



WEEK 17 & 18 // MAY 11 2022

APERTURE & FOCUS

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



GLOBAL APERTURE

New air cargo data suggest global demand in April fell 8% year-over-year, attributed to the ongoing Russia-Ukraine conflict, recent Covid-19 lockdowns in China, enduring labor shortages, and a growing deficit in consumer demand. The US joins Canada and European nations to ban Russia-affiliated vessels from berthing American ports, and dockworkers around the world have refused cargo from Russian ships in protest. Conversely, crude oil prices have steadily gained and fuel inventories are in shock over the stoppage of Russian gas, adding to transit costs in Europe and elsewhere. Though approved, long term US oil contracts won't stave off Europe's fuel crunch until 2024—some 2 million barrels of U.S. crude were recently delivered to Bilbao Port via supertanker.

Many industry executives are unsure if Transpacific-Eastbound sea freight volumes will rebound by the end of first quarter according to the excerpts of several earnings calls. Shanghai's continued lockdown has diminished export demand by as much as 15% over the past two weeks, although the city's ports remain in operation. Carrier alliances have blanked more sailings through June to adjust for the loss, bringing market volatility to Asia-Europe and Asia-Americas trade lanes.

REGIONAL FOCUS

AMERICAS



West Coast labor talks began earlier this week as Transpacific-Eastbound delays rebound upward, with 35 vessels waiting to berth the ports of Los Angeles and Long Beach on May 9. As Shanghai manufacturers slowly resume production, US ports forecast an import spike in the coming weeks attributed to mounting backlogs at China-origin ports. This will pose an imminent challenge for US agricultural exporters, who have recently resolved rail service data transparency issues with the help of the Surface Transportation Board (STB).

More West-to-East cargo diversions bring an excess of empty containers to the ports of New York and New Jersey—several vessel operators had also rejected empty returns in mid-April, forcing truckers to dray empties off-dock. Port Charleston deviates from the Eastside trend after winnowing its backlog in late-April.

US Atlantic airports see weakening cargo demand on top of consistent transit delays and rising fuel costs; whereas

in Chicago and Dallas-Fort Worth, cargo operations have reportedly normalized.

Mexico caps service operations in Mexico City International Airport due to air safety concerns—a portion of domestic cargo and charter flights will be transferred to the new Felipe Angeles International Airport (NLU) and Toluca International Airport (TLC), while international cargo flights will follow on completion of infrastructure upgrades at NLU.

ASIA-PACIFIC



Following China's Labor Day holiday, Beijing continues mass-testing residents while Hong Kong eases lockdown restrictions. Local KWE sources indicate that although daily cases have decreased, business operations in Shanghai may take longer than expected to fully recover.

The ongoing lockdown has also increased transit times



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Global Logistics Partner

on intra-Asia trade routes, compounded by rumors of upcoming blanked sailings ex-China by carrier alliances. In South Korea, exporters still struggle to find space on ocean vessels; shipping line HMM vows to offset this by deploying more ships. Market conditions in Southeast Asia are also beset by Sri Lanka's prolonged financial crisis and ensuing protests, which have repulsed transshipment demand from Colombo Port. In Bangladesh, Chittagong Port tackles the routine build-up of vessels and import containers that have increased following the Eid-al-Fitr holidays.

Air cargo capacity in China has slowly improved as carriers divert services from Shanghai to Zhengzhou, Beijing, Guangzhou, and Shenzhen airports, but lack of trucking permits continues to bottleneck ground transit. Cathay Pacific announces more cargo flights, and All Nippon Airways resumes international services between Japan and destinations in London and Honolulu.

EUROPE, MIDDLE EAST & AFRICA



As problems mount navigating the fallout from the Russia-Ukraine crisis, key ports in Europe such as Rotterdam, Hamburg, Antwerp, are working at or above capacity with little to no space to store container imports. This problem is made especially difficult as Russia-linked containers numbering in the thousands continue to pile up while they await inspection to ensure they do not violate European sanctions. Adjacent to the Black Sea, Constanta Port now serves as Ukraine's export hub after several mines were observed floating at the mouth of the Danube River.

Intra-Europe trade policy is on the rocks this week after government insiders divulged the UK's intent to revoke sections of the North Ireland Protocol, established post-Brexit to maintain UK-EU commerce flows. North Europe-Asia tradelanes also suffer with more news of blanked sailings and sagging transit lead times, with UK service routes faring worst due to port rationalization strategies by carrier alliances.

Ending on a brighter look: the historically passenger-based airline Virgin Atlantic readies its debut into freight operations before the end of May with a Brussels-London Heathrow service for perishables, auto parts, pharmaceuticals, and e-commerce goods.



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