

Houthi Red Sea Strikes Conducive to Disruptions in Global Maritime Trade. Supply Shortages, Dramatic Increase in Retail Prices

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Disruptions to global trade caused by the Houthi campaign against shipping in the Red Sea is affecting more than half of all retailers in the UK.

Research conducted by the British Chambers of Commerce across more than 1,000 companies in the UK found that container shipping prices have jumped as much as 300 percent, while goods have been delayed for up to a month, prompting supply shortages and cash flow problems.

The Houthis launched their campaign against commercial vessels in November in a bid to end Israeli military strikes on Gaza, which began in the aftermath of the Oct. 7 Hamas attack.

Air and sea strikes against the Houthis in Yemen by US and UK forces have so far failed to curtail the attacks. Eighteen Houthi targets were hit in airstrikes over the weekend.

The average cost of shipping goods from China to Europe has more than doubled, with most ships preferring to travel around Africa rather than risk attack by approaching the Suez Canal.

In 2023, around 22 percent of all commercial shipping containers passed through the canal, according to the UN Conference on Trade and Development. **That total has since fallen by 82 percent, with 586 ships rerouting around Africa.**

The BCC's head of trade policy, **William Bain**, urged the UK government to provide more support to British retailers ahead of its budget next week.

"There has been spare capacity in the shipping freight industry to respond to the difficulties, which has bought us some time. And recent (government) data also indicates the impact has yet to filter through to the UK economy, with inflation holding steady in January," he said.

"But our research suggests that the longer the current situation persists, the more likely it is that the cost pressures will start to build."

Bain said new post-Brexit laws "adding to costs and delays" had made it "a difficult time for firms."

Credit ratings agency Moody's warned this month that retailers would experience a "material impact on profitability by the end of 2024" if the situation in the Red Sea did not significantly improve.

Bain said:

"The UK economy saw a drop in its total goods exports for 2023 and, with global demand weak, there is a need for the government to look at providing support in the March budget."

The crisis has also led to an increase in pressure on air freight companies, with delivery aggregator ParcelHero noting an uptick of 8 percent on spot rates between Europe and China, and 14 percent between China and the US.

Supply issues are expected to worsen in March as Chinese exports increase following the country's New Year holidays, which concluded over the weekend.

David Jinks, head of consumer research at ParcelHero, said:

"Initially, there was a scramble for aviation services as businesses rushed to get products out before the festivities began.

"Now the continuing demand for air freight on this route is because many ships are berthed for the duration and containers are stuck firmly in Chinese ports until manufacturing ramps up enough to restore full services.

"Air freight enables those companies manufacturing and operating in Asia to leapfrog the Chinese bottleneck."

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