Changes in trading patterns put rates on different paths

Analysts say the surge in freight rates on the Pacific is coming, while the patterns of trade to North Europe and the Mediterranean have seen rates to southern Europe surge again this week.

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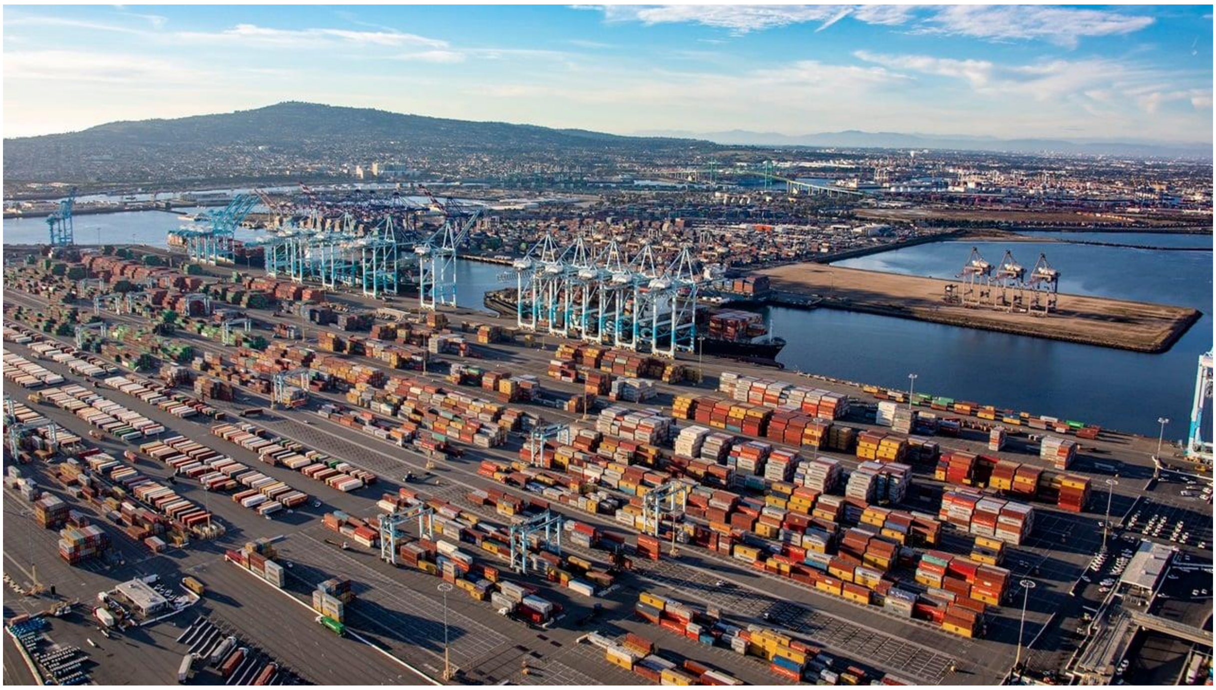

Image: Port of LA

The much talked about surge in freight into the US is not likely to materialise, because volumes are already at a high level and the market is already tight. However, expectations of disruption on the East Coast and higher costs over the coming two-to-three months will drive rates higher, though Drewry Shipping Consultant's Simon Heaney pointed out that current rate levels are lower than they were six months ago.

Drewry's believes that the first indications of a surge in freight may occur came as Drewry's WCI composite index showed global, week-on-week, rates rising 6%.

The surge in rates has not, as expected, come in the US trades. Asia to West Coast rates declined 12% and Asia to US East Coast trades saw no movement at all. Instead, rates to North Europe surged 19% while Mediterranean bound freight saw a 22% increase.

Drewry, however, said: "We expect an increase in rates on the transpacific trade in the coming week due to the looming ILA port strike in January 2025 and the anticipated rush to ship goods before the strike begins."

Xeneta chief analyst, Peter Sand, said that the data points to a rebound in rates on the Pacific as the US East Coast disruptions loom in January, and the added uncertainty of the US tariff regime.

"Container Trades Statistics are fairly bullish already, so volumes are not going to rise much higher," said Sand, "But we're already in a tight market."

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Meanwhile, Sand said there has been an ongoing reset of the relationship between Northern and Southern Europe, with the distance to the Mediterranean significantly increased since the Red Sea diversions began.

Trading patterns to North Europe and Mediterranean from Asia have already seen major changes from the diversion around the African Cape, and that has pushed Mediterranean rates higher than North European rates due to higher costs to reach Mediterranean destinations.

“We saw rates to the Mediterranean increase since mid-2024, then they declined, but since the beginning of November the rates have been rising again,” explained Sand.

“The spread between North European and Mediterranean rates is now $700/feu, in favour of the Mediterranean, before the Suez diversions, rates to the Mediterranean were lower, and we expect this tendency on the spot market to shift into the long-term rates too,” said Sand.

Pacific trading is on a different path, however, said Heaney. There is already evidence of that US tariffs have significantly shifted trading patterns, with Chinese exports to the US falling while Southeast Asian imports to America have soared, according to Huatai Securities.

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As the new regime in the US warns of further import duties, Taiwanese freight forwarder Dimerco says it expects a short, sharp surge in container imports into the US as shippers look to beat the new tariff regime, leading to longer lead times, tight capacity, congestion and ultimately higher rates.

Drewry believes that Pacific trading will see significant rate increases starting over the next week.