

SHIPPING

# Ocean freight rates from China surge to two-year high

**Panic sets in among exporters worried about US tariff increases and disruptions in the Red Sea**

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Ocean freight rates from China are once again surging as exporters front-load shipments for the holiday season, battered by worries about US tariff rises and prolonged Red Sea disruptions.

The Shanghai Containerised Freight Index, a gauge of container shipping rates compiled by the Shanghai Shipping Exchange, climbed by 12.6 per cent to 3,044.77 points last week.

It was the first time since August 2022 the indicator, which is published on a weekly basis, broke through the 3,000-point level.

The growth momentum was set to continue as more exporters book slots on vessels bound for the United States and Europe to execute orders, freight forwarders said.

"Shippers could be facing months of very elevated rates and increased delays as higher demand combines with restricted capacity," Judah Levine, head of research at Freightos, a global freight booking platform, said in a research note.

"But the duration and scale of these disruptions and price spikes could be less severe than those unprecedented impacts seen during the pandemic."

Chinese exporters, from garment makers to manufacturers of toys and festive lights, normally start shipping goods ordered by Western buyers for Christmas and the new year from July. This year, exporters started to panic after US President Joe Biden announced last month Washington would slap punitive tariffs on US\$18 billion of Chinese goods including electric vehicles, battery parts and solar cells.

The additional tariffs have not yet come into effect.

The cost of shipping a 20-foot container from Shanghai to Europe currently stands at more

than US\$7,000, an increase of about US\$1,000 from a month ago, according to Xiong Hao, assistant general manager at Shanghai Jump International Shipping.

He said there was a shortage of empty containers in Shanghai amid surging demand from exporters.

HSBC said in a research report on Monday an exhaustion of inventories by US retailers meant they now had to rely on imports to meet consumer demand, driving demand for container transport.

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"Worries about an escalation of trade tensions between the United States and China prompted manufacturers to arrange shipments of finished goods as early as possible," said Yan Jun, a senior executive with Shanghai-based Jinghan Stainless Products, which makes and exports steel products.

Red Sea disruptions, caused by attacks on ships by Yemen's Houthi rebels, were also a major concern, as exporters scrambled to process shipments sooner rather than later, he added.

Chinese exporters have seen a roller-coaster ride on ocean transport costs over the past four years.

After China emerged from the first coronavirus lockdown in the second quarter of 2020, companies started manufacturing goods at full tilt to meet pent-up global demand, with the nation regaining its place as the world's factory.



Chinese exporters have experienced a roller-coaster ride on ocean transport costs over the past four years. Photo: AFP