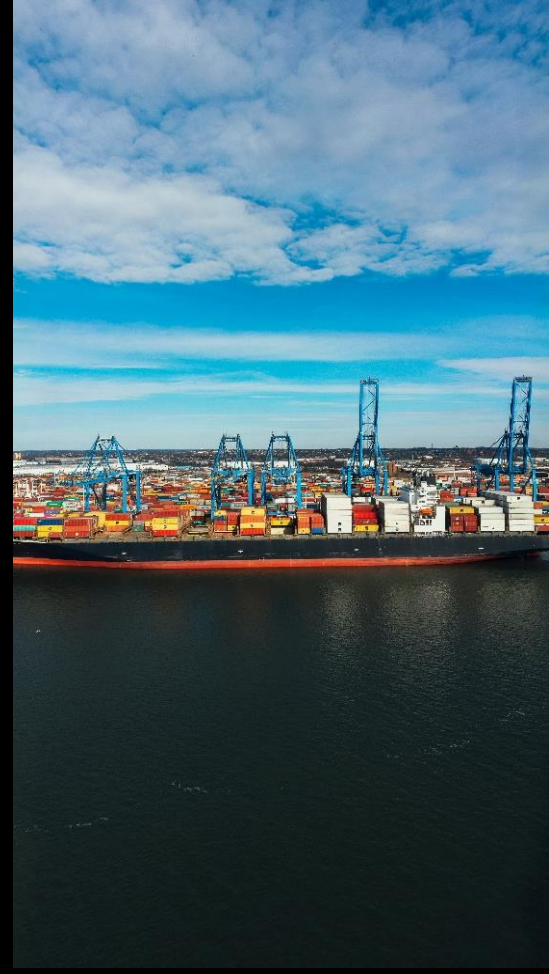


Houthi Attacks Disrupt Global Supply Chains

Last Updated January 5, 2024

Summary:

- 211 vessels have been rerouted, while an additional 10 vessels are drifting. Drifting vessels have decreased by 62% as carriers make the decision to reroute vessels.
- project44's ETA analysis shows delays to ETAs between 7-20 days for the impacted vessels.
- Vessel volume in the Suez Canal has fallen 66% to an average of 5 vessels per day compared to volumes prior to the Houthi attacks on commercial vessels.
- Container transit times have risen across major lanes, and further increases in median days late, as per carrier schedules, indicate a continuing upward trend.



Yemen Group Houthi Targets Container Vessels

Houthi rebels in Yemen are targeting container vessels in the Bab al-Mandeb Strait through missile and drone attacks, resulting in incidents involving Hapag-Lloyd, MSC, Inventor Chemical Tankers, and Maersk vessels. To mitigate risks, a coalition comprising the US, UK, Bahrain, Canada, France, Italy, the Netherlands, Norway, Spain, and Seychelles, known as Operation Prosperity Guardian, initiated efforts to protect commercial vessels and global trade in the region.

Notably, the most recent attack occurred on December 30th, 2023, which led to the US sinking three Houthi ships. The situation has escalated with Iran sending a warship to the area, raising concerns about further escalation from Houthi allies.

In response, major carriers like Hapag-Lloyd, MSC, and Evergreen suspended Red Sea operations. Although Maersk briefly resumed, they announced another pause after the recent attack on one of their vessels. BP has also halted operations in the Red Sea.

Vessels Impacted by Conflict:

Vessels in the Red Sea are having to decide if they want to proceed with the increased risk, reroute around Africa, or anchor and wait until it is safe to pass. As of January 5th, 2024, project44 is estimating a total of 211 vessels rerouting around Africa so far. Some of the vessels that are rerouting have

