

Europe Transport

BofA Freight Follower: No green shoots yet

Industry Overview

Rates drift lower following LNY holidays

Our tracker of the latest high-frequency freight indicators shows that the decline in ocean spot rates worsened in Feb. as capacity utilization remains low on the transpacific. Container spot rates declined by -8% m-m. Air freight rates declined in Feb. (albeit less than in Jan) driven by subdued demand post holidays while air freight capacity improved y-y likely driven by Asia Pacific. With supply increasing and soft demand, we expect further decline in both container shipping and air freight rates.

Ocean: Big capacity influx to pressure rates in Mar.

Ocean rates declined -8% m-m in Feb, worse than -7% in Jan. SCFI is now -7% below early Jan. 2020 levels (and -80% y-y). Low capacity utilisation on transpacific has contributed to lower spot rates. USEC rates declined -14% m-m while USWC rates declined -12% m-m. Asia-Europe rates declined -13% m-m despite relatively higher capacity utilization. Early discussions on the transpacific contracts suggest rates above current spot rates but we expect these to move lower similar to the Asia-Europe contract rate negotiations this year. New containership deliveries are expected to pick up in March, which is likely to keep rates under pressure. Global container volumes declined -7% y-y in Dec. (2% below 2019 levels). Global port congestion remains relatively stable at 6.6% of the fleet, well below the peak of near 15%. With only 3.0% of the fleet idle, liners have not curtailed sufficient capacity to meet the drop in demand.

Air: volumes -15% y-y, rate decline continues

Air freight rates were down -c8% m-m in Feb. due to softer-than-expected demand post LNY. Shanghai to N. America rates were down -c16% m-m while Shanghai to Europe rates were -c5% in Feb. Global air freight volumes declined -15% y-y in Jan. (-16% in Dec.), as per IATA data. Global air cargo capacity was up 4% y-y in Jan. (-2% in Dec) likely driven by higher belly capacity. Global loads declined 2ppt m-m to 45% in Dec. (down c10ppt y-y). Volumes in most regions improved y-y, with S. America improving the most. Capacity improved in most regions with Asia-Pacific improving the most.

Inventory re-stocking in 2H?

Maersk expects inventory de-stocking to be completed by end of 1H and a better demand environment in 2H with 2023 market volumes of -2.5% to +0.5% (see Maersk note). This is similar to DSV's expectation of negative volume trends in 1H and a gradual recovery in 2H resulting in air / sea volume decline of 2-5% in 2023 (see DSV note). BAC US aggregated credit and debit card data shows strong pickup in card spending per household in Jan. due to a statistical distortion and a large increase in disposable income. However, furniture and clothing spending declined -13% and -7% y-y, respectively. See latest [BofA on USA](#) report for limitations, disclosures and methodology in connection with BAC card data. Retail inventories are 14% higher than 2019 levels. Furniture and general merchandise inventory to sales ratios are both above 2019 levels.

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Timestamp: 01 March 2023 12:51AM EST

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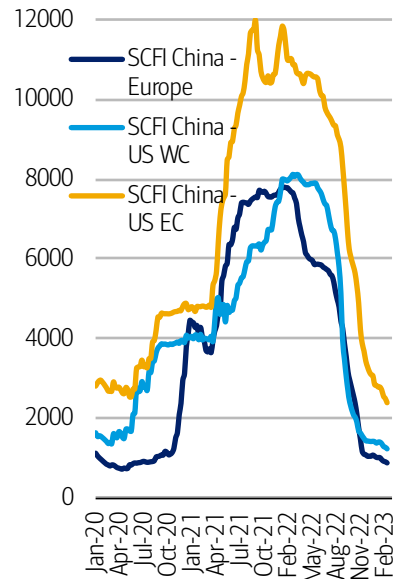
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Exhibit 1: SCFI indices by trade lane

Asia-Europe rates are down by 13% m-m



Source: Clarksons

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Definitions:

USWC: US West Coast

USEC: US East Coast

SCFI: Shanghai Containerized Freight Index

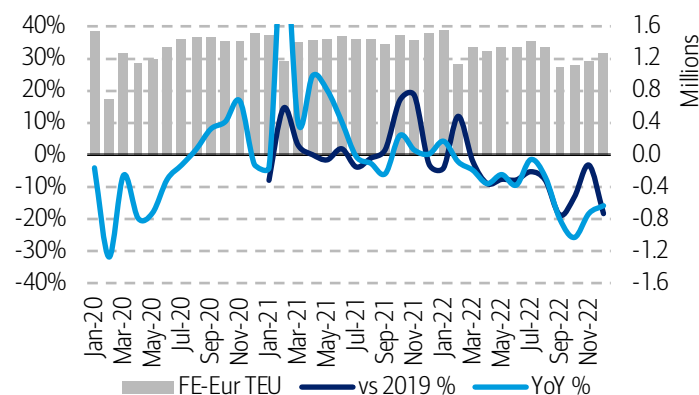
LNY: Lunar New Year

Container shipping data

Shipping Volumes

Exhibit 2: Far East – Europe volumes (TEU) and growth (%)

Asia to Europe volumes were down c16% YoY in December 2022

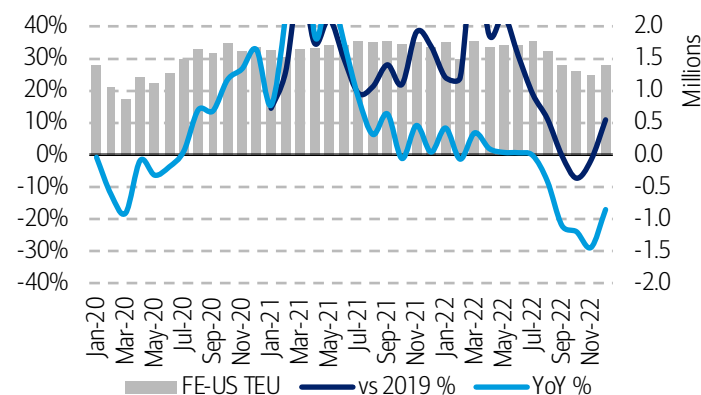


Source: Alphaliner

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Exhibit 3: Far East – US volumes (TEU) and growth (%)

