

Europe Transport

BofA Freight Follower: Air rates and demand worse than ocean

Industry Overview

Air and ocean rates resume declining trend in May

Our tracker of the latest high-frequency freight indicators shows that ocean spot rates resumed the declining trend in May post a short-lived rebound in April, in particular the Transpacific. Container spot rates dropped by 19% m-m after the April General Rate Increase. Recent industry reports have raised concerns around the potential freight demand recovery in 2H as weak consumer demand for goods is a risk. As per the Post of LA Director, there could be a relatively short peak season this year in September-October. Air freight rates declined a further -9% in May, driven by weak demand, while capacity increased 13% y-y in April due to recovery in belly capacity specially in Asia.

Ocean: Transpacific rates unwind, low idling rate

Ocean rates fell -5% m-m in May, largely unwinding the uptick in April, but ended the month on a positive note as the SCFI posted a w-w gain of +1% on 26 May. The low water levels in the Panama Canal and the resulting surcharges have benefited rates recently. As per industry reports, Transpacific contracts are still not finalized as customers postpone capacity commitments given plenty of ocean capacity and uncertain demand outlook. Global container volumes declined -3% y-y in March, an improvement from the -9% average decline in Jan-Feb. Port congestion improved to 6.3% of the fleet, well below the peak of c15%. Liners continue to add more capacity with new ship deliveries amidst weak market conditions, with only 1% of the fleet as idle (ex-shipyards), which suggests lack of discipline by liners. ZIM maintained its 2023 EBITDA guidance, which assumes a recovery in both demand and spot container rates in 2H; however, management said on the earnings call that it has not seen any signs of demand improvement yet ([ZIM note](#)).

Air: volumes down -7% y-y in April, rates -9% in May

Air freight rates were down c9% m-m in May due to weak demand. Shanghai to N. America rates were down c13% m-m while Shanghai to Europe rates were down c16% in May. Global air freight volumes declined -7% y-y in April as per IATA data, an improvement from -8% in March. Global air cargo capacity was up 13% y-y in April, as belly capacity recovered on the Asian routes. April capacity was c3% above 2019 levels, for the first time since the start of the pandemic. Global loads declined 3ppt m-m to 43% in April (down c9ppt y-y).

Demand trends remain lacklustre

BAC US aggregated credit and debit card data shows card spending per household remained slow in May, 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 March. Furniture inventory to sales ratios was above 2019 levels while clothing and general merchandise was similar.

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Refer to important disclosures on page 18 to 19.

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Timestamp: 30 May 2023 12:30AM EDT

30 May 2023

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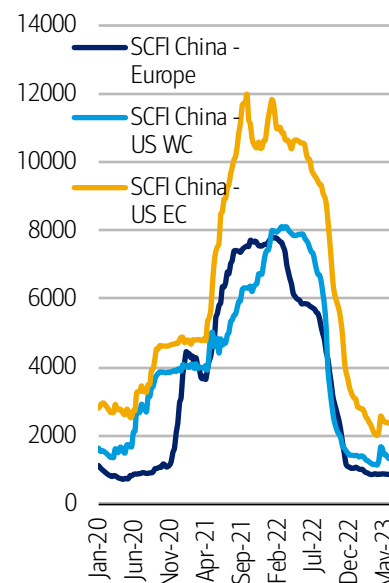
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Exhibit 1: SCFI indices by trade lane

Asia-USWC rates lower by -19% in May



Source: Clarksons

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Definitions:

USWC: US West Coast

USEC: US East Coast

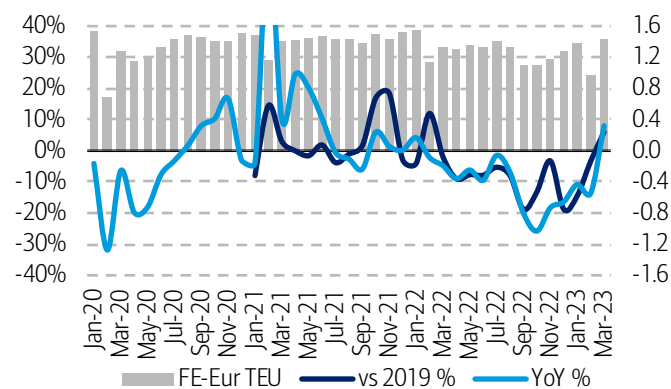
SCFI: Shanghai Containerized Freight Index

