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THE IMPACT OF CONFLICTS IN SUEZ CANAL AND RED SEA ON WORLD CONTAINER SHIPPING FLEET AND SERVICES

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Abstract. *The article analyzes the consequences of changes in shipping routes that arose because of attacks on vessels in the Red Sea. These consequences have negative and positive impacts on ship carrying capacity, deployment patterns, order books, construction, demolition, shipbuilding and liner shipping market that were described in paper.*

Key words: *conflicts***,** *container shipping, Suez Canal, Red Sea, factors on shipping carrying capasity, reroute*

Introduction.

Complexity, volatility and uncertainty were the hallmarks of the shipping industry's operating landscape in 2023 and the first half of 2024 [1]. Shipping faced a new wave of supply chain disruptions, reconfigured shipping routes, restructuring in the liner shipping market, new regulatory requirements, further decarbonization efforts, heightened geopolitical tensions and intensified climate change impacts.

Main text

While economic factors continued to shape shipping supply, the added complexity arising from the interplay of the above-cited factors has also influenced global fleet dynamics, affecting trends in ship carrying capacity, deployment patterns, order book, construction, demolition, and shipbuilding. Shipping seems to have found a "new normal" as it continued to cope with the disruptions caused by the war in Ukraine and the legacies of the COVID-19 pandemic.

However, increased geopolitical instability and climate-related factors upended shipping in 2023 as ships transiting the Suez and Panama Canals had to be diverted onto longer routes. Attacks on vessels in the Red Sea prompted most shipping lines to reroute around the Cape of Good Hope (Figure 1).

At the same time, the Panama Canal had to cut daily ship transits due to drought and low water levels. The Suez Canal handles about 10 per cent of the world maritime trade volume and 22 per cent of world container trade.

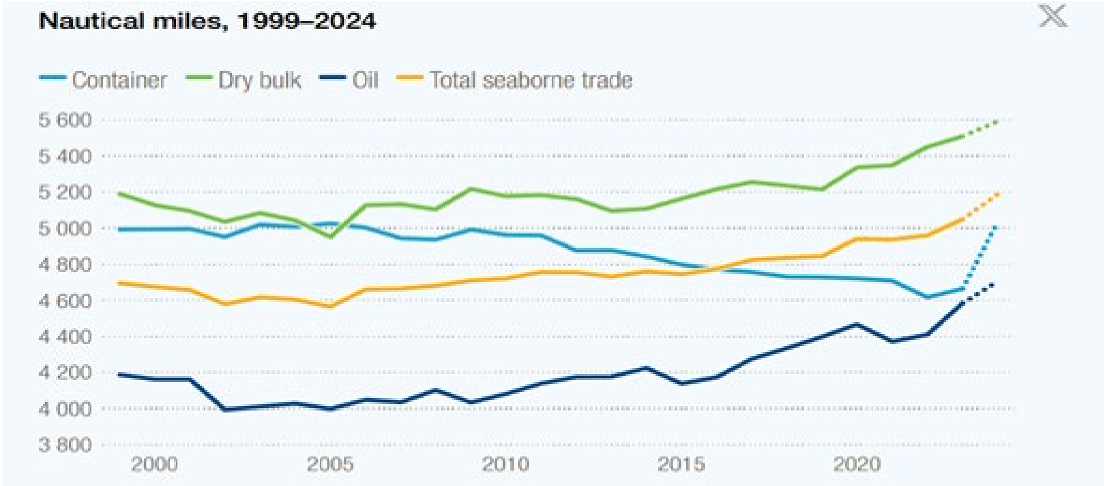

Figure 1 - Black Sea, Red Sea and Panama Canal disruptions increase shipping distances

A source: [1]

The Panama Canal handles approximately 3 per cent of global maritime trade volume. By June 2024, the number of ship transits through the Panama Canal and the Suez Canal were down by over half compared to previous peaks (December 2021 and May 2023, respectively. (Figure 2).

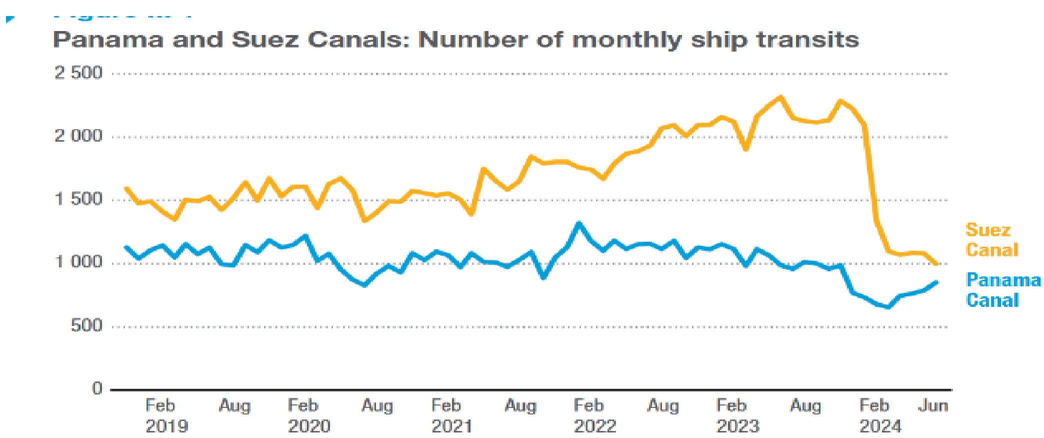

Figure 2 - Panama and Suez Canals: Number of monthly ship transits

A source: [2]

Most of the decline in the Suez Canal has happened since December 2023 due to the onset of the Red Sea crisis, while the number of transits through the Panama Canal have been decreasing over the last two years due to reduced water levels (figure 2).