Transpacific volumes were down c17% YoY in December 2022

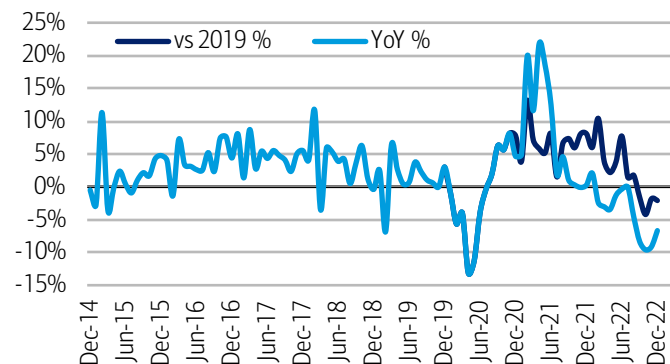


Source: Alphaliner

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Exhibit 4: Global container shipping volumes (YoY and vs 2019 %)

Global container volumes were down c7% YoY in December 2022



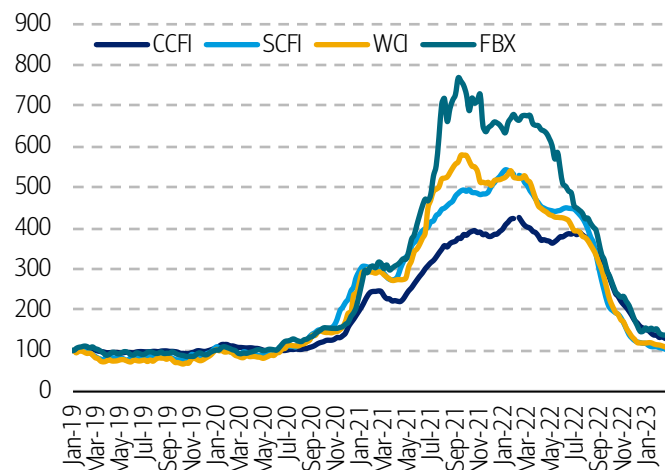
Source: Bloomberg

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Shipping rates

Exhibit 5: Container shipping freight rates, indexed to January 2019

SCFI declined -8% month-on-month

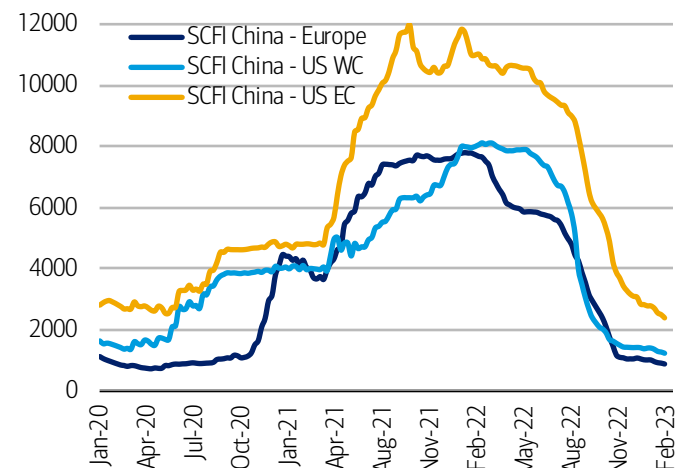


Source: Refinitiv Eikon, Drewry, Bloomberg

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Exhibit 6: SCFI indexes by trade lane

Asia-Europe rates are down by -13% month-on-month

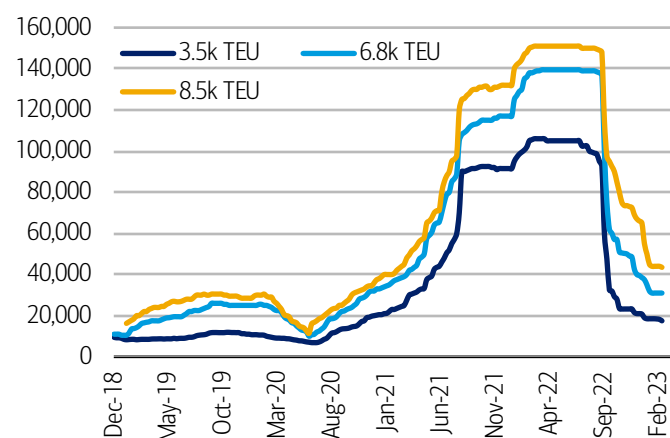


Source: Clarksons

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Exhibit 7: 6-12 month Timecharter rates

Short-term charter rates were stable in February ...

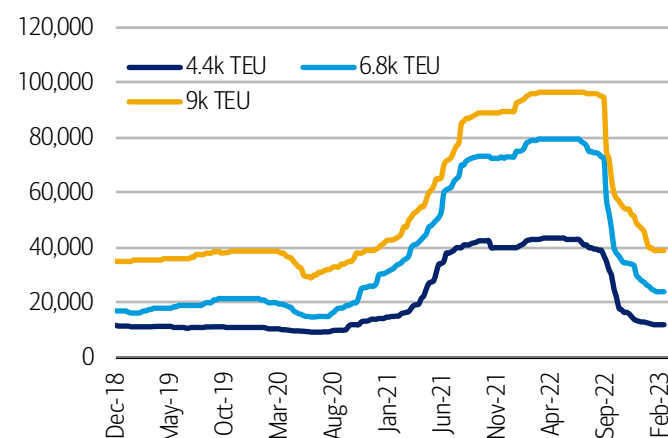


Source: Clarksons

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Exhibit 8: 3-5 years Timecharter rates

... with medium-term rates also broadly steady in February

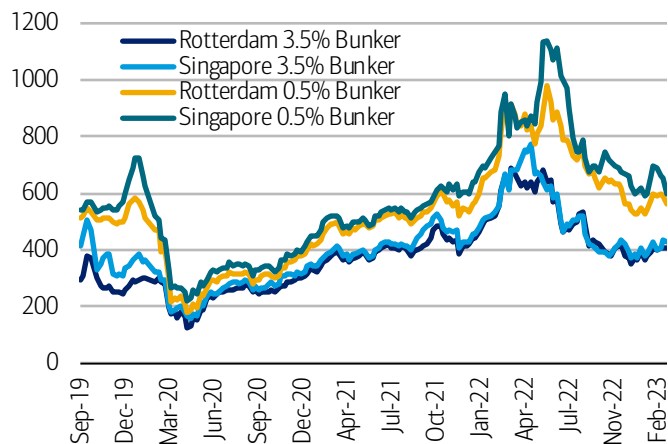


Source: Clarksons

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Exhibit 9: Bunker fuel prices (\$ per tonne)

Low-sulphur bunker fuel prices have declined over the past month...

