Sea-Intelligence – Press Release (June 1st, 2021)

www.Sea-Intelligence.com

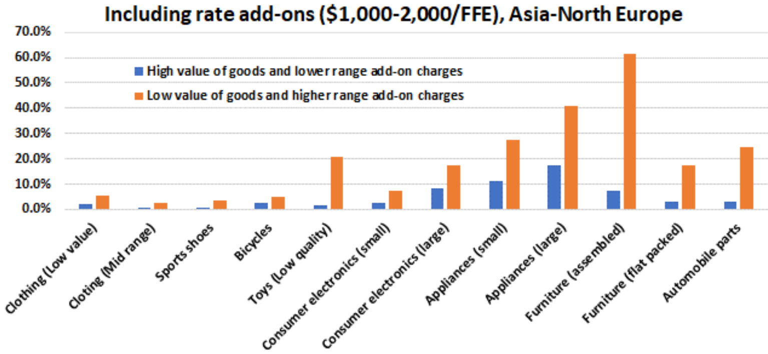
Furniture and appliances getting priced out by rate increases

In issue 516 of the *Sunday Spotlight*, we took a look at the development in spot rates on the Asia to US West Coast and North Europe trade lanes, to see the impact of the elevated freight rates on importers for a variety of different consumer goods.

To start off, we took the value of consumer goods held within a 40' container, based on the data from OECD, compared to an average of four of the more well-known spot rate indices (XSI, SCFI, FBX, and WCI) for spot rates. We then placed these freight rates in the context of the retail value of the cargo, followed by adding in the carriers' newer surcharges related to equipment availability and space priority. While the scope of these surcharges is less transparent, we used the data presented in a public webinar by Flexport, amounting to 1,000-2,000 USD for Asia-NEUR and 2,000-5,000 USD for Asia-USWC.

Using these add-ons, together with the average spot rates, means a de-facto spot rate of approximately 11,300-12,300 USD/FFE on Asia-NEUR and of 7,000-10,000 USD/FFE on Asia-USWC. With this we took a look at two different scenarios: a) where cargo owners move cargo with retail value at the higher end of the commodity range but with the lower range of surcharges, and b) where it is the complete opposite i.e. lower range of retail value but higher range of surcharges. For Asia-NEUR, this is shown in figure 1.

Fig. 1: Ocean freight rate as share of cargo value
Including rate add-ons ($1,000-2,000/FFE), Asia-North Europe



It is clear that the worst impacted cargo owner category included in the analysis is the assembled furniture, where the freight rate now accounts for up to 62% of the retail value of the goods, when the goods being moved themselves are in the lower range of the commodity value. The situation is also critical for cargo owners moving appliances. Large appliances now command a spot rate up to 41% of the cargo value, and for small appliances the freight accounts for up to 27% of the retail value.

It should be noted that these categories of commodities are not exhaustive, and furthermore that different cargo owners might well deviate from these. It should also be noted that large cargo owners with contracts in place will have freight rates below the indicated spot rates – although still at highly elevated levels, compared to a year ago. But from an overall perspective it is very clear that we are now at a point where an increasing range of cargo owners quite simply will not be able to sustain their business, at the currently high freight rates.

--- 000 --- END OF PRESS RELEASE --- 000 ---

All quotes can be attributed to: Alan Murphy, CEO, Sea-Intelligence.

For more information, please contact: ia@sea-intelligence.com, am@sea-intelligence.com