

Europe Transport

BofA Freight Follower: A soft peak season

Industry Overview

Ocean rates resume fall, US air cargo carrier bankruptcy

Our tracker of the latest high-frequency freight indicators shows that ocean spot rates resumed their decline in the second half of August, despite a successful 1 Aug GRI (General Rate Increase). Container spot rates are down -2% m-m, putting them 24% above August 2019 levels. Air freight rates fell by -4% in August, as demand remains soft, while capacity increased 11% y-y in July as belly capacity returned. Western Global Airlines, a small US air cargo carrier operating 11 aircraft, filed for Chapter 11 in August, impacted by slow recovery of Chinese activities and belly capacity rebound. Further bankruptcies of small operators could potentially lead to air capacity rationalisation.

Ocean: TP rates up, limited disruption in Panama Canal

Ocean rates fell in August, -2% m-m as liners were unsuccessful with retaining rate increases. Rates to the USWC increased 3% m-m. Panama Canal restrictions remain in place, however, scheduled container ships receive priority passage resulting in less disruption than media headlines suggest. Global container volumes declined -1.5% y-y in June, better than the -2% decline in May, with H2 comps starting to ease from August. Port of LA volumes decreased -27% y-y in July (-25% vs 2019), worse than -5% in June, with management expecting muted peak season, as inventories remain high. Liners continue to add more capacity with new ship deliveries amidst weak market conditions and less than 1% of the fleet remains as idle (ex-shipyards). Shipping speeds have started to increase again sequentially, after hitting a previous low in February.

Air: volumes down -1% y-y in July, rates -4% in August

Air freight rates were down -c4% m-m in August as demand remained soft. Shanghai to N. America rates were up +c6% m-m while Shanghai to Europe rates increased c4%. Global air freight volumes declined -1% y-y in July as per IATA data, an improvement from -3% in June, with H2 comps becoming easier from September. Global air cargo capacity was up 11% y-y in July, as belly capacity continued to recover. July capacity was c3% above 2019 levels, down from +4% in June. Global loads decreased 1ppt m-m to 42.1% in July (down c5.1ppt y-y).

Demand trends remain lacklustre; Muted peak season

BAC US aggregated credit and debit card data shows card spending per household improved slightly in August. See latest [BofA on USA](#) report for limitations, disclosures and methodology in connection with BAC card data. Retail inventories are 33% higher than 2019 levels in June. Furniture, building materials and general merchandise inventory to sales ratios were above 2019 levels while clothing and autos were below. Hapag Lloyd in its 2Q23 results noted an improvement in demand and expects global volumes to start improving at end of 3Q23, though questioned how long the peak season would last this year. ZIM expects a slight recovery in demand, amidst a soft peak season with de-stocking extended to 2024, and no material improvement in spot container rates in 2H.

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Refer to important disclosures on page 19 to 20.

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Timestamp: 30 August 2023 12:30AM EDT

30 August 2023

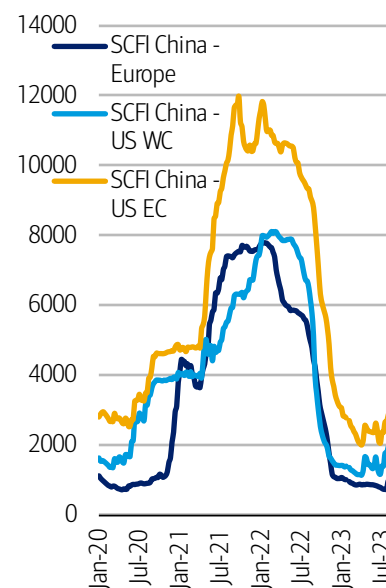
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Exhibit 1: SCFI indices by trade lane

Asia-USWC rates higher by 3% m-m in Aug.



Source: Clarksons

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Definitions:

USWC: US West Coast

USEC: US East Coast

SCFI: Shanghai Containerized Freight Index

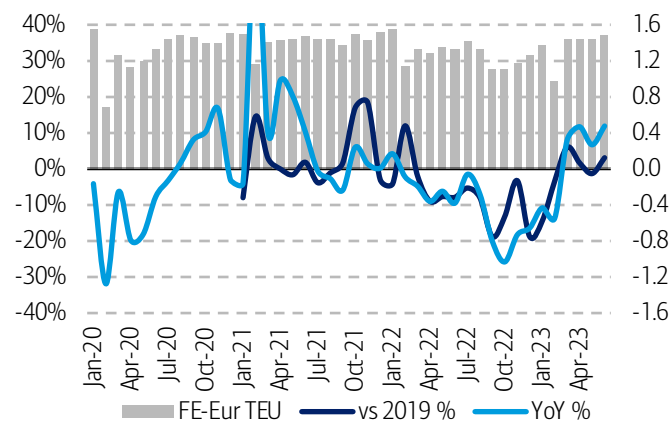
TP: Transpacific

Container shipping data

Shipping Volumes

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

Asia to Europe volumes were up c12% YoY in June 2023

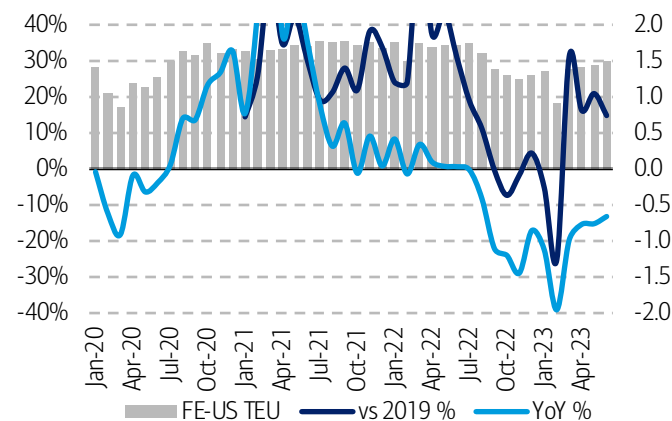


Source: Alphaliner

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

Transpacific volumes were down c13% YoY in June 2023

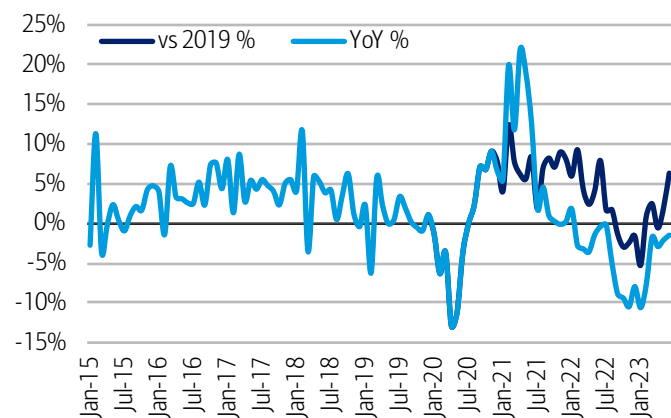


Source: Alphaliner

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

Global container volumes declined c1.5% YoY and were up 6% vs 2019 in June 2023

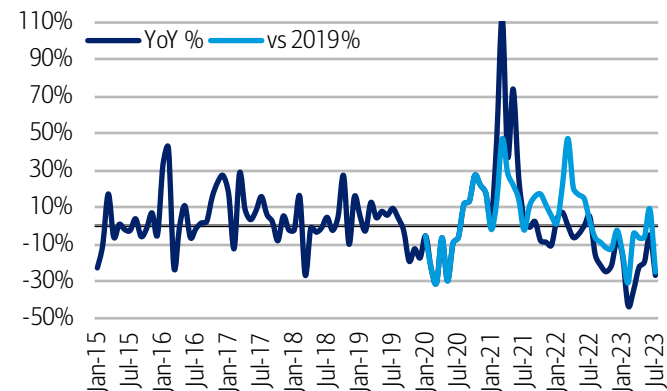


Source: Bloomberg

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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 down 27% YoY and were down 25% vs 2019 in July 2023