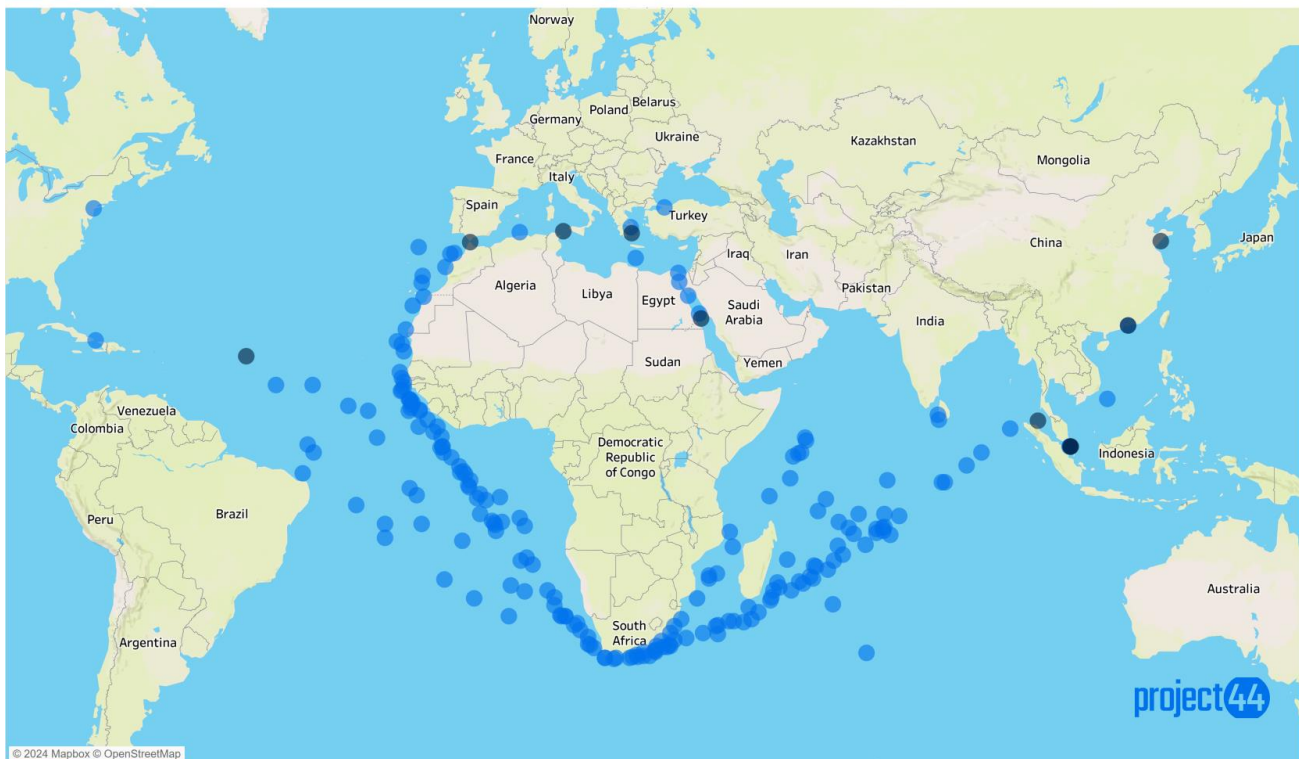
increased their speeds to help mitigate. This does translate to using more fuel, so prices for ocean could increase.

10 other vessels are opting to drift, meaning stay stationary and try to wait out the conflict. Although Operation Prosperity Guardian has been launched, these vessels are holding off passage suggesting shippers are not confident of safety through the Red Sea. These vessels will be closely monitored as they make their next moves. operations in the Red Sea. It is likely we will see those vessels turn around after the weekend's attack. p44's AI-powered ETA are showing that the majority of the impacted vessels will experience 7-20 days increase in transit time depending on the speeds travelled.

Below shows a map view of all 221 effected vessels on January 5th.

Map of Container Vessels Affected by Red Sea Conflicts

Due to Houthi rebel attacks in the Bab al-Mandeb Strait, several major carriers have announced plans to reroute around the Red Sea. However, some carriers are opting to wait to see how the situation evolves and are drifting in place until further decisions are made. Each **dark blue** dot represents a vessel that has been drifting, while each **lighter blue** dot represents a vessel that has rerouted. Most of the vessels that have been drifting have started to reroute around the Cape of Good Hope.



