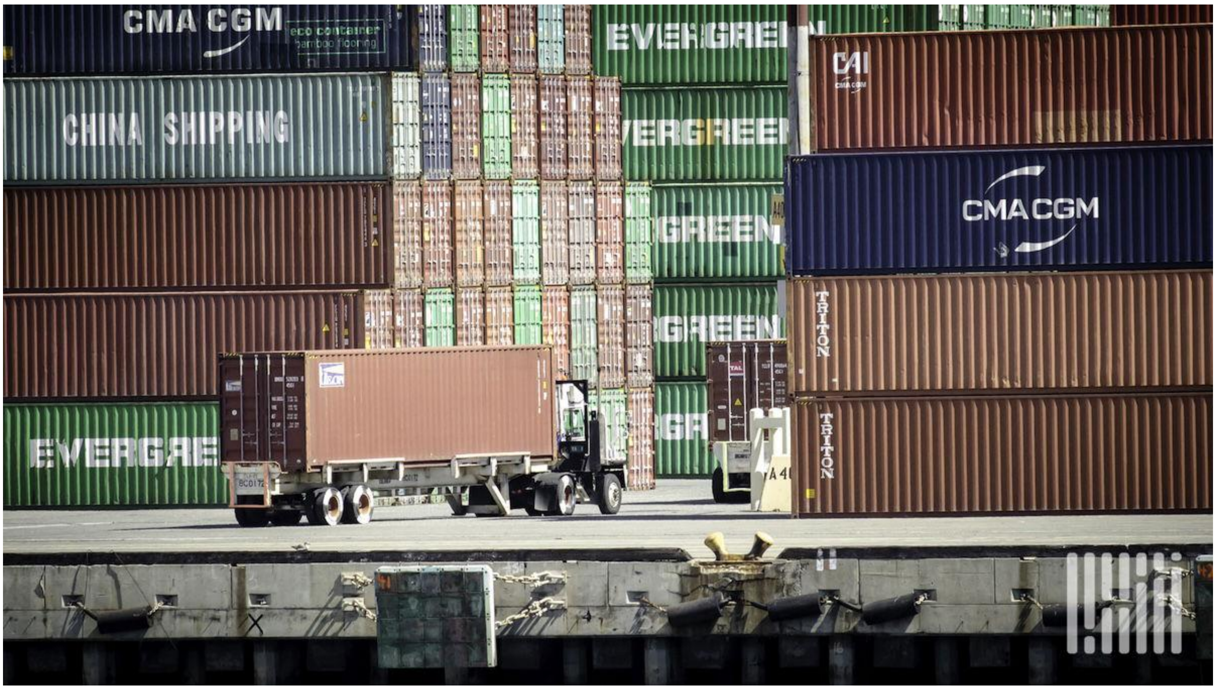
Pause and effect: Container rates await new demand

Uncertainty reigns as tariff break puts trans-Pacific shipping on alert

Stuart Chirls

Tuesday, May 13, 2025



A truck maneuvers among stacks of containers at the Port of Los Angeles. (Photo: Jim Allen/FreightWaves)

While the United States and China exhale after the trading titans agreed to a 90-day pause in tariffs, it's not yet clear to what degree demand may rematerialize on the eastbound trans-Pacific, and how that could weigh on ocean container rates.

The pause, which takes effect Wednesday, will see the U.S. knock down its reciprocal tariffs from 125% to 10% and, when combined with 20% tariff hikes aimed at blunting fentanyl from China, establish a new 30% baseline tariff on all Chinese imports. That also includes any tariffs that were in place prior to President Donald Trump's taking office for the second time.

China's retaliatory tariffs on U.S. exports will fall into the basement, from 125% to 10%, while negotiations continue.

This resulting 30% minimum tariff on all Chinese goods is higher than the highest tariffs applied to a more limited list of goods during the first Trump administration, said research head Judah Levine of shipping analyst Freightos, in a note. But Levine pointed to National Retail Federation U.S. ocean import data showing that even with a minimum 20% tariff on all Chinese goods in March, U.S. importers continued to frontload inventory ahead of the prospect of even higher tariffs. "Volumes in March and April were 11% higher than in 2024 and featured one of the strongest Aprils on record, though some of that growth was from countries other than China, like Vietnam and Thailand."

“The 145% tariffs drove a drop of 35% or more in China-U.S. ocean volumes since early April,” Levine said, “so we’re likely to see a significant demand rebound in the near term as shippers replenish inventories that may have started to run down in the past month, and as many Chinese manufacturers have high levels of finished goods already ready to ship.”

Levine expects yet more frontloading ahead of the end of the pause in August as shippers hedge against the return of higher tariffs. That would mark the early start of this year’s peak season when shippers bring in end-of-year holiday merchandise, which could end earlier than usual as well for the same reasons.

While there has been some anecdotal evidence, the strength of the peak season is a matter of debate. Levine said the 30% tariff levels may deter some shippers, while earlier frontloading may have sated some peak season demand — and shrink those volumes compared to the same period a year ago.

Despite the sharp drop in China-U.S. volumes since April, trans-Pacific container rates have remained level at about $2,300 per forty-foot equivalent unit to the West Coast and $3,400 per FEU to the East Coast, according to the Freightos Baltic Index, as carriers reduced capacity by an estimated 22% through blank sailings and service suspensions, and by deploying smaller vessels.

“Carriers shifted some of that excess trans-pacific capacity and equipment to other lanes during the April-May pause, and the reduction in sailings over the last few weeks also means fewer empty containers than usual will be making their way back from the U.S. to China in the near term, said Levine.

If demand snaps back, Levine said, shippers may face a period of tight capacity and equipment shortages as volumes rebound and vessels and containers are still being moved back into place.

“The quick restart could also mean a big bump in the number of vessels and container volumes arriving at U.S. ports in a few weeks. Taken together, shippers could face difficulty securing space and some congestion and delays in the next few weeks at both origins and U.S. destinations. Even if this is the start of peak season though, it’s likely that this congestion will subside after the initial backlog and imbalances are cleared.”

Levine said this should drive up near-term spot rates, though even with the Red Sea route shut down, rates are already more than 30% lower than a year ago due to fleet growth and increased competition between new carrier alliances.

Peak season rates may not climb as high as in 2024, to $8,000 per FEU to the West Coast and more than $9,800 to the East Coast.

*Find more articles by Stuart Chirls **here**.*