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in International Shipping News

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Major container ports in eastern China see worsening congestion after COVID cases

by Aly Song

Tighter restrictions to fight China's latest coronavirus outbreak are starting to hit more parts of the economy. The highly transmissible Delta variant has been detected in more than a dozen cities since late July.

10 when a worker at the Meidong container terminal tested positive for COVID-19, data tracked by Refinitiv showed. Meidong terminal has suspended all operations since early Wednesday, while other terminals in Ningbo imposed restrictions limiting the number of people and cargo entering port areas.

Since the shutdown of a container terminal in Ningbo where a COVID-19 case was detected this week. The congestion off China's top two container ports Shanghai and Ningbo is worsening. Forty container vessels were waiting at the outer Zhoushan anchorage on Thursday, up from 30 on Aug.

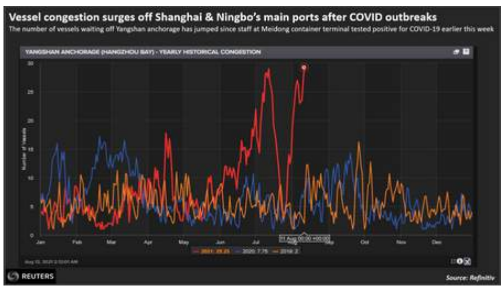
According to the statement of shipping companies, they expect the suspension in Meidong to cause delays in some planned sailings. Another Shipping company CMA CGM put out a note on 12/ AUG saying that some vessels will be re-routed to Shanghai or skip port calls at Ningbo.

According to the Refinitiv data, there are about 30 vessels queuing outside Yangshan port, a key container terminal in Shanghai and many vessels are being re-routed. This situation is seeing the worst congestion in at least three years.

According to data from China Ports and Harbours Association, the ports in eastern China have been resuming operations and clearing backlogs following typhoon In-Fa, which dented container handling volume by 10% in late July from the same period last year.

The latest jams follow massive disruptions to container handling in southern China in June, when ports near Shenzhen imposed stringent COVID-19 containment measures leading to dozens of container vessels stuck in traffic.

The latest wave of port congestion in eastern China could further drive up container shipping rates, which recently topped $20,000 per 40-foot box for the first time on the critical China-U.S. route as rising retailer orders ahead of the peak U.S. shopping season added strain to global supply chains.



Air cargo from China to North America hectic, facing capacity shortages and delays

Demand for air freight capacity from China to North America is rising as the global economy continues to recover from the coronavirus pandemic. But while major logistics providers launch new routes to deliver made-in-China products, due to the limited transport capacity, which will push up rates, there may be capacity shortages in the coming peak season.

FedEx on Monday announced through the Global Times the launch of four new intercontinental flights starting from China, offering Asia-Pacific businesses additional capacity of almost 1,400 tons every week, and enhanced service to major cities in North America, Asia and Europe. Following the launch of a new flight between Beijing and Anchorage, Alaska, FedEx has added three other flights connecting Guangzhou, South China's Guangdong Province, to North America and Europe.

Senior vice president and president FedEx China, Eddy Chan said that "China continues its momentum in facilitating global economic recovery. The new flights not only increase the competitiveness of Chinese companies, but also propel international exports from this region. And added connectivity will play a key role in the resumption of business activities on a regional and global level."

> "China continues its momentum in facilitating global economic recovery."

According to data from the General Administration of Customs, in the first half of the year, China's total trade surged 27.1 percent year-on-year to reach 18.07 trillion yuan ($2.8 trillion), with imports increasing 25.9 percent year-on-year and exports growing 28.1 percent. China, as the world's manufacturing factory, has been churning out goods to keep the machines in plants running and supermarket shelves full all over the world.

One person close to one of China's major airlines told the Global Times on Monday (9/8), he said that “robust exports pushed up demand for global cargo services, and also reflected the world's need for Chinese-made products. Even if the Delta variant brought about COVID-19 flare-up in South China's Guangdong briefly, it did not have a huge impact on local factories."

This person's forecast on the peak season (which runs from October to December) may see freight capacity shortage, the person warned, as global transport capacity remains limited when work and operations in many other countries have not returned to normalcy.

Another logistics giant, SF International, told the Global Times on Monday (9/8) that the hottest routes at present are from East China and South China to North America, and they usually require booking one week in advance. SF International added, “recently, the rate for cargo from China to the US increased by 5 yuan per kilogram, but rates on routes from China to Europe and Southeast Asia did not change."

> "Within China, the latest COVID-19 outbreaks will make export declarations more complicated, and there could be more delays at airports."

An employee of a freight agency based in South China's Guangzhou (the agency's main destination is India, and it usually carries about eight standard containers by air and 15-20 by sea each month) told to Global Times, said that both air and sea transport have been hot since the coronavirus outbreak, which have driven up transport costs by more than 30 percent last year compared with the pre-COVID level

Freight agencies have already warned of pending delays. A cross-border transport agent in Wuxi, East China's Jiangsu Province, said that it can't ensure the efficiency of air transport from Beijing to the US.

