

## Transport

# BofA Freight Follower: Ocean spot rates look beyond Red Sea

Industry Overview

## Ocean rates peak; no Red Sea impact on Air yet

Ocean spot rates have peaked after the significant increase related to Red Sea that started in mid-December, as shippers look beyond the disruptions and into the post-Chinese New Year (CNY) slack period, though lack of vessels capacity and equipment means that rates are likely to remain higher for longer. Container spot rates have doubled since mid-December, but are down c-3% w-w. Air freight rates decreased by -4% m-m, likely due to drop in demand for Chinese ecommerce shipments and are up +6% w-w as Red Sea disruption is yet to have significant impact on air freight rates.

## Ocean: rates up +24% m-m, -3% w-w

Ocean rates increased +24% m-m in January, as shippers look beyond rate gains related to Red Sea disruptions (85% of vessels diverted) and into post-CNY slack period. China to Europe rates increased c6% m-m and are down -6% w-w. Port of Los Angeles volumes increased +2% y-y in December (-1% vs 2019), worse than +19% in November, making overall 2023 volumes -13% y-y and -8% vs 2019. Despite ongoing drought, the Panama Canal Authority has reversed its decision to lower transits in January/February to 20 / 18 per day, respectively, and instead will increase transits to 24 per day, while containerships continue to take share away from other ship types on this route.

## Air: volumes up +11% y-y in December, rates -4% m-m

Air freight rates are down -4% m-m (+29% vs Jan'20) as demand subsided post the December peak, while impact of Red Sea disruption is yet to come through. Shanghai outbound air freight rates are up +5% m-m and are up +9% w-w, as forwarders report first customers switching to combination of sea and air freight. Global air freight volumes increased +11% y-y in December as per IATA data, higher than +8% in November. This brings 2023 volumes to -2% lower y-y and -3% below 2019 levels. Global air cargo capacity was up +14% y-y in December, as capacity continued to recover. December capacity was +6% above 2019 levels, an increase from +4% in November. Global loads decrease 0.9ppt m-m to 45.9% in December (down c1.2ppt y-y).

## Market conditions remain subdued

Card spending per household was down -2% y-y over last week (largely flat in January), according to BAC US aggregated credit and debit card data, with furniture down -c18% y-y over last week (-c16% in Jan). 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 November, per the US Census Bureau, see Exhibit 45. Building materials and general merchandise inventory to sales ratios were above 2019 levels while furniture, clothing and autos were below (Exhibit 48). Maersk and Hapag Lloyd announced agreement to enter an operational cooperation – Gemini Cooperation (GC), commencing February 2025, which raises the question around the response from other liners and, in our view, is unlikely to improve capacity discipline in the industry (see our note – Goodbye 2M, Hello GC).

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Refer to important disclosures on page 16 to 18.

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Timestamp: 30 January 2024 12:30AM EST

30 January 2024

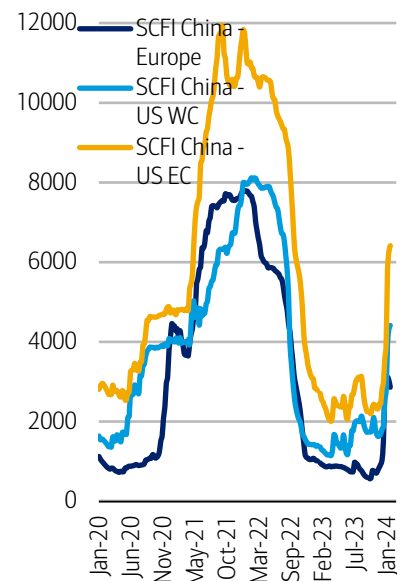
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### Exhibit 1: SCFI indices by trade lane

Asia-Europe rates are higher by c6% m-m



Source: Clarksons

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### Definitions:

**USWC:** US West Coast

**USEC:** US East Coast

**SCFI:** Shanghai Containerized Freight Index

**TP:** Transpacific

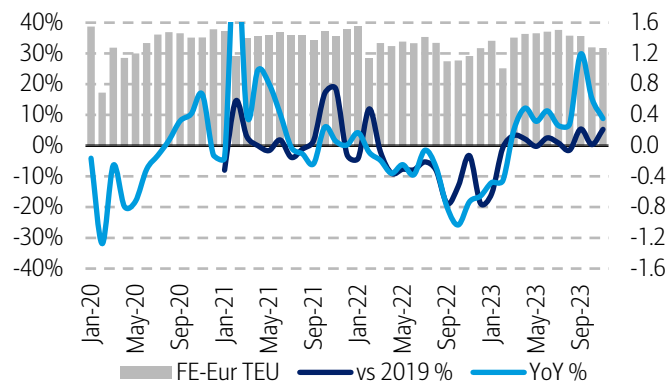
**IATA:** International Air Transport Association

# Container shipping data

## Shipping Volumes

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

Asia to Europe volumes were up c9% YoY in Nov 2023



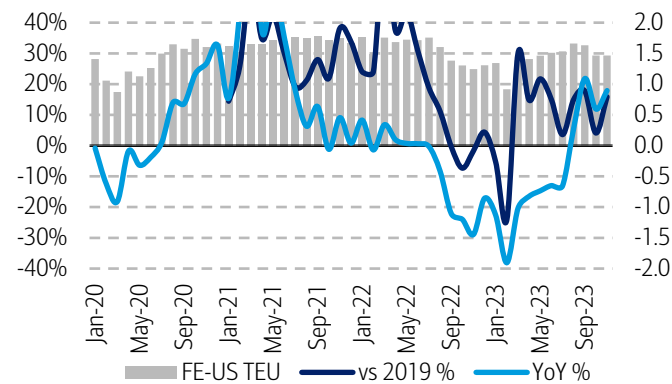
TEU: Twenty-foot equivalent unit.

