

## Europe Transport

## BofA Freight Follower: Ocean rates down, Air up

## Industry Overview

## First positive y-y volume in Air &amp; Ocean, on base benefits

Our tracker of the latest high-frequency freight indicators shows that ocean spot rates continued to decline in September despite an early boost from a 1 September GRI (General Rate Increase). Container spot rates are down -12% m-m, putting them 26% above September 2019 levels. Air freight rates increase +6% in September, as demand improved, while capacity increased +12% y-y in August as belly capacity returned. Market demand for air freight capacity is increasing, potentially leading to a seasonal peak, on the back of ecommerce activity and new product introductions as well as surging demand for consumer electronics and semiconductor production.

## Ocean: TP rates down, US holiday season optimism

Ocean rates fell -12% m-m in September as liners were unsuccessful with retaining rate increases. Rates to the USWC decreased -11% m-m. Global container volumes increase +0.2% y-y in July, better than the -1.7% decline in June, with H2 comps starting to ease from August. Port of LA volumes increased +3% y-y in August (-4% vs 2019), better than -27% in June, on easier comps, which will continue to soften until November, while mgmt expects the easing trend in global trade to persist in near term. The National Retail Federation (NRF) in its Global Port Tracker expects volume trends at US ports in Aug (2m TEUs) to persist through Sept/Oct (-1.8%/+0.1% y-y), indicating that retailers are optimistic about the holiday season, according to the NRF. Liners continue to add capacity at the fastest pace on record (190k TEU/month since April) with new ship deliveries amidst weak market conditions and less than 1% of the fleet remaining idle (ex-shipyards). Shipping speeds have remained largely unchanged after hitting a previous low in February.

## Air: volumes up +1% y-y in August, rates +6% in Sept

Air freight rates were up +c6% m-m in September as demand improves. Shanghai to N. America rates were up +c6% m-m while Shanghai to Europe rates increased +c18%. Global air freight volumes increased +1% y-y in August as per IATA data, an improvement from -1% in July, with H2 comps becoming easier from September. Global air cargo capacity was up +12% y-y in August, as belly capacity continued to recover. August capacity was +c4% above 2019 levels, down from +3% in June. Global loads decreased 0.3ppt m-m to 42% in August (down c4.4ppt y-y).

## Demand trends remain lacklustre

BAC US aggregated credit and debit card data shows card spending per household slowing slightly in September y-y. See the latest [BofA on USA](#) report for limitations, disclosures and methodology in connection with BAC card data. Retail inventories in July were 33% higher than 2019 levels. Furniture, building materials and general merchandise inventory-to-sales ratios were above 2019 while clothing and autos were below.

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Refer to important disclosures on page 16 to 17.

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Timestamp: 29 September 2023 12:30AM EDT

29 September 2023

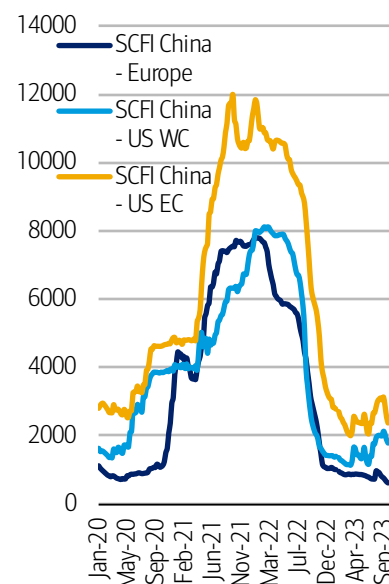
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## Exhibit 1: SCFI indices by trade lane

Asia-USWC rates lower by 11% m-m in Sep.



Source: Clarksons

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## Definitions:

**USWC:** US West Coast

**USEC:** US East Coast

**SCFI:** Shanghai Containerized Freight Index

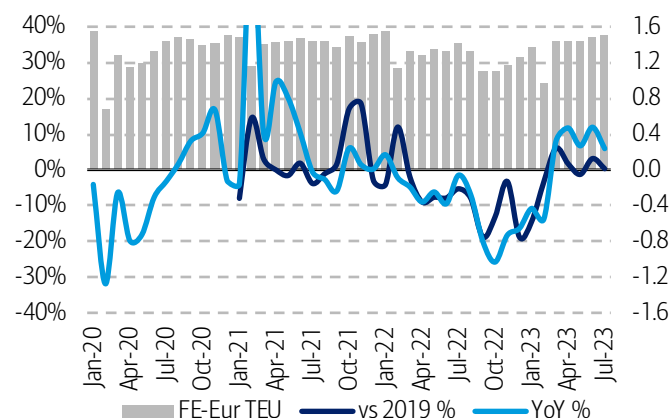
**TP:** Transpacific

# Container shipping data

## Shipping Volumes

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

Asia to Europe volumes were up c6% YoY in July 2023

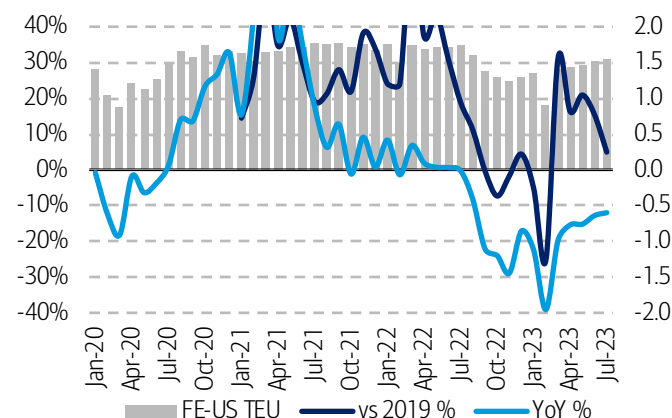


Source: Alphaliner, Bloomberg

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

Transpacific volumes were down c12% YoY in July 2023

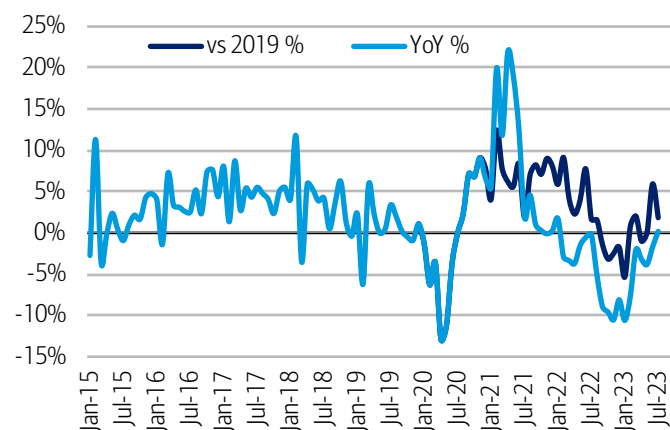


Source: Alphaliner

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

Global container volumes were flat YoY and were up 2% vs 2019 in July 2023

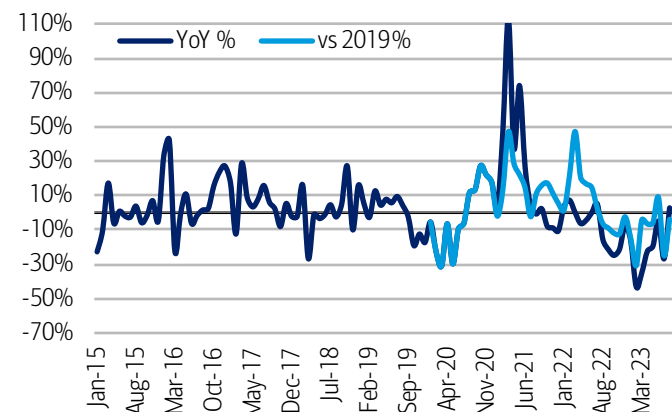


Source: Bloomberg

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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 3% YoY and were down 4% vs 2019 in August 2023



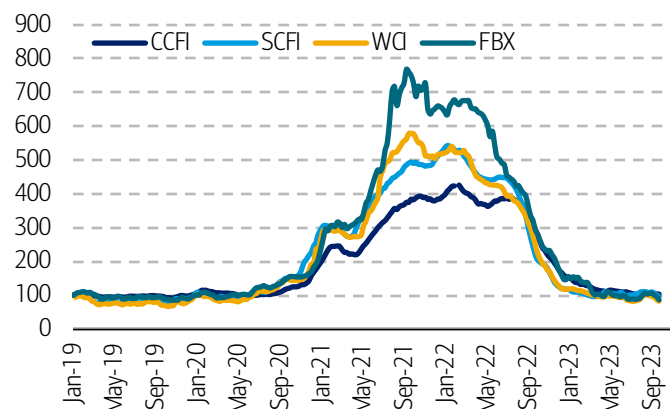
Source: Port of Los Angeles

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## Shipping rates

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

SCFI declined 12% month-on-month

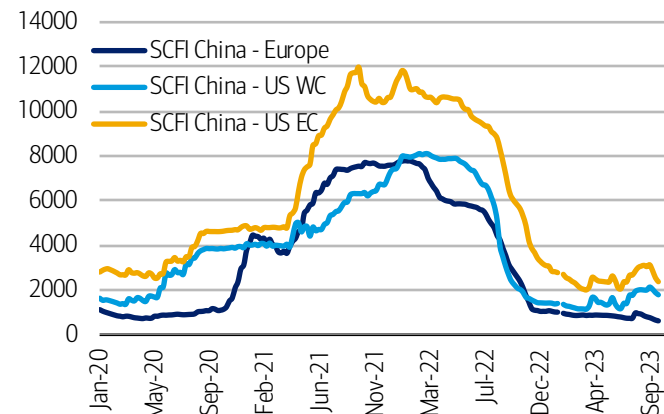


Source: Refinitiv Eikon, Drewry, Bloomberg

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### Exhibit 7: SCFI indexes by trade lane

Asia-USWC rates are lower by 11% month-on-month



Source: Clarksons

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### Exhibit 8: CCFI quarterly average (2022-23)

CCFI is -6% 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	878
	CCFI Europe	5,526	5,060	4,738	2,497	1,411	1,154	1,065
	CCFI USWC	2,596	2,502	2,331	1,079	781	707	732
	CCFI USEC	2,682	2,796	2,844	1,746	1,161	886	871
% YoY	CCFI	78%	46%	-1%	-51%	-68%	-70%	-70%
	CCFI Europe	81%	45%	-7%	-53%	-74%	-77%	-78%
	CCFI USWC	96%	69%	14%	-53%	-70%	-72%	-69%
	CCFI USEC	81%	59%	23%	-31%	-57%	-68%	-69%
% QoQ	CCFI	6%	-8%	-7%	-45%	-33%	-14%	-6%
	CCFI Europe	5%	-8%	-6%	-47%	-43%	-18%	-8%
	CCFI USWC	12%	-4%	-7%	-54%	-28%	-9%	3%
	CCFI USEC	6%	4%	2%	-39%	-34%	-24%	-2%

Source: Clarksons

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### Exhibit 9: SCFI quarterly average (2022-23)

SCFI is +1% higher QoQ so far in 3Q23

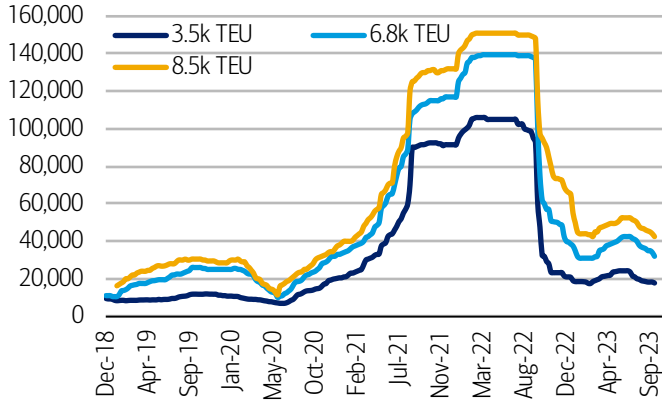
		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
SCFI	SCFI	4,851	4,211	3,279	1,375	969	984	994
	SCFI Europe	7,435	5,959	4,656	1,490	926	848	790
	SCFI USWC	8,032	7,773	5,278	1,627	1,265	1,419	1,897
	SCFI USEC	11,008	10,409	8,557	4,126	2,438	2,366	2,811
% YoY	SCFI	74%	29%	-24%	-71%	-80%	-77%	-70%
	SCFI Europe	81%	15%	-36%	-80%	-88%	-86%	-83%
	SCFI USWC	100%	68%	-8%	-76%	-84%	-82%	-64%
	SCFI USEC	130%	47%	-19%	-62%	-78%	-77%	-67%
% QoQ	SCFI	3%	-13%	-22%	-58%	-30%	2%	1%
	SCFI Europe	-3%	-20%	-22%	-68%	-38%	-8%	-7%
	SCFI USWC	18%	-3%	-32%	-69%	-22%	12%	34%
	SCFI USEC	2%	-5%	-18%	-52%	-41%	-3%	19%

Source: Clarksons

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**Exhibit 10: 6-12 month Timecharter rates**

Short-term charter rates declined in September...