The agent said that "There will be delays. Cargo usually passes through US customs at least eight working days after declaration. Within China, the latest COVID-19 outbreaks will make export declarations more complicated, and there could be more delays at airports.”

HCM City's port stops receiving imports as containers pile up

Cat Lai Port in Ho Chi Minh City will temporarily stop accepting imports by businesses that have suspended production so that it can clear a huge backlog of containers that have piled up.

The Tan Cang Sai Gon Corporation said In an announcement, the pileup has been caused by firms reducing or suspending production since the city's lockdown began.

Starting from July 9, the number of trucks coming to the port to pick up cargo has declined sharply, and the number of containers stuck has climbed to nearly 100 percent of capacity. The port is also facing a shortage of employees, with the number halving to 250, exacerbating the pileup.

The corporation's deputy general director, Nguyen Phuong Nam said that customers who have suspended production should stop importing goods through the port for the time being, though it would still receive them if the goods are already en route. As for exports, oversized and excessively heavy goods and refrigerated cargo will also not be accepted until at least August 16.

Shipping companies have been told to persuade their customers to change the destination to Tan Cang - Hiep Phuoc Port in the city's Nha Be district or to Tan Cang - Cai Mep International Terminal or Tan Cang - Cai Mep Thi Vai Terminal in neighbouring Ba Ria - Vung Tau province.

The corporation of the port has called on shippers to provide the estimated number of containers with imports and empty brought by vessels docked at its port in the next two weeks so that it can proactively rearrange space. And If the number of containers stockpiled reaches the port's maximum capacity, the port will have to stop receiving cargo. The corporation has called on the city's Department of Customs to seek the General Department of Vietnam Customs' instructions for dealing with the backlog at the port.

The General Director of the Vietnam Maritime Administration, Nguyen Xuan Sang said that his agency has proposed solutions to the Ministry of Transport to resolve the urgent problems at the port. VMA had opened a hotline to receive calls so that it could support import-export companies and goods owners with loading and unloading of goods at the port.

It has also set up a command centre under the VMA, HCM City branch, to coordinate with shipping operators, port operators and other relevant agencies to quickly handle problems and ensure smooth operation of all ports. And instructed port authorities across the country to make plans to receive goods to prevent a similar situation.

Cargo airlines cancel hundreds of China flights amid COVID outbreak

Chinese restrictions to control a spike in COVID infections have severely curtailed cargo operations at several airports and reduced crew availability, forcing airlines to cancel hundreds of flights as the peak shipping season kicks into high gear in a sector already struggling to keep up with high demand. Some logistics professionals say the growing scarcity of long-haul aircraft could push freight rates near $20 per kilogram on certain trade lanes within a few weeks, making air transport five or six times more expensive than normal for the fall rush.

According to the data from logistics providers and risk intelligence analysts, 531 flights, 43% of the daily total, were canceled from Beijing and that airlines scrubbed 408 flights, a third of the daily total, at Shanghai Pudong International Airport, as of Aug. 6. Two-thirds of the flights were canceled in Xiamen. And Sunan Shuofang International Airport, which serves the cities of Wuxi and Suzhou in southern Jiangsu province, is not accepting import cargo.

The mass cancellation of cargo flights in China is the latest in a series of supply chain disruptions this year that include a large container ship getting stuck in the Suez Canal for six days, a partial COVID lockdown of the Yantian terminal in the Port of Shenzhen for nearly a month and spun off shipping delays around the world, and wildfires in British Columbia that halted intermodal rail traffic to and from the Port of Vancouver.

China recently recorded its highest number of COVID cases since the start of the outbreak in Wuhan last year as the delta variant starts to take hold. The outbreak has been traced to nine airport cleaners at Nanjing Lukou International Airport who tested positive during a routine test last month. Lockdowns, quarantine measures and travel restrictions have disrupted manufacturing and logistics operations.

In the air cargo environment, the public health measures have had a dual impact: reducing the supply of labor to handle cargo at airports and to fly aircraft. Each airport has instituted different approaches to combating COVID. At Shanghai Pudong airport, employees work for seven days, quarantine in a government hotel for seven days and then quarantine at home for seven days, before starting the cycle over again.

That has put more than half the workforce out of action, limiting the ability to consolidate and break down cargo, and load and unload planes. The extra time on the ramp puts all-cargo airlines in a jam because pilots are running up against fatigue rules limiting the permissible amount of on-duty time. Airlines are changing crews in Tokyo and Seoul, South Korea, to avoid aggressive Chinese requirements that pilots quarantine for 14 days if they leave the airport for rest, which would quickly reduce the pilot pool and the number of flights they could operate.

