

OCEAN MARKET UPDATE



CURRENT STATE

Uncertainty continues to surround shipping through the Strait of Hormuz, despite improving vessel traffic. Transit volumes remain below normal levels, security risks persist, and elevated war-risk insurance and surcharges continue to impact freight costs. Ongoing negotiations regarding a temporary shipping corridor provide cautious optimism, but full normalization of regional supply chains remains unlikely in the near term.

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The ocean container market is facing another supply-demand imbalance. Trade growth has slowed to 3.1% in 2026, pushing the trade-to-GDP multiplier below 1. Meanwhile, vessel deliveries have bottomed out this year, and fleet growth is projected to climb to a record high 11% in 2028. That imbalance is already showing up in pricing with surcharges having decoupled sharply from fuel costs. Rates on the Far East-Mediterranean and Far East-US West Coast lanes are climbing ahead of bunker prices, which have stayed essentially flat since late April. Much of that pressure traces back to re-routing rather than underlying demand, as TEU-miles continue to run well ahead of TEU demand. For example, every Chinese export lane has priced upward since February despite exports to the United States declining sharply year over year. That gap between surcharges and fuel costs shows how disconnected pricing has become from underlying costs. And with reliability being measured across on-time performance, average delay and blank sailings, carrier performance is becoming a bigger differentiator than price alone.

MARKET FORECAST

China's upcoming Golden Week runs October 1–7, 2026, and as the holiday approaches, shippers should be planning ahead. Factories and export operations will largely pause, while carriers have already announced blank sailings around the holiday period. Carriers are expected to create rolling pools, likely leading to shipment delays and space constraints in the weeks that follow.

The Panama Canal's operational strain is intensifying heading into peak season as reduced rainfall has prompted the ACP to tighten transit slots, auction rules, and draft limits. Beginning September 3, Neopanamax lock slots will be capped at nine per day, while Panamax transits will be limited to 25 vessels, tightening further to 23 by September 15. The ACP's revised auction system will also prioritize fully laden, high-capacity containerships, and previously announced draft cuts have now been pushed back to September 2 and October 1, respectively. Once implemented, these measures could materially reduce loaded capacity, as a 10,000 TEU vessel can lose roughly 450 TEUs for every foot of draft restriction. The implications are significant because more than half of Neopanamax vessels calling the East and Gulf coasts since May have transited the canal, with those vessels averaging around 12,000 TEUs each. There is also limited room to absorb lighter loads, particularly as the Port of New York and New Jersey already operates near its draft ceiling. Together, tighter transit slots, looming draft cuts, and constrained East Coast capacity point toward continued upward pressure on freight rates through peak season. Much will depend on how the rainy season develops; if conditions mirror or worsen from the levels seen during the 2023–2024 drought, additional restrictions could drive more cargo diversion toward the West Coast, a scenario Port of Los Angeles officials are already preparing for.

Recent typhoons have caused major congestion at Chinese ports, forcing ocean carriers to skip calls at Shanghai, Ningbo and other hubs while reducing available capacity by nearly 500,000 TEUs. Rerouted cargo must now be repositioned to its original destination, while vessel queues swelled to at least 139 ships at Shanghai and 77 at Ningbo. The lost capacity has hit Asia-Latin America and Asia-Europe trades hardest. Beyond the alliances driving the skipped calls, several other carriers are facing significant berthing delays, up to nine days for some vessels and nearly two weeks for others, as ports work through backlogged vessels, containers and trucks.

Container shipping congestion is mounting across major trade lanes as peak season stretches the global system to its limits. In Los Angeles-Long Beach, dwell times for containers leaving marine terminals have hit their highest levels in more than 15 months, driven by elevated import volumes, a chassis shortage tied to empty container return bottlenecks, and street closures from the Vincent Thomas Bridge redecking project. This reflects a broader global network operating near capacity, with global fleet idling at just 0.5% in mid-August and roughly 4.3 million TEUs currently tied up in port congestion worldwide, pushing global schedule reliability down to 56.4% in July, the weakest reading since February 2025. Trans-Pacific carriers are holding capacity steady rather than cutting it, with West Coast tonnage running higher, as imports from Asia remain elevated. Meanwhile, on the trans-Atlantic, carriers are pushing through rate increases, peak season surcharges and rising fuel fees even as demand on that lane softens, a sign that pricing pressure is building across the network even where volumes are easing.

The trans-Pacific container market is set to stay elevated through September, with demand persisting until China's Golden Week holiday in early October, defying earlier expectations of a sharp decline. Carriers plan to boost capacity to the West Coast in September, driven by resilient consumer demand, unexpectedly strong imports ahead of Black Friday, and surging AI data center infrastructure shipments, while continued congestion from Chinese typhoons is pushing arrivals later into the season. Spot rates have climbed to multi-year highs, and another round of general rate increases are expected at the start of September. Looking ahead, carriers anticipate Q4 demand will soften from September's peak. Although demand is expected to ease from September's peak, it is viewed that inventory levels remain below desired thresholds, suggesting any market cooling before Golden Week is likely to be modest.

Ocean carriers are beginning to gradually resume Suez Canal transits as they reassess security conditions following the Houthis attacks, though volumes will remain well below pre-crisis levels. Scheduled Suez capacity from July through October is projected to average 1.3 million TEUs a month, up 60% from the first half of 2026 but still just 1/5th the levels seen three years ago. The shift is driven by improved security perceptions, despite a deadly missile attack in mid-August, along with high bunker fuel costs and the speed advantage over the longer Cape route. Some executives predict a full industry return by year end absent any serious security setbacks. Analysts however warn that the shift could create pockets of European port congestion as faster Suez arrivals overlap with ships still enroute around Africa. The diversions have been absorbing roughly 8% of global vessel capacity, offsetting an overcapacity problem expected to worsen ahead. As a result, the pace of return will shape the size of that glut.

Sources: Alphaliner, Journal of Commerce (JOC), The Loadstar, Freightos Terminal, Sea-Intelligence, Container-News.com, Seatrade Maritime, Descartes, eeSea, MaritimeGateway