When compared to the map of impacted vessels on December 21st, the scope of impact has expanded, with the Cape of Good Hope seeing heavier and constant vessel traffic. Many of the vessels that were drifting are also now rerouting around the Cape of Good Hope. Last week there was a total of 26 vessels drifting, but it is now down to 10 vessels. This shows carriers are no longer waiting to make decisions and are opting to reroute around the Red Sea.

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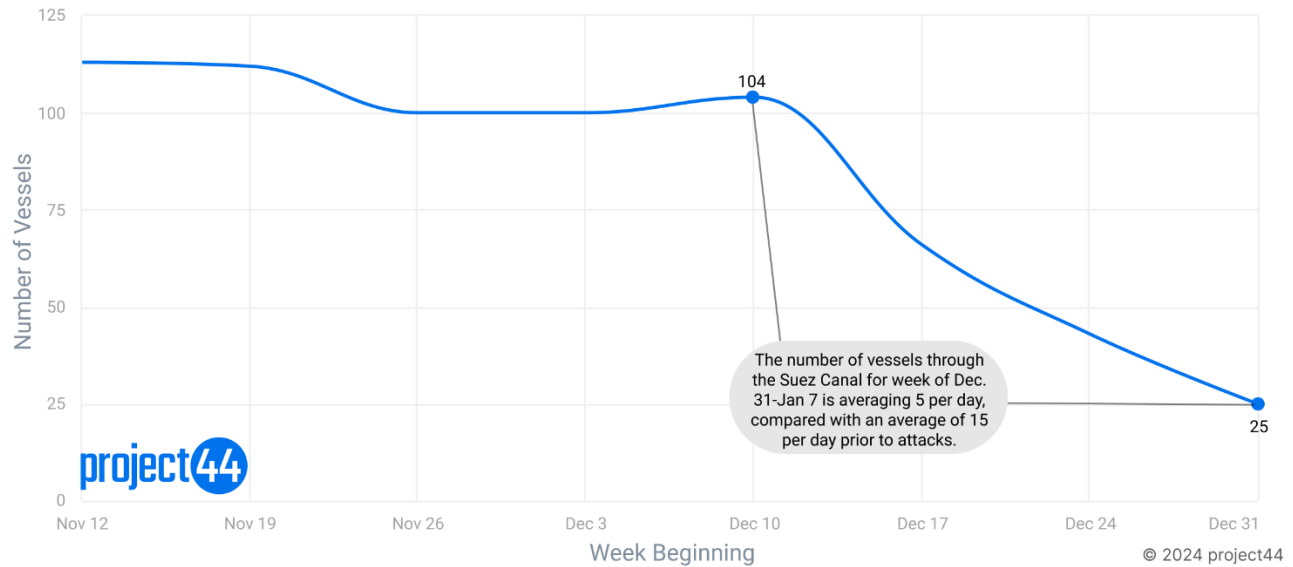


Volume through the Suez Canal:

As attacks have continued and carriers are avoiding the Red Sea, this has been reflected by the volume of vessels leveraging the Suez Canal. The weeks leading up to the attacks beginning on commercial vessels, there was an average of 15 vessels per day using the canal. The week of December 31st-January 7th is averaging 5 vessels per day, which is 67% fewer vessels daily.

Vessel Counts through the Suez Canal

This chart outlines a weekly view of how many container vessels travel through the Suez Canal. Houthi attacks on commercial vessels began the week of December 10th and volume is expected to decrease as major shippers reroute around the Red Sea. Since the attacks began, volume through the Suez Canal has decreased an average of 67% per day, going from an average of 15 container vessels per day down to 5.