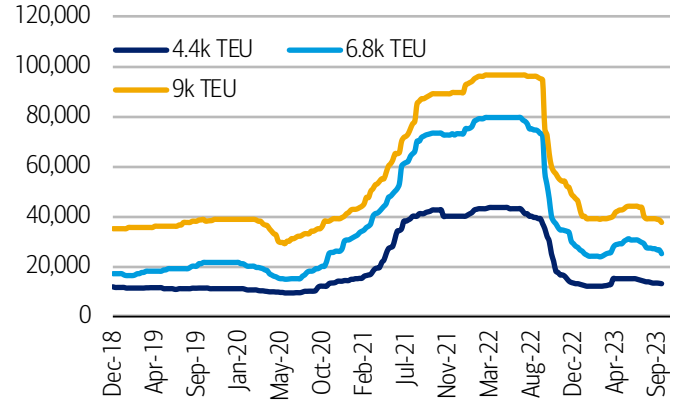


Source: Clarksons

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**Exhibit 11: 3-5 years Timecharter rates**

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

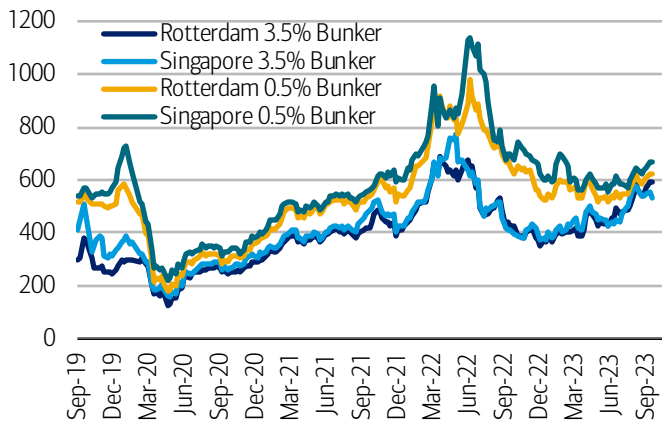


Source: Clarksons

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

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

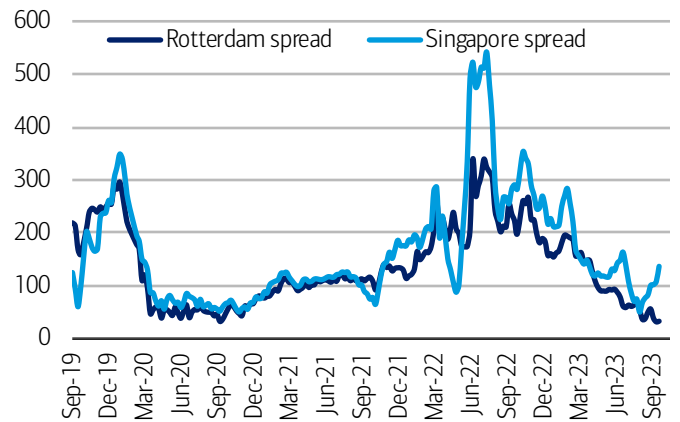


Source: Clarksons

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

... while the high and low sulphur spread expanding

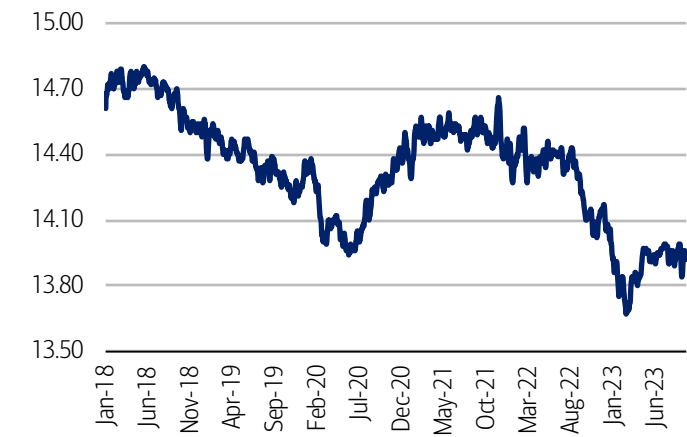


Source: Clarksons

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# Shipping speed

**Exhibit 14: Containership speed (Daily average speed Knots)**  
Average speed has started to decrease again post hitting a low earlier this year



Source: Clarksons

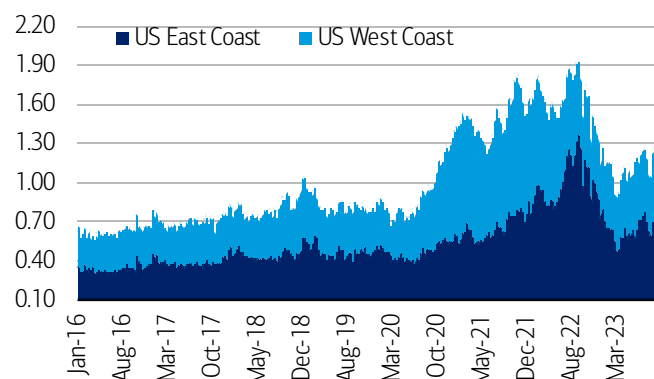
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## Port disruption

### Exhibit 15: Vessels in port – US East Coast & West Coast (TEUm)

US East Coast and West Coast port congestion increased in September

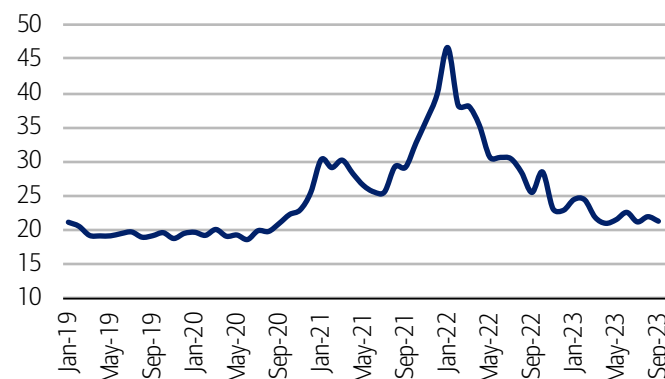


Source: Clarksons

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### Exhibit 16: China to USWC average containership duration (days)

