

Transport

BofA Freight Follower: Ocean spot rates likely to rise further

Industry Overview

Ocean rates double on disruption; no impact on Air yet

Ocean spot rates have spiked since Red Sea disruptions came to head in mid-December, leading carriers to reroute c76% of container capacity around Africa, increasing journey times by 7-10 days and adding incremental \$2-3m to journey costs. Container spot rates have doubled since mid-December, though still well below the pandemic peak levels. We hosted Mr. Lars Jensen, CEO of Vespucci-Maritime ([takeaways from call](#)) and Mr. Tan, Founder of Linerlytica ([key takeaways from call](#)). The key takeaway from these expert calls is that disruptions could last longer than expected, with rates increasing at least until February, before gradually abating from there. Air freight rates decreased by -26% m-m, likely due to drop in demand for Chinese ecommerce shipments, while Red Sea disruption is yet to have an impact on air freight rates.

Ocean: Asia-Europe rates +200% m-m

Ocean rates are up c100% m-m as c76% of Red Sea container volumes have been diverted around Africa ([Red Sea disruption FAQs](#)). China to Europe rates increased c200% m-m. Global container volumes increased +8% y-y in November, slightly worse than the +9% increase in October, despite easier comps. Port of Los Angeles volumes increased +19% y-y in November (+5% vs 2019), better than +7% in October, on share gains. National Retail Federation (NRF) in its latest Global Port Tracker expects 1Q24 US port volumes to be up +8%, as comp base benefits continue. Panama Canal slightly increased daily transits in December, though, drought conditions are expected to continue until end of dry season in May. Alphaliner estimates that vessel demolitions will pick up y-y in 2024, with estimated 375k TEU to be disposed, which is above 194k TEU in 2019, however, remains below incremental new capacity.

Air: volumes up +8% y-y in November, rates -26% m-m

Air freight rates are down -26% m-m (+24% vs Jan'20) as demand subsided after a sharp increase through December. Shanghai outbound air freight rates are down -38% m-m. Global air freight volumes increased +8% y-y in November as per IATA data, higher than +4% in October. Global air cargo capacity was up +14% y-y in November, as capacity continued to recover. November capacity was +c4% above 2019 levels, an increase from +3% in October. Global loads increased 1.5ppt m-m to 46.7% in November (down c2.3ppt y-y).

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Timestamp: 15 January 2024 12:30AM EST

15 January 2024

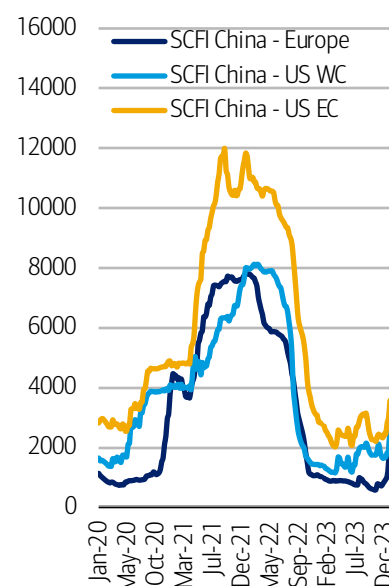
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Exhibit 1: SCFI indices by trade lane

Asia-Europe rates are higher by c200% m-m



Source: Clarksons

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Definitions:

USWC: US West Coast

USEC: US East Coast

SCFI: Shanghai Containerized Freight Index

TP: Transpacific

IATA: International Air Transport Association

TEU: twenty-foot equivalent unit

FTK: Freight Tonne Kilometres

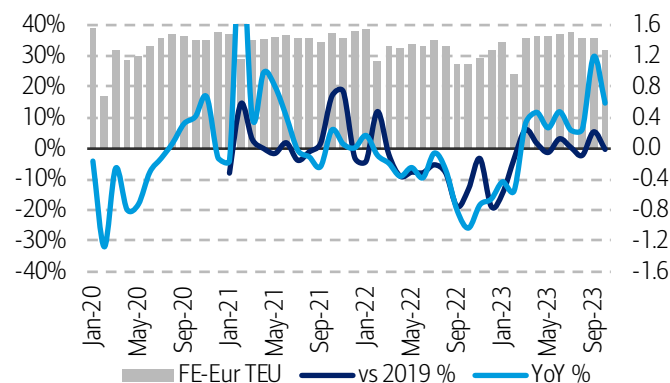
AFTK: Available Freight Tonne

Container shipping data

Shipping Volumes

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

Asia to Europe volumes were up c15% YoY in Oct 2023



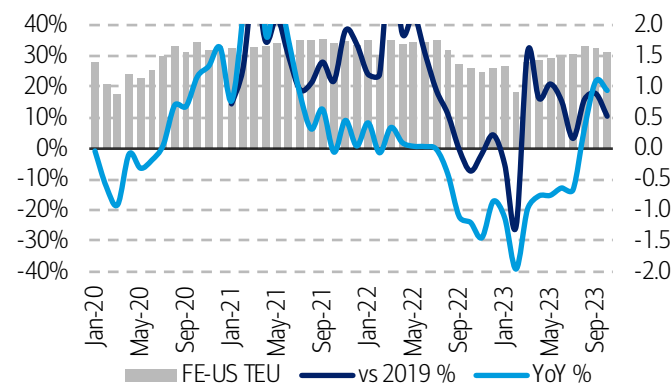
TEU: Twenty-foot equivalent unit.

