

What the Red Sea conflict means for domestic transportation

Maritime issues hasten West Coast freight recovery

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Photo (Jim Allen/FreightWaves)

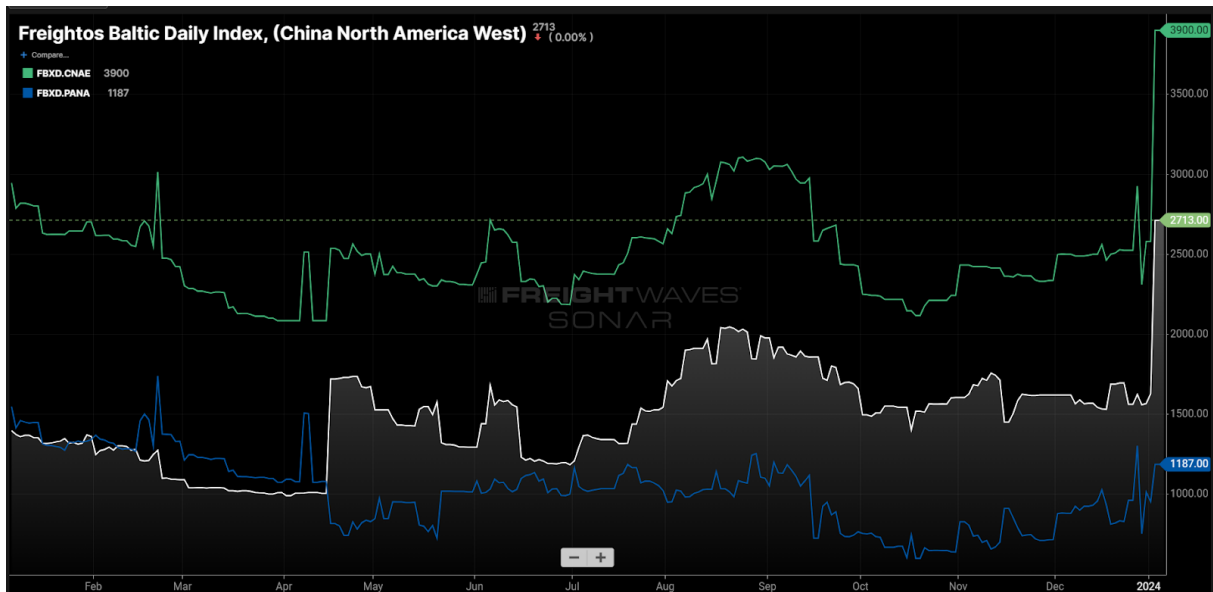


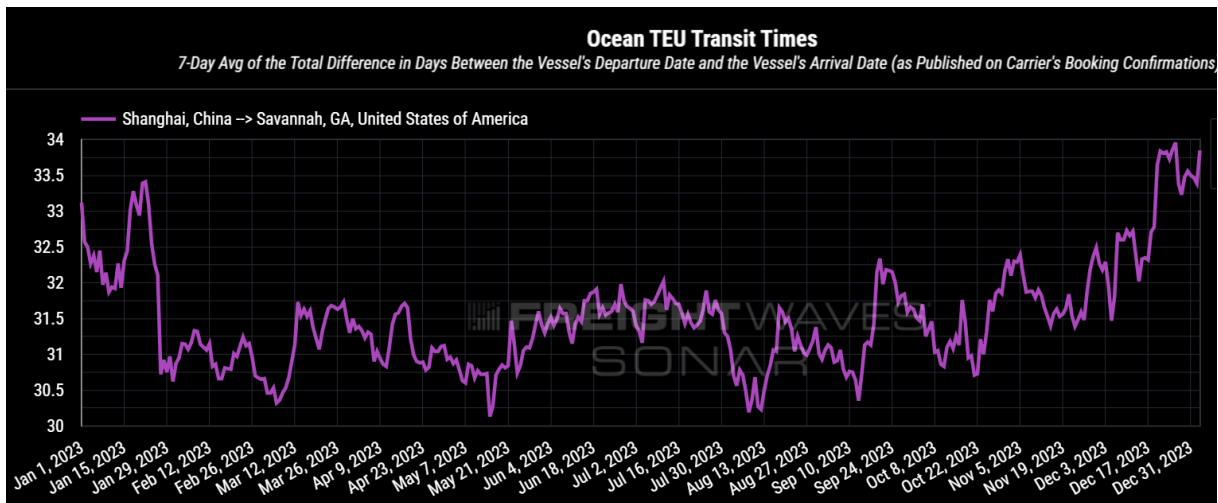
Chart of the Week: Freightos Baltic Daily Index – China to North American west and east coasts, Panama Spread [SONAR: FBXD.CNAW, FBXD.CNAE, FBXD.PANA](#)

Disproportionate shipping rate increases resulting from the Red Sea attacks further incentivize shippers to bring freight into the U.S. West Coast from Asia, as a pandemic-era pattern of shipping to Eastern ports continues to unwind.

