

Transport

BofA Freight Follower: Volume growth improves, rates sideways

Industry Overview

Ocean rates slip, still no impact on Air from Red Sea

Ocean spot rates have posted a slight decline in February after soaring in December and January because of the Red Sea disruption. According to Linerlytica, the number of ships diverted to the Cape of Good Hope increased to a new high, leading to supply shortages with the incremental required capacity absorbing more than 7% of the global containership fleet, and to an increase in charter rates of 30% since December. Despite strong influx of newbuilds, carriers are taking capacity out of the inactive fleet in the short term, and the traditionally slow CNY period has not made an impact. Air freight rates nudged up 2% m-m and show limited impact from the Red Sea disruption. Container spot rates are down -c3% w-w. Air freight rates decreased by -9% m-m.

Ocean: rates -3% m-m, port of LA volumes bounce

Ocean rates decreased -3% m-m in February with a bigger drop in China to Europe rates of -12% m-m but remain elevated compared to levels prior to the Red Sea disruption. Industry sources suggest capacity likely remains tight in March despite the post CNY seasonal slow period. Port of LA reported an increase in cargo volumes to +18% y-y in January, marking it as the second busiest month on record (broadly flat vs 2019, and better than +2% in December). Gene Seroka, Port of LA Director, noted shippers are rerouting cargo to the USWC to avoid security concerns in the Red Sea and drought-related issues at the Panama Canal, though we flag transits have resumed as conditions improved. USWC could gain more volumes as strike threats loom in the USEC in October 2024, upon the expiry of the master contract binding East Coast longshore workers' union ILA and 36 East Coast ports representative USMX.

Air: volumes up +18% y-y in January, rates -9% m-m

Air freight rates are down -9% m-m (+6% vs Feb'20) driven by a sharp decline in volumes from China during CNY. Shanghai outbound air freight rates are up +16% m-m following CNY holidays. Global air volumes increased +18% y-y in January as per IATA data, higher than +11% in December. Global air cargo capacity was up +15% y-y in January, as capacity continued to recover to +6% above 2019 levels (+5% in December). Global loads decreased 0.4ppt m-m to 45.7% in January (up c1.4ppt y-y).

Destocking likely to end in 1H24

DSV expects 3-4% market growth in 2024 driven by the end of destocking in 1H24 (see [DSV](#) note) while Maersk's management sees market volume growth of +2.5% to +4.5% y-y (see [Maersk](#) note). BAC US aggregated credit and debit card data shows card spending per household was down -1% y-y last week (stable in February), with furniture down -c12% y-y (-c15% in Feb). See latest [BofA on USA](#) report for limitations, disclosures and methodology in connection with BAC card data. Retail inventories are 30% higher than 2019 levels in December, per the US Census Bureau, see Exhibit 47. Building materials and general merchandise inventory to sales ratios were above 2019 levels while furniture, clothing remained flat and autos were below (Exhibit 50).

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Refer to important disclosures on page 17 to 18.

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Timestamp: 28 February 2024 12:30AM EST

28 February 2024

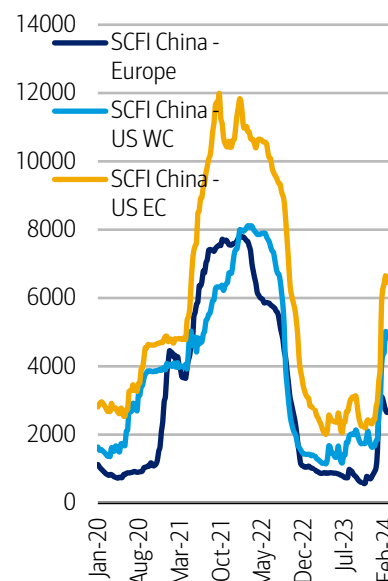
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Exhibit 1: SCFI indices by trade lane

Asia-Europe & Asia-USWC rates are lower by c5%/3% respectively m-m



Source: Clarksons

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Definitions:

USWC: US West Coast

USEC: US East Coast

SCFI: Shanghai Containerized Freight Index

TP: Transpacific

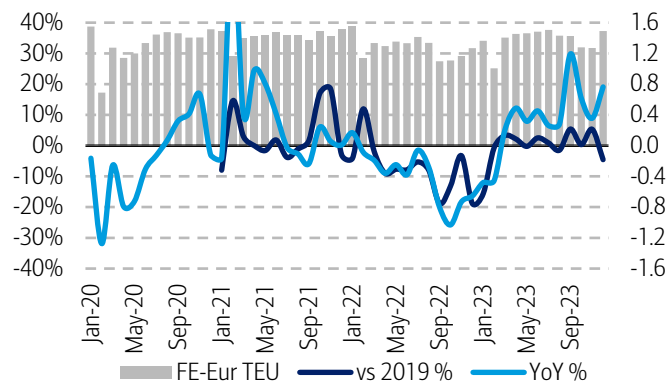
IATA: International Air Transport Association

Container shipping data

Shipping Volumes

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

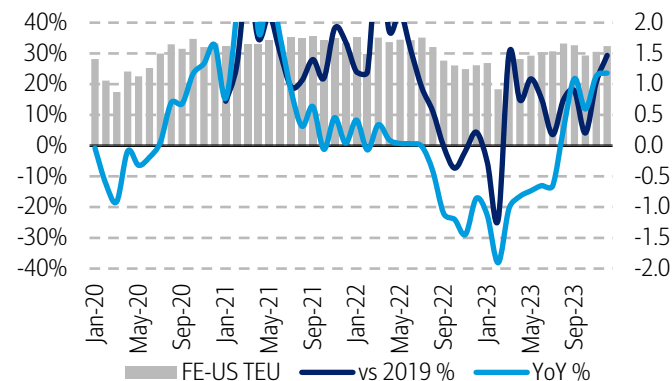
Asia to Europe volumes were up c19% YoY in Dec 2023



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

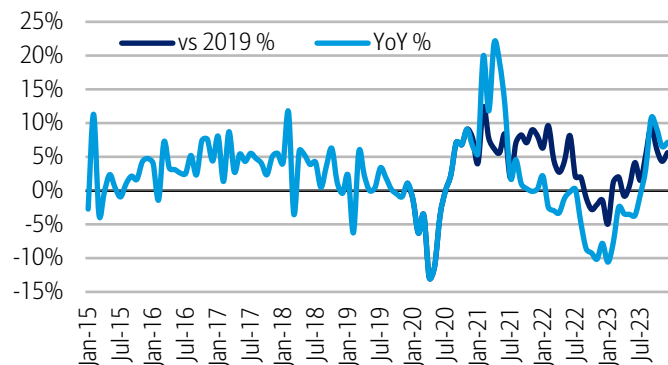
Transpacific volumes were up c24% YoY in Dec 2023



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

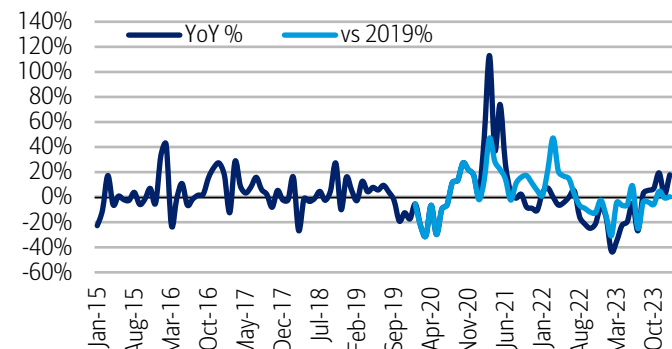
Global container volumes were up 7% YoY and were up 6% vs 2019 in December 2023



