

Friday, February 9, 2024

Service Interruption Red Sea and Suez Canal – Update 7

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.

Despite the security measures taken by the US and its allies, it is uncertain whether these efforts will be able to completely stop the Houthi attacks. How long the crisis in the Red Sea will last therefore remains uncertain.

Sea Freight

With the Houthi rebels continuing to attack commercial shipping, scheduling problems caused by the diversion of services away from the Suez Canal and around the Cape of Good Hope are gradually beginning to stabilize.

In addition, container ports in Northern Europe appear to be coping well with the arrival of ships that do not sail according to schedule. Based on information from the maritime research consultancy Drewry, their AIS data so far shows that ship waiting times are low, and “while the diversions are in place, we don’t expect this to become a major issue,” said Eirik Hooper, senior analyst for ports and terminals at Drewry.

Aside from the geopolitical unrest, the recent rise in container spot rates out of China was largely due to the cyclical surge in exports in the run-up to Chinese New Year. This demand has already weakened ahead of this year’s festival, which begins on February 10. Drewry’s WCI Asia-Northern Europe component fell a further 6% per 40 feet last week - although this is still around 170% higher than 12 months ago.

According to some analysts, the markets will have adjusted to the current situation after the holidays, when production and port facilities resume operations.

Lars Jensen, CEO and partner of Vespucci Maritime, a leading consultancy in container shipping, wrote in an online post that “we are getting past the peak of service disruptions” and that the Lunar New Year lull “will provide the necessary backdrop to fully normalize operations in the new round-Africa setup.”

However, Alphaliner advises to brace for more volatility after the Chinese New Year festivities. It said: “With carriers starting to redesign their networks to incorporate the diversion via Africa, together with the expected skipped sailings in the slack period after Chinese New Year and the arrival of many large newbuildings, the situation of tight tonnage supply might change in the coming months.”

Air Freight

The Red Sea crisis still has limited impact on air freight. Xeneta’s latest Air Freight Report, published on February 04, 2024, says that the Transpacific air cargo market has leaned towards a freight buyer’s market. With the exception of early December, the spot rates (valid for up to one month) mostly remained below seasonal rates (valid for over one month) throughout 2023 until January of this year.

“The lack of an increase in either spot or seasonal rates for the Northeast Asia to North America market in January suggests the Lunar New Year or Red Sea crisis did not trigger a cargo rush on this route. This contrasts with the Northeast Asia to Europe corridor, where the spot rate in the week ending 28 January increased by 7% compared to three weeks prior.”, the report states.

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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

Leschaco (Lexzau, Scharbau GmbH & Co. KG)

Kap-Horn-Str. 18 | 28237 Bremen, Germany

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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.