

Soft market conditions continue in air cargo

20 / 10 / 2022

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Soft market conditions continue in air cargo as trade worries, high inflation and new Covid lockdowns impact demand.

This week's market round-ups from forwarders and analysts point to a weakening market in terms of demand, although rate declines have eased.

Flexport mentioned lockdowns being introduced in Ningbo and their potential to hit supply chains.

“The local authorities have tightened epidemic control measures and announced that the city will enter static management starting from October 16, with citizens encouraged to stay at home,” the forwarder said.

“All warehouses in the Beilun area are shut down. Other operating warehouses are expecting low inbound volumes due to Covid restrictions.

“Some cities also enacted a few restrictions for truckers from the whole Ningbo area.”

However, it said that export air operations from Shanghai remain unaffected.

Elsewhere, it said that the south China market remained soft, north China transpacific eastbound demand to the US east coast and midwest remained soft, but the capacity to Europe and the west coast was tight due to commercial flight cancellations.

Exports from Southeast Asia are also soft with few signs of the market improving.

Looking at the rate situation, TAC Index rates, which are based on a combination of spot and contract rates paid by forwarders, were “a little firmer” with the overall Baltic Air Freight Index ticking up 2.3% compared with last week, though still down 28.3% year on year.

“Nevertheless, sources said the soft market conditions of recent weeks and months were continuing, with prices being paid on longer term contracts holding up the index average while spot prices continued to fall,” TAC said.

“Despite the end of Golden Week – when activity and prices normally perk up – outbound prices hardly moved on the week either from Shanghai, with the index up only 0.2% week on week and still down 32.6% year on year, or from Hong Kong, with the index up 0.9% week on week and still down 33.8% year on year.”

Looking ahead, feedback from participants in the DHL Hong Kong Leading Air Index was downbeat.

“As the traditional peak season approaches, the overall trade index retreated again after recovering from the previous quarter,” DHL said.

“Concerns over ‘weak consumption demand’, ‘high logistics cost’, and ‘inflation’ have surfaced among local air traders, affecting their business outlook during Thanksgiving and Christmas Eve this year.”

More than half of air traders expect their business to be negatively affected by the latest developments in China-US relations.