Why ocean container spot rates are spiking now

Tariff pull-forward, Lunar New Year, continuing Red Sea disruption all factors

John Paul Hampstead

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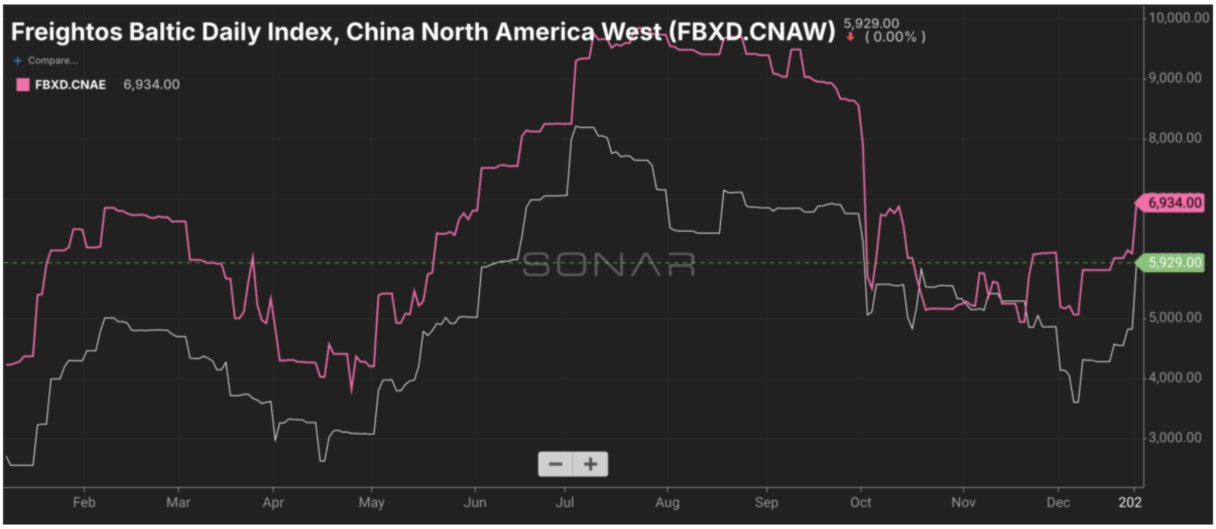
A loaded Yang Ming container ship approaches the port of Los Angeles. (Photo: Jim Allen / FreightWaves)

Ocean container spot rates have surged in recent weeks, marking a dramatic shift from the volatile pricing environment that characterized much of 2024. After a year of fluctuating rates and uncertainty, shippers are now grappling with rapidly rising costs, particularly on the crucial eastbound trans-Pacific trade lane.

The Drewry World Container Index posted on Thursday showed a 3% week-over-week increase to $3,905 per forty-foot equivalent unit, driven primarily by rate hikes on trans-Pacific routes to both U.S. West and East Coast ports from Asia. Spot rates from Shanghai to Los Angeles jumped 7% or $330 to $4,829 per FEU, while Shanghai to New York rates rose 6% or $371 to $6,445 per FEU.

This momentum builds on gains seen in December. According to Freightos data, rates for containers moving from Asia to U.S. West Coast ports increased 8% to $4,825 per FEU for the week ending Dec. 27, 2024. Asia-U.S. East Coast prices saw a 3% bump to $6,116 per FEU in the same period.

Judah Levine, head of research at Freightos, noted several factors contributing to the rate increases: "Ocean rates out of Asia overall trended up slightly to end the year, but with Lunar New Year approaching and a range of January General Rate Increases (GRI) announced [by ocean carriers] for the trans-Pacific, container prices on these lanes could face upward pressure to start 2025."



(The Freightos Baltic Daily Index is a daily average of ocean container spot rates; displayed are the China to North America – West Coast and China to North America – East Coast lanes in U.S. dollars per FEU. Chart: SONAR. To learn more about SONAR, click here.)

The surge in rates coincides with robust import activity at major U.S. ports. November volumes at the ports of Long Beach and Los Angeles hit record levels, reflecting a late-year freight surge that has kept ocean container rates elevated on trans-Pacific routes.

Several key factors are driving this import growth and subsequent rate increases. First, shippers are engaging in frontloading ahead of potential disruptions. The looming threat of an International Longshoremen's Association (ILA) port strike in January 2025 has prompted many importers to accelerate their shipments. Maersk, in an advisory posted on Wednesday, urged customers to "pick up their laden containers and return empty containers at U.S. East and Gulf Coast ports before Jan. 15" in anticipation of possible labor actions.

Importers are also rushing to beat potential tariff hikes under the incoming Trump administration. The combination of these factors has created a surge in demand for container shipping space, allowing carriers to implement and sustain higher rates.

The traditional increase in activity preceding the Lunar New Year, which falls at the end of January in 2025, is further amplifying this trend. Factories in Asia typically close for this holiday, prompting a rush of shipments in the weeks leading up to it.

Looking ahead, industry analysts expect the current rate momentum to continue into early 2025, though with some potential moderation. Drewry forecasts that "rates on the Transpacific trade [will] rise in the coming week, driven by front-loading ahead of the looming ILA port strike in January 2025 and the anticipated tariff hikes under the incoming Trump Administration."

But Freightos predicts some easing later in the first quarter: "A seasonal decrease in demand starting later in February should see rates ease on the ex-Asia lanes, though Red Sea diversions will keep them elevated well above long-term averages just as they were through 2024," Levine wrote.

The situation remains fluid, with several factors that could impact rates throughout 2025. The outcome of labor negotiations between the ILA and port employers, potential changes in U.S. trade policy, and the ongoing need for some vessels to divert around the Horn of Africa due to security concerns in the Red Sea could all influence container pricing in the coming months.

As shippers navigate this complex and rapidly evolving rate environment, many are likely to face higher transportation costs in the near term. The ability to adapt quickly to changing market conditions and potential disruptions will be crucial for businesses relying on ocean freight in 2025.