

## Europe Transport

## BofA Freight Follower: Weak demand and increasing capacity pressure rates

## Industry Overview

## Air and ocean rates continue to decline in June

Our tracker of the latest high-frequency freight indicators shows that ocean spot rates continued to decline in June, in particular the Transpacific, albeit at a slower pace than May. Container spot rates dropped by -6% m-m but are still 10% above 2019 levels (and -78% y-y). At our recent virtual Transport field trip, freight companies highlighted that destocking has not finished yet and the restocking timeline has been pushed out to later in 2H. Air freight rates decline slowed to -4% in June, driven by weak demand, while capacity increased 15% y-y in May as belly capacity returned.

## Ocean: vessel deliveries pick-up, demand drop decelerates

Ocean rates continued to decline in June and fell -6% m-m as liners were unable to get the June GRI (General Rate Increase) to stick with rates to the USWC falling -16%. An agreement has been reached by ILWU and USWC port employers, alleviating risk of further disruptions/strikes and potential spike in shipping rates to USWC. The low water levels in the Panama Canal and the resulting surcharges have not had a material impact on overall congestion numbers, with rates to USEC remaining under pressure. Global container volumes declined -1% y-y in April, an improvement from the -3% decline in March. Port congestion remained stable at 6.4% of the fleet, well below the peak of c15%. Liners continue to add more capacity with higher pace of new ship deliveries outpacing deletions by factor of 14-1, amidst weak market conditions and less than 1% of the fleet as idle (ex-shipyards), which suggests lack of discipline by liners. Shipping speed has increased 2% after hitting a low in February this year.

## Air: volumes down -5% y-y in May, rates -4% in June

Air freight rates were down c4% m-m in June as demand remains challenged while capacity increased. Shanghai to N. America rates were down c1% m-m while Shanghai to Europe rates were up c1% in June. Global air freight volumes declined -5% y-y in May as per IATA data, an improvement from -6% in April. Global air cargo capacity was up 15% y-y in May, as belly capacity continued to recover. May capacity was c6% above 2019 levels, up from 4% in April. Global loads declined 1ppt m-m to 42% in May (down c9ppt y-y).

## Demand trends remain lacklustre

BAC US aggregated credit and debit card data shows card spending per household remained slow through June17, as consumers further cut spending. See latest [BofA on USA](#) report for limitations, disclosures and methodology in connection with BAC card data. Retail inventories are 17% higher than 2019 levels in April. Furniture and general merchandise inventory to sales ratios was above 2019 levels while clothing was below.

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Refer to important disclosures on page 17 to 18.

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Equity  
Europe  
Transport

**Muneeba Kayani** >>  
Research Analyst  
MLI (UK)  
+44 20 7996 5208  
[muneeba.kayani@bofa.com](mailto:muneeba.kayani@bofa.com)

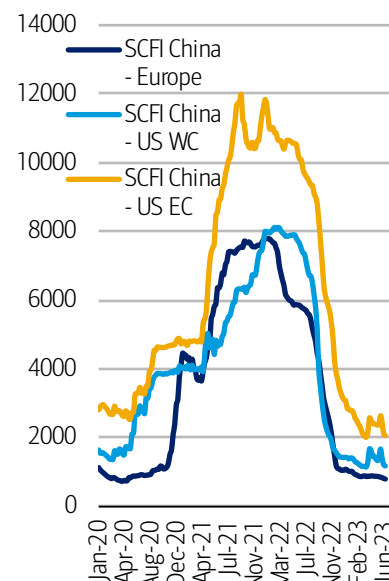
**Paul Kirjanovs** >>  
Research Analyst  
MLI (UK)  
+44 20 7996 1082  
[paul.kirjanovs@bofa.com](mailto:paul.kirjanovs@bofa.com)

**Simona Sarli** >>  
Research Analyst  
MLI (UK)  
+44 20 7996 7288  
[simona.sarli@bofa.com](mailto:simona.sarli@bofa.com)

**Selin Ilerigkelen** >>  
Research Analyst  
MLI (UK)  
+44 20 7996 1805  
[selin.ilerigkelen@bofa.com](mailto:selin.ilerigkelen@bofa.com)

## Exhibit 1: SCFI indices by trade lane

Asia-USWC rates lower by -16% in June



Source: Clarksons

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## Definitions:

**USWC:** US West Coast

**USEC:** US East Coast

**ILWU:** International Longshore and Warehouse Union

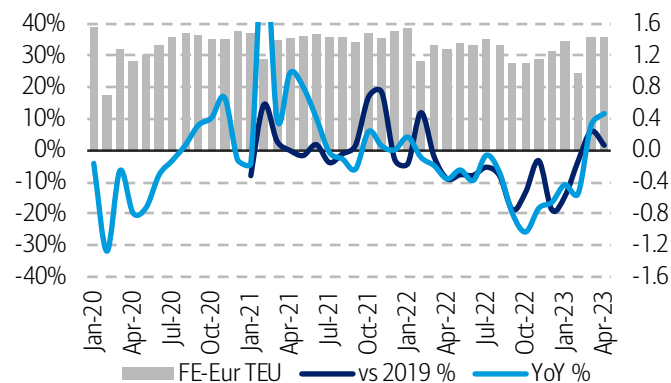
**SCFI:** Shanghai Containerized Freight Index

