

Global Trade Disruption and Shipping Cost Impact

Parsifal Staff, June 22, 2021

The reactions to Covid-19 have caused absolute chaos in global shipping. The word “chaos” is not said lightly, in fact, it is actually part of the title of a *New York Times* article, “‘I’ve Never Seen Anything Like This’: Chaos Strikes Global Shipping.” (By Peter S. Goodman, Alexandra Stevenson, Niraj Chokshi and Michael Corkery, March 6, 2021, Updated March 7, 2021.)

The disruptions to global trade are driving up the cost of shipping dramatically. The cost to ship a container from Asia to the US has skyrocketed since June of last year. Covid reactions have caused port shut downs/slowdowns, a massive pile up of empty steamship containers on the west coast of the U.S., a backlog of vessels waiting to enter various ports, a lack of containers at Asian ports, etc. In addition, some countries are now restricting movers to the number of workers they can have in a residence at one time causing further delays.

The airline industry has been hit just as hard as is explained in the below excerpt from *Mobility Magazine*, (*The Global Shipping Crisis*, June 2021, p. 33, by Tina Nazerian, at: <https://www.worldwideerc.org/mobility-magazine-archive>.)

Unlike sea freight rates, air freight rates soared earlier during the pandemic, but at press time they still remained high. According to data from the Baltic Exchange Air Freight Index, air freight rates between Hong Kong and North America were \$3.19 per kilogram in February 2020. Rates rose to \$5.69 per kilogram in April and hit \$7.73 per kilogram in May. Rates then dropped to \$4.96 per kilogram in July and increased again to \$7.50 per kilogram in December 2020.

In February 2021, air freight rates between Hong Kong and North America fell to \$6.42; the rate was roughly twice as high as it was the previous February.

This volatility is expected to last well into next year as noted in this excerpt from an article written by Greg Miller for *FreightWaves* regarding sea shipments titled, “No relief: Global container shortage likely to last until 2022.” (April 30, 2021, at: <https://www.freightwaves.com/news/no-relief-global-container-shortage-likely-to-last-until-2022>.)

Equipment lessors continue to see low inventories and extremely high prices. The world does not have enough containers in the right places to handle cargo demand. It’s a conundrum that has persisted for so long that the mainstream press is finally covering it.

Even if this volatility ends in 2022, Mark Olsen of Parsifal Corporation advised that “it will most likely take another year or two before the imbalances are corrected and the pricing settles down to pre-covid levels - assuming there are no other crises of course.”

For now, be prepared for continued price instability on air and sea freight.