Source: Alphaliner

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

Transpacific volumes were up c19% YoY in Oct 2023

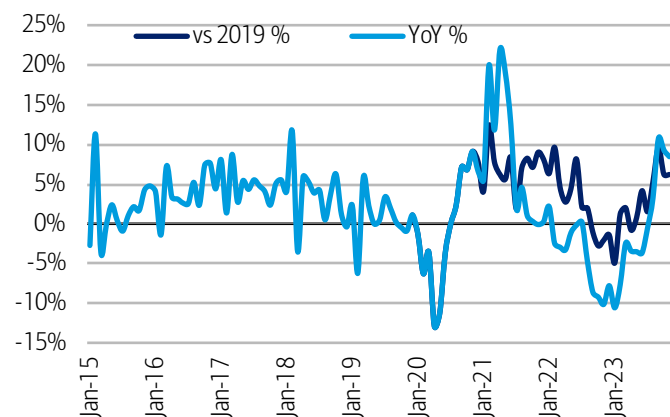


Source: Alphaliner

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

Global container volumes were up 8% YoY and were up 6% vs 2019 in November 2023

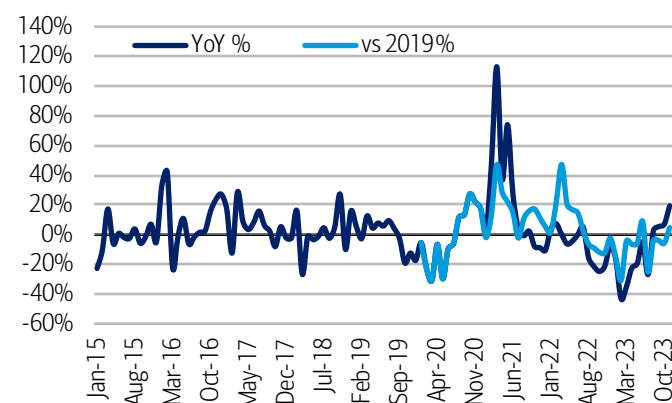


Source: Bloomberg

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Exhibit 5: Container shipping volumes at Port of Los Angeles (YoY and vs 2019 %)

Container volumes at the Port of Los Angeles were up 19% YoY and were up 5% vs 2019 in November 2023



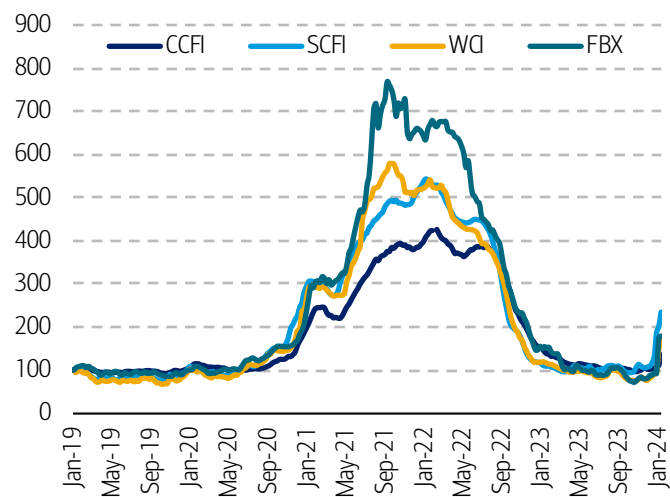
Source: Port of Los Angeles

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Shipping rates

Exhibit 6: Container shipping freight rates, indexed to January 2019

SCFI increased 102% month-on-month

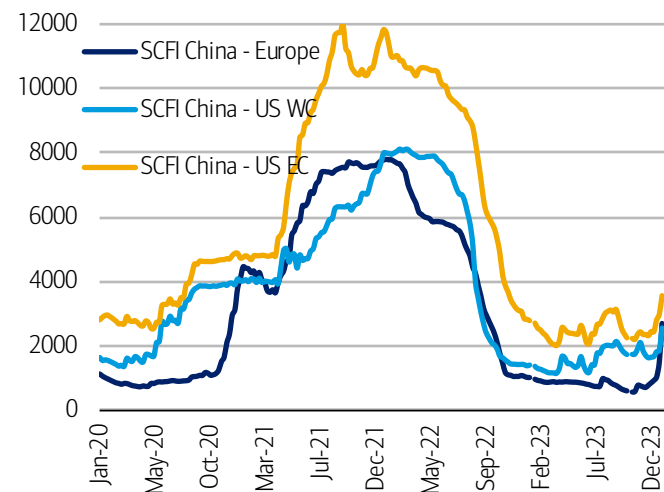


Source: Refinitiv Eikon, Drewry, Bloomberg

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Exhibit 7: SCFI indexes by trade lane

Asia-Europe rates are higher c200% month-on-month

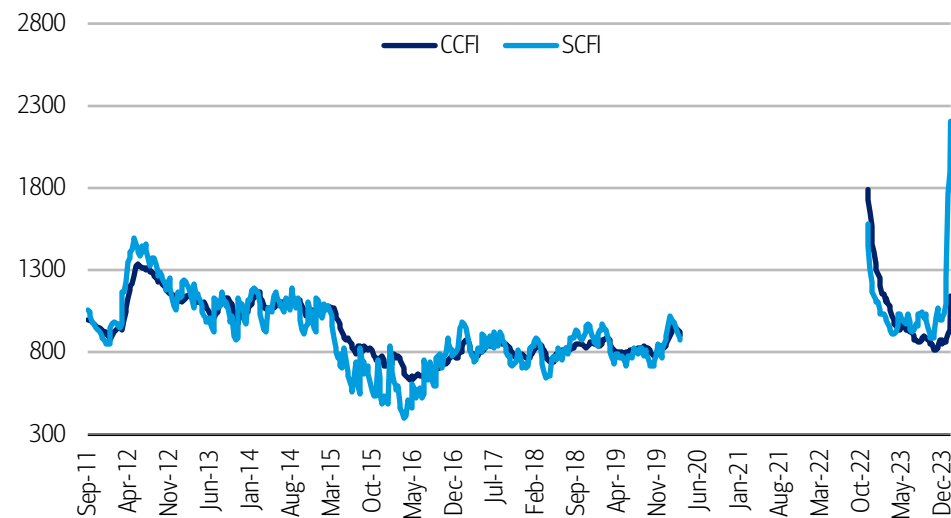


Source: Clarksons

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Exhibit 8: CCFI and SCFI Index

Both CCFI and SCFI are above levels seen through 2023



Source: Refinitiv Eikon

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Exhibit 9: CCFI quarterly average (2022-24)

CCFI is 10% higher QoQ so far in 1Q24

		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
CCFI	CCFI	3,444	3,157	2,950	1,615	1,087	938	876	853	937
	CCFI Europe	5,526	5,060	4,738	2,497	1,411	1,154	1,059	985	1,181
	CCFI USWC	2,596	2,502	2,331	1,079	781	707	733	725	731
	CCFI USEC	2,682	2,796	2,844	1,746	1,161	886	870	839	902
% YoY	CCFI	78%	46%	-1%	-51%	-68%	-70%	-70%	-47%	-14%
	CCFI Europe	81%	45%	-7%	-53%	-74%	-77%	-78%	-61%	-16%
	CCFI USWC	96%	69%	14%	-53%	-70%	-72%	-69%	-33%	-6%
	CCFI USEC	81%	59%	23%	-31%	-57%	-68%	-69%	-52%	-22%
% QoQ	CCFI	6%	-8%	-7%	-45%	-33%	-14%	-7%	-3%	10%
	CCFI Europe	5%	-8%	-6%	-47%	-43%	-18%	-8%	-7%	20%
	CCFI USWC	12%	-4%	-7%	-54%	-28%	-9%	4%	-1%	1%
	CCFI USEC	6%	4%	2%	-39%	-34%	-24%	-2%	-4%	7%

