

Red Sea crisis pumps up container, freight rates

At \$3,072, prices per 40-foot container highest in 15 months

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As the situation in the Red Sea escalates, global container prices and ocean freight rates on major shipping routes continue to rise.

While global container prices went up by 15 per cent since January 4, the rates rose 44 per cent to \$3,072 per 40-foot container year-on-year, according to Drewry's World Container Index. This is the highest container prices since October 2022 and more than double the pre-Covid levels.

"The average composite index for the year-to-date is \$2,871 per 40-foot container,



which is \$196 lower than the 10-year average rate of \$2,675 (which was inflated by the exceptional 2020-22 Covid period)," the market intelligence firm said.

Most industry participants, including

Drewry, expect shipping costs to continue to rise over the coming weeks. Ships to Europe re-route via the Cape of Good Hope, which adds to costs.

Amid the eruption of violence by Israel

in retaliation to terrorist attacks by Hamas in October, global container prices have more than doubled in a matter of weeks since the start of aerial and projectile attacks on merchant ships passing the Gulf of Aden, in an attempt to target Israeli shipments by forces in Yemen.

At any given time, the Red Sea has 400 ships passing through. The crisis, impacting at least 11 per cent of global trade, has particularly affected India's shipments to and from Europe, which is its second largest export destination, with freight rates reportedly doubling.

According to market estimates, an additional 40 per cent longer route and increased regulatory requirements are expected to persist as the shipping time extends anywhere between one and four weeks due to the longer route. Added regulatory requirements and compliance will also add complexity to the operations.

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most Asian markets ending with losses.

A drop in China's exports, geopolitical tensions, and uncertainty over the US Federal Reserve's rate cut trajectory weighed on sentiment.

On the geopolitical front, the US and UK launched airstrikes on Houthi targets in Yemen on Friday to halt their attacks in the Red Sea. The Brent crude rose 2.1 per cent during the day to trade at \$81 per barrel.

Doubts about whether the US Federal Reserve will cut rates in March bothered investors after higher-than-expected US inflation data this week.

The ongoing results season and the geopolitical situation in the Red Sea are likely to determine the market trajectory hereon, said analysts.

Ajit Mishra, SVP-technical research of Religare Broking, said: "We suggest focusing on other key sectors and using any pause or dip to accumulate quality names. The volatility would remain high due to earnings and mixed global cues, so plan the overnight trades accordingly."

Red Sea...

For the container shipping industry, this would mean

that the demand and supply has to be planned much in advance because the cargo will take longer than usual to reach the destination, said Christian Roeloffs, co-founder and chief executive officer of Container xChange, a Germany-based online container logistics platform.

Meanwhile, India's commerce ministry has called up officials from external affairs, defence, shipping, and finance ministries to deliberate on this crisis and come up with measures to tackle its impact on India's trade.

According to an initial assessment conducted by a New Delhi-based think tank Research and Information System for Developing Countries, India may face a \$30 billion impact on its exports due to the crisis.

Globally, rising costs pose a major risk factor for inflation.

In the US, JP Morgan reportedly warned clients to brace for the inflationary impact of the Red Sea crisis, in case these price shocks are passed on to the final consumer.

"Such an outcome would reinforce our expectation for progress on reducing global core CPI inflation to stall this year," the analysts said.

