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Tariff truce tipped to usher in covid era uptick in box fortunes

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Port of Los Angeles

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The 90-day tariff ceasefire between the world's top two economies could see covid era surges in shipments and box freight rates, one leading analyst has suggested.

The US and China have agreed to slash reciprocal tariffs by 115% for the next 90 days. Now the US tariff on China is at 30%, whilst the Chinese tariff on the US has been set at 10%.

"This large tariff cut reflects both sides were uneasy about deteriorating global economic conditions – peak trade-tension may be behind us as growth regains political importance," broker Arrow maintained in a note to clients yesterday.

"The volume rebound will coincide with the traditional summer peak season, with freight rates set to surge as a result," Linerlytica, an Asia-based container shipping consultancy predicted, suggesting the import surge into the US expected over the next three months could exceed the covid-era peaks seen in 2021-2022.

Carriers have pre-announced provisional transpacific peak season surcharges of $1,000 to $2,000 per feu that would apply as early as this week that will push rates to the US west coast above $3,500 again. Freight rates on routes outside of the US are also tipped by Linerlytica to benefit as vessel capacity is drawn back to the transpacific.

Peter Sand, chief analyst at Xeneta, a freight rate platform, said that with an average transit time of 22 days on the transpacific trade, shippers are likely to maximise this opportunity by moving as much cargo as possible during the 90-day period, creating upward pressure on freight rates.

“Q3 is traditionally the peak season for ocean container shipping, but that may arrive earlier in 2025 if there is now a rush to import goods into the US from China,” said Sand.

More cautious was Judah Levine, head of research at Freightos, a box booking platform, who predicted rates will rise but not explode.

“The volume rebound will probably signal the start of an early peak season that will keep rates elevated – but we might not see last year’s $8,000+ per feu highs due to a more competitive, well-supplied carrier landscape already keeping rates lower year-on-year,” Levine said.

“If freight rates spike due to the tariff-induced shipping disruptions — which will take months to unwind — we could see costs and prices creep up even further. What’s needed now is a long-term deal — not just with China but with all our trading partners — so we can predictably make long term trade, investment, and sourcing decisions,” said American Apparel & Footwear Association president and CEO, Steve Lamar.

“Given the tighter capacity on the Transpacific, ocean carriers are in the driver’s seat to push freight rates meaningfully higher,” argued Jefferies, an investment bank, in a note to clients.

Rodolphe Saadé, CEO of CMA CGM, the world’s third-largest container carrier, hailed the truce in the trade war between Washington and Beijing.

“For CMA CGM, it’s good news,” Saadé said during a hearing in the French Senate on Monday. “We’ve lost 50% of our volumes toward the US since the start of this crisis.”

Turning away from containers, SEB, a Swedish bank, said the trade agreement between the US and China will likely benefit shipping in general. For LPG, the 10% import tariff on US LPG to China will likely see Chinese buyers re-entering the market, SEB maintained.

“Talk of purchase agreements could result in increased US-China grain / oil / gas trades, a positive for shipping,” analysts at Arrow argued.