## [Freightos Weekly Update] Some East Coast congestion as strike backlogs are cleared

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**Key insights:**

1. Hurricane Milton disrupted operations in Florida last week, keeping the Port of Tampa Bay closed until early this week.

2. Container vessels at East Coast ports are waiting one to four days for slots as ports continue to clear backlogs from the three day ILA strike at the beginning of the month.

3. Some carriers have announced blanked sailings to avoid vessels getting stuck in East Coast congestion, but likely also to adjust capacity to post-peak season easing volumes too.

4. Transpacific container rates are 30% below their July peaks but still about $1,000/FEU higher than the Red Sea-adjusted floor reached back in April.

5. Without additional pressure from a port strike, Asia - Europe rates are falling even faster and are now 58% below their July peak and about back to that April floor, with Mediterranean container prices 47% lower than in July, but – like on the transpacific – are still well above normal levels and should remain so until Red Sea traffic resumes.

6. China - N. America air cargo rates – which had shot up to more than $7.00/kg last week on some strike-driven ocean to air shift – fell back to more than $5.00/kg, which is nonetheless higher than normal as e-commerce volumes continue to surge. As air cargo enters its peak season months rates are expected to climb even further.

**Ocean rates - Freightos Baltic Index:**

• Asia-US West Coast prices (FBX01 Weekly) fell 3% to $5,565/FEU.

• Asia-US East Coast prices (FBX03 Weekly) climbed 1% to $6,787/FEU.

• Asia-N. Europe prices (FBX11 Weekly) fell 11% to $3,625/FEU.

• Asia-Mediterranean prices (FBX13 Weekly) fell 8% to $4,118/FEU.

**Air rates - Freightos Air index**

• China - N. America weekly prices decreased 23% to $5.43/kg

• China - N. Europe weekly prices fell 1% to $3.80/kg.

• N. Europe - N. America weekly increased 2% to $1.82/kg.

**Analysis**

Hurricane Milton battered the west coast of Florida last week. Power disruptions kept the Port of Tampa Bay closed until Monday, while ports in Miami and Jacksonville resumed operations before the end of last week.

The Port of Savannah, which was still facing a backlog from Hurricane Helene in September, will require another two weeks to restore full fluidity as the three-day ILA port strike added to the number of waiting vessels. Ships are waiting more than two days for a slot in Savannah, with the other major East Coast ports also reporting waits of one to four days at some terminals due to the strike, representing significant but not extreme congestion as the backlogs get cleared.

Some carriers have announced blanked sailings in response to the congestion, but may also be adjusting capacity to the lower, post-peak season volumes.

Transpacific ocean rates are now 30% below their July peaks, and with the early end to peak season we should expect rates to continue easing. Rate levels of $5,500/FEU to the West Coast and $6,700/FEU to the East Coast are still several thousand dollars higher than typical levels even for peak season and are also still about $1,000/FEU higher than the Red Sea-adjusted floor hit in April. As long as Red Sea diversions continue to absorb capacity on an industry level, prices may not fall much further than seen back in April.

Asia - Europe and Mediterranean trades – that, due to longer lead times for sailings around the Cape of Good Hope, had to have peak season goods moved out of Asia before Golden Week to receive them in time for Q4 consumer events – seem to be even further past peak demand than the transpacific. Rates on these lanes fell further last week and, at about $3,600/FEU to Europe and $4,000/FEU to the Mediterranean, are already just about at April levels.

In air cargo, Freightos Air Index data shows that transpacific air cargo rates that had jumped to $7.07/kg with some ocean to air shift at the start of the ILA strike, fell back to $5.43/kg last week. But even at $5 - $6/kg, rates are elevated well above typical levels even ahead of air’s Q4 peak season on the continued surge of e-commerce volumes out of China.

The importing of low-cost goods directly to consumers by high cost air cargo is mostly facilitated by the de minimis exception which exempts small imports from customs costs and rigorous and expensive filing requirements.

In September the White House announced plans to significantly reduce access to the de minimis exemption, with e-commerce imports from China a main target.

Actual rule changes will be a ways off and final versions could be quite different from those proposed. Because of the lack of movement since September, e-commerce air cargo volumes are expected to increase along with other types of goods soon and through early December, making space even tighter and pushing rates higher.

If significant changes to de minimis do eventually go through though, they could result in a shift in strategy by e-commerce platforms like Temu and Shein, and a possible shift away or reduction in use of air cargo for these types of goods.