

■ Buyers go slow on orders as shipping costs shoot up

Freight rates jump 250%

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Freight shipping costs have increased around 250 per cent in the past one year. Overseas buyers have started going light on inventory and this is likely to affect the exports in the coming months, finds the industry.

On an average, shipping cost to different destinations has shot up by 200 to 250 per cent compared to August last year. In cases of Latin American countries and West Africa, the costs are up by 500 to 600 per cent, said Ajay Sahai, director general and CEO of the Federation of Indian Export Organisations (Fieo).

According to him, overseas buyers are going light on their inventory and this is likely to affect exports as



well as production in the coming months.

"Earlier, the buyers would hold inventory of up to six months as the freight costs remained almost constant. But now, with costs going over the roof, many buyers are keeping stocks for just two months in the hope that freight costs would come down in the future," he said.

"But this will start affecting our exports soon and in turn our production too will slow down," he added.

Exporters of high volume low-value products are the worst hit as their margins do not support 250 per cent rise in shipping costs.

The freight charges have been going up drastically ever since China revived its exports after getting

affected by the pandemic. China has been paying a premium on empty containers and rewarding the shipping lines. Further, the decline in the production of new containers during the pandemic also affected the availability. Fuel prices too are influencing the costs.

Some in the industry have been alleging cartelisation by shipping lines as a reason behind the steep rise in freight charges.

"The increased freight charges at times are much higher than what needs to be levied in such a situation. The shipping lines, most of them being foreign companies, are functioning in an arbitrary manner. The shortages as well as increase in charges are sometimes artificial," said Arun Garodia, vice chairman, EEPIC India.