



# Sea and air freight snapshot

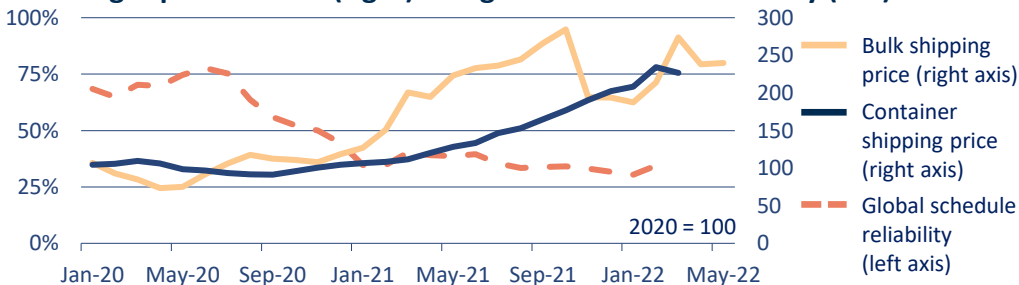
## May 2022

Sea and air freight costs have declined slightly, but remain above pre-COVID-19 levels. Sea freight is slower and less reliable and limited improvements are expected until 2023. The gradual increase in international passenger flights will increase the supply and reduce the cost of air freight.

### Sea freight

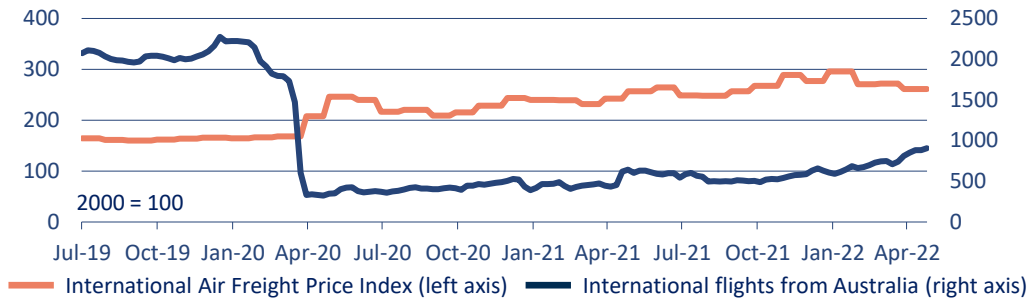
- > Around 90% of the value of Australian agricultural exports is shipped via sea freight.
- > While the cost of bulk shipping has declined from October 2021 highs, costs remain higher than pre-COVID-19 levels and global sea freight reliability is at record lows.
  - > Bulk shipping costs from Australia, [rose by 122%](#) between January 2020 and April 2022.
  - > Container shipping costs from Australia, [rose by 117%](#) between January 2020 and March 2022.
- > High consumer demand, terminal congestion, movement restrictions and staff shortages have all contributed to elevated sea freight costs and delays.
- > COVID-19 lockdowns in China are causing port delays and congestion. Pent-up demand is expected to cause a surge in sea freight demand when lockdowns end. This will lead to further congestion, delays, and higher sea freight rates in the short-term.
- > Sea freight transit times and costs are unlikely to decline in 2022. While pre-COVID-19 reliability is expected to return in 2023, costs are expected to remain above pre-COVID-19 levels.

### Sea freight price indices (right) and global schedule reliability (left)



Sources: IGC, CTS, GLP, IATA & FRED.

### Weekly outgoing international flights from Australia (right) and International Air Freight Price Index (left)



### Air freight

- > Prior to COVID-19, international passenger aircraft carried 82% of Australia's air freight exports.
- > Weekly outgoing international flights from Australia are recovering but remain 56% lower than pre-COVID-19 levels.
  - > The International Air Transport Association expects global international flights to [reach 69%](#) of pre-COVID-19 levels in 2022 and 101% of pre-COVID-19 levels by 2025. Increased international travel will support air freight availability.
  - > Prices remain elevated compared to pre-COVID-19 levels. International air freight costs [rose by 59%](#) between January 2020 and April 2022.
- > High oil prices are increasing the cost of air travel, offsetting some of the benefits of increased international passenger flights.
- > Shanghai Pudong Airport (China's largest cargo airport) is operating at reduced capacity due to COVID-19 lockdowns. This has made it more difficult for high-value perishable products to reach the China market.
- > An e-Commerce boom has led to increased demand for air freight. This will drive up air freight prices if adequate supply is not available.