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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 18% YoY and flat vs 2019 in January 2024

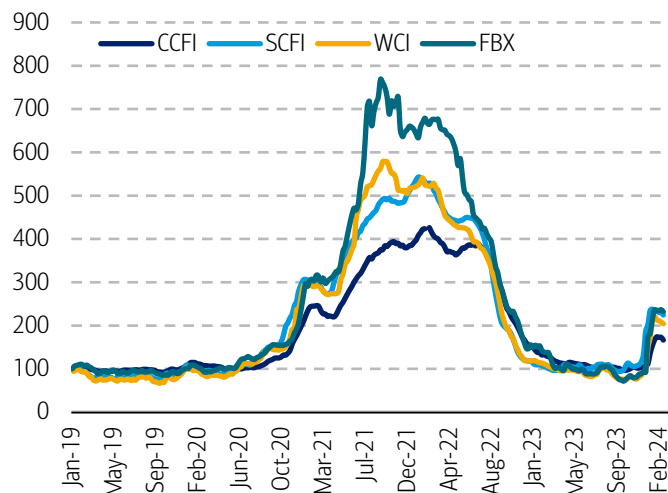


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Shipping rates

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

SCFI decreased 3% month-on-month

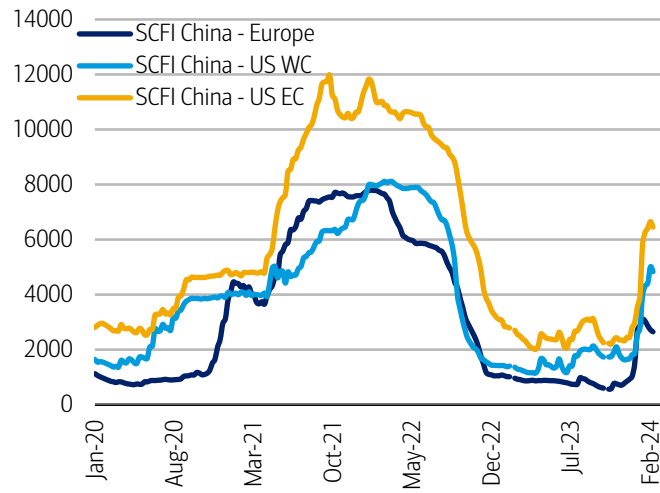


Source: Refinitiv Eikon, Drewry, Bloomberg

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Exhibit 7: SCFI indexes by trade lane

Asia-Europe rates are lower 12% month-on-month

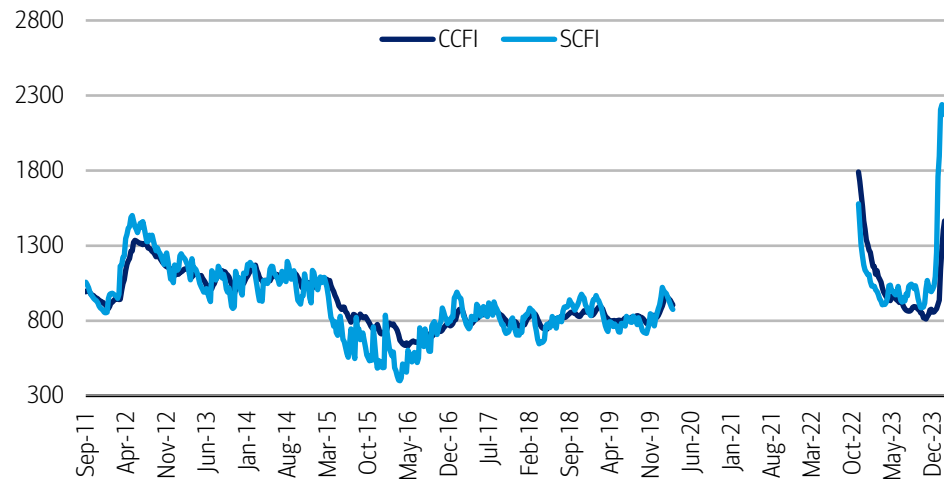


Source: Clarksons

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Exhibit 8: CCFI and SCFI Index

Both CCFI and SCFI declined slightly since January peaks



Source: Refinitiv Eikon

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Exhibit 9: CCFI quarterly average (2022-24)

CCFI is 52% 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	1,299
	CCFI Europe	5,526	5,060	4,738	2,497	1,411	1,154	1,059	985	2,010
	CCFI USWC	2,596	2,502	2,331	1,079	781	707	733	725	941
	CCFI USEC	2,682	2,796	2,844	1,746	1,161	886	870	839	1,145
% YoY	CCFI	78%	46%	-1%	-51%	-68%	-70%	-70%	-47%	20%
	CCFI Europe	81%	45%	-7%	-53%	-74%	-77%	-78%	-61%	42%
	CCFI USWC	96%	69%	14%	-53%	-70%	-72%	-69%	-33%	21%
	CCFI USEC	81%	59%	23%	-31%	-57%	-68%	-69%	-52%	-1%
% QoQ	CCFI	6%	-8%	-7%	-45%	-33%	-14%	-7%	-3%	52%
	CCFI Europe	5%	-8%	-6%	-47%	-43%	-18%	-8%	-7%	104%
	CCFI USWC	12%	-4%	-7%	-54%	-28%	-9%	4%	-1%	30%
	CCFI USEC	6%	4%	2%	-39%	-34%	-24%	-2%	-4%	36%

Source: Clarksons

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Exhibit 10: SCFI quarterly average (2022-24)

SCFI is 100% higher QoQ so far in 1Q24

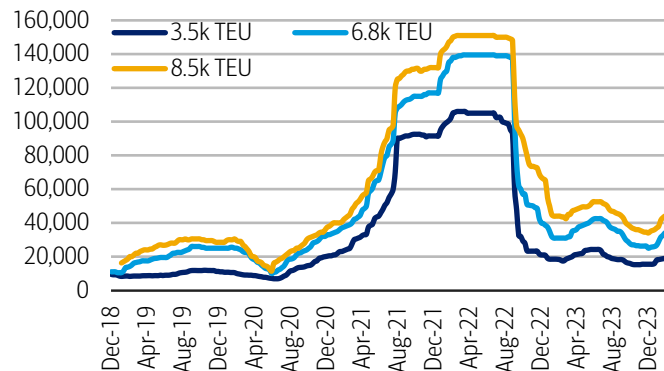
		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
SCFI	SCFI	4,851	4,211	3,279	1,375	969	984	986	1,073	2,145
	SCFI Europe	7,435	5,959	4,656	1,490	926	848	776	989	2,821
	SCFI USWC	8,032	7,773	5,278	1,627	1,265	1,419	1,884	1,851	4,287
	SCFI USEC	11,008	10,409	8,557	4,126	2,438	2,366	2,768	2,540	5,950
% YoY	SCFI	74%	29%	-24%	-71%	-80%	-77%	-70%	-22%	121%
	SCFI Europe	81%	15%	-36%	-80%	-88%	-86%	-83%	-34%	204%
	SCFI USWC	100%	68%	-8%	-76%	-84%	-82%	-64%	14%	239%
	SCFI USEC	130%	47%	-19%	-62%	-78%	-77%	-68%	-38%	144%
% QoQ	SCFI	3%	-13%	-22%	-58%	-30%	2%	0%	9%	100%
	SCFI Europe	-3%	-20%	-22%	-68%	-38%	-8%	-9%	28%	185%
	SCFI USWC	18%	-3%	-32%	-69%	-22%	12%	33%	-2%	132%
	SCFI USEC	2%	-5%	-18%	-52%	-41%	-3%	17%	-8%	134%

Source: Clarksons

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Exhibit 11: 6-12 month Timecharter rates

Short-term charter rates have risen m-m...