Transpacific transit times decreased in September 2023

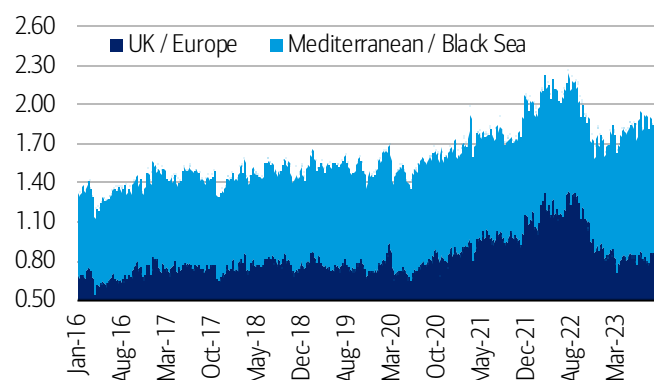


Source: Clarksons

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### Exhibit 17: Vessels in Port – UK/Europe & Mediterranean (TEUm)

Port congestion in UK is elevating while Mediterranean is easing

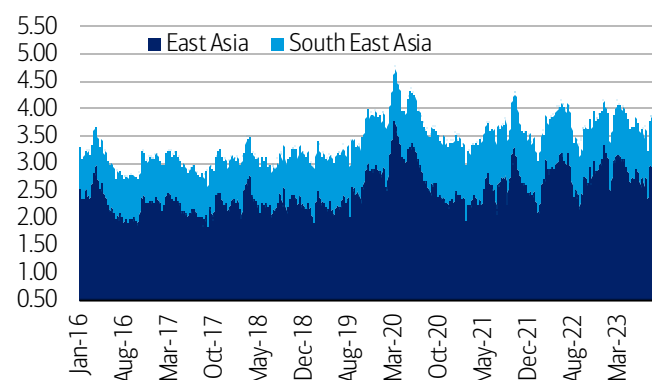


Source: Clarksons

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### Exhibit 18: Vessels in port – East and South-East Asia (TEUm)

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

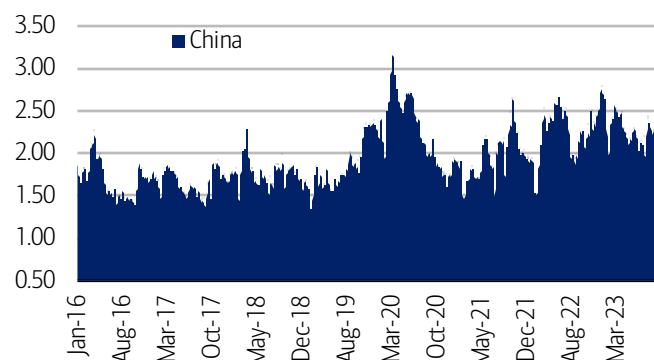


Source: Clarksons

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### Exhibit 19: Vessels in port – China (TEUm)

Chinese port congestion has decreased over the past month

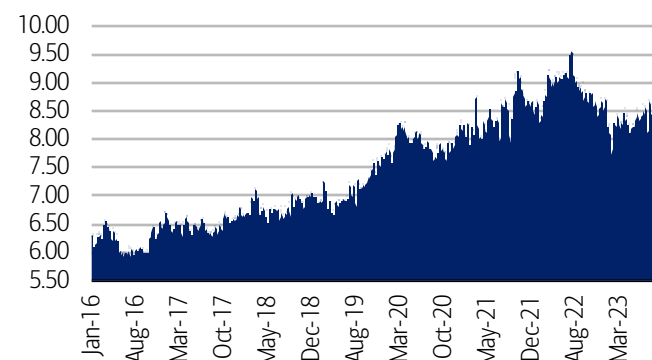


Source: Clarksons

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### Exhibit 20: Vessels in port – Global (TEUm)

Global port congestion elevated but remains well below peak levels



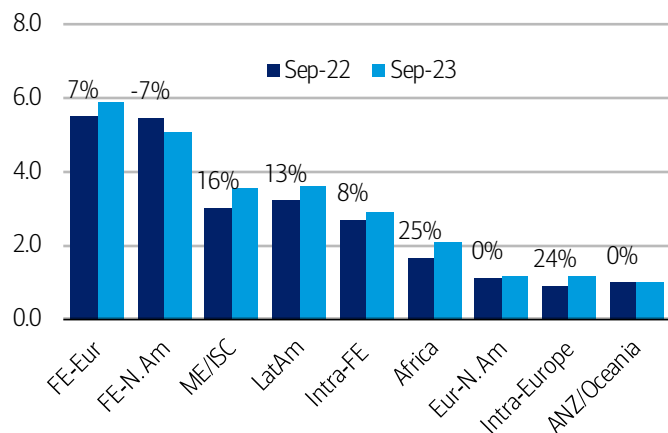
Source: Clarksons

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## Capacity deployment

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

Asia to N. America has seen the biggest YoY cut in capacity at -7%

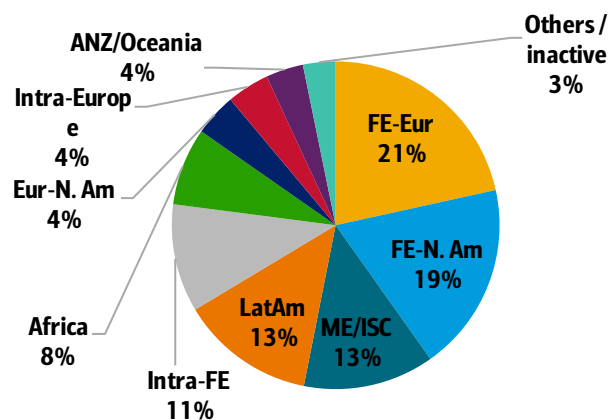


Source: Alphaliner

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**Exhibit 22: Global deployment by TEU capacity in September-23 (% of total)**

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



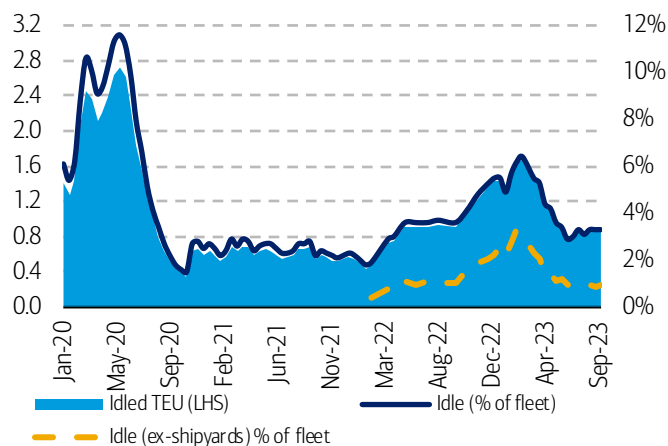
Source: Alphaliner

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## Idle capacity

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

Idling (excluding capacity at shipyards) has remained broadly stable at c0.9% of global fleet

