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HIPPO NEWS UPDATE 2021.WEEK 32

Dear Partners,

Please check both news below for air and ocean.

For Air

'China issued a total suspension of cargo aircraft next week, air freight rates will soar next week'
(ETtoday 2021.8.7)

The recent COVID outbreak in China cause the government to suspend temporarily cargo aircraft. As they decided that 10 August will be the last cargo aircraft to go until the suspension is lifted. This will definitely cause air freight rate to skyrocket as the only capable vessel is passengers planes and shipper would be expected to allocate cargo to sea, while ocean freight is also having its own problem.

For Ocean

China-U.S. container shipping rates sail past $20,000 to record
(Reuters 2021.8.6)

Shipping rates from China to various destinations, especially US and Europe is expected to rise even more in coming weeks as China face its recent COVID outbreak. Some shippers have reduced volumes on less profitable routes which in turn will also increase the rates fast.

Our Hippo team will always support and get you updates on your current shipments. Please do not hesitate to contact us!

Have a great day!

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Air This Week

China issued a total suspension of cargo aircraft next week, air freight rates will soar next week

(ETtoday 2021.8.07)

China suspended cargo planes overnight, the industry estimates that next week air cargo freight rates will fly sky-high. (Photo/China Airlines)

Reporter Zhang Peifen/Taipei reported that China, because of the severe COVID outbreak, has decided to suspend air cargo planes, China's Commerce Commission, logistics and other departments joint meeting decided that the last flight is on the 10th of this month, Starting from the last flight on the 10th of this month, all cargo flights on the European and American routes will be suspended overnight until the end of August.

The air cargo contractor pointed out that this decision will cause a serious shortage of cargo seats on the European and American routes, and the freight rate is estimated to skyrocket.

As far as we know, overnight cargo charter flights in North America (the United States, Canada), Paris and France will all be suspended until the end of August (the last flight is withdrawn). Except for non-overnight European flights (London, Milan, Madrid, Eminem).

China Southern Airlines has announced the cancellation of 25% of European and American freighters and all passenger-to-freight aircraft; China Eastern Airlines' European and American passenger-to-freight aircraft will be cancelled until the end of August.

According to analysis by the industry, mid-to-long-haul airlines need to deploy double crew members if they want freighters not to stay overnight on the mainland, while some long-haul airlines require two crews for one-way trips, and four crews are required for round trips.

In addition to the difficulty of manpower scheduling , The operating cost will also increase significantly. Because of the limited loading capacity of the passenger-to-cargo aircraft, the income was only enough to cover the variable cost, and now it is not worth flying again.

The air cargo market was originally expected to enter the peak season in late August. The mainland's regulations will make the peak season come earlier, and the cargo load wants to be transferred to sea, and the sea is already overwhelmed.

Cathay Pacific commented that some of the mainland's cargo will be exported through Taiwan because the cross-strait fleet is still operating.

This will inevitably squeeze Taipei's outbound space, especially China and Evergreen. It is foreseeable that prices from Taiwan to the United States, Europe, the Middle East, India and Southeast Asia will skyrocket.

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Ocean This Week

China-U.S. container shipping rates sail past $20,000 to record

(Reuters 2021.8.6)

Container shipping rates from China to the United States have scaled fresh highs above $20,000 per 40-foot box as rising retailer orders ahead of the peak U.S. shopping season add strain to global supply chains.

The acceleration in Delta-variant COVID-19 outbreaks in several counties has slowed global container turnaround rates.

Typhoons off China's busy southern coast in late July and this week have also contributed to the crisis gripping the world's most important method for moving everything from gym equipment and furniture to car parts and electronics. read more

"These factors have turned global container shipping into a highly disrupted, under-supplied seller's market, in which shipping companies can charge four to ten times the normal price to move cargoes," Philip Damas, Managing Director at maritime consultancy firm Drewry, said.

"We have not seen this in shipping for more than 30 years," he said, adding he expected the "extreme rates" to last until Chinese New Year in 2022.

RATE HIKES

The spot price per container on the China-U.S. East coast route - one of the world's busiest container lanes - has climbed over 500% from a year ago to $20,804 this week, freight-tracking firm Freightos said. That compares to just under $11,000 on July 27.

The cost from China to the U.S. west coast is a little below $20,000, while the latest China-Europe rate is nearly $14,000, Freightos' data shows.

Ding Li, president of China's port association, told Reuters the spike followed a rebound in COVID-19 cases in other countries, which has slowed turnover at some major foreign ports to around 7-8 days.

The surging container rates have fed through to higher charter rates for container vessels, which has forced shipping firms to prioritise service on the most lucrative routes.

"Ships can only be profitably operated in the trades where freight rates are higher, and that is why capacity is shifting mostly to the U.S.," said Tan Hua Joo, executive consultant at research consultancy Linerlytica.

Some shippers have reduced volumes in less profitable routes, such as the transatlantic and intra-Asia, said Damas.

"This means that rates on the latter are now increasing fast."

NO RESPITE

The rate surge is the latest reflection of disruptions since COVID-19 slammed the brakes on the global economy in early 2020 and triggered huge changes to the flows of goods and healthcare equipment around the world.

"Every time you think you’ve come to an equilibrium, something happens that allows shipping lines to increase the price," said Jason Chiang, Director at Ocean Shipping Consultants, noting the Suez canal blockage in March had played a major role in allowing firms to hike rates.

"There are new orders for shipping capacity, equal to almost 20% of existing capacity, but they will only come online in 2023, so we will not see any serious increase in supply for two years," Chiang added.