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Not Normal Times – A Transpacific Ocean Freight Market Update

As we approach September, traditionally part of the peak season period on the Transpacific Eastbound routings, the current market is all but normal. Followers of the market have reported that the “peak of the peak” has come and gone, as we saw frontloading of cargo in recent months in efforts to beat the timing of increased reciprocal tariffs. The market is now experiencing mini surges as strategies vary company to company and of course adjusting to on-hand inventories vs. anticipated inventory levels that may still be needed to navigate through the seasonal and holiday periods. In contrast, other importers are working off of the inventory they have brought in for the season and avoiding any new orders and trying to stretch out what they can through the balance of this calendar year. This strategy, which some have described as a gamble, is an approach of getting through 2025 and reevaluating in 2026, with hopes it could be more defined and possibly lead to an improved outlook in terms of future orders and increased cargo volumes.

Currently, vessel capacity is high, rates are low, and volumes continue to be inconsistent across many regions and trade lanes. There is no doubt that tariffs and recent trade policies continue to create an imbalance and leaving many importers on the sidelines waiting for a conclusion in order to understand what is to be expected, so they can have defined cost structures and a more stable environment to do business in. With the continued extension of the China tariffs, there are many importers still waiting for further clarity and improved confidence in maintaining their manufacturing out of China or face the reality that they may need to seek other alternatives, if not already. They simply want to place orders with

manufacturers without the potential of shifting or rising costs as has been experienced the last few months. Even if a trade deal is finalized together with China, after yet another 90-day extension and a new deadline of November 10, 2025, time will still be needed for importers to finally determine the country or countries they will source out of; negotiate deals with the manufacturers, including tariff costs that may need to be absorbed by both buyer and seller instead of passed on to the consumer; and ramp up production to support future inventories that will at some point begin to drop and need to be replenished.

With the recent inability of importers to properly forecast in advance, ocean carriers are currently left to shuffle around vessels to areas of higher demand; add more port calls to strings for better vessel utilization which will ultimately lengthen transit times; implement more void sailings; consider the swapping of larger vessels for smaller vessels; and consider early implementation of their winter deployment schedules that are normally not put in place until the mid to end of Q4 when holiday shipments have already arrived and overall volumes begin to trend down as expected.

We have identified that South China and Shenzhen ports like Yantian, are certainly seeing a greater impact of a recent surge based on commodities prevalent to the region and more in demand than those of the East and North China regions, where space is currently less of an issue at the moment and volumes are depressed compared to past seasons. This is a bit of a concern where Shanghai and Ningbo, rank among the top active ports in the world, but are experiencing an extended shortfall in volume to the United States. Southeast Asia ports, which saw some surges earlier in the quarter, are now starting to level off.

Contrary to lower volumes in this current market environment, activity to the US West Coast, particularly Los Angeles and Long Beach under Pacific Southwest strings, are seeing a much higher throughput of volume vs. Pacific Northwest and even U.S. East and Gulf Coast ports. The Port of Los Angeles even reported a record number of containers for the month of July, representing the highest monthly volume ever recorded in its 117- year history (1,019,837 TEU's) and what is summed up to be

the result of the frontloading activity that took place due to the threat of increased tariffs. Soon enough,

these volumes will begin to drop as the window shrinks to get product to warehouses and distribution centers for delivery to retail store shelves or ready for eCommerce fulfillment.

There is an underlying factor that is less discussed at the moment and that is the October 14, 2025 implementation date of fees that the Office of the U.S. Trade Representative (USTR) has advised will be levied against ocean carriers that are utilizing Chinese-built ships, arriving at U.S. ports on/after this date. Ocean carriers and the alliances they cooperate within, are already coordinating the removal of these ships from their U.S. loops. As they manage this and replace those ships with non-China built ships, it is anticipated that there will be, delays, container rolling, and potentially overutilization of vessels as the change of vessels take place in the process. Consideration will have to be taken by carriers and alliances as to what vessel sizes are available in the fleet to maintain their market share, meet supply and demand scenarios based on market conditions, and avoid any significant disruptions, short and long term.

Most analysts will report that the outlook is grim and there is too much capacity in the market, a valid point that must continue to be measured and monitored, but shipping will go on and will still have many factors and complexities involved. There will be continued uncertainty of tariffs and trade policy adjustments. For now, some capacity remains absorbed by the Cape of Good Hope routing, due to the Red Sea and Suez Canal still considered as unsafe passage, while the Houthi rebels continue with their drone and missile attacks on commercial ships. This longer transit has temporarily offset the capacity of the new ship builds that came into the market this past year, but with a rising concern of more capacity to be delivered in the coming year. Geopolitical tensions remain high while conflicts continue with Israel/Hamas, and Ukraine/Russia, that have contributed to supply chain disruptions and have yet to see any confirmation of final resolution. We are likely to see some further shifts in trade amongst various regions within the global landscape, as certain countries benefit from better trade deals with the U.S. and are able to attract more manufacturing under lower cost structures that plague many importers at this time. For several small and medium size importers, a new

country to source from can even be a short-term lifeline and immediate need for survival and ability to stay competitive. We must understand that ocean carriers have improved in moving vessels around, and still using tools such as port omissions and void sailings that put stress on the market as needed. While it has been less effective in the Transpacific Eastbound trade in the past couple of months, if timed right, it can have a direct impact on freight rates. Then there is the “unforeseen” such as an event or trigger that acts as a catalyst and can take the market in any direction as we have seen far too many times.

All of the above will create some level of volatility and can contribute to scenarios of tight space, rolled containers, delayed transit, and even times of congestion. Although limited at times and likely to be a short span in the current environment, when surges do take place, it will still cause some disruption to those trying to manage cargo under a “just in time” strategy. We continue to guide our clients to understand the origins they plan to ship from; understand carrier options and potential constraints: press their suppliers to maintain a practice of making advanced bookings; and realize that surges can take place rapidly and often with little to no notice and which can have impact on their supply chain if not considered.

Please note that the combination of the National Day holiday and Mid-Autumn Festival in China will be between October 1st through the 8th this year. It is not unrealistic, that there could be a mini-surge of volume prior to this week-long break.

With the November 10th China tariff deadline, we could see another chance of frontloading, for importers that have some flexibility to take in the inventory for future months, if the rhetoric is not positive leading up to the deadline.

Looking further ahead, Chinese New Year, will start on February 17, 2026 and is another timeframe to watch in advance.

Should you have any question or need to discuss your future shipping plans, do not hesitate to contact us.

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