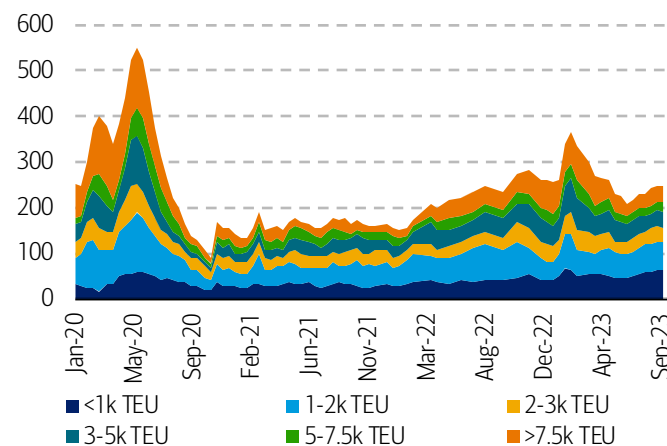


Source: Alphaliner

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

Inactivity remained stable across size segments

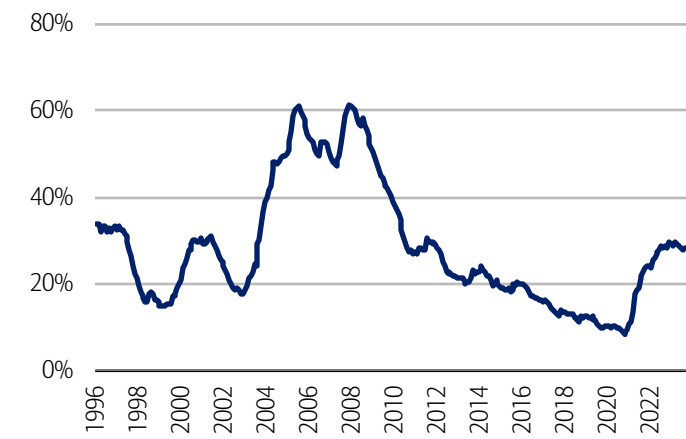


Source: Alphaliner

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New orders

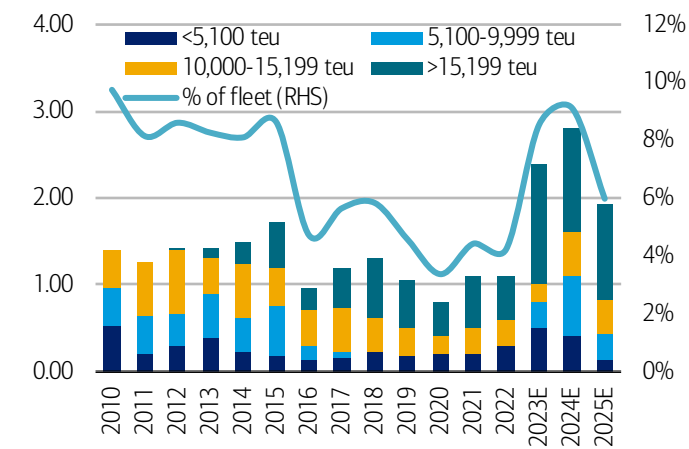
**Exhibit 25: Global orderbook to fleet (%)**  
The global orderbook to fleet ratio remained broadly flat at c28%



Source: Clarksons

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**Exhibit 26: 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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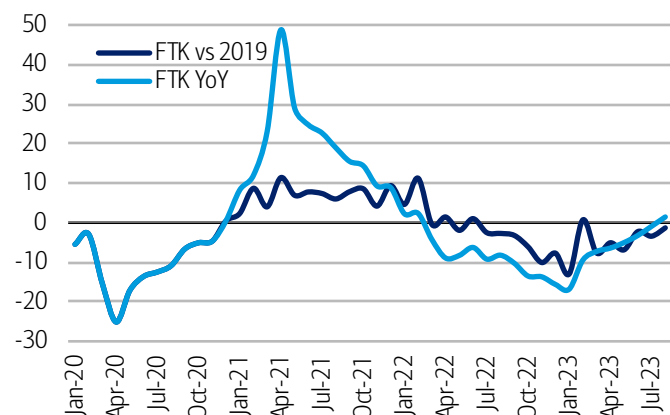


# Air freight data

## Air Freight Volumes

**Exhibit 27: Global FTK (% vs 2019 and % YoY)**

Global air cargo volumes were up c1% YoY in August 2023

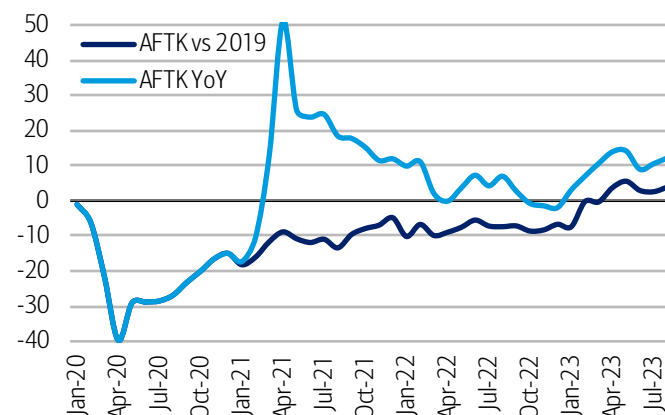


Source: IATA

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

Global air cargo capacity was up c12% YoY in August 2023

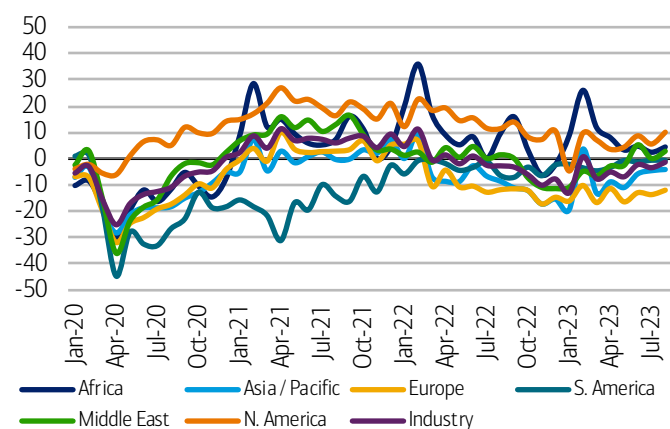


Source: IATA

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**Exhibit 29: FTK growth by region (% vs 2019)**

