



Shippers are facing a perfect storm as we start the New Year as Houthi Rebel attacks on commercial vessels in the Red Sea continue unabated, creating volatility in global supply chains. Since November 19, 26 commercial vessels have been attacked by drones and missiles, forcing more than a thousand vessels - 95% of the containerships than normally transit the Red Sea via the Suez Canal - to reroute around the Cape of Good Hope.

Despite the ongoing crisis, Transpacific services have remained relatively intact, with average delays of 5 – 7 days on services that have maintained Panama routings and 10 days on services that have been rerouted around the Cape of Good Hope. And, while capacity has tightened, there is still sufficient capacity to keep cargos moving. The Asia-Europe trade, on the other hand, is facing lengthy supply chain disruption, with average delays of 2+ weeks, and “very limited” capacity. The Mediterranean has been the hardest hit, as carriers that used to call on ports such as Genoa, Italy on their way to major gateways in North Europe bypass smaller destinations.

Meanwhile, the situation at the Panama Canal has seen significant improvement, with virtually no containerships waiting at anchor, despite the drought restrictions. “To date, we have not observed a notable increase in the number of vessels directly associated with the ongoing situation in the Red Sea,” the Panama Canal Authority said in a statement to Reuters.

According to a recent article by the Wall Street Journal, shippers are crying foul on the skyrocketing rates and extra fees that carriers are imposing for rerouting around Africa, renewing tensions experienced during the pandemic when shipping rates skyrocketed and carriers reported record profits. “What every shipper is trying to figure out is if the current proposals are in line with the carrier’s added costs, and not simply a move to offset softer rates in other lanes or raise rates across the board,” said Colin Yankee, chief supply chain officer at Tractor Supply. Adding fuel to the fire, according to a recent article by The Loadstar, some carriers are refusing to honor contracts that had only just recently been negotiated.

KEY DEVELOPMENTS

Demand: While overall demand remains generally flat, we are seeing an uptick on Asia – U.S. trades ahead of the CNY holiday.

Supply: Capacity has tightened considerably, down 25% - 30%, due to longer vessel transits around Africa.

Blank Sailings: Carriers have cancelled 12% of sailings between weeks 2 – 6, with 46% occurring on the Transpacific, 37% on Asia - Europe, and 17% on Transatlantic trades.

Rollovers: Cargo rollovers are increasing sporadically due to rotation disruptions caused by reroutings vessels around Africa.

Rates: Global spot rates have spiked dramatically amid the challenges in the Red Sea and Panama. Carriers have also imposed a litany of surcharges to recover the additional operating cost of the disruptions, including Peak Season, Transit Disruption, and Emergency Contingency Surcharges.

In Other News

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Seatrade Maritime

Maritime Strategies International notes that spot market increases are outstripping the cost of diversions ... [Read more](#)



Upcoming Holidays

Holiday	Country	Date(s)
MLK, Jr. Day	U.S.	Jan 15
Tet Holiday	Vietnam	Jan 21 – 27
Lunar New Year	Indonesia Taiwan	Feb 8 – 10 Feb 8 – 14
Chinese New Year	China	Feb 10 - 17

Click [here](#) for a more comprehensive list of holidays.

Rotation Changes

- **MSC** adds Karachi to its Asia – U.S. West Coast (**Sentosa-Shikra**) service
 - Port Klang • Singapore • Laem Chabang • Vung Tau • Busan • Los Angeles • Oakland • Busan • Qingdao • Shanghai • Ningbo • Shekou • Singapore • Colombo • Mundra • Karachi • Nhava Sheva • Colombo
- **ZIM** has removed Port Klang, Malaysia from its Asia-American Baltimore Express (ZXB) and Asia-Europe (ZMP) service rotations
 - **ZXB:** Cai Mep • Haiphong • Yantian • Kaohsiung • Shanghai • Lazaro • Panama • Cartagena • Baltimore • Norfolk • New York • Boston
 - **ZMP:** Pusan • Qingdao • Ningbo • Shanghai • Da Chan Bay • Cai Mep • Colombo • Haifa • Ashdod • Mersin • Derince • Istanbul • Xiamen



Market Outlook

Market	Trade Lane	Capacity	Demand	Rates	Origin Performance		
					Equipment	Reliability	Congestion
Asia	Asia – North America EC	●	●	↑	●	●	●
	Asia – North America WC	●	●	↑	●	●	●
	Asia – Europe	●	●	↑	●	●	●
North America	North America EC – Asia	●	●	↑	●	●	●
	North America WC – Asia	●	●	↓	●	●	●
	North America – Europe	●	●	↑	●	●	●
	North America - Oceania	●	●	↑	●	●	●
Europe	Europe – North America	●	●	↑	●	●	●
	Europe – Asia	●	●	↑	●	●	●
	Europe – Oceania	●	●	↑	●	●	●
	Europe – LATAM	●	●	↑	●	●	●
LATAM	LATAM – North America	●	●	→	●	●	●
	LATAM – Europe	●	●	↑	●	●	●
Oceania	Oceania – North America	●	●	→	●	●	●
	Oceania - Europe	●	●	↑	●	●	●

Major Disruptions

- Multiple strike actions across Germany impact cargo flows, resulting in significant delays
 - Farmers protesting cuts to agricultural diesel subsidies have blockaded highways and major access roads in multiple cities, including Hamburg, Berlin, and Munich, **January 8 - 15**
 - Meanwhile, rail unions (freight and passenger) have called a nationwide strike, **January 9 – 12**
- Malaysia bans Israeli-flagged vessels from entering its ports and waterways
 - As the sanctions extend to any vessel making a port call in Israel, customers in North America and Europe will also be impacted by the restrictions
- Dockworkers at DP World Australia extend nationwide strike through **January 15**
 - Operations in Brisbane Fremantle, Melbourne and Sydney have been significantly impacted, with more than 44,000 containers left stranded