Source: Alphaliner

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

Transpacific volumes were up c18% YoY in Nov 2023

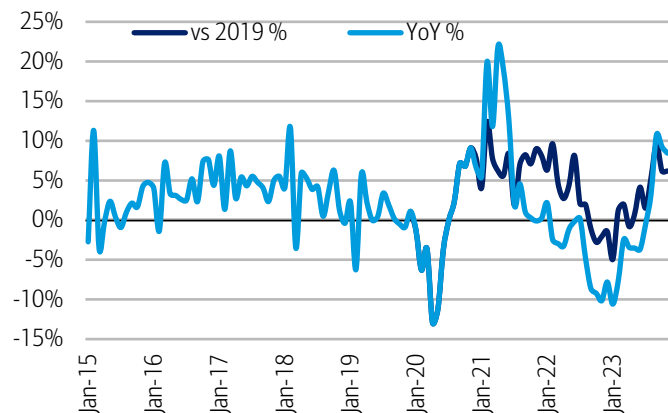


Source: Alphaliner

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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

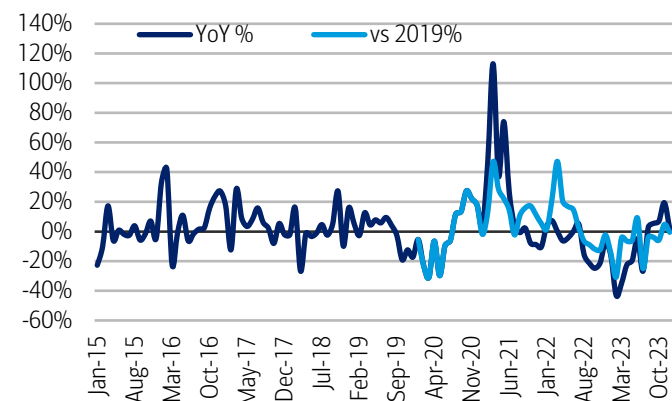


Source: Bloomberg

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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 2% YoY and were down 1% vs 2019 in December 2023



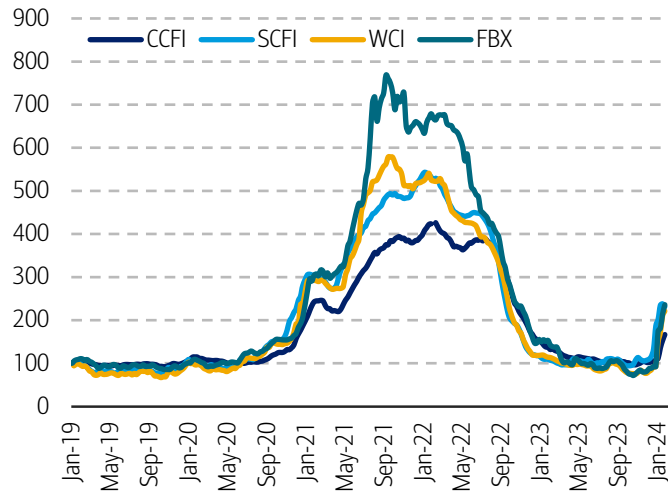
Source: Port of Los Angeles

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## Shipping rates

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

SCFI increased 24% month-on-month

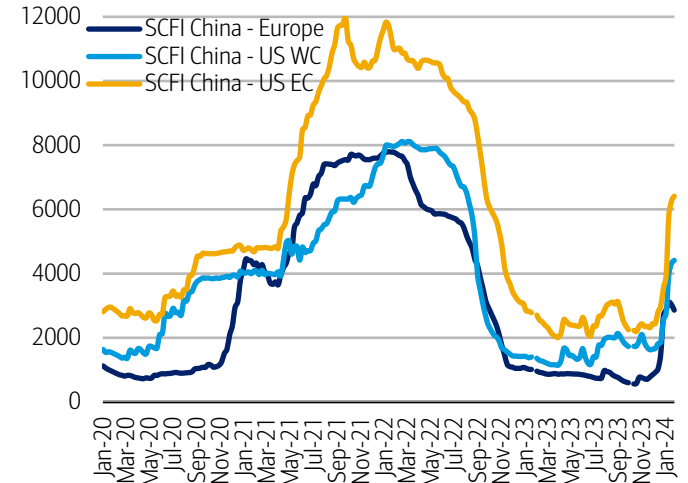


Source: Refinitiv Eikon, Drewry, Bloomberg

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### Exhibit 7: SCFI indexes by trade lane

Asia-Europe rates are higher 6% month-on-month

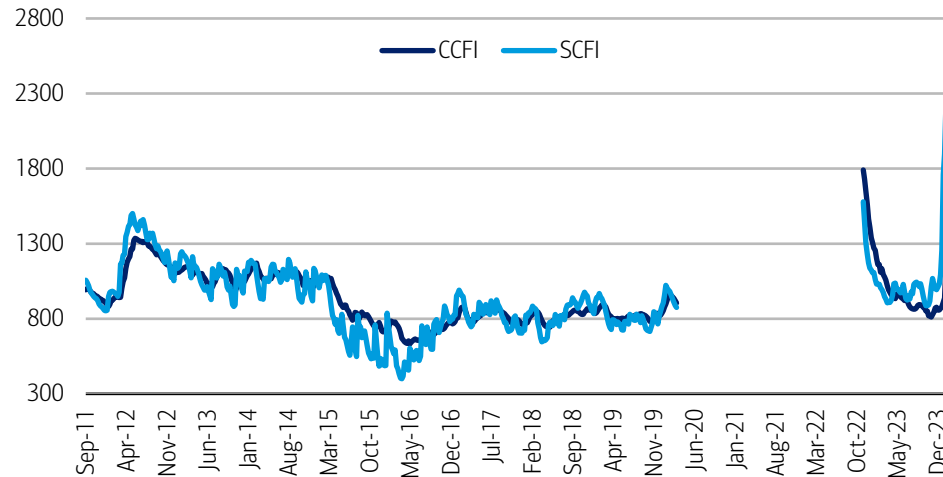


Source: Clarksons

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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 40% 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	1,192
	CCFI Europe	5,526	5,060	4,738	2,497	1,411	1,154	1,059	985	1,791
	CCFI USWC	2,596	2,502	2,331	1,079	781	707	733	725	822
	CCFI USEC	2,682	2,796	2,844	1,746	1,161	886	870	839	1,025
% YoY	CCFI	78%	46%	-1%	-51%	-68%	-70%	-70%	-47%	10%
	CCFI Europe	81%	45%	-7%	-53%	-74%	-77%	-78%	-61%	27%
	CCFI USWC	96%	69%	14%	-53%	-70%	-72%	-69%	-33%	5%
	CCFI USEC	81%	59%	23%	-31%	-57%	-68%	-69%	-52%	-12%
% QoQ	CCFI	6%	-8%	-7%	-45%	-33%	-14%	-7%	-3%	40%
	CCFI Europe	5%	-8%	-6%	-47%	-43%	-18%	-8%	-7%	82%
	CCFI USWC	12%	-4%	-7%	-54%	-28%	-9%	4%	-1%	13%
	CCFI USEC	6%	4%	2%	-39%	-34%	-24%	-2%	-4%	22%

Source: Clarksons

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**Exhibit 10: SCFI quarterly average (2022-24)**

