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Asia-US container spot rates spiking to year-end highs

No relief in spot rates in the eastbound trans-Pacific is expected until factories in Asia close beginning Jan. 29 for the Lunar New Year holidays. Photo credit: ambient_pix / Shutterstock.com.

Laura Robb, Associate Editor and Bill Mongelluzzo, Senior Editor | Dec 18, 2024, 3:08 PM EST

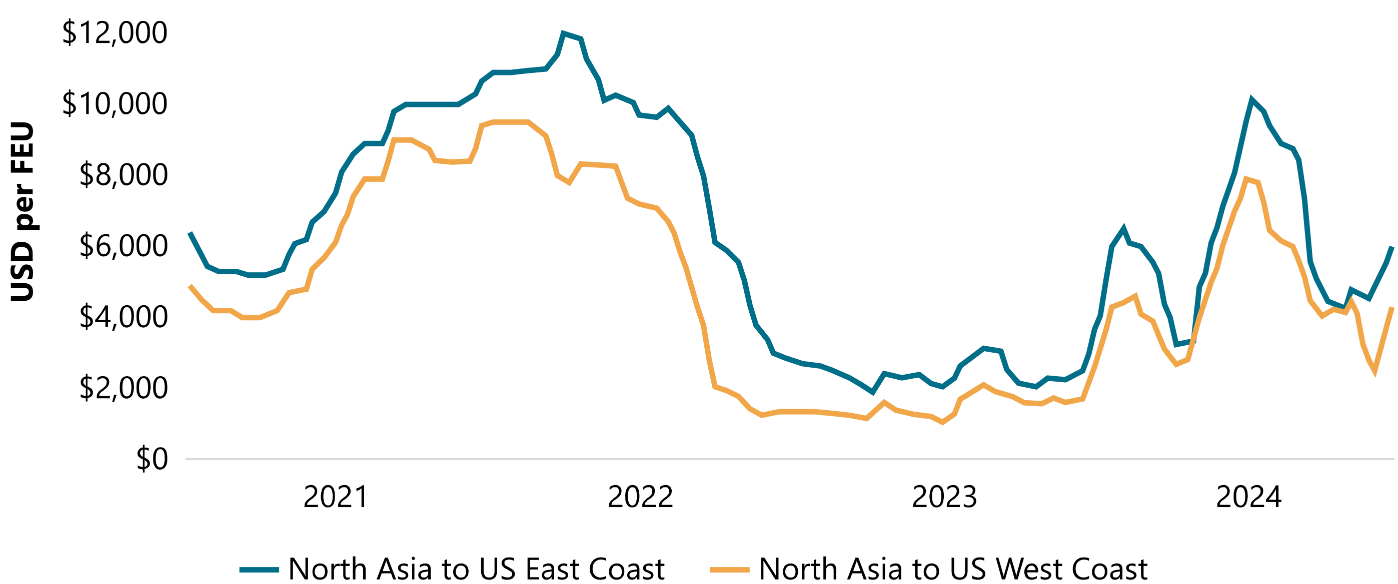
Container spot rates from Asia to the United States in the remaining weeks of 2024 are spiking to highs not registered since the December of the first year of the pandemic-driven rush. Imports are surging ahead of a January strike threat on the US East and Gulf coasts and thanks to a compressed post-holiday shipping schedule.

The spot rate from Asia to the West Coast increased to the mid-$4,000s per FEU from $2,500 on Nov. 29, following general rate increases (GRIs) by individual carriers of almost $2,000 per FEU, forwarders told the *Journal of Commerce*. The East Coast spot rate jumped to the mid-$5,000s to low $6,000s per FEU from $4,367 just two weeks ago with GRIs of about $1,500 to $1,600 per FEU. Container spot rates to West and East coasts last week surged 99% and 55%, respectively, from the prior week, as measured by Platts, a *Journal of Commerce* sister company within S&P Global.

December is historically a slow month for the trans-Pacific trades since goods needed for the winter holidays have already been shipped. However, this December is marked by a convergence of three factors that have been pushing retailers and other importers to front load merchandise –- the likelihood of a second strike by the International Longshoremen's Association when its extended contract expires on Jan. 15, an early Lunar New Year on Jan. 29 and the threat of large tariffs on imports from major US trading partners.

