Asia-US container rates decline in slack season

Freightos sees earlier frontloading pushing prices down in run-up to Lunar New Year

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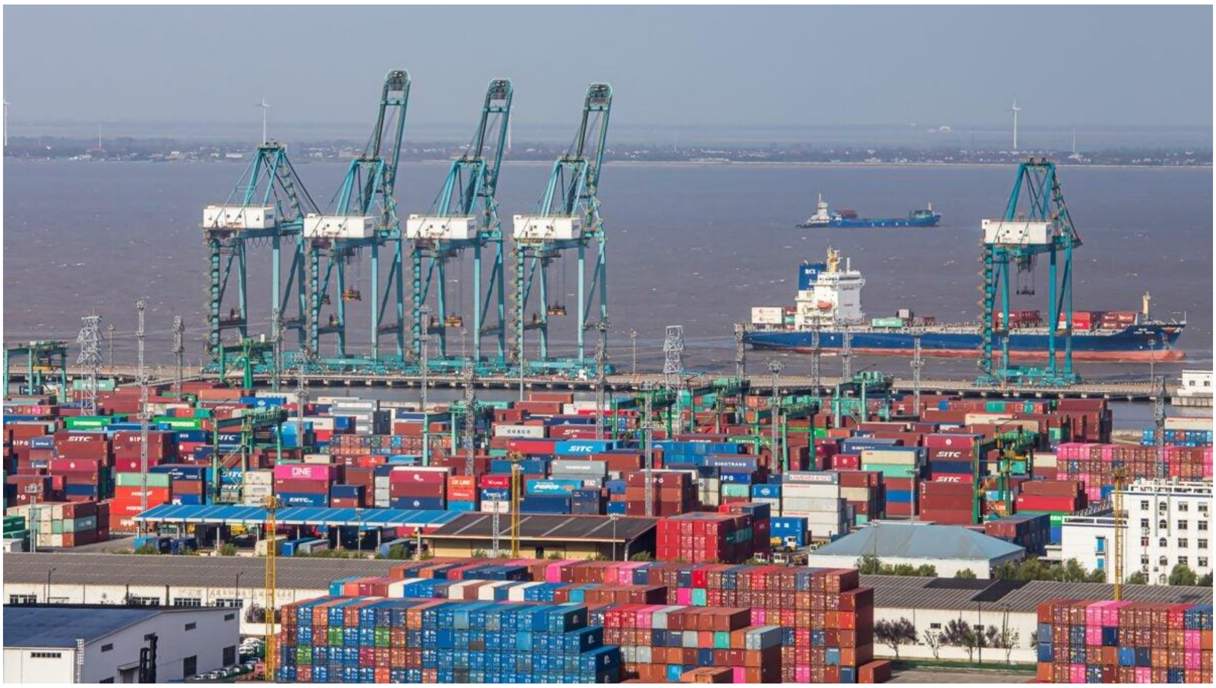
The Port of Shanghai. (Photo: Shutterstock)

While the traditional slack shipping run-up to Lunar New Year has weakened container freight rates for services from Asia to both U.S. coasts, a slew of factors is weighing on longer-term prices.

Asia-U.S. West Coast rates fell 10% to $5,321 per forty-foot equivalent unit in the week ending Jan. 17, according to the Freightos Baltic Index.

Asia-U.S. East Coast prices slipped 3% to $6,715 per FEU.

“For the time being ex-Asia rates are easing as the lead up to Lunar New Year has ended,” wrote Judah Levine, head of research for Freightos, in an update. “As the new [carrier] alliances prepare to launch, some of the rate decrease may also be due to some increased competition between carriers.

“Trans-pacific prices could rebound somewhat just after Lunar New Year on some backlog of shipments not moved before the holiday, though a backlog and price bump are less likely for Asia-Europe as shippers moved goods earlier than usual this year.”

Lunar New Year, which begins Jan. 29, marks a period when factories in Asia shut down for several weeks. The weaker rates follow frontloading of imports by shippers ahead of the holiday — and tariffs threatened by President Donald Trump.

Trump backed off first-day global tariffs he had campaigned on but announced that the U.S. would levy promised 25% tariffs on imports from Mexico and Canada by Feb. 1.

“Despite that short timeline, which some observers think is possible via the International Emergency Economic Powers Act, Trump’s America First Trade Policy memorandum, issued just after the inauguration, implies a longer runway before those new tariffs,” Levine wrote.

While tariffs are usually the culmination of a monthslong process, “[t]his week’s memo sets April deadlines for the requested reports and recommendations, which may make a Feb. 1 tariff hike less likely.”

A recent statement by Houthi rebels based in Yemen that they intend to cease attacks on most merchant vessels in the Red Sea following a ceasefire in the Gaza war was an encouraging sign, Levine said, but it will likely be some time until ocean carriers and shippers are confident that the Suez Canal route is safe for global shipping.

“[E]ven assuming the Houthis stand down for the next six weeks, sustained quiet is contingent upon Hamas and Israel agreeing on terms for the second and then third stages of the ceasefire,” the update stated. “Negotiations for the second stage are set to begin on Feb. 5, but President Trump already stated that he is not confident the ceasefire will hold into the, in many ways more challenging, later stages.”

When Red Sea transits do resume, Levine expects the adjustment period to the shorter route for traffic from Asia to Europe, the Mediterranean and North America “could last for several weeks or longer.”

For the week ending Jan. 17, the Freightos Baltic Index found Asia-North Europe rates fell 17% to $4,694 per FEU.

Asia-Mediterranean prices slid 7% to $5,283 per FEU.

“Schedule disruptions and vessel bunching in Europe and Asia as ships start arriving early will cause some congestion and delays at these hubs, which could put upward pressure on rates in the short term.

Longer term, when capacity that was absorbed by Red Sea diversions that doubled rates through 2024 is deployed back into the market, it will put “significant downward pressure on rates.”

Levine noted that some carriers believe slow steaming, idling, blank sailings and even an increase in scrapping in a seller’s market could stave off a collapse in rates.

“But the possible supply surplus could result in loss-making prices as low as those seen in late 2023 when trans-Pacific rates dipped to $1,200/FEU and Asia- Europe and trans-Atlantic prices slumped to about $1,000/FEU.”

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