# Container shipping data

## Shipping Volumes

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

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

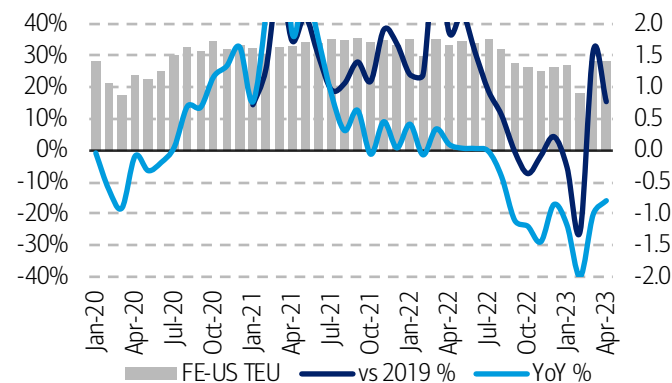


Source: Alphaliner

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

Transpacific volumes were down c16% YoY in April 2023

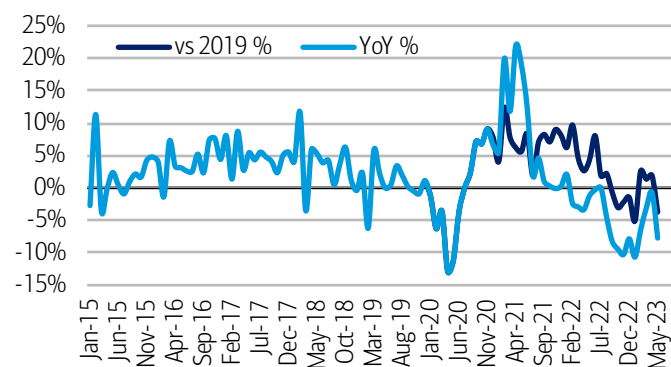


Source: Alphaliner

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

Global container volumes declined c1% YoY and were down 2% vs 2019 in April 2023



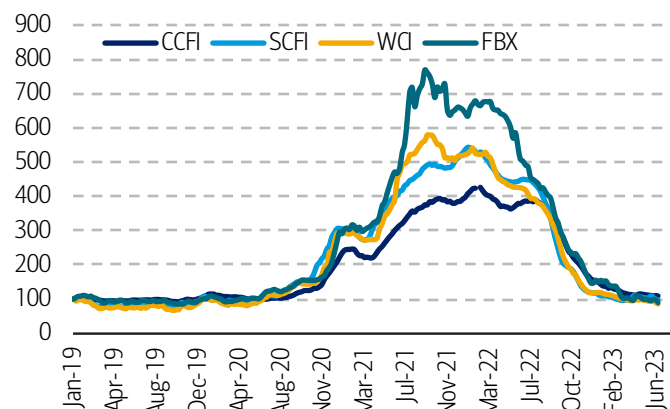
Source: Bloomberg

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## Shipping rates

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

SCFI declined -6% month-on-month

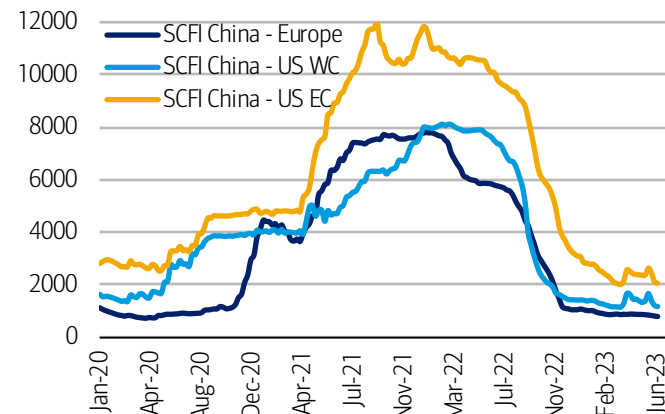


Source: Refinitiv Eikon, Drewry, Bloomberg

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### Exhibit 6: SCFI indexes by trade lane

Asia-USWC rates are down by -16% month-on-month

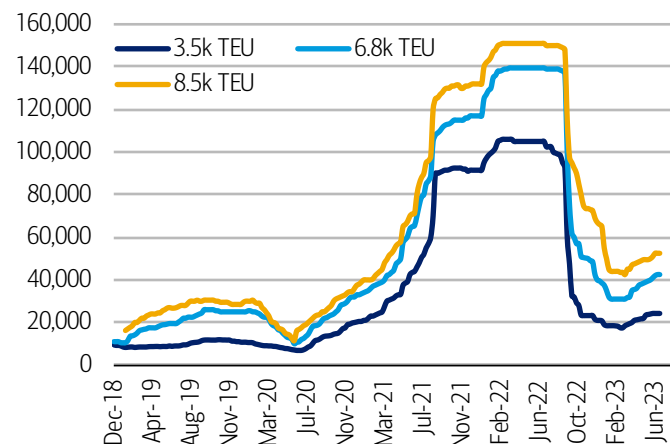


Source: Clarksons

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### Exhibit 7: 6-12 month Timecharter rates

Short-term charter rates improved in June...

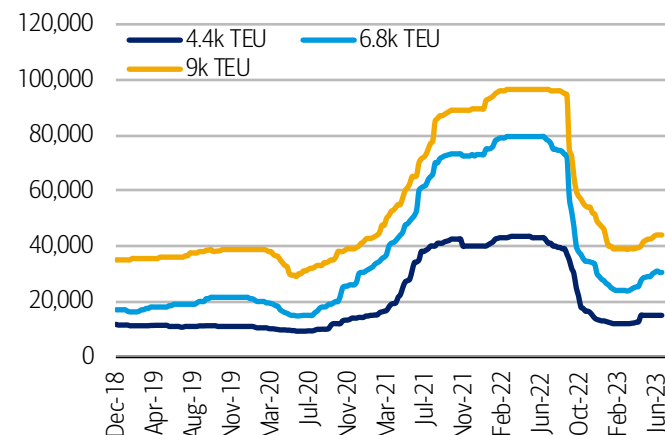


Source: Clarksons

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### Exhibit 8: 3-5 years Timecharter rates

... with medium-term rates broadly steady in June...