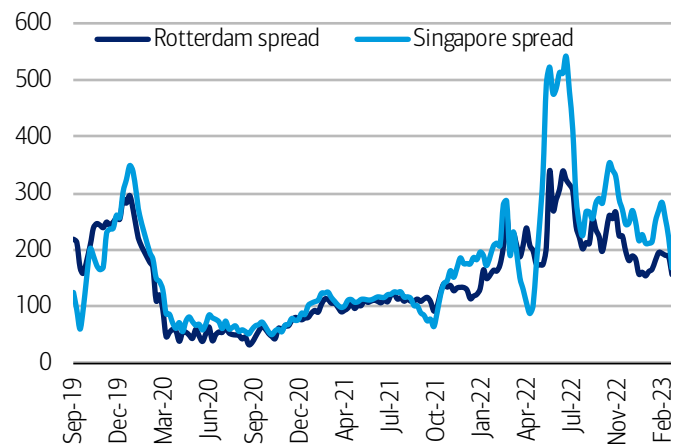


Source: Clarksons

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Exhibit 10: Rotterdam and Singapore 0.5% to 3.5% spread (ppts)

... while the high and low sulphur spread has tightened



Source: Clarksons

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Port disruption

Exhibit 11: Containerships waiting for berth space outside LA/LB ports

No containerships waiting for berth space outside LA/LB



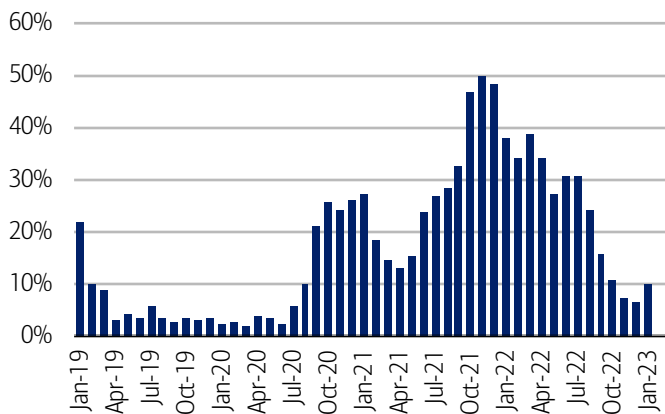
Source: MXSOCAL

Note: Post 22 Nov. 2022, this chart captures the ships choosing to arrive after CTA to optimize operations and continue the twin goals of the new queuing system for labor, increase safety and increase air quality even if there is no backup.

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Exhibit 12: US West Coast container dwell time (% > 5 days)

USWC containers dwelling >5 days increased to c10% in January 2023

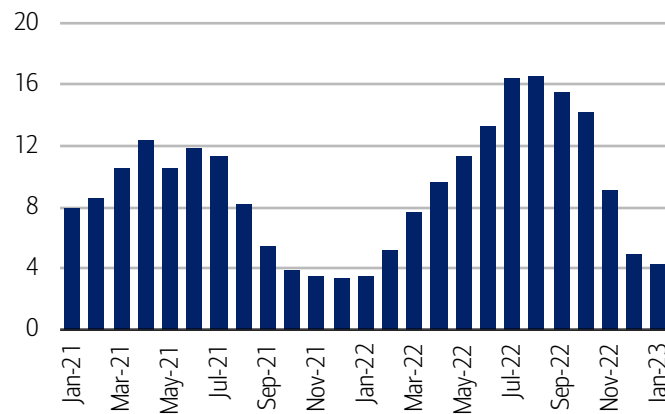


Source: PMSA

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Exhibit 13: US West Coast rail dwell time in days

USWC average rail dwell times fell to 4 days in January 2023

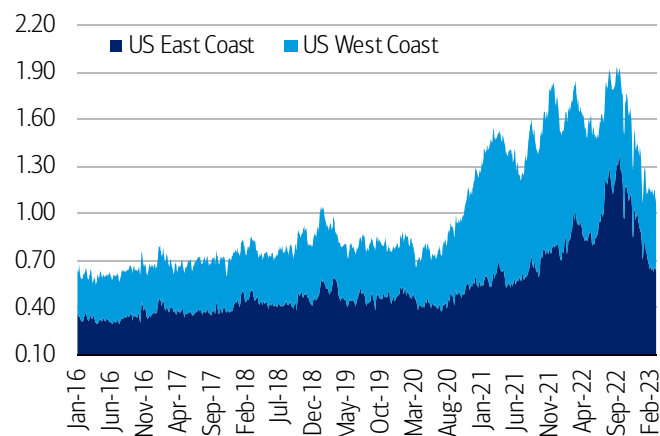


Source: PMSA

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Exhibit 14: Vessels in port – US East Coast & West Coast (TEUm)

US East Coast port congestion eased in February

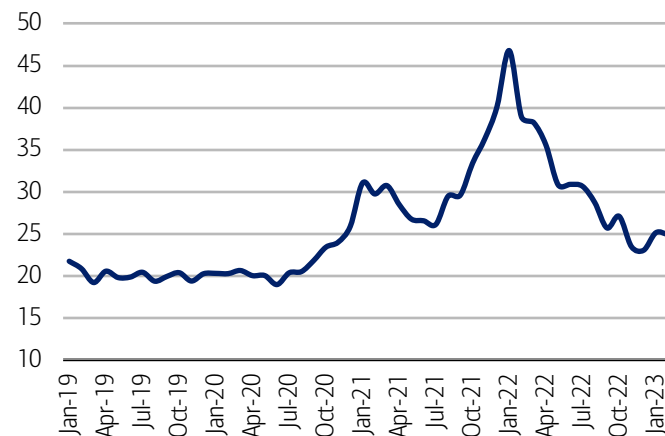


Source: Clarksons

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Exhibit 15: China to USWC average containership duration (days)

Transpacific transit times declined marginally in February 2023

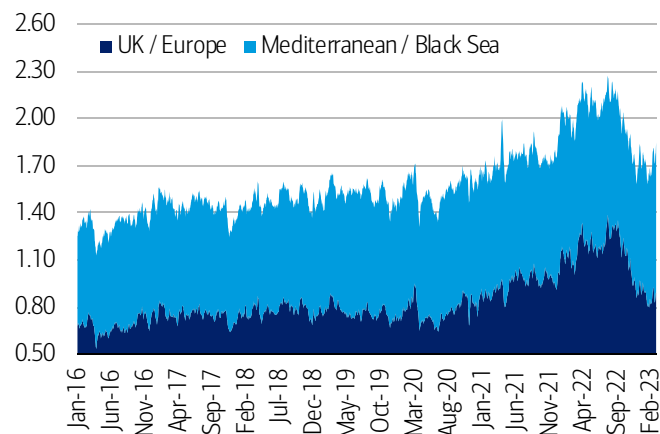


Source: Clarksons

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Exhibit 16: Vessels in Port – UK/Europe & Mediterranean (TEUm)

