Tariff policies overblown says Maersk

With the US presential elections seemingly in the balance, Maersk CEO Vincent Clerc has cautioned against overstating the effects of tariffs on the container shipping business, claiming what really matters is what is consumed in the US.

Nick Savvides, Europe correspondent

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Image: Freddy/Pixabay

Speaking at a press conference last week, Maersk CEO Vincent Clerc sought to allay fears that a new intensely tough tariff regime would add to inflationary pressures and risk taking the heat out of retail sales, and therefore demand for freight imported on container ships.

US retailers, through the National Retail Federation (NRF) are concerned that tariffs, proposed most energetically by presidential candidate Donald Trump, are an effective import tax that will be passed on to consumers, raising prices.

“Both candidates are aiming to boost the economy and consumption, and while they may use different tools, I think it will have much less impact than you expect,” said Clerc.

He added: “In the end, they will either import their goods from somewhere else or they will pay a bit more for them because there are tariffs. Otherwise, there are a number of things that are produced in the US that still have to be moved in containers, so it’s not going to have a huge impact on us.”

The bi-partisan Petersen Institute for International Economics (PIIE) has studied the effects of tariffs on US consumers that were introduced in the first Trump presidency.

“A recent Canter for American Progress analysis found that a 10% tariff would act like an annual consumption tax increase of about $1,500/household; a taxpayers’ organization forecast even higher costs (Duke and Mulholland 2024). Such burdens on households also raise prices, a particularly undesirable consequence given concerns about inflation in the post-COVID economy,” reported PIIE.

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Global Shippers’ Forum director James Hookham said: “That will have an inflationary effect, similar to the post-covid spike in prices and interest rates, which saw a major suppressive effect on consumption of traded imports… That is what happened last time so it’s reasonable to assume it will happen again.”

Cargo flows may be affected, however, with a push to import freight before any tariffs become effective, said Hookham: “The election takes place on 5 November, but a new president will not be in place until early January, and any new import regime is unlikely to be in place before February, so there could be a rush to get cargo in before Chinese New Year on 29 January.”

Sea-Intelligence had already detected an increase in inventory levels in its 30 October report.

“The latest data from the US Census Bureau shows that there is a consistent inventory increase in the retail sector. Not only are retailers increasing inventories, the pace of increase has also quickened,” said Sea-Intelligence.

Tracking inventories since the currency crisis of 2008, Sea-Intelligence notes that the increased inventories are now at their highest since the financial crisis.

“It would therefore be correct to say that not only are retailers building inventory, but they are building inventory which is very excessive compared to the long-term trend.”

Sea-Intelligence argues that if the early peak season was due to retailers moving stock ahead of the time that it would be sold then there would be a decline in demand, which can be seen with the sharp decline in spot rates, down around 50% on the major east/west trades since July.

Raised inventories could delay the inflationary pressures that tariffs bring, but in the longer term sold inventories will need to be replaced and will become subject to a new tariff regime.