

Snap | 24 March 2021

TRADE

The blocked Suez Canal is another setback for supply chains

The Suez Canal has been blocked by a large container ship, but last year's drop in world trade volumes is still the bigger problem for supply chains



With supply chains already under pressure, a large container ship has now literally blocked one of world trade's major routes.

Shipping capacity between Europe and Asia was already squeezed during the Covid-19 crisis, with high rates of ship cancellations as the pandemic began and shortages of containers and slower handling speeds continuing to affect world trade volumes.

The immediate impact of delays in the Suez Canal will centre on European – Asian trade

The immediate impact of delays in the canal will centre on European – Asian trade, adding delays to already disrupted supply chains affecting oil and refined products' supplies. But the route is significant to world trade as a whole, with around 10% of world trade by tonnage and 9% of the world's seaborne oil (equivalent to 5.5 million barrels of oil per day) passing through the Suez Canal over the course of a year.

As delays extend, shipping liners may opt to re-route vessels via the Cape of Good Hope, increasing transit times by a third but avoiding the uncertainty of how long the problem will take to resolve and for backlogs to pass through the canal.

As the Suez Canal Authority works to free the canal, traffic is building up, and missing inputs will disrupt supply chains. But delays measured in days are normal in container shipping (depending on the route), and in the current context of much more acute capacity pressures at some ports, this setback on its own will not do much to trade volumes or cause much further harm to supply chains.

The ongoing effects of shipping liners' route choices, including container shortages and limits on port handling speeds, are likely to be more visible in production and trade data in the months ahead.

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.