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Transportation Market Update – Transpacific Eastbound Trade Volatility

As the new ocean freight contract season started on May 1st, the Transpacific Eastbound trade has seen rate increases, emergency fuel surcharges, increased void sailings, and ongoing tight space. There is a further push by the ocean freight carrier community to also implement General Rate Increases and/or a Peak Season Surcharge, which will certainly be driven by demand. Some "proposed" Peak Season Surcharge levels have already dropped significantly from potential levels that have been suggested in the past weeks, and were to be implemented during May. However, some carriers have already pushed out this potential increase to June. This is a sign that carriers are not getting support by the import community and if implemented, could be short lived, should demand taper off.

While there has been an expected surge in volume, especially out of China, with many shippers returning back to the manufacturing giant over other countries; seasonal goods shipping; the need for replenishing inventory; or shippers positioned better to import again in an improved tariff environment; it appears carriers are complicating the situation for shippers at an important time. Carriers are replacing large vessels with smaller ones and changing some of their vessel strings, just as the new season begins. This is suddenly creating an environment of rejected or cancelled bookings, and increased rolling. Whether it is poor planning by carriers, or artificial in nature by controlling capacity to boost rates, it is a reality the market must now contend with. It is certainly disappointing at a time where there is some forward momentum after slumps and low demand experienced over the last shipping season.

Rates had already climbed higher in April and into the new rate negotiations for May, due to the Iran conflict and the rising cost of oil. While carriers are uncertain as to how long these increased costs will be a part of their bunker formulas or as a separate surcharge is unknown. The uncertainty is unfortunately for shippers, keeping the door open by carriers for another potential increase in June.

While demand is at a higher level than the past few months and progressing forward, not uncharacteristic with this time of the year, it is apparent that carriers will continue to identify ways to reduce capacity, add more port calls to strings, increasing the transit time, and focus on a supply and demand scenario in their favor. They are already cutting agreed to space allocations and favoring higher revenue cargo at time of loading. This is how they are pressing for short term increases, creating volatility, increasing delays and will likely continue to do so until demand softens again. Many analysts believe demand will fall from current levels at some stage during the back half of the 2026 calendar year and we always have to be prepared for unforeseen challenges that can change the market quickly.

We recommend all of our clients to monitor this changing market and be proactive in allowing for longer lead times and taking action to have shippers book further in advance. What is traditionally a two-week booking notice is now three weeks to get confirmed space. This could even be four weeks out, based on the origin port of loading. It is likely that many China and S.E. Asia ports will see disruption caused by increased congestion and the potential of future void sailings.

Should you need assistance, please do not hesitate to contact your account manager or local handling office to further strategize.

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