

Jammed up

Trade data and policy tracker

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Economics - Global

- ◆ Worsening bottlenecks at major ports are stretching supply chains...
- ◆ ...and exacerbating pressures for businesses in the middle of the peak container shipping season
- ◆ Global services trade is recovering but remains below pre-pandemic levels for key economies

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What do you get when you combine peak container shipping season with a pandemic? Jammed up supply chains. Exporters and importers are currently in the throes of the peak container shipping season. But due to strong demand for goods even ahead of peak season – the volume of goods traded from Asia to North America in the first seven months of this year was nearly 1.3 times that sent in the same period pre-pandemic – and COVID-19 restrictions, traders are facing significant challenges around port congestion and production disruption.

The ports of LA and Long Beach are the most congested globally. At the time of writing, there were 66 container ships waiting offshore to unload cargo and a further 30 at berth according to Marine Exchange of Southern California data. As a result, the average waiting time for vessels to berth has stretched to over 10 days. This time last year it was less than 2 days.

Adding to shipping disruption are pressures with inland logistics – namely trucking. In the US, active truck utilisation is around 100%, while the UK is facing its own issues around the availability of lorry drivers due to a combination of Brexit, COVID-19 and the industry's ageing workforce. According to ONS data, there were 37% fewer EU HGV drivers in the UK over April 2020 to March 2021 compared to a year earlier.

COVID-19 related production disruption in key manufacturing economies (e.g. Vietnam, Malaysia) are also adding to the woes. However, supply chains in emerging Asia are not as stretched as in developed markets. And factory operations are set to resume in Vietnam from early October (Maersk, 27 September 2021).

On the trade policy front, both mainland China and Taiwan launched bids to join the high-standards CPTPP trade deal this month, while the UK began its first round of negotiations with members to accede to the agreement. The deal also entered into force for Peru, one of the original CPTPP members, on 19 September 2021.

There have been new developments around the UK's post-Brexit customs arrangements. The UK Government this month announced it was delaying the introduction of certain customs formalities on imports from the EU to 1 July 2022, and suspended indefinitely new customs requirements on Great Britain-Northern Ireland flows. However, the UK and EU still need to agree a way forward on the Northern Ireland Protocol.

This is an abridged version of a report by the same title published on 30-Sep-21. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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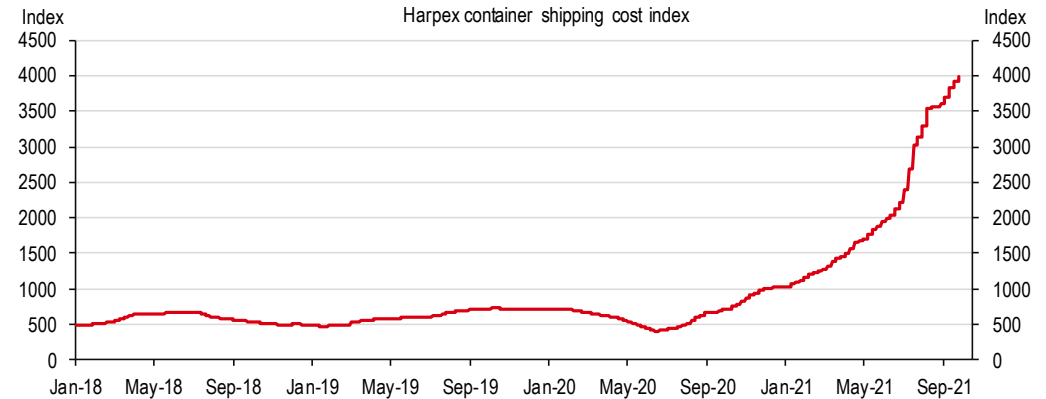
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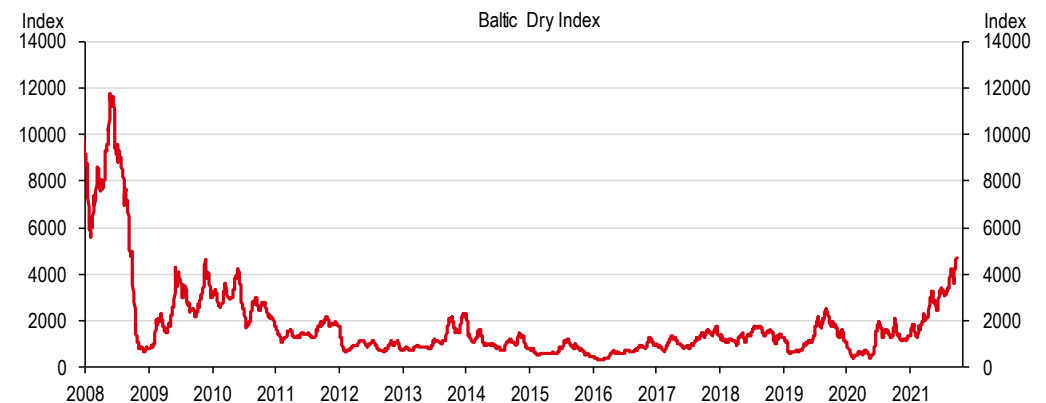
Monthly trade trends

