Transpacific troughs as WCI registers double-digit dip even as market await clarity on possible strikes

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The Drewry World Container Index (WCI) registered its largest weekly fall in percentage terms since May 2020 at US$4,168, dropping over 13% for the week.

The rates were led by the China-US East Coast rates on the downside with the trade lane registering a 21% decline in prices owing to the market sentiment on the possibly upcoming ILA strikes in the US East Coast and Gulf, which has lowered the demand envelope in the region.

Consequently, while the US West Coast demand is expected to rise should the strikes happen with the East Coast closure, the rates for Asia- US West Coast were also seen to trend downwards by 7%.

The rates to Europe and Mediterranean from Asia continued their downward trend, and both these prices have now dipped below the Asia- US West Coast spot prices for the first time in three and nine months respectively, which were incidentally when the breakout happened due to the Early demand flows and the Red Sea driven Suez Canal disruptions, respectively.

The WCI now stands just 2.56% higher than the level of US$4,064 which is also the average of prices since the Red Sea crises broke out and has also depreciated nearly 30% since the recent high of US$5,937 towards the later half of July 2024.

The other indices have mimicked the trend with the Shanghai Composite Freight Index (SCFI) declining to a four month low. There is some amount of expected cushion on the downside should the ILA strikes go through with the West Coast rates holding fort.

The action which is being predicted by the market to start impacting from October 1 can also affect the transatlantic traffic volumes from Europe, with Canada East Coast and Mexico posing as alternatives to the USEC / Gulf. With the peak demand envelope nearly catered and with the holiday season coming in, there are less chances of volume based disruptions, though spillover to Breakbulk and Air modes of transportation can be expected.

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