Source: Clarksons

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Exhibit 10: SCFI quarterly average (2022-24)

SCFI is 77% higher QoQ so far in 1Q24

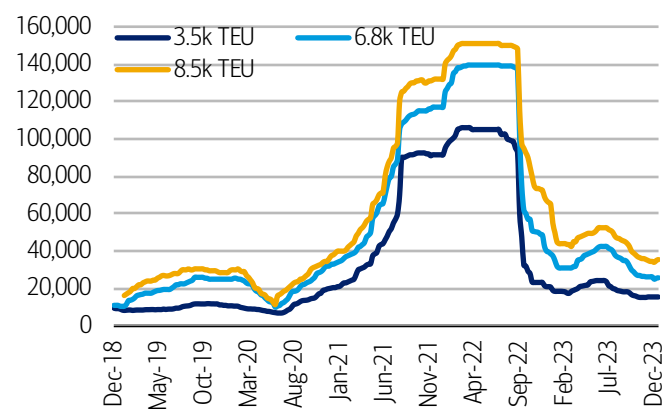
		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
SCFI	SCFI	4,851	4,211	3,279	1,375	969	984	986	1,073	1,897
	SCFI Europe	7,435	5,959	4,656	1,490	926	848	776	989	2,871
	SCFI USWC	8,032	7,773	5,278	1,627	1,265	1,419	1,884	1,851	2,775
	SCFI USEC	11,008	10,409	8,557	4,126	2,438	2,366	2,768	2,540	3,931
% YoY	SCFI	74%	29%	-24%	-71%	-80%	-77%	-70%	-22%	96%
	SCFI Europe	81%	15%	-36%	-80%	-88%	-86%	-83%	-34%	210%
	SCFI USWC	100%	68%	-8%	-76%	-84%	-82%	-64%	14%	119%
	SCFI USEC	130%	47%	-19%	-62%	-78%	-77%	-68%	-38%	61%
% QoQ	SCFI	3%	-13%	-22%	-58%	-30%	2%	0%	9%	77%
	SCFI Europe	-3%	-20%	-22%	-68%	-38%	-8%	-9%	28%	190%
	SCFI USWC	18%	-3%	-32%	-69%	-22%	12%	33%	-2%	50%
	SCFI USEC	2%	-5%	-18%	-52%	-41%	-3%	17%	-8%	55%

Source: Clarksons

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Exhibit 11: 6-12 month Timecharter rates

Short-term charter rates have broadly remained unchanged...

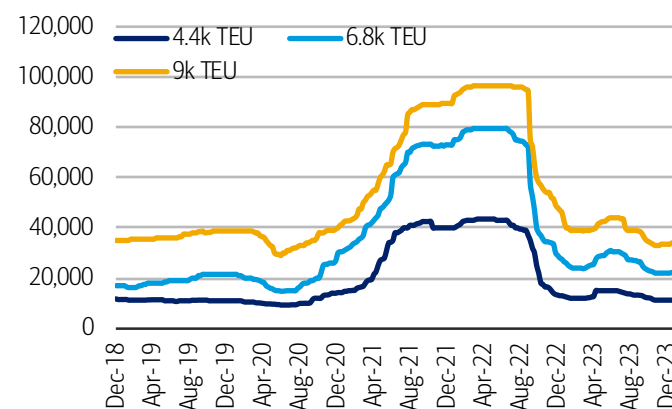


Source: Clarksons

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Exhibit 12: 3-5 years Timecharter rates

... and so did medium-term rates

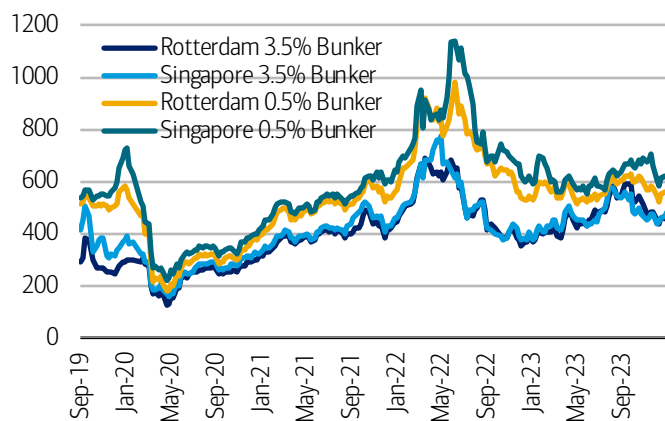


Source: Clarksons

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Exhibit 13: Bunker fuel prices (\$ per tonne)

Bunker fuel prices decreased over the past month...

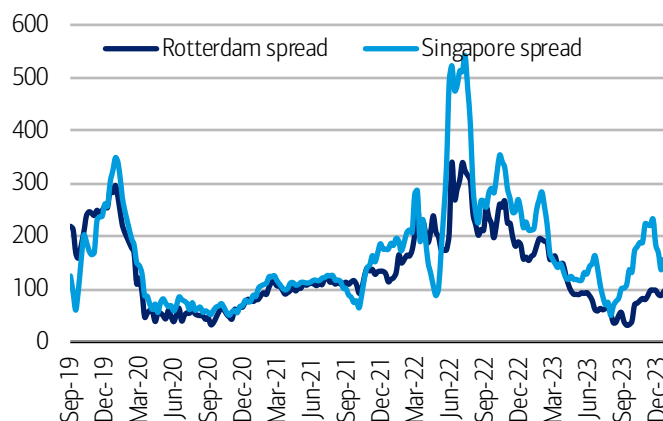


Source: Clarksons

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Exhibit 14: Rotterdam and Singapore 0.5% to 3.5% spread (ppts)

... while the high and low sulphur spread narrowing

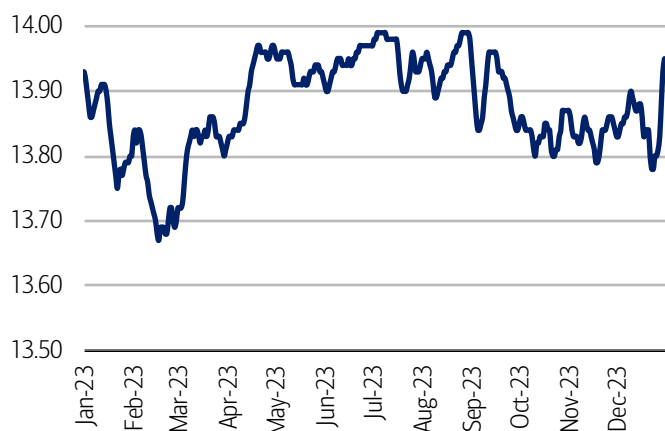


Source: Clarksons

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Shipping speed**Exhibit 15: Containership speed (Daily average speed Knots)**

Average speed started to increase again at end of December...

