



Key reasons global shipping costs will continue to rise!

Shipping costs have risen sharply and fierce competition for ocean freight capacity is the new normal. With new capacity only slowly coming onstream, freight rates are expected to continue to reach new highs this year and will remain above their pre-pandemic levels in the longer term.

Here are three reasons why costs aren't going to come down anytime soon.

1. Continued global imbalances push prices up further

Problems that had built up from the beginning of the pandemic have included imbalances in the production and demand for goods, with countries locking down and opening up at different times, as well as shipping companies cutting the capacity on major routes and shortages of empty containers. As the recovery has progressed, global demand has recovered strongly, especially in the sectors which are most closely linked to international trade in goods. Competition for ocean freight capacity has intensified as economies open up further and inventories are rebuilt across the several links of supply chains.

2. Port congestion and closures keep creating delays

As the link between cancelled sailings and delays suggests, congestion is part of the problem.

Shipping performance in 2021 has carried on where 2020 left off, in terms of lower rates of vessels keeping to schedule, and average delays for late vessels rising. There are some signs that average performance will start to improve as the share of vessels reaching their destinations on time stopped sliding in April, and average delays improved. But overall performance remains the lowest it has been in ten years of records.

3. An unbalanced recovery throughout 2021

Some countries are already exporting more goods than they did before the pandemic, while in others, including the US, exports continue to lag behind the overall recovery in output. With the competition for ocean freight capacity set to remain, the unbalanced recovery will continue to aggravate some of the problems for world trade, including displaced empty containers. It all adds up to more pressure on freight rates in the near term.

In the near term, freight rates may yet reach new highs thanks to the combination of further increases in demand and the constraints of a congested system. And even when capacity constraints are eased, freight rates may remain at higher levels than before the pandemic.

Reference:

<https://globalmaritimehub.com/5-reasons-global-shipping-costs-will-continue-to-rise.html>