

OCEAN MARKET UPDATE



CURRENT STATE

The closure of the Strait of Hormuz amid the ongoing Middle East conflict continues to disrupt global shipping networks, now ongoing for nearly three months with few signs of near-term resolution. The cumulative fuel cost impact on the industry is becoming clearer, with estimates suggesting the conflict has added billions to industry-wide bunker expenses since late February, translating to a meaningful added cost per container shipped. Shippers under contract face a further step-change in costs from July 1 as quarterly bunker adjustment factors (BAF) reset, adding a new layer of financial pressure on top of already rising spot rates. Container carriers are actively adjusting deployments, schedules, and sailing speeds while applying emergency fuel surcharges across all trade lanes. The surcharge landscape has grown increasingly complex, expanding beyond the ocean leg into inland and intermodal transport, with rates and mechanisms varying widely by carrier, region, and transport mode, with some carriers operating on review cycles as short as every 14 days. While freight rate markets are beginning to respond on key trade lanes, underlying demand fundamentals have not materially changed on a global scale, making it all the more critical to monitor chokepoint risk, diversify routings where feasible, and engage transportation partners early to reduce both operational and financial impacts.

For the latest updates on the Middle East disruption, please visit:
[Middle East Logistics Operations Update | Crane Worldwide Logistics](#)

MARKET FORECAST

Cargo owners across the Asia-Europe trade lane are aggressively front-loading shipments ahead of quarterly bunker adjustment factor increases taking effect July 1, with strong demand anticipated to persist through June and into the traditional peak season. Bookings from China to key European destinations have risen sharply and vessels are projected to remain heavily committed weeks in advance, leaving limited flexibility for shippers without secured space. Although carriers are adding capacity and reducing blank sailings, space is expected to remain tight, and rates are forecasted to continue climbing as general rate increases and peak season surcharges take hold. The earlier-than-usual start to the Asia-Europe peak season, partly driven by extended transit times from ongoing rerouting around the Cape of Good Hope, is anticipated to extend further into the summer, narrowing the window for shippers to secure competitive rates and reliable capacity.

First-quarter earnings from major ocean carriers revealed a more challenging profitability environment, with several reporting sharp declines in operating profitability or moving into losses despite stable to growing volumes. Lower freight rates combined with elevated fuel costs and ongoing geopolitical disruptions have significantly reduced earnings, leaving carriers with little room to absorb further cost increases. Looking ahead, these pressures are expected to persist, supporting continued capacity discipline and surcharge activity across major trade lanes. With weakening consumer confidence and anticipated volume softness forecast for the second half of 2026, the path to margin recovery remains uncertain, and rate volatility is likely to remain a feature of the market as carriers seek equilibrium between cost recovery and shipper resistance to further price increases.

Container spot rates on the trans-Pacific trade lane are climbing, driven by a mid-May general rate increase, fuel surcharges, and tighter capacity as new annual service contracts take effect. Carriers have expressed cautious optimism around near-term demand, with additional extra loader services being explored as a measured response to anticipated volumes. With margins under pressure from elevated fuel costs, ocean lines are expected to manage capacity with greater discipline, blanking sailings quickly should demand soften. Some of the current rate strength can be attributed to artificial capacity tightness during the transition to new contract cycles, with estimates suggesting a notable share of West Coast capacity was temporarily reduced between mid-April and early May, raising questions about whether current momentum reflects genuine demand or short-term market mechanics.

Global schedule reliability reached its highest point of the year in April 2026, continuing a positive Y-o-Y trend across most major trade lanes. Average delays for late vessel arrivals also edged lower, pointing to gradual operational stabilization across the industry. Major east-west corridors including the trans-Pacific and Asia-Europe routes saw reliability improve both M-o-M and Y-o-Y, suggesting carriers are adapting their network operations to the demands of prolonged rerouting. The Middle East-Asia corridor stands as a notable exception, where both reliability and average delay worsened significantly, reflecting the direct operational impact of the ongoing Strait of Hormuz closure on that specific route. While the broader trend is encouraging, performance levels remain well below the consistency seen prior to the current period of geopolitical disruption, and any further escalation in the Middle East could quickly reverse recent gains across the wider network.

Shipping lines are planning to reinject capacity into intra-Asia trade lanes connecting China, India, and Pakistan, reviving previously suspended services and launching new ones in response to surging demand. Growth on the China-India corridor has been driven by rising industrial imports, a broader "China-plus-one" manufacturing strategy among multinationals, and a 16% year-over-year increase in Indian imports from China in the last fiscal year. Geopolitical pressures around Middle East chokepoints like the Strait of Hormuz and the Red Sea have further reinforced the strategic importance of these intra-Asia routes. In response, carriers have been expanding their presence through new direct services, vessel-sharing agreements, and slot partnerships to capture the growing volumes on this fast-developing corridor.

The IMO's net-zero framework for shipping decarbonization is facing significant uncertainty, particularly around its proposed greenhouse-gas pricing mechanism, which has encountered strong opposition from the United States and several other member states. Although the framework received broad support at the IMO in April 2025, formal adoption was delayed after a number of countries shifted positions during subsequent negotiations. Discussions are expected to resume in late 2026. The US government argues the pricing mechanism would act as an unnecessary tax on the maritime industry, while supporters say it is essential to narrow the cost gap between fossil fuels and greener alternatives. Without it, analysts warn the framework could lack meaningful enforcement strength and rely largely on corrective-action requirements similar to the IMO's existing Carbon Intensity Indicator system.