UK and Europe port congestion increased but remains below peak levels

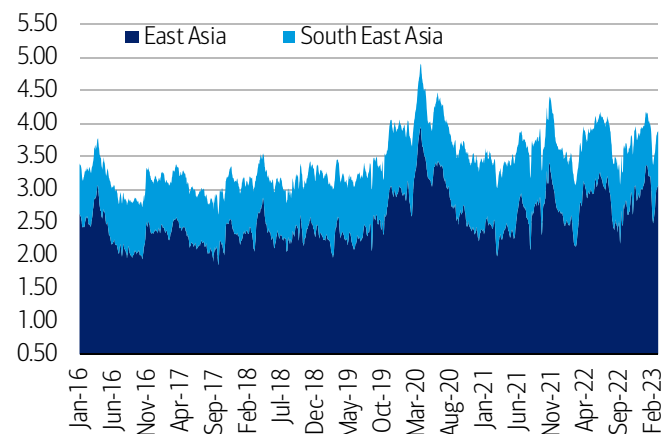


Source: Clarksons

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Exhibit 17: Vessels in port – East and South-East Asia (TEUm)

Port congestion in East Asia is easing while South East Asia is rising

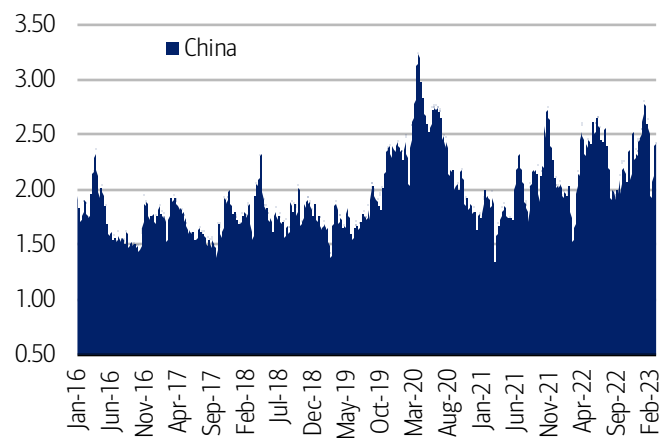


Source: Clarksons

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Exhibit 18: Vessels in port – China (TEUm)

Chinese port congestion has declined over the past month

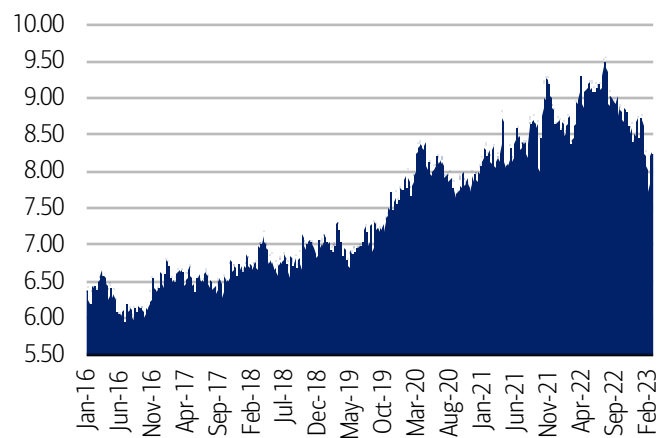


Source: Clarksons

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Exhibit 19: Vessels in port - Global (TEUm)

Global port congestion elevated but is now well below peak levels



Source: Clarksons

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Container boxes**Exhibit 20: Box Availability in Shanghai (CAx)**

Containerbox shortages have eased in Shanghai...



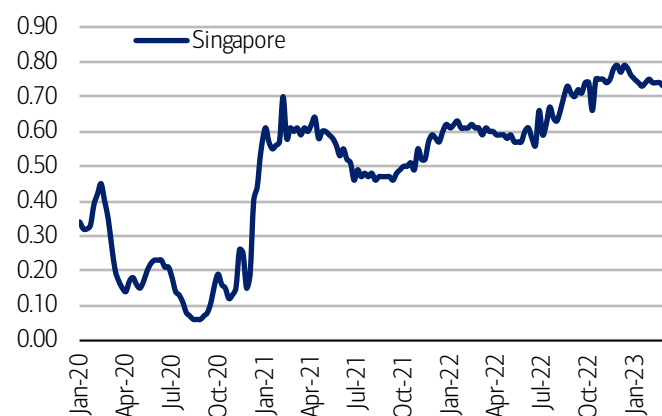
Source: Container xChange

Note: value of >0.5 means more boxes enter than leave and <0.5 means more boxes leave than enter. A low value reflects a deficit of containers.

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Exhibit 21: Box Availability in Singapore (CAx)

... and have also recovered in Singapore



Source: Container xChange

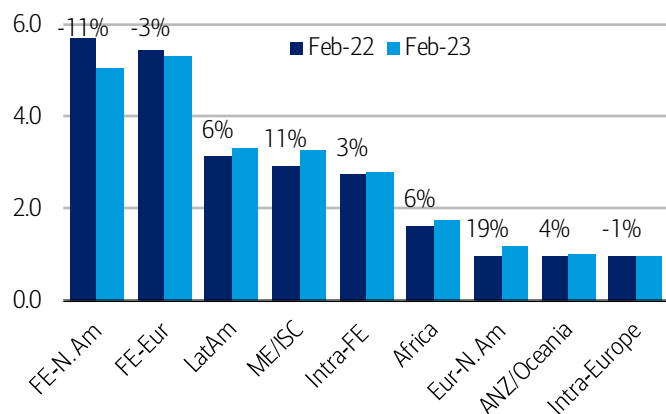
Note: value of >0.5 means more boxes enter than leave and <0.5 means more boxes leave than enter. A low value reflects a deficit of containers.

