KWE- Kintetsu Word Express

Market Update: COVID- 19

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Latest News

The Maritime Employers Association has received a strike notice effective Monday, July 27 at 7:00 a.m. until Friday, July 31 at 6:59 a.m. There will be a suspension of mooring services usually provided by longshoremen and cargo handling services at Port of Montreal terminals during this four-day period. The following are not affected by this situation: liquid bulk handling, the Oceanex service (Bickerdike Terminal) and the grain terminal (Viterra). The Montreal Port Authority invites clients to contact or consult the websites of the various terminal operators for more specific information on their particular circumstances. These pressure tactics carried out by the Longshoremen's Union C.U.P.E., Local 375, will last for four days. As a result, the Port of Montreal and its partners expect to return to normal starting Friday, July 31 at 7:00 a.m. The necessary efforts will be made to make up for the delays caused by this exceptional situation. The Montreal Port Authority is concerned about this situation, as Port activities are essential to keep the economy running smoothly and, in some cases, to ensure public health and safety. We are therefore closely monitoring the situation and hope that the stevedores' employer, the Maritime Employees Association, and the Union will be able to reach an agreement quickly. In the meantime, we will keep you informed of any developments as needed

The road to recovery is still a long way as industry sectors lick their wounds—apparel and textiles continue to slump while automotive and electronics grapple with supply chain restructuring. E-commerce leaders continue to expand in revenue and infrastructure while pharmaceuticals, incentivized to push out COVID-19 treatments and vaccines, also endeavors to leverage economies of scale through cooperation with government and private stakeholders. Latin American sea ports—sans Peru and Uruguay—and Caribbean sea ports have played a crucial role throughout the pandemic in handling agricultural exports, which are expected to grow as a result. Trade activity sees gains in the Southeast Asia region as regional and international shipping lines add or update existing service routes to keep up with demand. But up in the sky, it's looking a bit dry. US travelers are barred from entering all but a handful of countries, and new clusters of outbreaks continue to spook government officials, who respond in kind with increased screening or kneejerk flight bans. Many airlines remain in dire straits, supported by financial assistance from stakeholders and countries as they convert passenger planes for cargo service or send them back to storage.

Country Focus

Bangladesh – The first transshipment service to Northeast India via Bangladesh's Chittagong and Mongla ports disembarked on July 21, marking a new broader economic relationship between the two countries. The Civil Aviation Authority has implemented the requisition of COVID-19 negative certificates for departing travelers starting July 23. Garment factories continue to operate at partial capacity due to reduced purchase orders from Western retailers, causing economists to revise export targets.

Brazil – The country's infection cases exceeded 2 million on July 16, but lockdowns are being lifted at the state level due to federal pressure. Backed by strong global demand, perishables and raw material exports make up for much of the high cargo movement in Brazilian ports

China – The central government has lowered lockdown restrictions from July 20 onward as China's second outbreak recedes. Airports are showing a gradual recovery from pandemic-related challenges. Enforced inspection of perishable imports has filled out port capacity with containers waiting to be cleared by customs, causing an imbalance in reefer distribution in the region. An aircraft fire has temporarily shut down the Shanghai Pudong International Airport on July 22, causing delays and flight cancellations.

Egypt – The country's flag carrier resumed flights to 14 destinations in Europe and the Middle East on July 17 following the government's decision to restart commercial flights on July 1, lifting belly capacity. The introduction of a new sea corridor among Russia, India, and Iran has regional experts concerned of its competitive impact with the Suez Canal, which is already cutting canal fees to retain market share

Japan – Sea exports have dropped for a fourth consecutive month, and the government has provided $536 million in subsidies for companies to re-shore operations from China

France – The country's largest port Marseille-Fos recorded a 15% drop in cargo traffic for the first-half of 2020 and plans to reduce port dues by 50% to promote transshipment. French and Chinese officials released a statement of cooperation on July 21 across several sectors including aerospace and telecommunications, as Air France-KLM also resumes commercial flights with Chinese destinations.

India – On July 16, India's Civil Aviation Authority announced it was in negotiations with several countries to set up air travel bubbles for commercial flights; only passengers that meet certain requirements will be admitted for travel. As a result of border conflicts, lockdown complications, and a litany of industry-related challenges, the India Ports Authority's retrospect of the last quarter showed a 30% drop in container cargo handling across 12 ports.
Continued setbacks have led the government to negotiate preferential treatment with the US for drug imports while automotive brands shift strategies to make India an export hub. Lastly, new PPE regulations by the Directorate General of Foreign Trade have rendered all domestic applicant's ineligible for July export although some items have been removed from the existing export ban

Korea – Although total cargo throughput for Korea's sea ports have dropped 7.8% year-over-year in the first half-year, temperature controlled cargo has significantly increased recently at Busan Port owing to increased demand of perishables in China. Korean Air Lines Co. intends to convert idled passenger jets into cargo planes as part of restructuring efforts, with hopes to fly in August.

Mexico – The Mexican Army was authorized to oversee customs border and port operations on July 17 to combat corruption and drug trafficking. Air carrier group LATAM Airlines permanently incorporated Mexico City and Los Angeles into its cargo network on July 15, increasing weekly capacity throughput between the Americas for perishables, textiles, and general cargo

Sri Lanka – As the government postpones commercial flights until September, space remains extremely impacted due to lack of scheduled routings. Workers have announced an indefinite strike to begin July 22 at Colombo Port over foreign interference with the development of its East Container Terminal, which could set back the country's trade recovery—provisional statistics show a dramatic rebound of exports in June.