SCFI is 99% higher QoQ so far in 1Q24

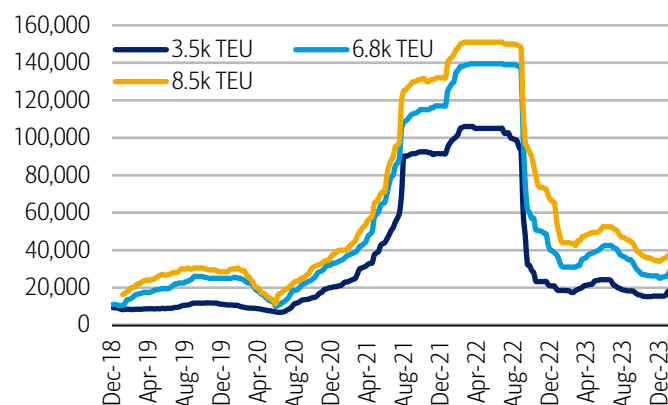
		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
SCFI	SCFI	4,851	4,211	3,279	1,375	969	984	986	1,073	2,130
	SCFI Europe	7,435	5,959	4,656	1,490	926	848	776	989	2,966
	SCFI USWC	8,032	7,773	5,278	1,627	1,265	1,419	1,884	1,851	3,870
	SCFI USEC	11,008	10,409	8,557	4,126	2,438	2,366	2,768	2,540	5,605
% YoY	SCFI	74%	29%	-24%	-71%	-80%	-77%	-70%	-22%	120%
	SCFI Europe	81%	15%	-36%	-80%	-88%	-86%	-83%	-34%	220%
	SCFI USWC	100%	68%	-8%	-76%	-84%	-82%	-64%	14%	206%
	SCFI USEC	130%	47%	-19%	-62%	-78%	-77%	-68%	-38%	130%
% QoQ	SCFI	3%	-13%	-22%	-58%	-30%	2%	0%	9%	99%
	SCFI Europe	-3%	-20%	-22%	-68%	-38%	-8%	-9%	28%	200%
	SCFI USWC	18%	-3%	-32%	-69%	-22%	12%	33%	-2%	109%
	SCFI USEC	2%	-5%	-18%	-52%	-41%	-3%	17%	-8%	121%

Source: Clarksons

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**Exhibit 11: 6-12 month Timecharter rates**

Short-term charter rates have risen...

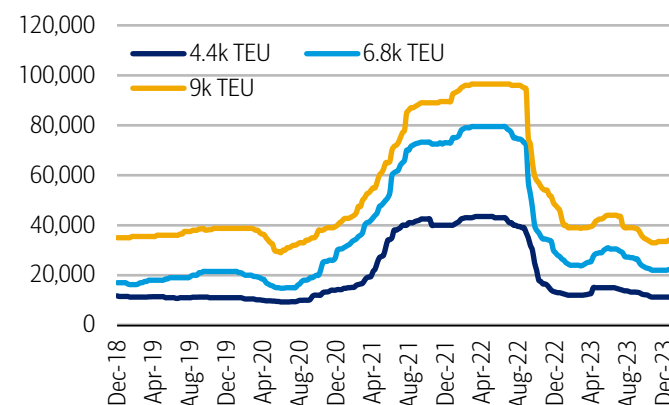


Source: Clarksons

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**Exhibit 12: 3-5 years Timecharter rates**

... and so did medium-term rates

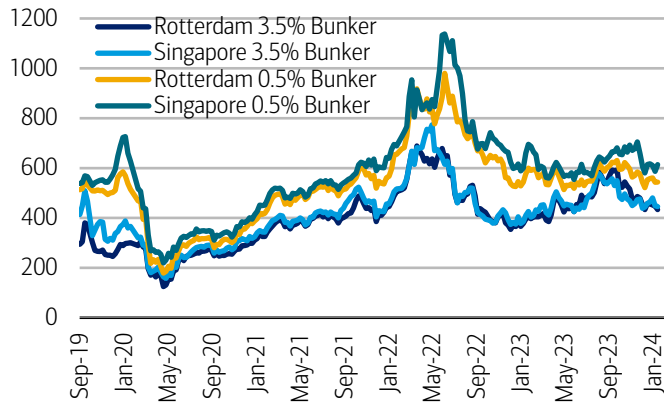


Source: Clarksons

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

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

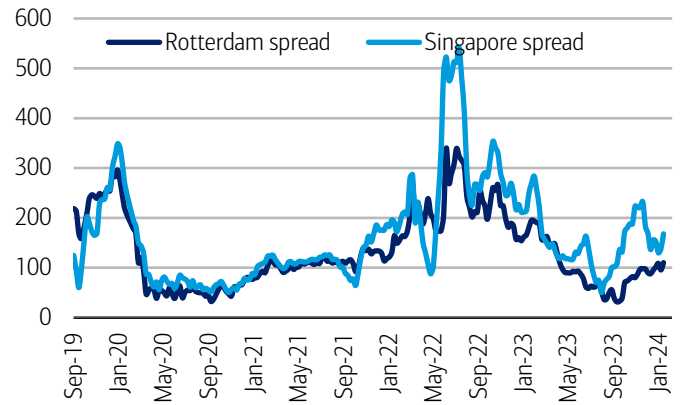


Source: Clarksons

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

... while the high and low sulphur spread widening

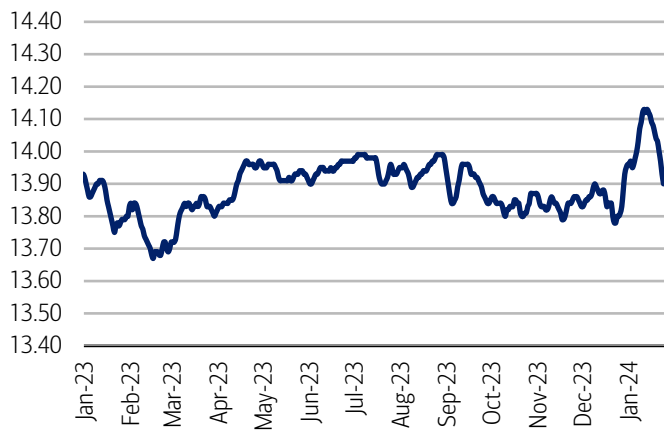


Source: Clarksons

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

Average speed started to decline at end of January ...