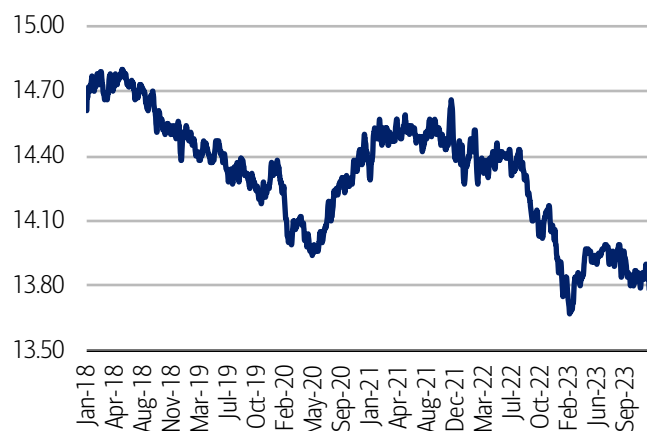


Source: Clarksons

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Exhibit 16: Containership speed (Daily average speed Knots)

...though remain below pre-Covid levels



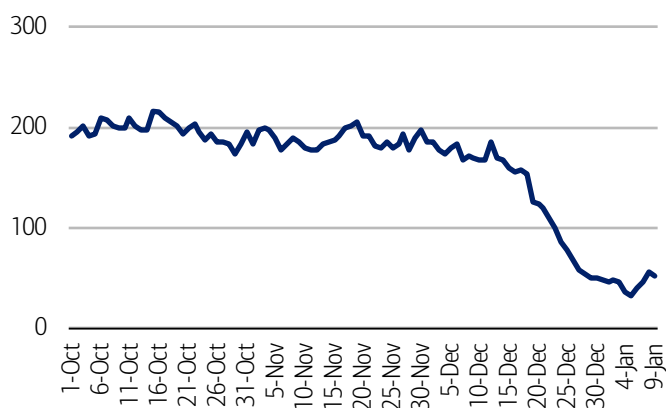
Source: Clarksons

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Sea disruptions

Exhibit 17: Suez Canal - Containership Transits (TEU, 7dma)

Container volumes have dropped significantly since mid-December

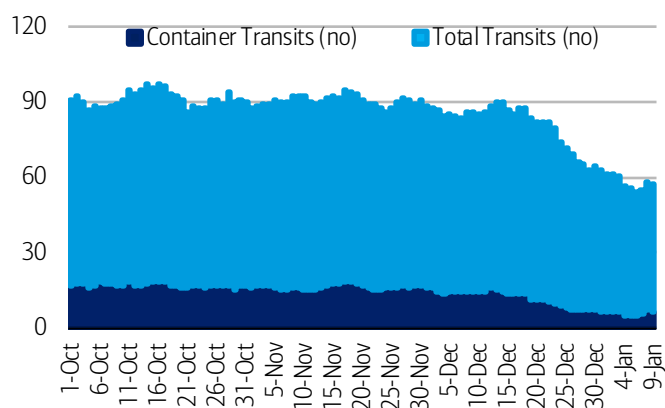


Source: Clarksons

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Exhibit 18: Suez Canal - Total Number of Transits (7dma)

Container vessels saw bigger impact from the disruptions

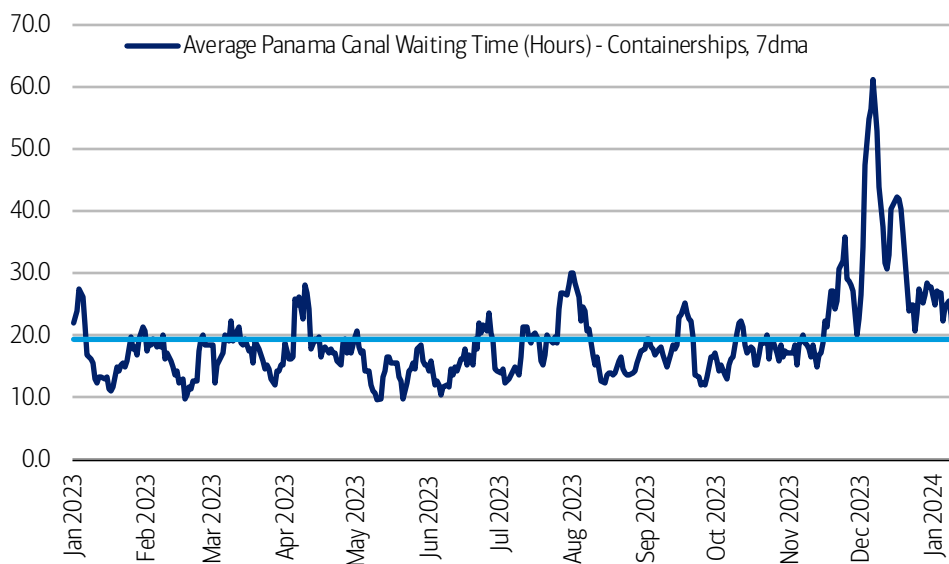


Source: Clarksons

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Exhibit 19: Panama Canal Waiting Time for Containerships

Drought-related transit restrictions led to increased waiting times at Panama Canal



