S&P Journal of Commerce

Ocean service quality 'under siege' as pricing shifts in favor of shippers

JP Morgan in early December projected that spot ocean freight rates will fall 40% year over year in 2026 and another 20% in 2027. Photo credit: AU USAnakul / Shutterstock.com.

Peter Tirschwell, Vice President | Dec 22, 2025, 8:00 AM EST

The container ship order book sits at historic highs and rates were limping into the New Year at levels some believe are approaching the loss-making threshold where carriers will start idling capacity, despite ongoing absorption due to Red Sea re-routings and pockets of port congestion.

Combined with slowing volume growth expected in 2026, financial analysts believe this is a recipe for carrier losses triggered by low rates failing to offset higher carrier costs. "Material structural oversupply" exists in the market that will lead to "steep EBIT losses in 2026 and 2027," JP Morgan wrote in early December, estimating that spot freight rates will fall 40% year over year in 2026 and another 20% in 2027.

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Thus, especially for shippers whose priority is low price, the possibility certainly exists that the next few years will serve up a favorable pricing environment, if not highly favorable.

The problem is service. It matters at some level for the great majority of shippers outside of those exporting the lowest-value commodities. And due to a new set of forces increasingly asserting themselves, service quality is under siege.

Risk associated with blank sailings, cargo rollings and external shocks tied to geopolitics, climate or other factors is so great that two of the top 10 carriers — Maersk and Hapag-Lloyd — in 2025 rolled out an alliance network premised on a commitment to reliability.

The new reality is that, unlike the cyclical nature of rates, pressure on service quality appears to be structural.

The factors affecting it are not limited to the catch-all category of geopolitics, which in 2025 encompassed ongoing Red Sea diversions and unpredictable tariff actions that created volume surges and volatility in capacity.

Geopolitical risk greatly elevated

In a period when the world order is in flux, the risk of geopolitical disruption to container service is greatly elevated, yet how and when it occurs is unpredictable; it could subside for years or flare up at any time. The same goes for other factors, including climate change impacts like the Panama Canal drought or a public health crisis like COVID-19.

But amid this uncertainty, two factors stand out as both structural and predictable in negatively impacting service, while indirectly impacting price: port congestion and carrier assertiveness.

Congestion pre-COVID was periodic, at times severe, and chronic at certain ports. But on a global scale it was never seen as a macro factor affecting transit times or system-wide capacity.

That is beginning to change.

COVID showed the impact of congestion on a mass scale, where idled ships, whether at berth or anchor, were the main factor in absorbing capacity which, combined with a volume surge, forced freight rates into record territory.

But COVID, unfortunately for shippers, wasn’t a one-time blow to reliability that subsided once the crisis ended. Rather, it turned out to be the beginning of a new era when congestion, though more severe at some ports and regions than others, is now seen as a globally systematic challenge.

The combination of carrier action, port capacity limitations, and geopolitics is illustrated by elevated levels of friction in the system. The Global Supply Chain Stress Index published by the World Bank is a broad measure of capacity; inputs are capacity absorbed by longer transits around Africa, slower steaming, wait times at anchor, and port congestion, including slower turnarounds at berth.

The index is approaching levels seen during the pandemic.

That suggests, “that the combination of recent turbulences in container shipping demand, including rescheduling, rerouting (and) longer voyages around South Africa, combined, add up to almost the same supply chain stress we saw during COVID,” said Jan Hoffmann, global lead/Maritime Transport and Ports at the World Bank.

It is showing up in other data as well. The Container Port Performance Index, published by *Journal of Commerce* parent S&P Global, measures berth productivity; it never recovered following the COVID disruptions.

The situation in North Europe, a chronic trouble spot in 2025, illustrates the long-term challenges affecting the container system.

In Northwest Europe, the past year has seen labor disputes and low water levels on the Rhine River system. But while those issues come and go, longer-term infrastructure challenges affecting port congestion are not so easily fixed.

For example, as carriers in recent years upgraded Asia-Europe services from ship sizes of 14,000 to15,000 TEUs to 20,000 to 24,000 TEUs, terminals are frequently only able to add one or two additional cranes. Thus, the number of required stevedoring moves per individual crane has increased, keeping ships at berth for longer and making others wait.

“The result is that the bigger ships need more time in port and that is causing the additional congestion,” Steve Rothberg, founding partner at the port consultant Mercator International, told the *Journal of Commerce.*

Managing capacity

The second structural factor affecting service is carrier assertiveness in capacity management. The more overcapacity asserts itself, as can be expected over the next three years, the more carriers can be expected to implement countermeasures that by their nature undermine service quality.

Whether it's idling, blank sailings, scrapping, slow steaming or shifting vessels between services, it all has the same effect — pulling capacity. Carriers have simultaneously become more tolerant of port delays, a change from pre-COVID years, based on an understanding of the value in mitigating capacity from ships idled at berth or at anchor.

For shippers, it means the savings achieved through lower freight rates are offset by greater inventory needed to prime the pump of lengthy and unpredictable supply chains.

The lesson learned by carriers during COVID still holds true for the majority of them. Profits, or at least the mitigation of losses, come through absorption of capacity. Shippers can expect more of this.

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