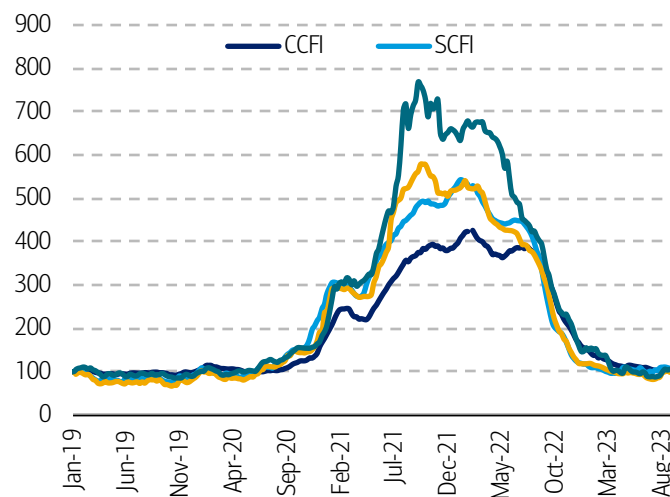
Source: Port of Los Angeles

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Shipping rates

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

SCFI declined 2% month-on-month

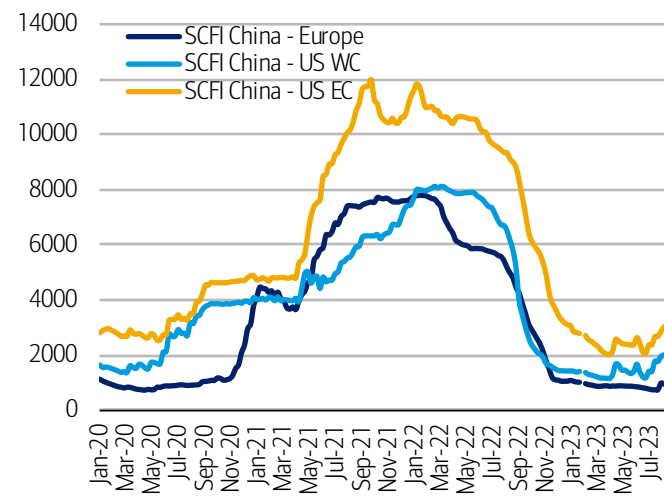


Source: Refinitiv Eikon, Drewry, Bloomberg

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Exhibit 7: SCFI indexes by trade lane

Asia-USWC rates are higher by 3% month-on-month



Source: Clarksons

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Exhibit 8: CCFI quarterly average (2022-23)

CCFI is -7% lower QoQ so far in 3Q23

		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
CCFI	CCFI	3,444	3,157	2,950	1,615	1,087	938	875
	CCFI Europe	5,526	5,060	4,738	2,497	1,411	1,154	1,066
	CCFI USWC	2,596	2,502	2,331	1,079	781	707	711
	CCFI USEC	2,682	2,796	2,844	1,746	1,161	886	855
% YoY	CCFI	78%	46%	-1%	-51%	-68%	-70%	-70%
	CCFI Europe	81%	45%	-7%	-53%	-74%	-77%	-77%
	CCFI USWC	96%	69%	14%	-53%	-70%	-72%	-69%
	CCFI USEC	81%	59%	23%	-31%	-57%	-68%	-70%
% QoQ	CCFI	6%	-8%	-7%	-45%	-33%	-14%	-7%
	CCFI Europe	5%	-8%	-6%	-47%	-43%	-18%	-8%
	CCFI USWC	12%	-4%	-7%	-54%	-28%	-9%	1%
	CCFI USEC	6%	4%	2%	-39%	-34%	-24%	-4%

Source: Clarksons

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Exhibit 9: SCFI quarterly average (2022-23)

SCFI is +2% higher QoQ so far in 3Q23

		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
SCFI	SCFI	4,851	4,211	3,279	1,375	969	984	1,004
	SCFI Europe	7,435	5,959	4,656	1,490	926	848	840
	SCFI USWC	8,032	7,773	5,278	1,627	1,265	1,419	1,864
	SCFI USEC	11,008	10,409	8,557	4,126	2,438	2,366	2,851
% YoY	SCFI	74%	29%	-24%	-71%	-80%	-77%	-69%
	SCFI Europe	81%	15%	-36%	-80%	-88%	-86%	-82%
	SCFI USWC	100%	68%	-8%	-76%	-84%	-82%	-65%
	SCFI USEC	130%	47%	-19%	-62%	-78%	-77%	-67%
% QoQ	SCFI	3%	-13%	-22%	-58%	-30%	2%	2%
	SCFI Europe	-3%	-20%	-22%	-68%	-38%	-8%	-1%
	SCFI USWC	18%	-3%	-32%	-69%	-22%	12%	31%
	SCFI USEC	2%	-5%	-18%	-52%	-41%	-3%	20%

Exhibit 9: SCFI quarterly average (2022-23)

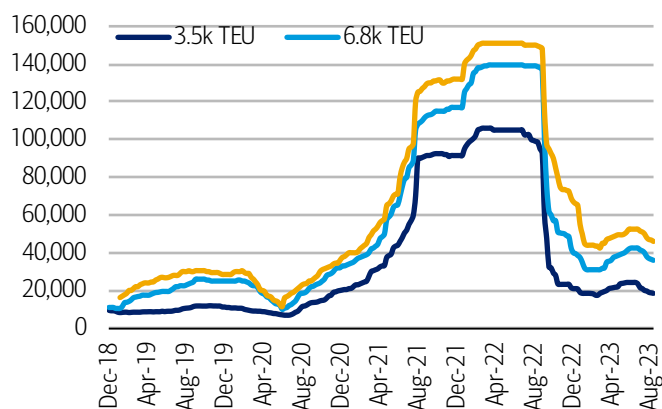
SCFI is +2% higher QoQ so far in 3Q23

Source: Clarksons

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Exhibit 10: 6-12 month Timecharter rates

Short-term charter rates declined in August...

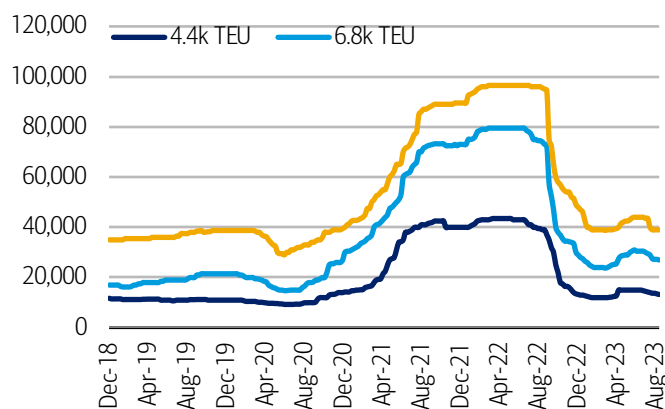


Source: Clarksons

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Exhibit 11: 3-5 years Timecharter rates

... with medium-term rates also decreasing in August...