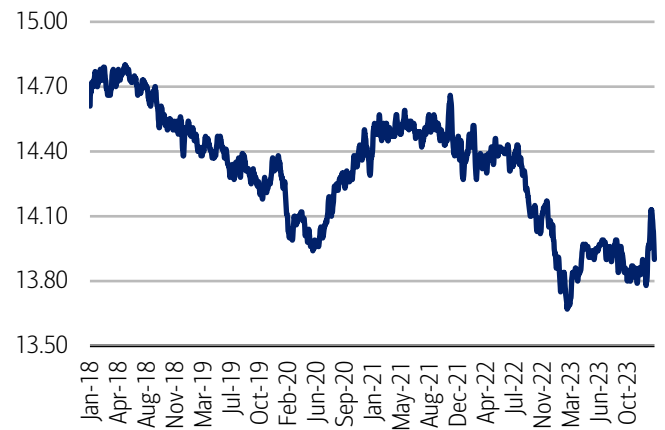


Source: Clarksons

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**Exhibit 16: Containership speed (Daily average speed Knots)**

...and 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

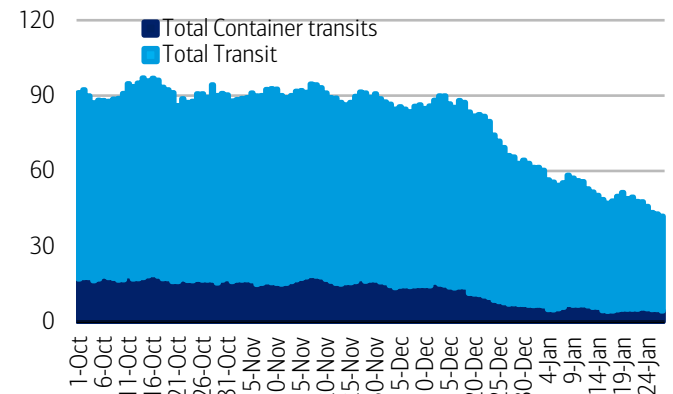


Source: Clarksons

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

Container vessels saw bigger impact from the disruptions

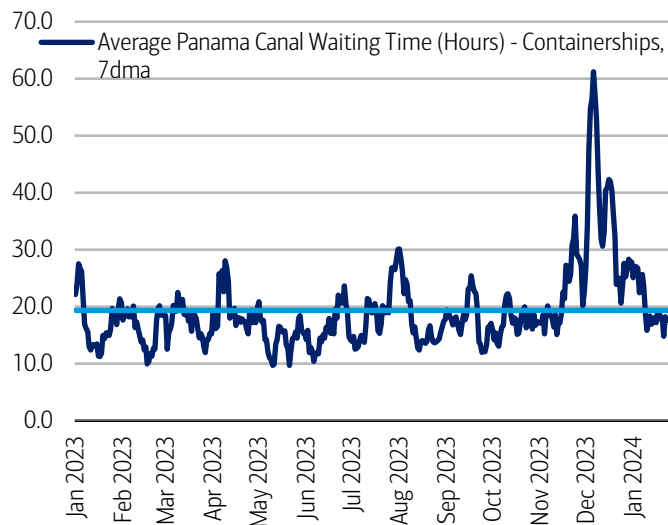


Source: Clarksons

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### Exhibit 19: Panama Canal Waiting Time for Containerships

Drought-related transit restrictions lead to increased waiting times

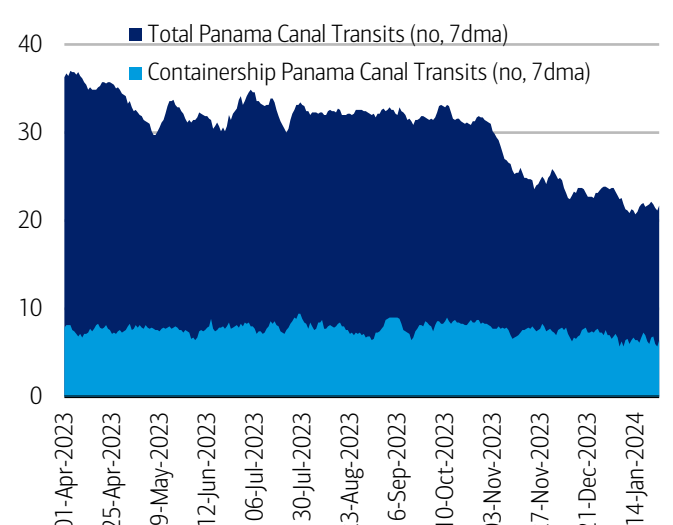


Source: Clarksons

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

Container vessels are taking share of transits from other ship types



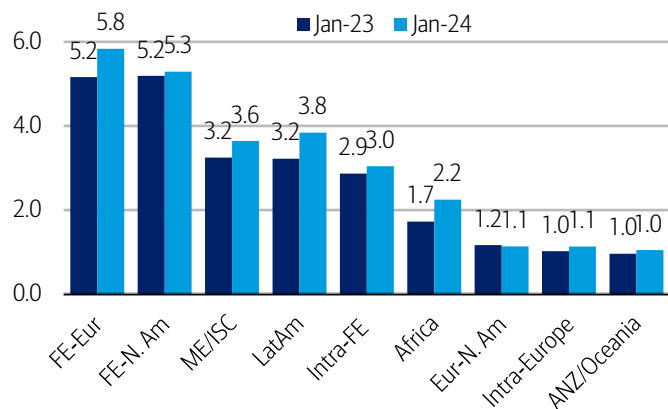
Source: Clarksons

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## Capacity deployment

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

Asia to Europe increases by 5.8% YoY in capacity

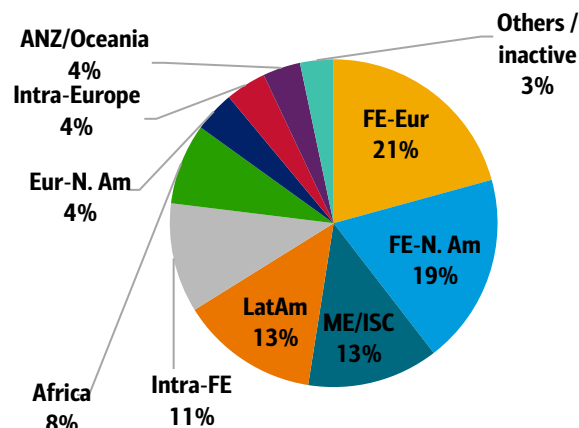


Source: Alphaliner

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

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



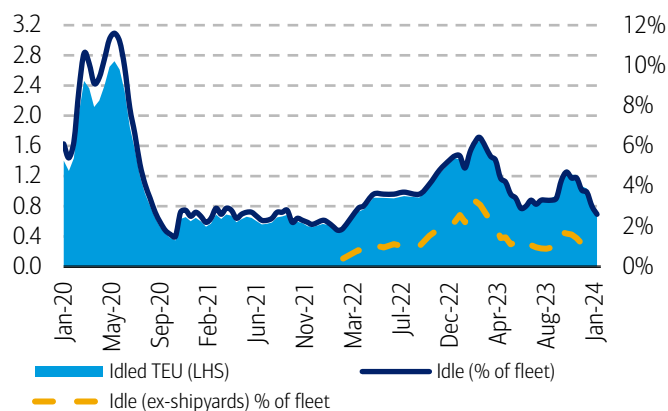
Source: Alphaliner

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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

