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NEWSLETTER

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From Covid-19 Highs, Shanghai's Ocean Freight Prices were trapped in Free Fall

Due to the change in the supply-demand balance, sea freight rates for containers departing Shanghai have fallen by as much as 90% from all-time highs reached when the epidemic disrupted supplies of Chinese goods in high demand from abroad. Economists expected that situation would be worser because of the gloomy economic outlook.

Shanghai shipping companies are now charging about US$2,000 to ship a 20- foot equivalent container to the US West Coast, down from a high of US$20,000 in the summer of 2021, according to regional freight forwarders.

As said by Lu Ming, an agent of the Shanghai Ocean Shipping Agency, "It has become a buyers' market as ocean carriers now have to work hard to attract cargo owners". Industry executives are concerned about the market's future.

Although the current rate is up to 80% lower than in April, when Shanghai's city-wide lockdown triggered port congestion that clogged global supply chains, it is still twice before pandemic.

Mr. Xiong Hao, Assistant General Manager of Shanghai Jump International Shipping indicates, "Shippers made a killing over the past three years, but they may not be able to make a profit given the current freight rates."

The lofty freight rates between 2020 and the beginning of this year is described as "windfall" brought by the Covid-19 pandemic. In June 2020, China became the world's first major economy emerged from coronavirus lockdowns, quickly regaining its status as the world's factory and ramping up production to meet pent-up global demand.

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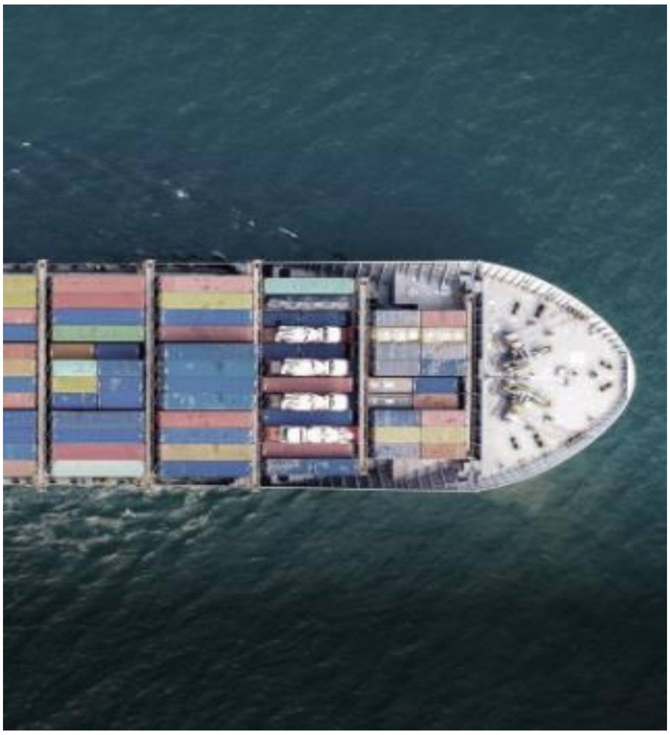
In August 2021, a peak season for ocean transport with Chinese-made goods bound for the US and Europe ahead of Christmas, container slots were often fought over by dozens of exporters who were willing to pay as much as 10 times the normal freight rates to ship their cargo abroad.



The container freight index compiled by the Shanghai Shipping Exchange has dropped by 45.5% this year.

The mainland's zero-Covid policy has remained a stumbling block to the free cross-border flow of goods and capital.

In September, China's exports grew to $322.8 billion, custom data showed, way down from the rise of 20% recorded in the same period a year ago.

Robots Helping Recruit Tech-savvy workers

The impact of robots on logistics operations is becoming more complex as companies consider how automation will affect the hiring of both warehouse management leaders and staff.

Some companies believe that the investments in automation could attract a new generation of tech-savvy staffs interested in addressing the latest developments in AI, robotics, and other technologies to improve supply chain efficiency.

Advances towards employing robots that can lift, move and pack products are also changing the nature of blue-collar jobs in warehouses, expanding the pool of potential hires in a tight labor market.

This change is happening as many companies are considering automation to reduce the number of employees in operations in order to minimize costs and develop more efficient flow of goods.

Manufacturers and retailers such as snack food giant Mondelez International Inc. and department store chain Nordstrom say the investments are also transforming the workforce in their supply chains.

Sandra MacQuillan, executive vice president and chief supply-chain officer at Mondelez, said that there are increasing number of logistics professionals are interested in the companies investing the no-touch distribution center and factory and online monitoring system.

She said Mondelez upgrades its operation which will lead some warehouse position to disappear or shift from physically demanding jobs in distribution centers to managing technologies jobs.