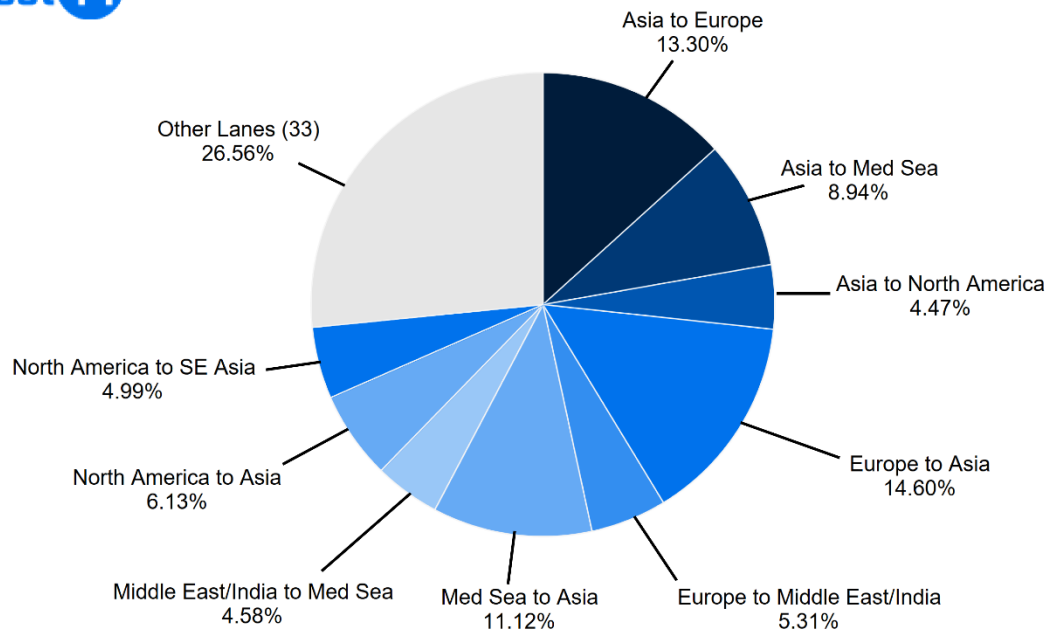
Historical Trade Through the Suez Canal:

The Suez Canal was opened in 1869 to connect the North Atlantic Ocean to the Indian Ocean through the Mediterranean and Red Seas. Since then, it has become an integral trade route for global supply chains and saves 7-20 days of travel that would be needed for vessels to go all the way around Africa. Interruptions to the flow of vessels can have major impacts to trade as demonstrated in 2021 when a stuck vessel halted operations for 6 days.

As ocean carriers announce plans to reroute vessels around the canals, trade lanes that leverage the Suez Canal should be prepared for major delays.

Breakdown of Trade Routes at a Containerized Level that use the Suez Canal

The below pie chart shows the breakdown by container of common trade routes that historically use the Suez Canal and are most vulnerable to trade interruptions with the conflict in the Red Sea. Routes Asia to Europe, Europe to Asia, Asia to the Mediterranean Sea, the Mediterranean Sea to Asia, and North America to Asia make up 54% of the usage.



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The breakdown shown above labels the top lanes in terms of voyage counts that utilize the canal. Trade between Asia and the Europe/Mediterranean Sea are the most impacted group, making up four out of 5 of the top lanes. Trade between North America (particularly the East Coast) and Asia could be greater impacted given the ongoing struggles at the Panama Canal with the drought, as this is the most efficient reroute option. While the lanes listed make up the highest volume of voyages through the canal, there are more than 33 additional trade lanes that regularly utilize the canal and will also be impacted by the conflict.

Projected Impact from the Attacks Includes:

