

ΡΕΜΙΕΓΕ ΕΓΑ



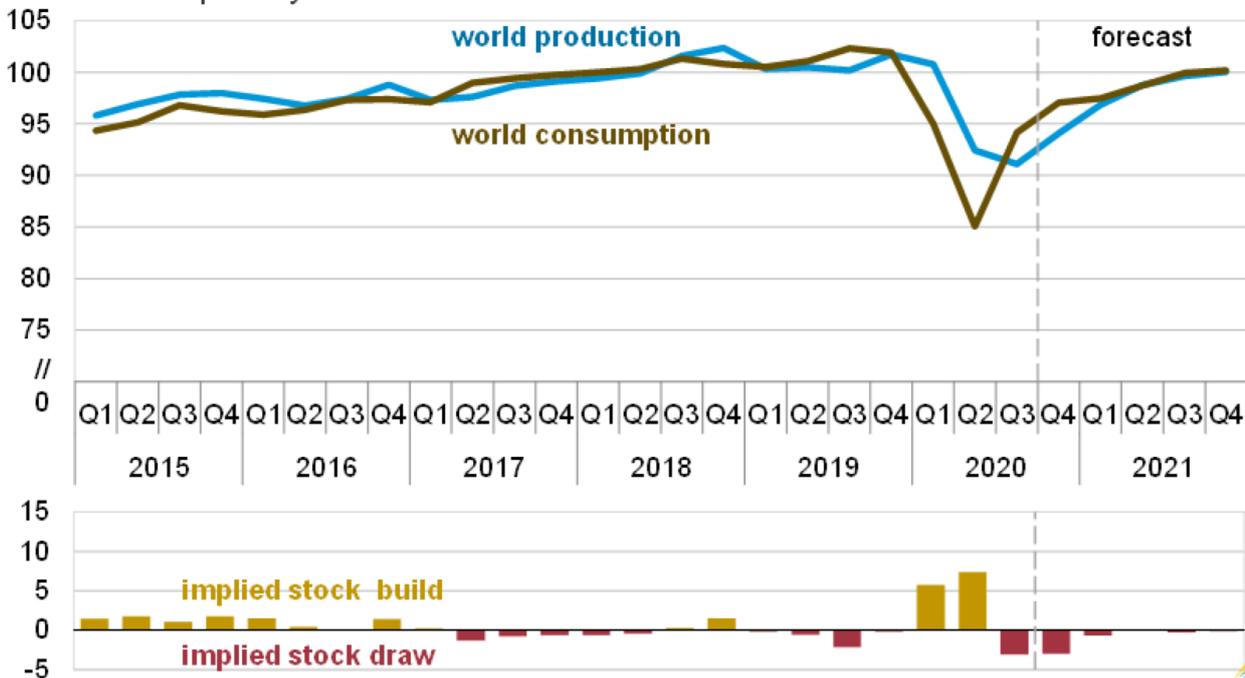
OCTOBER NEWSLETTER



SHIPPING RATES SKYROCKETED FROM THE MIDDLE EAST TO CHINA

The Middle East used to dominate the global oil market and is considered one of the most productive areas in the world. However, in 2020, the futures oil prices have once plummeted to minus 37 dollars, supply and demand were most distorted. Oil traders and sellers are making more inquiries for supertankers to hoard crude at sea, leading to a surge in freight rates for supertankers. As the supply-demand curve returns to normal, oil prices are bound to rebound. The U.S Energy Information Administration and OPEC both predict that crude oil supply and demand will reach an equilibrium in 2021.

World liquid fuels production and consumption balance
million barrels per day



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, October 2020



One main reason for the cost of transporting crude oil from the Middle East to China jumped high is that the United States imposed sanctions on several companies, including two subsidiaries of China's COSCO Shipping Group, for violating the ban on shipping Iranian oil. Washington even warned ports and traders around the world not to do business with Chinese ships. The news panic customers and hoping to find alternatives, which obviously reflect on the freight rates.



