

Challenges at Chinese ports are increasingly impacting global shipping

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Perhaps understandably, much of the media focus in recent days has been on the point in the supply chain where container ships are unloaded in US and European ports. However, the current problems have highlighted to the industry that the world's trade is now dependent on a long sequence of supply and manufacturing operations working smoothly, and that in recent years the world has come to rely more and more on a smaller number of very large key pinch points.

On the other side of the Pacific from the US, there are growing backlogs at Chinese factories and ports. These problems at the front end of the supply chain are raising concerns about further supply chain challenges. As many in the shipping industry observed in response to the latest President Biden announcement, the supply chain difficulties being seen today will need more than 24-hour operations at Long Beach, Port of Los Angeles, Walmart and Target.

A recent analysis of trends across the global supply chain from project44, a visibility platform for shippers and logistics service providers, has highlighted the challenges that have been developing in the supply chain at China.

Project44 said that the shipping wait-time problem was becoming equally acute at the source, with port congestion at China's largest ports.

According to project44 data, as of October 7th, there were approximately 386 ships anchored outside or at the terminals in Shanghai and Ningbo.

Shanghai is the world's busiest container port, while Ningbo is the third-busiest container port in the world. At those two ports alone project44 determined there were 228 cargo ships and 45 container vessels.

In addition to the disruptions and delays being caused at the terminus points in the supply chain, there are also a range of issues that are impacting the ability to move goods out of China. These range from lingering backlogs as a result of the

Covid-19 closure and controls at the ports, the recent Golden Week holiday, and the impact of Typhoon Chanthu, which temporarily closed the ports at Shanghai and Ningbo. Businesses across China are facing a power-shortage crisis due to coal shortages and the government's strict rationing of electricity.

All these factors have led to increasing dwell times at China's ports. Lead times for products from China to their ultimate destinations appear to be extending right through the Asian segment of the supply chain. Project44 said that these numbers implied further product shortages, with delays for businesses and consumers.

"We can expect these growing backlogs across Chinese manufacturers and ports to exacerbate imbalances at US and European ports," said Josh Brazil, project44's VP of Supply Chain Insights.

Container rollover rates, defined as the percentage of containers that miss their scheduled sailings, have stayed high, indicating that Chinese ports are not making significant headway in dealing with excess cargo. Project44's data indicated that rollover rates were rising rather than falling, reaching 36% in September at Ningbo. For the ports of Hong Kong and Shanghai, rollover rates, although showing a slight reduction remained high at 41% and 37% respectively. "When there are cargo rollovers due to vessel space capacity, overbooking, blank sailings, etc, additional costs will be incurred by way of port costs, which contributes to increases in freight rates," said project44.

The delays caused by cargo rollovers also affect production and delivery patterns at the destination ports, as customers who have placed orders for raw materials for manufacturing or retail goods for consumers cannot get their goods in time.

Lead times for shipments from China to US West Coast have drastically increased in 2021 compared to 2020 and 2019. Lead times from China's primary ports at Shanghai, Qingdao, and Yantian are each up by more than a third when compared to 2019.

Brazil warned that "at this point, pretty much everybody is feeling the pain. The challenge is less about achieving full inventory — that ship has sailed — and more about adapting to, and planning for future disruption."