

Suez blockage: Clear ripples in capacity

In issue 508 of the *Sunday Spotlight*, we looked at the impact on capacity on Asia-Europe. To do this, we compared our Trade Capacity Outlook (TCO) data from March 19th prior to the Ever Given grounding to the newest data published on April 2nd.

Fig. 1: Change in weekly capacity from before to after Suez blockage

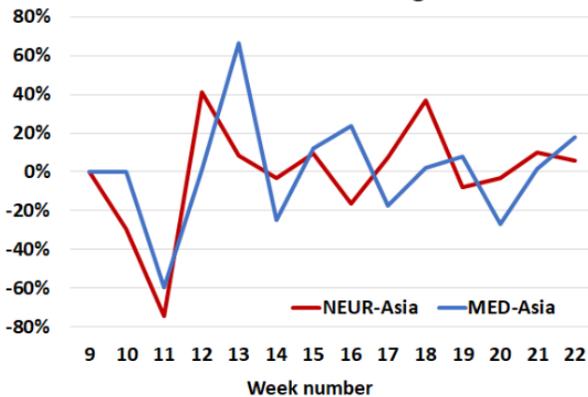


Figure 1 shows the changes in weekly capacity before and after the Suez blockage on the Europe-Asia trade. On MED-Asia, the immediate impact is a sharp dip in export capacity of 60% essentially in the coming week, but this is followed by an equally sharp spike thereafter, as the delayed vessels finally make it to their designated ports. Then there is a series of what can best be described as “reducing waves” as the ripple effects of the impact slowly evaporate. On NEUR-Asia, the exporters are facing an imminent drop in export

capacity of almost 80% - followed by two weeks of much higher than usual outbound capacity. But an imminent sharp drop in export capacity will most certainly leave a significant amount of European export cargo stranded in Europe for a week or two until it can be moved.

Looking at Asia-Europe, on Asia-MED, in the coming weeks, export capacity available in the market in Asia is not materially impacted, but then in week 19 we see a major impact, as the batch of delayed vessels will fail to show up in Asia on time and hence lead to substantial blank sailings. On Asia-NEUR, the ripples will gradually get larger until they reach a crescendo in week 21 with a 24% drop in capacity. But in this case one should be more cautious in the actual interpretation of the change, as the carriers’ initial capacity deployment for the coming weeks was already very volatile. Post-blockage, while mathematically we will see a large drop in capacity in week 21 relative to the pre-blockage situation, the present reality on the ground is that the spikes which were already in the system are being smoothed out.

The most important element is for European exporters to note just how large a drop they will face imminently in export capacity, and plan in accordance with the reality that a sizeable part of the cargo has to wait 1-2 weeks before it is physically possible to get loaded on a vessel going to Asia.

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