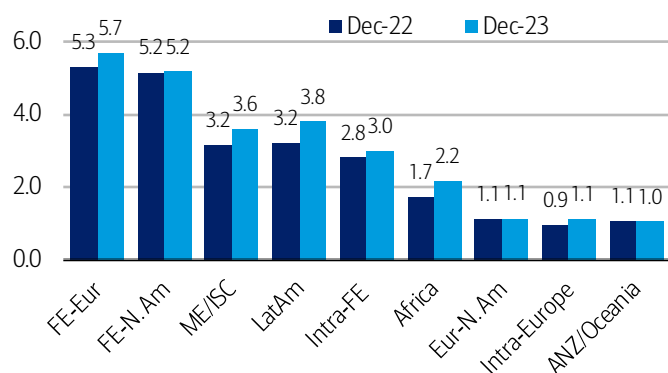
Source: Clarksons

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Capacity deployment

Exhibit 20: Global deployment by cellular TEU capacity (TEUm)

Asia to N. America remains flat YoY in capacity

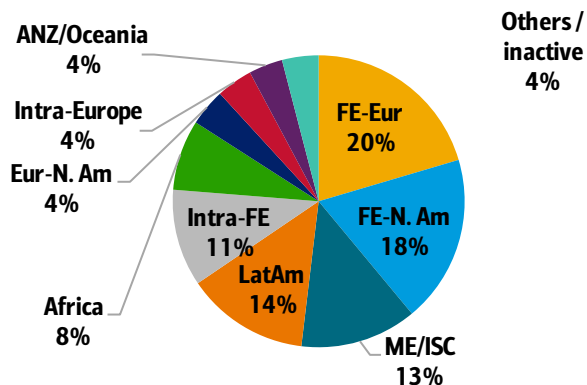


Source: Alphaliner

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Exhibit 21: Global deployment by TEU capacity in Dec-23 (% of total)

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



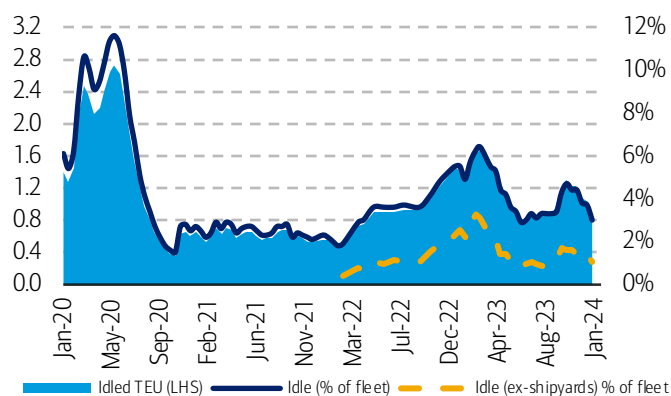
Source: Alphaliner

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Idle capacity

Exhibit 22: Idled TEU (and % of global fleet)

Idling (excluding capacity at shipyards) has decreased to c1% of global fleet

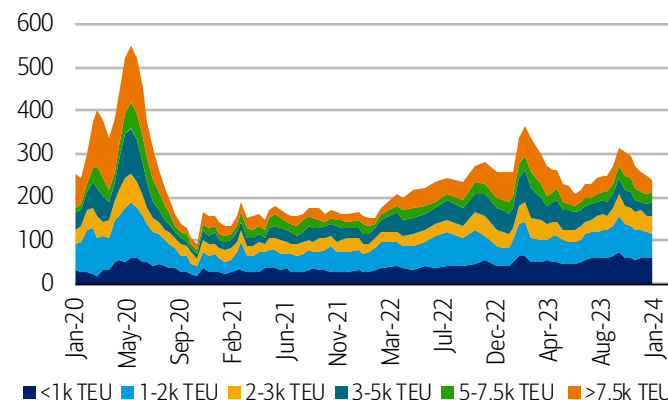


Source: Alphaliner

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Exhibit 23: Idled TEU breakdown by vessel size (number)

Inactivity was mixed across size segments



Source: Alphaliner

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New orders

Exhibit 24: Global orderbook to fleet (%)

The global orderbook to fleet ratio declined to c26%

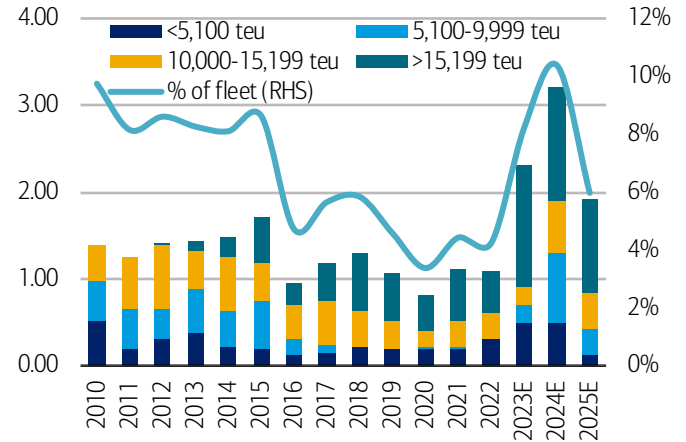


Source: Clarksons

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Exhibit 25: Deliveries per year (TEUm) and % of fleet

There will be a another step up in fleet deliveries in 2024E



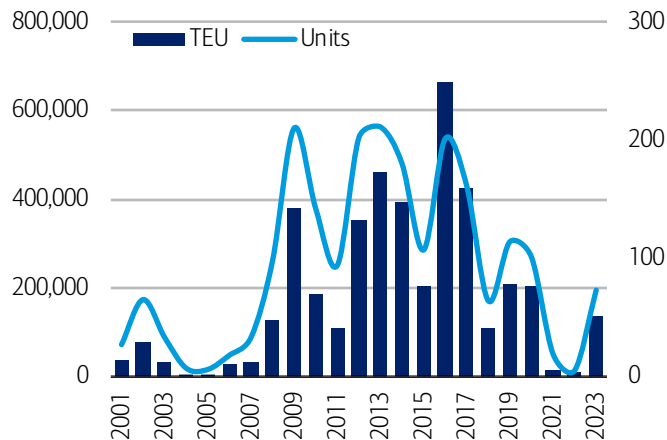
Source: Alphaliner

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Scrapping

Exhibit 26: TEUs and Units deleted during the year

Deletions in 2023 were below pre-Covid levels...

