

Sudden container crunch sends ocean freight rates soaring...

An ocean container capacity crunch has hit global trade just as peak shipping season starts, with freight spot rates up some 30% over the past few weeks and heading higher.

Bad weather, longer ocean transits, and vessels skipping ports are adding to the supply chain issues.

The beginning of peak shipping season, coupled with the longer transits to avoid the Red Sea, and bad weather in Asia, have hit the flow of trade on key routes. Ocean carriers are skipping ports or decreasing their time at port, and not picking up empty containers, in an effort to keep vessels on track for delivery.

DHL has been warning about a container crunch since January because of the longer routes needed to avoid the Red Sea since the Houthi attacks began. Containers are out on the water longer and as a result not available to be reloaded. The availability of containers has been slowed even further by the bad weather impacting port operations in China, Malaysia, and Singapore.

Bad weather in East Asia at the end of April created some further delays, which was one factor leading ocean carriers to skip some port calls or shorten their turnaround at destination ports to make up time. That also means fewer empty containers have been brought back to China.

According to an Honour Lane Shipping note to clients, the “huge rate increases” could push the market to a new post-pandemic high. “While spot rates continue to soar, capacity out of Asia continues to tighten,” HLS wrote to clients, and that has allowed carriers to implement a “diamond rate ... played during pandemic period,” it added.

Citing the re-routing of ships around the Horn of Africa due to the Red Sea issues accounts for 17% of global container shipping capacity, and HLS warned the cancellation or blanking of ships will only add to the pressure of soaring freight rates.

Reference:

<https://www.cnbc.com/2024/05/23/a-sudden-container-crunch-is-sending-ocean-freight-rates-soaring.html>