Source: South China Morning Post
Date: 6/6/2024

SHIPPING

Shortage of container slots 'unlikely to ease for months'

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A shortage of slots on container vessels leaving China, which has caused a surge in freight rates, is unlikely to ease in the coming few months because global shipping giants have no additional transport capacity, according to one of the world's leading air and ocean freight companies.

Niki Frank, Asia-Pacific CEO of DHL Global Forwarding, told the Post yesterday he did not see light at the end of the tunnel and that he had warned cargo owners about the lofty costs of shipping Chinese-made goods abroad.

"We don't believe the Red Sea situation will change in the near future," he said, referring to disruptions caused by attacks on ships by Yemen's Houthi rebels.

"At the same time, we see the [shipping] demand that started to increase in the last few weeks as quite sustainable.

"So our best estimate is that, for the next three or four months, we will see a similar situation."

The cost of shipping a 20-foot container from Shanghai to Europe has jumped by about 20 per cent over the past month to US$7,000 as Chinese manufacturers of toys, shoes and festive lights rushed to book slots to ship the goods to their overseas buyers.

The exporters have front-loaded their shipments owing to worries about the prolonged Red Sea risks as well as higher tariffs slapped on Chinese-made goods by authorities in the United States. They normally start shipping goods ordered by Western buyers for Christmas and the new year from July.

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>
> NIKI FRANK, DHL GLOBAL FORWARDING

Containers stacked at a port in Qingdao last month.

"We see it as a challenge for the industry as a whole, and for many of our customers, it means a lot more inefficiency, a lot more uncertainty," Frank said.

"It causes a lot more work for both the customers and for the logistics providers."

He said DHL, which enjoys a sizeable global network and presence, was advising some clients to resort to multimodal transport solutions, such as rail and trucking services, to brave rough weather in the coming months.

The Shanghai Containerized Freight Index, a gauge of rates compiled by the Shanghai Shipping Exchange, rose by 12.6 per cent to 3,044.77 points last week, the first time since August 2022 the indicator, which is published weekly, has breached the 3,000-point level.

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 reputation as the world's factory.

In August 2021, a peak season for container freight from China bound for the US and Europe ahead of the holiday season, slots were often fought over by dozens of exporters, which were willing to pay as much as 10 times the normal rates to ship their cargo.

Frank said freight price rises caused by the current supply-demand imbalance would not turn out to be as hefty as what happened during the pandemic, though he did expect the upward momentum to continue.

"There are no additional vessels that the shipping lines can use to match the [rising] demand," he said. "What you see is that the system is in a way very stretched and at its limit."

DHL opened its electric-vehicle (EV) centre of excellence in Shanghai last month, with a team to ensure the efficient handling, storage and transport of such cars and their components, in the hopes of tapping China's surging exports of EVs.

Frank said electric cars would be one of the key growth drivers for DHL in China and Asia-Pacific.