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Capacity deployment

Exhibit 22: Global deployment by cellular TEU capacity (TEUm)

Europe to N. America has seen the biggest YoY increase in capacity at +19%

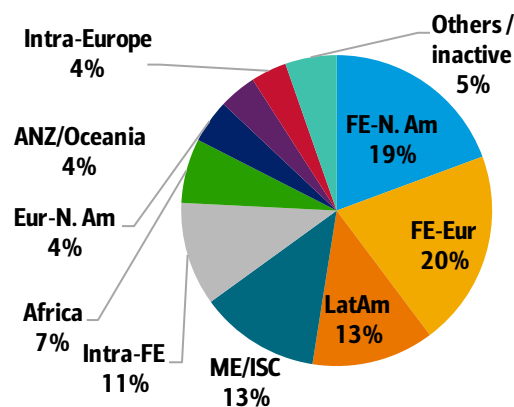


Source: Alphaliner

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Exhibit 23: Global deployment by TEU capacity in Feb-23 (% of total)

Asia-N. America and Asia-Europe dominate global trade lanes



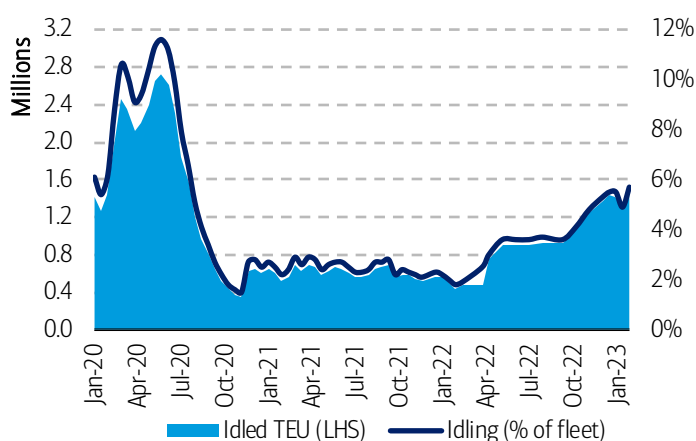
Source: Alphaliner

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Idle capacity

Exhibit 24: Idled TEU (and % of global fleet)

Idling (including capacity at shipyards) has risen to 5.7% of global fleet

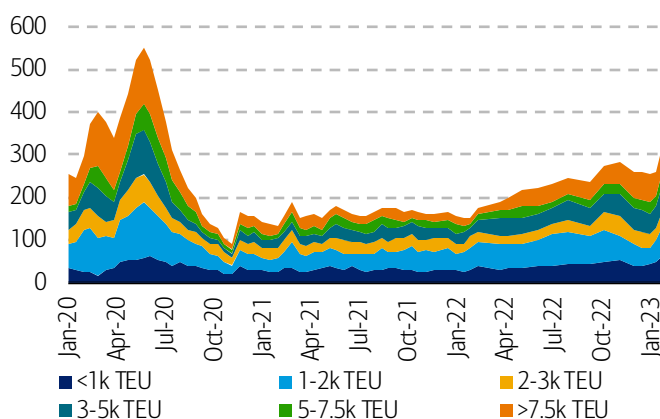


Source: Alphaliner

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Exhibit 25: Idled TEU breakdown by vessel size (number)

Inactivity increased across all vessel sizes except large and ultra large vessels above 12.5k TEU



Source: Alphaliner

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New orders

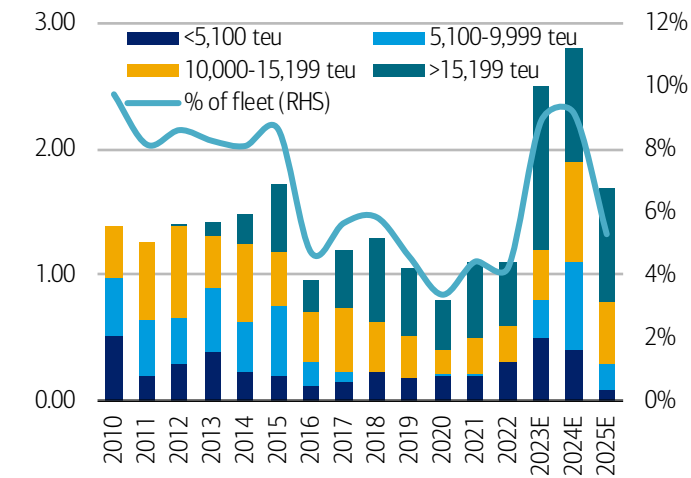
Exhibit 26: Global orderbook to fleet (%)
The global orderbook to fleet ratio is at c29%



Source: Clarksons

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Exhibit 27: Deliveries per year (TEUm) and % of fleet
There will be a big step up in fleet deliveries in 2023E



Source: Alphaliner

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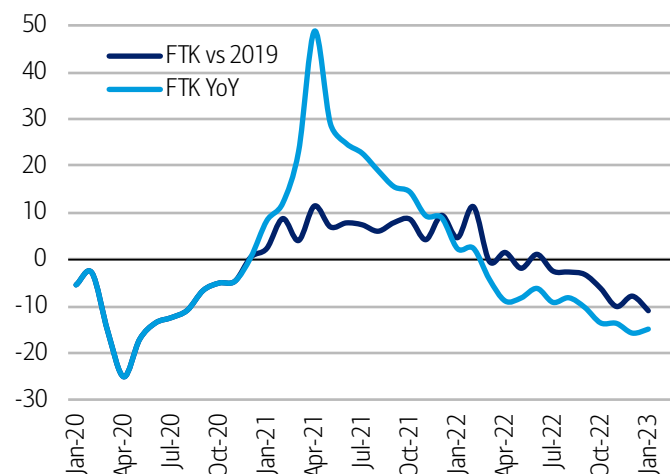


Air freight data

Air Freight Volumes

Exhibit 28: Global FTK (% vs 2019 and % YoY)

Global air cargo volumes were down c15% YoY in January 2023

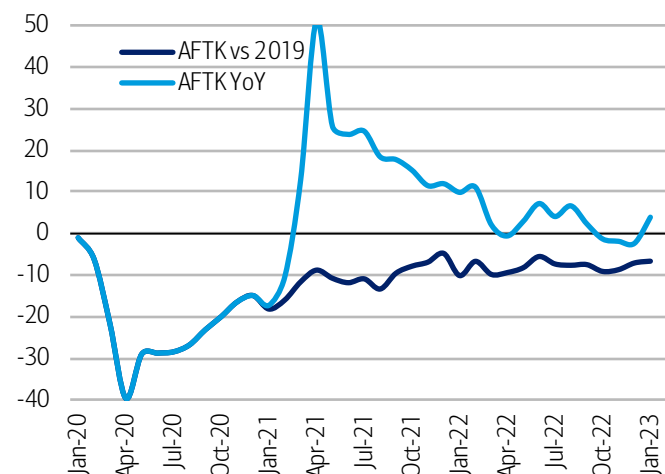


Source: IATA

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Exhibit 29: Global AFTK (% vs 2019 and % YoY)