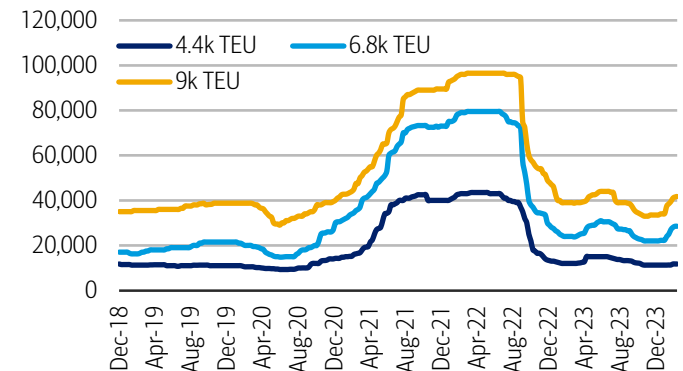


Source: Clarksons

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Exhibit 12: 3-5 years Timecharter rates

... and so did medium-term rates

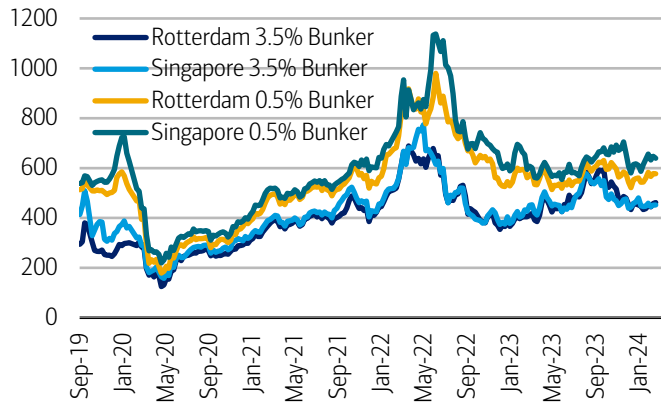


Source: Clarksons

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

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

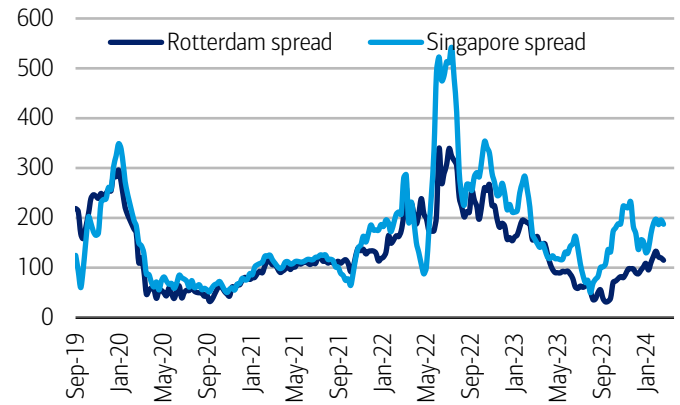


Source: Clarksons

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

... while the high and low sulphur spread widening

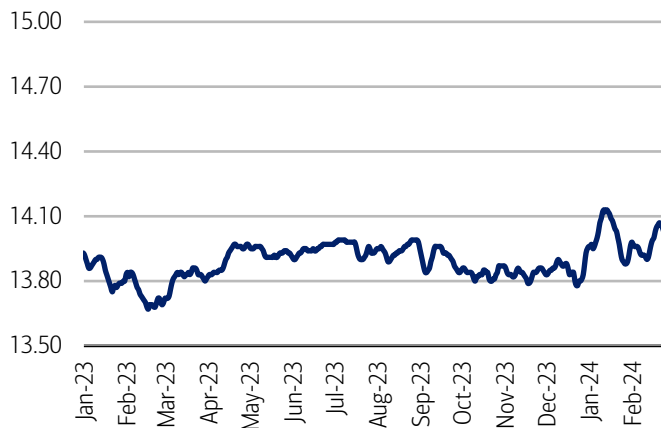


Source: Clarksons

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

Average speed rose in January and February ...



Source: Clarksons

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Exhibit 16: Containership speed (Daily average speed Knots)

...but 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

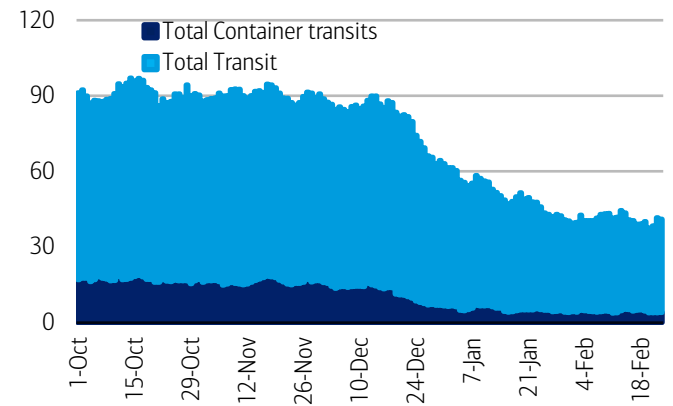


Source: Clarksons

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

Container vessels saw bigger impact from the disruptions

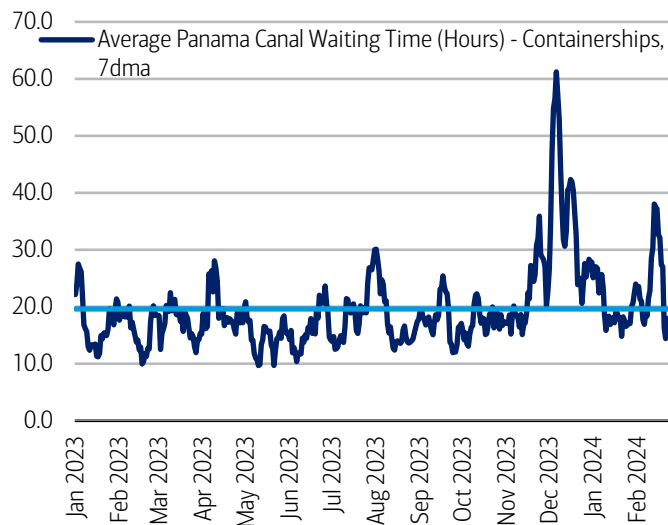


Source: Clarksons

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Exhibit 19: Panama Canal Waiting Time for Containerships