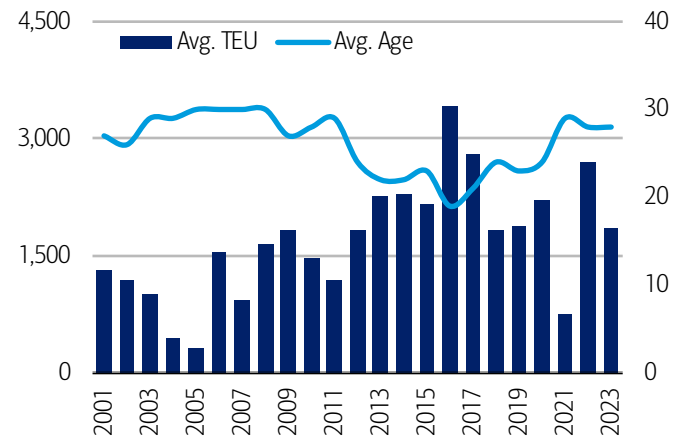


Source: Alphaliner

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Exhibit 27: Average TEUs and Age of scrapped vessels

... while average age of scrapped vessels has increased



Source: Alphaliner

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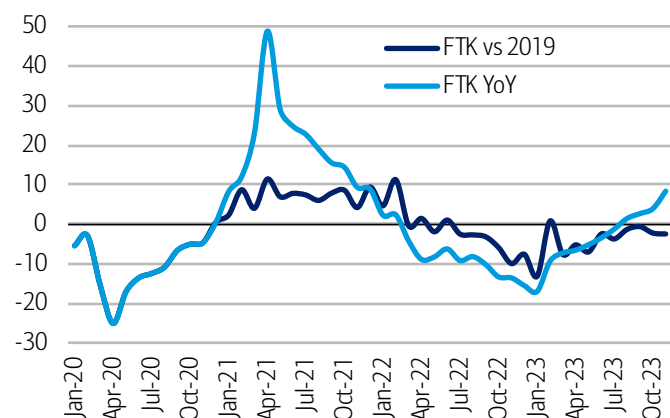


Air freight data

Air Freight Volumes

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

Global air cargo volumes were up c8% YoY in November 2023



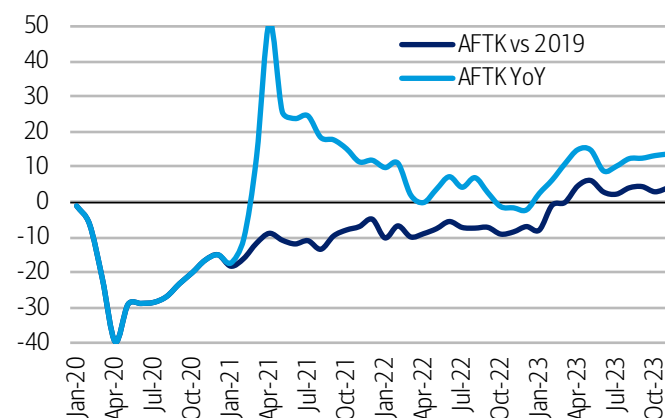
FTK: Freight tonne-kilometres

Source: IATA

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

Global air cargo capacity was up c14% YoY in November 2023



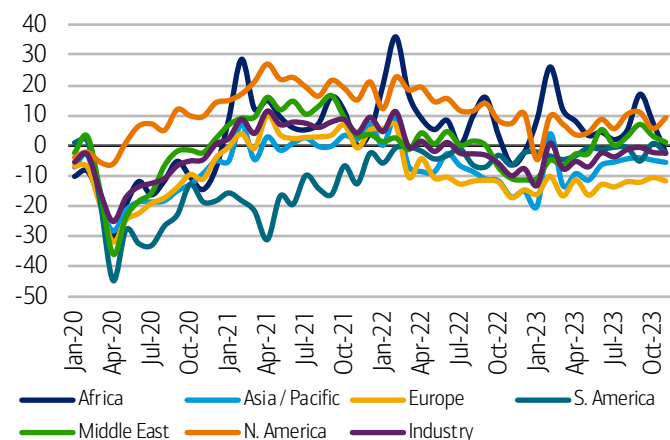
AFTK: Available freight-tonne-kilometres

Source: IATA

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

Volumes decreased across most regions' vs 2019 levels in November 2023

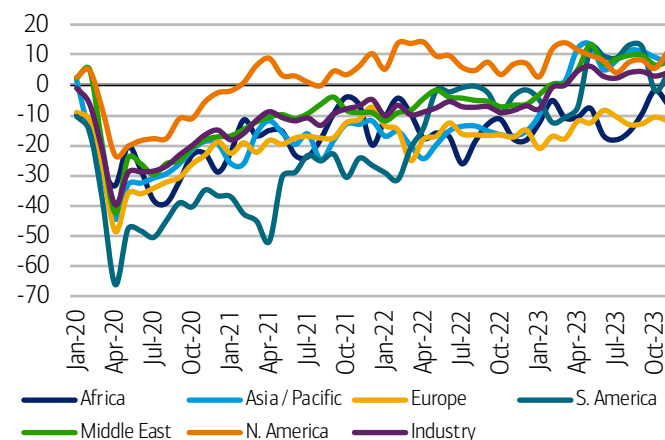


Source: IATA

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

Capacity was mixed across regions' vs 2019 levels in November 2023

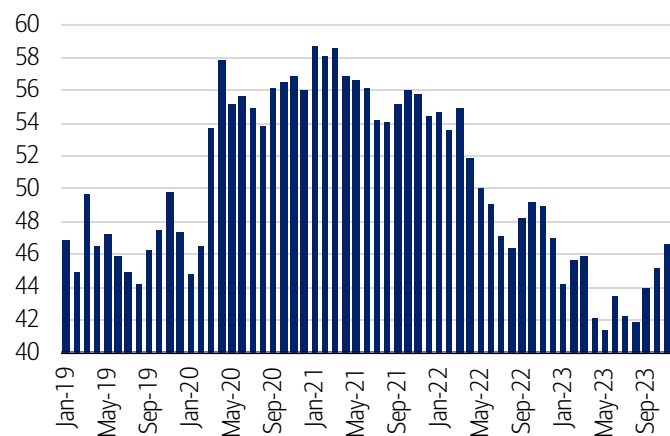


Source: IATA

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Exhibit 32: Global air freight load factor (%)

