Shipping CEOs see no short-term end to Red Sea disruptions

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The CEOs of two leading freight carriers said they expect Red Sea threats to disrupt shipping for weeks or months longer, extending delays and higher transport costs for companies dependent on goods flowing along trade lanes that link the world’s largest economies.

“For us, this will mean longer transit times and probably disruption of supply chains for a few months at least,” Vincent Clerc, the chief executive of A.P. Moller - Maersk A/S, said on a panel at the World Economic Forum in Davos on Wednesday.

While Clerc said he hopes the unrest will end sooner than that, he said “it could also be longer because it’s so unpredictable how this situation is developing.” He called the situation in the Red Sea “extremely disruptive.”

Also speaking at Davos, DHL Group CEO Tobias Meyer said the rerouting of ships around southern Africa instead of the shortcut through the Suez Canal was leading to imbalances in container capacity. As a result, shortages might start to occur in about two weeks, hitting Asia in particular, he said.

“The back-flow is currently not happening at the pace people were planning for, so that’s something to monitor,” Meyer said.

Among the other leaders watching the renewed threats to supply chains was European Central Bank President Christine Lagarde.

The things “I’m watching carefully” are “wage bargaining, profit margins, energy prices, and — hopefully not, but — the coming back of supply bottlenecks,” she told Francine Lacqua at an event at Bloomberg House in Davos on Wednesday.

Monetary policymakers have reason to be wary. Disruptions to supply chains that began during the pandemic were partly behind an initial bout of inflation that occurred before energy prices spiked in the wake of the Russian invasion of Ukraine.

Global trade faces a major challenge in the Red Sea, where Iran-backed Houthi rebels have been escalating attacks on commercial ships for the last months. The West is attempting to deter further action while averting a wider Mideast conflict in a region already on edge due to the Israel-Hamas war.

Faced with longer journeys, the shipping industry has scrambled to raise spot rates for containers between Asia and Europe in recent weeks, leading to tripling of costs for cargo owners that is also affecting importers in the US.

According to Bloomberg Intelligence’s Lee Klaskow, transpacific shipping rates surged 58% to $4,375 per 40-foot container in the week ended Wednesday, based on the Drewry Hong Kong-Los Angeles benchmark.