

Monday, January 15, 2024

Service Interruption Red Sea and Suez Canal – Update 4

Dear valued Customer,

Five weeks after the start of the crisis on the Red Sea, the situation remains critical and extremely dynamic.

On Tuesday last week, the Houthis launched their largest attack to date, but the overall impact was minor.

Early last Friday, US Central Command announced that the threat to global trade posed by the attacks that have taken place in the Red Sea and Gulf of Aden over the past two months is no longer acceptable and that its forces, in coordination with the United Kingdom, are responding to the Houthi attacks with an initial counter-attack. Ahead of the attacks, the leader of the Houthi movement warned: “Whoever wants to get involved and attack our dear people and target the naval forces is risking his navigation and commercial ships.”

The situation and future direction of this conflict remains dynamic and therefore unclear.

Sea Freight

The major shipping companies continue to divert ships with liner services from the Suez Canal around the Cape of Good Hope.

The latest data from global benchmarking platform Xeneta has shown that ocean freight rates from the Far East to the Mediterranean and Northern Europe will increase by 200% over the next seven days since mid-December. “The longer this crisis goes on, the more disruption it will cause to ocean freight shipping across the globe and costs will continue to rise,” Peter Sand, chief analyst at freight platform Xeneta, said last Friday.

The company has also reported that shipping companies are offering space guarantees and premium surcharges of up to USD 1,500 per container to ensure priority services prior to Chinese New Year holidays, starting February 10, 2024.

The rerouting of vessels from the Suez Canal is already placing a strain on capacity globally. In addition, demand for containers in Asia is rising sharply, as an increased volume of freight capacity is expected in the coming weeks to fulfil orders ahead of Chinese New Year. Ocean carriers will therefore utilize shipping capacity to bring as many empty boxes as possible back to Asia, which could push up transatlantic rates further.

In addition to the surcharges and rising rates, bottlenecks in equipment are also expected from the second half of January. These shortages in equipment may also lead to further rate increases.

As a result of the rerouting of ships, port congestion is also likely to increase, resulting in waiting times and longer dwell times in the terminals and consequently to further delays.

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.

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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).

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

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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.