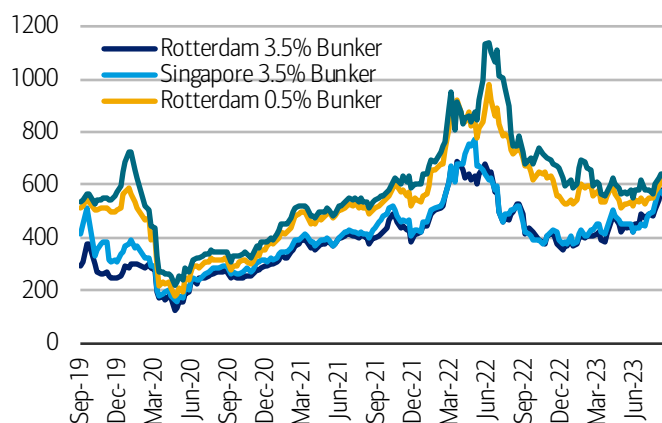


Source: Clarksons

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Exhibit 12: Bunker fuel prices (\$ per tonne)

Bunker fuel prices were volatile over the past month...

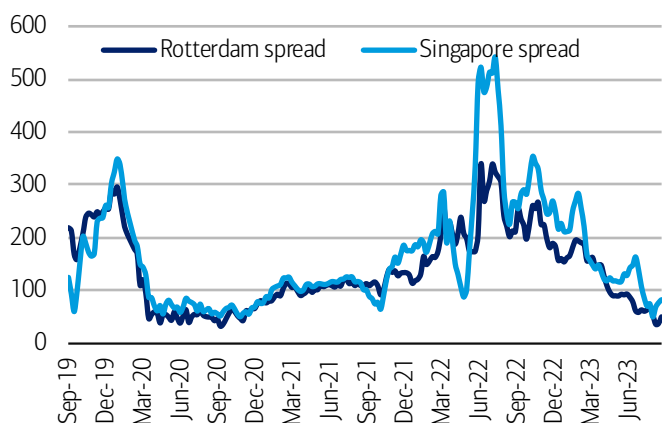


Source: Clarksons

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Exhibit 13: Rotterdam and Singapore 0.5% to 3.5% spread (ppts)

... while the high and low sulphur spread expanding



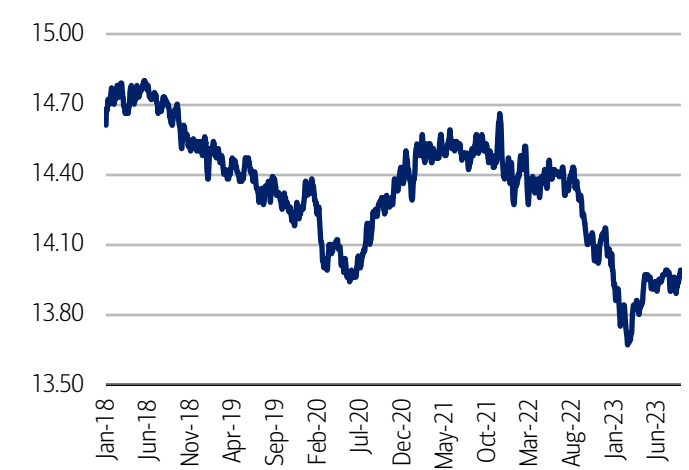
Source: Clarksons

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Shipping speed

Exhibit 14: Containership speed (Daily average speed Knots)

Average speed has started to increase again post hitting a low earlier this year



Source: Clarksons

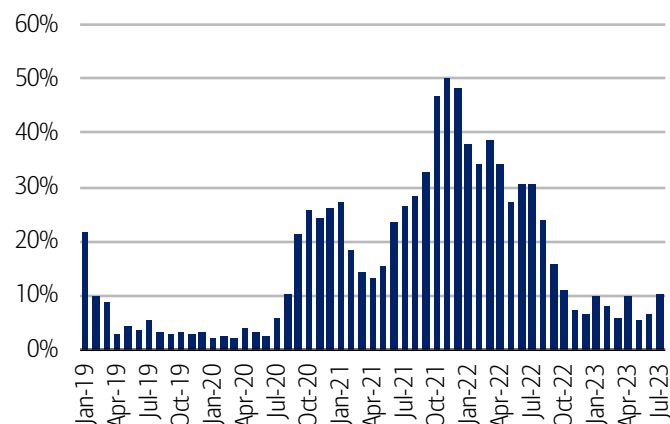
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Port disruption

Exhibit 15: US West Coast container dwell time (% > 5 days)

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

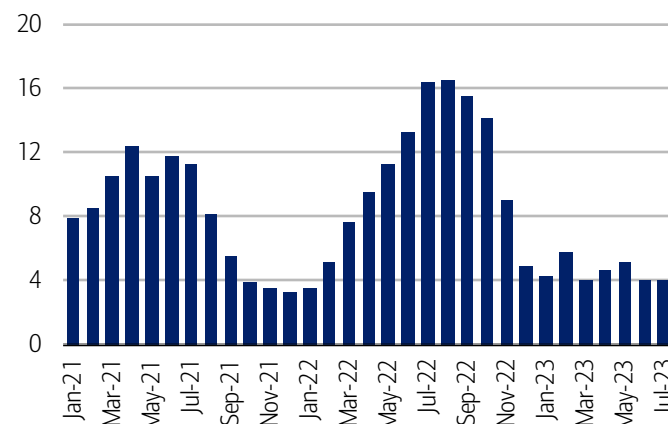


Source: PMSA

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Exhibit 16: US West Coast rail dwell time in days

USWC average rail dwell times stayed flat at 4 days in July 2023

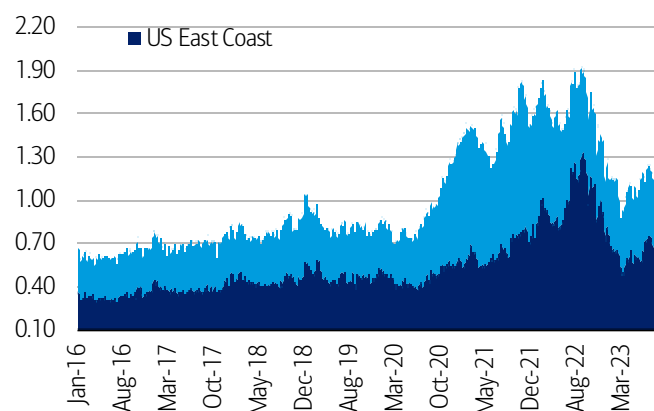


Source: PMSA

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Exhibit 17: Vessels in port – US East Coast & West Coast (TEUm)

