

Source: South China Morning Post

Date: 14/6/2024

SINGAPORE

Container port logjam grows as vessels avoid the Red Sea amid Houthi attacks

Bloomberg

Singapore's port, already one of the busiest in the world, is facing a sustained period of congestion as vessel diversions to avoid the Red Sea push more container ships to the Asian maritime hub.

The attacks by Yemen's Houthi rebels have resulted in shipowners opting not to transit the Suez Canal and taking the longer route around the Cape of Good Hope at the southern tip of Africa. That means they do not get a chance to refuel or unload cargo at ports in the Middle East, leading to worsening marine gridlock in the waters off Singapore.

The Houthi attacks have reverberated through global supply chains, but the effects are particularly acute in Singapore, which is on one of the world's busiest shipping routes linking Europe and the Middle East to China.

The growing logjam at the port, a major centre for refuelling and the redistribution of containers, will result in delays to goods being delivered and will also put more pressure on shipping rates.

Singapore's yard utilisation rates, a measure of how busy a container port is, rose to nearly

90 per cent last month, compared with optimum levels of about 70 per cent, according to Jayendu Krishna, a director at Drewry Maritime Services.

There was a lot of re-routing going on, leading to changes in vessel schedules and a pile-up of transshipment container boxes at certain ports, he said. This was causing a "bunching of ships" at some hubs as wait times became longer and congestion grew, Krishna said.

Container volumes in Singapore totalled 16.9 million 20-foot equivalent units in the first five months of the year, almost 8 per cent higher than the same period in 2023, the Maritime and Port Authority of Singapore said in a statement. Container lines including CMA CGM had moved more tonnage through the city state's port, the authority said.

There are some early signs that container congestion at Singapore is starting to ease this month, according to shipbrokers.

There was also increased activity at Malaysian ports last month. Tanjung Pelepas, just west of the city state on the Johor Strait, and Klang, near Kuala Lumpur, had record monthly throughput in May.

Conversely, traffic at major Middle Eastern ports is down. Volumes at the hub of Salalah in Oman fell by 17 per cent in the first quarter, Drewry data shows.

The snarl-up of container ships was not likely to dissipate any time soon, and spot rates for vessels were likely to climb even further, HSBC Holdings analysts said in a note.

"While these inefficiencies are largely centred in the exporting regions in Asia and some transshipment hubs, it will only be a matter of time before these issues relay on to the importing destinations in EU and the US," they said. "The bull has further to run" for container freight rates, they said.

The waters off Singapore are typically crowded with all manner of ships, and that looks set to intensify in the coming months, as the impact of the re-routing takes time to work its way through the global transport system.

The logjams were only emerging now, months after the Red Sea attacks intensified in January, Krishna said. That was because "there's always some spare capacity in ports and container yards, so it took time for the Singapore port to reach its maximum utilisation level."