Slide in global freight rates unabated

Sentiment in the shipping industry is showing signs of collapsing altogether as another round of tariffs threatens to derail supply chains, fuel inflation and stifle demand.

Nick Savvides, Europe correspondent

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Image: Port of LA

In the latest round of tariffs due to enter into force on 2 April steel and aluminium tariffs will be levied along with import duties on finished cars, with 25% tariffs while various trading partners including Mexico, Canada and China with tariffs across the board on imports.

According to ABC News, “Consumer attitudes [in the US] worsened more than expected in March, dropping to their lowest levels since 2021, a Conference Board survey reported.”

Some economists are forecasting a recession as a result of Donald Trump’s industrial policies with the US economy essentially defined by its consumerism, but as tariffs bite and prices rise, consumers are expected to lose confidence.

The reality of declining confidence is reflected in the freight rates, particularly spot rates, which are effectively the pulse of the container shipping industry.

In this week’s Drewry Shipping Consultant’s rate report the WCI composite index, which has been falling since December, fell a further 4% to $2,168/40ft container, but 53% higher than the pre-pandemic average of $1,420/feu.

On the individual trade lanes, spot rates on the Shanghai to Los Angeles trades fell 6%, week-on-week to $2,487/feu, a 35% year-on-year decline. Asia to New York rates fell 4% on the week, now standing at $3,622/feu, a 28% year-on-year decline.

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Weekly declines were also registered on the Asia to Europe trades, with spot rates down by 4% to North Europe, at $2,370/40ft, a 25% fall from a year ago; and Mediterranean spot rates were down 17% on the year to $3,171/40ft.

Erik Devetak, chief technology and data officer at Xeneta, wrote in his blog following the conclusion of the Transpacific Maritime conference in Long Beach: “If there was one theme that stood out at TPM25, it’s this: supply chains are no longer just unpredictable, they’re unthinkable. From Red Sea diversions to tariff whiplash, the past five years have forced logistics teams to rethink their strategies in real time. Those who fail to adapt risk being left behind.”

He went on to say that spot rates have been on a “rollercoaster” for the past five years with spikes during the pandemic and Red Sea crises, both events having prolonged effects.

“Right now, the spread between long- and short-term rates is narrowing, and softening spot rates could soon trickle into long-term contracts,” said Devetak.

Those contracts are set to be finalised by 30 April, so the spot rates being seen now, really matter.

With tariffs due to be imposed from next week the following rate revisions will be watched very carefully by those on the vessel operating and customer side of the shipping equation.

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Shippers and forwarders would be forgiven for thinking that the wave of extraordinary events that has carried shipping lines’ profits to historic highs is finally coming to an end, certainly the fundamentals point to that, but for the reality the coming weeks will be instructive.