US East Coast and West Coast port congestion easing in August

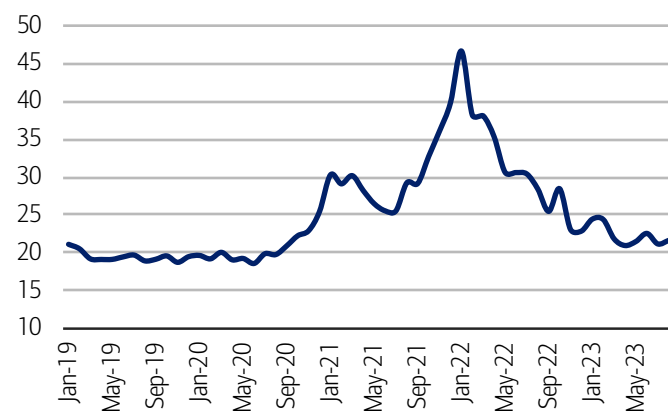


Source: Clarksons

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Exhibit 18: China to USWC average containership duration (days)

Transpacific transit times increased in August 2023

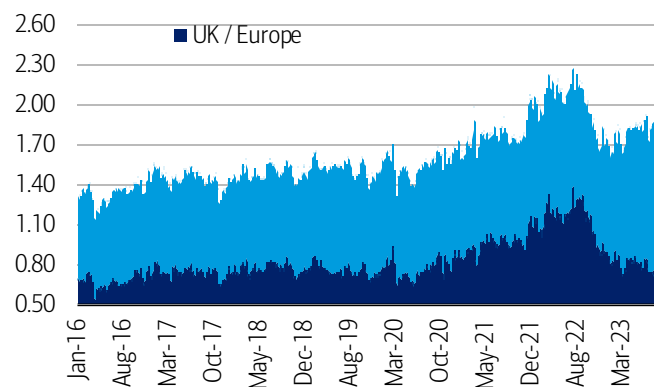


Source: Clarksons

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Exhibit 19: Vessels in Port – UK/Europe & Mediterranean (TEUm)

Port congestion in UK and Mediterranean is easing

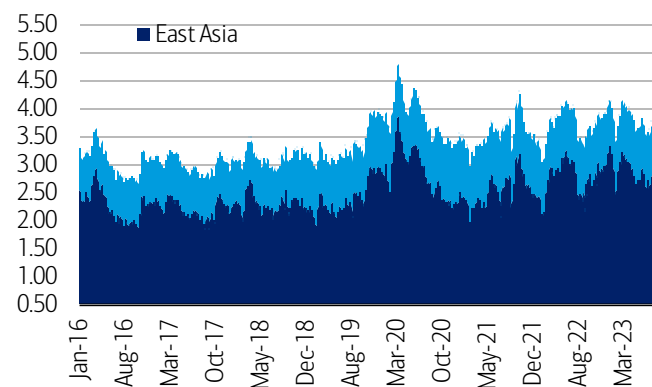


Source: Clarksons

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Exhibit 20: Vessels in port – East and South-East Asia (TEUm)

Port congestion in East Asia is increasing while South-East Asia is decreasing

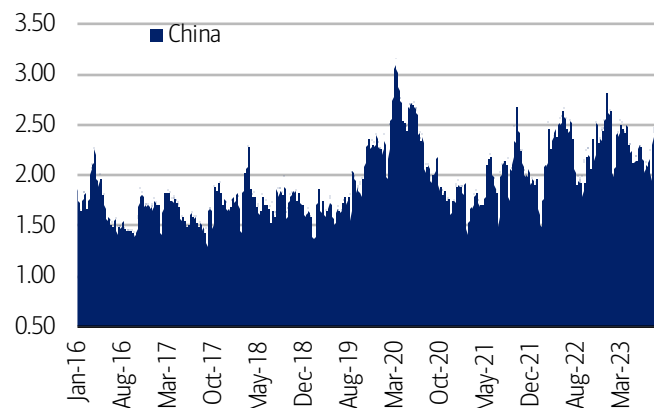


Source: Clarksons

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Exhibit 21: Vessels in port – China (TEUm)

Chinese port congestion has increased over the past month

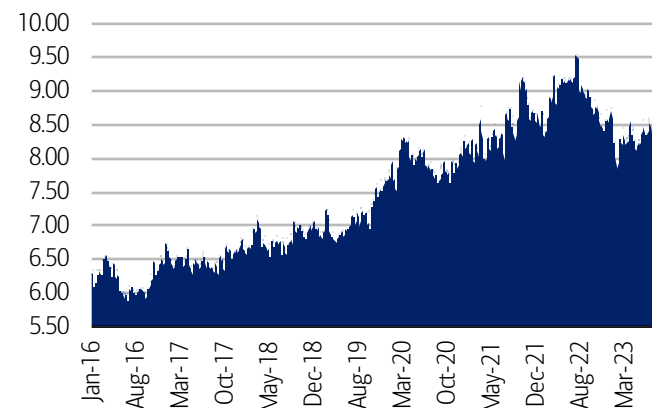


Source: Clarksons

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Exhibit 22: Vessels in port - Global (TEUm)

Global port congestion elevated but remains well below peak levels



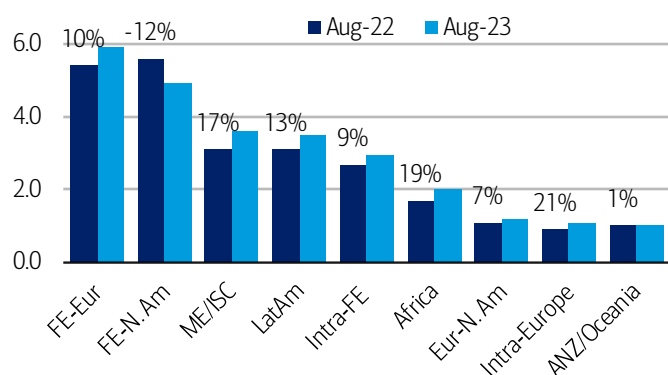
Source: Clarksons

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Capacity deployment

Exhibit 23: Global deployment by cellular TEU capacity (TEUm)

Asia to N. America has seen the biggest YoY cut in capacity at -12%

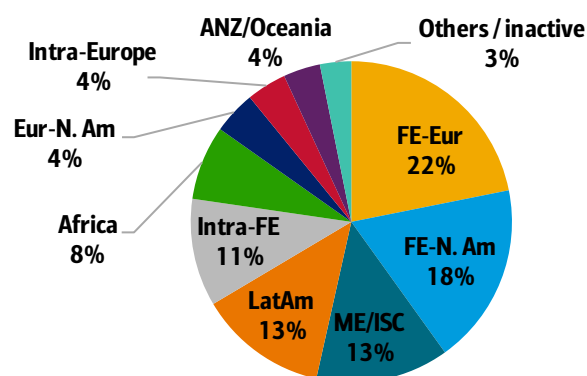


Source: Alphaliner

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Exhibit 24: Global deployment by TEU capacity in August-23 (% of total)