1. Container shipping costs continue to rise amid trade disruption...



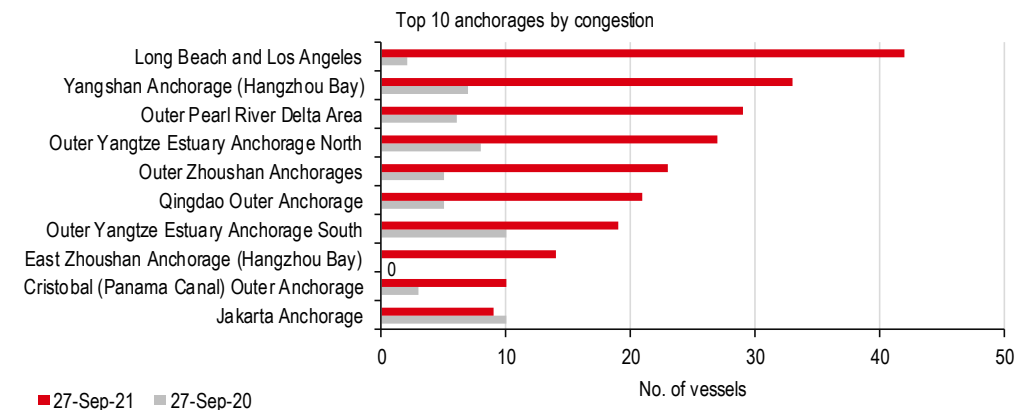
Source: Refinitiv Datastream

2. ...while the cost of shipping dry bulk commodities reached a 13-year high this month



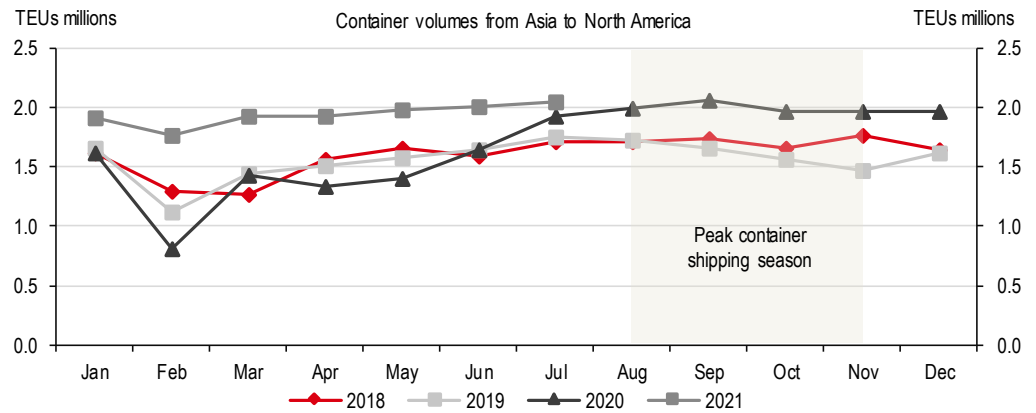
Source: Refinitiv Datastream

3. Congestion is worsening at the ports of LA and Long Beach...



Source: Refinitiv Eikon

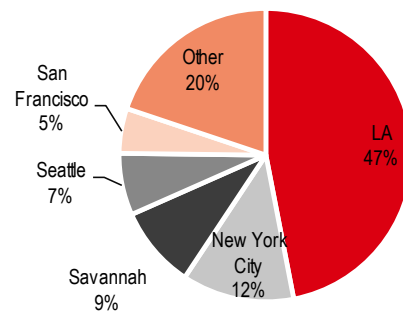
4. ...amid strong flows from Asia ahead of the current peak container shipping period



Source: Bloomberg. Note: TEU = twenty-foot equivalent unit.

