

Import flows following the escalation in the Red Sea

LATEST DEVELOPMENTS

On 7 October 2023, the Qassam Brigades (the armed wing of Hamas, which governs the Gaza Strip) launched a military operation called the Al-Aqsa Flood against Israel (OCHA 23/11/2023; WHO 10/10/2023). On the following day, Israel responded with a land, air and sea offensive against Gaza that is still ongoing (Al Jazeera accessed 17/01/2024). Since 19 November the de-facto authority (DFA) in the north, also known as the Houthis, has launched attacks against Israel and Israeli bound ships in the Red Sea, that continue as at mid-January. Between November 19 and January 17, the DFA launched 28 attacks on commercial shipping (CENTCOM 15/01/2024; CENTCOM on X 12/01/2024). On 12 January 2024, the United States and the United Kingdom conducted military strikes in Yemen, targeting areas under DFA-control. US military officials stated that the strikes targeted radar systems, air defence systems, and storage and launch sites for unmanned aerial systems, cruise missiles, and ballistic missiles (Reuters 12/01/2024). The DFA has stated that they will not cease the attacks until Israel halts the conflict in Gaza (Reuters 12/01/2024).

As additional measures aimed at disrupting the channelling of funds for warfare to the Houthis, the US Treasury Department has officially designated for sanctions two shipping enterprises based in the UAE and Hong Kong for their involvement in the shipment of Iranian commodities. Moreover, the US State Department has pinpointed four vessels involved in facilitating the transfer of Iranian financial assistance to the Houthis (US Department of State 12/01/2024).

On 17 January the US administration classified the DFA as specially designated global terrorists (SDGT) (White House 17/02/2024). Secretary of State Antony Blinken had previously delisted the DFA as foreign terrorist organizations (FTO) and as SDGT in February 2021 citing the humanitarian crisis in Yemen for the removal. The redesignation focuses on the global terrorist label without including sanctions for providing “material support”, potentially minimizing impediments to aid for Yemeni civilians (Politico 16/01/2024).

About this report: this flash analysis aims to provide up to date data on food and fuel imports flows into Yemen in the context of the escalation in the Red Sea following attacks from the DFA against Israeli or Israel-bound vessels, and USA and UK linked ships, since November 2023 and the US-UK airstrikes in response against DFA air defence and missile sites in January 2024.

Methodology: this flash analysis relies on a review of secondary data using the ACAPS daily monitoring tool. It involves analysing import data from January 2023 to January 2024 and conducting joint analysis sessions with international and local experts familiar with the context and import dynamics.

Limitation: the current situation in Yemen is volatile and subject to sudden and unforeseeable changes. This could make the validity of the information provided very short-lived. The information should be considered valid as at 18 January 2024. ACAPS will continue monitoring developments closely and may provide further analysis on the situation should contextual dynamics point to an increased impact on the humanitarian situation of the Yemeni people.

TABLE OF CONTENTS

Timeline of key events	2
Impact on food and fuel imports and prices in Yemen	2
Impact on global supply chain	3
Outlook: humanitarian impacts of potential national and regional escalation	4

The project benefited from support by the IMEDA programme, which is supported by UK aid from the UK government.

TIMELINE OF KEY EVENTS

2023

7 October: Hamas launches an attack against Israeli settlements around Gaza (France 24 accessed 17/01/2024)

8 October: Israel launches an ongoing air, ground, and sea offensive against Gaza that continues as at January 2024 (Al Jazeera accessed 17/01/2024)

19 November: DFA seize a vessel in the Red Sea linked to an Israeli businessman, claiming that this was done in response to Israel attacks on Gaza (The Guardian 20/11/2023)

2024

10 January: DFA launched 21 missiles and attack drones at US and UK warships in the Red Sea November, December and January (The Guardian 10/01/2024)

10 January: the UN Security Council passes resolution 2722 demanding DFA cease attacks on vessels in the Red Sea (UN News 10/01/2024)

12 January: US and UK launch limited and targeted airstrikes against air defence and missile sites in DFA-controlled governorates (Reuters 12/01/2024)