Load factor increases m-m to c47% in November 2023

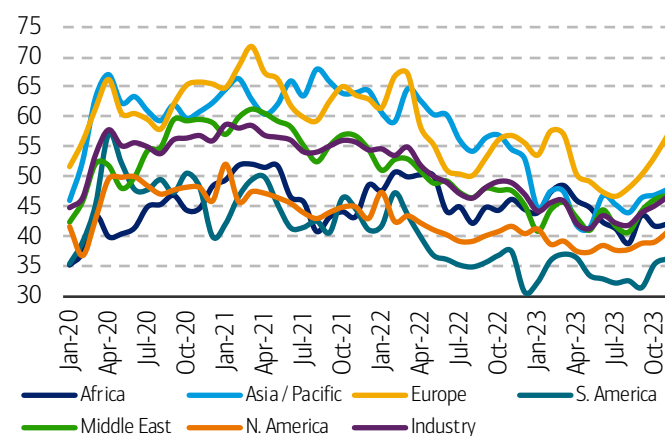


Source: IATA

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

Load factor improved in all regions' vs 2019 levels in November 2023



Source: IATA

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Air Freight Rates**Exhibit 34: Baltic Exchange Air Freight Index**

Global air freight rates were down -c26% M-o-M



Source: Refinitiv Eikon, TAC Index

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Demand drivers

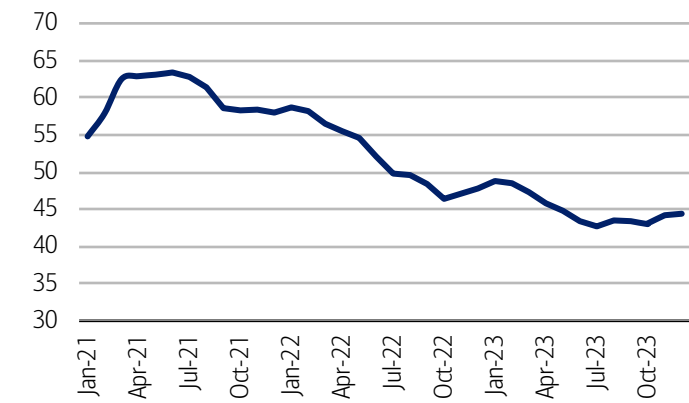
PMI indicators

Exhibit 35: US ISM Manufacturing
US PMI remained broadly flat at c47 in December 2023



Source: Datastream, Institute for Supply Management (ISM)
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Exhibit 36: Eurozone Manufacturing Purchasing Managers Index (PMI)
Euro area PMI increased slightly to c44 in December 2023



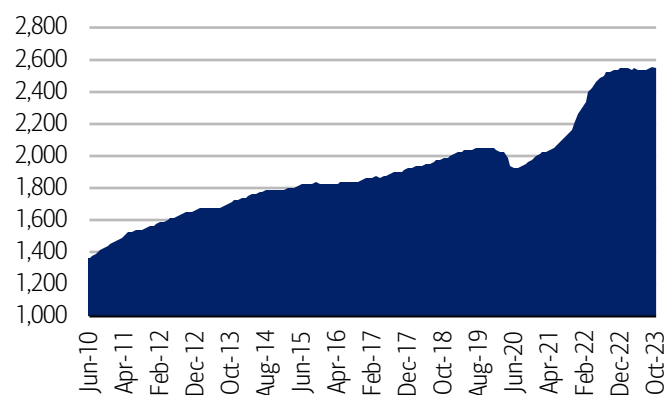
Source: Datastream, IHS Markit
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US Inventories

Exhibit 37: US total manufacturing and trade inventories (\$bn)

US manufacturing & trade inventories were 25% above 2019 levels in October

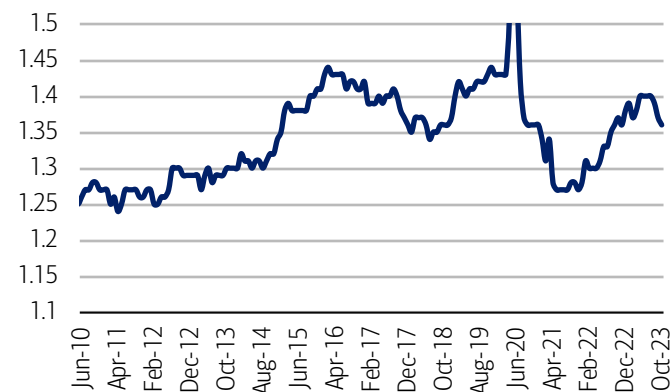


Source: US Census Bureau

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Exhibit 38: US total manufacturing and trade inventory to sales ratio

US total inventory to sales ratio declined to 1.37 in October

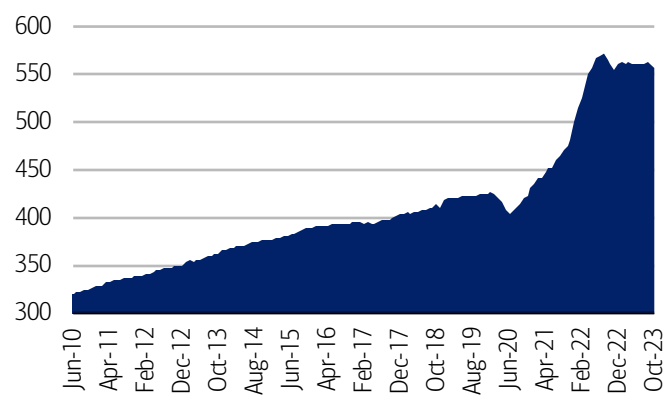


Source: US Census Bureau

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Exhibit 39: US retail (ex-auto) inventories (\$bn)

US retail inventories were 31% above 2019 levels in October 2023

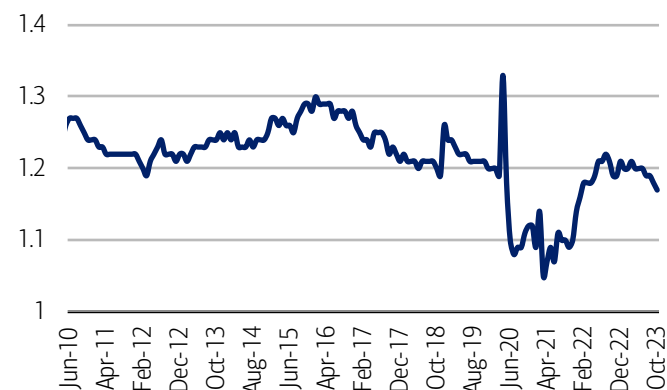


Source: US Census Bureau

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Exhibit 40: US retail (ex-auto) manufacturing and trade inventory to sales ratio

