Specter of port strike looming over as-yet unscathed trans-Atlantic trade

North Europe to US East Coast spot rates were at $1,466 per FEU as of June 12, down from $1,830 over the past four weeks, according to Platts. Photo credit: ambient_pix / Shutterstock.com.

Greg Knowler, Senior Europe Editor | Jun 13, 2024, 4:44 PM EDT

Shippers and forwarders on the trans-Atlantic trade are facing the unfamiliar possibility of strike action at ports along the US East and Gulf coasts this fall following the breakdown of contract talks this week.

Contingency measures by cargo owners to get ahead of any potential disruption could see the trans-Atlantic following the same path as the heavily disrupted trades out of Asia, where frontloading and congestion has caused shortages in capacity and equipment and sent rates soaring.

Peter Sand, chief analyst at rate benchmarking platform Xeneta, said although a strike at East and Gulf coast ports would be unprecedented, shippers will be preparing for

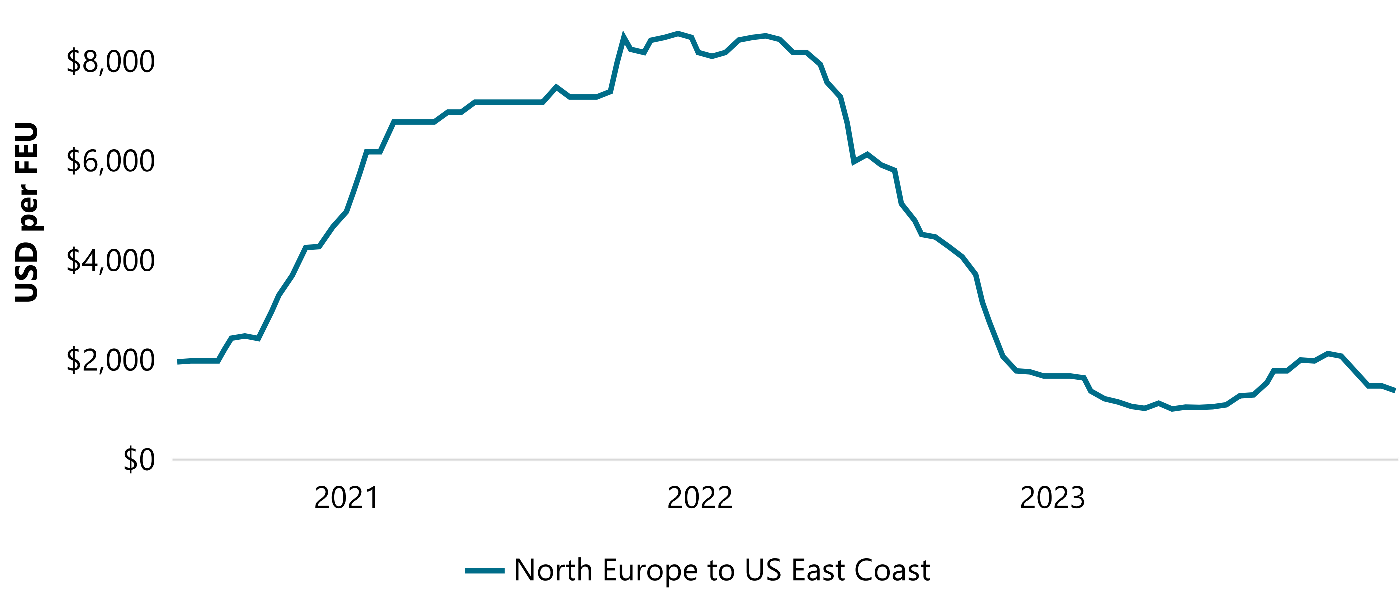
"While frontloading of cargo doesn't show up in the demand numbers yet, or in freight rates, troubles on the USEC and Gulf coasts is the most anticipated disruption in 2024," he told the *Journal of Commerce* Thursday.

"We have already seen shippers frontload imports ahead of the traditional peak season in Q3 due to concerns over the continuing supply chain impacts from the conflict in the Red Sea," Sand added. "They may now accelerate this approach if there is a further risk of major disruption on the US East and Gulf coasts later this year."

Negotiations between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) were put on hold following a dispute the ILA has with Maersk over its automation projects in the Port of Mobile. The ILA's master contract with maritime employers, which covers 45,000 workers at ports ranging from Maine to Texas, expires on Sept. 30, and if no agreement is reached by then the union has vowed to strike for the first time in 50 years.

North Europe-USEC spot rates slide from mid-April high

Platts container rate for North Europe to US East Coast in USD per FEU



Source: Platts, S&P Global

6M 1Y YTD MAX

Related data for this chart

There was growing unease over the potential disruption from Marc Meier, managing director for Europe, Middle East and Africa at Germany-based forwarder Dachser, who described the looming threat of labor issues on the US East Coast as "quite concerning."

"A potential strike in the autumn could lead to severe delays, increased costs and operational disruptions, prompting shippers and importers to consider alternative ports, pre-strike planning and diversified transportation routes," Meier told the *Journal of Commerce.*

Platts, a sister company of the *Journal of Commerce* within S&P Global, pegged North Europe to US East Coast spot rates at $1,466 per FEU as of June 12, down from $1,830 over the past four weeks.

Limited alternatives for US importers

The options for US importers are limited, however. Sand said the Europe-to-US West Coast routes currently transport 1,000 TEUs every day and that may turn out to be the preferred option. While the Canadian ports of Montreal, Halifax and Saint John were also options, the threat of a rail strike also looms over that country's rail network.