Earlier this year, China has agreed to buy crude oil from the States as a part of an agreement that aimed to alleviating trade tensions between the world's two largest economies. The U.S. has agreed to cut tariffs on certain Chinese products, whereas China should purchase American agricultural, energy, and manufacturing products. This agreement greatly affected the export-oriented Middle Eastern countries, forcing them to find new buyers in an oversupplied market or a place to accumulate inventory. To sum up, the rapid expansion of US crude oil sales to China has caused unforeseen troubles for the Middle East.



CMA suffered Ransomware attacks

CMA CGM is not the first logistics company that was attacked by cybercriminals, in the past three years, top four largest carriers, including Maersk, MSC, COSCO and CMA have all been attacked. However, many people compared the response of CMA this time with Maersk's response to the 2017 NotPetya cyber attack. Maersk suffered big loss during the NotPetya attack, as high as 200 to 300 million US dollars. The two companies have different reaction to deal with the problems.

When Maersk encountered the attack, they did not stop accepting bookings but make restrictions and soon proposed a manual process using Google Docs to keep proceed the operation. Whereas CMA did not provide adequate emergency services, they claimed they could still access related network services, and accepted booking and operation requirements, but then closed all IT applications shortly after. The disruption has led to a large backlog of goods, plus CMA's lack of a backup reservation process, causing lots of criticism from customers and forwarders. For example, shippers and freight forwarders could not clean up the container terminal and could not enter the online service.

Since the cyber attacks on sea operation is facing more severe threats than ever before, carriers should aware that they need to start to work on prevention and make some backup plans before it is too late.



WHY IS CHINA-US SHIPPING RATES SOARING?



Shippers in Asia face a dual dilemma of equipment shortages and tight shipping capacity. Based on the two countries, China and US, have a strong demand for trade, but restricted capacity early this summer. The cost has soared nearly triple their level a year ago, and the container rates have also climbed 30% this month and are up 75% year on year.

Limited numbers of containers have been one of the main reasons for a huge increase in ocean freight rates in the second half of the year. Carriers are experiencing equipment shortages at Asian ports, especially for the 40ft high cubes containers. Moreover, the canceled sailings earlier this year created a large backlog in cargoes and insufficient available carrying capacity, many carriers continued to withdraw vessels over and over, particularly from China to the US trade lanes.



Furthermore, at the beginning of October, there is a rush of exports from China ahead of the Golden Week holiday, following up with technology products launch, such as iPhone 12 and Sony Xperia 5 II. Vessels to North Europe and the US west coast are reported: “fully booked for two to three weeks after Golden Week”. It makes the situation more intense, and the container even scarcer. Because of the tight capacity of space, it influenced the rates to rise speedily.

The shipping companies are reaching the bottom of their supply, to secure the space and containers, shippers are willing to pay additional fees to face the problems which drives an unrelenting spike in shipping rates. However, to handle the recent surge in cargo demand, cargo should be fully operated its entire fleet without idle container vessels.

THE AVIATION INDUSTRY SHRINKS PASSENGER AIRCRAFT AND INCREASE TO CARGO USE



The fourth quarter of the air cargo market is the traditional peak season, to make up for the shortcomings of all-cargo aircraft, many airlines have "temporarily" sent passenger planes to assist in cargo loading. Emirates SkyCargo is a good example to bring up, from mid-April, it has adjusted the seats in the Boeing 777 and the luggage rack above so that cargo can also be stored in the cabin. The change of using space improves the efficiency of a single flight, more urgently needed materials can reach the destination faster, ensuring that every flight can maintain commercial use.

Moreover, airlines have raised prices to seize the urgent market demand, using this opportunity to fill up for losses at the beginning of the year. Since there are many festivals between October and December, many urgent bookings appear. To successfully catch up with the Christmas and New Year holidays, it is necessary to distribute the goods in advance. Airfreight is working well while sea freight works greater than it; when the two freight grows together, the market will face a crowding effect. The shortage in container and increase in ocean freight rates have affected the companies to reconsider transportation. As the price difference has become smaller, the shipper assesses whether to use air freight or not, making the air freight rate to the United States better than expected.

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