US retail inventory to sales decreased to 1.17 in October 2023

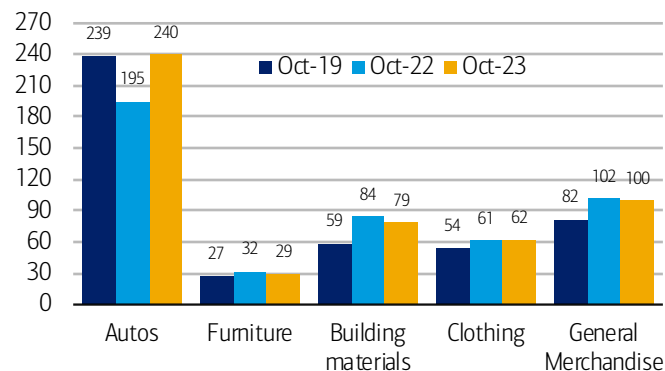


Source: US Census Bureau

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Exhibit 41: US retail inventories by product category (\$bn)

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

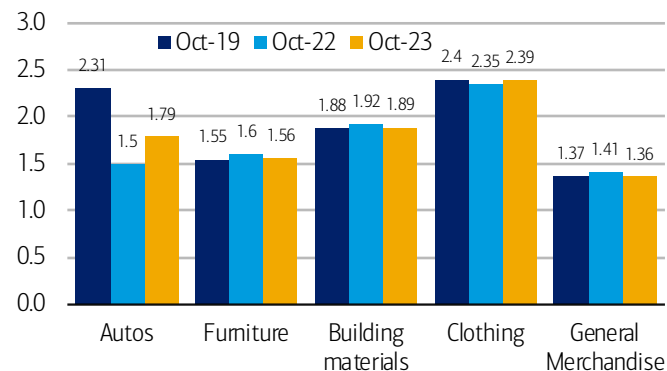


Source: US Census Bureau

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Exhibit 42: US retail inventory to sales ratio by product category

... while most inventory to sales ratios were near 2019 in October

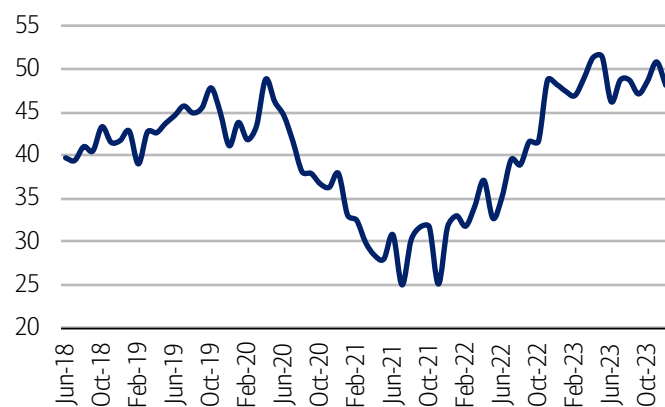


Source: US Census Bureau

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Exhibit 43: US ISM Manufacturing Customers' inventories Index

Customer Inventory Index fell to c48 in December 2023



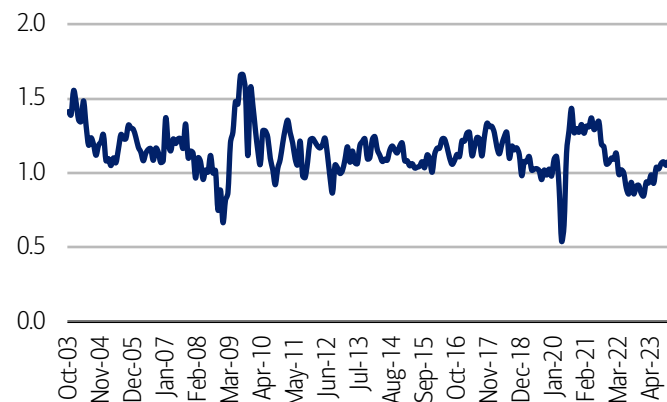
Source: Refinitiv Eikon

Note: A reading of 50 means breakeven levels

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Exhibit 44: US De-stocking cycle (ISM Manufacturing PMI new orders / inventories)

New orders are rising while business inventories decline

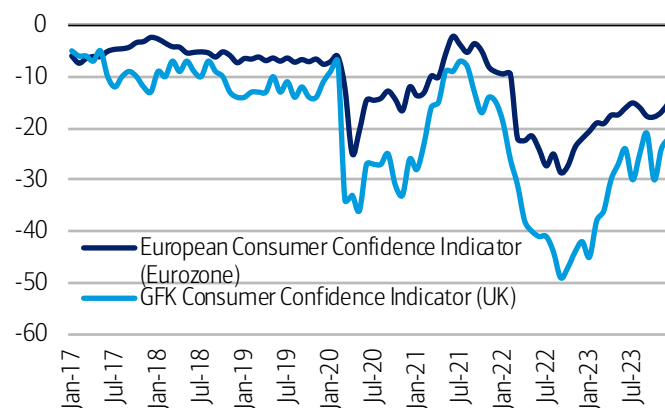


Source: Datastream

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Consumer sentiment**Exhibit 45: Consumer confidence indicators (Eurozone & UK, monthly)**

Eurozone and UK consumer confidence increased in December

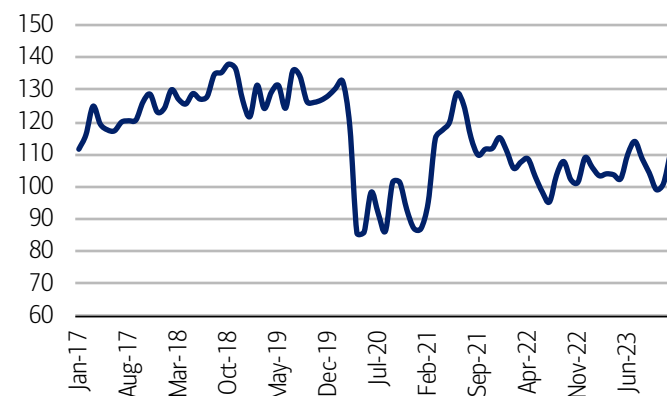


Source: Datastream

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Exhibit 46: US consumer confidence indicator

US consumer confidence improved in December



Source: Datastream, The Conference Board

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