

Summary

To ensure New Zealand maintains global supply chain connectivity during the COVID-19 pandemic, MFAT's network of Posts is monitoring the operation of New Zealand's international sea and air freight connectivity. This report provides a snapshot of how global supply chains are functioning offshore, significant international initiatives affecting supply chains, and other issues of interest to New Zealand exporters and importers.

To provide feedback or information relevant to this report – please contact exports@mfat.net

Report

Developments in international air freight

Global air freight demand in September, measured in cargo tonne-kilometers (CTKs), was up 9.1% compared to September 2019 (i.e. pre-COVID), while capacity remained constrained, at 8.9% below that of September 2019. For Asia-Pacific airlines, however, there were signs of growth slowing, with international air cargo volumes in September 2021 4.5% higher than September 2019, slower than the previous month's expansion of 5.1%. Demand in this region is being affected by slowing manufacturing activity in China, but overall capacity remains significantly constrained, at 18.2% below September 2019 levels. Decisions by some countries in the region to lift travel restrictions were expected to provide a boost for capacity, but the subsequent emergence and spread of Omicron has led experts to predict another year of air freight disruptions and capacity shortages in 2022 should governments introduce (or reintroduce) restrictions.

In addition to reduced passenger services affecting supply, airfreight demand and pricing are being pushed higher by ongoing issues with congested and delayed sea freight encouraging some shippers to turn to air cargo instead. And some manufacturers are turning to air transport to recover time lost during production processes due to other supply chain disruptions. In-bound prices have increased for airfreight into North America, Asia and Europe with prices nearly doubling on key routes linking manufacturing hubs in China to the US and Europe from September to November, according to data from the Baltic Exchange Airfreight index and TAC Freight.

The data below provides a snapshot of the current global market:

| Data source | Update |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| International Air Transport Association | Demand for global air cargo (measured in cargo tonne-kilometres) was 9.4% higher in October 2021 compared to the same month in 2019. However, overall capacity continues to be limited to 7.2% below pre-COVID levels as passenger aircraft continue to be grounded. |
| International Civil Aviation Organisation (Air Transport Monitor) | World passenger traffic fell by 53.4% in September 2021 (compared to 2019), whereas in the same month world air freight traffic grew by 9.1% (compared to 2019 levels). |
| Baltic Exchange Air Freight Index | The index continues to report that supply chain backlogs on the inbound side, particularly in the United States show little sign of abatement. Air freight rates in October remain at elevated levels, far higher than those seen in 2020. Backlogs from previous disruptions continue to grow as ports and container yards remain full and labour shortages further exacerbate supply chain issues in the US. Air freight rates into Asia, Europe and North America continue to climb. |

Developments in international sea freight

Pressure on global sea freight also continues as consumer demand remains elevated, particularly for the last quarter of 2021 (compared to before the pandemic). However, as more countries ease border restrictions, reporting suggests that previous years' pressures on sea freight may reduce in 2022.

Congestion at the U.S. West Coast ports of Long Beach and Los Angeles has also shown signs of improvement, with larger customers and those on scheduled liner services reporting fewer delays. Policies to have inbound vessels queue further offshore have, however, led to long delays. As of December 2021, over 100 vessels were spread over 1,000 miles waiting for a berth at the twin ports of Los Angeles and Long Beach.

The data below provides a snapshot of the current global market:

| Data source | Update |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Drewry World Container Index | Drewry's World Container index composite index increased and is 169% higher than the same week in 2020 (16 December). Freight rates from Europe to China grew 1% to reach \$1,556 per 40ft box. Estimations also show average daily operating costs across the 47 different ship types and sizes rose 0.7% in 2021, which represented a sharp slowdown from the increase of 4.4% recorded in 2020. While inflation is likely to rise, Drewry has reported that 2021 will be the first year in the history of container shipping when carrier profits approach \$100 billion and average freight rates jump by 50%. |
| Shanghai Containerised Freight Index | Container spot rates on this Index were up 1.8% to 4,811 points as of early December, an all time high for the index. Spot rates, which had showed signs of plateauing over the last month, were heading northwards again, breaking into new record territory, as are figures and estimations for longer term business. |

Mainfreight

There continue to be issues with container equipment globally, with Asia specifically being a hot spot. Coupled with equipment issues, Mainfreight is reporting more congestion at ports in the USA. The import surge from Asia is hindering operations and causing delays to the supply chain across North America.

Mainfreight continues to report high demand for space and equipment for both import and export cargo, and to advise customers to provide forecasted volumes 6-8 weeks in advance. There is still pressure on south-bound bookings from many parts of the Northern Hemisphere. Notices from carriers continue to announce blank sailings, alternative port calls and cost increases.

Ministry of Transport FIGS (Freight Information Gathering System) data

Can be accessed here: [Freight and logistics | Ministry of Transport](#)

Other international supply chain developments

- In the margins of the G20, on 31 October 2021 President Biden hosted a 'Global Summit on Supply Chain Resilience', bringing together leaders and representatives from sixteen countries and the European Union. Indo-Pacific participants included Australia, India, Japan, South Korea, and Singapore. During the Summit, President Biden announced a supply chains 'multi-stakeholder forum' to take place in 2022, chaired by Secretary Blinken.
 - On 8 December 2021 the U.S. House of Representatives passed the Ocean Shipping Reform Act, a bipartisan bill that sets minimum service standards for shipping lines and strengthens Federal oversight of the sector. The bill will go to the Senate, where it is expected to pass into law.
 - Issues affecting U.S. food and agriculture supply chains were recently highlighted by a U.S. Congressional hearing on supply chain challenges, and discussions with industry. As well as port congestion, widespread labour shortages are likely to impact U.S. export competitiveness. While industry has welcomed recent moves by President Biden's Administration to increase operating hours and relax zoning regulations around ports, as well as the proposed legislation in Congress (Ocean Shipping Reform Act), neither is expected to result in relief for exporters and importers in the short- to medium-term. For more detail see the [recent market intelligence report](#) published on the MFAT website.
 - New Zealand hosted the APEC Economic Leaders' Week 8-13 November 2021, the pinnacle of New Zealand's host year. The Leaders' Declaration, Ministerial Meeting Statement and the Aotearoa Plan of Action (APA) were agreed to by all 21 economies. These statements included a range of commitments to the region's post-pandemic recovery, such as promoting resilient supply chains, intensifying efforts to ensure goods – particularly essential medical supplies such as vaccines – and the services that support their movement continue to flow, and boosting border agency cooperation. For detail on the Leaders' Declaration see APEC's website [here](#).
 - Singapore has launched a SGD \$18 million (NZD 19.4 million) supply chain initiative to integrate technology to assist small and medium-sized enterprises with any future disruptions to supply chains. The initiative is designed to support developing digital and automated solutions such as AI that can meet the demands of businesses. The initiative will be led by the Agency of Science, Technology and Research (A*Star) with the National University of Singapore and the Singapore University of Technology and Design's Centre for Next Generation Logistics.
 - In September 2021, reports surfaced about power outages in China, which have constrained industrial electrical consumption, impacting manufacturing output. Reporting suggests longer manufacturing lead times have influenced container volume over the last 6 weeks with some carriers reducing rates from some ports.
-

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To get email alerts when new reports are published, go to our [subscription page](#).

To contact the Export Helpdesk

Email exports@mfat.net

Call 0800 824 605

Visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.