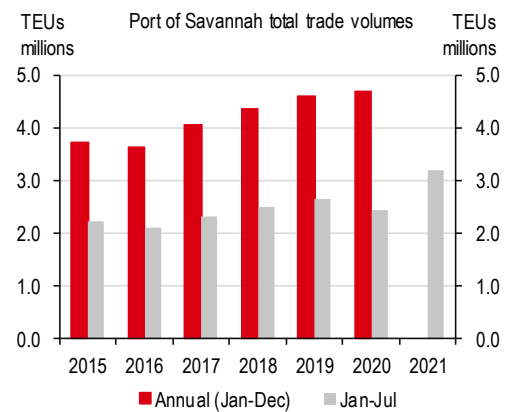
5. The Port of LA is important for US-China trade...

US import volumes from mainland China by port
- YTD July 2021



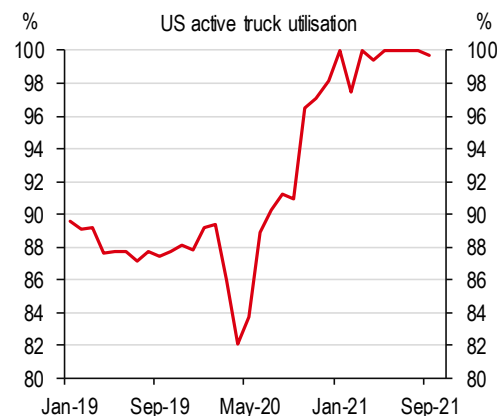
Source: USA Trade Online, HSBC

6. ...but ongoing congestion has led to shipments being diverted to the East Coast



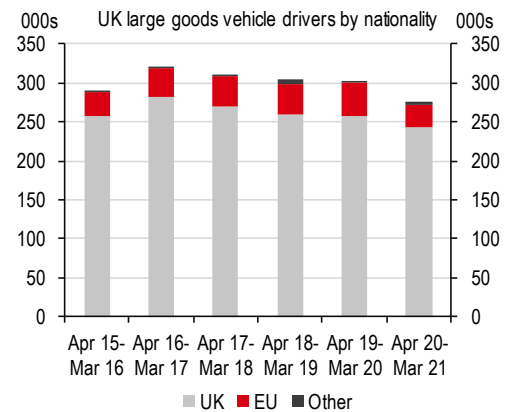
Source: Bloomberg, Georgia Ports

7. Truck capacity remains tight in the US...



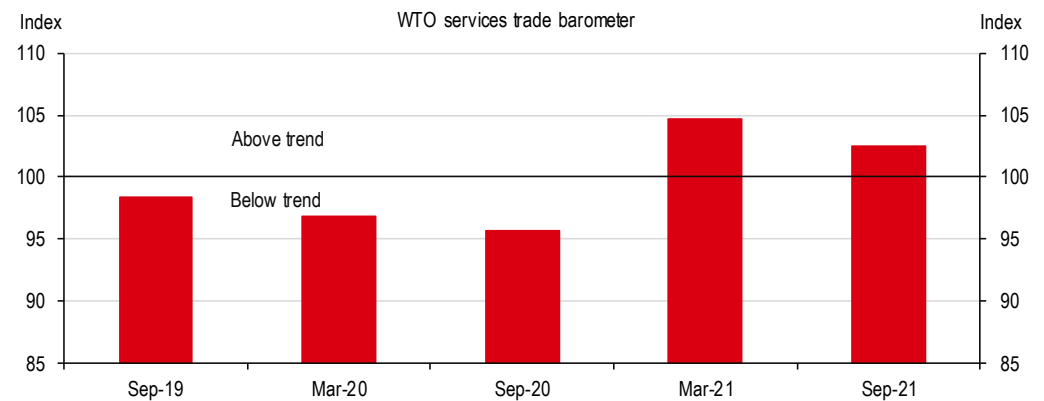
Source: Bloomberg, FTR. Note: Data for August and September are estimates. Active truck utilisation is a measure of tightness of trucking capacity.