Volumes increased the most in N. America vs 2019 levels in August 2023

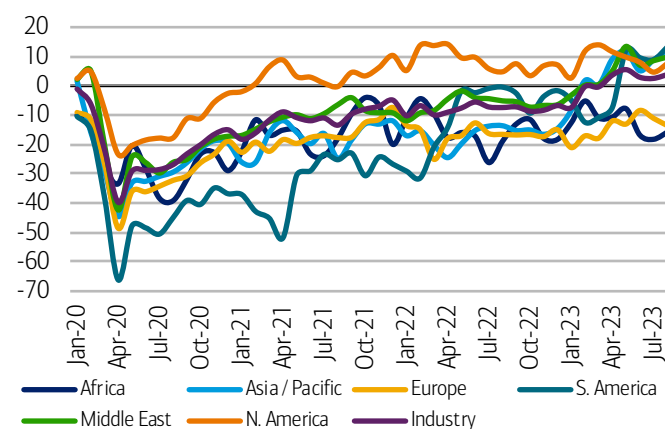


Source: IATA

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

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

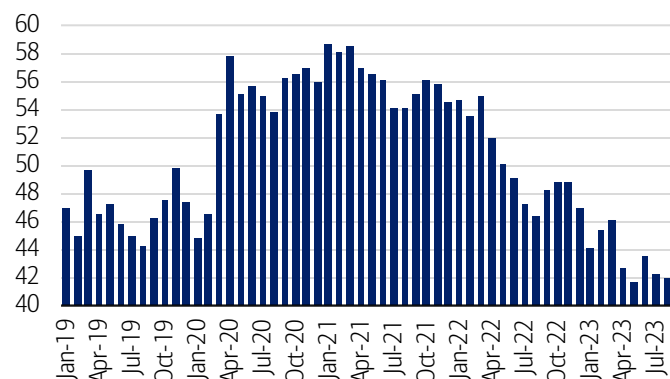


Source: IATA

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**Exhibit 31: Global air freight load factor (%)**

Load factor remains broadly stable m-m at c42% in August 2023

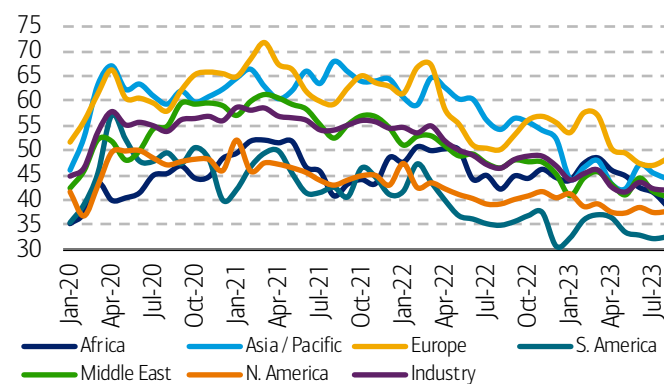


Source: IATA

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**Exhibit 32: Air freight load factor by region (%)**

Load factor was mixed across regions' vs 2019 levels in August 2023



Source: IATA

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**Air Freight Rates****Exhibit 33: Shanghai to Europe Air Cargo Index (USD per kg)**

China to Europe air freight rates were up +c18% M-o-M in September



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

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**Exhibit 34: 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 September

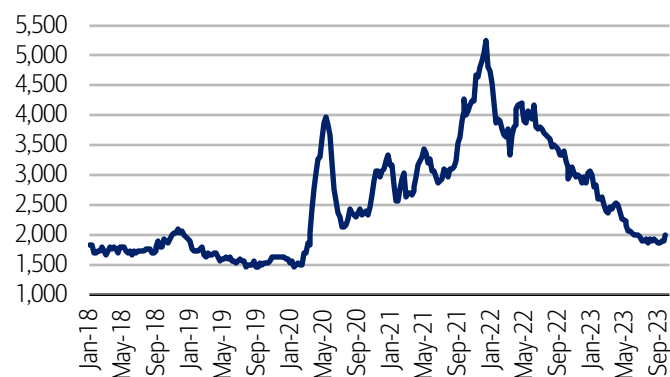


Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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

Global air freight rates were up +c6% M-o-M in September



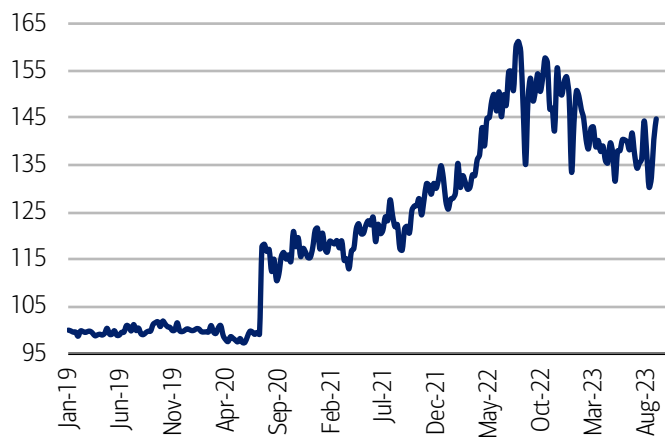
Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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# European road freight rates

## Exhibit 36: Europe road freight rates (indexed to January 2019)

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



Source: BofA Global Research, Transport Intelligence, Upply. Note: average of selection of routes.  
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## Exhibit 37: Road freight rates out of Germany (indexed to January 19)

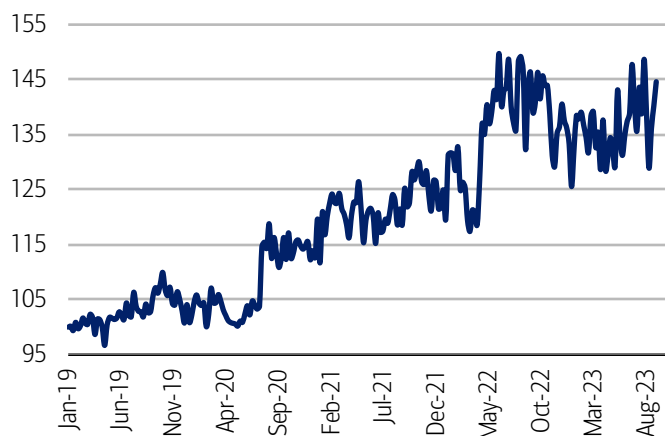
German outbound road freight rates were 28% above 2019 levels in Aug'23