Announcements

- The **USTR** is seeking [public comment](#) to identify countries that deny adequate IP protection or fair market access, due **February 28**
 - Comments should be submitted online at www.regulations.gov
- **Evergreen** will no longer provide chassis except for carrier haulage moves, effective **January 1**
- The **Federal Maritime Commission** has agreed to allow carriers to levy rate hikes/surcharges without providing the required 30-day notice, citing “extraordinary circumstances” caused by the Red Sea crisis
- **Cosco** has suspended all bookings/transits to Israel
 - However, the carrier will continue the Tyrrhenian Container Line Service it jointly operates with **Zim**, connecting Israel, Fos Sur-Mer, Genoa, and Salerno
- **ZIM** has announced it will deploy tracking devices on its entire dry-van container fleet



Summary of Current Routing Options Asia to U.S. East and Gulf Coasts



Alliance	Carrier	Service Name	Previous Routing	New Routing
THE ALLIANCE	HAPAG LLOYD, HMM	EC1	PANAMA	PANAMA / CAPE*
	HAPAG LLOYD, HMM, ONE	EC5	SUEZ	SUEZ / CAPE
	HAPAG LLOYD, HMM, ONE, YANG MING	EC2	PANAMA	PANAMA / CAPE*
	HAPAG LLOYD, ONE	EC6	PANAMA	PANAMA / CAPE*
OCEAN ALLIANCE	CMA CGM	CBX	PANAMA	PANAMA
	CMA CGM	COLUMBUS SUEZ	SUEZ	SUEZ
	CMA CGM	NUE	PANAMA	PANAMA
	CMA CGM	PEX2	PANAMA	PANAMA
	CMA CGM, COSCO	AWE2 / MAN BRIDGE	PANAMA	PANAMA
	COSCO	AWE4	PANAMA	PANAMA
	COSCO	AWE5	SUEZ	SUEZ
	COSCO	GME	PANAMA	PANAMA
2M	MAERSK	TP11 / ELEPHANT	SUEZ	CAPE
	MAERSK	TP12 / EMPIRE	PANAMA	PANAMA
	MAERSK	TP17 / AMERICA	SUEZ	CAPE
	MAERSK, MSC	TP16 / EMERALD	PANAMA	PANAMA
	MAERSK, MSC	TP18 / LONE STAR	PANAMA	PANAMA
	MAERSK, MSC, ZIM	TP88 / PELICAN / ZGX	PANAMA	PANAMA
	MSC	SANTANA	PANAMA	PANAMA
	ZIM	TP10 / ZCP	PANAMA	PANAMA
	ZIM	ZXB	PANAMA	PANAMA

*Varies based upon voyage # / sailing date.



Market Forecast

Carriers are not expected to resume Red Sea transits any time soon, and services will continue to run late due to the longer transit around Africa. Demand is expected to pick up in the lead up to Chinese New Year, with the heaviest volumes expected in Weeks 4 and 5. However, vessels returning to reload in Asia will arrive a few weeks late for the CNY rush, which will result in a shortfall of capacity. As demand eases by the end of January, the sector will get a chance to recover schedules. However, many industry insiders expect the challenging conditions to last through at least the end of Q1, especially if the crisis in the Middle East expands further.

Blank sailings are expected to increase over the coming weeks, and many industry analysts believe that carriers will utilize blank sailing strategies through May to control oversupply and put additional pressure rates in order to negotiate better contracted rates with shippers.

Ripple effects of the Red Sea crisis will likely include equipment shortages (particularly in Asia and Europe), sailing gaps, omitted port calls, refueling delays at South African, and a resurgence of port congestion. Of particular concern is that the ports will not be prepared to handle the mounting demand, especially when it comes to getting import containers out of the disorganized stacks as we saw during the early days of the pandemic, which would cause a snowball affect on trucking and rail operations. The longer ocean transits are also expected push some volumes to air or the combined sea-air option, which will tighten capacity and increase pressure on airfreight rates. European shippers will also likely divert to rail; however, any benefits gained by the significantly shorter transit time will be offset by the less frequently train runs and are significantly higher freight costs.

On the pricing side, rates on the Asia trades are expected to continue climbing through Week 5, then start to slip after the pre-Chinese New Year rush. However, rates will not recede to pre-crisis levels until the Suez routing is viable again due to the increased operating costs of the longer transit. Carriers are also acknowledging that the elevated rate levels are not sustainable, especially in light of the anticipated weak load factors early next month when Chinese manufacturers close for the New Year holiday. The rate contagion is also expected to spread to trades not related to the Suez passage as carriers divert capacity to the more profitable Asian trades. The Transatlantic trade, in particular, will likely see rates creep up as carriers look to restore rates, which the carriers cite are 'subeconomic.'

Meanwhile, after a year of destocking efforts, some economists are predicting demand will pick up sooner than expected as companies look to replenish dwindling inventories. The uptick is likely to occur by the beginning of Q2, as long as consumer spending remains healthy.

Therefore, OCEANAIR recommends that shippers incorporate additional lead time into their inventory planning, budget for increased transportation costs, explore alternative routings / modes, and book 4 – 6 weeks prior to cargo ready date in order to secure space and equipment.



Thank You

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www.oceanair.net



OCEANAIR, Inc.
5 Centennial Drive
Suite 400
Peabody, MA 01960



Phone
781.286.2700



Email
solutions@oceanair.net