

The Impact of Soaring Sea Freight Costs on Vietnamese Enterprises

An Analysis of Current Challenges and Potential Solutions



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As of July 2024, Vietnamese enterprises, especially those involved in export and import activities, are experiencing significant challenges due to increasing sea freight costs. These rising costs, coupled with logistical bottlenecks, have placed immense pressure on product prices and delivery schedules. This essay delves into the current situation, its underlying causes, and potential strategies for mitigation.

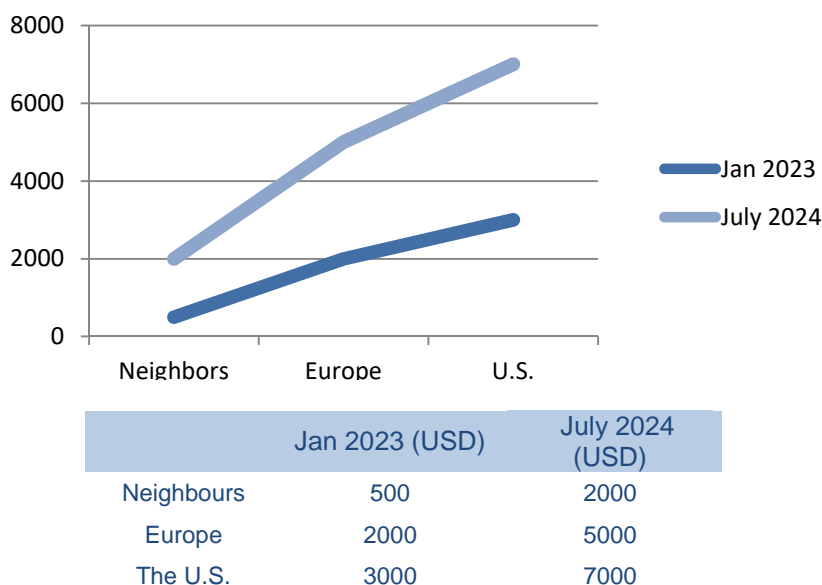
1. *Rising Sea Freight Costs*

The primary issue confronting Vietnamese enterprises is the sharp increase in sea freight costs. The cost of shipping a container to the United States has surged to between \$6,000 and \$7,000, more than double previous rates.

Similarly, shipping to Europe now costs approximately \$4,000 to \$5,000 per container, a two- to three-fold increase from the end of last year.

Even shipping to nearby regions such as China, Japan, South Korea, and Southeast Asian countries has become more expensive, with costs ranging from \$1,000 to \$2,000 per container.

Graph 1. Trend of sea freight costs for different routes (in USD)

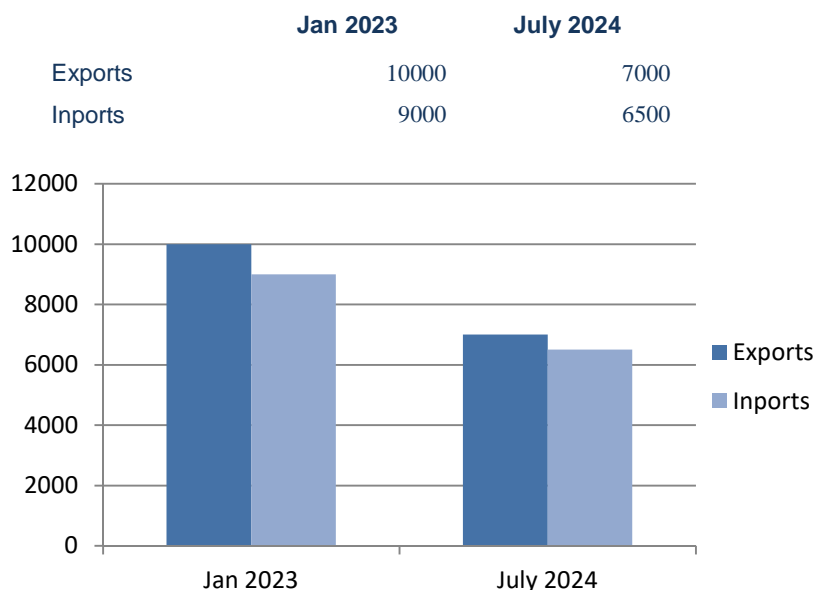


Source: General Statistics Office

These cost increases are not merely temporary fluctuations but reflect deeper systemic issues within the global shipping industry.

The director of Chanh Thu Company in Ben Tre province highlighted that these rising costs have had a substantial impact on their export operations, necessitating higher product prices to offset the increased transportation expenses.

Graph 2. Volume of goods exported/imported over recent months, showing a correlation between rising costs and any potential decline in volumes (TEUs)



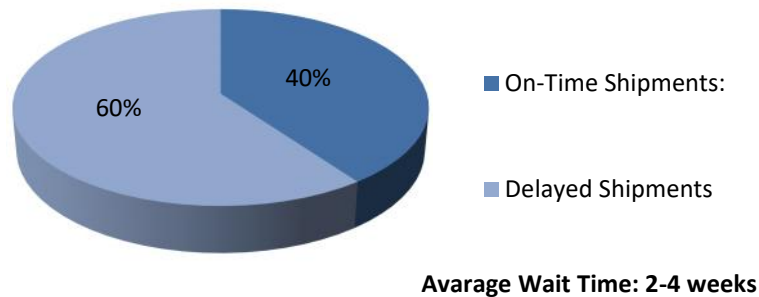
Source: General Statistics Office

2. **Logistical Challenges and Container Shortages**

In addition to rising costs, Vietnamese enterprises face significant logistical challenges, particularly due to a shortage of containers.