8. ...while the UK has lost EU truck drivers amid the pandemic and Brexit



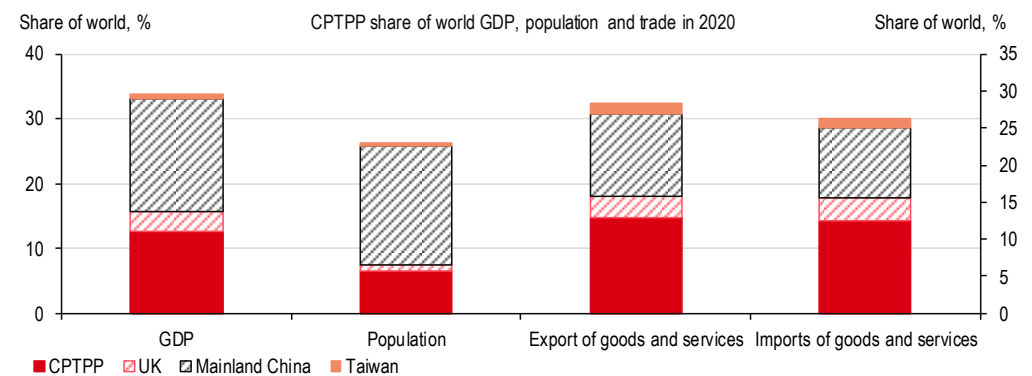
Source: ONS

9. Global services trade activity continues to recover



Source: WTO, HSBC. Note: The services trade barometer combines a variety of trade-related component indices to provide an indication of global services trade.

10. Mainland China and Taiwan would add economic weight to the CPTPP trade bloc if their applications to join are successful



Source: UNCTAD, HSBC

Trade policy calendar

11. Key upcoming trade events

● Deadline ● Event ● Report

Date	Type	Details
28 September to 1 October 2021	●	WTO Public Forum
29 September 2021	●	EU and US held first ministerial-level meeting of the new transatlantic Trade and Technology Council
05 October 2021	●	G20 Trade Ministers' Meeting
15 October 2021	●	US semi-annual report on the currency practices of key trading partners due
15 to 16 October 2021	●	G20 Finance Ministers' meeting, deadline to finalise global negotiations on corporate taxes
26 to 28 October 2021	●	38th and 39th ASEAN Summits
30 to 31 October 2021	●	G20 Leaders' Summit
01 November 2021	●	Target deadline for UK and Australia to finalise bilateral trade deal
	●	EU and US aim to resolve dispute over US steel and aluminium tariffs
w/c 08 November 2021	●	APEC ministerial meeting
30 November to 3 December 2021	●	12th WTO Ministerial Conference (MC12) to take place
01 December 2021	●	EU set to raise retaliatory tariffs on US products over US steel and aluminium tariffs if a truce is not reached - delayed from 1 June 2021
31 December 2021	●	End of purchase commitment requirements under the US-China Phase One deal.
01 January 2022	●	Regional Comprehensive Economic Partnership (RCEP) expected to take effect
	●	Pre-notification requirements of sanitary and phytosanitary goods from the EU to UK take effect. Delayed from 1 October 2021.
	●	Full customs declarations required on goods from EU to the UK.
24 February 2022	●	One-year review of US supply chains in six key sectors (defence, public health, ICT, energy, transportation, food) due
01 July 2022	●	Target deadline for UK-Australia trade deal to take effect
	●	Export Health Certificates required for goods from the EU to the UK. Delayed from 1 October 2021.
	●	Phytosanitary Certificates and physical checks on certain goods from the EU to the UK to be introduced. Delayed from 1 January 2022.
	●	Safety and Security declarations on goods from the EU to the UK required. Delayed from 1 January 2022.
01 January 2023	●	Certain goods sold in GB will now require the UKCA (UK Conformity Assessed) marking as the EU's marking (the CE mark) will no longer be accepted. Delayed by one year from 1 January 2022.
TBC	●	Grace periods for customs formalities on certain GB exports to NI were suspended indefinitely in September 2021.

Source: HSBC, Inside US Trade, Politico, USTR, OECD, WTO, Institute for Government, UK Government

Disclosure appendix

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