



## Freight rates have soared sky high, services suspended and ports are congested! High freight rate may last till coming Spring Festival “Chinese New Year”

Severe congestion has occurred in many American and European ports in recent months due to recovery disparities of global economy, repeated rebounds of pandemic in many parts of the world, and shipping demand ahead of impending festive seasons such as Christmas and New Year.

As a result, domestic port are facing dire shortage of containers and eventually leads to sharp escalation of global freight rates and projected to rise further.

Though export is booming but swelling shipping cost has deterred exporters and importers from advancing freely and most chosen to “wait and see” instead.

Export volume and freight especially to USA has gone up vigorously since June 2020. It has also precipitated a similar wave to other trade lanes like Africa, Mediterranean, South America, India-Pakistan, and Southeast Asia route.

China foreign trade export has risen rapidly and China export shipping industries are currently operates at an optimal level to cope with strong export demand when on-going health crisis in United States, Europe and many other countries domestic production have depleted exceptionally. Apparently, current freight rates is likely to ascend without constraint and probably prevail till coming Spring Festival “Chinese New Year”.

China Export Container Freight Index released by Shanghai Shipping Exchange in October 2020 showed that 11 out of world 12 major routes have risen tremendously. In which South American route shows the most notable rise with a month-to-month increase of 47.9%. CITIC Construction Investment also pointed out that major shipping companies have scheduled booking till late December 2020, and predicted high freight rates to persist.

Freight rates continue to climb when market volumes to *Europe and Mediterranean* routes have increased sharply and container supplies remain tight.

*North America* route on the contrary is relatively steady and regain composure after earlier waves, though remain high but becoming stable gradually.

Freight rates to *Persian Gulf* route has only increased slightly and remain stable owing to balance market demand and supply.

While *Australia* and *New Zealand* are still in Christmas shopping season. Liners and airlines have all increased freight rates to cope with constant demand.

Epidemic situation in *South America* get worsened again recently that leads to comparable import demand. This has compelled freight rates to soar even higher.

Export to *Japan* remains stable and rates barely fluctuate as much as other regions.

Cargo flows are becoming more uneven across key market as a natural container imbalance on head haul and backhaul trades is exacerbated by extensive single direction when terminals from the western countries are struggling to return empty containers to Asia. Either way, containers will not be returned to service any time soon.

Major ports in China like Shanghai, Ningbo and Lianyungang are all greatly affected by extreme shortage of empty containers. Resulting in ship berthing delay and eventually delay goods to be exported.

Felixstowe port has announced recently that it has stopped accepting containers. Due to port congestion, containers have even spread across from port and distribution centers to surrounding cities and rural areas. Industry insiders predicted congestion to continue till early next year.

“It is not shortage of containers but rather an imbalance”. With port and terminal congestion, abandoned cargo, and container shortages. This has serious impacts on the fluidity of global maritime supply chains. Just as China restarted its economy and began to send export containers, the rest of the world economy went into shutdown mode, cargo has been steadily building up in warehouses, port terminals, and inland depots during the lockdowns causing severe backlogs of import containers at ports.

Shipping companies are even shipping empty containers back to Asia immediately before it could be booked and loaded with cargo. This has brought about a severe implication to rising freight when reckoned by additional cost. Exporters and importers are currently paying as much as USD4000 to South America, USD5000 to North America and USD1000 to Southeast Asia ports. And yet there is no warrant of guaranteed space and container.

We would like to remind all cargo owners and freight forwarders that shortage of containers and high freight rates are not expected to be disappeared anywhere soon.

**Let’s address the situation together, make realistic shipping plan and book in advance.**