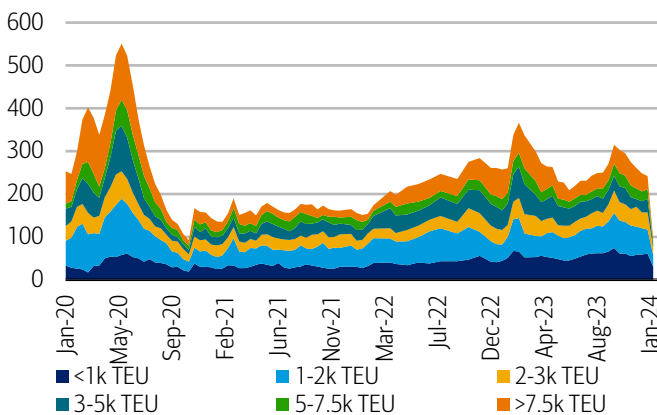


Source: Alphaliner

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

Inactivity declined or remained stable 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 c25%

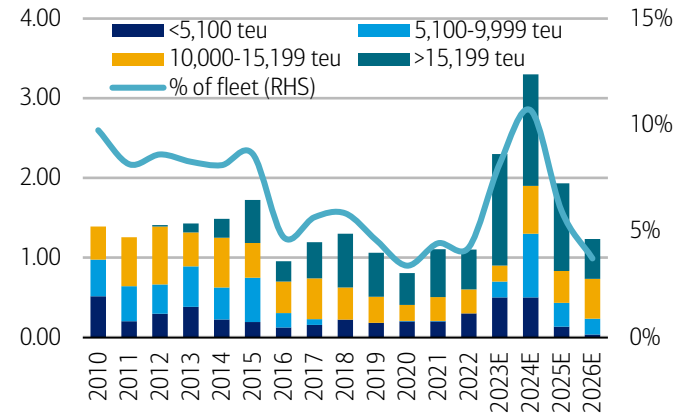


Source: Clarksons

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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



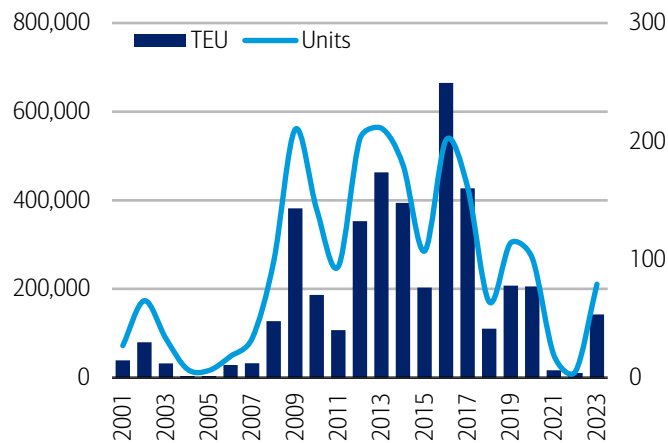
Source: Alphaliner

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## Scrapping

**Exhibit 27: TEUs and Units deleted during the year**

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

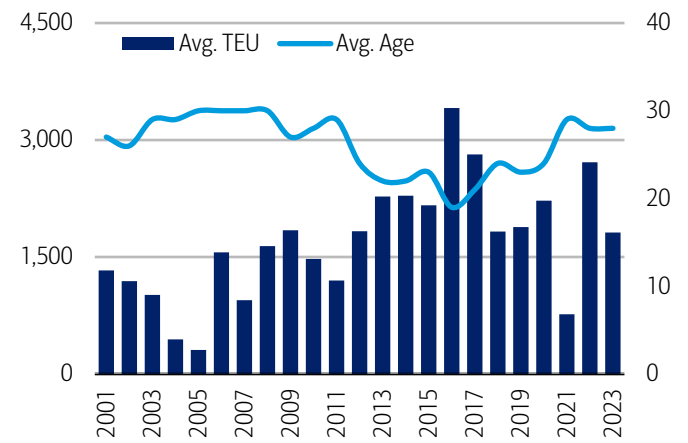


Source: Alphaliner

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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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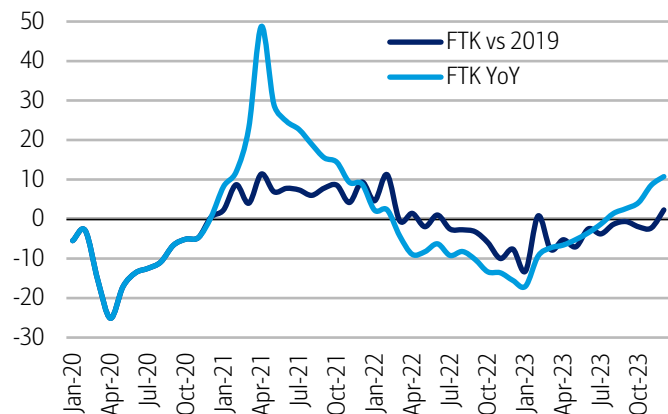


# Air freight data

## Air Freight Volumes

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

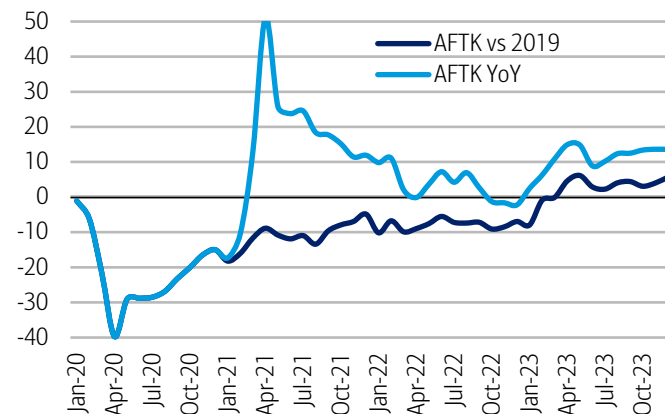
Global air cargo volumes were up c11% YoY in December 2023



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

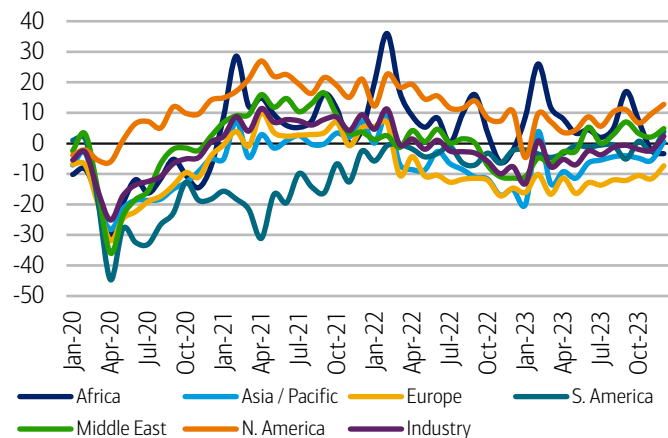
Global air cargo capacity was up c14% YoY in December 2023