Dave Clark, CEO of digital-focused freight forwarder Flexport Inc. and former head of Amazon.com Inc.'s consumer business, was at Amazon when robotics company acquiring Kiva Systems Inc, said that the company began rolling out greater automation in its growing logistics network, expanding its pipeline of engineers and other technology workers into the business.

"When there's a very big visible investment in robotics or automation, or a big, fundamental change in technology, people see that as a commitment," Mr. Clark said.

“They see it as a commitment to excellence, a commitment to next-generation thinking … It brings out a range of talent

Logistics operators and educators say the technology investment resonates with recent supply chain graduates.

Job-hunting students “care about how ‘forward thinking’ a company is before they go to work there,” including the types of technology used, said Dale Rogers, the supply chain management professor at Arizona State University’s W.P. Carey School of Business.

Russia's truck ban backfires

The prohibition on trucks in Russia has backfired, failing to hamper trade and stem rising costs hitting domestic traders.

The ban, which went into effect last month in response to earlier-this-year sanctions against Russian carriers, would prohibit carriers with headquarters in the EU, Norway, Ukraine, and the UK from transiting through or delivering to Russia until at least December.

An insider in the sector told The Loadstar that when European restrictions were implemented, cross-border trading between the EU and Eurasia swiftly dried up.

Although the ban seemed to be a back-and-forth decision, it was believed that it would also allow Russian operators to pick up the slack and cease going out of business.

Russian carriers were banned from operating in Europe after February's invasion of Ukraine, and many of her EU carriers have also independently suspended services to Russia for goods not covered in the sanctions' regime.

Reports suggest shipping rates to Russia have spiked by up to 400%, with sources confirming to Roadster that many Russian traders are struggling with this.

“Firms that would typically have transited Russia on their way to the Caucuses had time to build-in alternatives without the pressure of any official ban on the Russian side” the sources said.

When asked if withdrawing Russian services was a moral decision from EU carriers, the source said that insurance premiums for people entering Russia are much higher in fact.

Customers who shipped huge volumes to Russia by road reported facing cost issues, according to European carriers not involving with Russia.

Meanwhile, industry representatives said that authorities in Georgia, Kazakhstan and Turkey banned Russian trucks from passing through their countries with European goods in violation of sanctions imposed on Russia.

The representative also warned that European carriers bypassing Russia were exacerbating congestion at certain border crossings, especially on routes via the Caspian Sea.

Air Freight Volumes, Rates Continue to Plunge Ahead of Holidays

- **Peak season is likely to bypass the air cargo market altogether after air freight demand fell for the eighth consecutive month in October**
- **With six weeks to go until Christmas, there are no signs of a peak**

According to Clive, this year's evasive winter peak has yet to take off as the softening condition of air freight market.

Macroeconomic factors such as inflation and low export orders continue to affect air activity overall but Van De Wouw pointed that as more shippers return to sea freight, the recovery in shipping capacity will continue to grow, which will further affect air cargo demand.

He said, air freight has gotten a boost past two years due to incredible disruptions on the seaside, but shippers may now feel more comfortable returning to sea from a reliability standpoint.

Freight forwarders and carriers have reported that overall air volume for DSV's Air & Sea division fell by 10% year-on-year in the 3rd quarter.

Spot rates, which continue to decline as capacity outstrips demand, fell 45% year over year in Asia-US. Trade lanes, the steepest drop of the top three volume corridors. European-US spot rates decreased by 27% year-on-year, while Asia-Europe rates fell by 25% year-on-year.

According to Van De Wouw, despite the decline, the aviation market remains uncertain, and shippers may not expect long-term gains from falling air fares which is the only development that can slow down the decline rate.

Infrastructure Concerns Remain in Atlantic 'Green Shipping Corridor' Plan

The UK, along with Norway, the Netherlands and the US, signed a 'Green Corridor' agreement enabling zero-emission transport routes between these countries.

The agreement, signed at her COP27 conference in the Egyptian resort of Sharm el-Sheikh, opens up the possibility of carbon-free routes in the North Atlantic.

It also includes another agreement between the UK and the US to launch a joint research and development initiative, the Green Shipping Corridor Task Force.

Norway and the UK are in a strong position to supply green electricity to ships via onshore power connections due to an abundance of renewable energy.

However, the UK is "20 years behind" in delivering onshore electricity at its ports, according to the UK, whereas Norway is the market leader with dozens of onshore power units placed in pipelines.

There are presently 14GW of offshore wind energy available to the UK power grid, but only ports in Southampton and Orkney have onshore charging facilities.