Drought-related waiting times reduced in 21-23 February

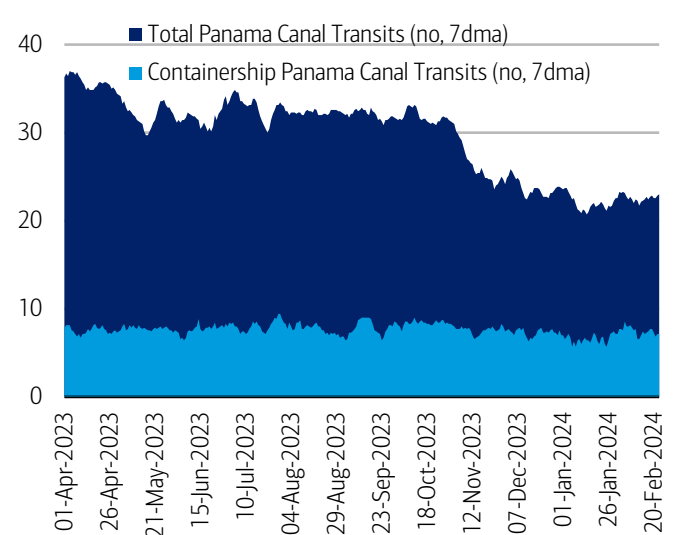


Source: Clarksons

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Exhibit 20: Panama Canal - Total Number of Transits (7dma)

Container vessels are taking share of transits from other ship types



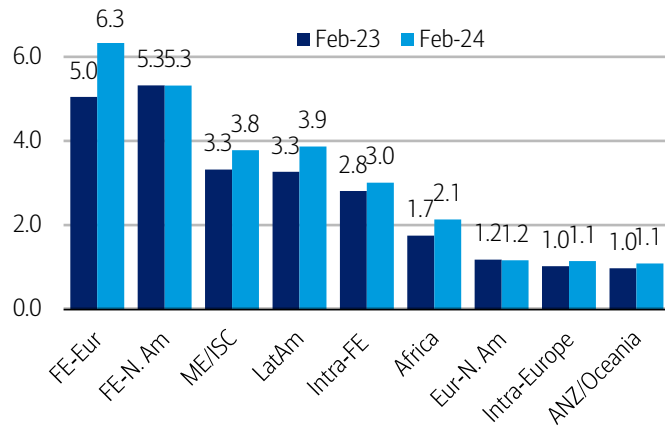
Source: Clarksons

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Capacity deployment

Exhibit 21: Global deployment by cellular TEU capacity (TEUm)

Asia to Europe increases by 25% YoY in capacity

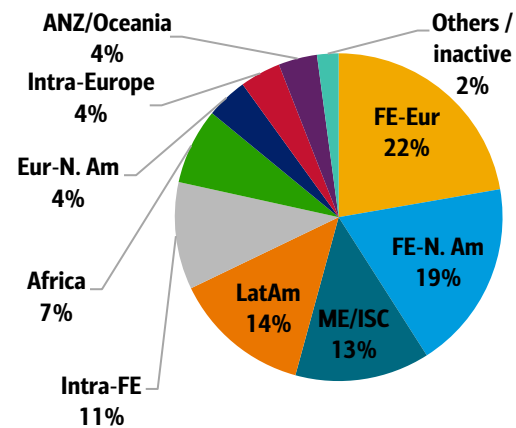


Source: Alphaliner

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Exhibit 22: Global deployment by TEU capacity in Feb-24 (% of total)

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



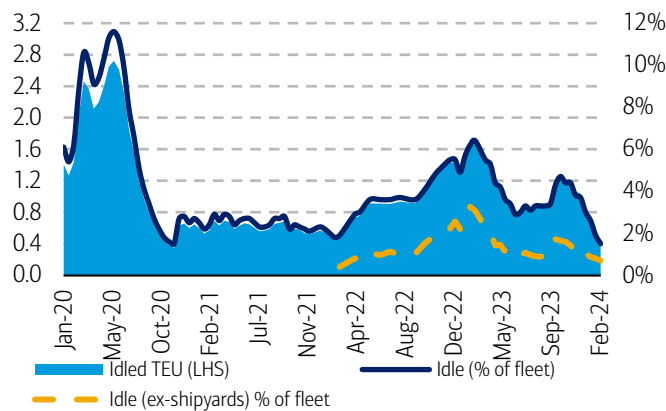
Source: Alphaliner

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Idle capacity

Exhibit 23: Idled TEU (and % of global fleet)

Idling (excluding capacity at shipyards) is broadly stable at c1% of global fleet

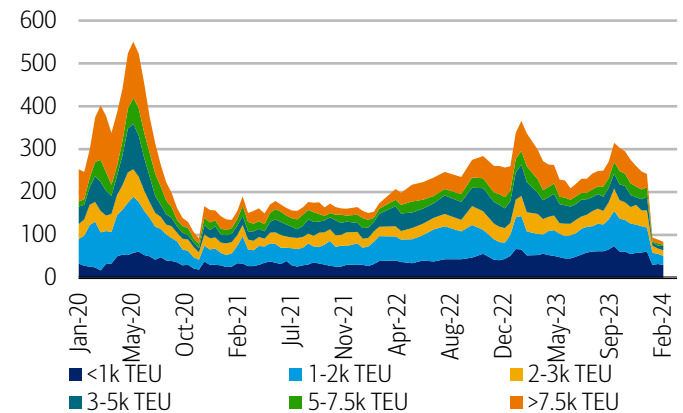


Source: Alphaliner

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Exhibit 24: Idled TEU breakdown by vessel size (number)

Inactivity declined across most size segments



Source: Alphaliner

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New orders

Exhibit 25: Global orderbook to fleet (%)

The global orderbook to fleet ratio declined to c24%

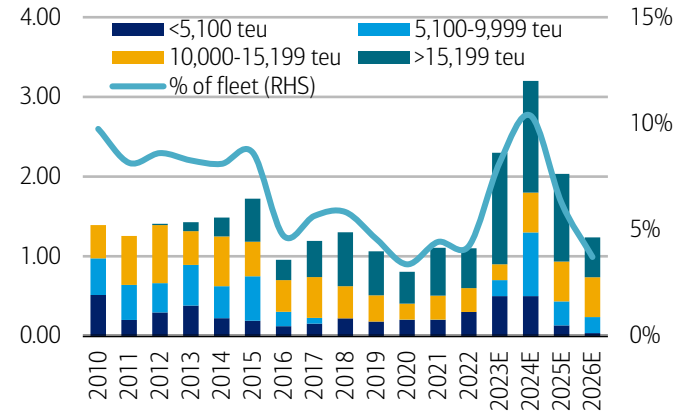


Source: Clarksons

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Exhibit 26: Deliveries per year (TEUm) and % of fleet

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



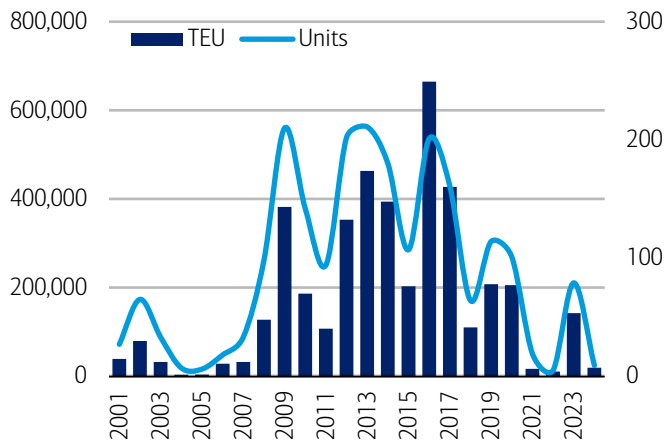
Source: Alphaliner

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Scrapping

Exhibit 27: TEUs and Units deleted during the year

Deletions in 2024 were below pre-Covid levels...

