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Published on *JOC.com* (https://www.joc.com)

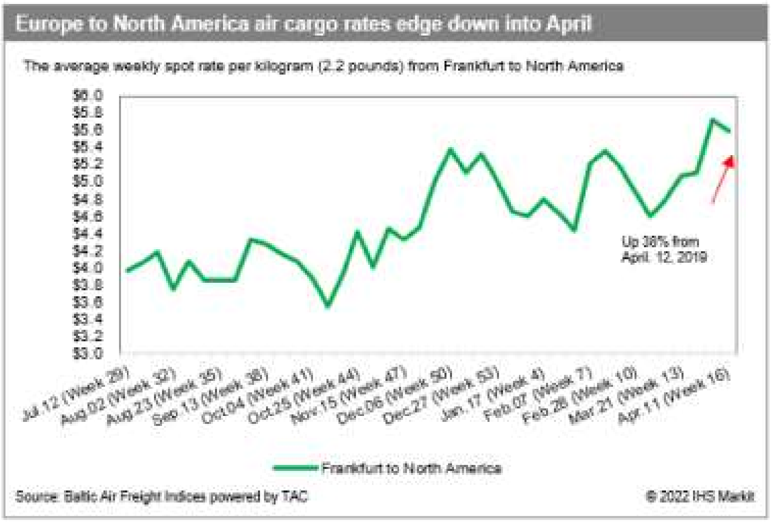
Greg Knowler, Senior Europe Editor | Apr 11, 2022 11:40AM EDT

Air freight rates have remained elevated on trans-Atlantic routes where demand is high and capacity remains tight. Photo credit: Shutterstock.com.

Trans-Atlantic westbound air freight volume increased 25 percent in March year over year as worsening port bottlenecks on the US East Coast forced greater numbers of North American ocean importers into the air.

Niall van de Wouw, chief air freight officer at Xeneta, noted in a market update that the logistical difficulties on the water between Europe and North America were putting “wind into the sails of the air cargo market.”

“With continuously declining schedule reliability of the ocean liners, logistical departments will likely be required to resort to air freight because of disruptions to their supply chains caused by these record-low service levels,” he said.



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Ports on the US East Coast have been battling waves of congestion for the past year, with overwhelmed terminals leading to intermittent vessel backlogs outside the ports of Charleston, Savannah, New York and New Jersey, and Virginia.

The strongly improving US manufacturing landscape and sustained consumer demand is keeping ships out of Europe full, while shippers are also diverting Asia-US cargo from the choked US West Coast Ports to the East Coast and carriers are re-routing some Asia-US services via the Suez Canal to the US East Coast.

The incoming volume is overwhelming terminals. Sea-Intelligence Maritime Analysis data shows record-low schedule reliability and delays of just over 10 days off East Coast ports — longer than the transit time across the Atlantic — and shippers with time-sensitive products cannot wait.

A spokesperson for Kuehne + Nagel, who did not want to be identified, said there was a direct correlation between the shift to air and the sea freight market where congestion was delaying cargo entering through the US East Coast ports. Container lines were also repositioning containers back to Asia, especially reefer boxes.

“This has forced a number of shippers with very defined lead times to shift their goods from sea freight to air freight,” the spokesperson told JOC.com. “This leads to growth in temperature-controlled shipments as well as growth in industries that might not normally ship by air, such as the automotive companies.”

Shift to air lifts freight rates

The modal shift has kept air cargo rates highly elevated on the North Europe to North America trade lane since a slight post-Chinese New Year dip in February. At $5.59 per kilogram this week, the price is up 38 percent year over year, according to the Baltic Air Index (BAI).

Kuehne + Nagel also pointed to the rise in manufacturing in the US over the past two quarters, reflected in a strong 2021 fourth quarter showing by the Purchasing Manager’s Index (PMI). The spokesperson said the manufacturing PMI typically led air freight demand by two to three months, so “it is not surprising to see actual air freight tonnage growth higher.”

After a solid start to the year, US production accelerated through March, according to the latest manufacturing PMI from JOC.com’s parent company S&P Global.

Chris Williamson, chief business economist at S&P Global, said strong US demand and improving business prospects countered the headwinds of soaring cost pressures and the Russia-Ukraine war.

“Order book growth has picked up as customers look to the further reopening of the domestic and global economies amid signs that the disruptions from the pandemic continue to fade,” Williamson noted in his analysis of the PMI survey responses.

“While companies continued to report widespread production constraints due to supply chain bottlenecks, the incidence of such delays is now lower than at any time since January 2021,” he added.

DB Schenker reported strong demand on the trans-Atlantic from key customers in the fashion industry in March with some conversion from ocean to air, although the forwarder declined to provide further details.

DHL noted in an air freight industry report for March that airlines continue to manage yields aggressively, and extra capacity was available, but at a premium. Alternate routings because of closed airspace over Russia, Belarus, and Ukraine were also creating additional transit time and increased costs for carriers.

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