Asia-US container spot rates ending year elevated

Platts container rate North Asia to US Coasts USD per FEU



Source: Platts, S&P Global

3M 6M 2Y YTD MAX

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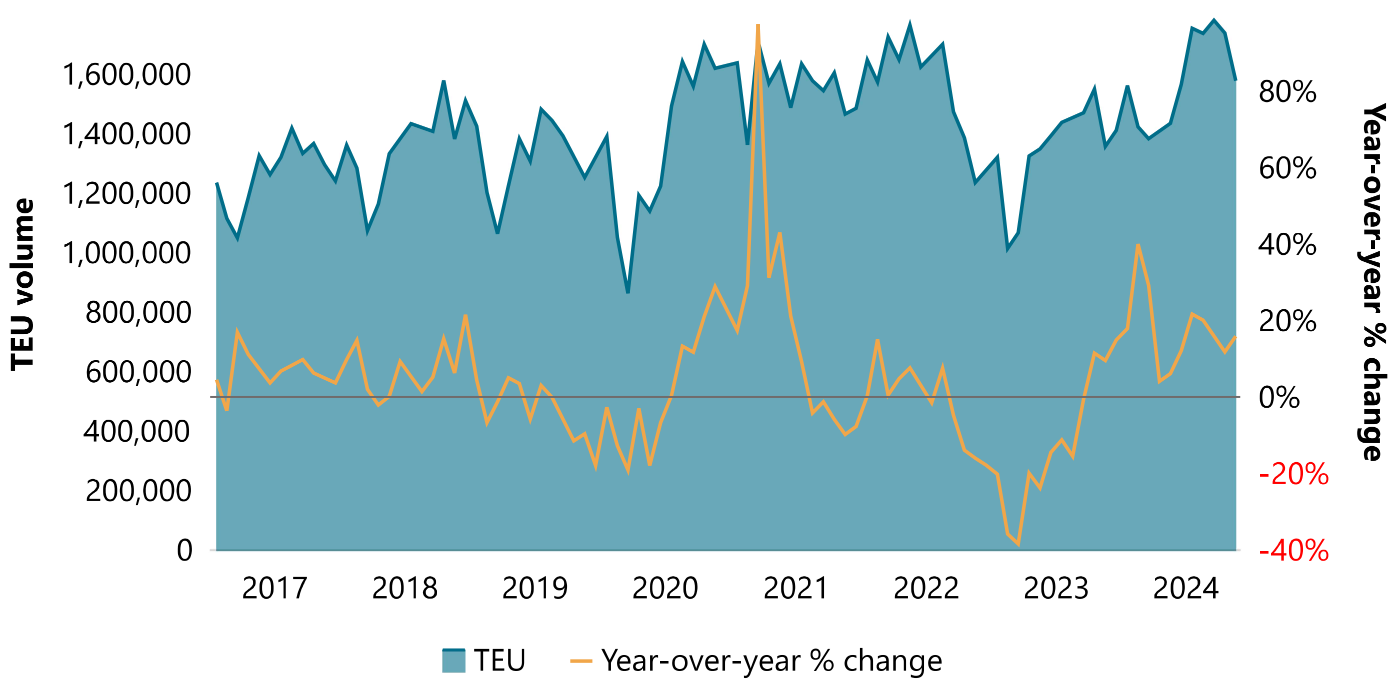
Retailers are forecasting a strong close to December and a double-digit increase in US imports from Asia in January. Global Port Tracker, which is published monthly by the

National Retail Federation and Hackett Associates, forecasted a 14.3% year-over-year increase in import volume in December and a 12% increase in January.

These factors have produced a near-historic rise in spot rates this week. The last time spot rates reached this lofty level in December, which is normally a slow month, was in mid-December 2021, when the West Coast rate was $8,760 per FEU and the East Coast rate was $10,300, according to Platts. The trans-Pacific in late 2021 came back strongly from the pandemic when US imports from Asia had plunged.

Tight vessel space, cargo rolling

Tariff, strike fears propel US imports from Asia



Source: PIERS, S&P Global

3M 6M 1Y YTD MAX

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Spot rates to both the East and West coasts are high because vessel space is tight and in some cases vessels are overbooked, a carrier executive told the *Journal of Commerce* on the condition of anonymity.

"Ships are full. (The carriers) have started roll pools in Asia," the carrier executive said.

Container roll pools are formed at Asian load ports when individual voyages are over-booked and the containers that do not make it on the intended voyage are rolled over to the next departure.

Given there is one month remaining until a possible second ILA strike in mid-January, and transit time from Asia to the East Coast is 30 days or longer, non-vessel-operating common carriers (NVOs) say they are surprised that vessels on all-water services are still full.

"I can't understand why East Coast numbers continue to rise," said Steve Nothdurft, vice president sales North America at MOL Consolidation Service. "Who (is) throwing freight on a ship going to the East Coast right now, unless they don't want the cargo, which... if you're looking for somewhere to beat the tariffs with free storage, the strike could work."

The carrier executive said customers are weighing the costs of shipping all-water to the East Coast, knowing that their containers could sit idle on vessels outside of East Coast ports for a week or two, compared to shipping to the West Coast and incurring high intermodal rail costs to the Midwest and East Coast.

"Big retailers don't want to overdo it," the carrier executive said. "Land (transportation) costs are much higher than shipping to the East Coast."

Yet enough importers are diverting discretionary cargo from the East and Gulf coasts to the ports of Los Angeles and Long Beach to further contribute to the rail congestion issues that have been plaguing the Southern California gateway for several months now.

James Caradonna, executive vice president at the NVO Spedag Americas Inc., said some importers are beginning to divert inland point intermodal (IPI) shipments to container yard delivery in Southern California to avoid rail congestion at the ports.

"It's a little bit of a mess right now," Caradonna said.

Although West Coast spot rates surged this week, there is still sufficient capacity to keep special "bullet" rates for specific trade lanes and commodities about $100 to $200 lower than the listed freight all kinds (FAK) rates charged to forwarders, said Christian Sur, executive vice president, ocean freight contract logistics at the NVO Unique Logistics International. The larger alliance carriers must compete with a handful of smaller, non-alliance carriers in the trans-Pacific that generally charge lower rates, Sur said.

High spot rates through January

Spot rates to the West Coast are likely to remain high into the new year, said Rachel Shames, vice president, pricing and procurement at the forwarder CV International.

“Vessels are full through the end of the month. It looks like January will be strong too,” Shames said, adding that at least one carrier is informing customers of another GRI effective Jan. 1.

Kurt McElroy, executive vice president of the NVO Kerry Apex, said that as long as import volumes remain elevated leading up to the factory closures in Asia for the Lunar New Year holidays beginning on Jan. 29, carriers may well seek another GRI.

“It’s a learned behavior,” he said. “Throw the rates out there and see what sticks.”

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