

WEEK 25// JULY 1 2022

# APERTURE & FOCUS

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



Global Logistics Partner

## GLOBAL APERTURE

The large divide between supply and demand over the last year was highlighted in the annual State of Logistics (SoL) report released by the Council of Supply Chain Management Professionals (CSCMP), as demand rose significantly worldwide and the workers and assets needed to transport goods were scarce due to the global pandemic. With the highest inflation rate in more than 30 years and central banks raising interest rates, slowdowns in the US housing market became apparent in Chinese shipping data where shipments of construction materials, furniture, and appliances were down by as much as 20-30%.

As demand fell across the globe, some ocean carriers resorted to blank sailings across slower trade lanes, switching tonnage to routes where demand was higher. Thanks to this slowdown, however, cargo lead times across all major trade lanes showed signs of improvement over those from earlier in the year, with transshipment rollovers at less than half of what they were at their peak in January. New guidelines for air shipments were introduced by the European commission on June 29 that will require forwarders to submit advance cargo information before shipments are loaded onto an aircraft for customs risk assessment.

## REGIONAL FOCUS

### AMERICAS

Capacity Demand



Rates



The ports of Los Angeles and Long Beach saw the lowest number of vessels in queue for all of 2022 on June 24 with just 16 containerships waiting to berth, down from its all-time record high peak of 109 in January. There were no signs of disruptive slowdown or strikes at 29 U.S. West Coast ports as of the morning of July 1 despite the expiration of the current labor contract between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA). The US Labor Secretary said in a statement on June 28 that talks are going well and that port automation, a subject of contention in the past, did not seem to be a sticking point this time around. This may be in part due to ILWU study proposal to compensate communities impacted by loss of longshore jobs due to port automation at Southern California's Los Angeles-Long Beach, by imposing surcharge penalties. While both sides repeatedly announced that a strike is unlikely to occur, some shippers began rerouting services to East Coast ports in case negotiations broke down with imports rising after Shanghai's re-opening and peak season on the horizon.

Bottlenecks that have plagued key US ports began spreading to the country's rail networks with some cargo waiting weeks before trains were made available. With containers piling up at transit hubs across the country, rail operators resorted to limiting the number of containers that would be transported from Southern California's port complex. US lawmakers introduced American Port Access Privileges Act on June 29, a bill aimed at prioritizing American exports. While the details were not yet spelled out, the bill would give preferential treatment to carriers that devoted a majority of space to American exports or berthed at multiple US ports further increasing export opportunities. Primary berthing preference for military, Jones Act and other U.S.-flagged vessels at many major American ports would still remain and also be codified as part of the legislation.

### ASIA-PACIFIC

Demand Capacity



Demand

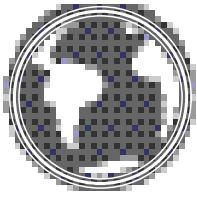


The chemical fire from earlier this month at the BM container depot in Chittagong left the port experiencing



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operational problems as transit destined for the facility was diverted to other depots and limited capacity led some shippers to issue delay advisories as cargo was remapped. Customs clearing and forwarding agents in Bangladesh who are responsible for 7,000 bills of entry and export each day staged a 2-day strike on June 28 and 29 over customs licensing rules, halting clearing and forwarding activities at all sea, land, and river ports in the country.

Japanese carrier ONE became the first to announce a weight discrepancy fee on shippers who incorrectly declare container weights beginning July 1 to allow proper allocations for individuals and to help ensure safe carriage of goods. As part of the country's Belt and Road initiative, China's first sea-rail intermodal container terminal opened at Qinzhou port on June 28 to create a trade corridor that will enable landlocked China to ship cargo worldwide. After ramping up capacity over the last few months, Cathay Pacific resumed its full freighter schedule on July 1 and began operating at its pre-pandemic capacity worldwide with approximately 100 freighters each week and more than 500 cargo-only flights each month. In Vietnam, air freight volumes continued their steady decline after supply chain disruptions resulting from China's lockdowns created a shortage of raw materials necessary for Vietnam's component manufacturing.

## EUROPE, MIDDLE EAST & AFRICA



Bottlenecks in Northern European ports have left a backlog of export containers bound for the US with delays made worse by labor action in The Netherlands and Germany. German ports (including Hamburg, Bremen, Emden, Bremerhaven, Brake and Wilhelmshaven) experienced their 2nd 24-hour warning strike on June 24 where some 8,000 workers, represented by labor union Ver.di, ceased work after labor talks broke down earlier in the week over wage disputes. To ease staff shortages at the country's airports, Germany announced plans to hire temporary workers from Turkey throughout the summer months as international travel begins to rebound from the two-year pandemic hiatus. On June 29, German company AirBridgeCargo gave termination notices to its approximately 60 European employees after European sanctions placed on Russian-owned companies forced them to stop operating.

Labor action continues to spread across major airlines across Europe as well with strikes in the UK, Spain, Portugal, Belgium, France, Denmark, Norway, and Sweden. Walkouts are planned throughout the month of July as workers negotiate for better staffing, work conditions, and pay. While the disruptions in travel led to record numbers of delayed and canceled flights for passengers, IATA stated that cargo is performing well against this backdrop and trade between the EU and USA is on a steady upward trajectory. A joint committee was established between the EU and Bangladesh to address long delays in the customs clearance process that have gridlocked ports and both sides agreed to fast-track the removal of idle containers at the Chittagong port to improve its cargo handling capacity. In the UK, Members of Parliament introduced new legislation to scrap parts of the North Ireland Protocol and allow trade with the Republic of Ireland without the same trade barriers as the EU. The vote to allow this is set for July 4.