Container freight rates tumble

Spot container freight rates are falling in reaction to the averted port strike on the US East Coast but could find support from alliance reshuffling and Trump's tariff plans.

Marcus Hand, Editor

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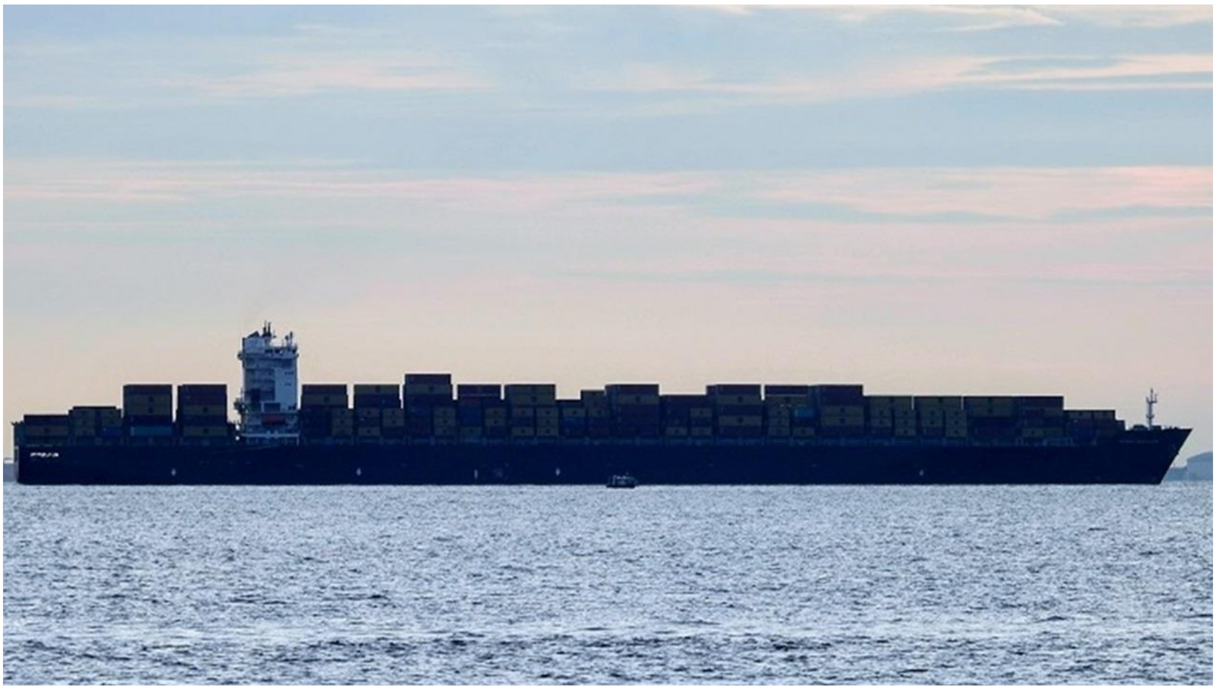

Credit: Marcus Hand

The benchmark Shanghai Containerized Freight Index (SCFI) was down 7% on 17 January over the previous week falling 159 points to 2130.81 points. This follows an 8.6% drop in the previous week.

A lesser drop was reported by Drewry on its World Container Index (WCI) on 16 January with a 3% decrease to $3,855 per feu. Freight rates from Shanghai to Los Angeles decreased 5% to $5,228 per feu., while rates from Shanghai to New York fell 4% to $6,825 per feu.

In a report on 13 January HSBC Global Research commented, "The SCFI collapsed 8.6% week-on-week on the averted strike, with upcoming weeks likely seeing more downward pressures due to weaker seasonality. Two more rounds of GRIs up to USD1k-3k/feu in Transpacific routes are due on 15 Jan and 2 Feb. With USEC strikes averted, we think it would be unlikely for GRIs to be implemented."

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Spot rates had been on the up prior to the announcement of a tentative agreement between unions and employers at US East Coast on 8 January, averting strike action which had been expected to start coast wide on 15 January.

"Spot freight rates have been cruising at an elevated level in the year-to-date, but we now expect spot rates to lose steam as risks of port disruptions subside. Fading cargo rush ahead of Chinese New Year (CNY) and weaker seasonality could exert more downward pressure on freight rates," the HSBC report said.

Related:US East Coast ports strike averted

However, HSBC expects lines to adopt a more forceful approach to blank sailings in the run up to the Lunar New Year to try and arrest the slide in spot rates.

Going forward the alliance reshuffles from February onwards and US President elect Donald Trump's tariff plans could help provide support.

"Further, we think the upcoming alliance reshuffle which could disrupt schedules and official announcement of tariffs after President-elect Trump takes the office could arrest the sharp rates decline and keep rates at a relatively high level in 1H25, boding well for transpacific contract negotiations which are usually concluded in May. This could indicate decent 1H25 profitability for shipping lines," the report said.