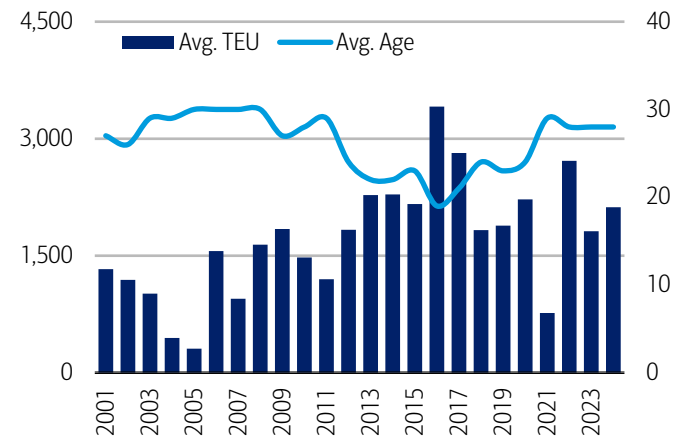


Source: Alphaliner

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Exhibit 28: Average TEUs and Age of scrapped vessels

... while average age of scrapped vessels has increased

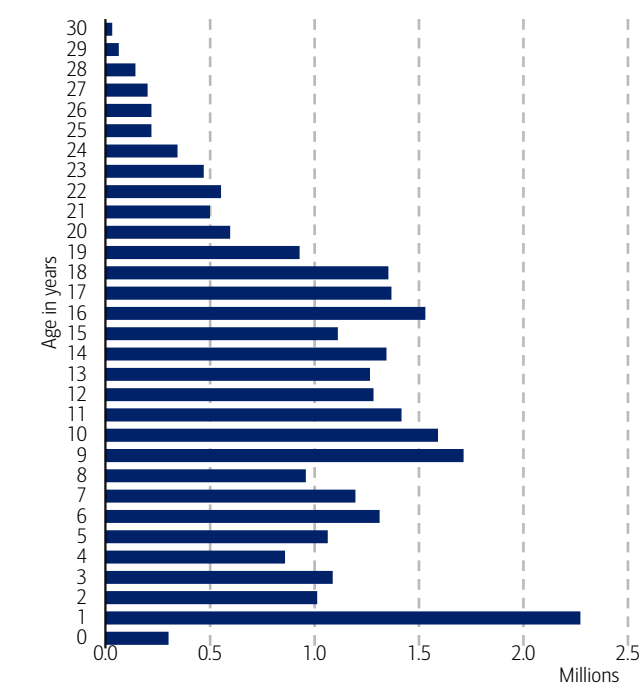


Source: Alphaliner

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Fleet age

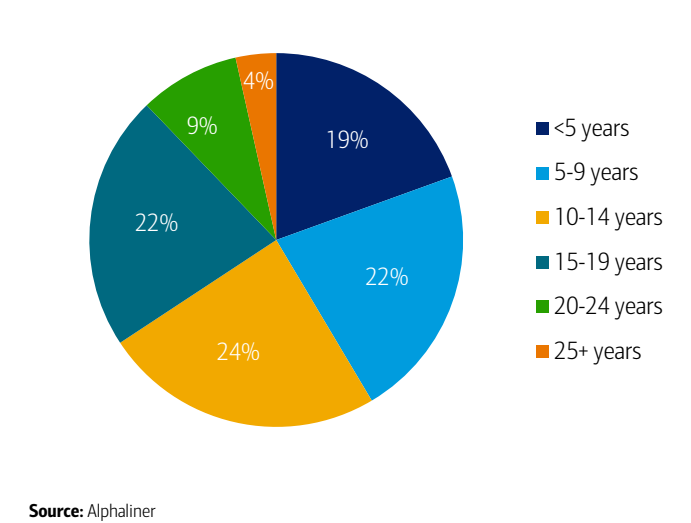
Exhibit 29: Cellular Fleet Age Breakdown
Average age of cellular fleet is 14.15



Source: Alphaliner

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Exhibit 30: Cellular Fleet Age Breakdown (%)
10-14 years age profile represents 24.3% of the fleet



Source: Alphaliner

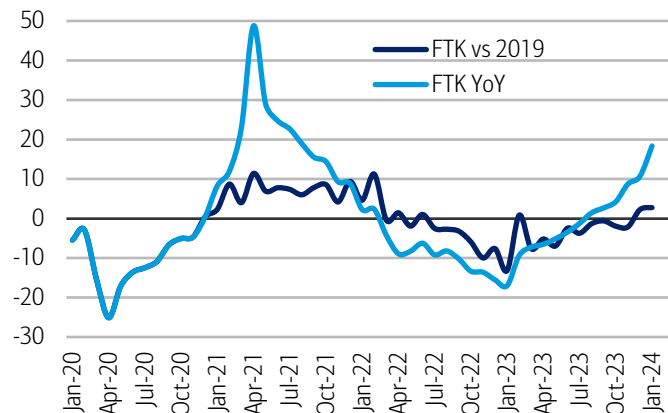
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Air freight data

Air Freight Volumes

Exhibit 31: Global FTK (% vs 2019 and % YoY)

Global air cargo volumes were up c18% YoY in January 2024

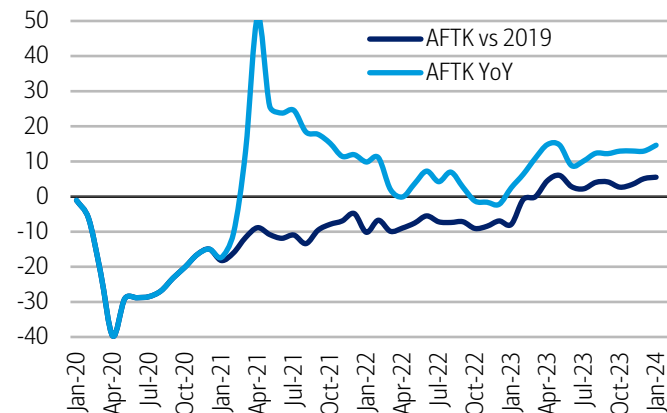


Source: IATA

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Exhibit 32: Global AFTK (% vs 2019 and % YoY)

Global air cargo capacity was up c15% YoY in January 2024

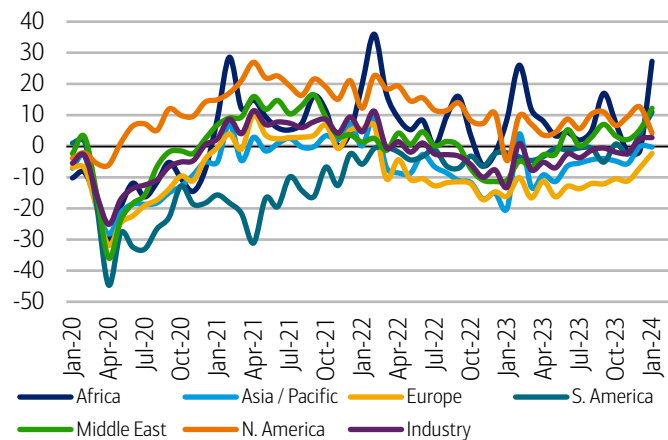


Source: IATA

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Exhibit 33: FTK growth by region (% vs 2019)

