Newton’s law applied to container freight rates

What goes up must come down and that is the case for container shipping rates that have fallen over 50% July according to Xeneta.

Nick Savvides, Europe correspondent

March 14, 2025

Credit: Maude22-Pixabay

Collapsing freight rates, trending south since mid-2024 are finally fulfilling Newton’s law and returning to significantly lower levels with Xeneta claiming a decline of 50-70% since July.

This week’s Drewry figures show the headhaul services on both major tradelanes declined week-on-week, Shanghai to North Europe and the Mediterranean is down 5% and 11% respectively. China to Los Angeles and New York fell 8% and 7%.

Chief analyst at Xeneta Peter Sand told *Seatrade Maritime News* that if the US Government has a plan, then businesses will need to work around it, “but whatever the plan is, I can say it’s not working”.

Dynamar consultant Darron Wadey believes that Trump’s tariff regime and the changing geopolitical situation have had an effect, on rate levels, a similar situation would have been seen even without the uncertainty of tariffs and the Red Sea diversions, he believes.

“To demonstrate this, January’s global container cargo volumes grew by approaching 6% year-on-year, while container shipping capacity increased at well over twice that rate. And yet the carriers keep ordering and ordering,” said Wadey.

Rate declines “Really started to accelerate in February,” according to Sand, with Xeneta recording a range from high to low rates, “but the highs have completely evaporated,” explained Sand, who added, “Something has gone very sour”.

Related:[Triton acquiring Global Container International]

For Wadey the tart flavour has been served by the "fundamentals, they do not lie! If demand cannot keep up with capacity, and if everything else remains equal, rates must fall."

Not just for one week, however, but for an extended period. "The Shanghai and Ningbo freight indices are both down by over 40% for the year-to-date," Wadey explained.

One of the key challenges is the uncertainty in the market, with many shippers having front loaded inventories ahead of Trump's inauguration, and now those shippers have seen the extent of the tariff war instigated by the US, with the promise that this second trade war (TW2), after the 2018-19 event, will be broader and more intense.

"Flip flopping on tariffs has left no room for front loading, but shippers can see whatever freight they bring in now will have a higher price later," explained Sand.

That uncertainty was also cited by Wadey as a key element in the shippers' struggle. "Uncertainty surrounding tariffs, in particular their on/off/on again nature, what the product scopes are and who the affected nations will be…Even so, the impacts of these measures have yet to be felt at broader levels and the tariffs themselves have yet to bed in."

Related: Competitive, cleaner, greener Gemini services to drive box market

With the extent of TW2 broadening some shippers have looked for ready-made solutions, with Walmart asking its Chinese suppliers to reduce their prices, said Sand. That has been met with a polite official statement declining the invitation to drop prices.

"Larger shippers must act in some way," claimed Sand, "because this is only moving in one direction in China, US importers changed their supply chains in the first trade war and there is increasing interest in doing so again."

Container rates began to soar during the pandemic and have never returned to their pre-Covid era levels, that may change in the coming months as the supply and demand ratio changes and economic challenges mount.

"Predictability, or rather stability, is what markets, industries and supply chains crave above all else. Unfortunately, for all the progress, the past couple of months have shown that clarity and stability is actually in short supply, unlike container ships," concluded Wadey.