



WEEK 14 & 15 // APRIL 19 2022

# APERTURE & FOCUS

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



## GLOBAL APERTURE

Thanks to a profitable fiscal year, airlines have continued to invest in their staff and fleet, which will buoy international freighter capacity for the time being, while recovering air passenger demand in Europe and the Americas lightens summer outlook for belly-hold capacity. However, mass airline service cancellations, local labor deficits, and the shortage of critical supplies will have a domino effect on manufacturing output across regions in the coming weeks. Capital goods and oversized cargo will be more hard-pressed to secure capacity as Ukraine's Antonov Airlines decommissioned its specialized freighter fleet on April 14 to fly humanitarian aid amidst the Russia-Ukraine conflict.

Global fuel supplies get a boost from US oil reserves that were shipped to Europe on April 1, while a more conservative growth forecast by the International Monetary Fund (IMF) and ongoing discussion within the EU to embargo Russian oil dampens market attitudes. Speculation over the upcoming contract negotiations between ports of the US West Coast and the two largest unions of warehousing and dockworkers stoke shipping anxiety despite optimistic remarks from union leadership.

## REGIONAL FOCUS

### AMERICAS



With the extended lockdown of Shanghai, US ports on the Pacific Coast see fewer imports and easing cargo congestion. However, Chinese carriers now prioritize empty container returns over full container exports from US West Coast ports. And yes—the Excess Container Dwell Fee has been postponed once more, and expires on April 29. Port officials now worry of a deferred import surge once China's largest trade hub eases Covid-19 restrictions. In contrast, the East Coast ports of Charleston and Norfolk report rising levels of congestion due to the arrival of vessels completing their Transatlantic Asia-US voyages. Rail companies Union Pacific and BNSF plan to address inland network congestion by increasing service frequency while decreasing railcar inventory—to the chagrin of exporters.

A commercial trucker protest at the US-Mexico border points in Texas temporarily diverted some cross-border traffic to the Nogales entry point in Arizona. The protests, which have mostly eased, came as a response

to increased inspections that delayed overall transit times between Mexico and the US. Latin America-Asia exports also faltered in the past week due to Shanghai's lockdown.

### ASIA-PACIFIC



Shipping containers are stacking up in China—Shanghai's lockdown has been extended indefinitely, dropping cargo throughput at the city's seaport and offloading containers to neighboring ports such as Tianjin. Qingdao's city officials have mandated a terminal storage period for all imports, Nanjin has suspended all import operations, and other cities have suspended ground services to Shanghai and Ningbo, which is also dealing with a growing outbreak. In the South China trade hub Guangzhou, mass testing that began April 9 has also impeded export operations.



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## EUROPE, MIDDLE EAST & AFRICA

Rates Demand



Capacity



Rates Demand



To the east, Taicang Port commenced a new service route with Vietnam's ports in Haiphong and Ho Chi Minh City on April 15, adding about 2,500 TEUs of weekly capacity.

Ripple effects and initial business responses will hinder trade activity in the weeks to come: major airlines and vessel operators have temporarily placed shipping embargos to Shanghai, and vessel arrivals to Southeast Asia ports have been delayed or bypassed. On the other hand, Southeast Asian carriers report slight increases to available intra-Asia capacity as ex-China shipments taper off.

Other challenges have also beset the cargo throughput of intra-Asia and Transpacific tradelanes. Congestion in Sri Lanka's Colombo Port continues to repulse demand from Indian shippers, and the onset of typhoon Megi temporarily halted port operations in the southern and eastern provinces of the Philippines last week. Chittagong's inland container depots hit capacity as rising apparel exports highlight a disparity between port capacity and highway accessibility—local analysts say increased demand and insufficient lanes have contributed to persistent terminal delays.

On April 27, global shipping liner MSC commences direct services to Bangladesh from ports in China, Singapore, and Malaysia. The service is expected to halve transit times and support cargo flow from transshipment ports.

EU regulators will not further extend the 2020 airline exemption—set to expire this July—to transport cargo on passenger aircraft. Air cargo capacity between North Europe and Asia has dropped more than 20% since the Russia-Ukraine conflict began, driving demand toward rail and ocean according to trade analysts. However, the influx of demand has formed bottlenecks between inland waterways and the ports of Antwerp and Rotterdam; barge operators have introduced congestion surcharges to offset rising fuel costs.

Cargo trucks from Russia, Kazakhstan, and Belarus were reportedly queued at the Kukuryk-Kozlovichi border of Poland on April 16, ordered by EU customs authorities to turn back after Belarus announced an entry ban of EU-registered trucks the day prior. Ukraine also restricted cargo transit to Poland and Romania by rail over Easter weekend, backing up over 29,000 wagons of freight.

South Africa's Durban Port was forced to halt operations after unprecedented flooding caused damage to Bayhead Road, cutting off terminal access and suspending rail services. Carriers now divert vessels to Port Elizabeth as repair crews deploy to Durban—service resumption has not been announced.



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