Container shipping data

Shipping Volumes

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

Asia to Europe volumes were up c8% YoY in March 2023

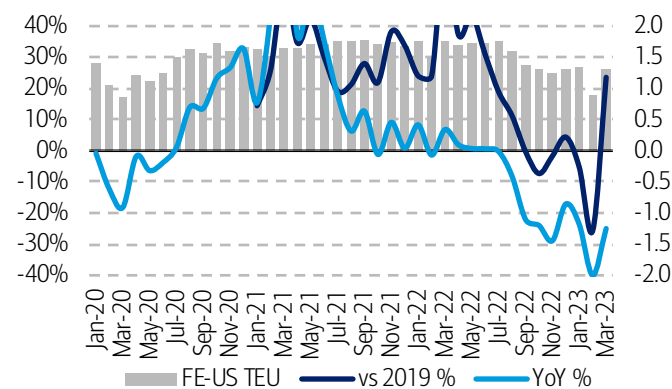


Source: Alphaliner

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

Transpacific volumes were down c25% YoY in March 2023

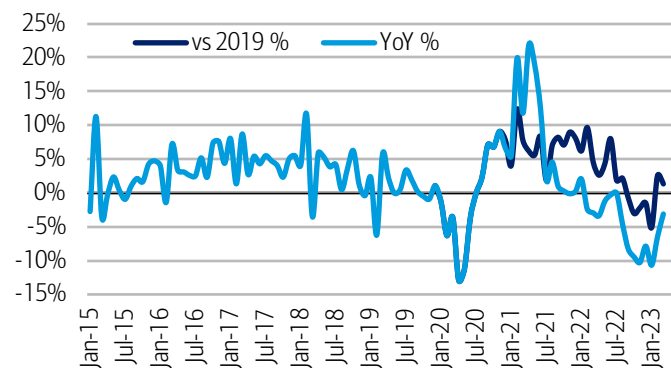


Source: Alphaliner

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

Global container volumes declined c3% YoY and were up 1% vs 2019 in March 2023



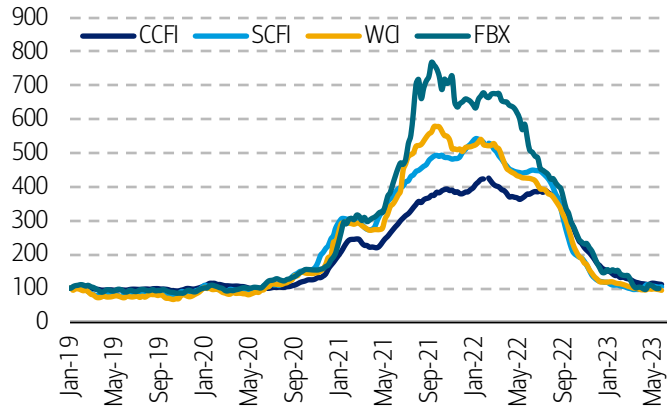
Source: Bloomberg

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Shipping rates