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

French outbound road freight rates were 34% above 2019 levels in Aug'23



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

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



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

## PMI indicators

### Exhibit 40: US ISM Manufacturing

US PMI increased to c48 in August 2023

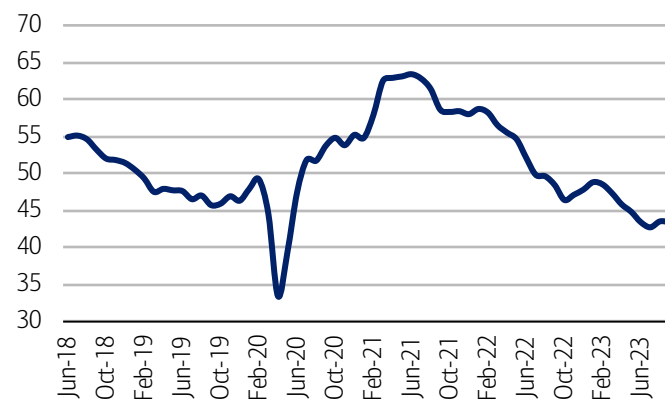


Source: DataStream, Institute for Supply Management

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### Exhibit 41: Eurozone Manufacturing Purchasing Managers Index (PMI)

Euro area PMI decreased to c43 in September 2023



Source: DataStream, IHS Markit

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## US consumption trends

### Exhibit 42: US retail (ex. Auto) spending based on BAC aggregated daily card data (% YoY change of the 7-day ma of spending levels)

US retail (ex. auto) spending was down c1% YoY in the week ending Sep. 16

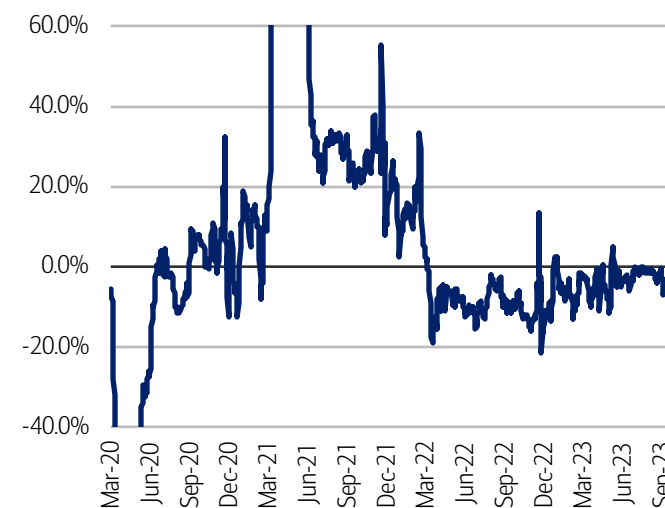


Source: BAC internal data.

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### Exhibit 43: US clothing spending based on BAC aggregated daily card data (% YoY change of the 7-day ma of spending levels)

US clothing spending was down c5% YoY in the week ending Sep. 16



Source: BAC internal data.

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**Exhibit 44: US general merchandise spending based on BAC aggregated daily card data (% YoY change of the 7-day ma of spending levels)**

US general merchandise spending was down c1% in the week ending Sep. 16

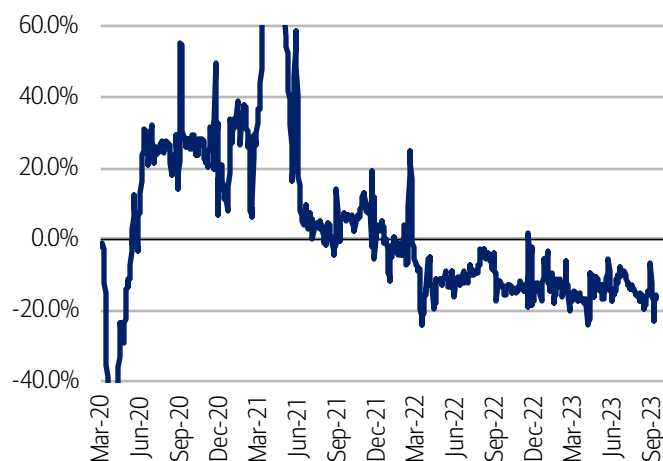


Source: BAC internal data.

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**Exhibit 45: US furniture spending based on BAC aggregated daily card data (% YoY change of the 7-day ma of spending levels)**

US furniture spending was down c16% YoY in the week ending Sep. 16

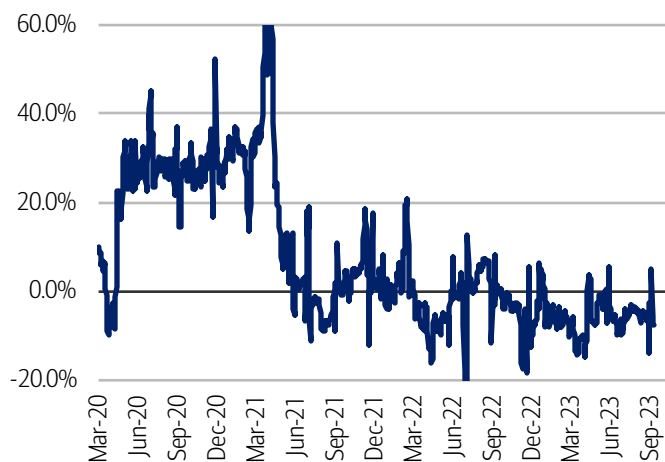


Source: BAC internal data.

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**Exhibit 46: US home improvement spending based on BAC aggregated daily card data (% YoY change of the 7-day ma of spending levels)**

US home improvement spending was down c7% YoY in the week ending Sep. 16



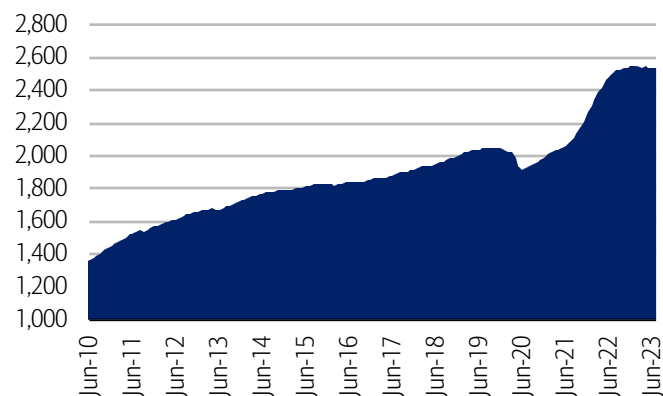
Source: BAC internal data.