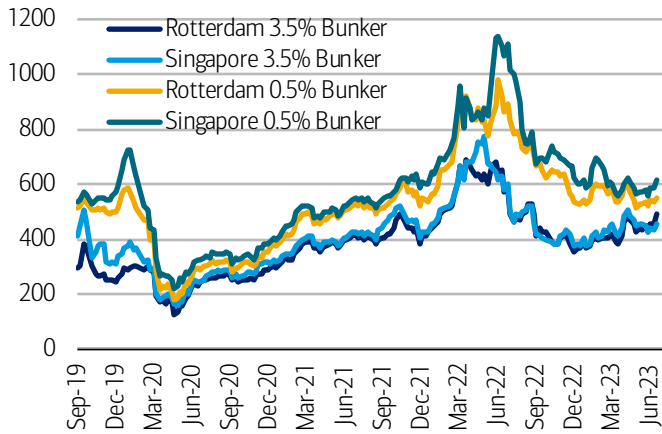


Source: Clarksons

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

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

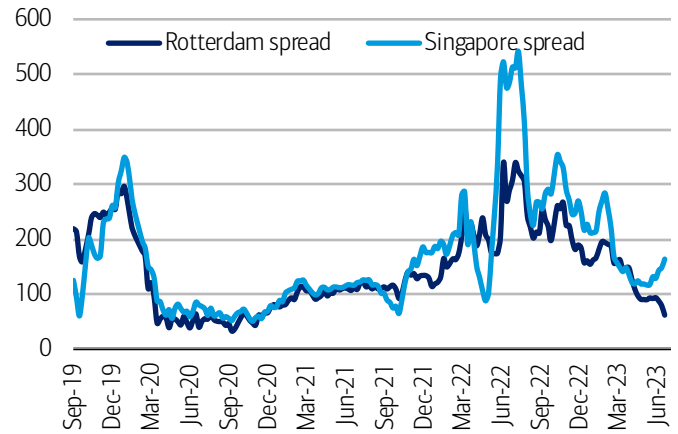


Source: Clarksons

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

... while the high and low sulphur spread widening



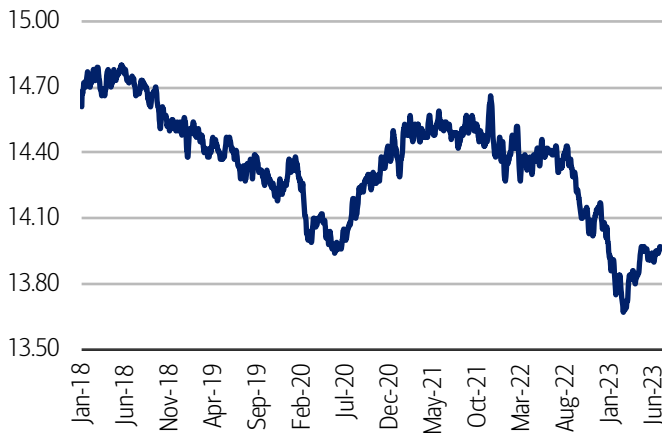
Source: Clarksons

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## Shipping speed

**Exhibit 11: Containership speed (Daily average speed Knots)**

Average speed has increased after hitting a low earlier this year



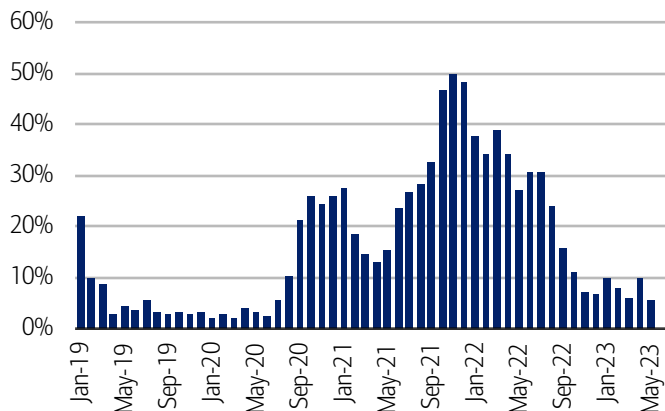
Source: Clarksons

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## Port disruption

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

USWC containers dwelling >5 days decreased to 6% in May 2023

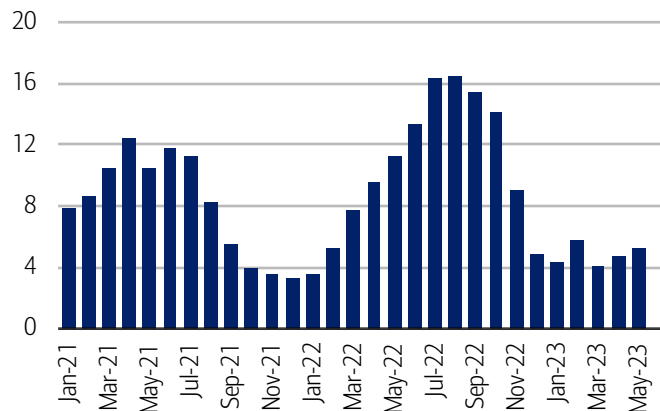


Source: PMSA

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### Exhibit 13: US West Coast rail dwell time in days

