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CHINA CARGO RATES SLIP AS DEMAND STILL WEAK

Despite typhoons disrupting port activity, spot price for sending a 40-foot container from Asia to US west coast has dropped by 10pc in past week

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Shipping rates from China continued to drop sharply this week due to weakening demand despite disruptions caused by typhoons, which have forced the shutdown of major ports twice this month.

The Port of Shanghai, the world's largest container port, resumed operations yesterday after shutting for two days because of Typhoon Muifa. It also closed due to Typhoon Hinnamor at the start of September.

The nearby Ningbo-Zhoushan Port, the world's biggest by cargo throughput, suspended operations on Tuesday night, and most of its terminals had resumed operations as of noon yesterday.

The implications of such temporary blips were amplified on the global supply chains at the same time last year when they were struggling to deal with record shipping volumes from China during its peak export season.

But weakening demand from Western countries this year has continued to drag on the shipping price despite the disruptions, with shipping companies and agents reporting no sign of a peak season this year.

"I don't think we see any major disruption ... Right now, there is no big rush for cargo or space at origin," said Akhil Nair, senior vice-president of products for Asia-Pacific at Seko Logistics. "I don't believe we're expecting any major peak season, even though right now it should be peak based on normal seasonality."

Traditionally, there was a rush of exports before the week-long National Day holiday at the start of October, but the market was not showing any signs of a big uptake, Nair added.

A Jiangsu-based shipping agent who only gave his surname as Xu said: "The overall shipping demand from customers is plummeting. The only exception is the new-energy industry, which is still seeing strong exports, but the rest is not good."

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> XU, A JIANGSU-BASED SHIPPING AGENT

According to the Freightos Baltic Index, the spot rate for sending a 40-foot container from Asia to the west coast of the United States has dropped by 10 per cent to US$3,896 in the past week. It has fallen by nearly 75 per cent since the start of the year and is at its lowest level since May 2020.

The rate to the east coast has also declined, but only by 2 per cent to US$8,533 per 40-foot container, as congestion from New York and New Jersey down to the Gulf coast has propped up the rate, according to Judah Levine, Freightos' head of research.

Fears of a union strike at ports on the west coast had pushed more cargo to the east in past months, so the rate had managed to maintain at a reasonably higher level, Nair said.

China's exports grew by 7.1 per cent in August year on year, slowing from 18 per cent in July, while the value of exports to the US saw a year-on-year decline for the first time since May 2020.

"The latest [US] National Retail Federation data shows monthly import volumes have indeed declined each month since May and estimates the gradual slide will continue through the end of the year, representing a 2 to 5 per cent decrease compared to last year for each of these remaining months," Levine said.

Despite the decreases, projected volumes from September to December were still at least 12 per cent higher than in 2019, while the total import volume for 2022 would slightly surpass that of 2021 and set a new record, he added.

"Which is to say that despite these declines, volumes are still quite strong and rates are still quite high compared to 2019."

The Shanghai Containerised Freight Index's spot box freight rate index stood at 2,562 points last Friday, down by 10 per cent week on week for a second week, although it remains more than three times the 2019 average.

Shabsie Levy, CEO of digital freight forwarding platform Shifl, said the market was closer than ever to pre-coronavirus levels after the latest slump in rates.

"While in July, there was a steady decline in spot rates, the pace has picked up as a milieu of factors continue to soften the market for containerised goods between China and the rest of the world," Levy said.