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

SCFI declined -5% month-on-month

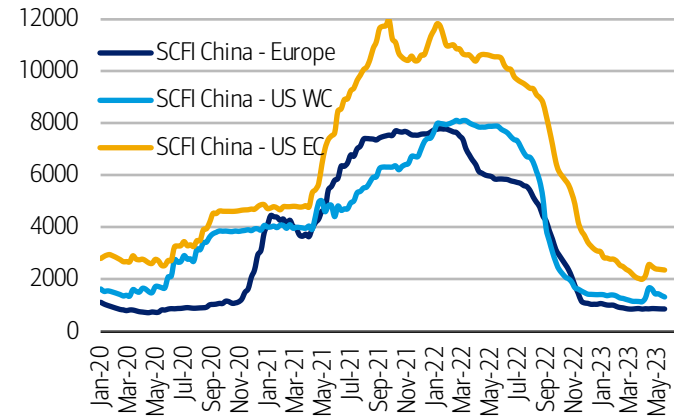


Source: Refinitiv Eikon, Drewry, Bloomberg

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Exhibit 6: SCFI indexes by trade lane

Asia-USWC rates are down by -19% month-on-month

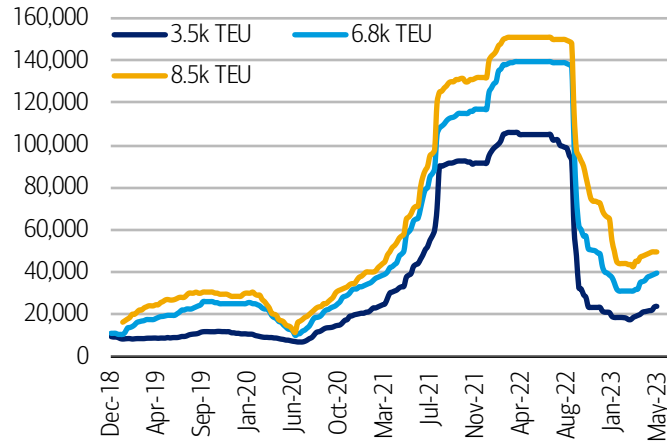


Source: Clarksons

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Exhibit 7: 6-12 month Timecharter rates

Short-term charter rates slightly improved in May...

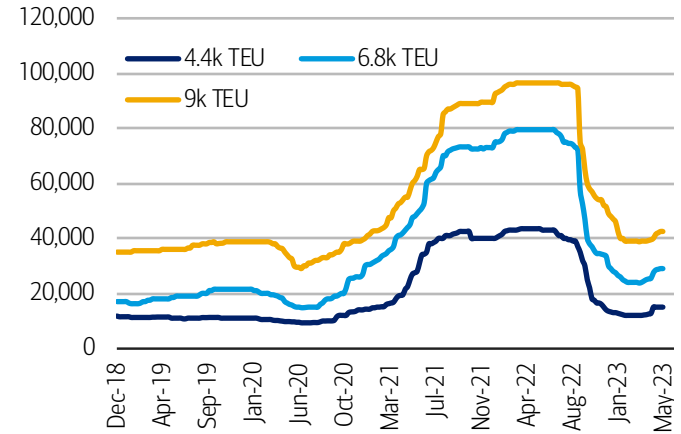


Source: Clarksons

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Exhibit 8: 3-5 years Timecharter rates