Airlines have adjusted to the new conditions in several ways, including leaving without emptying inbound loads so crews don't get stuck in China and canceling flights. An international freight management company based in San Francisco, Flexport has embargoed freight from the U.S. to Shanghai flying on its own dedicated freighters operated by Atlas Air to minimize the risk of export cargo not being loaded in time.

Meanwhile, Chinese carriers, including Air China, have canceled almost all cargo-only passenger flights to the U.S. because of the new quarantine measures covering China-domiciled pilots so they have enough crews to operate their pure freighters.

China Eastern Airlines has suspended passenger freighters, used for dedicated cargo customers during the hiatus in air travel, until September, it said in a notice. China Southern also suspended auxiliary freighters to the U.S. through August and canceled 25% of its European and U.S. freighter flights, according to a market update from Hong Kong-based Hippo Logistics. Other passenger and cargo airlines also have canceled flights.

Some logistics experts expect the rates are likely to skyrocket because the service cutbacks are hitting at the same time demand to move seasonal holiday goods increases and many businesses turn to air because of massive backlogs in ocean shipping. Jones Shah said spot rates for air cargo from China to the U.S. and Europe have jumped 10% in the past few days. Several purchasers of freight transportation said prices are likely to quickly move beyond $10 per kilogram, depending on the destination, from the traditional peak season range of $3.30 to $4.

Director of airfreight at United World Line, James Constantinidis said that "I would not be surprised if we see rates climb past $13.00/kilogram, possibly even hit $20.00/kilogram if demand does not decline," UWL officials said they have postponed a planned announcement of direct airfreight service from Shanghai to Chicago O'Hare airport via a block space agreement with an airline because of the uncertainty surrounding COVID-related flight cancellations.

CHINA-US CONTAINER SHIPPING RATES HIT NEW RECORD HIGH

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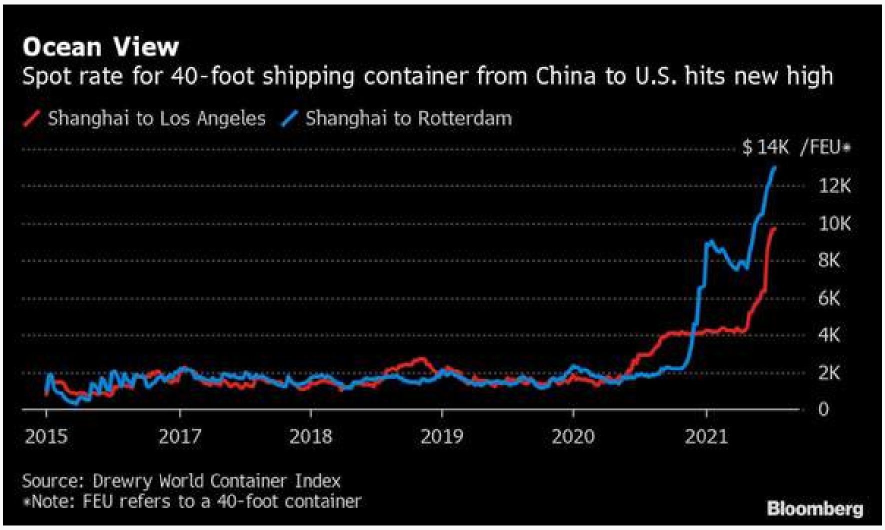

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The chief analyst in the transportation logistics industry from Shenwan Hongyuan Securities, Yan Hai said that the baseline of the China Containerized Freight Index and the Shanghai Containerized Freight Index was consistent and there was a certain degree of increase but not that much.

In the past month, many global shipping companies such as Maersk and Mediterranean Shipping Company SA have increased their surcharge fees, which is also key to the recent sharp rise in sea freight prices. China's import and export of goods increased by 11.5 percent year-on-year in July with foreign trade continuing to improve. But the continuing container shipping rates put China's foreign trade companies under great pressure.

Guangdong Foshan furniture trader, Zhong Duming said overall shipments have decreased by over 40 percent, especially since June and July. Out of the original 3,000 sets of furniture, only 1,000 sets were shipped, with many still in the warehouse because the shipping charges were too expensive. Currently, many customers' orders are being suspended,

China-US trade reached 2.62 trillion yuan ($404.6 billion), up 28.9 percent year-on-year, in the first seven months of this year, which has also become an important reason for the sharp rise in shipping prices between China and the US.

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CONTACT US

TEL: + 86 -21-32506989

FAX: +86-21-32506989

E -MAIL: MARKETING@SHA.PREMIERE-LOGISTICS.COM

WEBSITE: WWW.PREMIERE-LOGISTICS.COM

ADDRESS: RM. 603&304, BUILDING B,

NO. 28 XUANHUA RD.

CHANGNING DISTRICT, SHANGHAI, 200050, CHINA