Volumes increased across most regions' vs 2019 levels in January 2024

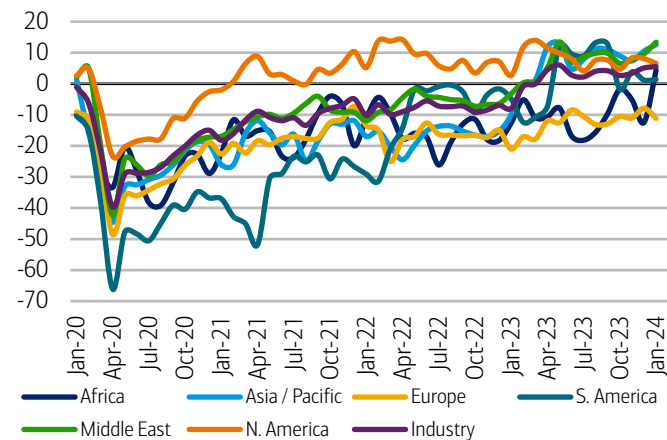


Source: IATA

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Exhibit 34: AFTK growth by region (% vs 2019)

Capacity was mixed across regions' vs 2019 levels in January 2024

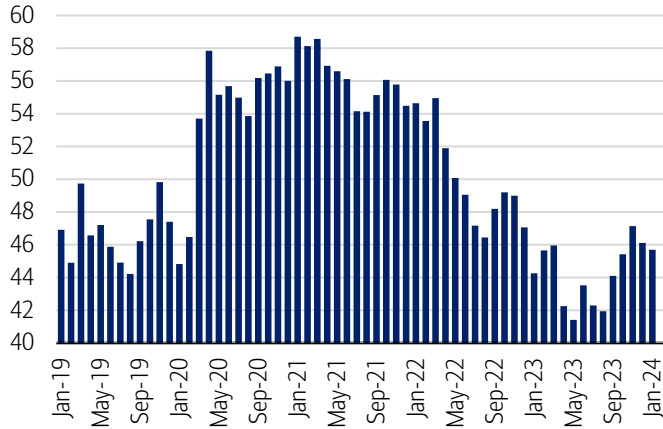


Source: IATA

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Exhibit 35: Global air freight load factor (%)

Load factor decreased 0.4ppt m-m to 45.7% in January (up c1.4ppt y-y)

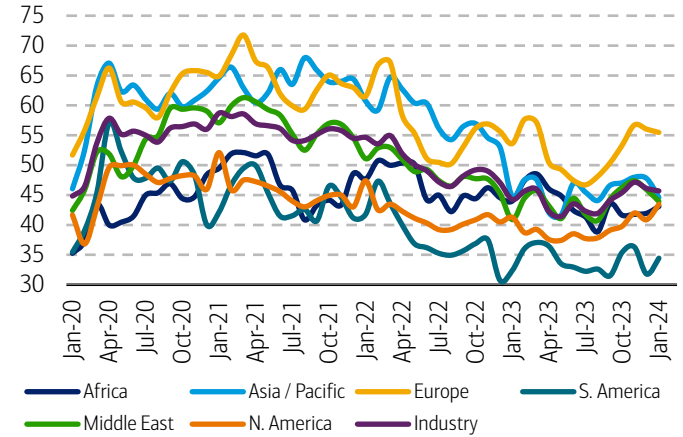


Source: IATA

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Exhibit 36: Air freight load factor by region (%)

Load factor was mixed across regions' vs 2019 levels in January 2024



Source: IATA

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Air Freight Rates**Exhibit 37: Baltic Exchange Air Freight Index**

Global air freight rates were down c9% M-o-M



Source: Refinitiv Eikon, TAC Index

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Demand drivers

PMI indicators

Exhibit 38: US ISM Manufacturing

US PMI increased to c49 in January 2024

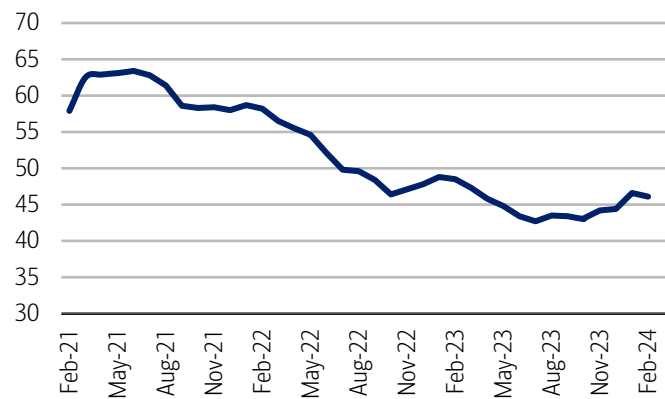


Source: Datastream, Institute for Supply Management (ISM)

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Exhibit 39: Eurozone Manufacturing Purchasing Managers Index (PMI)

Euro area PMI decreased to c46 in February 2024



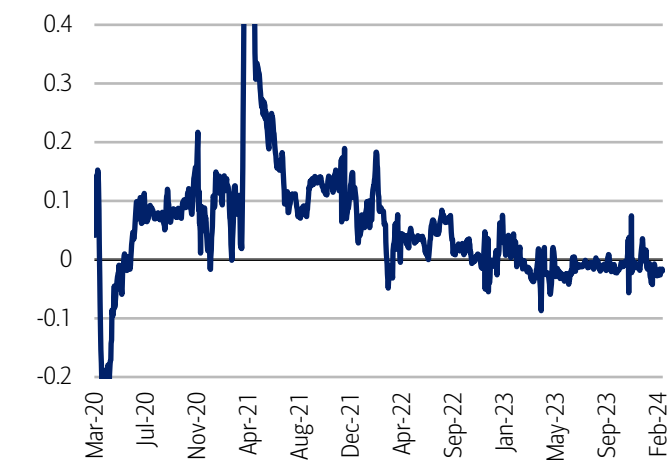
Source: Datastream, IHS Markit

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US consumption trends

Exhibit 40: US retail (ex. Auto) spending based on BAC aggregated daily card data (% YoY)

US retail (ex. auto) spending was down c2% YoY in the week ending Feb. 17

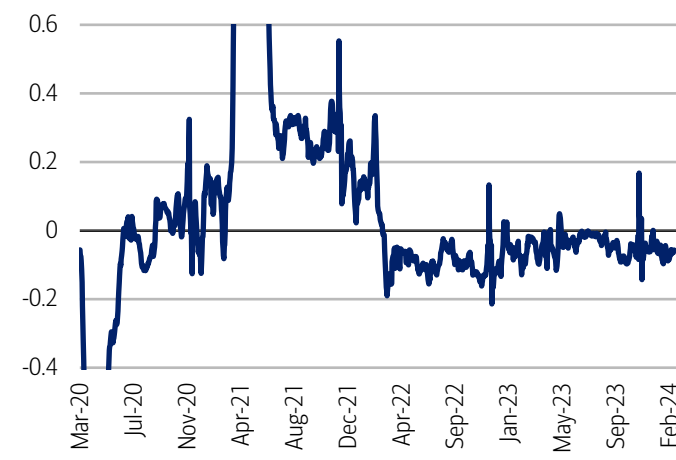


Source: BAC internal data.