Recent research demonstrates that if the right port infrastructure is in place, including the capability to dockside charge during loading and unloading, the economics of operating feeder vessels exclusively on battery power can stack up.

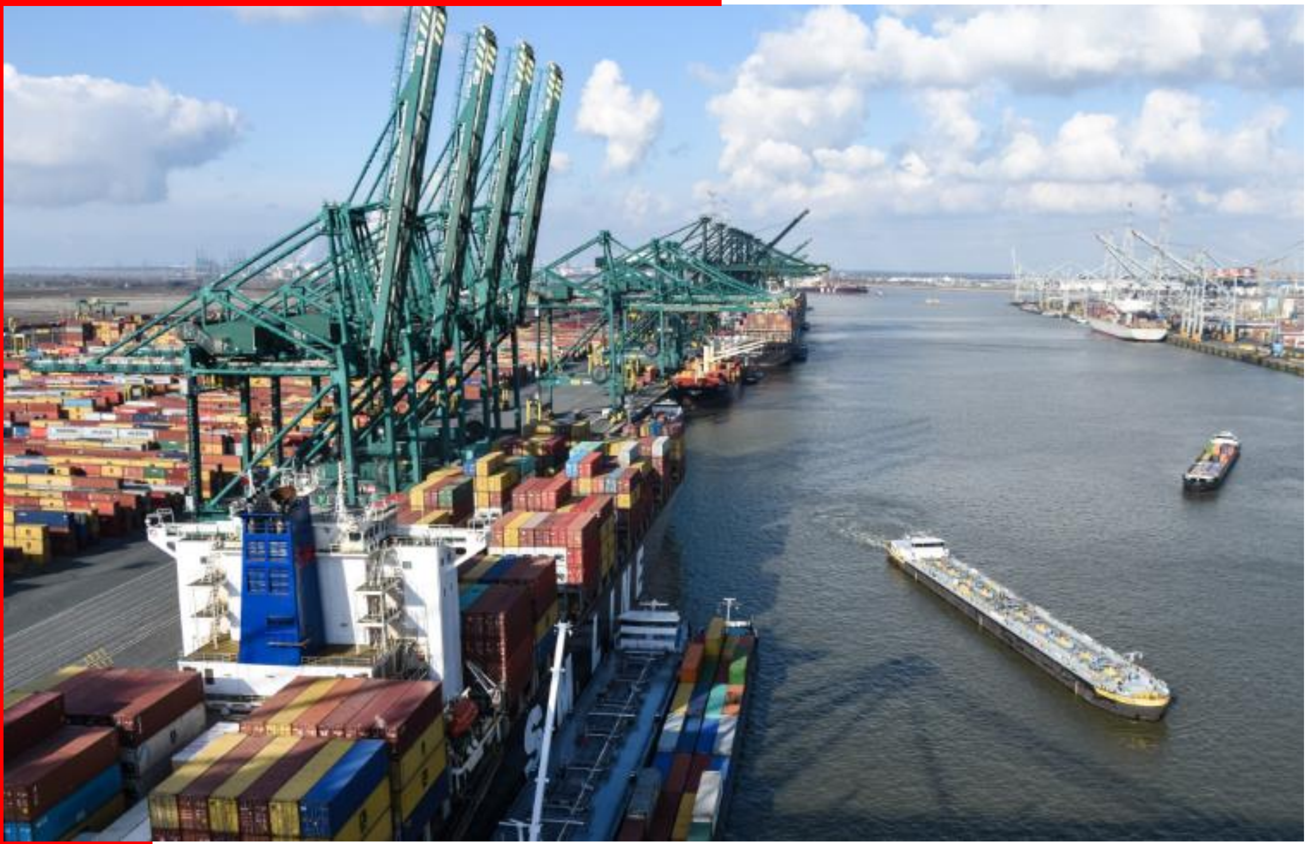
An example stated by University Maritime Advisory Services stated that for at least 17% of the U.S. Coastal Jones Act fleet, converting to battery power is more cost-effective than other fuels.

For short trips, other all-electric vessels are being ordered or are already in use. These include her two 700 TEU ships for the Shanghai Pan-Asia Shipping subsidiary of Cosco, her renowned Yara Birkeland, and another small Norwegian ship that her DB Schenker ordered.

Mark Harper, UK Transport Secretary, noted that "the challenges posed by climate change are clear and the need to decarbonize our oceans has never been stronger."

For these reasons, we are collaborating with international partners to clean up the sector, enhance the air quality in ports and coastal areas, and promote green investment.

“But we must not lose momentum. As we work together to deliver on the ambitions of the Paris Agreement and limit global warming, the UK agrees with its closest allies to start developing green shipping routes. I am happy that we did it.”



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