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

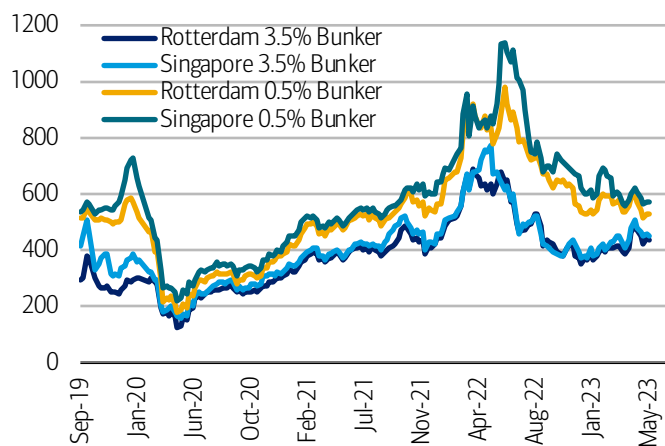


Source: Clarksons

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

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

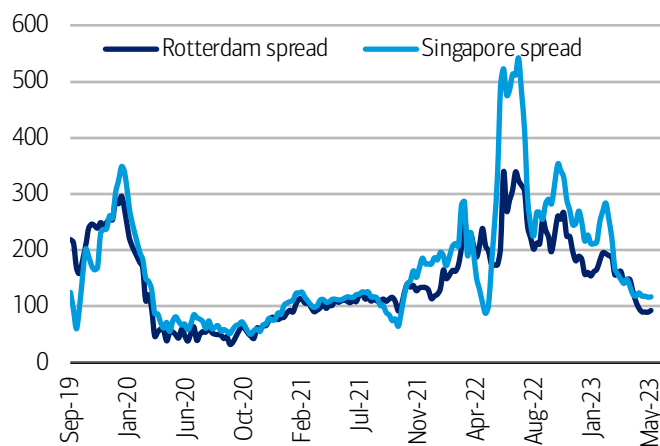


Source: Clarksons

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

... while the high and low sulphur spread widening



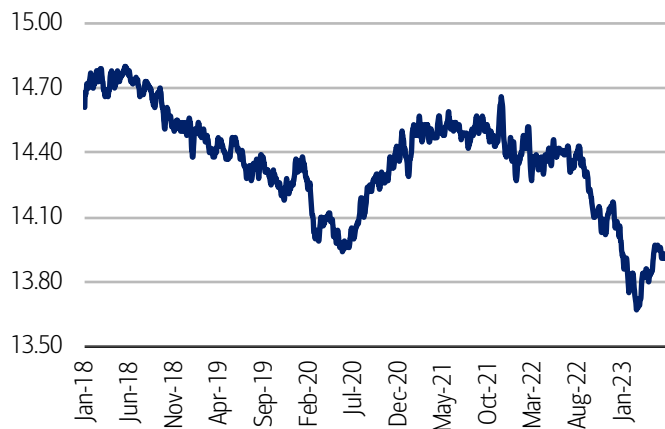
Source: Clarksons

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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



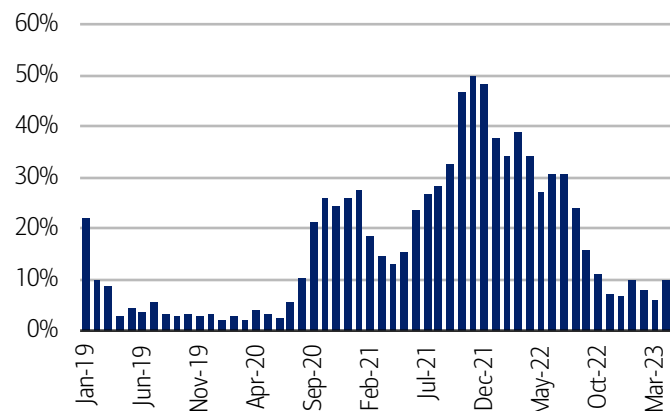
Source: Clarksons

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Port disruption

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

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

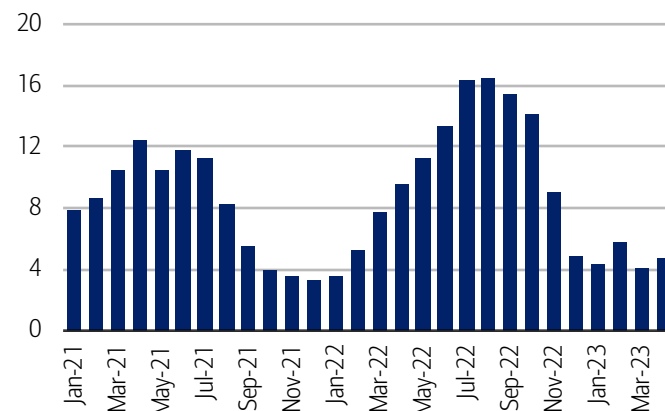


Source: PMSA

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Exhibit 13: US West Coast rail dwell time in days