14 January: DFA launch a cruise missile targeting a US warship, USS Laboon, in the Red Sea (CNN 14/01/2024)

15 January: DFA struck a US commercial cargo vessel in the Gulf of Aden (Financial Times 16/01/2024)

16 January: US Forces struck and destroyed four DFA anti-ship ballistic missiles (CENTCOM on X 17/01/2024)

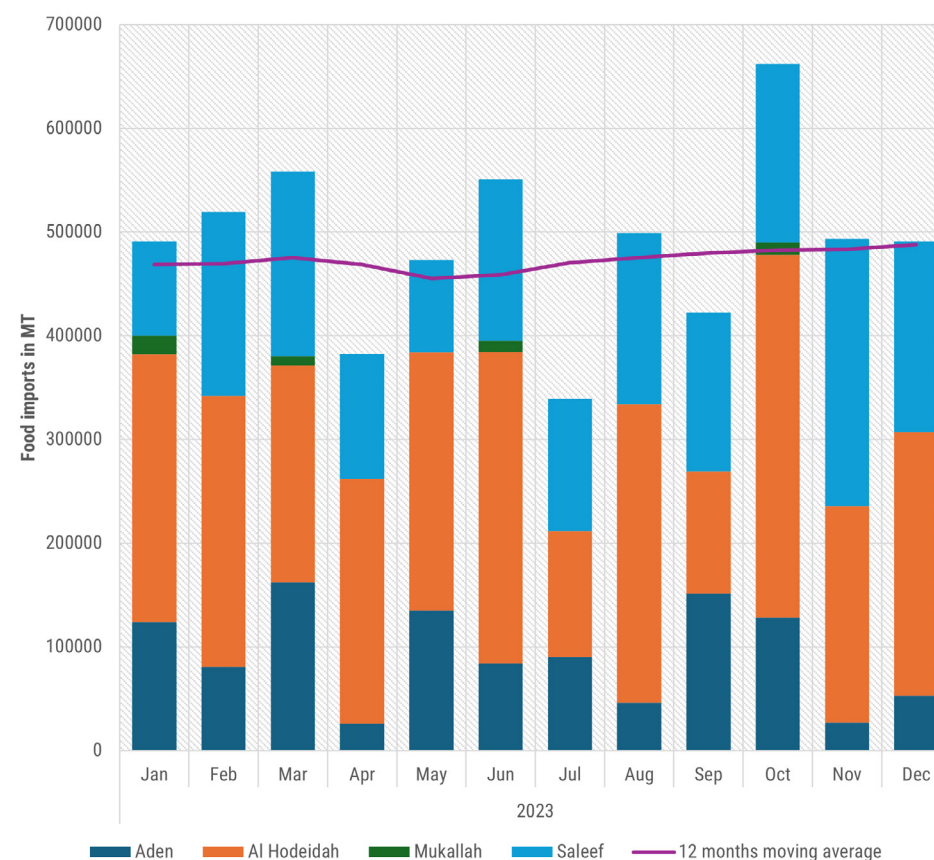
17 January: US State Department designates DFA as a “Specially Designated Global Terrorist” (White House 17/02/2024)

17 January: DFA hits US registered bulk carrier with an attack drone (Splash 18/01/2024)

IMPACT ON FOOD AND FUEL IMPORTS AND PRICES IN YEMEN

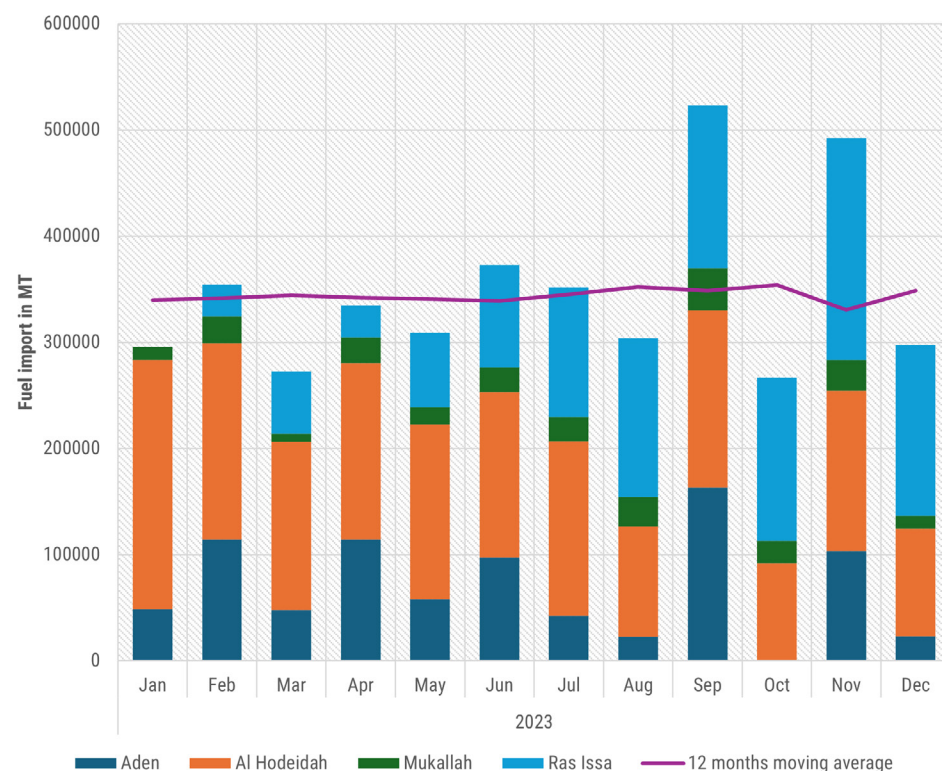
Based on import monitoring data, there have been no significant changes in import flows, especially in the Red Sea ports as at the beginning of January. The graphs below show that November and December recorded regular volumes of food and fuel imports. Food import volumes in December were similar to volumes in November and in line with the 12-month moving average. For fuel imports, the reduction in volumes imported in December should be seen in the context of above average fuel imports in November and September that can offset the decrease.

