

WEEK 27//JULY 14 2022

# APERTURE & *FOCUS*

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



Global Logistics Partner

## GLOBAL APERTURE

Times are getting tough—so tough that several trade bodies may soon recommend walking back import bans and tariffs levied in past years to quell fears of commodity shortages and inflation: China on its Australian coal ban, UK on its Chinese rebar steel ban, and even the US may reconsider the many Chinese import duties levied in years past.

Continued delays in oil tanker transit have contributed to a tightening global supply of VLSFO (Very-Low Sulfur Fuel Oil) while erratic prices slash demand at refueling hubs. Market sentiment now shifts in favor of vessel scrubber technology, incensed by unstable fuel indices and changing environmental regulations in the transport industry. On fuel policy: following the EU Parliament's emissions reduction strategy proposed last month, US legislators introduce the Clean Shipping Act of 2022 this week to unify national emissions standards and goals with those of the IMO's Marine Environment Protection Committee and the 2016 Paris Agreement. G7 nations discuss measures to cap Russian oil import prices, the European Commission proposes expanded pipeline funding and long-term contracts with gas producers in the Middle East, and officials in India are scheduled to discuss a potential reduction of their gasoline 'windfall tax' on July 15.

Labor unrest resounds in key international sea freight hubs, sinking some ports with congestion and uncertain demand. Bottlenecks have since formed in Northern Europe, slowing fulfillment times and whittling down empty container supplies—ironically, a recent census concluded that a surplus of over six million containers are currently circulating the world. Transpacific-Eastbound cargo sidesteps trucker strikes on the US West Coast but walks into East Coast port traffic; several carriers have pre-emptively blanked sailings in the near-term to safeguard transit performance times. Such responses have had a stabilizing effect on precipitous rate fluctuations, but sea freight demand remains sluggish compared to 2021.

## REGIONAL FOCUS

### AMERICAS

Capacity Demand



Rates Capacity



Demand

Offshore vessel congestion shifts away from the West Coast ports of Los Angeles and Long Beach to the East Coast and Gulf ports; as of this week, Port of Savannah has the largest ship queue in North America. Port authorities of Southern California continue to delay the Excess Dwell Fee, but that may change now that a trucker convoy has blocked corridor gateways crucial to transshipment operations.

Yard density has also intensified at the respective ports of Los Angeles and Long Beach, with long-dwelling rail-

bound imports piling up due to unmitigated congestion at adjacent intermodal depots. Cargo theft has trended upward in the US Southeast and Midwest regions as an unintended consequence. July 18 becomes a key deadline to prevent potential rail disruption—related to ongoing labor negotiations between intermodal providers and a dozen worker unions.

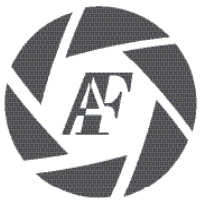
Vancouver experiences severe port congestion as import volumes hit record high and forest fires in British Columbia region contribute to intermodal delays. Some terminals now operate over-capacity with anchorages filled by vessels.

Notable service additions include increased freighter services between Europe and Latin America via US hubs by Latam Airlines, nonstop flights between New York City and Mexico City by American Airlines, and the launch of new transloading services by ground trucking operator J.B. Hunt.



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## ASIA-PACIFIC



After a two-month city-wide lockdown, air cargo reached pre-lockdown levels last week, according to data from Shanghai-Pudong Airport. However, new rounds of PCR testing throughout several districts in Shanghai tempers shipper outlook.

In Hong Kong, low cross-border trucking capacity with Shenzhen is abated with feeder vessel alternatives. The broad reinstatement of airline operations by China drenches the market with excess capacity—while a boon to Asia-Europe trade lane performance, demand for intra-Asia and Asia-Americas services remains stagnant. Exceptions to the case include industry-specific demand from electronics, e-commerce, automotive, apparel, and home furnishings verticals.

South Korea's top cargo hub sees heavy outbound demand to the US despite softened volume throughput in the past week, whereas demand to the EU falls despite capacity increases. Intra-Asia lanes suffer from spotty capacity—notably to China, Singapore, and Bangkok—as demand to Japan wanes compared to previous months. Notable service additions include Hong Kong Air Cargo's new scheduled weekly service to Tokyo-Narita.

Ex-India demand for Asia-Europe service bypasses the ports of Nhava Sheva (JNPT) and Mundra after major container lines blanked sailings to address performance deficits. In Chennai, an "indefinite" trucker strike was called off on July 8 when Container Freight Station (CFS) operators reached a consensus on wage negotiations. In Bangladesh, a seven-day commercial trucking ban in observance of Eid al-Adha leaves a backlog of 3,300 trucks queued outside Port Chittagong.

Sri Lanka's debt-saddled economy hits proverbial rock bottom after weeks of anti-government protests led the country's president to resign and subsequently flee the country on July 13—port operations at Colombo and Hambantota have not been disrupted, and fuel tankers are en route in the coming weeks.

## EUROPE, MIDDLE EAST & AFRICA



Most European ports—congested by a combination of labor shortages, strike actions, ongoing military conflict, and heavy yard densities—are now forced to refuse empty containers returns. Some neighboring ports, including France's Marseille Fos, have handled more diverted cargo due to their respective proximities intermodal transport corridors. After last week's walkouts at France's SNCF railways, unions that represent the country's rail operators announced that no new strikes would take place before newly scheduled meetings with rail bosses on September 1.

Labor negotiations in Germany fail to materialize meaningful dialogue; some 12,000 unionized dockworkers announce a 48-hour work stoppage to start July 14, affecting terminal operations at Bremerhaven, Hamburg, and Wilhelmshaven.

Pilot strikes in Belgium, Denmark, France, Italy, Norway, Spain, and Sweden will keep Europe's air market destabilized in the short-term. Staff shortages also clamp down operations at Amsterdam-Schiphol, leading some airlines to limit passenger and loose cargo services. Going against the grain, Virgin Atlantic Cargo begins new cargo-only flights between London-Heathrow and Danish airports.



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