



The Bottom Line

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AIRFREIGHT DISRUPTIONS LEADING TO 'SUPER PEAK?'

Summary

A combination of very strong demand and limited freight—and manpower—capacity is pushing airfreight rates even higher in advance of the traditional 'peak' season.

Background

The weeks leading up to the holiday shopping season are referred to as 'peak season' for cargo shipments. Peak season also includes annual surges for the shipping of back-to-school supplies, tulip bulbs out of Northern Europe, Nouveau Beaujolais out of France, and (usually) a new iPhone.

Freight rates, like other commodities, are subject to market pressures—the eternal balance of supply and demand. This year, like last, is seeing limited supply—restrictions on travel have continued to limit the availability of passenger flights and therefore belly space on those planes—and increased demand. Air cargo rates on major east-west trade lanes began to pick up in August. The latest figures from the Baltic Exchange Air Freight Index (BAI) show average prices from Hong Kong to North America increased by 9.4% compared with the previous month to reach \$8.64 per kg—the second highest monthly rate of the year. Compared with August last year, rates on the route are up by 57.1%, and compared with 2019, there is a 162.2% increase. Even costs for goods entering China have risen by 60%. Air freight prices have risen by up to 30% since a terminal at China's largest cargo airport was closed due to an outbreak of coronavirus cases. "These prices are double their level a year ago and are at their highest point since May 2020 when the industry was under extreme pressure from the rush on personal protective equipment," Freightos Group spokeswoman Dafna Farkas said.

Current Status

China is currently contending with the contagious Delta variant of the COVID-19 virus. Strict social distancing measures, quarantine rules, and lockdowns have significantly reduced the workforce, where manpower has fallen by approximately two-thirds. Pickup services, delivery services and air cargo operations have seen the greatest level of disruption, with 15 airports identified as having been affected. Shippers and forwarders are facing delays of up to seven days on air cargo shipments from

Shanghai Pudong International Airport (PVG). Hanoi, Ho Chi Minh, Phnom Penh and Bangkok are experiencing high levels of demand and delay to both Europe and U.S. destinations. Manufacturing in Southeast Asian countries is seeing significant disruption, which is leading to many buyers looking to airfreight to reduce lead times and return stock to market and further exacerbating the imbalance between supply and demand.

According to CLIVE Data Services' managing director, Niall van de Wouw, "Airlines want and need passengers back and I suspect airline cargo departments are anxious to see this too because of the pressure they are under to generate revenue—but even when cargo revenues double, if passenger revenues are down 80%, it's not a sustainable situation for passenger airlines," he commented.

Impact

CLIVE's analyses for August 2021 shows volumes up 1% compared to the same month of 2019, before the pandemic took hold, and +19% versus August 2020. The biggest challenge for businesses importing and exporting goods by air remained the low level of available cargo capacity at -16% below the level seen in August 2019. "Considering that August is normally the slack season and December the peak season, this number is understating the increase in rates," said van de Wouw. The Chinese Golden Week holiday will take place at the start of October and have "shippers scrambling to move inventory in an already constricted capacity market" and "the holiday peak looms in the distance", according to investment bank Stifel senior analyst Bruce Chan.

The term Shippageddon was first coined in late 2020 on an episode of the retail podcast The Jason And Scot Show. "We were talking about the likely e-commerce peak we expected from the holiday, on top of the e-commerce peak we were already seeing due to Covid-19, and we felt like retailers were likely to run into shipping capacity issues," said the hosts of the show.

And the outlook doesn't look much better for 2021.

RESOURCES:

- [Air Cargo Rates Up in August as Peak Season Looms](#) (AirCargo News)
- [Air Freight Peak Season Disruption](#) (Ligentia)
- [Delays of Seven Days for Shanghai Cargo](#) (AirCargo News)
- [Capacity Crunch Elevates Air Cargo Rates in August](#) (Air Cargo Week)
- [China Air Cargo Disruptions Advance 'Super Peak'](#) (South China Morning Post)
- [Retail Brands Gear Up For Second 'Shippageddon'](#) (Forbes)