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



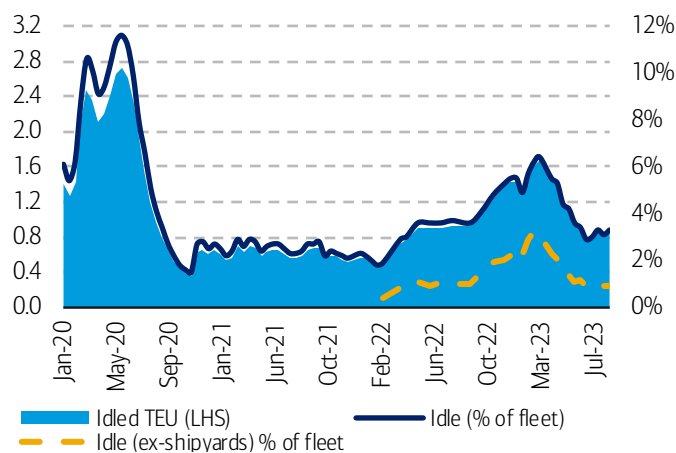
Source: Alphaliner

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Idle capacity

Exhibit 25: Idled TEU (and % of global fleet)

Idling (excluding capacity at shipyards) has slightly decreased to c0.9% of global fleet

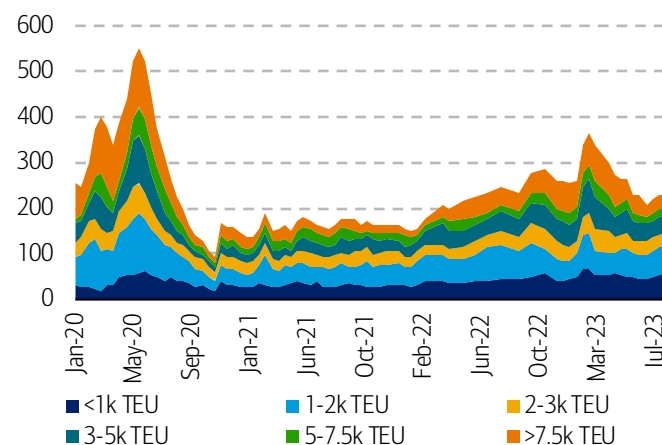


Source: Alphaliner

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Exhibit 26: Idled TEU breakdown by vessel size (number)

Inactivity increased across size segments



Source: Alphaliner

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New orders

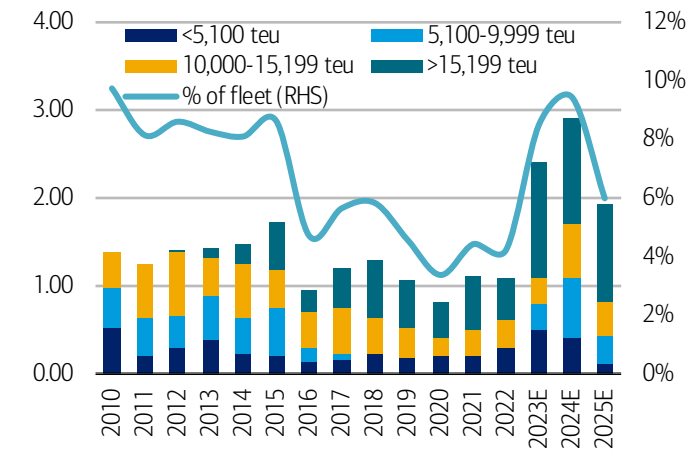
Exhibit 27: Global orderbook to fleet (%)
The global orderbook to fleet ratio broadly steady at c28%



Source: Clarksons

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Exhibit 28: Deliveries per year (TEUm) and % of fleet
There will be a big step up in fleet deliveries in 2023-24E



Source: Alphaliner

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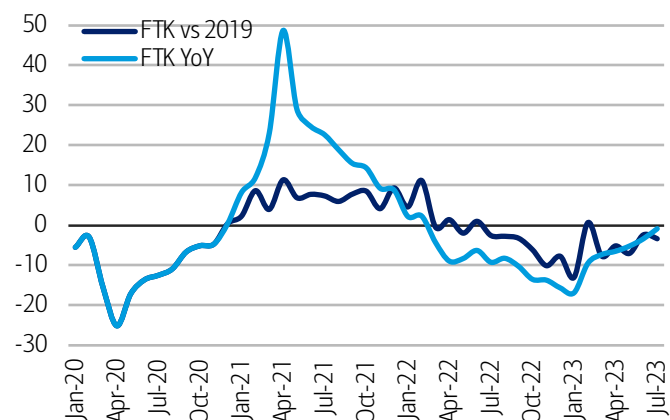


Air freight data

Air Freight Volumes

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

Global air cargo volumes were down c1% YoY in July 2023

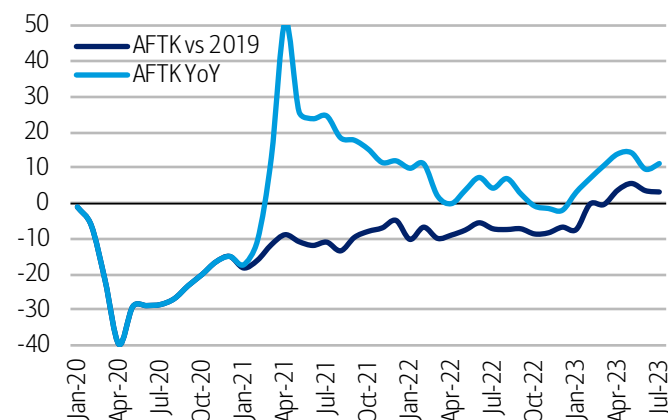


Source: IATA

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Exhibit 30: Global AFTK (% vs 2019 and % YoY)

Global air cargo capacity was up c11% YoY in July 2023

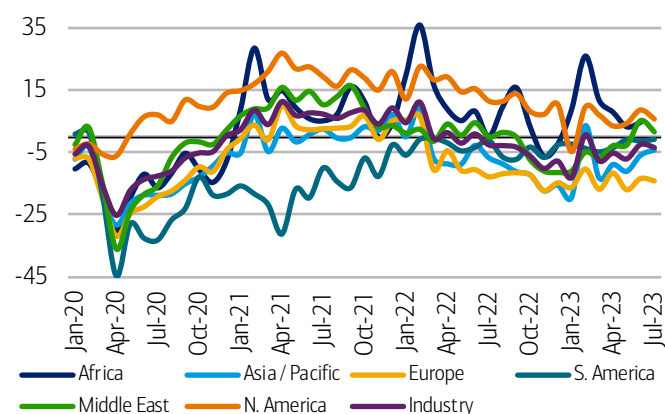


Source: IATA

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

Volumes decreased the most in Middle East vs 2019 levels in July 2023

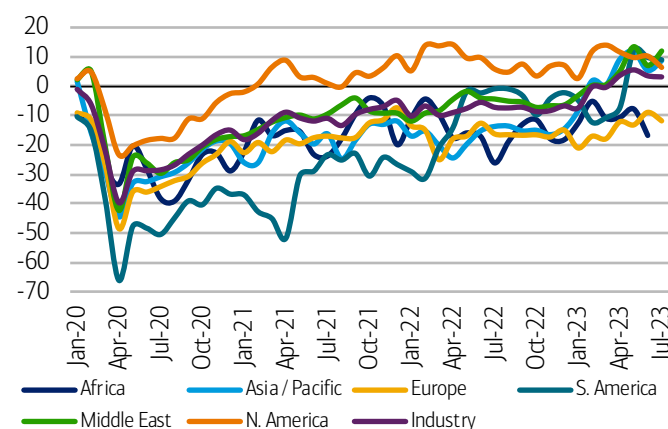


Source: IATA

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Exhibit 32: AFTK growth by region (% vs 2019)

