

# Shipping costs slide back to pre-2020 level

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Shipping rates have almost fallen back to pre-pandemic times, after shooting up in 2021 to touch a level five-fold higher in the beginning of the year.

As per UN trade body UNCTAD's maritime transport review, Shanghai Containerised Freight Index stood at \$1,002 per container per shipment in January 2020. The rates kept rising in 2021 and made a steep rise towards \$5,053 as on January 5 2022.

A surge in consumer spending especially for goods ordered online combined with supply chain disruptions and logistics constraints had pushed container freight rates to five times their pre-pandemic levels in 2021.

However, since then, the shipping rates have been falling sharply and as of November 25, 2022, it came down to \$1,229 per container per shipment.

"Shipping rates are almost down to pre-pandemic levels. The issues related to the availability of containers have been almost resolved," said K Unnikrishnan, joint director general, Federation of Indian Export Organisations.

Fears about a possible global recession and rapid inflation have been driving down the global consumer market. The pandemic boom in demand for consumer products

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has calmed. According to reports, shipping rates are set to further ease for the remainder of the year and in 2023.

A large number of new vessels are expected to hit the water over the next two years, with net fleet growing by over 9 per cent in 2023 and 2024.

Meanwhile, considering the low levels of consumer spending, UNCTAD has projected that global maritime trade will lose steam, with growth slowing to 1.4 per cent in 2022. For the period 2023-2027, it is expected to grow at 2.1 per cent annually slower than the 3.3 per cent average recorded during the past three decades.

However, UNCTAD apprehends that consolidation in the shipping market can reduce competition and constrain supply. It can lead to market power abuse and higher shipping costs for businesses.