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

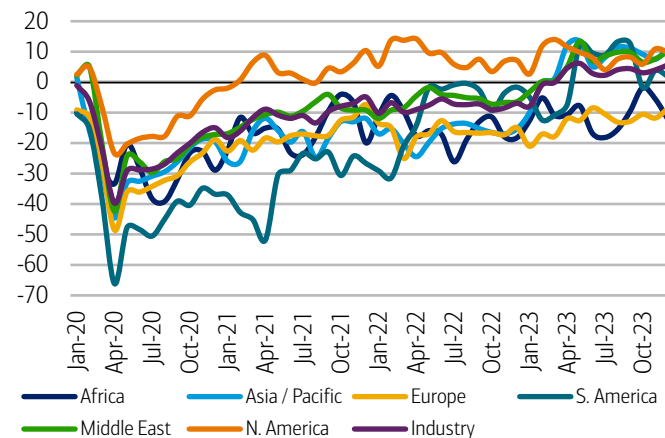
Volumes increased across most regions' vs 2019 levels in December 2023



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

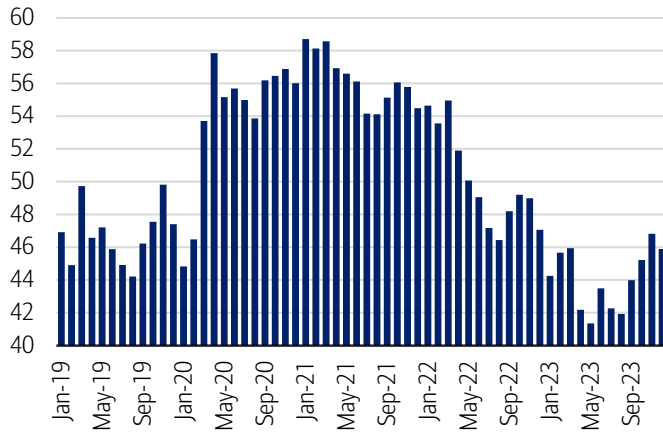
Capacity was mixed across regions' vs 2019 levels in December 2023



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**Exhibit 33: Global air freight load factor (%)**

Load factor increases m-m to c46% in December 2023

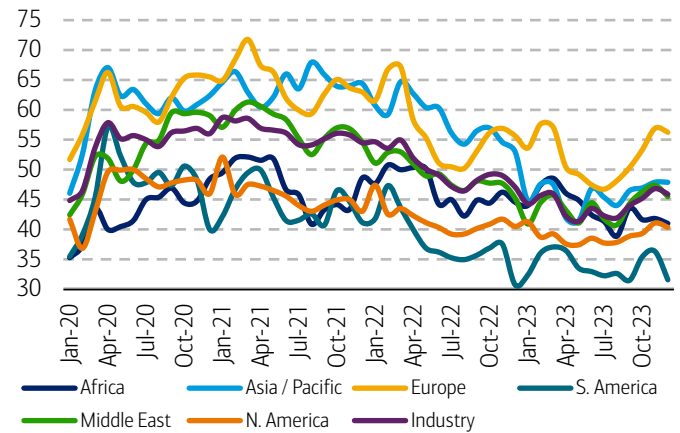


Source: IATA

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

Load factor declined in all regions' vs 2019 levels in December 2023



Source: IATA

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**Air Freight Rates****Exhibit 35: Baltic Exchange Air Freight Index**

Global air freight rates were down -c28% M-o-M



Source: Refinitiv Eikon, TAC Index

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# Demand drivers

## PMI indicators

### Exhibit 36: US ISM Manufacturing

US PMI remained broadly flat at c47 in December 2023

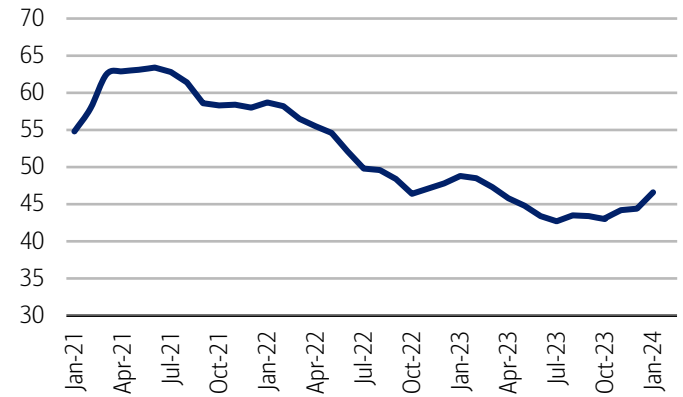


Source: Datastream, Institute for Supply Management (ISM)

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### Exhibit 37: Eurozone Manufacturing Purchasing Managers Index (PMI)

Euro area PMI increased to c47 in January 2024



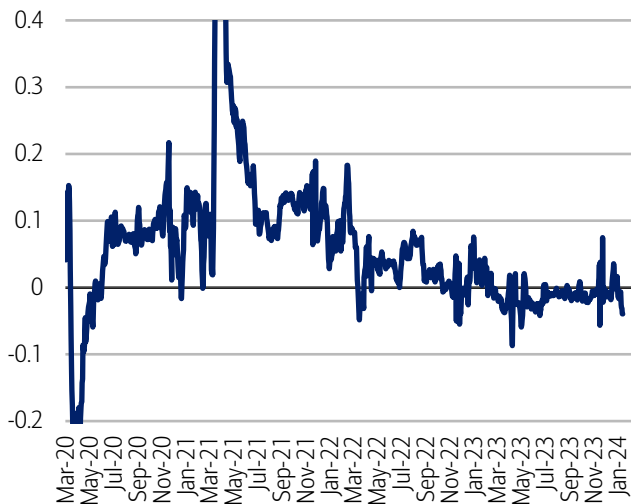
Source: Datastream, IHS Markit

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## US consumption trends

### Exhibit 38: US retail (ex. Auto) spending based on BAC aggregated daily card data (% YoY)

US retail (ex. auto) spending was down c4% YoY in the week ending Jan. 20

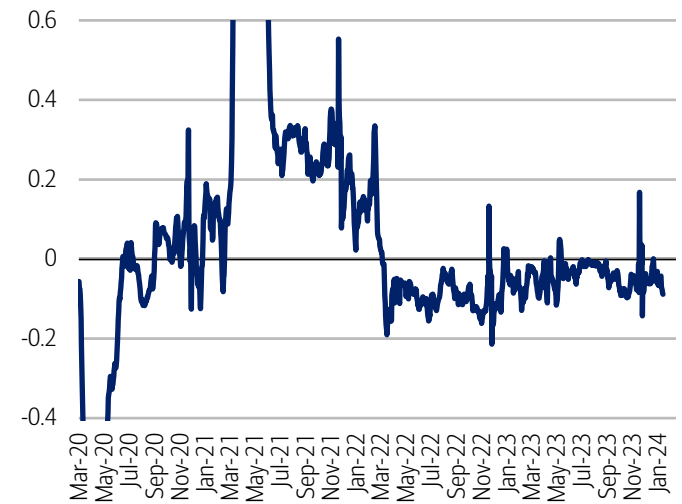


Source: BAC internal data.