Figure 1. Food imports to Yemen by port (January to December 2023)



Source: YETI accessed 17/01/2024

Figure 2. Fuel imports to Yemen by port (January to December 2023)



Source: YETI accessed 17/01/2024

Regarding staple food prices, there is no sign of increases in either DFA or IRG areas. The price of gasoline and of wheat flour in IRG areas increased minimally from early December to January more likely because of the continued depreciation on the Yemeni rial (YER) in IRG areas. Prices for the same commodities didn't see any change in Sana'a (Boqash Telegram accessed 18/01/2024; ACAPS in discussion with stakeholders).

Until the second week of January 2024, the war risk premium rates for Yemeni ports remained at 0.62% of the ship value for calls at Red Sea ports (for 14 days cover) and 0.4% for Gulf of Aden ports (YETI CDMT methodology accessed 18/01/2024). However, due to the recent spike in conflict after the largest attack on the Red Sea shipping lane by DFA forces on 10 January 2024, the war risk premium has increased to between 0.75% and 1%. Additionally,

an extra cargo war premium of around 0.2% is applicable for bulk/break bulk cargoes. These additional costs are likely to be transferred to the retail price in the future (ACAPS in discussion with stakeholders; KII 18/01/2024).

Table 1. Wheat flour and gasoline prices in Aden and Sana'a (December 2023 to January 2024)

	DECEMBER 2023		JANUARY 2024	
	ADEN	SANA'A	ADEN	SANA'A
Food price (1kg of wheat flour) in YER	1,100	300	1,200	300
Fuel price (20l of gasoline) in YER	25,000	9,500	25,700	9,500

ACAPS will continue monitoring import and market trends. For more background information on how the food and fuel supply chain works in Yemen, refer to the previous ACAPS reports on the Yemen Food Supply Chain Update and Fuel Supply Dynamics.

IMPACT ON GLOBAL SUPPLY CHAIN

The Red Sea route normally handles 15% of world maritime trade (The Guardian 10/01/2024). While most attacks fell short of severely impacting vessels, many shipping companies have decided to divert their ships towards the Cape of Good Hope bypassing the Red Sea route via the Suez Canal (The Guardian 12/01/2024). This diversion is estimated to add up to 10-14 days to a vessel journey (Reuters 17/01/2024). As major companies have decided to steer away from the Red Sea route, freight volumes on this route are estimated to have reduced by 65% from expected values (Reuters 17/01/2024). The war risk premiums¹ continue to rise due to increased attacks in the Red Sea. On 16 January 2024, the war risk premium increased to approximately 1% of a ship's value, up from 0.5%-0.7% on 18 December 2023, and just 0.07% in early December. This increase in premiums has led to hundreds of thousands of additional dollars in costs for a seven-day voyage (Reuters 18/12/2023; Reuters 16/01/2024).

¹ War risk in marine insurance addresses potential dangers during war or warlike operations. A war risk surcharge is an additional fee imposed by shipping companies to cover heightened risks associated with shipping goods to areas at a high risk of war or political instability (Faster Capital 22/12/2023).

OUTLOOK: HUMANITARIAN IMPACTS OF POTENTIAL NATIONAL AND REGIONAL ESCALATION

The DFA has threatened retaliation for the recent US and UK strikes, potentially intensifying attempts to target naval assets and commercial vessels, declaring US and UK ships as legitimate targets (DailyMail 16/01/2024; Reuters 15/01/2024). The risks of tit-for-tat military strikes, and a stronger involvement of Iran remain high.

Saudi Arabia expressed concern for the latest escalation, emphasizing a preference for a diplomatic resolution to the crisis. The involvement of the US and UK in the conflict could lead to a breakdown in Yemen peace talks and Yemeni factions may reconsider their alliances. The legitimacy and support for DFA may increase, impacting the political landscape.

A military escalation inside Yemen could have significant economic implications. Trade disruptions, higher fees, and insurance costs may affect Yemeni importers, contributing to a food security crisis and economic challenges.

In the case of a resumption of conflict, aid actors should prepare for heightened humanitarian needs, increased access constraints, and higher operating costs. In DFA areas increased needs for food, due to potential disruption to supply chains, and protection services, because of increased violence and possible displacement, are more likely to be expected. Funding shortfalls, especially from the US following the designation of the Houthis as SDTG, coupled with economic fallout from conflict escalations, may increase dependence on assistance. Aid organisations, especially those with Western funding or staff, may face additional constraints and security risks. Aid agencies operating in Yemen have released a joint advocacy statement expressing concern about the escalation of conflict, stating that the escalation is already affecting humanitarian efforts, causing price increases and shipment delays. Further escalation could force organizations to halt their operations in areas with ongoing hostilities (Save The Children 16/01/2024).