USWC average rail dwell times increased to 5.2 days in May 2023

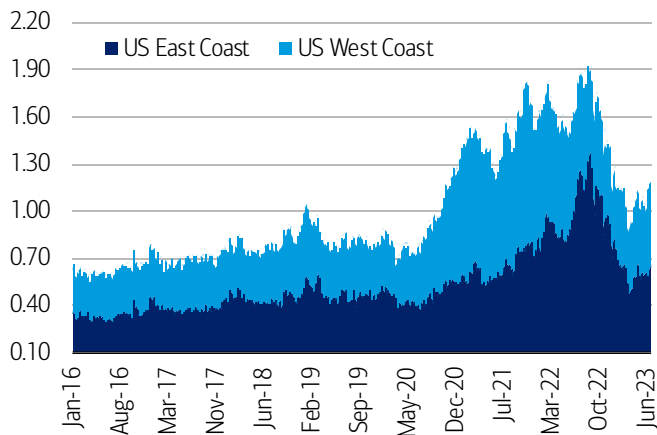


Source: PMSA

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

US East Coast and West Coast port congestion increased in June

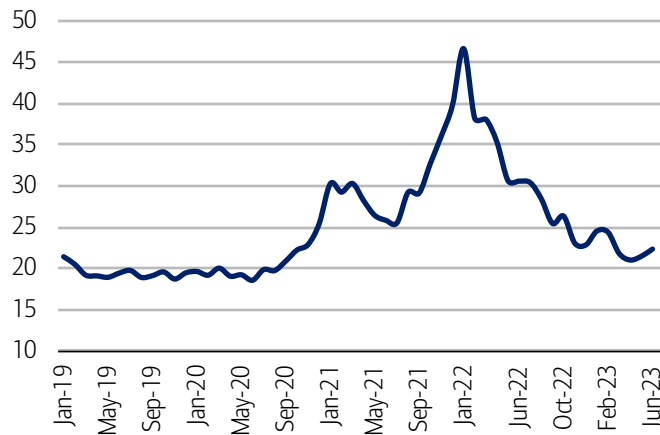


Source: Clarksons

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

Transpacific transit times increased in June 2023

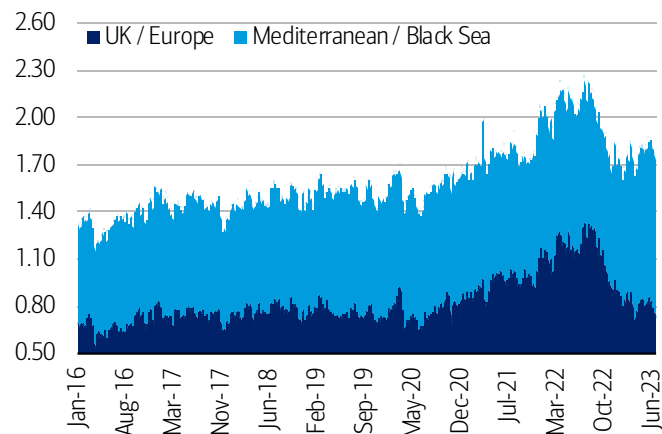


Source: Clarksons

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

Port congestion in UK is easing while Mediterranean is rising

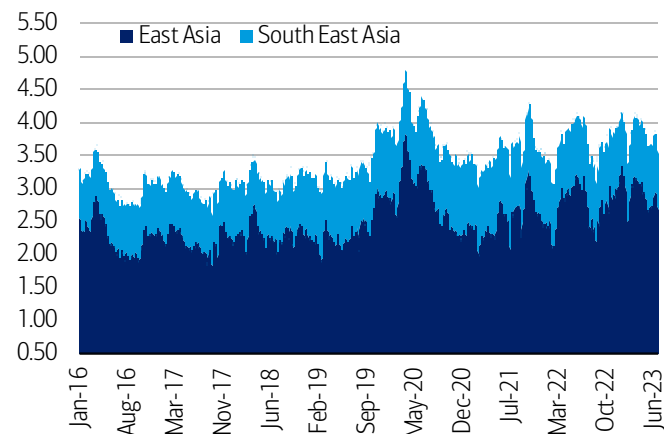


Source: Clarksons

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

Port congestion in East Asia and South East Asia is easing

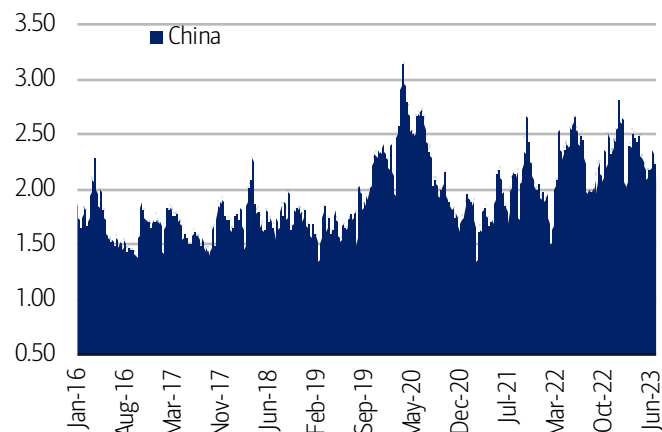


Source: Clarksons

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**Exhibit 18: Vessels in port – China (TEUm)**

Chinese port congestion has decreased over the past month

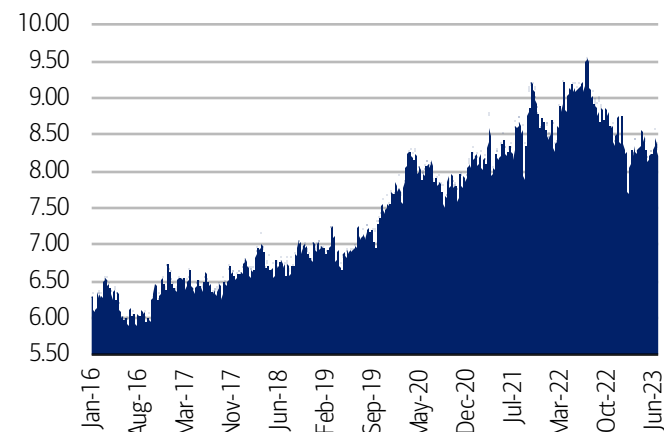


Source: Clarksons

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**Exhibit 19: Vessels in port - Global (TEUm)**

Global port congestion elevated but remains well below peak levels



Source: Clarksons

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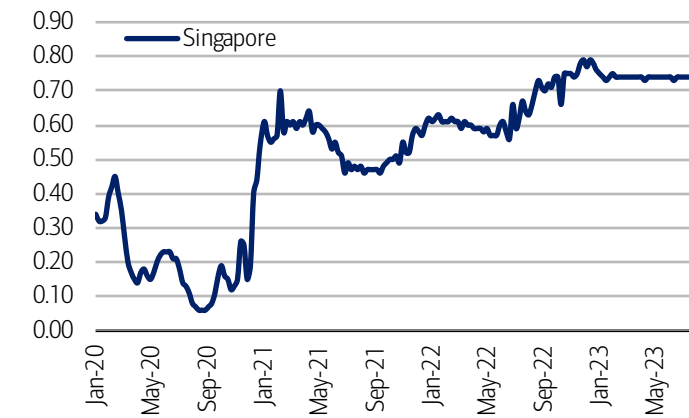
# Container boxes

**Exhibit 20: Box Availability in Shanghai (CAx)**  
Container box shortages have eased in Shanghai...



**Source:** Container xChange  
**Note:** value of >0.5 means more boxes enter than leave and <0.5 means more boxes leave than enter. A low value reflects a deficit of containers.  
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**Exhibit 21: Box Availability in Singapore (CAx)**  
... and have also recovered in Singapore



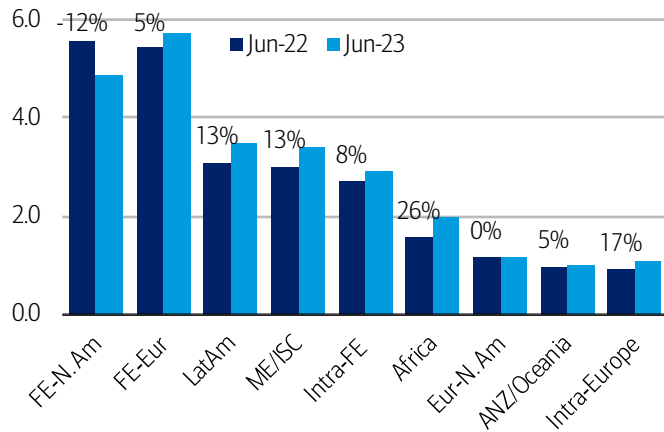
**Source:** Container xChange  
**Note:** value of >0.5 means more boxes enter than leave and <0.5 means more boxes leave than enter. A low value reflects a deficit of containers.  
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## Capacity deployment

