

There are many contributing factors that have impacted on the logistics industry in the period April 08 to present. Yet looking at the above data it is only easy to identify perhaps two of the major influencers. The first being the unprecedented increase in fuel prices; where the cost of BAF surpassed freight (Aug – Nov 08). The second being the economic down turn.

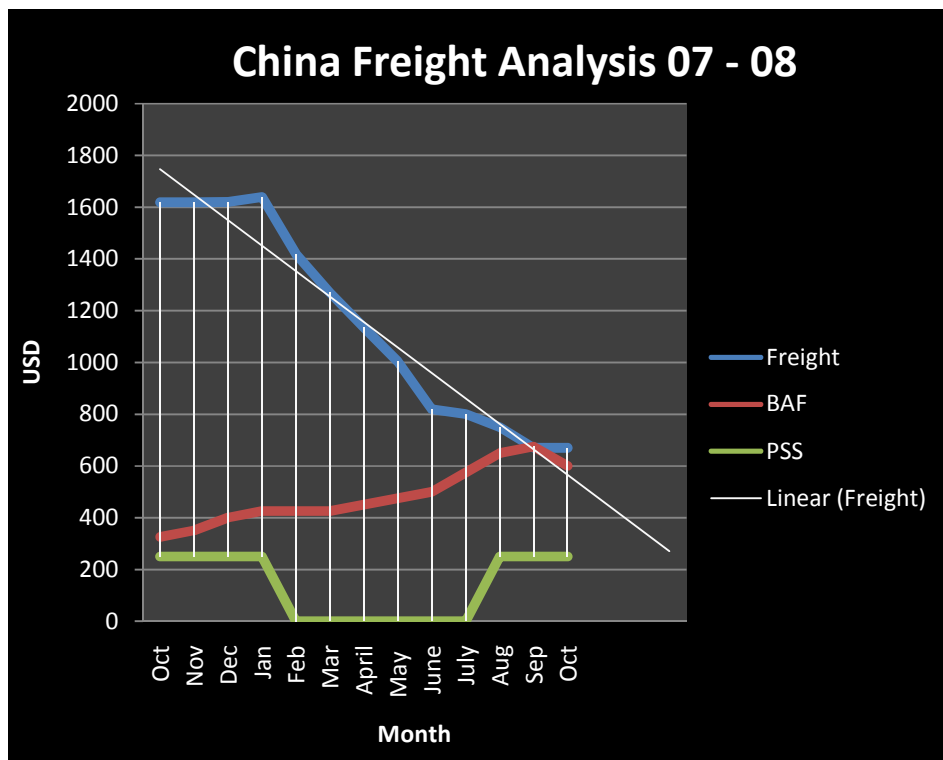
You can isolate (from this data) the precise time frame in which the logistics industry and the shipping industry world- wide sat up and took notice of the impending recession (Dec 08). It was at this point that Peak Season Surcharges took a dramatic early exit, and shipping prices plummeted. It was perhaps even earlier in October where shipping lines chose to drop their PSS charges initially (Oct – Dec) that the industry was first starting to listen to economists and their dooms day predictions.

As the credit crunch hit Australia and their consumers, along with our major trading partners China and the USA, imports decreased just as rapidly as the ocean freight rates. This caused shipping lines to react immediately, either by reducing numbers of ships on certain trade lanes or discontinuing operation in those areas of little value. This has caused problems with over capacity on some trade lanes and limited choices for routings. Exports however increased during this period.

Other significant influence during this period was the impact of the drop in the AUD against the USD. In the below data of the 07-08 analysis, freight costs were at a premium but the AUD was also holding its own.

Last Years Data

This graph indicates an unprecedented cross over in Freight and BAF pricing.



CONCLUSION

With both Fuel and the USD now stabilising, the shipping industry will again begin to pick up and recovery is anticipated by December 09. Unfortunately recovery will mean the increase in freight rates with the first of these increases expected on 1st June (compliments of a GRI of USD 250/500 per 20/40). This will not be the last of the rate increases and the PSS may also be introduced with the recovery around Sep – Dec 09, or before, if shipping volumes continue to rise. It is also anticipated that BAF will rise slightly during this period for both imports and exports.

All analysis is based on the mean 20' container rates over 9 shipping lines.

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