccines have been temporarily authorized by the UK for emergency use, foreshadowing their distribution through December and January. Cargo carrier IAG resumes its weekly direct flights from Heathrow to Incheon, in preparation for the rise of pharmaceutical exports.

Carrier Hapag Lloyd will impose a congestion surcharge on shipments from US to the UK ports of Liverpool, Southampton, and London Gateway, effective January 1 in response to the heavy import movement and port infrastructure setbacks.

VIETNAM



Port conditions remain largely unchanged from the previous week, according to local KWE sources. Outbound air freight demand to US and EU destinations have reportedly decreased following the previous week's surge in bookings, though Intra-Asia demand stays consistent.

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