USWC average rail dwell times increased to 4.7 days in April 2023

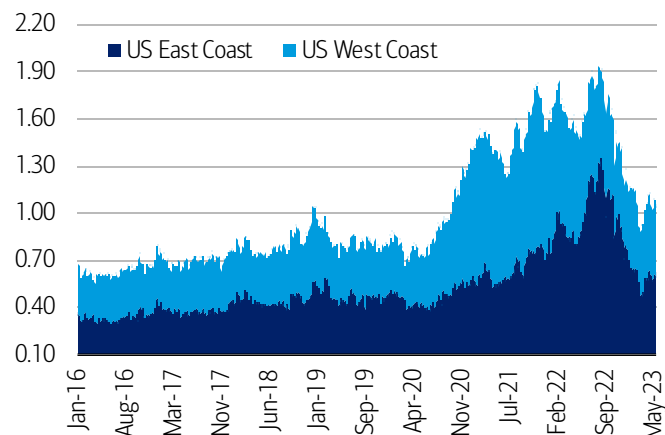


Source: PMSA

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

US East Coast and West Coast port congestion decreased in May

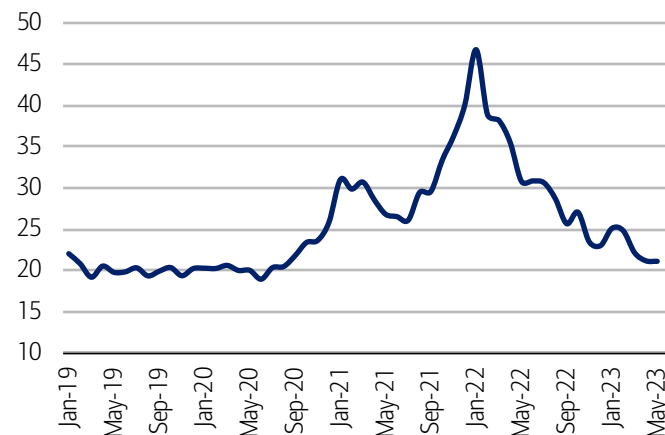


Source: Clarksons

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

Transpacific transit times remained broadly stable in May 2023

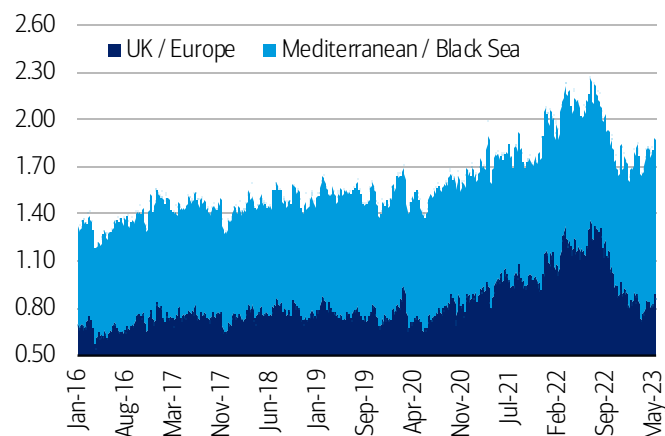


Source: Clarksons

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

Port congestion in UK and Mediterranean is rising

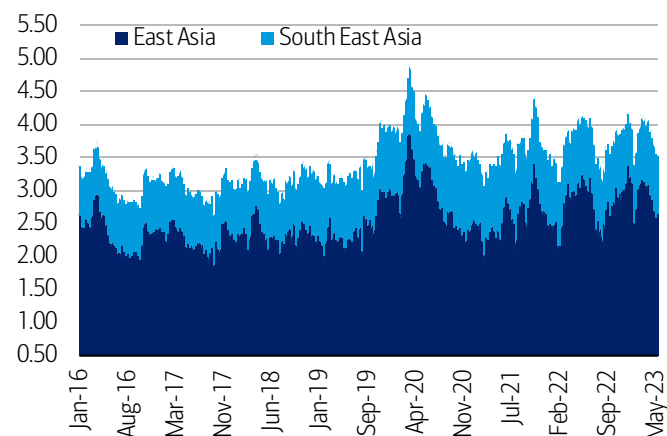