Global air cargo capacity was up c4% YoY in January 2023

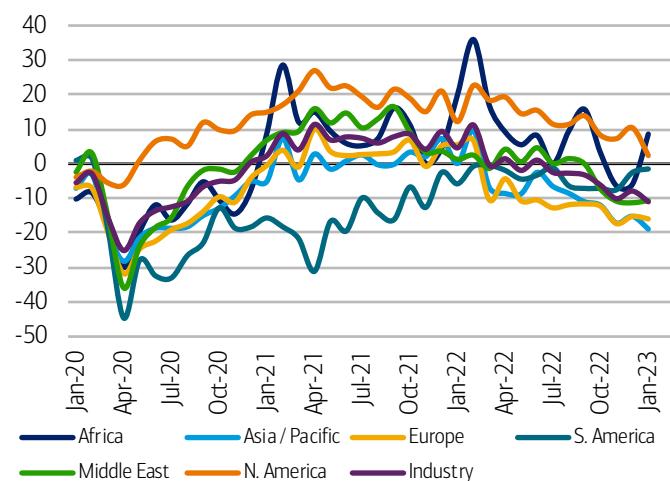


Source: IATA

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Exhibit 30: FTK growth by region (% vs 2019)

Mixed trend in volumes across regions vs 2019 levels in January 2023

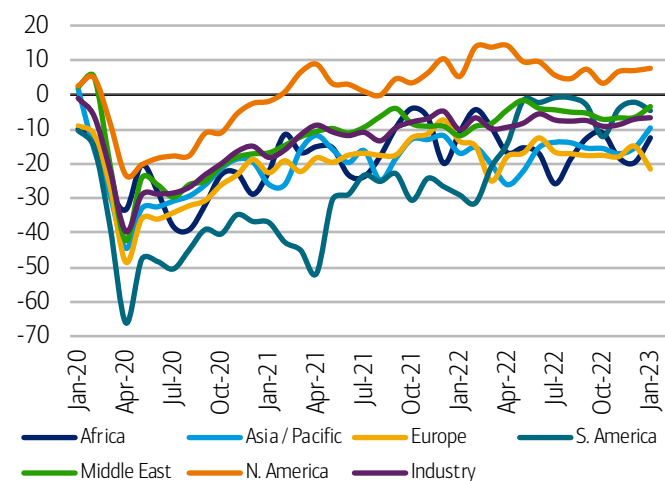


Source: IATA

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Exhibit 31: AFTK growth by region (% vs 2019)

Capacity improved the most in Africa vs 2019 levels in January 2023

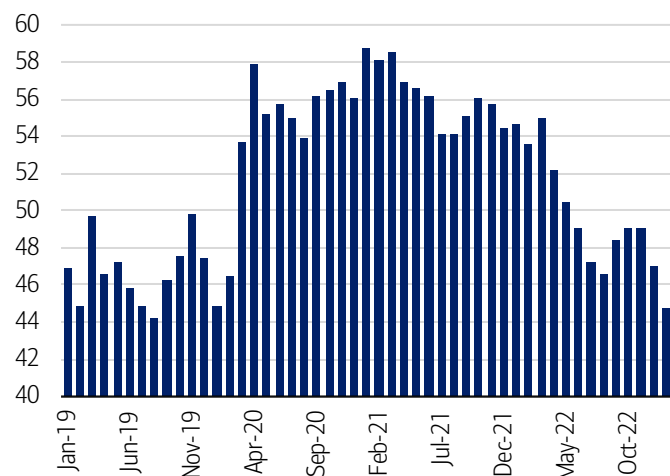


Source: IATA

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Exhibit 32: Global air freight load factor (%)

Load factor declined M-o-M to c45% in January 2023

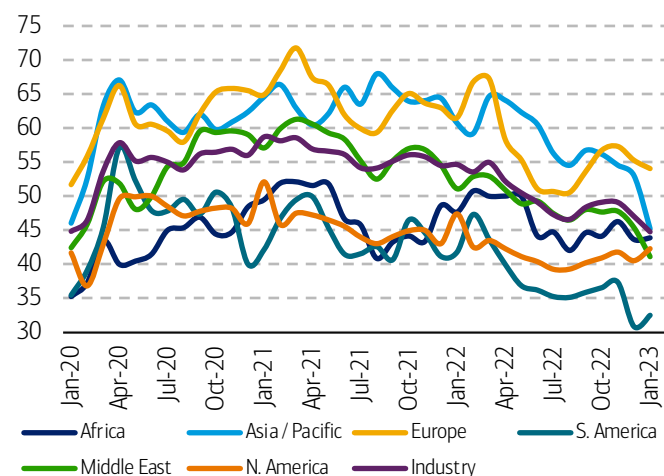


Source: IATA

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Exhibit 33: Air freight load factor by region (%)

Load factor declined M-o-M the most in Asia-Pacific in January 2023



Source: IATA

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Air Freight Rates**Exhibit 34: Shanghai to Europe Air Cargo Index (USD per kg)**

China to Europe air freight rates were down c5% M-o-M in February

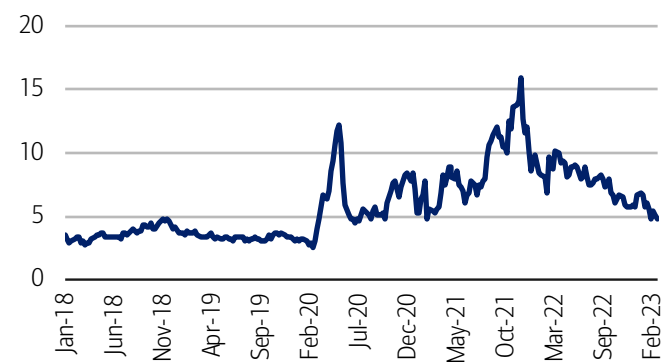


Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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Exhibit 35: Shanghai to North America Air Cargo Index (USD per kg)

China to N. America air freight rates were down by c16% M-o-M in February



Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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Exhibit 36: Baltic Exchange Air Freight Index

Global air freight rates were down c8% M-o-M in February



Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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European road freight rates

Exhibit 37: Europe road freight rates (indexed to January 2019)

European road freight rates were 46% above 2019 levels in Jan'23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Exhibit 38: Road freight rates out of Germany (indexed to January 19)