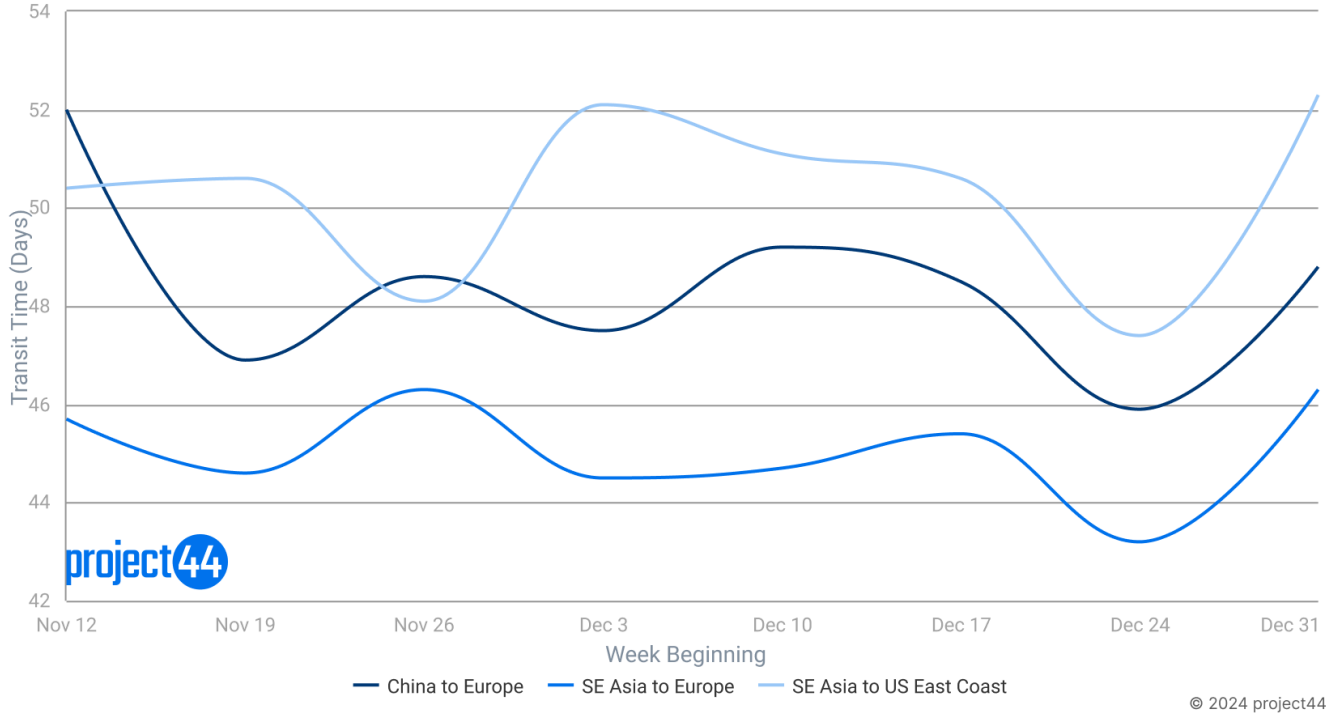
- Increased Transit Time
- Disruptions to Global Oil Supply
- Downstream Inventory Issues

1. Increased Transit Times

The chart below outlines the median transit time for containers typically routed through the Suez Canal.

Median Weekly Container Transit Time on Major Red Sea Trade Routes

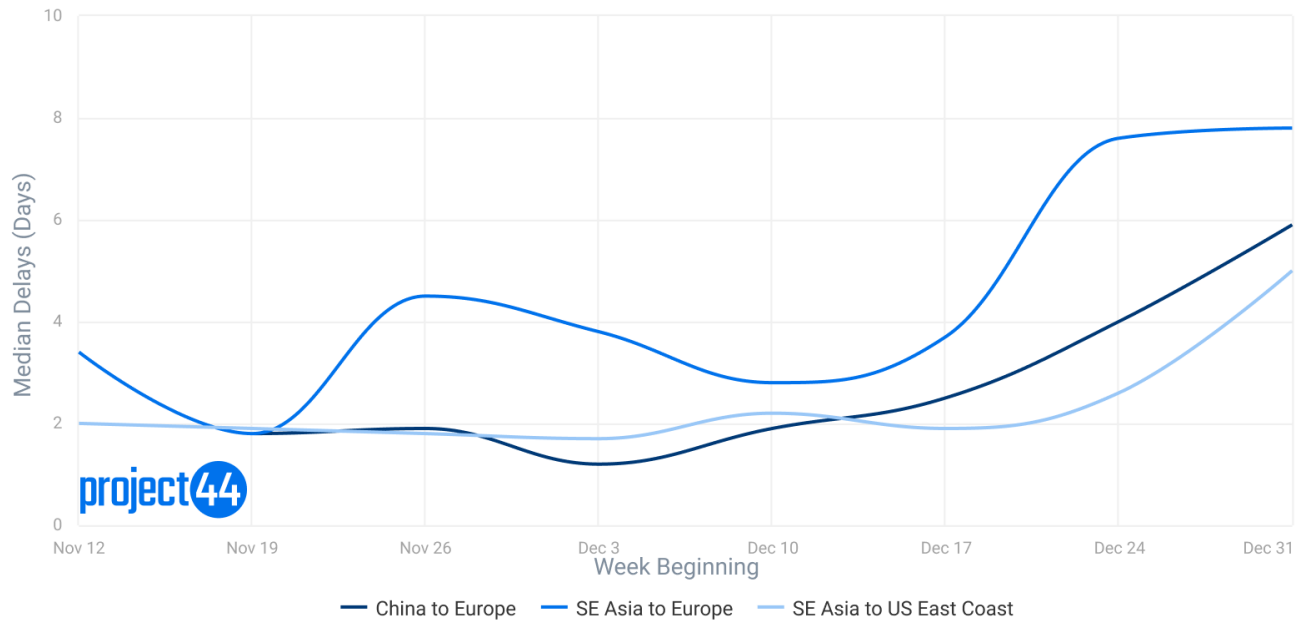
Container transit time measures the amount of days it takes from when a container gates in at its origin port to when it gates out at its destination port. Houthi attacks on commercial vessels began the week of December 10th, prompting shippers to reroute vessels around the Red Sea. While transit time has not yet been impacted, it is expected to increase as rerouted containers begin to arrive at their final destinations.



