

Waiting for a plunge in Red Sea freight rates? ‘Hold my container,’ say carriers

Supply chain eyes Gaza ceasefire, Houthi reaction

Stuart Chirls

Monday, February 10, 2025



Carriers aren't rushing to return to the Suez Canal. (Photo by Mariusz Bugno/Shutterstock)

The head of the Suez Canal said he expects vessel traffic through the Middle East waterway to gradually return to normal by late March and fully recover by the middle of this year.

Suez Canal Authority chief Osama Rabie added the forecast is dependent on the ceasefire between Israel and Hamas holding, Bloomberg reported.

But Hamas on Monday said it won't follow through with further hostage exchanges, accusing Israel of violating the ceasefire.

Israel this past week made similar accusations against Hamas, after its repatriated hostages were found to be in poor physical condition, suffering the effects of starvation and other mistreatment while in captivity.

The head of a major container line said he doesn't think major carriers will restart scheduled services until May at the earliest.

"Even if the war ends in the next 60 days, it will take at least another three months to normalize supply and demand," said Yang Ming Chairman Tsai Feng-ming, at a gathering of Chinese shipowners in Taiwan reported by The Loadstar. "Any decision to return to the Red Sea will have to be made by the alliance partners."

Yang Ming is part of the Premier Alliance with Ocean Network Express and Hyundai Merchant Marine.

And, new U.S. tariffs on Chinese imports lend further supply chain uncertainty.

Liner operators have diverted services connecting Asia with the Mediterranean, Europe and the east coast of North America away from the Red Sea-Suez route and around the Cape of Good Hope off of Africa since Houthi rebels in Yemen began attacking merchant shipping they claim was linked to Israel in late 2023.

While local and regional vessel traffic continues to transit the waterway, the diversions cratered Suez Canal revenues by 60% in 2024. That came at a cost of \$7 billion to Egypt, already in the throes of its worst financial crisis in decades. Cairo weakened its currency by 40% this past March, part of a \$57 billion global bailout by the International Monetary Fund and others.

Those vessel diversions also took capacity out of the market and pushed up container rates, producing billions in windfall profits for shipping lines in 2024.

Analysts expect that a reopening of the Suez route coupled with the deployment of newly ordered vessels could swell capacity and push rates in some cases below \$1,000 per forty-foot equivalent unit.

While there have been no new attacks since December, the Houthis publicly warned they will only stand down pending a satisfactory resolution to the war in Gaza. There are two more phases before the ceasefire becomes permanent.

President Donald Trump in recent comments urged Arab nations to accept the resettlement of 2 million Palestinians from Gaza, and said the U.S. could purchase the territory for redevelopment as a Riviera-like resort destination. This angered Palestinians and the Arab community alike, casting doubt on the immediate stability of the region.

Trump's tariffs on Chinese imports, Tsai said, are also expected to add uncertainty to the supply chain in the coming months.