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

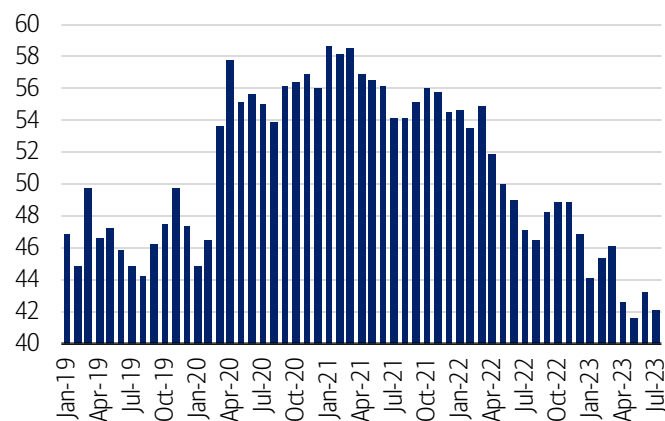


Source: IATA

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Exhibit 33: Global air freight load factor (%)

Load factor declined m-m to c42% in July 2023

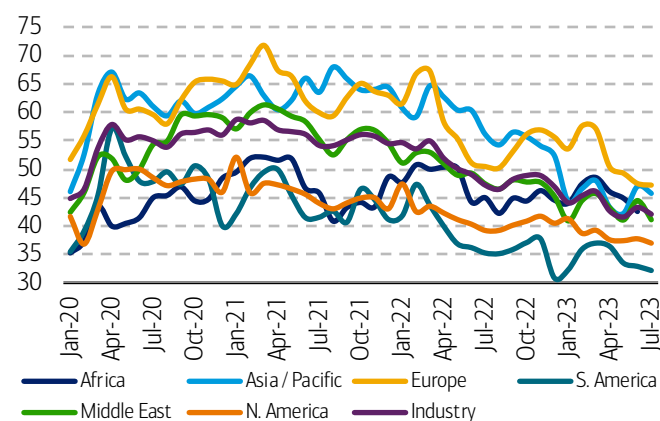


Source: IATA

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Exhibit 34: Air freight load factor by region (%)

Load factor decreased m-m the most in Middle East in July 2023



Source: IATA

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Air Freight Rates**Exhibit 35: Shanghai to Europe Air Cargo Index (USD per kg)**

China to Europe air freight rates were up c4% M-o-M in August



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

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Exhibit 36: Shanghai to North America Air Cargo Index (USD per kg)

China to N. America air freight rates were up by +c6% M-o-M in August



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

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Exhibit 37: Baltic Exchange Air Freight Index

Global air freight rates were down -c4% M-o-M in August



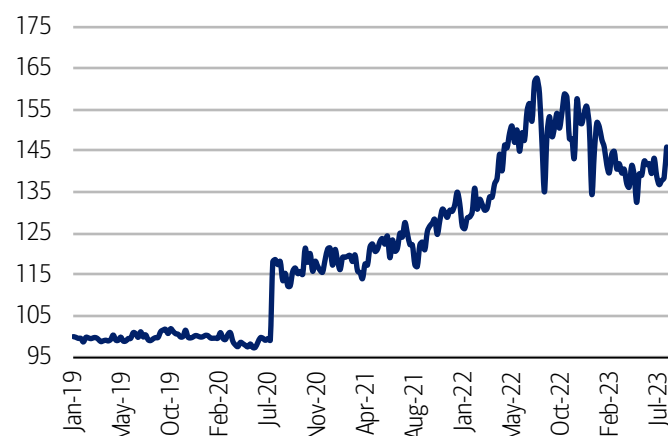
Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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European road freight rates

Exhibit 38: Europe road freight rates (indexed to January 2019)

European road freight rates were 40% above 2019 levels in Jul' 23

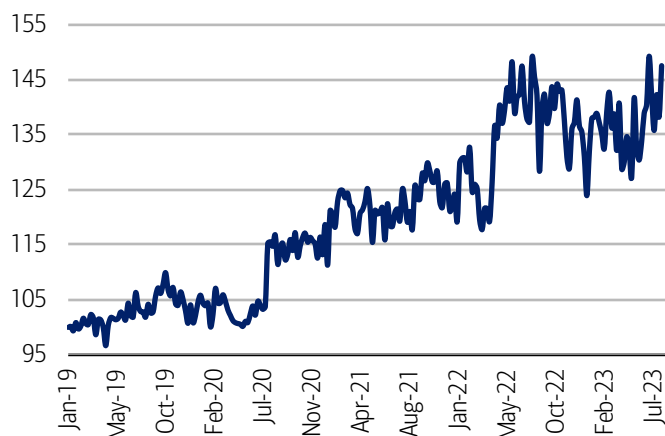
Source: BofA Global Research, Transport Intelligence, Upply. Note: average of selection of routes.
BofA GLOBAL RESEARCH**Exhibit 39: Road freight rates out of Germany (indexed to January 19)**

German outbound road freight rates were 37% above 2019 levels in Jul' 23

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

French outbound road freight rates were 36% above 2019 levels in Jul' 23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Exhibit 41: Road freight rates out of UK (indexed to January 19)

UK outbound road freight rates were 41% above 2019 levels in Jul' 23



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

PMI indicators

Exhibit 42: US ISM Manufacturing

US PMI increased to 46.4 in July 2023

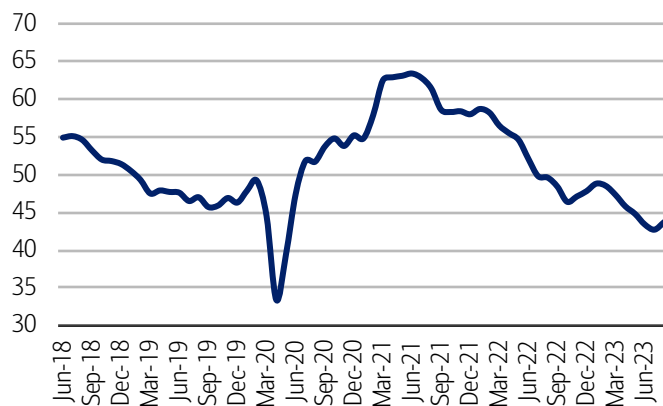


Source: Datastream, Institute for Supply Management

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Exhibit 43: Eurozone Manufacturing Purchasing Managers Index (PMI)