This shortage has resulted in delays and increased storage costs as goods wait to be loaded onto ships. Many businesses now find it necessary to book shipping services at least a month in Advance, a significant shift from previous practices where bookings could be made much closer to the shipping date.

Graph 3. Percentage of delayed shipments due to container shortages and the average wait time for securing containers



Source: General Statistics Office

The shortage of containers and the difficulty in securing shipping slots have further strained the logistics operations of Vietnamese enterprises.

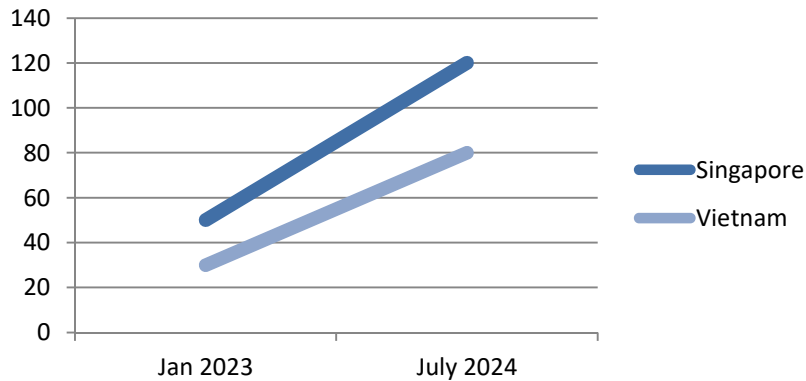
For instance, Blue Sea Transportation, a logistics company based in Ho Chi Minh City, struggled to book containers for their shipments from Bangkok to Vietnam, securing only a fraction of their required capacity.

3. **External Factors Influencing the Shipping Industry**

Several external factors have contributed to the current situation. Recent disturbances in the Red Sea have disrupted traditional shipping routes, while China's aggressive acquisition of empty containers for electric vehicle exports has exacerbated the container shortage.

Additionally, port congestion in major transit hubs like Singapore has further compounded the problem, causing delays and increased costs.

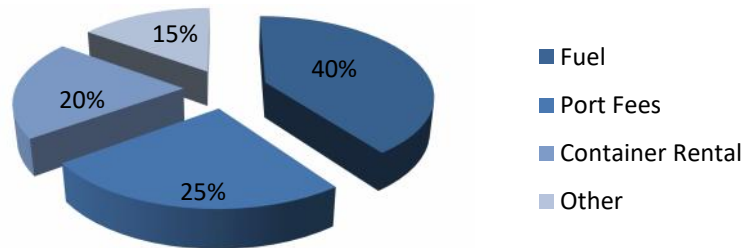
Graph 3. Congestion levels at major ports (e.g., Singapore)



Source: General Statistics Office

The spokesperson of a southern shipping company noted that these issues are primarily transient and time-sensitive. If resolved by the third quarter of 2024, shipping costs may return to normal levels. However, the uncertainty surrounding these issues makes it challenging for businesses to plan and budget effectively.

Graph 4. Cost Breakdown of Shipping



Source: Inoriza.com

4. Government and Industry Response

In response to these challenges, businesses have called for greater collaboration and support from the government. Ngo Tuong Vy, director of Chanh Thu Company, emphasized the need for government assistance to help export-import firms manage ocean freight expenses. Additionally, there is a call for more transparency and upfront communication from shipping carriers regarding pricing and logistical issues, enabling businesses to plan better and mitigate potential losses.

The Vietnam Logistics Business Association has also highlighted the penalties and financial losses incurred due to delivery delays. Chairman Le Duy Hiep pointed out that port delays and backlogs have caused significant disruptions in shipping schedules, leading to increased costs and operational inefficiencies.

