

Red Sea crisis milder than Covid-19, challenges to be seen in 2025

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The impact of the Red Sea crisis is less severe than Covid-19, although the TEU-mile boost has been significant.

Clarksons' latest Container Intelligence Monthly stated that compared with December 2023, TEU-miles have gone up by around 11%, as around 620 ships of 8.5 million TEUs are rerouting from the Suez Canal to the Cape of Good Hope to avoid attacks from Houthi rebels.

Contextualised against Covid-19, where surging e-commerce sales and heightened inspections caused logistical bottlenecks worldwide, Clarksons said that the Red Sea effect has been milder.

The [Shanghai Containerised Freight Index \(SCFI\)](#) hit 5,110 points in January 2022, but currently, the index has been hovering around 2,200 points.

Clarksons said, "Indeed, while shipper costs have increased significantly amid current disruption, they remain well below those during the pandemic."

The world's largest shipbroker illustrated that the cost of shipping a pair of shoes from Asia to Europe went up by 21 US cents in early December 2023 to 78 US cents in mid-January 2024, but remains below the January peak of US\$1.95.

Clarksons continued, "So, while major Red Sea disruption is not currently yielding container market impacts as severe as those seen during Covid-19 disruption, effects are still material with a significant TEU-mile demand 'boost'. Uncertainty remains around the duration of disruption, and how long current strong market conditions will last; it is clearly important to keep an eye on (difficult) 'underlying' supply-demand fundamentals but for now the events in the Red Sea remain top of the agenda."

Amid increased demand, tonnage supply has been increasingly absorbed and this has been compounded by a range of other supply impacts; for example, schedules faced delays and cancelled sailings as rerouting meant port calls were late or missed entirely, while inefficiencies were created by the need to reposition vessels and adjust 'hub-and-spoke' services. Elsewhere, capacity on some routes, such as the Far East-Middle East lane, have been impacted by the diversion of Far East-Europe services that would have previously called at Middle Eastern ports, while disruption has also caused a shortage of containers in some regions.

However, once the crisis is resolved, 2025 is expected to become a challenging year for container shipping, with more than 2 million TEU of newbuilding deliveries that year, amounting to fleet growth of 5%.

Clarksons cautioned, "Capacity management is likely to be difficult, given the scale of cumulative supply growth (end-2025 fleet set to be more than 20% bigger than start 2023). A reasonably 'solid' year for container trade volume growth is projected though, at 3%, and further reductions in vessel speeds could mitigate some of the supply pressure (efforts to cut emissions and green policies continuing to support), helping markets to potentially reach a 'floor' as macroeconomic headwinds ease."

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