Thailand – In an effort to stem a second outbreak following the discovery of imported coronavirus infections, the government has closed its borders once again. However, cargo operations have not been affected, and KWE branches report no issues in air freight handling.

United States – Anti-dumping and anti-subsidy probes into tire imports from Asia have been greenlit by the International Trade Commission, which may result in the administration of tariffs as high as 217%. As China increases the scrutiny of its customs inspections on perishable imports, US shippers of poultry and livestock report gains in activity while also surveying markets closer to home.

Air Freight

Airfreight rates predicted to rise over the coming months as capacity tightens. Airfreight rates from China and Hong Kong are set to rise again over the coming months as new product launches and a lack of capacity put load factors under pressure, according to freight forwarder Flexport. Last week rates out of Asia appeared to stabilize — and even crept up a little on some routes — after declining from a mid-May peak. But in its latest market update, forwarder Flexport warned that prices could be set to rise again over the coming months. "Airfreight rates are rising again from Asia to the US and Europe. The catalyst is relatively stable commercial demand coupled with reduced capacity driven by freighter maintenance cycles and higher fuel costs that are reducing the number of flights by passenger freighters. "Expect rates to continue to increase slowly over the July/August period and then accelerate higher in September as several major project launches (Sony PlayStation 5, Apple iPhone 12 and Samsung) consume a vast amount of capacity."

Airfreight rates expected to shoot up by September. Stability in the airfreight market may be short-lived, with outbound China rates rising this month and big high-tech product launches poised to soak up cargo aircraft in several weeks. That could pinch some shippers that currently view air transport as a refuge from unreliable and expensive ocean shipping, freight transportation specialists say. The price of shipping by air has dropped about 70% since the spring, when capacity shortages were rampant because of surging medical-supply orders, but have been slowly moving back up, according to market watchers and freight transportation companies. Rates from China to Europe and the U.S. gained 6.2% and 4.9%, respectively, in the prior week, according to the Airfreight Index Co.'s latest tracking data. Rates also increased out of Hong Kong, with rates to the U.S. up 11%. As previously reported, there are several reasons for the upturn in shipping rates. Capacity has tightened in Hong Kong, with North American carriers suspending most activity there because of differences over COVID screenings for aircraft crews. China capacity is also down because some airlines have pulled down freighters for scheduled maintenance as well as some passenger freighters that aren't affordable to operate anymore.

Sea Freight

Strong demand sees carriers pile back capacity into east – west trades. Due to continued increased demand, THE Alliance is extending its Asia – North Europe 'extra loader' programme with an additional five weekly sailings through to the end of September. Earlier this month THEA members advised shippers that they would introduce the weekly loop commencing this week, lasting for a "limited period of four weeks" and deploying vessels of between 6,000 teu – 10,000 teu. The move, said Hapag-Lloyd, was in response to an "increasing volume upsurge from its customers" and was some mitigation for the suspension of THEA's FE4 loop until October, due to the expected impact of the pandemic on demand. However, notwithstanding a reduction in demand on the tradelane, the aggressive blanking programmes of the alliances have resulted in headhaul utilization levels in the high 90s and spot rates riding high at some 40% above that of a year ago.

Maersk to charge fee starting in September for shippers manually booking, amending documents. Maersk will charge a fee to shippers who handle booking or documentation amendments manually (through email, fax, phone or chat) beginning Sept. 1 for the United States and Canada, the carrier told customers in an advisory last week, according to a copy provided to Supply Chain Dive. A Manual Booking Amendment Fee of $50 will apply for every amendment to a booking Maersk receives through a manual channel, and the Manual Documentation Amendment fee of $75 will apply to every amendment to the Bill of Lading Maersk receives through a manual channel, according to details provided by Maersk. "The intention is not to use the fee as a revenue generator but rather to change customer behavior and use Maersk.com which in turn will improve and simplify their experience with 24/7 service," according to the carrier, which said it receives about 6,000 emails and phone calls every week "from a significant number of shippers" related to manual amendments.

Surface Transportation

CUSMA clears way for streamlined border processes, fleet execs say. The replacement for the North American Free Trade Agreement (NAFTA) establishes a framework that can be used to improve efficiency at the border. WASHINGTON, D.C. – Challenger Motor Freight CEO Dan Einwechter is clearly a fan of the new Canada-U.S.-Mexico Agreement (CUSMA). The replacement for the North American Free Trade Agreement (NAFTA) establishes a framework that can be used to improve efficiency at the border, he said on Thursday, during an IRU webinar that featured fleet representatives from all three countries. "Just give us the rules, make them clear, and we'll work within them. While the trucking executive says the border is more efficient than ever, Einwechter still sees room to improve. Cabotage rules that restrict the repositioning of empty trailers are "arcane" and a "major inefficiency", he said as an example. In contrast, a freer flow of trucks, trailers and drivers would help to reduce greenhouse gas emissions and improve operating efficiencies. Einwechter also referred to the need to solve restrictions on in-transit moves. There are efficiencies to be gained by allowing trucks to travel through a neighboring jurisdiction on their way to final destination, he said, referring to trucks that might cut through Ontario when traveling from Michigan to Buffalo. But Canadian trucks have faced added restrictions to in-transit moves since 9-11.

Market Sources

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This announcement applies to all Kintetsu World Express Transportation Services, including our Air Freight, Sea Freight, Ground Freight and Logistics. Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

If you have any questions, please contact your local KWE representative.

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