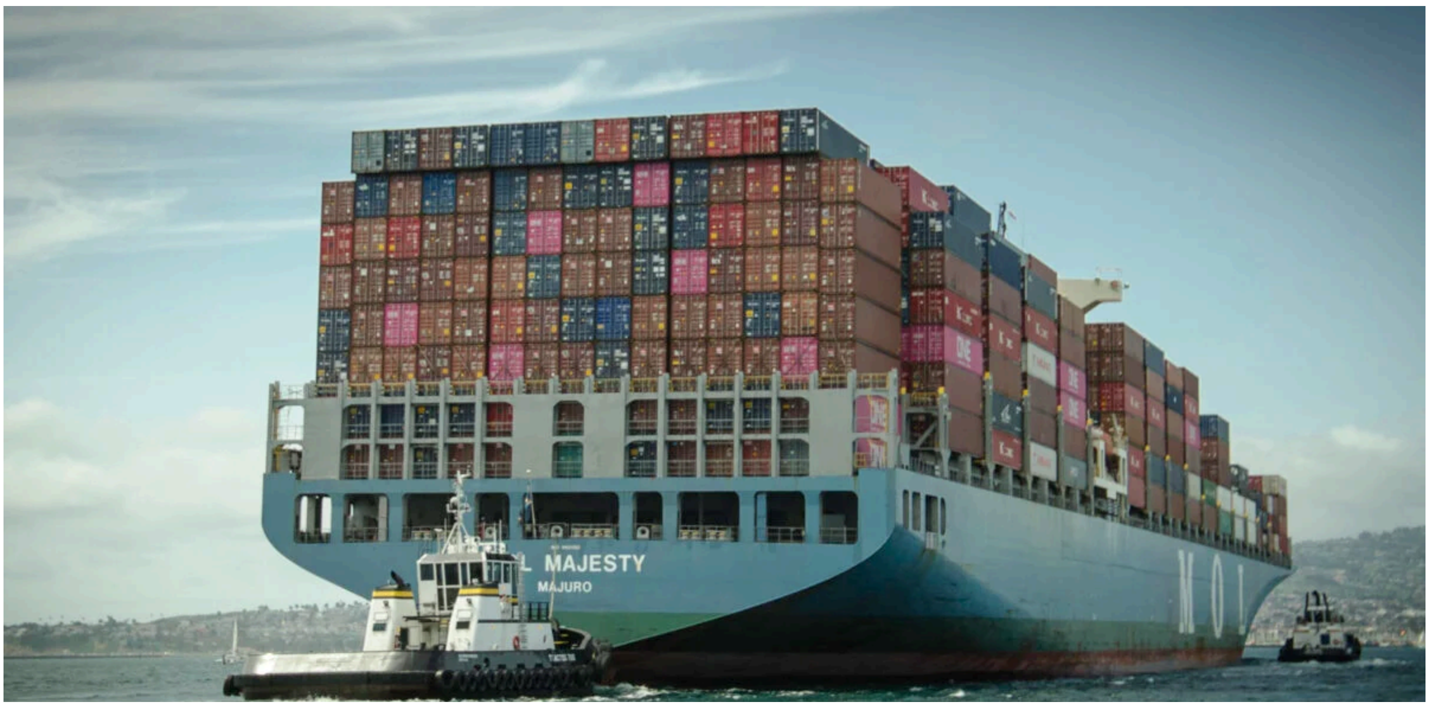
Ocean container rates slide as US tariffs shadow logistics planning

Uncertainty abounds as container shipping navigates seasonal lull

Stuart Chirls • Wednesday, March 12, 2025



The container ship MOL Majesty is shown at the Port of Los Angeles-Long Beach complex in this undated photo. (Photo: Jim Allen/FreightWaves)

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Recent developments in United States trade policy have once again thrown the global supply chain into a state of flux as President Donald Trump's moves to impose and then partially suspend some tariffs have created significant disruption and uncertainty for businesses operating in North America.

That uncertain feeling has extended to ocean container rates, already in the throes of the traditional early-year lull, according to the Freightos Baltic Index.

The initial announcement of 25% tariffs on all U.S. imports from Mexico and Canada sent shockwaves through the logistics industry. However, within days, the administration issued a one-month reprieve for automotive goods covered by the United States-Mexico-Canada Agreement, later extending this suspension to all imports under the agreement. This impacts an estimated 50% of imports from Canada and 38% from Mexico, including automotive goods, food and agricultural products, and many appliances and electronics.

The remaining imports, valued at approximately $1 billion per day, now face the 25% tariff increase. This category encompasses a wide range of products from phones and computers to medical equipment. The sudden implementation and subsequent partial suspension of these tariffs have led to significant disruptions in cross-border shipments and surface volume flows from both Mexico and Canada.

This tariff seesaw is not an isolated incident but part of a broader pattern of Trump using trade policy as leverage for various goals, wrote Judah Levine, head of research for Freightos, in a note accompanying the most recent data. In this case, the stated objectives include addressing border security concerns and stemming the flow of fentanyl and illegal immigration. However, reports suggest that part of the reprieve was due to auto manufacturers' pledge to shift some production from Canada and Mexico to the U.S.

The uncertainty created by these rapid policy shifts has made planning and adjustments extremely challenging for shippers, Levine said. Many are adopting a wait-and-see approach before committing to significant supply chain changes. However, the looming threat of tariff increases, particularly on imports from China and other U.S. trade partners, prompted some importers to frontload ocean shipments since November, boosting ocean demand and freight rates.

Recent data from the National Retail Federation shows that U.S. ocean import volumes from November through February were approximately 12% higher than the previous year, indicating a significant pull-forward effect. While volumes are projected to remain strong through May, a weakening is expected in June and July, suggesting a softer start to the traditional peak season due to the earlier frontloading.

The impact of these trade policy fluctuations is also evident in container rates. Trans-Pacific container prices have continued to decline post-Lunar New Year, with rates to the West Coast down to $2,660 per forty-foot equivalent unit and $3,754 per FEU to the East Coast. These figures represent a 40% decrease compared to the previous year and are at or just below the 2024 low seen after the Lunar New Year.

Similarly, ocean prices on the Asia-Europe trade have dipped below last year's low in recent weeks.

Asia-North Europe rates increased 3% to $3,064 per FEU. Asia-Mediterranean prices stayed level at $4,159 per FEU.

While general rate increases at the start of March slowed the decline, pushing rates up by a couple hundred dollars, this increase fell well short of the $1,000 hike carriers had announced. Asia-Mediterranean prices have stabilized and are roughly on par with rates from a year ago.

The recent weakness in rates, particularly on trans-Pacific routes, may be attributed to a combination of factors, Levine said. These include a post-Lunar New Year lull in demand and the recent carrier alliance reshuffle, which has resulted in increased competition and less effective capacity management as carriers adjust to newly launched services.

As the industry navigates uncertainty, several key deadlines loom ahead. These include the March 24 United States Trade Representative hearing that will inform a decision on proposed port call fees; the April 1 deadline for agency reports on various trade issues as requested in the president's America First Trade Policy memo, and the newly established April 2 deadline for potential 25% tariffs on USMCA goods.

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