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

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

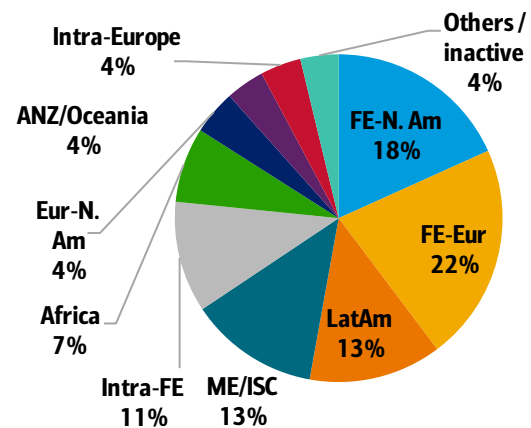


Source: Alphaliner

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

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



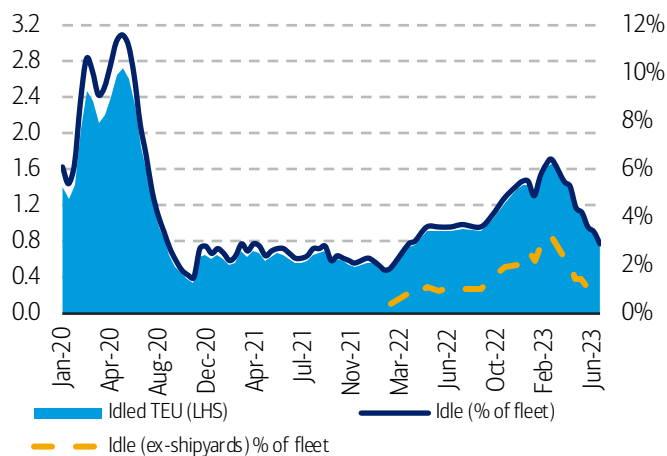
Source: Alphaliner

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## Idle capacity

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

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

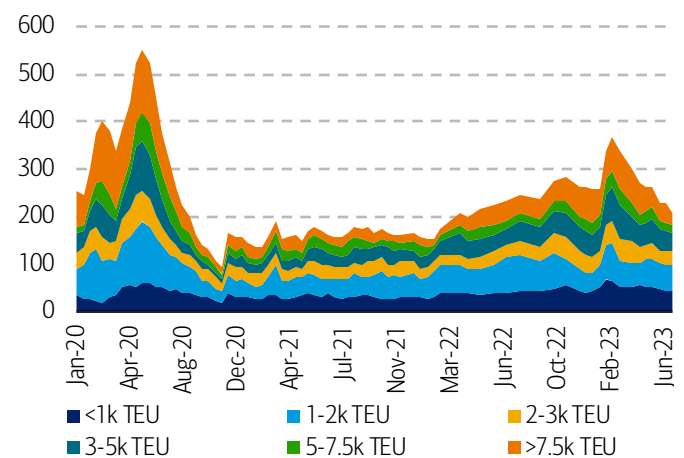


Source: Alphaliner

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

Inactivity was mixed across size segments



Source: Alphaliner

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New orders

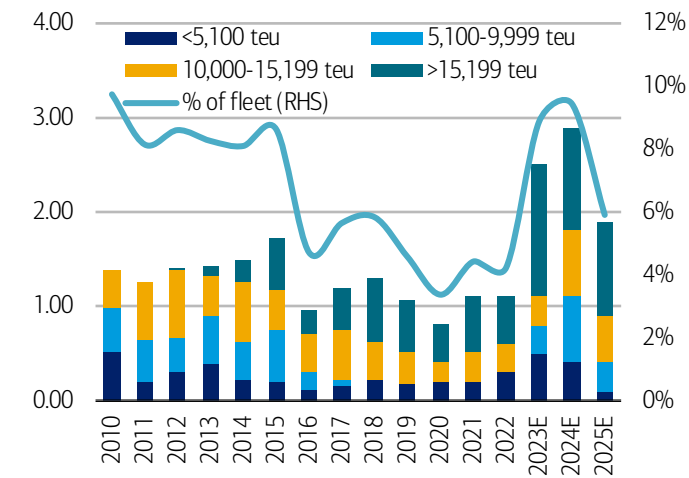
**Exhibit 26: Global orderbook to fleet (%)**  
The global orderbook to fleet ratio marginally declines to c28%



Source: Clarksons

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



Source: Alphaliner

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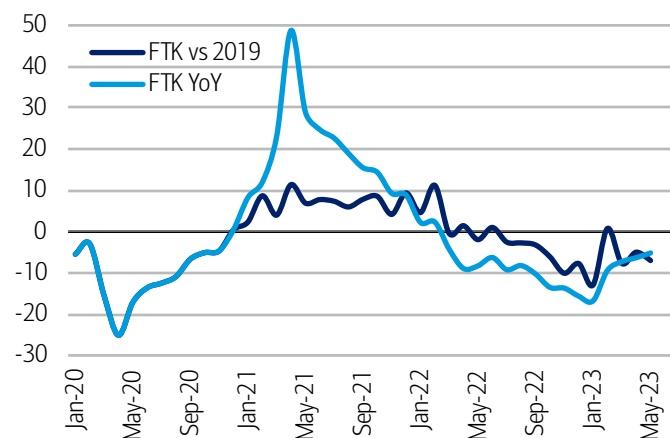


