CONTAINER NEWS

Ocean rates falling post-peak season, but labor and election results could renew pressure for North America lanes

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Asia–Europe ocean rates closed October 30% lower than at the end of September as Red Sea diversions that led to an early peak season meant the post-peak/pre-Lunar New Year demand lull started early this year too.

Prices of US$3,500/FEU to both Europe and the Mediterranean have reached the floor set during the previous demand lull this year in March and April, though these rates are still about double long-term averages as sailings around the Cape of Good Hope continue to absorb capacity.

Some carriers have announced blanked sailings in November as demand lags, but the usual Lunar New Year volume and rate rebound may start earlier than usual as the holiday begins in late January instead of early February this year, and as shippers may start increasing orders early to accommodate longer sailing times as well.

Congestion from the three-day port worker strike at US East Coast and Gulf ports has overall dissipated and did not seem to put pressure on transpacific rates as prices have only eased through the month. West Coast rates fell 19% in October to US$5,540/FEU and are 32% lower than their July peak as demand eased post an early peak season for North America as well.

Prices to the East Coast have also continued to fall and at US$5,165/FEU are 41% lower than in September. Front loading of volumes to the East Coast in September may have been stronger than to the West Coast due to the rush to beat the October 1st strike deadline.

This factor may explain the sharper drop in East Coast rates over the last few weeks. It may also explain the very unusual occurrence of East Coast rates – typically about US$1,000/FEU higher than West Coast prices – dipping below West Coast levels. Rates to both coasts, however, are still US$1,000 – US$1,500/FEU above their April lows.

Strike-driven congestion may have impacted transatlantic rates which increased 32% month on month in October to US$2,533/FEU first due to expectations of strike-caused congestion, and then from some delays at US ports. But prices may stay elevated due to some congestion at European hubs and some capacity dips at European origins due to delays from the strike.

Ex-Asia rates will likely keep sliding unless carriers work to reduce capacity and until demand increases ahead of the Lunar New Year. For N. American trade, though, there are a couple of other wildcards to keep in mind, each of which may already be contributors to transpacific rates staying above April levels:

First is the January 15th deadline for the ILA and USMX to finalize a new contract or face renewed East Coast and Gulf port strikes. This week the sides announced that they will begin negotiating face to face in November. Port automation remains the major sticking point, and if there's no progress in the coming weeks anxious shippers may start increasing orders again ahead of another possible strike.

The other wildcard is the outcome of the presidential election. If Trump wins, his promise of sharp tariff increases may be enough to push many shippers to start buffering their inventories even before he enters office or officially announces tariff hikes. As was the case in 2018, looming tariffs will lead to increased ocean volumes and climbing rates as shippers rush to beat new tariff roll outs.

In other labor news, port workers in Montreal staged a one-day strike on Sunday after rejecting a government proposal for a special mediator. The union has announced another one day strike for two of the port's terminals for Thursday. Sunday's action, as well as an early-month three day strike and an ongoing overtime strike have so far not caused significant disruptions to operations. In

Chittagong, a trucker strike is causing delays and challenges to container flows.

Reports of recent increases in air cargo volumes out of Asia suggest that air's peak season is getting underway. Freightos Air Index China – N. America rates were just below US$7.00/kg last week, well above the US$5.00 – US$6.00/kg level seen for most of the year and into September. Prices to Europe of US$3.86/kg are 12% higher than in September but have not started a sharp climb just yet.

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