

WEEK 23 // JUNE 16 2022

APERTURE & FOCUS

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



GLOBAL APERTURE

Global air cargo demand is trending down, according to latest available data from the International Air Transport Association (IATA), but industry leaders are optimistic now that the challenges of the Russia-Ukraine conflict and Shanghai's lockdown are in rear view. More airline requests to extend passenger-freighter exemptions are rejected by transport authorities as more international passenger routes are added. More routes means higher fuel demand at a time of shortage and of transition as the EU readies implementation of a new carbon market.

But this demand may yet be met: on June 15, the EU endorsed a memorandum of understanding to increase natural gas exports from Israel and Egypt, resolving long term fuel insecurities in light of the ongoing Russia-Ukraine conflict. While this does not immediately alleviate currently inflated gas prices, gathered travel data suggests that much of the market will tolerate higher spending on commutes and vacations—further analysis of global air transport will take place at the 78th IATA Annual General Meeting on June 19-21 among key industry leaders.

Top shipping executives are concerned that global port congestion will last through early 2023 as legal battles, labor negotiations, and landside delays strip supply chains not only of transit reliability, but of a fundamental trust that grows business and commerce. To this end, the US passed the Ocean Shipping Reform Act to expand the regulatory authority of the Federal Maritime Commission (FMC). The ILWU and the PMA reassured shippers in a joint statement that port operations and contract negotiations would continue through the July 1 cutoff.

REGIONAL FOCUS

AMERICAS

Rates Demand



Rates Demand



An earlier peak season is expected to set into US West Coast ports as Asia-Pacific relieves bottleneck pressures and consumers keep spending. Vessel late arrivals have dwindled, but now the port of Los Angeles has accumulated a backlog of over 29,000 container imports waiting on rail transport. Analysts have attributed the buildup to a recent initiative by Union Pacific to increase service frequencies and decrease maximum freight carts per service—intended to lighten train loads and decrease transit times.

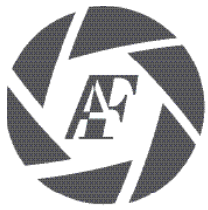
Port authorities of Los Angeles and Long Beach have postponed implementation of container dwell fees once more to June 19; rail union labor talks were halted on June 14. Following an April soft-launch, rail operators, shipping lines, and the Port of Virginia have announced a new transcontinental program to move cargo westward via Chicago.

Summer travel season reflects in transatlantic air capacity—now back to pre-pandemic levels. However, demand still sits higher than available airline and terminal staff can handle thanks to 2021's lockdown-related furloughs and layoffs. Technicians and pilots are particularly scarce, but shortages of air traffic controllers have also been reported.

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EUROPE, MIDDLE EAST & AFRICA

Demand Capacity



Rates Demand



ASIA-PACIFIC

Demand Capacity



Rates Demand



While many of Shanghai's recent measures to combat spread of Covid were scaled back this month, new regulations were enacted last weekend in response to a spike in cases that included highway closures and port congestion, leaving trucks with full cargo loads unable to access port terminals.

Additionally, trucking restrictions and staff shortages continue to disrupt air cargo flows in Shanghai, although conditions are faring better for Shenzhen and Hong Kong. Cross-border trucking with Vietnam is also impacted by torrential rain and an overabundance of agricultural exports.

Despite environmental and political pressures in other regions, some respite has also touched Asia-Pacific's transport market. After eight days of striking, South Korea's unionized truckers reached a tentative agreement with the country's transport ministry to extend lockdown wage protections to the end of 2022. As more travel curbs are lifted, Asian carriers replenish passenger belly capacity with more long-haul routes: Beijing and Paris (CDG) establish a new direct air cargo route; budget carrier AirAsiaX connects Kuala Lumpur with London, Dubai, and Istanbul; India's SpiceJet receives cargo transport certification through UK and EU; and Korean Air will resume thrice-weekly services connecting Incheon to Las Vegas, Milan, and Vienna in July.

IMO rules to reduce fuel sulfur content for all vessels operating in the Mediterranean Sea. The UK moves forward to modify sections of the North Ireland Protocol, first established with EU during Brexit—infringement proceedings have been filed by the European Commission for breach of international trade law. Cargo trucks wait at the Latvia-Russia border and German dockworkers staged a walkout at the ports of Hamburg, Bremen, Emden, Bremerhaven, Wilhelmshaven, and Lower Saxony on June 9, attributed to deteriorating labor negotiations. As a result, severe congestion has impacted major European ports.

Summer travel demand will bring a tide of capacity and a whirlwind of congestion to European airports—forcing some to curb flight availability for traffic management while others like Etihad incrementally add belly-hold capacity with frequent passenger flights to trade hubs in Europe, Japan, and Southeast Asia. Airport authorities are also bracing for strikes in Italy, France, Spain, and the UK, called by cabin crew, pilot, and terminal staff unions in response to poor labor conditions.



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