# Air freight data

## Air Freight Volumes

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

Global air cargo volumes were down c5% YoY in May 2023

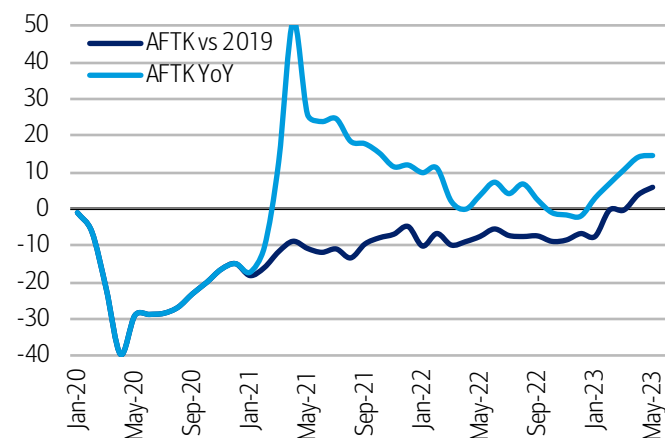


Source: IATA

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

Global air cargo capacity was up c15% YoY in May 2023

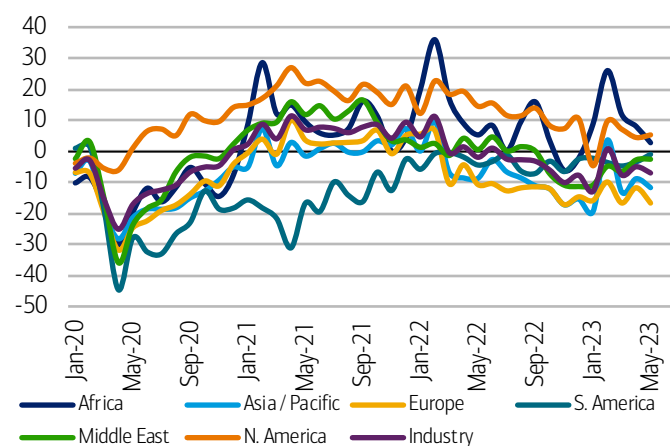


Source: IATA

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

Volumes were mixed across regions' vs 2019 levels in May 2023

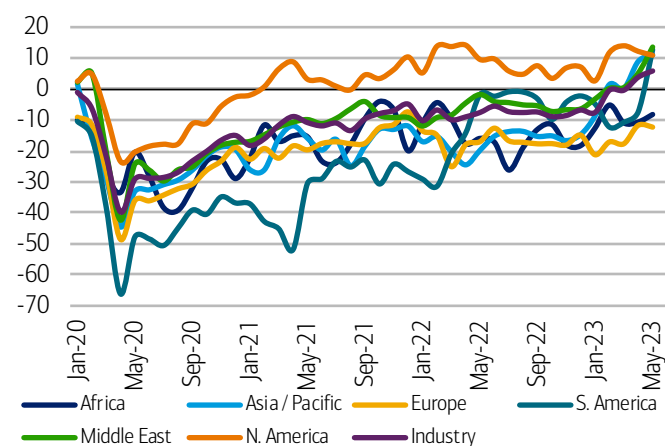


Source: IATA

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

Capacity improved across most regions' vs 2019 levels in May 2023

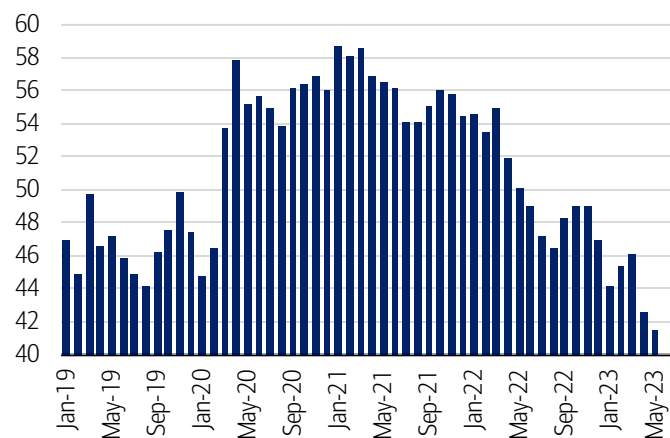


Source: IATA

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**Exhibit 32: Global air freight load factor (%)**

Load factor decreased M-o-M to c42% in May 2023

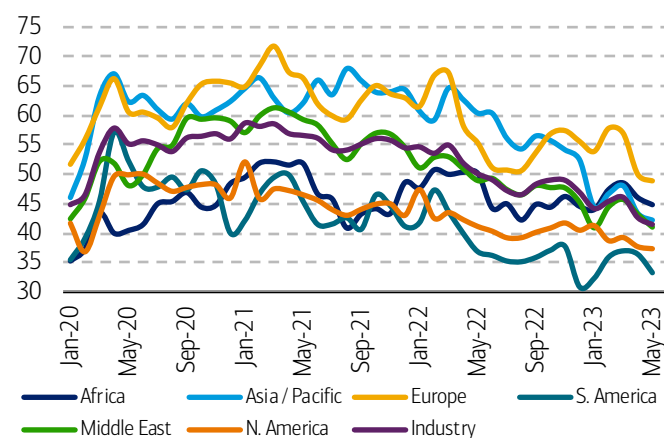


Source: IATA

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

Load factor declined M-o-M the most in S. America in May 2023



Source: IATA

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

China to Europe air freight rates were up +c1% M-o-M in June

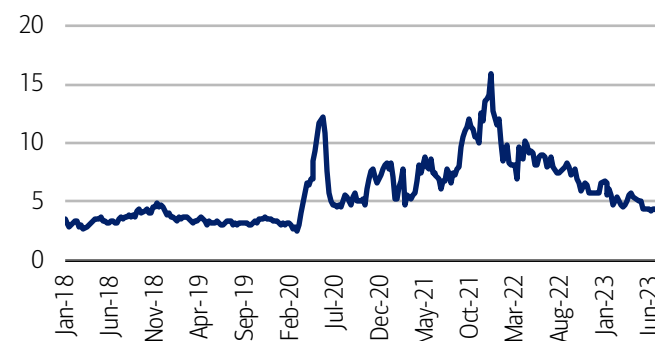


Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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

China to N. America air freight rates were down by -c1% M-o-M in June



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

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**Exhibit 36: Baltic Exchange Air Freight Index**

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



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

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# European road freight rates

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

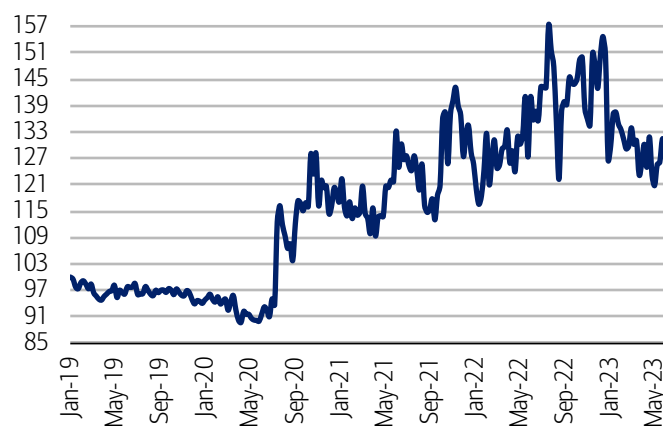
European road freight rates were 38% above 2019 levels in May'23