Source: Clarksons

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

Port congestion in East Asia is easing while South East Asia is rising

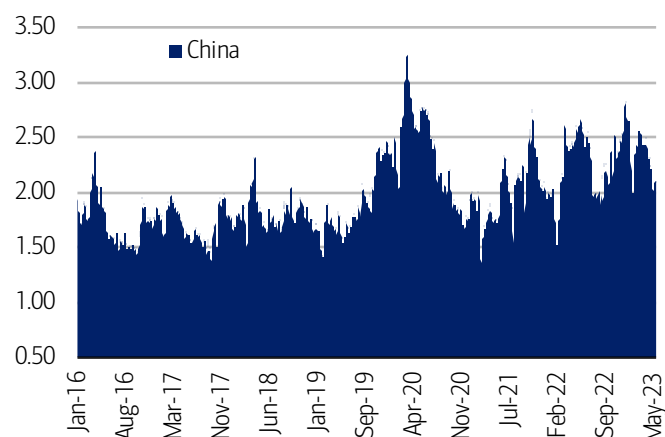


Source: Clarksons

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Exhibit 18: Vessels in port – China (TEUm)

Chinese port congestion has decreased over the past month

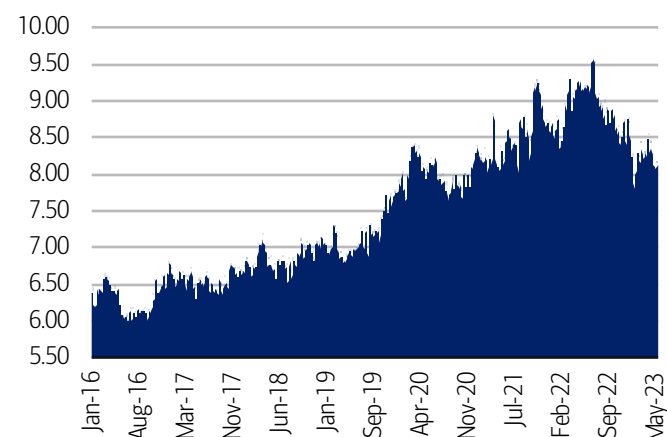


Source: Clarksons

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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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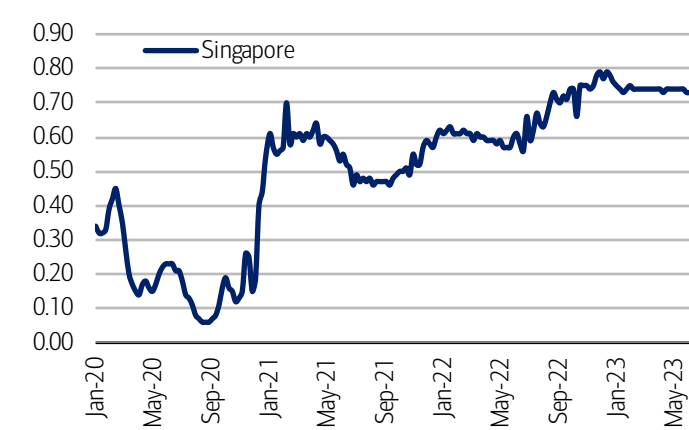
Container boxes

