

GLASSWARE IMPORTS

Inspired Living

18th August 2021

This article covers:

- **Coronavirus Impact on Ocean Freight**
- **Why are international ocean line shipping rates so high and still rising**
- **Excessive Stock delays and long lead-times**

Dear valued clients,

As you may have heard, since Covid hit the shipping industry has been particularly heavily impacted causing shipping lines to take extreme measures in early 2020 to cut their losses and stay afloat. Though their measures may have been a little too extreme because now they are heavily impacting us all, while they are openly reporting massive profits in the wake of their decision to totally disturb this industry as we once knew it.

The shipping industry is very much based on circularity and COVID-19 has caused huge disturbances in the global supply chain. One of the biggest challenges for the shipping industry is container & space shortage on vessels.

In early 2020, many countries entered lockdown, and economic activities were restricted. This significantly reduced the number of port staff and slowed down cargo handling speed. At the same time, factories temporarily closed. To maintain freight and avoid economic losses, shipping lines quickly reduced the number of operating ships.

By mid 2020, world economic activities started to recover. Countries resumed their production and export volumes increased, especially from China to North America, Australia and Europe. But shipping lines still operated with fewer ships (meaning lack of space) and the ports with less staff. This caused massive delays and container shortage, and as demand heavily exceeded supply, freight rates went through the roof.

As of now, a large number of containers are either stuck in the wrong ports or delayed by several weeks. Containers are piled up in ports in North America and Europe, especially the UK, where they are not needed, while other countries are in desperate need, struggling with container

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shortage. This means that if you need to ship goods from China it may take weeks to get hold of them and rates have increased by approximately 650-750%.

We saw some hope around May this year when freight rates out of Asia seemed to be slightly dropping and we were all hoping to see a price correction take place, only for Yantian Port in Shenzhen China to be struck with a closure of 2 weeks, which put a sudden hold on all shipping out of Yantian port.

Yantian port which is one of the largest ports in the world, went into total lockdown due to a Covid Outbreak at Yantian port. This put the whole shipping industry once again on the back foot with no vessel being able to dock at Yantian port for a few weeks. Causing another massive backlog of loaded containers in Shenzhen area waiting to be shipping out and the supply and demand balance totally in the shipping lines favour resulting in yet another steep price increase.

We are only now just seeing the Shenzhen area starting to catch up and ship regularly again as the backlog is slowly cleared. Unfortunately, the shipping industry continues to limit shipping lines from operating at full capacity allowing them to take advantage of the high demand, so they can keep their price high as space on vessels is at a premium.

Typically, this time of the year is low season where rates are relatively affordable, though the current market is not reflecting this, due to the matters outlined above. Shipping rates are 4-5 times more expensive to what we would be witnessing during peak season and space on vessels is a premium where this time of the year, space would not even be an issue to be consider, which of course is also making our job a lot harder than it would even be during peak season. The market is so volatile and ever changing and there are now no guarantees.

Unfortunately, from what we are hearing these high prices and space issues are here to stay for a while, they are predicting further rapid price increases until at least early 2022 and with Christmas peak season stock due to ship typically around October to early December, we predict this period to even more expensive than what we are currently seeing. If we use the Europe to America or Asia to Europe trade lane as a benchmark, prices will be in excess of USD 10-12,000 per 40' by the end of 2021 for shipments Ex Asia to Australia. (normally \$3,000 USD)

Just recently we were given the news that Ningbo port in China has been hit by a positive covid case in a dock worker, causing the port to close down for a minimum of 3 days while tests are carried out. If further positive cases are confirmed the port will face a similar fate to that of

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Yantian Port last month were the port will close for 1-2 weeks. Adding further congestion and hard times to the whole shipping industry.

In addition, Ningbo and neighbouring Shanghai port are currently battling backlogs due to a recent typhon. The typhon hit the 2 regions last week causing approximately 140+ container ships to sit anchored outside these 2 major Chinese ports waiting to enter and be unloaded & reloaded with cargo for their next destination.

We also received news that some major shipping lines are refusing new bookings from Ningbo surrounding ports to assist clear the current backlog in Ningbo and Shanghai, giving us little hope that the current situation will improve in the very near future. We are bracing ourselves for even more hard times and price increase if the last port closure in Yantian is anything to go by.

We understand this is a lot of information to take in, but here at Glassware Imports we always strive for transparency with our clients. It's very important you are fully aware of the logistical nightmare we are doing our best to manage on a weekly basis.

We strongly suggest you take this opportunity to discuss the current situations and anticipated delays and price increases with your clients, to help them understand the problems we are all being faced with. Please encourage all to have patience and forward plan stock levels and price implications to your goods that will be affected by these supply chain issues, which are out of all our hands.

If we can assist in anyway or you have any concerns that you would like to discuss, please drop me an email at info@glasswareimports.com.au

Once again, we thank you for your continued support and understanding during this testing & stressful time for us.

Sincerely,

Kylie Wilson
Managing Director
Glassware Imports