

Friday, January 5, 2024

## Service Interruption Red Sea and Suez Canal – Update 3

Dear valued Customer,

Following on from our customer information of December 2023, in which we informed you about the consequences of missile attacks on ships passing through the Red Sea, we are continuing to monitor the situation closely and would like to inform you of the latest developments.

The situation in the Red Sea remains highly uncertain and the international naval presence in the Red Sea has not deterred Houthi attacks, which have continued into the new year. Since November 19 last year, the Houthi rebels have carried out several drone and missile attacks on merchant vessels in the Red Sea and at the entrance to the Suez Canal, an important transit route for global shipping.

### Sea Freight

At least 18 shipping companies have now decided to avoid the Red Sea and sail around the Cape of Good Hope in South Africa instead - a longer journey of 4,000 nautical miles, which also takes 10-14 days longer.

The most recent impact was the introduction of surcharges by shipping companies, of which we informed you on December 22, 2023. It can be assumed that these surcharges will remain in place for the time being, as there is no sign of the Red Sea crisis easing and the effects will therefore continue.

Analysts anticipate continued extended supply chains, longer delivery times, port congestion and empty container shortages but also higher rates, which are already rising fast on both the major trades on the Pacific and to Europe from Asia.

According to the market research company Alphaliner, spot rates on the route between the Far East and Europe have reached their highest level in 15 months this week. Rates on this route recorded an increase of 80% on Friday last week compared to the previous week. The route from the Far East to the Mediterranean also rose by 70% compared to the previous week. This is also the highest level in 15 months.

### Air Freight

The Red Sea crisis impacting maritime container shipping have not yet had a noticeable impact on air freight rates, as the increase in demand for air freight during the holiday season had almost come to an end by the time these events began.

However, it can be assumed that the demand for air freight will increase significantly in the coming weeks, resulting in a shortage of air freight capacity and consequently significant price increases on the most important routes.

The year 2024 could mark the start of a new growth cycle for the global air cargo industry after last year ended with a 9% year-on-year increase in demand and the overall air freight spot rate reaching its highest level in nine months, according to Xeneta's latest weekly market data analysis.

While the geopolitical environment and cost of living pressures continue to pose significant hurdles to global trade, the predictability of air freight means that the industry will benefit from increased international disruption, says Niall van de Wouw, Xeneta's Chief Airfreight Officer.

### Rail

The price increase in sea freight is also spreading to further types of transcontinental freight transport. Affected by the Red Sea Crisis, the popularity of the China-Europe rail service has increased, and the number of inquiries has surged recently. Transit times from China-Europe and Europe-China range from 15 to 20 days, depending on terminal pairs (Rail FCL and LCL).

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If you have any questions about your shipments, please get in touch with your known contact person in the Leschaco Group.

For urgent shipments, we recommend to proactively consult with your known contact person at Leschaco about alternative transport options in the form of air freight, sea / air freight and rail freight and to book the freight immediately in advance to ensure that solutions can be created for your individual needs.

Further developments and effects remain to be seen. We will monitor the situation closely and keep you informed.

We will make every commercially reasonable effort to fulfil the agreements concluded with you on time and under the agreed conditions. However, we cannot exclude the possibility that these developments and events may prevent us from doing so or may cause additional costs.

We will inform you proactively about all possible changes, so that we can find the best possible solution together for your shipments.

**Kind regards**

**Leschaco (Lexzau, Scharbau GmbH & Co. KG)**

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**Disclaimer**

Please note that all information reported in the Customer Advisory is to the best of our knowledge at the time of writing, but we cannot guarantee its correctness or accuracy.