Euro area PMI increased to c44 in August 2023



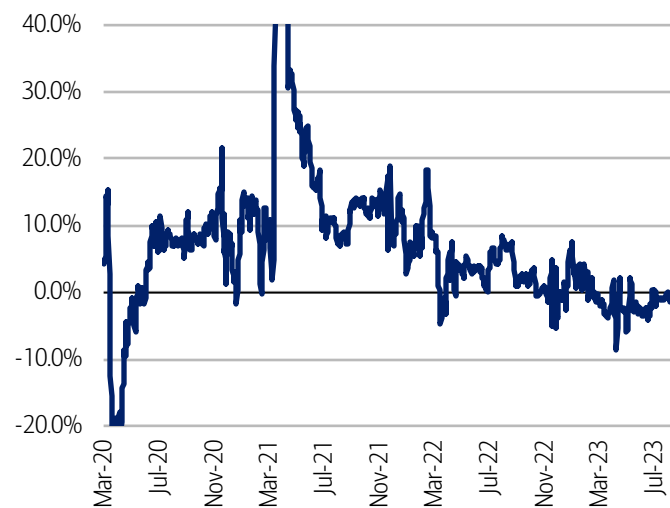
Source: Datastream, IHS Markit

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US consumption trends

Exhibit 44: US retail (ex. Auto) spending based on BAC aggregated daily card data (% YoY)

US retail (ex. auto) spending was down c1% YoY in the week ending Aug. 12

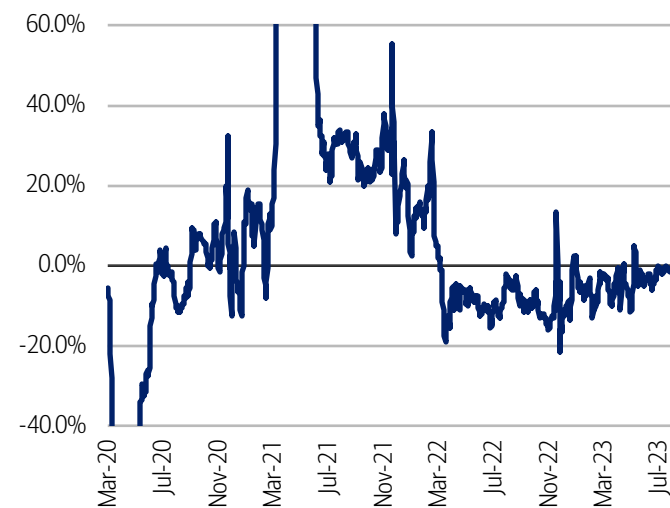


Source: BAC internal data.

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Exhibit 45: US clothing spending based on BAC aggregated daily card data (% YoY)

US clothing spending was down c1% YoY in the week ending Aug. 12

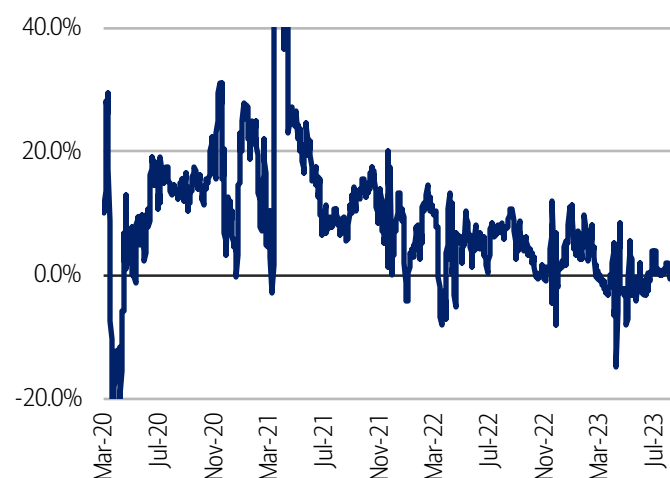


Source: BAC internal data.

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Exhibit 46: US general merchandise spending based on BAC aggregated daily card data (% YoY)

US general merchandise spending was flat YoY in the week ending Aug. 12

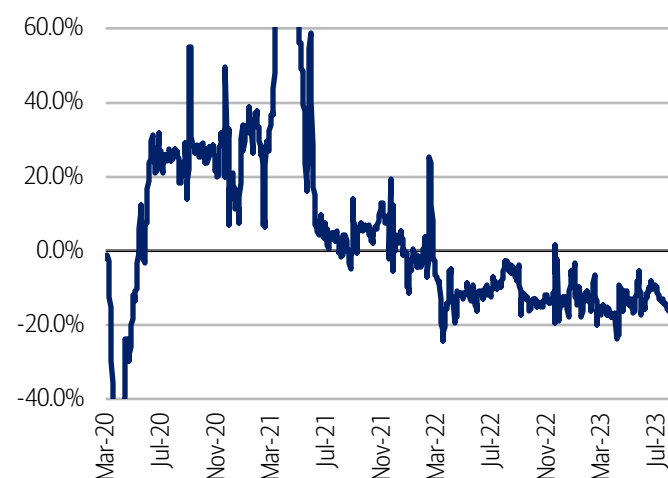


Source: BAC internal data.

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Exhibit 47: US furniture spending based on BAC aggregated daily card data (% YoY)

US furniture spending was down c15% YoY in the week ending Aug. 12

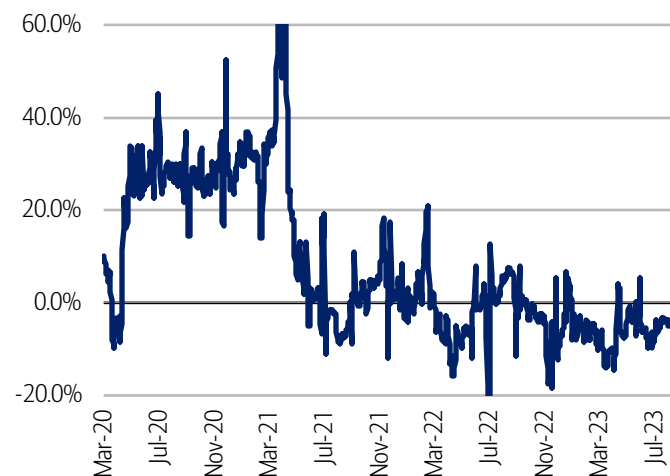


Source: BAC internal data.

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Exhibit 48: US home improvement spending based on BAC aggregated daily card data (% YoY)

US home improvement spending was down c4% YoY in the week ending July 15



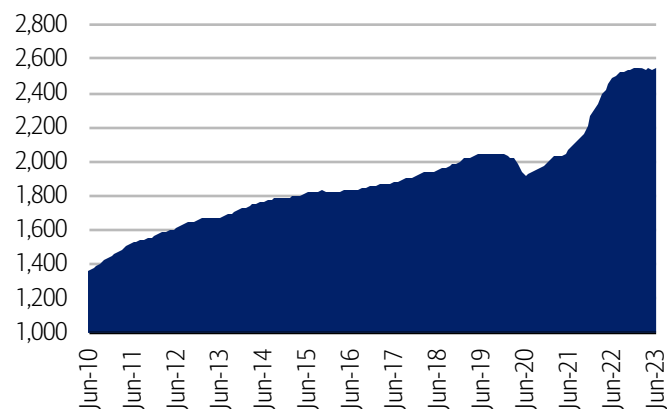
Source: BAC internal data.

