



SEAFREIGHT

Feature by Liesl Venter

Carriers have 'learnt a lesson' during Covid

As the end of 2020 approaches, hopes of improved trading conditions in 2021 have been dashed as market volatility looks set to continue, according to Drewry Shipping Consultants.

"The continued uncertainty will make this year's task of planning

and forecasting more challenging than ever," said a spokesman for the maritime consultancy.

While there has not been much good news in what has arguably been one of the most traumatic and tumultuous years ever, Drewry analysts said container trade had proved to be extremely resilient

during the pandemic as consumer confidence dropped.

"Trade always seems to find a way, even in the most inhospitable conditions," reads one of the latest reports. "This year, ocean carriers have controlled capacity more tightly than in previous crises and were able to secure very high load factors, very

high rates, and lower costs. Some carriers say that they have "learnt a lesson" during the Covid-19 crisis about how to manage their business in times of volatile demand. This could have long-term repercussions on carrier resilience and profitability in what is normally a cyclical, boom-and-bust business."

Seafreight expected to grow at least 3% between now and 2025

Industry analysts are predicting further consolidation in the seafreight industry – and not just in the container sector.

"It is currently under way in the bulk sector," says Professor Christa Sys, BNP Paribas Fortis chair on transport, logistics and ports at the University of Antwerp. "Carriers are going to be strengthening their alliances, but we are also going to see more consolidation in other sectors such as terminal operations."

More regional infrastructure into feeder operations is another trend to look out for as attempts to capture cargo on more regional levels will

increase, she adds.

According to analysis by S&P Global Platts, container freight rates have surged recently. "This tells the story of industry consolidation of the last few years which has been the key to the market's strength. Despite ongoing overcapacity, carrier discipline has succeeded in supporting freight rates in the face of the challenges posed by a global pandemic," reads the report. "The container freight market is braced for a tumultuous final quarter of 2020, with demand expected to tail off and carriers already announcing multitude void sailings going into this period.

These void sailings were a mainstay of the container freight markets during the middle part of the year, as carriers battled falling demand due to the coronavirus pandemic, which meant they were left with a simple choice — reduce capacity drastically through void sailings, or face collapsing freight rates."

While confidence remains shaky experts maintain that the signs of recovery are there. According to recently released market research, the seafreight forwarding market is expected to grow at least 3% between now and 2025, growth driven in particular by rising cross-border

e-commerce sales.

"In 2019, retail e-commerce sales worldwide amounted to around \$3.53 trillion and e-retail revenues are projected to grow even further at a quicker pace in the coming few years. Online shopping is one of the most popular online activities worldwide. Both domestic and cross-border e-commerce is booming in developing markets such as China, India and Indonesia for that reason. And this encompasses not just direct-to-consumer retail, but also shipments of electronics, pharmaceuticals, and consumer packaged goods," according to the report.

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