5. Potential Strategies for Mitigation

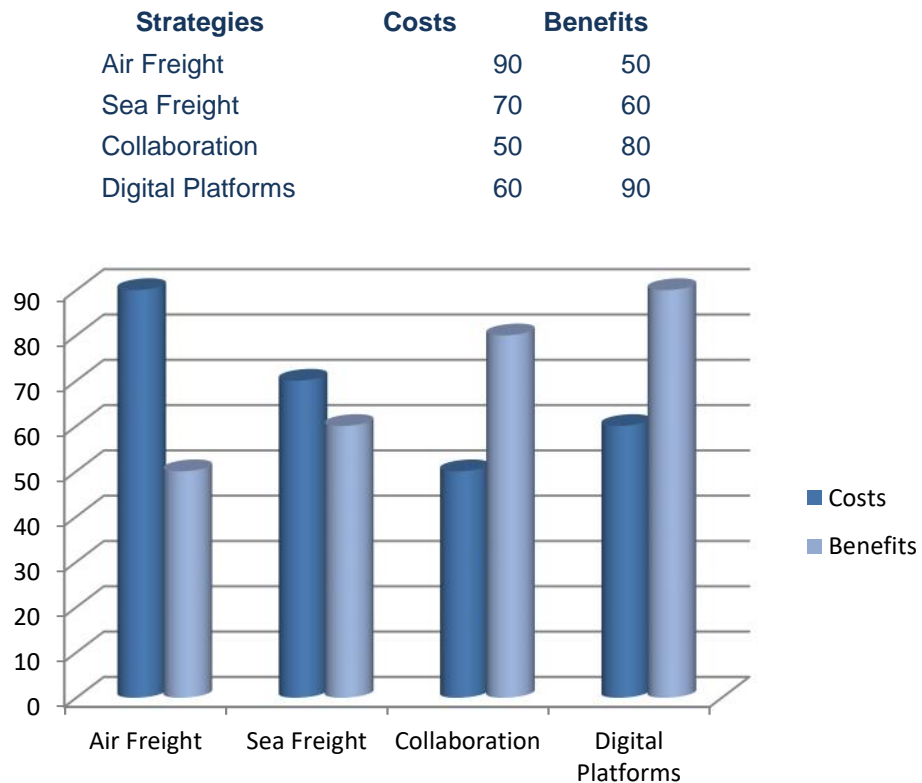
To address these challenges, Vietnamese enterprises can explore several strategies. Firstly, diversifying transportation modes, such as utilizing air freight for high-value or time-sensitive goods, can provide some relief.

Although air freight is typically more expensive, it offers faster delivery times and can help mitigate some of the delays caused by sea freight issues.

Secondly, businesses should consider strengthening their collaboration with logistics providers and other companies to consolidate shipments and secure better rates. By pooling resources and negotiating collectively, businesses may be able to achieve more favourable terms and reduce the impact of rising costs.

Lastly, investing in digital logistics platforms and technologies can enhance supply chain visibility and efficiency. Platforms (global logistics platforms), can help businesses better manage their shipping schedules, track shipments in real time, and respond more effectively to disruptions.

Graph 4. Mitigation Strategies



Source: Inoriza.com

6. Conclusion

The current situation of rising sea freight costs and logistical challenges presents significant hurdles for Vietnamese enterprises engaged in international trade. These challenges are driven by a combination of external factors, including geopolitical disturbances, container shortages, and port congestion.

To navigate this complex landscape, businesses must adopt a multifaceted approach, leveraging government support, industry collaboration, and technological advancements to mitigate the impact and ensure the continued growth of Vietnam's export-import sector.

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Background: Experienced professional with expertise in international trade, business development, management, and transportation logistics. Published numerous articles and research papers on supply chain issues in Southeast Asia.

Biography:

"Rising sea freight costs and its impact on Vietnamese enterprises". Kim Thoa / Tuoi Tre News, Monday, July 15, 2024,

"Vietnam's Logistics Industry Faces Challenges Amid Rising Costs and Regulatory Hurdles" (July 2024) - This article highlights the ongoing issues in Vietnam's logistics industry, including inadequate transport infrastructure, port congestion, and regulatory barriers. The piece also discusses the integration of digital technologies and sustainable practices aimed at enhancing efficiency and competitiveness in the sector (Industrial Property by Savills Vietnam).

"Innovations Driving Efficiency in Vietnam's Logistics Sector" (July 2024) - Focusing on the technological advancements transforming the logistics industry in Vietnam, this article covers the adoption of IoT, AI, blockchain, and sustainable logistics practices. It also explores how these innovations are helping companies reduce costs and improve operational efficiency (Industrial Property by Savills Vietnam).

"Vietnam Freight and Logistics Market Analysis 2024" - This comprehensive market analysis provides insights into the current state of Vietnam's freight and logistics market, covering key trends, market size, and growth opportunities. The report details the impact of recent economic developments, trade policies, and technological advancements on the logistics sector (Mordor Intelligence).

"Vietnam Logistics Companies Adapt to Market Challenges" (July 2024) - This news report discusses how logistics companies in Vietnam are adapting to market challenges, including rising freight costs and container shortages. It highlights strategies such as forming alliances, leveraging technology, and optimizing supply chains to navigate these difficulties (Industrial Property by Savills Vietnam) (Mordor Intelligence)

Statements from industry representatives: Various industry leaders discussing the current challenges and potential solutions ("Rising sea freight costs and its impact on Vietnamese enterprises". Kim Thoa / Tuoi Tre News, Monday, July 15, 2024):

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- *Ngo Tuong Vy: Director of Chanh Thu Company, Ben Tre province*
- *Tran Huu Hau: Deputy General Secretary of the Vietnam Cashew Association (VINACAS)*
- *Nguyen Thanh Tuan: General Director of Blue Sea Transportation, Ho Chi Minh City*
- *Nguyen Hoai Chung: CEO of Phaata, a global logistics platform from Vietnam*
- *Le Duy Hiep: Chairman of the Vietnam Logistics Business Association*