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Exhibit 41: US clothing spending based on BAC aggregated daily card data (% YoY)

US clothing spending was down c6% YoY in the week ending Feb. 17

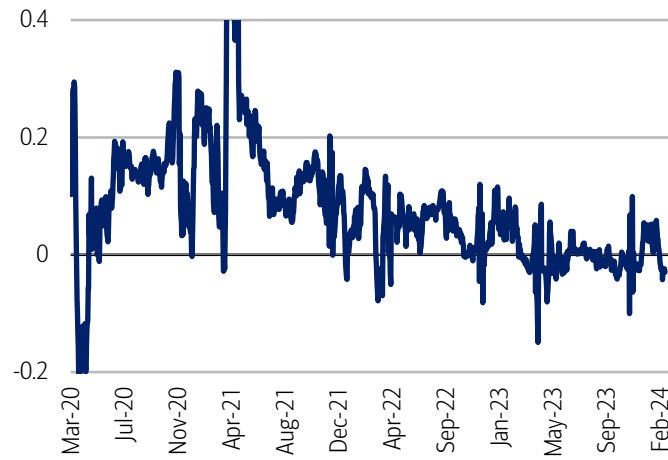


Source: BAC internal data.

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Exhibit 42: US general merchandise spending based on BAC aggregated daily card data (% YoY)

US general merchandise spending was down c3% YoY in the week ending Feb. 17

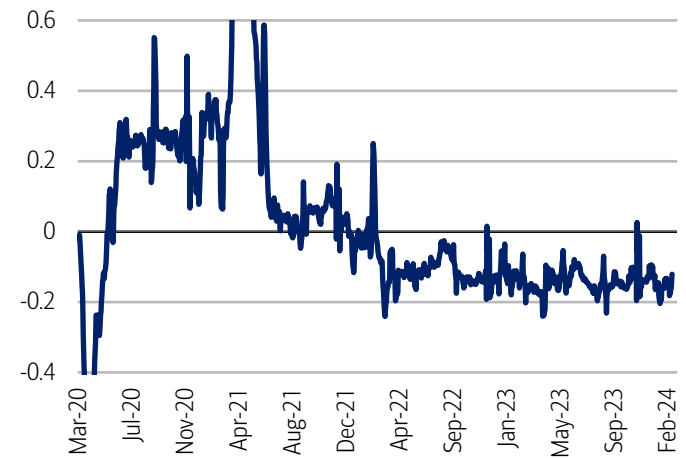


Source: BAC internal data.

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Exhibit 43: US furniture spending based on BAC aggregated daily card data (% YoY)

US furniture spending was down c12% YoY in the week ending Feb. 17

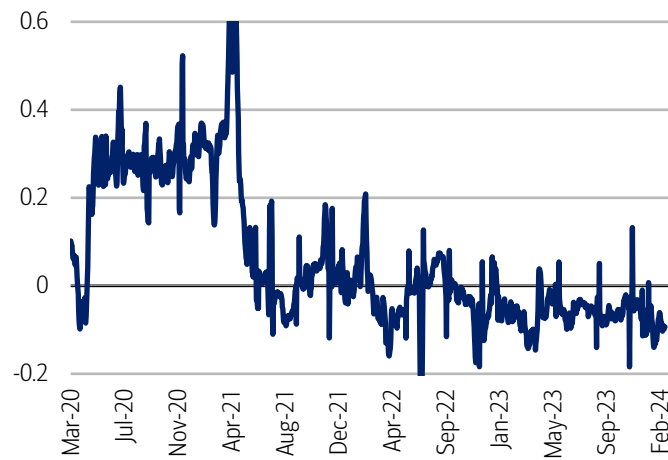


Source: BAC internal data.

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Exhibit 44: US home improvement spending based on BAC aggregated daily card data (% YoY)

US home improvement spending was down c9% YoY in the week ending Feb. 17



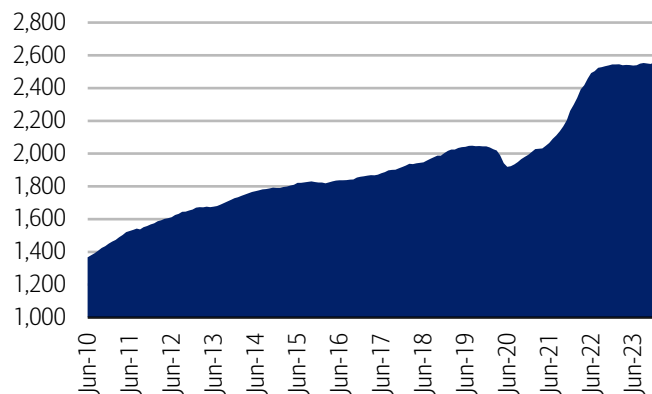
Source: BAC internal data.

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US Inventories

Exhibit 45: US total manufacturing and trade inventories (\$bn)

US manufacturing & trade inventories were 25% above 2019 levels in December 2023



Source: US Census Bureau

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Exhibit 46: US total manufacturing and trade inventory to sales ratio

US total inventory to sales ratio remained stable at 1.37 in December 2023

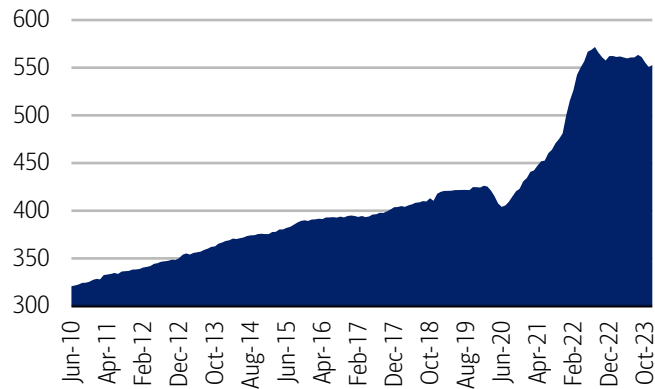


Source: US Census Bureau

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Exhibit 47: US retail (ex-auto) inventories (\$bn)

US retail inventories were 30% above 2019 levels in December 2023

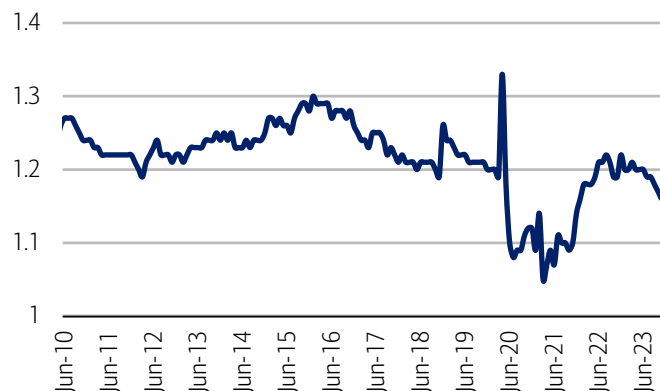


Source: US Census Bureau

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Exhibit 48: US retail (ex-auto) manufacturing and trade inventory to sales ratio