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### Exhibit 39: US clothing spending based on BAC aggregated daily card data (% YoY)

US clothing spending was down c9% YoY in the week ending Jan. 20

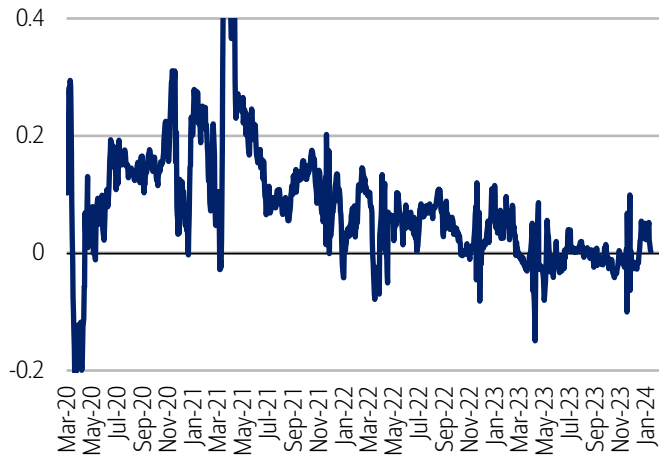


Source: BAC internal data.

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**Exhibit 40: US general merchandise spending based on BAC aggregated daily card data (% YoY)**

US general merchandise spending was broadly flat in the week ending Jan. 20

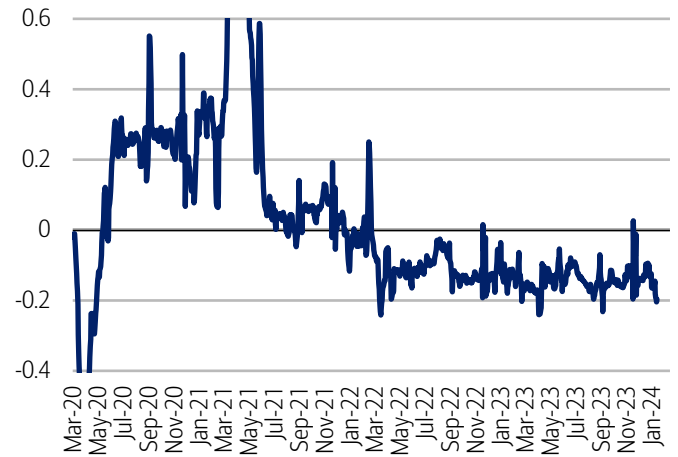


Source: BAC internal data.

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

US furniture spending was down c20% YoY in the week ending Jan. 20

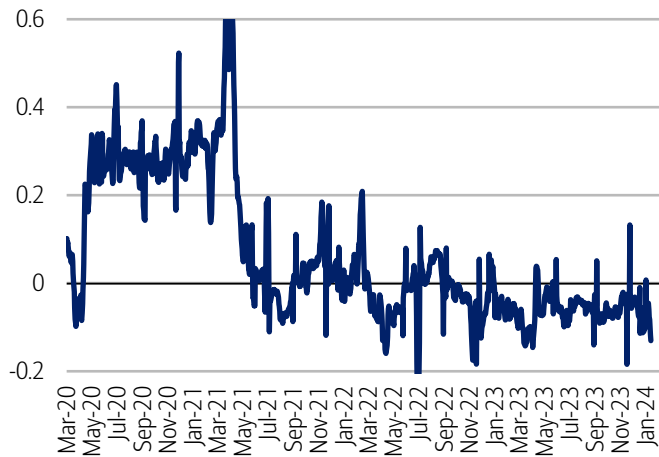


Source: BAC internal data.

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**Exhibit 42: US home improvement spending based on BAC aggregated daily card data (% YoY)**

US home improvement spending was down c13% YoY in the week ending Jan. 20



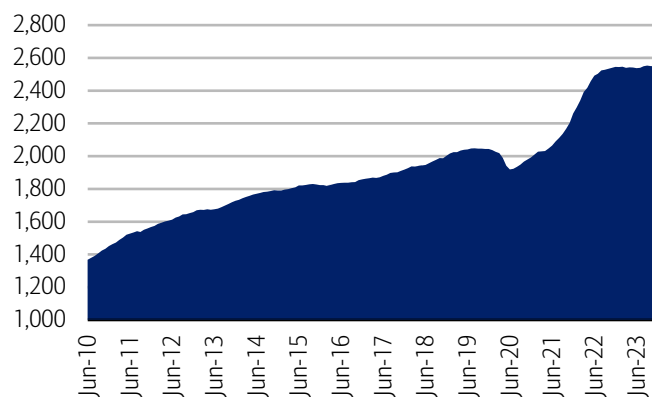
Source: BAC internal data.

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## US Inventories

### Exhibit 43: US total manufacturing and trade inventories (\$bn)

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

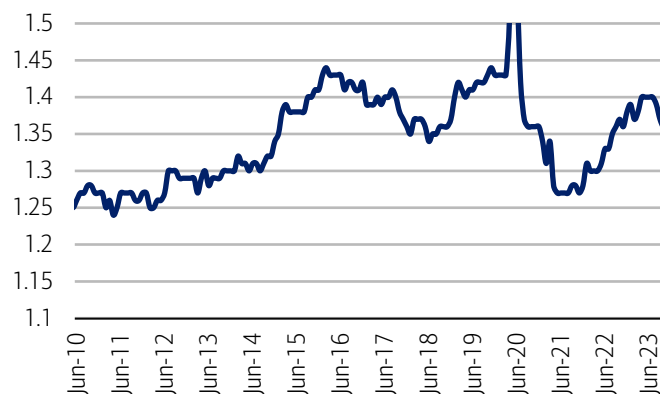


Source: US Census Bureau

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### Exhibit 44: US total manufacturing and trade inventory to sales ratio

US total inventory to sales ratio remained stable at 1.37 in November

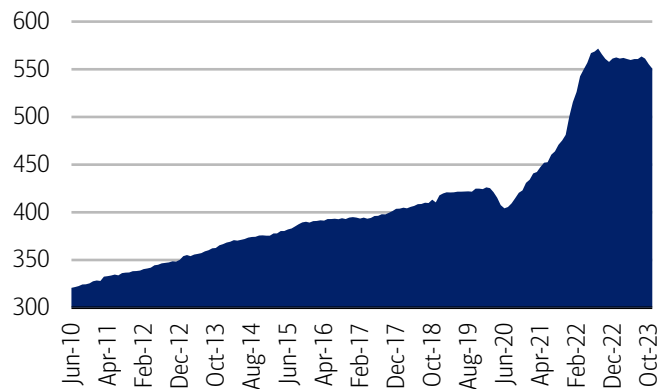


Source: US Census Bureau

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### Exhibit 45: US retail (ex-auto) inventories (\$bn)