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US inventories

Exhibit 49: US total manufacturing and trade inventories (\$bn)

US manufacturing & trade inventories were 24% above 2019 levels in June



Source: US Census Bureau

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Exhibit 50: US total manufacturing and trade inventory to sales ratio

US total inventory to sales ratio remained flat at 1.4 in June

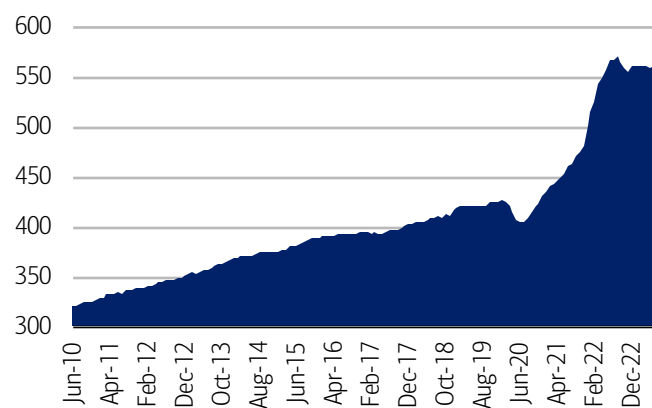


Source: US Census Bureau

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Exhibit 51: US retail (ex-auto) inventories (\$bn)

US retail inventories were 33% above 2019 levels in June 2023

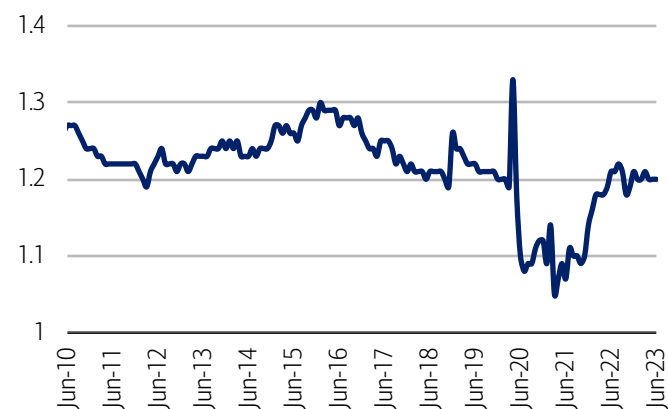


Source: US Census Bureau

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Exhibit 52: US retail (ex-auto) manufacturing and trade inventory to sales ratio

US retail inventory to sales was steady at 1.2 in June 2023

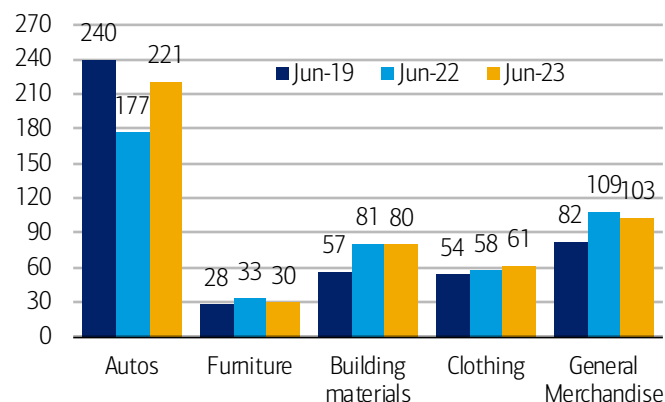


Source: US Census Bureau

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Exhibit 53: US retail inventories by product category (\$bn)

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

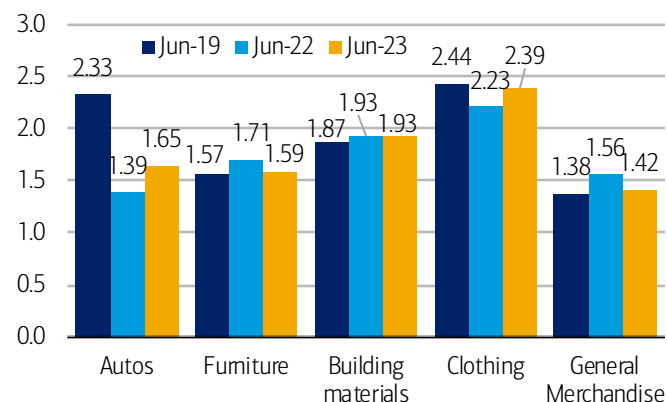


Source: US Census Bureau

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Exhibit 54: US retail inventory to sales ratio by product category

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

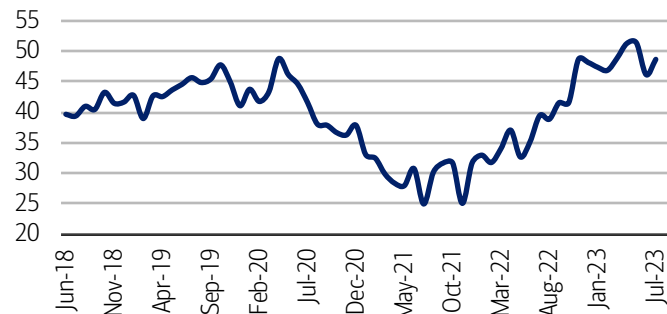


Source: US Census Bureau

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Exhibit 55: US ISM Manufacturing Customers' inventories Index

Customer Inventory Index improved to c49 in July 2023



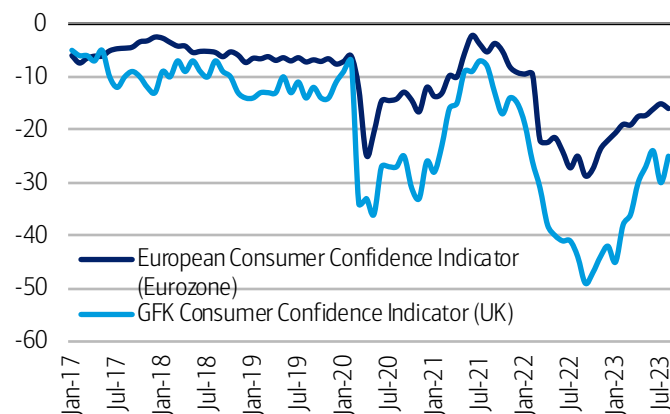
Source: Refinitiv Eikon

Note: A reading of 50 means breakeven levels

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Consumer sentiment**Exhibit 56: Consumer confidence indicators (Eurozone & UK, monthly)**

Eurozone consumer confidence deteriorates while UK improves in August

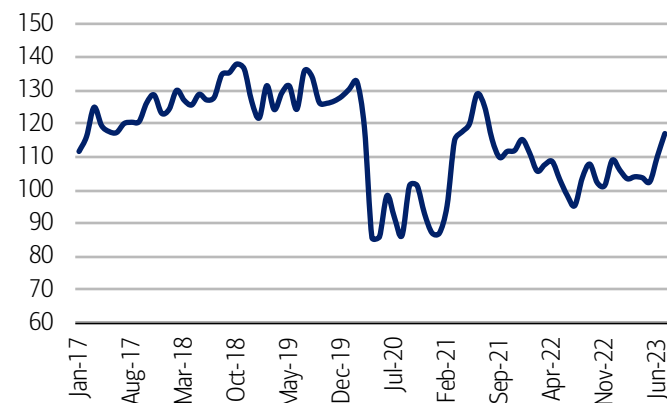


Source: Datastream

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Exhibit 57: US consumer confidence indicator

US consumer confidence improved in July



Source: Datastream, The Conference Board

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