

Early planning the cause of September rate rise

05 / 10 / 2021

By Damian Brett

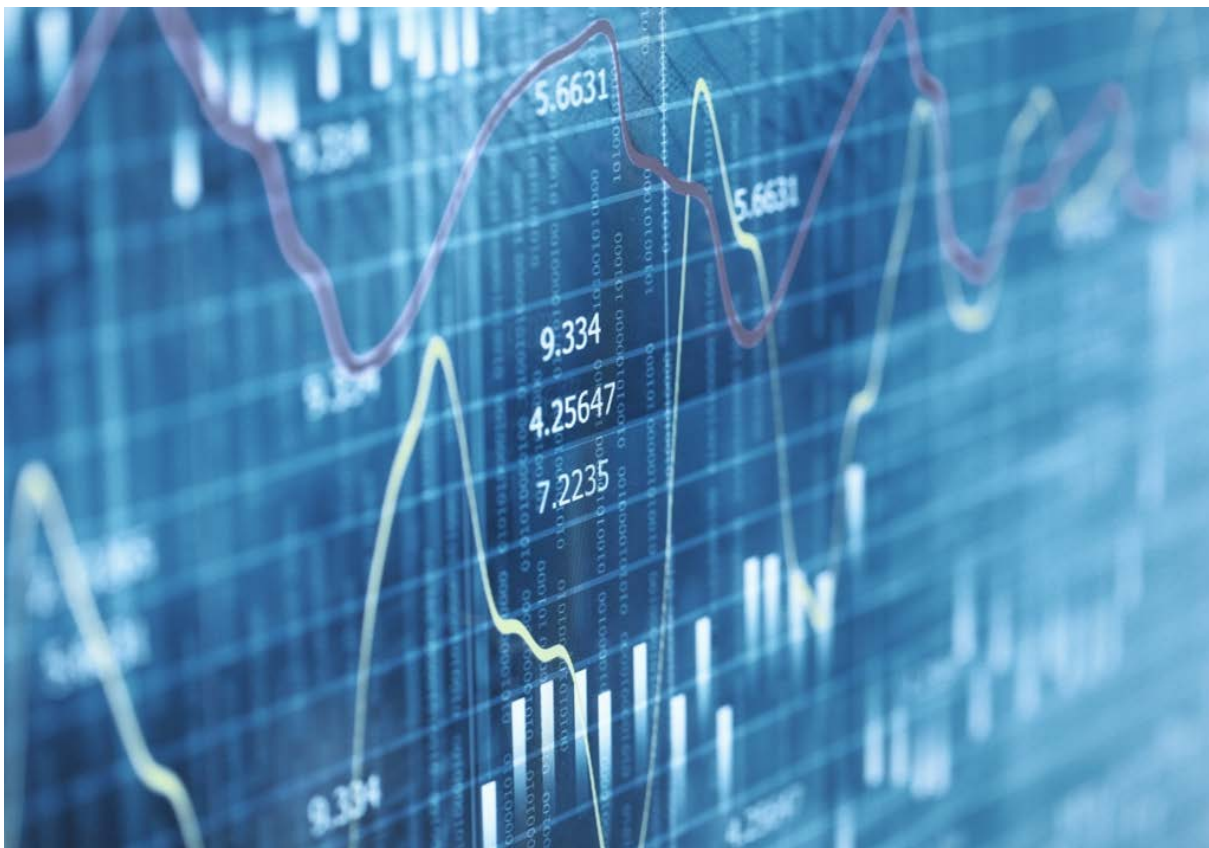


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Airfreight rates on major east-west trade lanes in September rose at a faster rate than last year as companies sought to avoid a peak season crunch.

The latest data from the Baltic Exchange Airfreight Index shows that in September prices from Hong Kong to North America increased by 12.7% compared with a month earlier to \$9.74 per kg.

Last year rates on the trade lane between the two months dipped slightly, while in 2019 there was a slight increase.

On Hong Kong to Europe rates increased by 20.3% in September compared with August to \$5.57 per kg. In 2020 there was a slight increase and in 2019 rates were flat between the two months.

Investment bank Stifel senior analyst Bruce Chan said in the Baltic Exchange market update that the increases could be pre-planning on the part of shippers and forwarders.

“The reason for the earlier upswing, in our view, is that retailers were caught off guard for last year’s peak by strong demand and scarce capacity,” he said.

“This year, many are preparing earlier for the Holidays, while trying to navigate severe and persistent supply chain disruption. Walmart, for example, has professed to building as much inventory as it can at the end of the third quarter.

“We believe that part of that strategy involves leaning on suppliers to produce and provide the goods, but also working to secure as much transportation capacity as possible by leveraging scale, creativity, and pure dollars.”

He added that continued growth in e-commerce could also be driving a demand surge.

Chan said that rates from Shanghai to North America and Europe had increased by even more. Prices to North America from PVG were up 40% on August and to Europe rates were up 38%.

Peter Stallion of derivatives broker Freight Investor Services said modal shift may have played a part.

“There is a potential that the air freight price has been heavily supported by ocean-air conversions as congestion on the US west coast breached its previous record in August and September. However, this has begun to taper off prior to Golden Week,” he said.

Indeed, rates have decreased on both routes in the first week of October.

There was a similar trend on services from Frankfurt to North America, with prices increasing from \$3.94 per kg in August to \$4.21 per kg in September. Last year, prices between the two months declined.

Baltic Exchange Air Freight Index (BAI) powered by TAC Data

