AMERICAN SHIPPING COMPANY

"News Flash"

January 8, 2024

Volatility, Rate Increases, Space Concerns to be Expected in Coming Weeks

As outlined in our last News Flash on December 20th, the impact of the Panama Canal and Suez Canal disruptions have begun to create significant constraints and volatility within the global transportation arena, in particular Asia to U.S. trade.

The Suez Canal continues to be impacted due to the missile attacks by the Houthi rebels of Yemen, targeting commercial vessels and causing disruption in the Red Sea and Gulf of Aden the past few weeks. The attempt of Operation Prosperity Guardian, the multinational security initiative under the umbrella of the Combined Maritime Forces, has not been able to greatly improve the situation as hoped. Passage through the targeted area is still a high risk for ocean carriers, prompting diversions and ongoing evaluation of the Suez Canal routing on a daily basis. The immediate solution has been to take the longer and more expensive route around the Cape of Good Hope in South Africa.

The Panama Canal has advised it will allow more vessels to transit through this month, however there will be continued restrictions of weight and vessel size. A Panama Canal Surcharge has been implemented the beginning of this month. With the continued issues in the Suez Canal routing, carriers that previously suspended their service via the Panama Canal are reinstating the service, favoring its constraints over high risk and unsafe passage through the Suez Canal as well as the long transit alternative around the Cape of Good Hope. However, it is with the understanding and realization that there will be increased congestion to enter into the Panama Canal and transit times will rise.

While the impact of the above handicaps the efforts to support these traditional routings to the U.S. East and Gulf Coast regions, some carriers have started to support routing via the U.S. West Coast and rail containers to their final destination points in efforts to help shippers with another alternative. This option will be at a premium rate level, however, it can be beneficial for shippers that need to move inventory into the U.S. timely and especially as Chinese New Year approaches (February 10th) and most China factories begin their closures in advance.

What can be expected in the coming weeks includes:

- Very tight space for routes arriving into the U.S. via U.S. and Canada West Coast port options as volumes surge
- Increased rates that are not only to compensate for the increased demand to the West Coast, but also implemented by carriers to help compensate increased costs from the Suez and Panama Canals constraints. This includes impact to global vessel capacity, equipment imbalances, change in vessel schedules, and longer transit times. These increases will be implemented in the form of General Rate Increases and Peak Season Surcharges, most of which will be effective on or around January 15th.
- Increased possibility of rolled containers due to overbooked vessels and continued void sailings and port omissions that are still being implemented by the ocean carriers
- Congestion at origin ports, transshipment ports and ports of discharge

Continued supply chain disruptions are to be expected and there can be more unforeseen constraints that could arise from the current events and market conditions.

We highly recommend to follow the current events and speak with your local handling office and account representative should you need assistance.

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