Trade heads into a gathering storm

Container trades are undergoing a capacity reshuffle as WTO warns of falling trade volumes in 2025.

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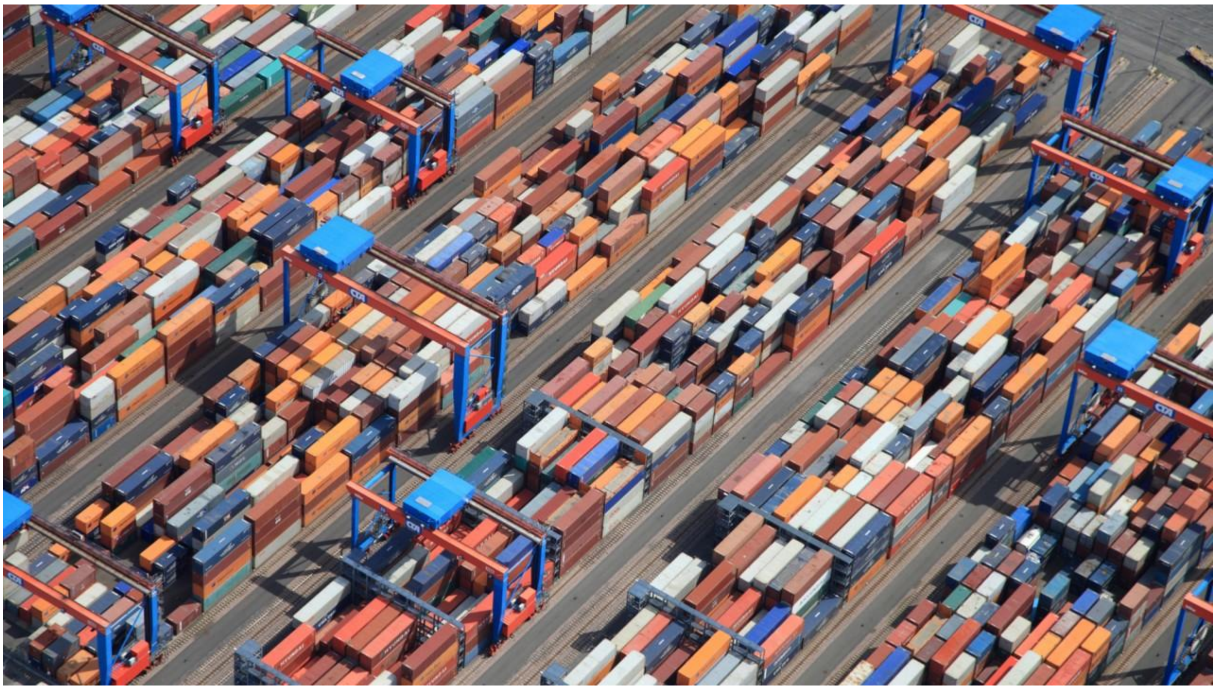
April 17, 2025



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A World Trade Organization (WTO) report highlights the uncertainty in markets and the gathering economic clouds that threaten to unleash a whirlwind on markets global container trades.

As the major economies battle it out with tariffs, least developed countries (LDCs) are set to benefit from the economic uncertainty, picking up trade to the US in agriculture and apparel that would ordinarily be fulfilled by Chinese exporters.

"Counterintuitively, the recent rise in tariffs and uncertainty is projected to have a positive impact on merchandise trade flows of LDCs in 2025, with export volume growth rising to 4.8% in the adjusted forecast from 3.5% in the [WTO's] baseline forecast," said the report.

LDCs' imports are also projected to increase to 7.6% in the WTO's adjusted forecast from 7.0% in the baseline.

Meanwhile, on the major trades, the tariffs on China are set to have major effect on both European and US trade. WTO argues that trade policy uncertainty will act as a drag on trade growth, forecasting a -0.2% reduction in global merchandise trade this year.

Under its baseline projections, the WTO expected trade volume growth in 2025 and 2026, even though the proportions from North America and Asia would have been smaller than in 2024.

"Europe was also expected to make a positive contribution to trade growth in 2025 for the first time in two years, and a slightly larger one in 2026. In the adjusted forecast that better represents the current policy environment, North America now subtracts 1.7 percentage points from world trade growth in 2025, pulling global growth down to -0.2%."

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Trade disruption between the US and China expected to trigger diversions of freight to alternative markets, with WTO reporting that Chinese merchandise exports are expected to increase by 4% to 9% across all regions outside of North America.

In a nod to the fast-moving nature of the current situation, the WTO said its forecasts were based on the situation as of April 14, warning that a further deterioration in trade relations could bring a -1.5% contraction in merchandise trade in 2025.

The WTO trade projection appears to have been felt in the container shipping markets already with Xeneta reporting increases in capacity from the Far East to Europe.

"We are looking at record-breaking container shipping capacity leaving the Far East for North Europe this week, which means carriers know something is boiling," said Xeneta chief analyst Peter Sand.

He added: "At the same time as record capacity, we are seeing an uptick in spot rates from the Far East to North Europe. This suggests a nervous market, but the demand must also be there to put upward pressure on rates."

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Xeneta reported this week that average spot rates to the US from the Far East have been flat this month, at $3,951/feu to the East Coast and $2,910/feu to the West Coast.

Conversely spot rates to North Europe increased 4.8% on 15 April to stand at an average of $2,457/feu. While average rates to the Mediterranean increased 6.8% to $3,270/feu.

According to Sand the real question is, "Whether this record capacity and rate increase is a consequence of the tariff threat, if shippers are redirecting goods from the Far East to Europe instead of the US? What we can say is that this is usually a slack time of year for container shipping, so an uptick in pressure is likely related to the tariffs in some way."

Congestion at ports in the Hamburg-Le Havre range, including London Gateway, has increased, but Xeneta believes that these bottlenecks are likely to be caused by poor weather, crane maintenance, and labour unrest, rather than the uncertain trading conditions created by tariffs.

That said with record capacity heading for Europe this week, that could lead to "carnage" as these vessels reach their European destinations, if congestion levels remain high.

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"Average transit time from the Far East to North Europe is 55 days, so there could be serious issues on the horizon in June. As we saw in 2024, congestion is toxic for ocean container shipping and can quickly spread across global supply chains," concluded Sand.