

Tuesday, January 30, 2024

## Service Interruption Red Sea and Suez Canal – Update 6

Dear valued Customer,

The Houthi rebels, that controls much of Yemen, has attacked dozens of commercial ships in the Red Sea since November 2023, disrupting international maritime trade and raising concern about the impact on the global economy. Since then many carriers are avoiding the Red Sea and the Suez Canal. Traffic in these busy waterways has reportedly fallen more than two-thirds.

Last Friday the [United Nations Conference on Trade and Development \(UNCTAD\)](#) has raised alarm over the disruption in global trade due to the ongoing crisis in the Red Sea shipping route. It says that recent attacks on ships in the Red Sea, combined with geopolitical tensions affecting shipping in the Black Sea and the impacts of climate change on the Panama Canal, have given rise to a complex crisis affecting key trade routes.

How long the Red Sea crisis will last is still uncertain.

### Sea Freight

Xeneta's latest iXRT report, published on January 29, 2024, assumes that the global container shipping industry will continue to be severely affected by the crisis in the Red Sea. According to the report, spot rates from the Far East to the Mediterranean are currently 218% higher than on December 01, 2023. Spot rates have also risen sharply in trade lanes that are less directly affected by the crisis in the Red Sea. In traffic between the Far East and the US West Coast, spot rates per 40 feet were 129% higher on January 25 than at the beginning of December last year. Spot rates between the Far East and the US East Coast are 116% higher per 40 feet than on December 01, 2023.

The Chinese New Year begins on February 10, after which demand is expected to be weaker. Lars Jensen CEO and partner of Vespucci Maritime, a leading consultancy in container shipping, ports and terminals, believes that not only will demand fall after the Chinese bank holidays, but that ship movements and equipment flows will also readjust to the changed routes at the Cape of Good Hope. "This will still mean rates are much higher than pre-crisis, because the longer routes will soak up large amounts of capacity and carry extra cost, but I expect the spike in spot rates to abate somewhat," said Mr. Jensen.

Arrival delays caused by the sudden changes to voyage routings were reflected in schedule reliability data. On the Asia-North Europe corridor, schedule reliability in December fell 9.2 percentage points from November to 46.4%, according to Sea-Intelligence Maritime Analysis. It was the lowest reliability since October 2022 when severe congestion choked ports at both ends of the trade lane. Ships arrived in North European ports almost five days late on average in December, one day later than in November.

On the backhaul Europe-Asia trade lane, the on-time performance of vessels in December declined 8 percentage points to 64.8%. Asia-Mediterranean schedule reliability fell 3.2 percentage points to 63.5% last month. Sea-Intelligence data shows the average arrival delay for ships in the Mediterranean was just short of seven days in December, up 2.59 days from November.

### Air Freight

Xeneta said in its latest iXRT report that the global air freight load factor stood at 57% in the week ending January 21, down 5 percentage points from its peak in mid-December 2023. In turn, the average global air cargo spot rate charged by carriers fell 14% per kg in the same timeframe from mid-December to January 21, returning to a similar level as the average global seasonal rate.

The impact of the Red Sea crisis on the air cargo market has been mainly concentrated on routes between Asia, the Middle East, and Europe. "This has not had concentrated on routes between Asia, the Middle East, and Europe. This has not had a significant impact on other air cargo routes.", the report states.

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Xeneta expects a seasonal increase in air freight demand in the coming weeks. A stronger-than-expected air cargo demand is brewing as the Asia to Europe market approaches the Lunar New Year holidays, which coincide with the ongoing Red Sea crisis. This will be further amplified by Mother's Day and Valentine's Day, which will extend the market 'excitement' beyond the Asia to Europe region.

## 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**

**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.