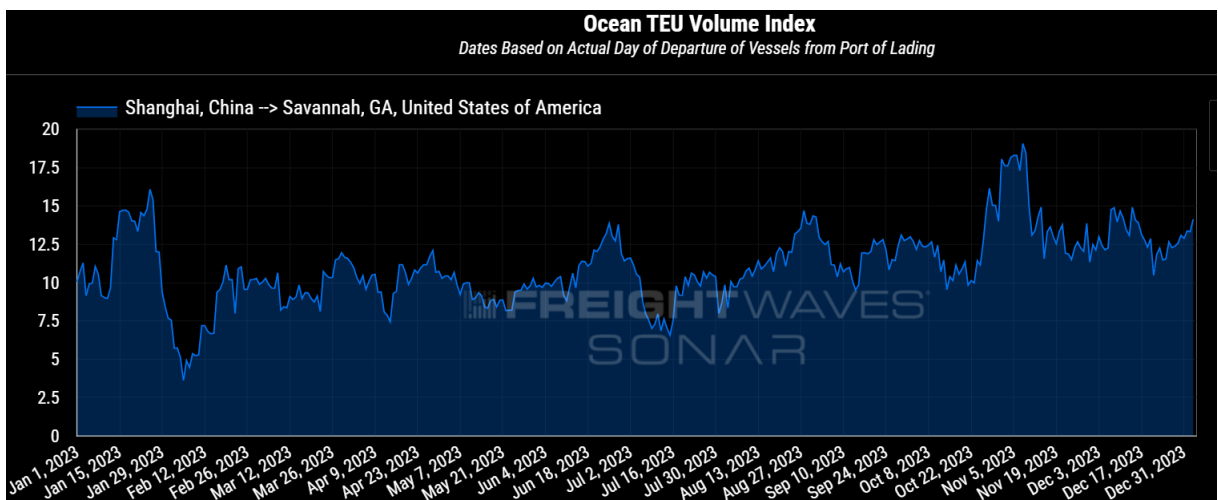
Spot rates for 40-foot equivalent containers moving on the ocean from China to North America’s east and [west coasts](#) spiked, according to the Freightos Baltic Exchange indices, to start the year. The conflict in the Middle East is now impacting nearly all global shipping lanes. Inbound east coast rates increased more than those to the west, increasing the “[Panama Spread](#)” back over \$1,100.

The Panama Spread measures the difference between maritime container shipping rates from China to the North American east and west coasts. More positive figures indicate a stronger monetary incentive to ship to the west coast.

The ongoing drought in Central America has restricted the [flow of freight moving through the Panama Canal](#) and has increased transit times.



Transit times from Shanghai to the Savannah, Georgia, port have increased nearly 2.5 days since October, according to SONAR's Container Atlas, as canal capacity was limited due to a lack of water.