The week of December 31st-January 7th is seeing an uptick in overall container lead time. While this suggests that impacts of the rerouting is starting to be seen in the data, this could also point to slower port operations during the recent holiday season. We are not seeing the full effects on transit times yet, but carrier schedule changes continue to show additional expected delays. The vessel reliability chart below tracks changes from original vessel schedules.

Weekly Vessel Schedule Reliability-Median Days Late

Schedule reliability measures the amount of days that vessels arrive after their original estimated arrival time based on the vessel schedule. Since the Houthi attacks on commercial vessels began, there has been an increase in median days late based off of updated schedules. The lane that has been the most impacted so far is Southeast Asia to Europe.



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Southeast Asia to Europe delays appeared to have levelled off this week but are still operating at a 150% delay compared the week of December 10th. Vessels on that lane still are anticipated to arrive a median amount of nearly 8 days late, while China to Europe has jumped an additional 2 days of transit time since last week up to 6 days. There was a similar increase in SE Asia to the US East Coast as well, which has gone from a median of 2 days late up to 5 days late. These numbers will continue to change as carriers update their vessel schedules.

2. Disruptions to Oil Supply

The Suez Canal sees all types of cargo and the impact will not be limited to any one industry, but the most concerning commodity that comes from this region is oil. In 2022, the Middle East exported 15.4 million barrels of oil daily, so as conflict continues, major disruption to oil is anticipated. Despite trending away from fossil fuels, oil is still widely used globally, and this will likely cause a price increase. Road transportation is the largest user of oil globally, so expect higher transportation costs as well as higher prices on filling gas tanks on personal vehicles.

On December 18th, 2023: BP has announced a pause on all shipments in the Red Sea, causing oil and gas prices to jump.

3. Downstream Inventory Issues

Another potential impact is out of stock items. The additional lead time these shipments will take was not scheduled as retailers were planning their inventory, and after the peak shopping season through the holidays, it is possible that inventories will be depleted. It is important to note that this should not impact holiday shopping and would more likely be noticeable in February.

As tensions remain high in the area, project44 will continue to monitor the situation and provide updates and insights.

Concern for Safety of Front-Line Seafarers

While project44 has made it a priority to provide frequent updates on the Red Sea crisis, the safety of the crew members on these ships remains top priority in these challenging times. They and their families are in our thoughts.

About project44

project44 is on a mission to make supply chains work. As the supply chain connective tissue, project44 operates the world's most trusted end-to-end visibility platform that tracks more than 1 billion shipments annually for over 1,300 of the leading brands, including top companies in manufacturing, automotive, retail, life sciences, food & beverage, and oil, chemical & gas. Using project44, shippers and carriers across the globe drive greater predictability, resiliency and sustainability. To learn more, visit www.project44.com.

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