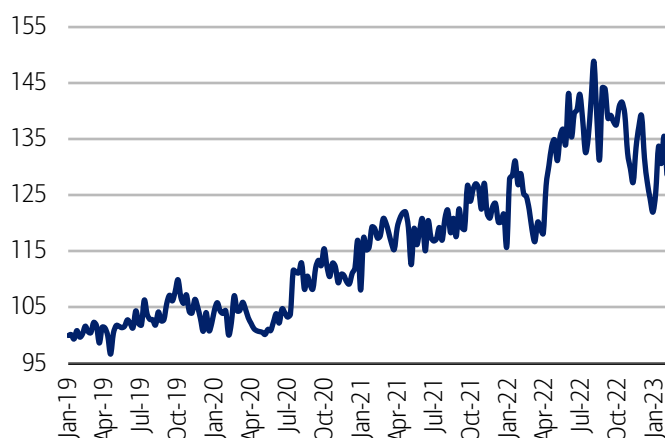
German outbound road freight rates were 39% above 2019 levels in Jan'23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Exhibit 39: Road freight rates out of France (indexed to January 19)

French outbound road freight rates were 31% above 2019 levels in Jan'23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Exhibit 40: Road freight rates out of UK (indexed to January 19)

UK outbound road freight rates were 49% above 2019 levels in Jan'23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Demand drivers

PMI indicators

Exhibit 41: US ISM Manufacturing

US PMI declined to 47 in January 2023



Source: Datastream, Institute for Supply Management

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Exhibit 42: Eurozone Manufacturing Purchasing Managers Index (PMI)

Euro area PMI remained broadly flat at 49 in February 2023



Source: Datastream, IHS Markit

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US consumption trends

Exhibit 43: Weekly US retail (ex. Auto) spending based on BAC aggregated card data (% YoY)

US retail (ex. auto) spending was largely flat YoY as of January 28



Source: BAC internal data.

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Exhibit 44: Weekly US clothing spending based on BAC aggregated card data (% YoY)

US clothing spending was down c7% YoY as of January 28



Source: BAC internal data.

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Exhibit 45: Weekly US general merchandise spending based on BAC aggregated card data (% YoY)

US general merchandise spending up c3% YoY as of January 28

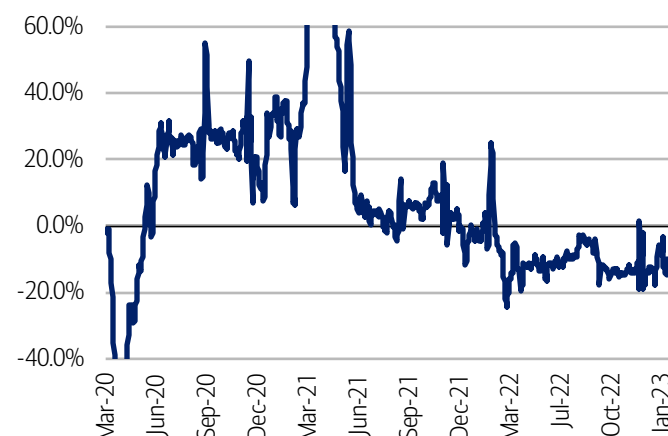


Source: BAC internal data.

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Exhibit 46: Weekly US furniture spending based on BAC aggregated card data (% YoY)

US furniture spending was down c13% YoY as of January 28

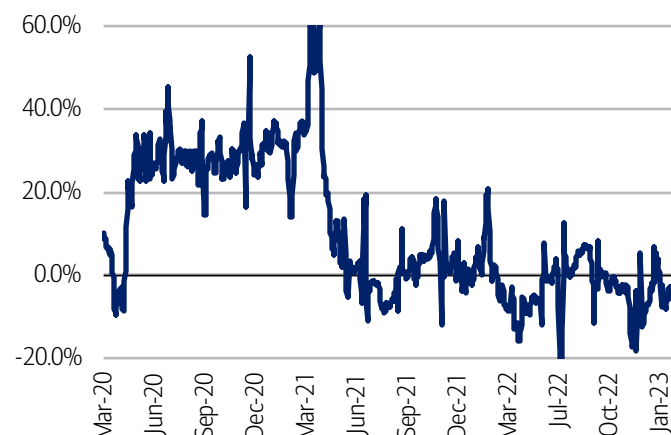


Source: BAC internal data.

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Exhibit 47: Weekly US home improvement spending based on BAC aggregated card data (% YoY)

US home improvement spending was down c6% YoY as of January 28



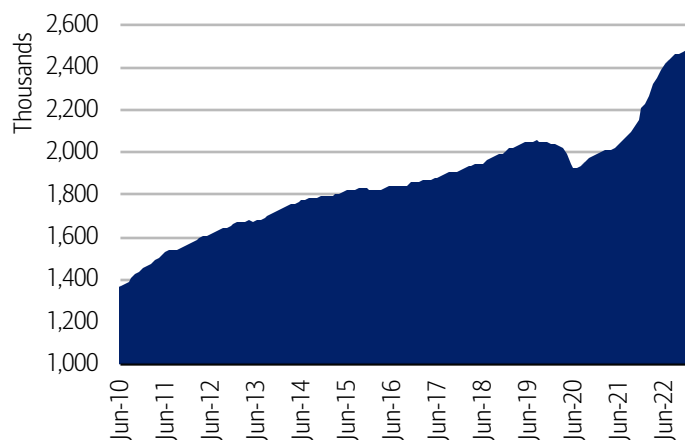
Source: BAC internal data.

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US inventories

Exhibit 48: US total manufacturing and trade inventories (\$bn)

US manufacturing & trade inventories were 22% above 2019 levels in December

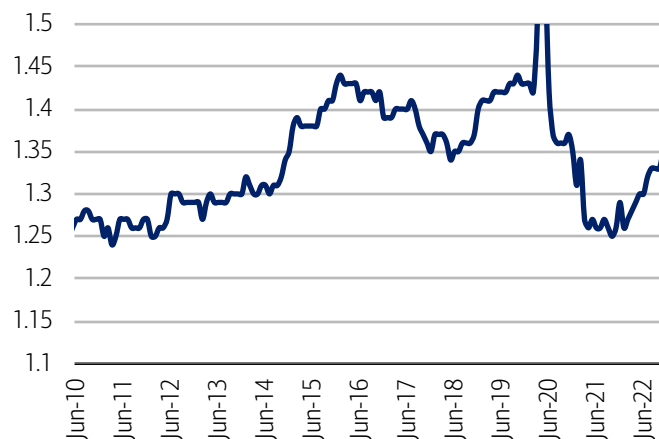


Source: US Census Bureau

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Exhibit 49: US total manufacturing and trade inventory to sales ratio