In 2023, container ships made up 43 per cent of the number of transits through the Suez Canal, with bulkers accounting for 19 per cent, followed by tankers transporting refined petroleum products, chemicals and crude oil.

In June 2024, compared to the average in mid-December 2023, the total carrying capacity of ships (ship tonnage) arriving at the Gulf of Aden had dropped by 76 per cent, and the number of transits through the Suez Canal were down 70 per cent.

Ship capacity arrivals by gas carriers, car carriers, container ships, bulkers, product tankers and crude tankers fell by 100 per cent, 96 per cent, 92 per cent, 64 per cent, 60 per cent and 50 per cent, respectively. Arrivals at the Cape of Good Hope increased by 89 per cent.

Rerouting vessels around Africa adds distance and extends transit times. A ship travelling from Shenzhen, China, to Rotterdam, Kingdom of the Netherlands, through the Suez Canal travels 10,000 nautical miles in about 31 days. By going around the Cape of Good Hope, the distance increases to 13,000 nautical miles and takes about 41 days.

In 2023, the global fleet and container ship capacity grew faster than trade volumes, and this trend is expected to continue in 2024. Concerns over excess capacity in container shipping have eased for now, due to disruptions in shipping routes boosting demand.

Diverting tonnage around the Cape of Good Hope increases global vessel demand by 3 per cent and container ship demand by 12 per cent. (Figure 3).

Ton-miles increased by 4.2% due to longer shipping distances from disruptions in key routes like the Suez and Panama Canals, further straining supply chains and adding to greenhouse gas emissions from shipping.

This reflects the uplift in ton-mile demand for global vessels and container ships in June 2024 compared to the demand if there had been no rerouting away from the Red Sea and the Suez Canal.

The additional demand and increased ton-miles have altered global ship capacity, affected supply and demand balance, supported charter markets, boosted ship sales and purchases and lowered ship demolition levels.

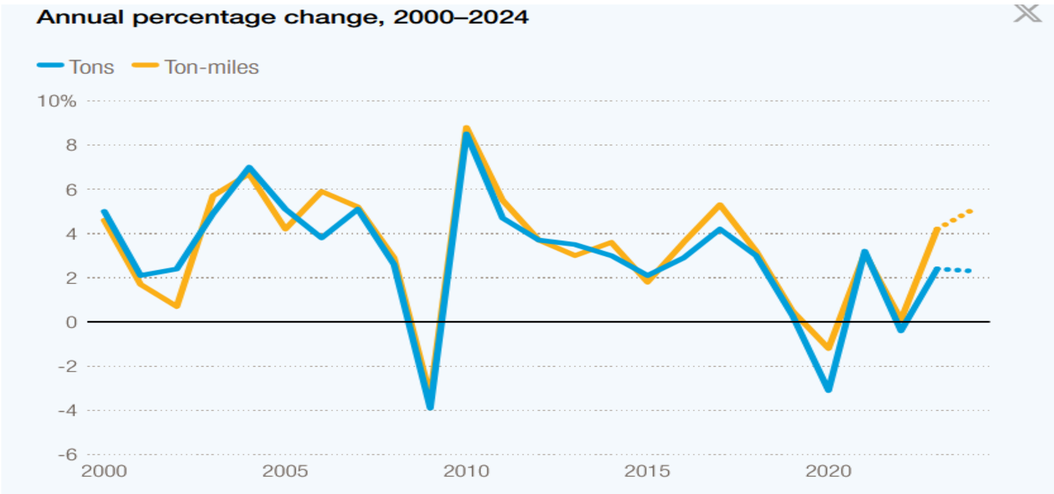

Figure 3 - Longer routes give shipping a boost in 2023 and 2024

A source: [2]

However, rerouting ships onto longer routes is triggering market inefficiencies, such as port congestion and higher costs. Rerouting vessels around the Cape of Good Hope due to the disruption in the Red Sea has overwhelmed many ports. (Table 1).

Table 1 - Consequences from rerouting vessels around Africa

	Negative	Positive
1.	Adds distance and extends transit times	Increases global vessel demand by 3 per cent and container ship demand by 12 per cent
2.	Many ports in Saudi Arabiya, Egypt lose money:	The uplift in ton-mile demand for global vessels and container ships in June 2024
3.	Hike up costs for crew wages, chartering, insurance and fuel.	Overwhelmed many ports in countries such as Africa, Spain or the Caribbean Islands
4.	Higher freight rates and shipping expenses	Boosted ship sales
5.	Increased ship sailing speeds, as operators try to stick to schedules.	Boosted ship purchases
6.	Additional fuel consumption and carbon emissions	Lowered ship demolition levels

Nevetheless, once vessel rerouting slows down, overcapacity issues are likely to return.

Summary and conclusions.

Have been considered, that the main factors, which have significant impact on container shipping in 2024, were crises in Black sea caused Russian intervention in Ukraine, ships attacks in Red sea and the lowest level of water in Panama Canal. Ship owners should made rerouting vessels around the Cape of Good Hope and keep far from Black sea ports. In generally, this factor have such a negative such a positive consequences for shipping.

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