Analyst: Shippers' tariff fears could keep trans-Pacific container rates up during February 'dip'

Traditionally weak February may be anything but, says Freightos

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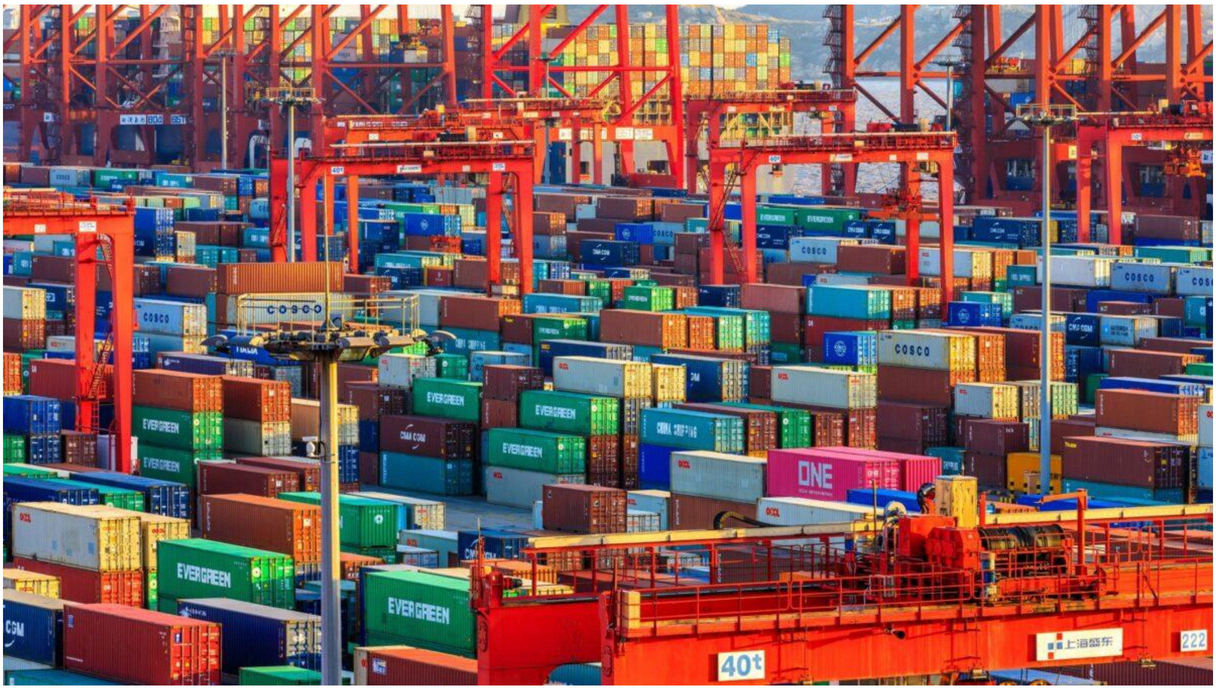

Yangshan Container Terminal in Shanghai, China. (Photo: Shutterstock/ABCDstock)

Trans-Pacific container lanes could skate right past a post-Lunar New Year lull to peak-season-like traffic if an aborning trade war with China continues to lead U.S.-based shippers to frontload imports.

Asia-U.S. West Coast container rates fell 3% to $4,904 per forty-foot equivalent unit for the week ending Feb. 7, according to the latest Baltic Index from shipping analyst Freightos.

Prices for Asia-U.S. East Coast services were off 1% to $6,656 per FEU from the previous week.

"Trans-Pacific rates have eased since early January, but with expectations that frontloading ahead of tariffs will continue we may not see the typical post-Lunar New Year pre-peak season demand dip this year," wrote Judah Levine, head of research for Barcelona, Spain-based Freightos (NASDAQ: CRGO). "Depending on the strength of the continued pull forward — many shippers have already been stocking up since November — rates could stay around their current elevated levels or climb in the coming weeks as the tariff situation remains uncertain. This unseasonal demand strength could likewise result in unseasonal demand and rate weakness later this year during the typical peak season months."

While the recent strategic on/off levies for imports from Mexico and Canada had minimal effect on ocean freight, the U.S. left in place 10% tariffs on goods from China, underpinning pull-forward of shipments through major U.S. container gateways.

"[Trump's] campaign proposal for 60% tariff introductions on all Chinese goods – the process for which was set in motion by Trump's day one trade memo and could result in action as early as May – is part of this structural tariff strategy," Levine observed. "The latest U.S. ocean import volume report from the National Retail Federation shows that starting back in November, U.S. importers have been frontloading shipments ahead of this expected tariff hike, and projects that this pull forward will continue to keep volumes elevated into the second quarter."

Recent moves by the U.S. to restrict, and then reallow, duty-free entry for lower-value "de minimis" imports, has also led shippers to shift from airfreight to ocean carriers.

Without onerous duties to pay, Temu, Shein and other China e-commerce sellers established substantial markets in the U.S. by hurrying orders to American consumers via air. While the Trump administration figures out a long-term solution, Mexico and the European Union have also implemented their own de minimis restrictions.

"The pause may also serve as a wind down period for B2C small imports from China during which Chinese e-commerce platforms shift away from their heavy reliance on de minimis and air cargo," wrote Levine. "These platforms have already been increasing their use of ocean freight to build up inventories in Mexico and the U.S. and there are reports that for American shoppers, Temu is already promoting items from sellers with U.S.-based inventory."

For the week, Asia-North Europe rates fell 8% to $3,386 per FEU, while Asia-Mediterranean prices were 10% lower at $4,549 per FEU.

"Ocean container rates from Asia to Europe continued to slide last week and are 40% lower than in early January during the lead up to Lunar New Year," wrote Levine. "Shippers on this lane likely pulled forward more volumes than usual ahead of LNY this year to adjust to Red Sea diversions. With few signs of a coming rebound in demand to clear a holiday backlog, demand is likely to continue to ease as this market enters the typical post-LNY lull. Carriers will reportedly increase blank [canceled] sailings on this lane to prevent rates – already at about the Red Sea adjusted floor hit in 2024 – from falling much further."