US total inventory to sales ratio increased to 1.37 in December

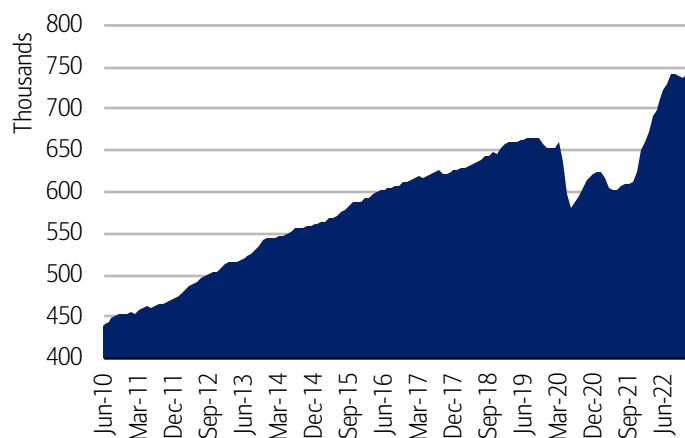


Source: US Census Bureau

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Exhibit 50: US retail inventories (\$bn)

US retail inventories were 14% above 2019 levels in December 2022

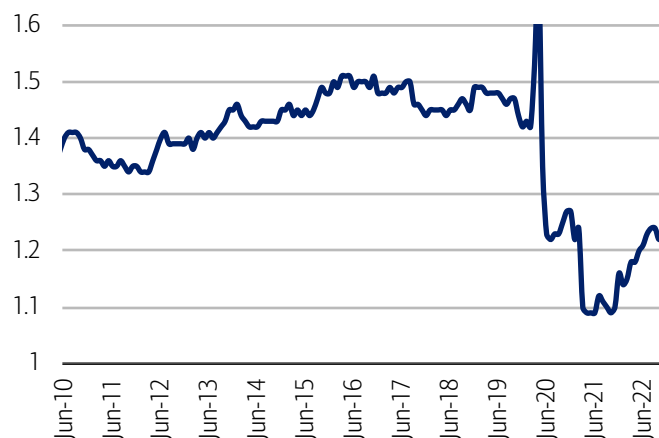


Source: US Census Bureau

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Exhibit 51: US retail manufacturing and trade inventory to sales ratio

US retail inventory to sales increased to 1.26 in December 2022

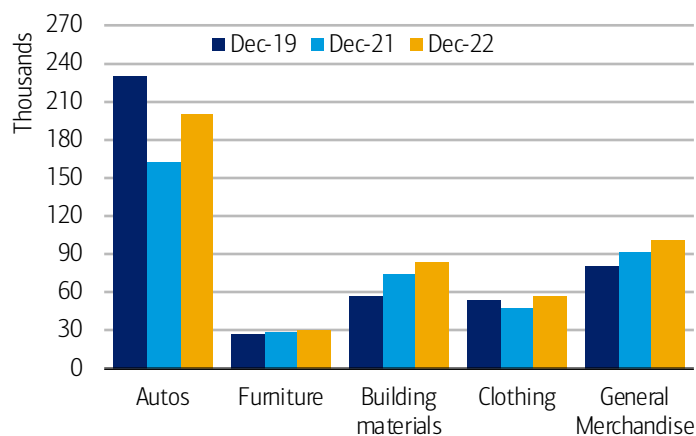


Source: US Census Bureau

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Exhibit 52: US retail inventories by product category (\$bn)

Most retail product inventory levels were above 2019 in December...

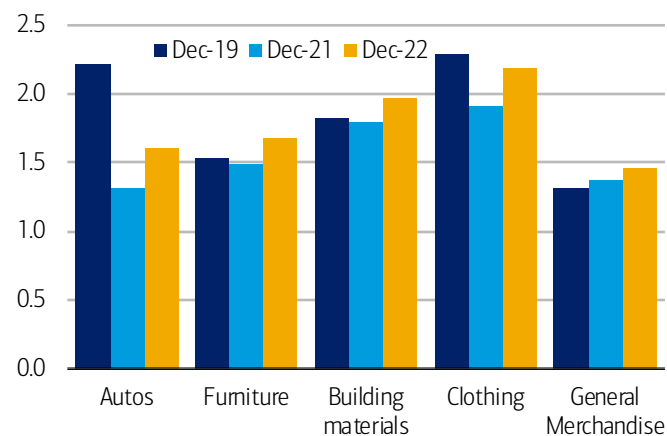


Source: US Census Bureau

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Exhibit 53: US retail inventory to sales ratio by product category

... while most inventory to sales ratios were near or above 2019 in December

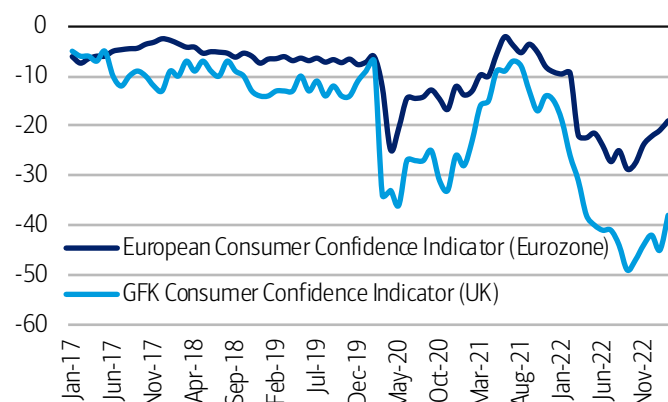


Source: US Census Bureau

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Consumer sentiment**Exhibit 54: Consumer confidence indicators (Eurozone & UK, monthly)**

Eurozone consumer confidence improved, UK rebounds from record lows

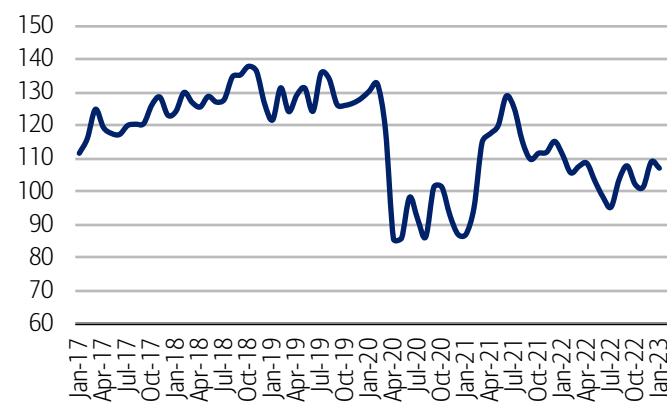


Source: Datastream

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Exhibit 55: US consumer confidence indicator

US consumer confidence declined in January



Source: Datastream, The Conference Board

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