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

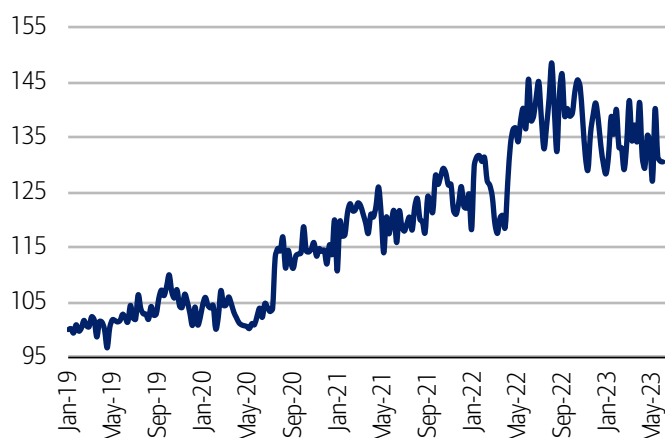
German outbound road freight rates were 31% above 2019 levels in May'23



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

French outbound road freight rates were 30% above 2019 levels in May'23



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

UK outbound road freight rates were 37% above 2019 levels in May'23



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

## PMI indicators

### Exhibit 41: US ISM Manufacturing

US PMI broadly flat at c47 in May 2023

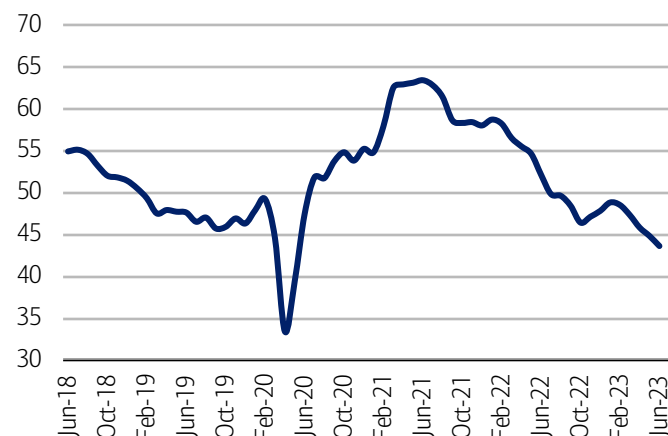


Source: Datastream, Institute for Supply Management

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### Exhibit 42: Eurozone Manufacturing Purchasing Managers Index (PMI)

Euro area PMI declined to c44 in June 2023



Source: Datastream, IHS Markit

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## US consumption trends

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

US retail (ex. auto) spending was down c3% YoY in the week ending June 17



Source: BAC internal data.

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

US clothing spending was down c3% YoY in the week ending June 17

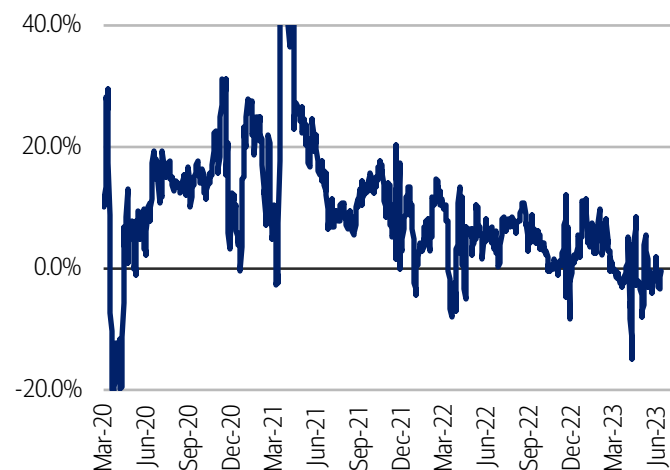


Source: BAC internal data.

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

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



Source: BAC internal data.

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

US furniture spending was down c13% YoY in the week ending June 17

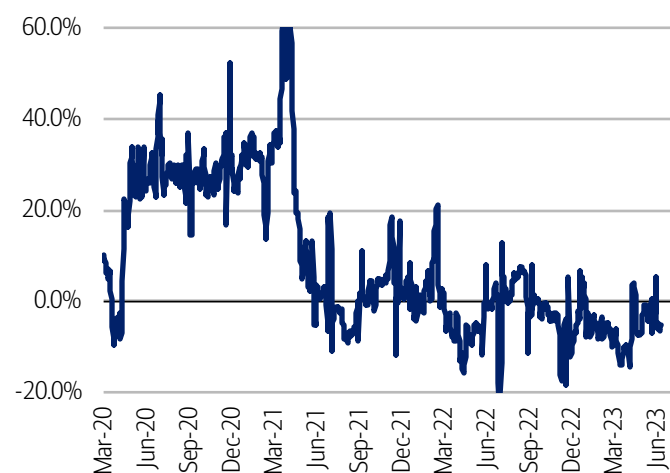


Source: BAC internal data.

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

US home improvement spending was down c6% YoY in the week ending June 17



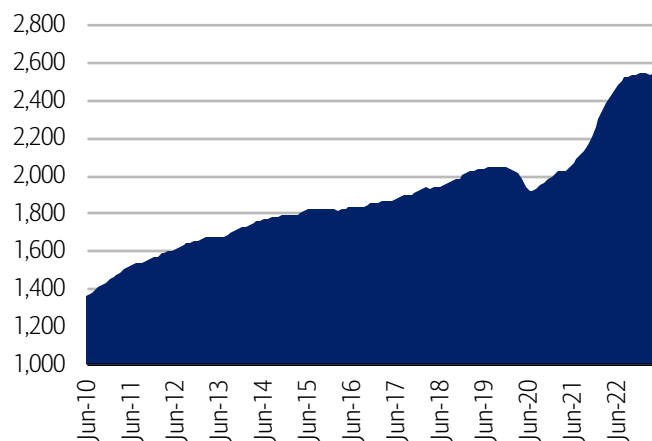
Source: BAC internal data.