Trans-Atlantic capacity and equipment availability was also feeling the knock-on effects of early peak season demand, restocking and frontloading ahead of US tariffs on China that is filling all available capacity on the trans-Pacific and Asia-Europe trades.

Still, Alberto Rivola, head of global ocean procurement at Italian forwarder Savino Del Bene, said the trans-Atlantic remained oversupplied, with rates stuck at levels unattractive to carriers.

"My main concern is that if trans-Atlantic westbound is not able to go back to more reasonable rate levels, shipping lines may decide to shift part of the capacity to more profitable trades out of Asia," he said.

Meier said many vessels previously serving trans-Atlantic routes have already been redirected to meet the booming demand in Asia, which has alleviated at least some of the overcapacity on the trade lane.

cautious about redeploying vessels back to trans-Atlantic routes too soon," he said.

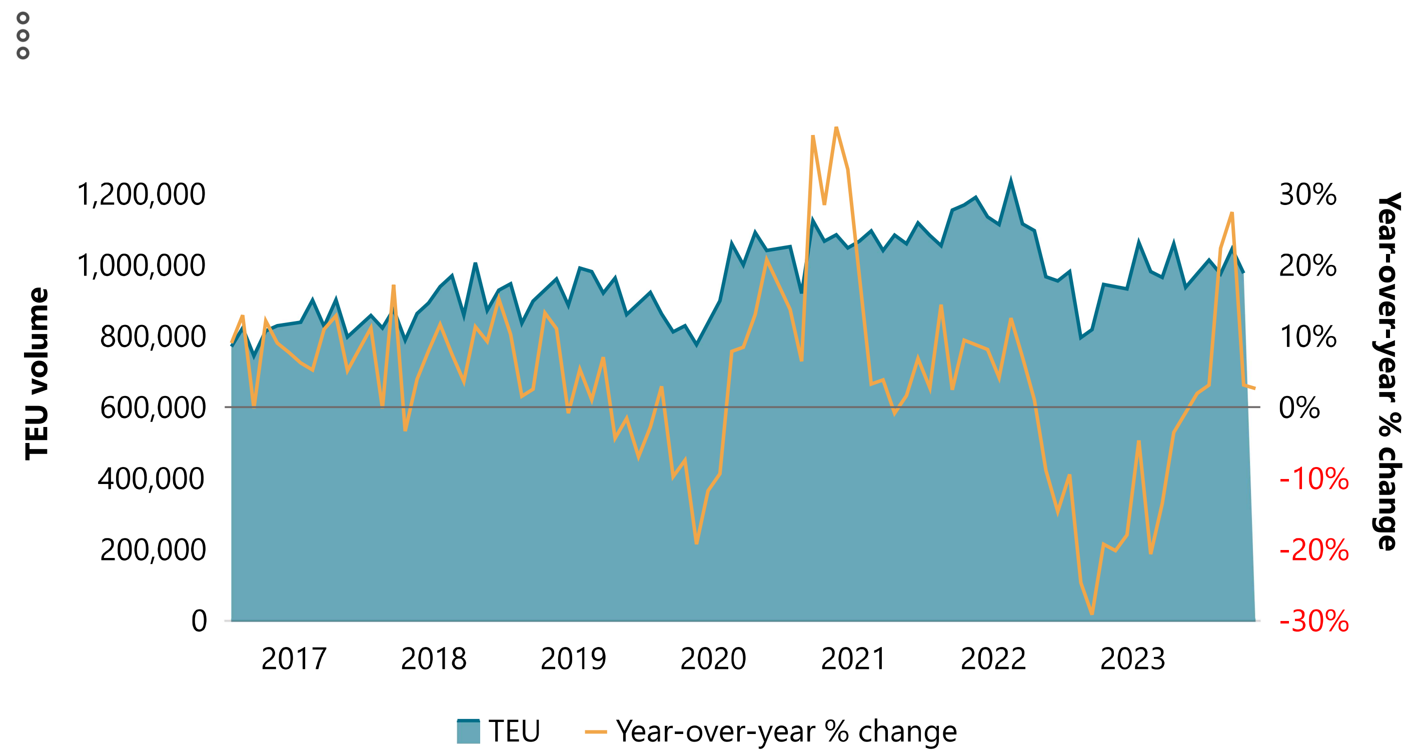
Less equipment available

The surge in demand on the trans-Pacific and Asia-Europe routes, port congestion in Singapore and other key Asian hubs and the longer transit around southern Africa are leaving containers out of position. As equipment availability becomes more acute in Asia, the shortages are spilling into the trans-Atlantic.

"Carriers are prioritizing more lucrative Asian routes, often resulting in fewer containers available for trans-Atlantic westbound shipments," Meier said. "This equipment imbalance means that Europe to North American exporters are struggling more than before to find the needed equipment. The shortages are more pronounced in key ports where equipment is already scarce."

USEC imports down slightly from start of 2024

Total monthly TEU volume of US East Coast containerized imports, with year-over-year change



Source: S&P Global

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Click here to explore related data on Gateway quarter of 2023, with the CEO of Hapag-Lloyd describing rate levels as "loss-making" on several occasions last year.

At issue is the excess capacity on the trade lane. Although volume data from PIERS, a sister company of the *Journal of Commerce* within S&P Global, shows an increase in US import demand of 5.6% through April compared to the first four months of last year, it was against a low base.

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