

Global events are significantly impacting on sea freight out of and into Australia. The following overview of key issues was created by the Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA)

- **Panama Canal**

As a result of a wetter than expected November, the Panama Canal Authority (PCA) recently revised up the allowance to 24 vessels for January. At normal capacity, the canal generally caters for 36 containerships each day, however as a result of October '23 being the driest month in the Canal watershed in history, in anticipation of the possibility of a worsening situation in November and December, the decision was taken on October 30, to progressively adjust the number of daily transits to:

- o 24 in November;
- o 22 in December;
- o 20 in January and
- o 18 in February,

To circumvent Panama canal impacts, Maersk opted to introduce a rail option (running adjacent to the canal) to bypass the drought-stricken Panama Canal.

- **Red Sea**

- Red Sea challenges are still seeing major impacts. With the Suez canal generally catering for 29% of global ocean traffic (higher of late as a result of the Panama Canal restrictions), the crisis has wide-ranging implications.
- Carriers continue to adjust services as a result of continued attacks by Houthi rebels and ahead of Lunar New Year in order to mitigate disruption caused by Red Sea diversions, employing strategies like shortening journeys and increasing sailing speed. Disruptions and cost increases in ocean freight may have peaked, as demand is expected to ease post-Chinese New Year and new ships introduce additional capacity. Meanwhile, empty container shortages in Asian export hubs pose challenges, prompting carriers to potentially add vessels to alleviate shortages.
- The Suez Canal connecting the Mediterranean Sea to the Red Sea, handled approximately 12% to 15% of global trade in 2023.
- In response to the Red Sea crisis, major players in the shipping industry have again temporarily suspended Suez transits. Notably, weekly container ship transits have plummeted by 67%. Tanker transits and gas carriers are also experiencing significant declines. Meanwhile, shipping prices are increasing. The USD\$500 surge in the average container spot freight rates during the last week of December was the highest ever weekly increase (61%). Average container shipping spot rates from Shanghai have more than doubled (+122%) since early December. More specifically, the rates from Shanghai to Europe have more than tripled (+256%). Insurance premiums have also surged, compounding the overall cost of transit. Additionally, ships rerouted from the Suez and Panama Canal routes are compelled to travel faster to compensate for detours, burning more fuel per mile and emitting more CO₂, further exacerbating environmental concerns.
- FMC in the US is holding a public hearing on February 7, 2024 focussing the impact of conditions in the Red Sea and Gulf of Aden regions on commercial

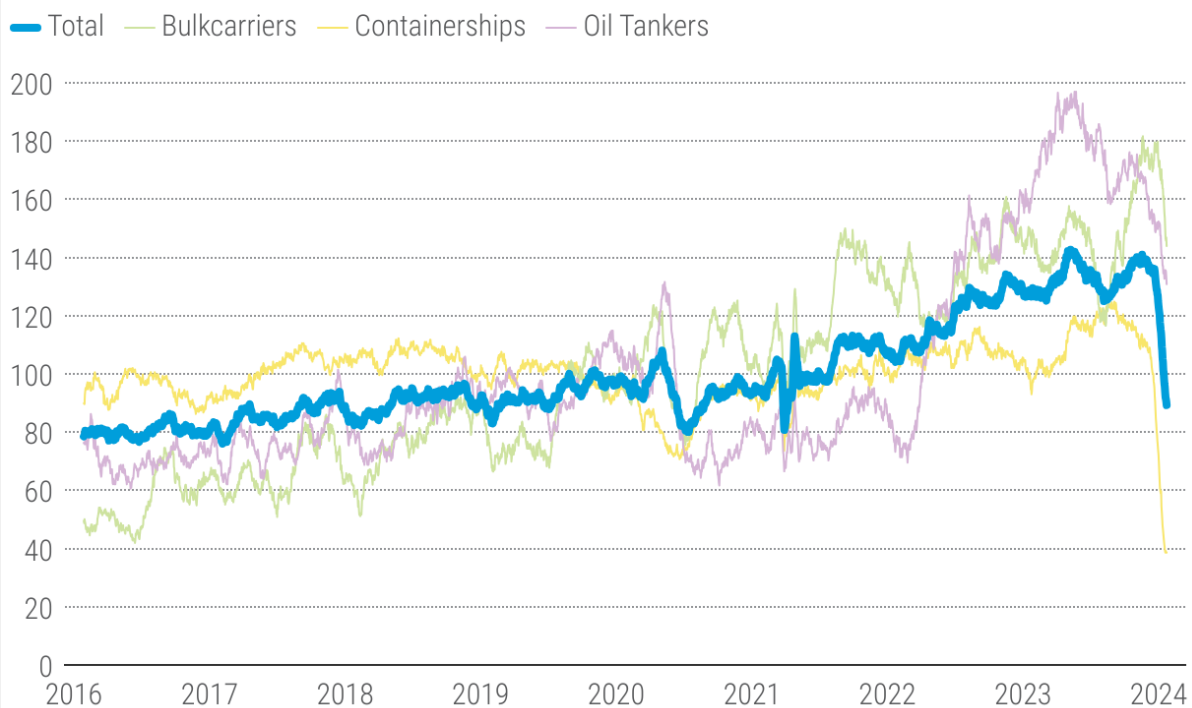
shipping and global supply chains. According to FMC regulations, common carriers must provide a 30-day notice between the announcement and effective date of a tariff change that increases shippers' costs, however, carriers can submit a Special Permission request to reduce this waiting period if they can provide a good reason.

- Tesla on 12 January announced it was halting production of electric vehicles at its biggest factory in Berlin, Germany for two weeks from 29 January to 12 February because of the conflict in the Red Sea, with other car manufacturers since following suit.
- UNCTAD estimates that the trade volume going through the Suez Canal decreased by 42% over the last two months, with some 220 fewer ships per week taking to route.



Red Sea crisis: Suez Canal traffic plummets

Suez Canal, daily transits, 28-day rolling average, 2016–23 January 2024, Index, Average=100



- Capacity deviation as a result of the Red Sea crisis in comparison to other global events shows the significance of the crisis in terms of TEU capacity per week :

Weekly capacity deviation from the 52-week average baseline

