

Freight Industry - Update

01.07.2021

Dear Consumer,

As you are aware the shipping industry has been one of the worst-hit sectors by the Covid-19 pandemic. Increasing freight rates and container shortage have become a global challenge disrupting supply chains across multiple industries. Over the last six to eight months, shipping rates across supply channels have gone through the roof having a consequential impact within the shipping industry. The transportation sector, like other industries, tends to have a ripple effect when corporations take major actions and as such, when the market leaders, (the largest carriers), decide to increase their costs to recuperate losses, the overall market rates are inflated too.

The freight increases we have seen and continue to face is due to a variety of factors, here I bring to your attention the major disturbances affecting the industry.

Firstly, all the major oil producers have had a slow production rate due to the pandemic, which has created a demand imbalance resulting in pricing increases.

Secondly, surging demand for goods and shortage of empty containers has seen distribution going haywire which has in turn caused freight rates to rise significantly as not only is the industry experiencing a shortage in equipment, but congestion at the major seaports throughout the globe is having a knock-on effect resulting in void/blank sailings, port rotation changes and inbound haulage problems.

Thirdly, communication issues have seen the industry experiencing last-minute diversions or even cancellations in the current scenario.

Fourthly, the demand for containers in China has driven the already inflated prices even higher. As China is one of the largest manufacturers in the world there is a huge dependence of western countries such as the US and Europe on China for various goods. Therefore, countries are willing to pay double or even triple the price to procure goods from China. Whilst the container availability had shrunk drastically throughout the pandemic subsequently, there is now a huge demand for containers in China and the freight rates too are substantially high there.

Lastly, besides the pandemic, Brexit has too caused a lot of cross-border friction, owing to which the cost of shipping goods to and from the country has surged exorbitantly.

At present, short-term freight rates from China to North Europe have reached up and above \$20,000 per 40ft mark, while carriers are quoting rates of up to \$25,000 to the US west coast. Although these massively elevated rates include a premium fee, to guarantee equipment and space, we have experienced that our cargo has stilled rolled and delays incurred.

The situation within the industry is out of control but the news from freight forwarders and shipping news bulletins, is that no normality is expected until Q2, 2022 at the earliest.

Ascot International (1996) Limited will continue to monitor the situation closely to mitigate delays and price increases best we can. Whilst these are beyond our control, we will maintain our high standards of customer service and endeavour to keep the communications channels open with you at each step.

Yours sincerely,

A handwritten signature in blue ink, appearing to be "C. Whitney", written in a cursive style.

Chris Whitney

Operations & Logistics Manager

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