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



Source: US Census Bureau

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### Exhibit 46: US retail (ex-auto) manufacturing and trade inventory to sales ratio

US retail inventory to sales decreased to 1.16 in November 2023

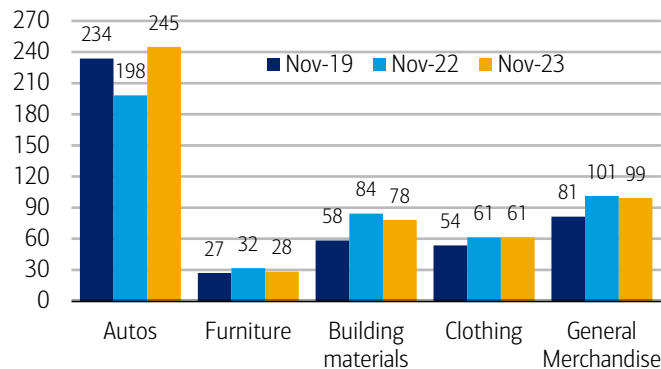


Source: US Census Bureau

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**Exhibit 47: US retail inventories by product category (\$bn)**

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

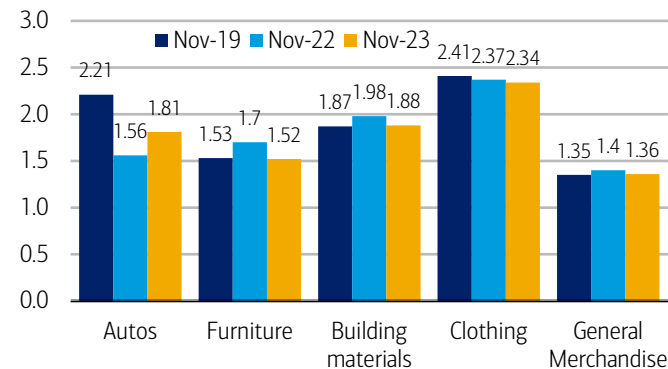


Source: US Census Bureau

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**Exhibit 48: US retail inventory to sales ratio by product category**

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

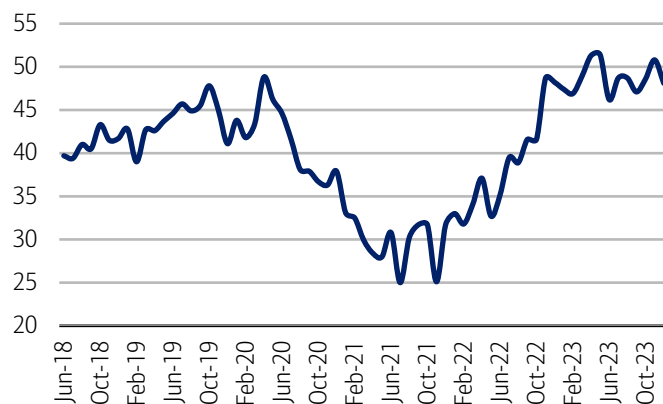


Source: US Census Bureau

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**Exhibit 49: US ISM Manufacturing Customers' inventories Index**

Customer Inventory Index fell to c48 in December 2023



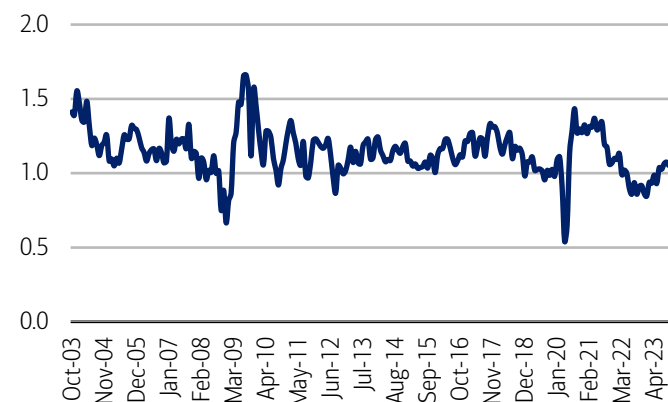
Source: Refinitiv Eikon

Note: A reading of 50 means breakeven levels

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**Exhibit 50: US De-stocking cycle (ISM Manufacturing PMI new orders / inventories)**

New orders are rising while business inventories decline

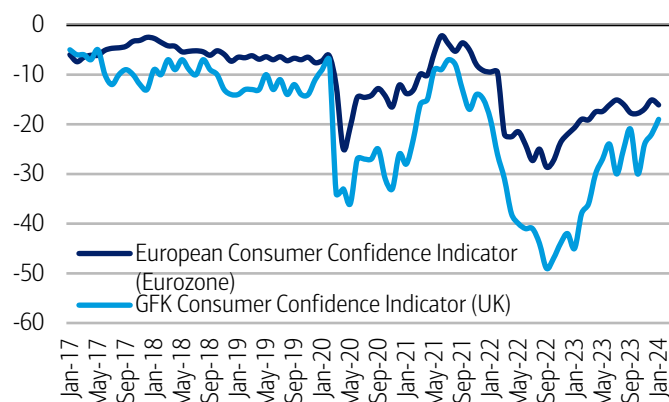


Source: Datastream

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**Consumer sentiment****Exhibit 51: Consumer confidence indicators (Eurozone & UK, monthly)**

Eurozone consumer confidence declined but UK increased in December

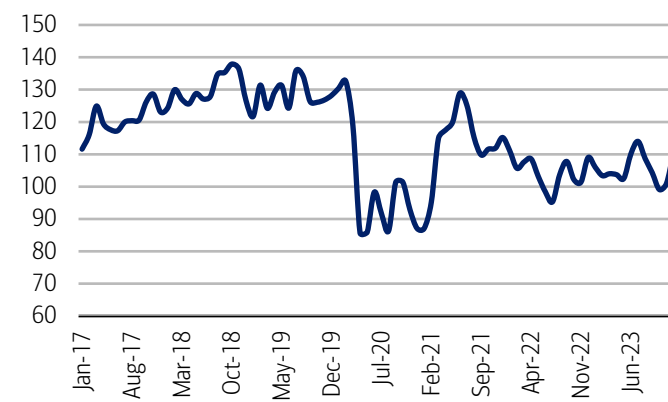


Source: Datastream

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**Exhibit 52: US consumer confidence indicator**

US consumer confidence improved in December



Source: Datastream, The Conference Board

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# Disclosures

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Underperform	N/A	≥ 20%

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