US retail inventory to sales decreased to 1.16 in December 2023

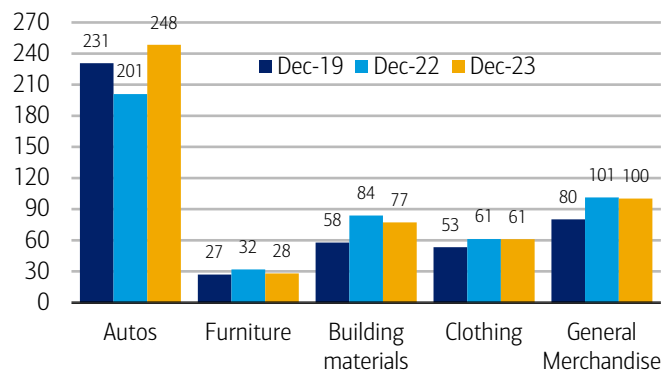


Source: US Census Bureau

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Exhibit 49: US retail inventories by product category (\$bn)

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

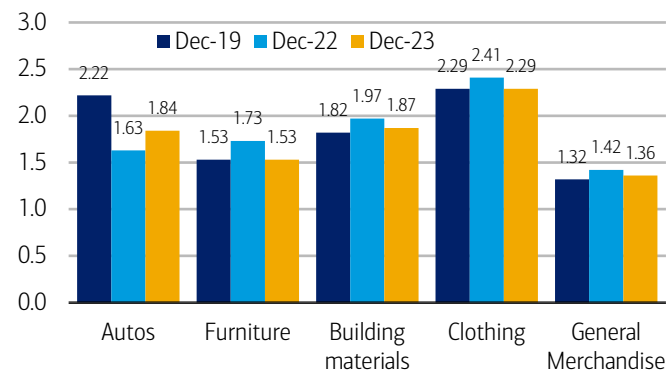


Source: US Census Bureau

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Exhibit 50: US retail inventory to sales ratio by product category

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

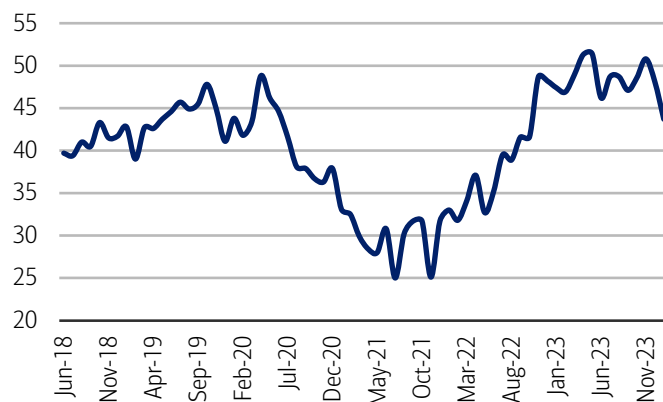


Source: US Census Bureau

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Exhibit 51: US ISM Manufacturing Customers' inventories Index

Customer Inventory Index fell to c44 in January 2024



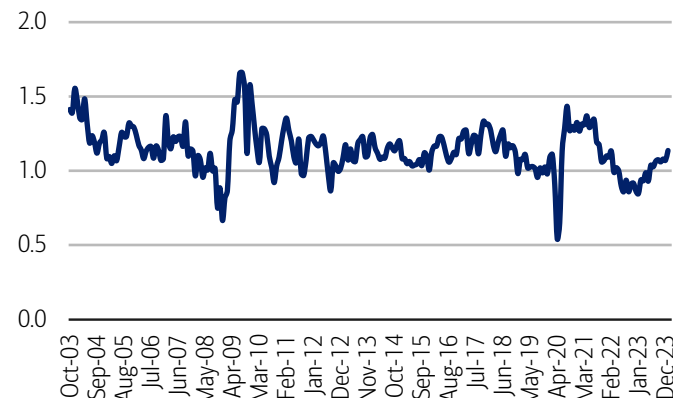
Source: Refinitiv Eikon

Note: A reading of 50 means breakeven levels

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Exhibit 52: US De-stocking cycle (ISM Manufacturing PMI new orders / inventories)

New orders are rising while business inventories decline

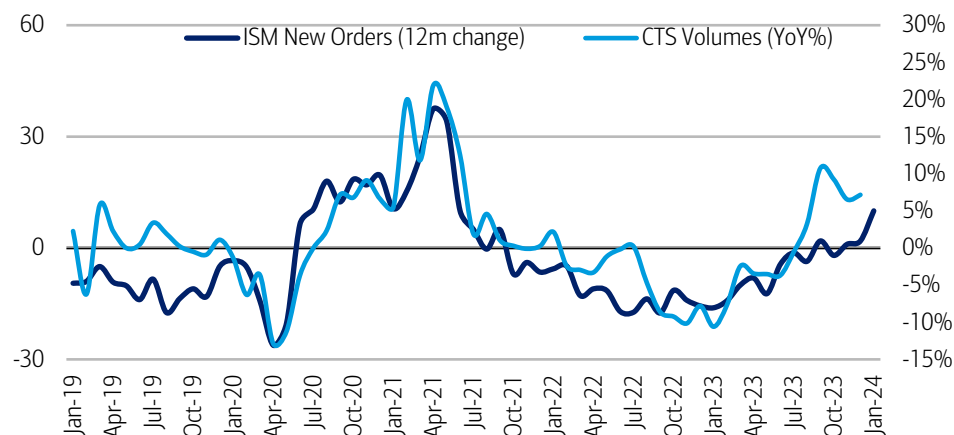


Source: Datastream

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Exhibit 53: US ISM new orders vs global container shipping volumes

CTS volumes improve ahead of the new order growth reported by ISM Manufacturing PMI



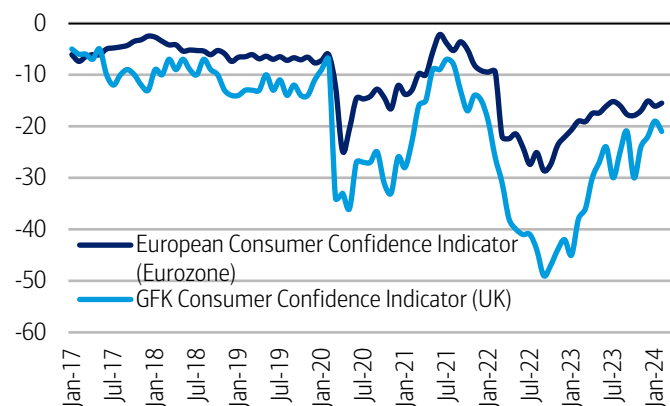
Source: Refinitiv Eikon, Bloomberg

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Consumer sentiment

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

Eurozone consumer confidence improved but UK declined in January 2024

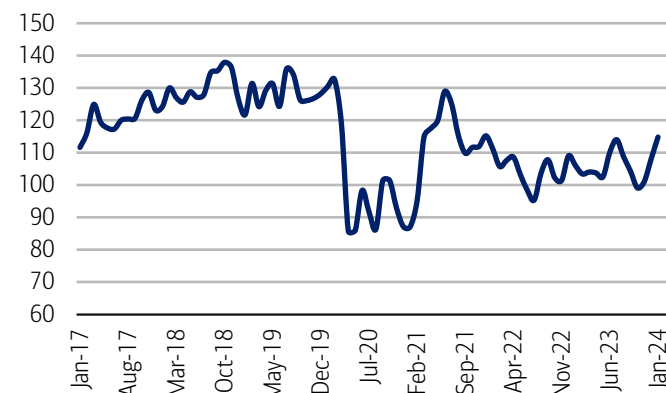


Source: Datastream

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Exhibit 55: US consumer confidence indicator

US consumer confidence improved in January 2024



Source: Datastream, The Conference Board

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