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East Coast spot rates plunge as peak-season imports shift to West Coast

A plethora of special "bullet" rates offered to importers and forwarders are further undermining spot rates in the trans-Pacific. Photo caption: Robert V Schwemmer / Shutterstock.com.

Bill Mongelluzzo, Senior Editor | Sep 9, 2024, 5:00 PM EDT

A front-loading of shipments ahead of a threatened port strike threat, coupled with intensified rate pressures, is sending Asia container spot rates to the East Coast plunging faster than usual on the trade lane.

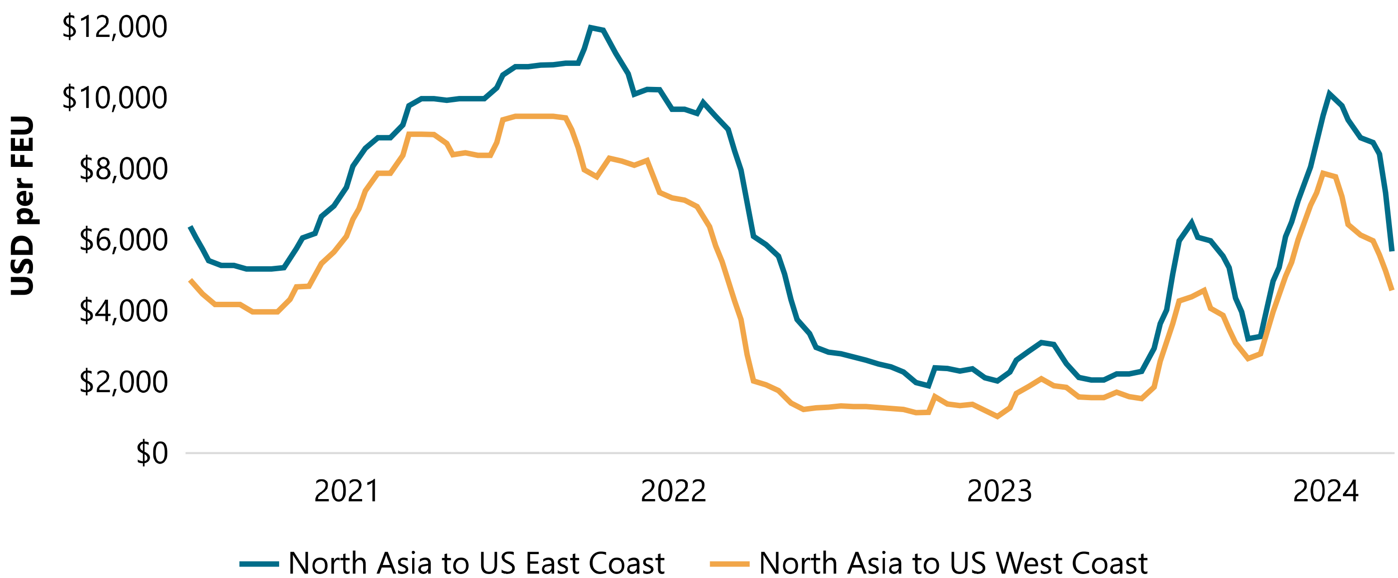
Container spot rates from Asia to the US East and Gulf coasts fell $2,300 per FEU this week, much faster than in past years, as peak-season shipments on all-water services drop off and retailers, fearing a dockworker strike on the East and Gulf coasts on Oct. 1, shift discretionary cargo to the West Coast.

Furthermore, carriers this year are utilizing special or "bullet" rates to compete for cargo in what has become a slowing market from Asia to the East Coast.

"It's the bullet rates that are driving behavior," a carrier executive speaking anonymously told the *Journal of Commerce* Monday.

Asia-US ocean rates down from early-July peak

Container rate from North Asia to US East and West coasts in USD per FEU



Source: Platts, S&P Global

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The East Coast spot rate paid by importers and the freight all kinds (FAK) rate paid by forwarders dropped to $6,200 per FEU from $8,500 last week, according to Platts, a *Journal of Commerce* sister company within S&P Global.

"Now the carriers are willing to wheel and deal," Jon Monroe, who serves as an advisor to non-vessel-operating common carriers (NVOs), told the *Journal of Commerce* Monday.

Monroe said some carriers, concerned about excess capacity emerging later this year, are approaching certain customers about locking these new rates into service contracts that would run through April 30, 2025. Many of the 2025–26 service contracts in the eastbound trans-Pacific will take effect on May 1 next year.

Normally about 60% of the imports in the eastbound trans-Pacific move under lower-cost contract rates, although when space is tight, that percentage can drop as low as 45%.

West Coast spot/FAK rates dropped $600 per FEU to $4,800, according to Platts. However, West Coast rates could stabilize or even move higher in the coming weeks as retailers ship holiday merchandise on the shorter trans-Pacific routings to the West Coast and retailers react to growing International Longshoremen's Association (ILA) strike threats.

"West Coast rates definitely could go up depending upon what goes on with the ILA," Monroe said.

In the past two years, East Coast spot rates by mid-September dropped by about $1,000 per FEU from late August, which marks the end of the traditional peak season to the East Coast. In 2021, when the US economy was recovering from COVID, spot rates increased by about $1,000 from late August.

Bullet rates, new capacity, drive rates lower

However, this year carriers have been offering a plethora of special rates — bullet rates, commodity rates, voyage-specific rates and blended rates to secure business in what has become a highly competitive market in the trans-Pacific.

"It's so chaotic. Everyone keeps chasing the lower rates," a second carrier executive told the *Journal of Commerce* Friday.

Carriers last month signaled their intention to compete fiercely for business this peak season through their bullet rates to the West Coast, and now these special rates are flooding the East Coast trade lanes.

"It's nothing unexpected. We were already seeing signs of carriers not being able to hold the rates. Bullet discounts were already there," said Christian Sur, executive vice president ocean freight/contract logistics at the NVO Unique Logistics International.

Carriers this year launched or reinstated 10 services from Asia to the West Coast and have deployed dozens of "extra-loader" vessels in the trade. Except for smaller importers and NVOs, most shippers in the trans-Pacific have access to special rates that are offered by the large alliance carriers and discounted rates offered by the smaller non-alliance carriers.

Although carriers did not enter any new services to the East Coast, retailers front-loaded holiday merchandise in June and July as the threat of an ILA strike intensified.

Another NVO, speaking anonymously, said several carriers as of last week had posted bullet rates from Asia to the East Coast of $5,500 to $5,800 per FEU. West Coast bullet rates were in the range of $4,400 to $4,900 per FEU.

Retailers forecast that US imports in September will be especially strong, increasing 14% over September 2023. Imports in October are forecast to be up 1.3% year over year, according to the Global Port Tracker released Monday by the National Retail Federation and Hackett Associates. October was the busiest month of 2023.

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