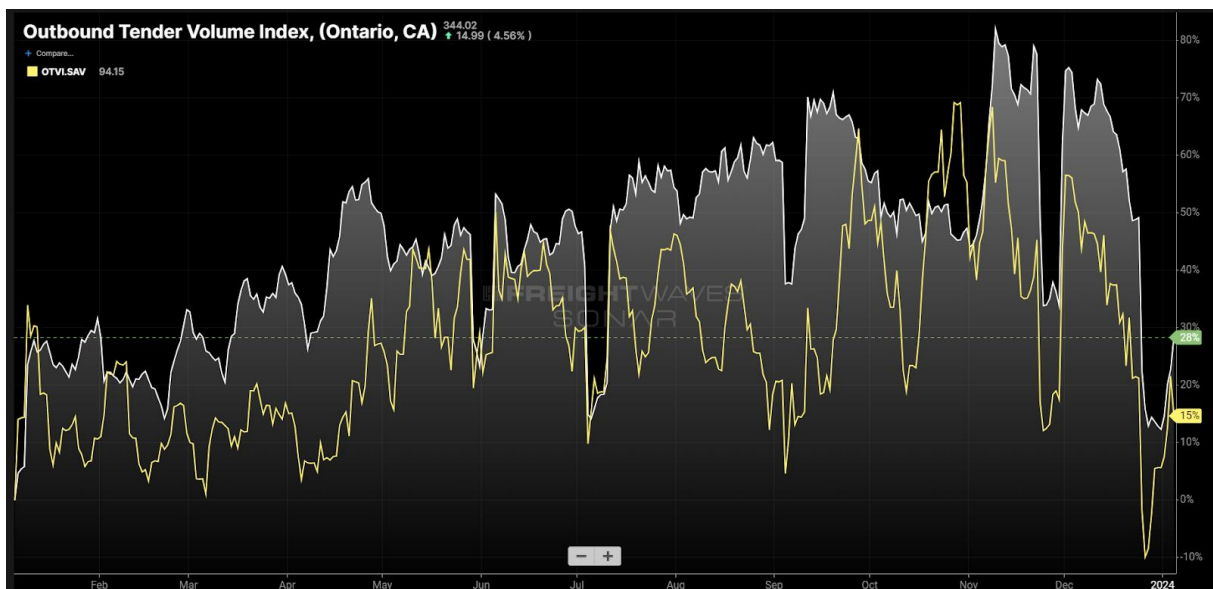


So far demand does not appear to be impacted by the increasing service. Booking volumes in the Shanghai-to-Savannah lane are up since the restrictions were placed on the canal. Time will tell if the rate increases will persist and erode demand.

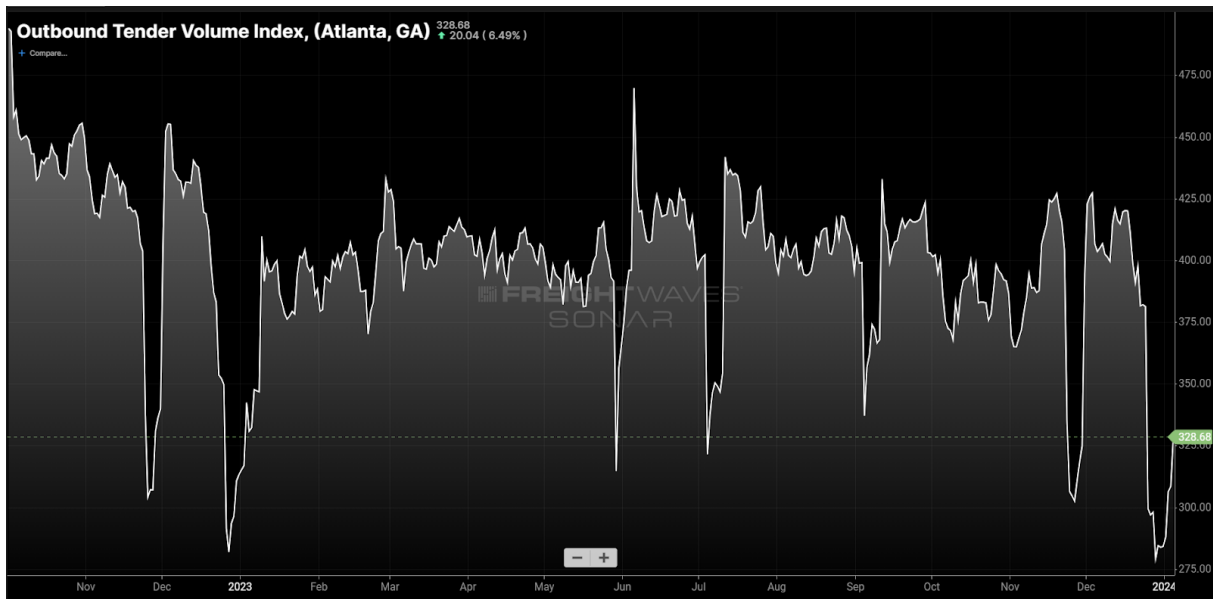


U.S. import demand has increased at a sustainable rate over the past year as inventories appear to have right-sized, increasing the need for more consistent replenishment.

A surprisingly robust consumer has also contributed to stronger-than-expected import demand.



It is difficult to tell with any precision how much influence the increased transit times and cost differentials have had on domestic freight. Tender volumes out of two of the country's most import-dependent markets — Ontario, California, out West and Savannah in the East—have increased over the past year, with the Western market growing more than the Eastern one.



The [Atlanta market](#) — the second-largest outbound freight market in the country, with strong ties to Savannah — has not grown, with tender volumes contracting from an annual perspective.

The Southern California freight markets tend to slow in January and February before ramping in the spring and peaking around September.

Freight attrition will be difficult to recognize at this point as the domestic truckload market remains heavily oversupplied with capacity, but many are expecting that to change later in the year.

The Los Angeles-area markets were the bottleneck for many supply chains during the pandemic. At the bare minimum, recent events are pushing more volume to the West, which could manifest more significantly later this year.

About the Chart of the Week

The FreightWaves Chart of the Week is a chart selection from [SONAR](#) that provides an interesting data point to describe the state of the freight markets. A chart is chosen from thousands of potential charts on [SONAR](#) to help participants visualize the freight market in real time. Each week a Market Expert will post a chart, along with commentary, live on the front page. After that, the Chart of the Week will be archived on FreightWaves.com for future reference.

SONAR aggregates data from hundreds of sources, presenting the data in charts and maps and providing commentary on what freight market experts want to know about the industry in real time.

The FreightWaves data science and product teams are releasing new datasets each week and enhancing the client experience.

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