Analysis Of Shipping Market in China of 2021
From three parts to make the analysis report of China’s Shipping market in 2021.

Part A. The reason of freight rates increased and market disorder.

First, the epidemic has disrupted the supply chain.

Due to the decrease in the number of dockers in the epidemic, the low efficiency of loading and unloading of ships, ships and containers are jammed, one station by one station, problems occur at each station, and the time-consuming of the entire route will increase.

Especially the basic ports in Europe and the United States with large throughput. The Ports of Los Angeles and Long Beach in the United States are heavily congested, and 85% of ships need to anchor at least 8 days before they can operate.
The epidemic has also greatly slowed the handling of containers at terminals. Ports in North America and Europe have been hit hard by the epidemic, and their turnover efficiency has declined, which has seriously port congestion and caused a shortage of containers.

The container cargo detention time in the Ports of Los Angeles and Long Beach in the United States reached 2 months. Each route needs to invest more ships to maintain turnover, and at the same time to invest more new containers to maintain operations, and the market cannot provide another 50% more ships and close to 100% containers in a short time.
As the epidemic worsened, the virus spread to the ship from time to time.

The ship situation is that there are often cases of rapid spread of the new crown virus on the entire ship, which means that these ships have been unable to navigated.

The crew needs to be rotated, and the ship needs to be cleaned and disinfected, resulting in a delay of at least 20 days for the ship. This will also lead to a reduction in capacity, which will worsen the global shipping industry, which is already tight.
Second, a very important factor is the big alliance of shipping companies.

Shipping companies have suffered huge losses in last 10 years. From 2016, shipping companies have realized this loss problem. In particular, the bankruptcy of HANJIN Shipping has made all shipping companies realize that it is difficult to make a profit on their own.
Beginning in 2016, after several years of preparation and negotiation, shipping companies formed three alliances in 2019, namely:

1) **2M ALLIANCE**: MSK, MSC,

2) **OCEAN ALLIANCE**: CMA, COSCO (OOCL), EMC,

3) **THE ALLIANCE**: HPL, YML, ONE, HMM
These three alliances control 85% of the world's transportation capacity. They control the supply of the market through the mode of controlling the space of ships. They increase the space corresponding to the large increase in the market's peak season and reduce the space in the off-season. At the same time, this method is used to effectively control the vicious competition in freight rates, and at the same time, when the volume of goods in the peak season is large, the freight rates are accurately raised.
In April 2020, as the epidemic spreads around the world, overseas epidemics are raging, and work will be resumed indefinitely. However, the epidemic in China has been controlled, productivity has returned to normal, and all orders have flowed to China for a while.

China’s foreign trade orders have suddenly increased, especially those orders from Europe and the United States have returned to China.

Most of the past half year of 2021 can be called the golden time of China's foreign trade industry.

On August 10, the Ministry of Commerce announced China’s foreign trade quotations from January to July: exports and imports were 11.66 trillion yuan and 9.68 trillion yuan, both hitting historical highs over the same period, and both were new highs in the past 10 years.
First, The epidemic has temporarily stopped, but the epidemic still exists. It is difficult to recover within 2 years. With the promotion of vaccines and adaptation to the epidemic, the world will gradually recover, but it will be difficult to recover to the state before the epidemic within 2 years.
Part B. The challenges we will

Second, The shipping companies alliance will continue, and shipping capacity will not increase too much before 2023.
On September 8, 2021, the China, Europe, and the United States have Global Maritime Regulatory Summit try to solve the supply chain problems.

On the second day, it has the result that all European shipping companies suspend the global spot rate increase, which is very good news for shippers.

We expect that many shipping companies will lower their freight rates from the last week of September. Although the rate reduce is not large, we have seen progress. We expect to see more progress in October and November.

For shippers, October and November will be a good time to load.
But in any case, the supply chain from ports and terminals to inland transportation and warehousing is under severe pressure and has reached its limit. We do not expect the freight rate to return to the previous lowest level.

Especially before the Chinese Lunar New Year, freight rates will usher in a new wave of increases. Therefore, I suggest that all shippers ship the goods as soon as possible under the freight that they can afford, so as to avoid future unstable factors.
THANK YOU!