Insurance Marine News

Empty container problem is intensifying, says Sea-Intelligence

By admin On September 13, 2022 In Insurance Marine News, Keep, Marine Liability, Political Risk, Credit & Finance

The knock-on effects of the Covid-19 pandemic continue to bedevil the global supply chain, with the problem now becoming a build-up of empty container stock, reports Sea-Intelligence.

Flexport Ocean Timeliness Indicator (OTI) data, which measures the time it takes from when the cargo is ready at the exporter until the importer takes delivery, showed that pre-pandemic the transportation time was 45 days on average, peaking at a transportation time of 112 days in February 2022.

This had by late August been reduced to 88 days.

Because transportation times became extended, more containers were needed to transport the same amount of goods. The fact that in 2020 the pandemic resulted in an increase in the demand for imported goods exacerbated the mismatch.

This is what caused the initial increases in freight rates in the second half of 2020, as not enough empty containers could be moved back out to Asia in time.
The obvious solution was to build more containers.

These were then fed into the extended supply chains. However, with transportation time now getting shorter, Sea-Intelligence observed that these additional containers would be released back out of the supply chain. They will start to pile up, primarily in Europe and the US. Sea-Intelligence first predicted this development back in February 2022, and it has now analyzed whether the prediction was on track.
The company said that, if transportation time returns to “normal” by early next year, 4.3m of excess teu will be sitting in North America with nowhere to go within the planned network operations. “This will potentially overwhelm empty container depots in the US, an issue which is already beginning to materialize”, Sea-Intelligence said.

Meanwhile, Christian Roeloffs, Co-Founder and CEO, Container xChange, stated that “the disruptions caused by piling up of empty containers in the US will not improve until 2023”,

Not only were shipping lines and container owners in North America finding it difficult to return containers to China, the US was also facing major trucking issues that were making cargo movement within the country difficult.

Container xChange’s monthly container logistic report, published late last week by Container xChange, a technology marketplace and operating platform for container logistic companies, found that “what is happening in the US is that there is already congestion, like every year, because it is the peak shipping season, and everyone is trying to make sure that retailers have enough inventory on the shelves for the upcoming holiday and Christmas season. The US West coast labour negotiations, due to which many freight forwarders rerouted the cargo to the US East Coast, have now caused congestion on the US East coast too. Hinterland complications like acute shortage of truckers and rail delays are adding to the woes. All in all, there are many challenges that will impact a smooth container movement into the peak season.”

On the supply side there was an excess of containers while due to recessionary fears and inflation, meaning that consumer demand has softened. “Nonetheless, we are sliding into the peak season, and this is the busiest season of the year. The average container prices traditionally increase in China and Southeast Asia during the peak shipping season, and we do expect to see a rise in the prices in the coming weeks”, said Roeloffs. In the mid-term, what could possibly change this year is the relatively smaller degree of increase in average container prices owing to several disruptions.

The average container prices for cargo-worthy containers of all types in the region rose from $2,116 in July to $2,214 in August. Ports on both US coasts were experiencing an increase in average container prices, while average container prices were declining in Asia.

“This situation of empty containers piling up in the US and in the Europe will lead to tighter depot space, carriers will rush to get rid of their older equipment, and second-hand container prices will continue to slide”, said Roeloffs.

The Container Availability Index (CAx) has reached a record high. In week 35 ports including Houston, Oakland, New York City, Savannah, Long Beach, and Los Angeles saw CAx scores above 0.80 (the ideal balance level is at 0.50).

“The lockdowns in China will further make the situation difficult for shippers and freight forwarders to move the cargo from China to the US. Much chaos on the cards coming winters”, Container xChange said.