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## US inventories

### Exhibit 47: US total manufacturing and trade inventories (\$bn)

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



Source: US Census Bureau

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### Exhibit 48: US total manufacturing and trade inventory to sales ratio

US total inventory to sales ratio remained steady at c1.4 in July

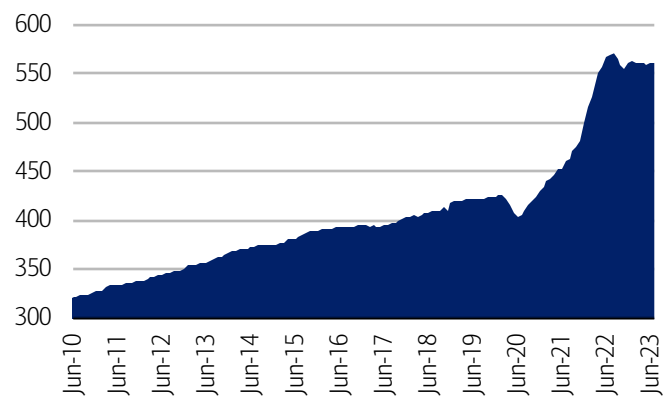


Source: US Census Bureau

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### Exhibit 49: US retail (ex-auto) inventories (\$bn)

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

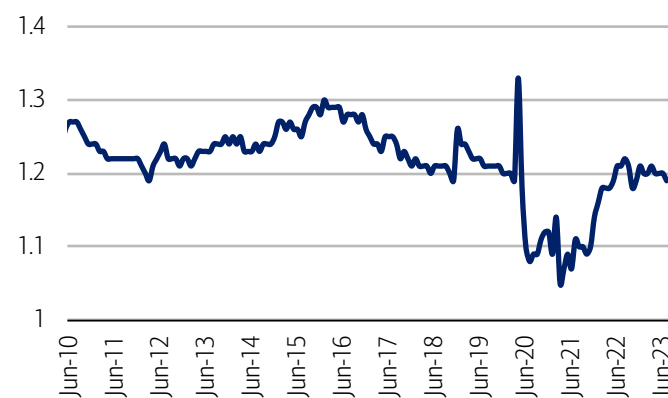


Source: US Census Bureau

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### Exhibit 50: US retail (ex-auto) manufacturing and trade inventory to sales ratio

US retail inventory to sales was broadly flat at c1.2 in July 2023

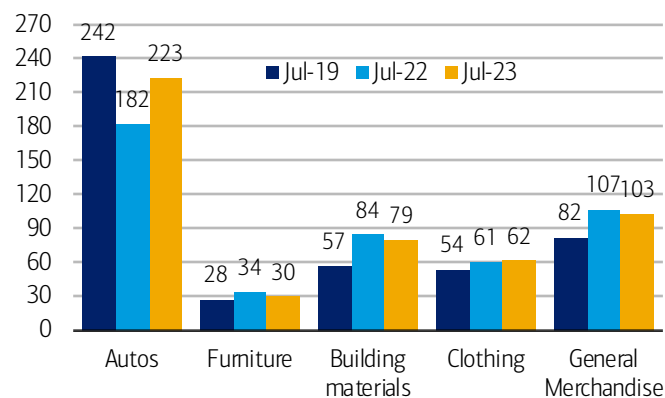


Source: US Census Bureau

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**Exhibit 51: US retail inventories by product category (\$bn)**

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

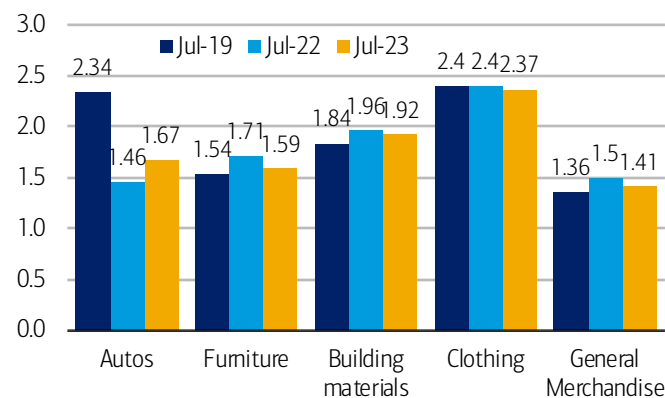


Source: US Census Bureau

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**Exhibit 52: US retail inventory to sales ratio by product category**

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



Source: US Census Bureau

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**Exhibit 53: US ISM Manufacturing Customers' inventories Index**

Customer Inventory Index remained flat at c49 in August 2023



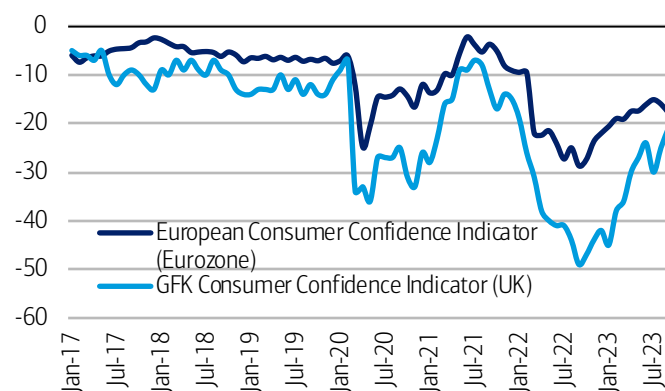
Source: Refinitiv Eikon

Note: A reading of 50 means breakeven levels

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

Eurozone consumer confidence deteriorates while UK improves in September

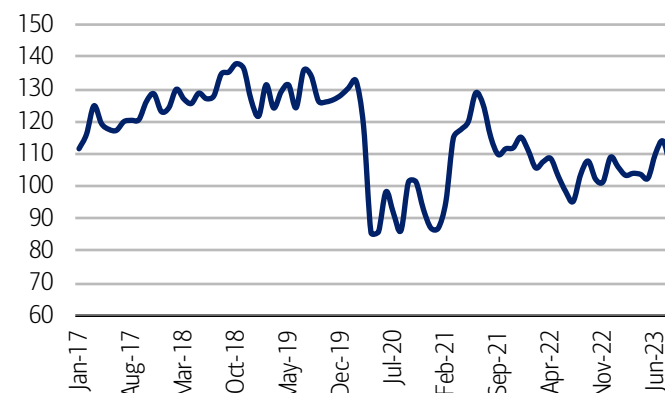


Source: DataStream

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**Exhibit 55: US consumer confidence indicator**

US consumer confidence declined in August



Source: DataStream, The Conference Board

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