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## US inventories

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

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

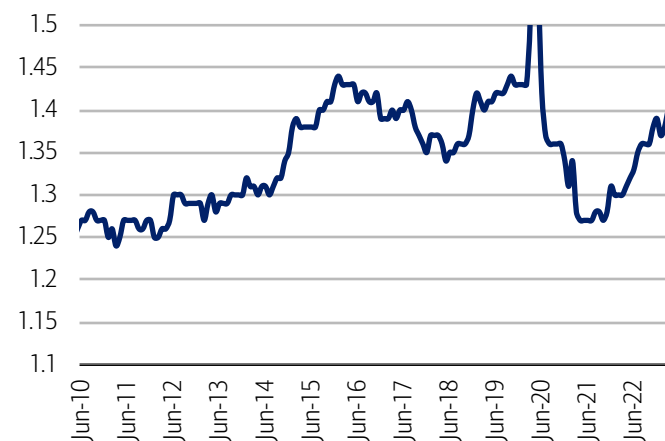


Source: US Census Bureau

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

US total inventory to sales ratio increased to 1.4 in April

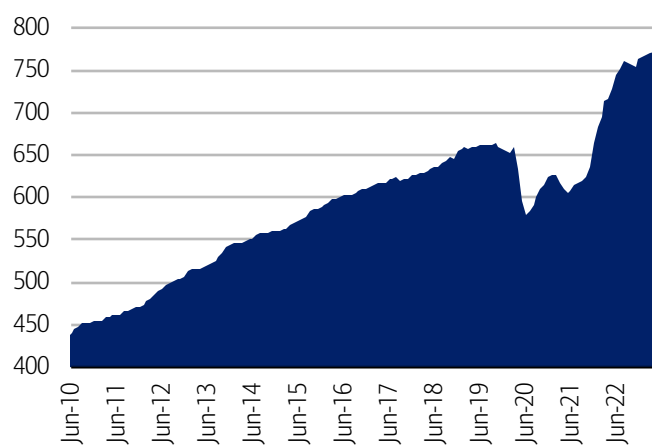


Source: US Census Bureau

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### Exhibit 50: US retail inventories (\$bn)

US retail inventories were 17% above 2019 levels in April 2023

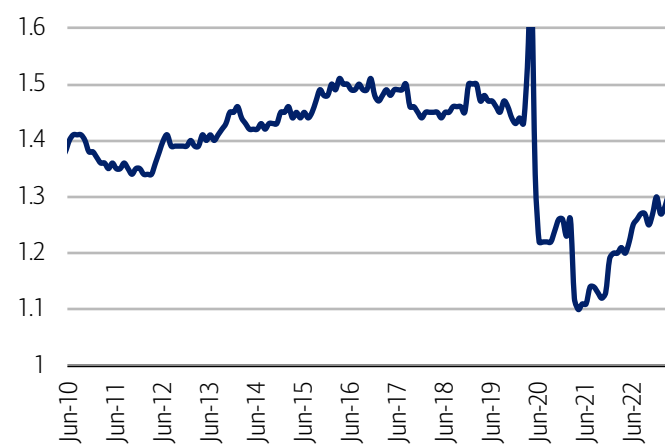


Source: US Census Bureau

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

US retail inventory to sales increased to 1.29 in April 2023

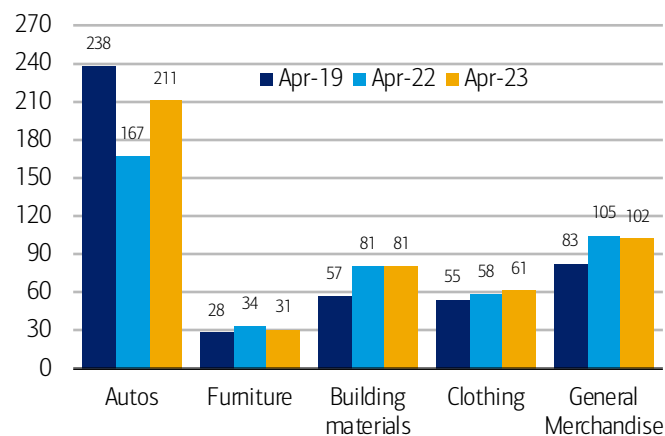


Source: US Census Bureau

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

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

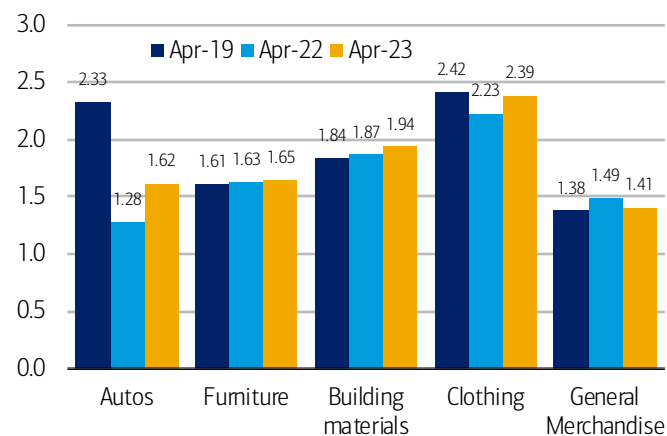


Source: US Census Bureau

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

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

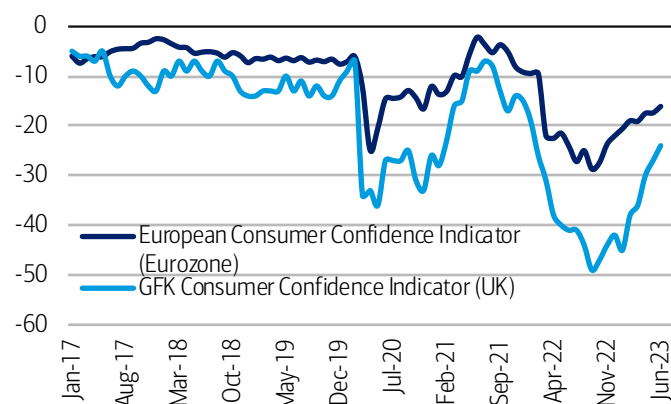


Source: US Census Bureau

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

Eurozone &amp; UK consumer confidence improved in June

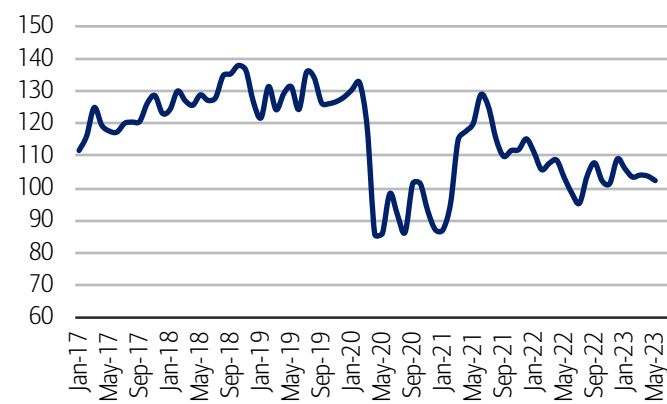


Source: Datastream

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**Exhibit 55: US consumer confidence indicator**

US consumer confidence declines in May



Source: Datastream, The Conference Board

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# Disclosures

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