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



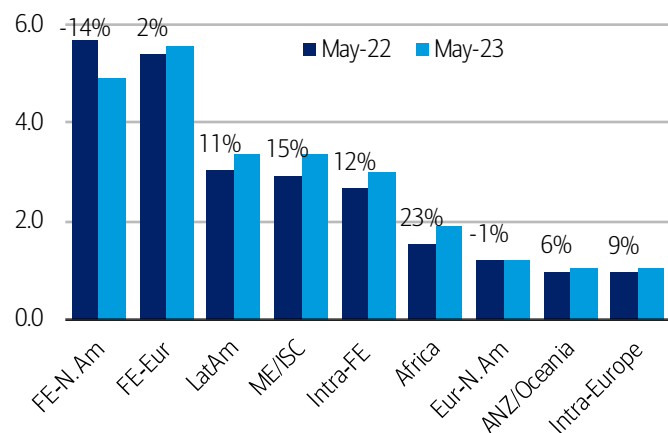
Source: Container xChange
Note: value of >0.5 means more boxes enter than leave and <0.5 means more boxes leave than enter. A low value reflects a deficit of containers.
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Capacity deployment

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

Asia to N. America has seen the biggest YoY cut in capacity at -14%

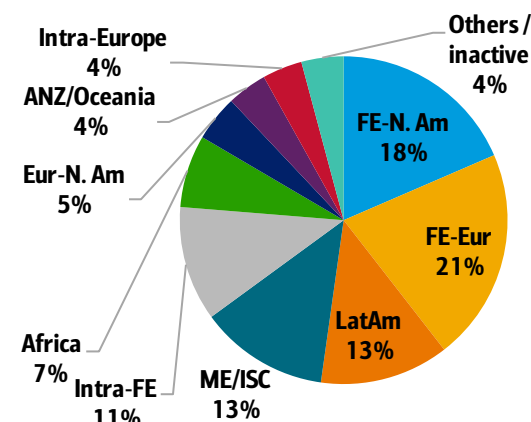


Source: Alphaliner

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

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



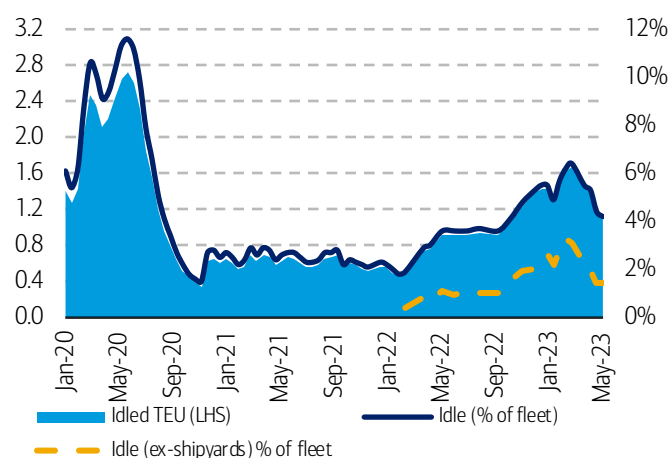
Source: Alphaliner

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Idle capacity

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

Idling (excluding capacity at shipyards) has declined to c1.5% of global fleet

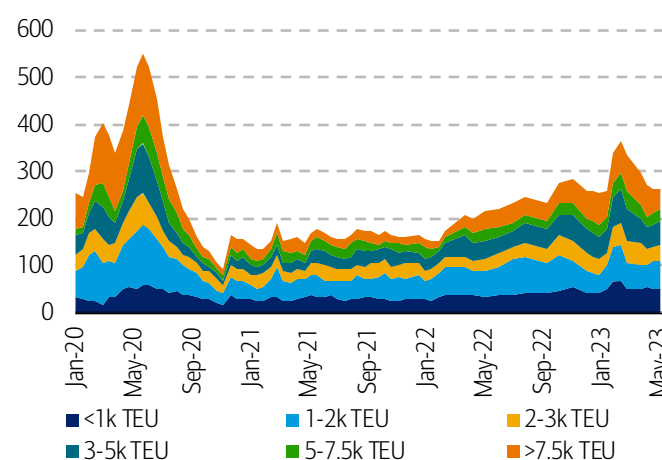


Source: Alphaliner

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

Inactivity declined across large and medium-sized ships



Source: Alphaliner

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New orders

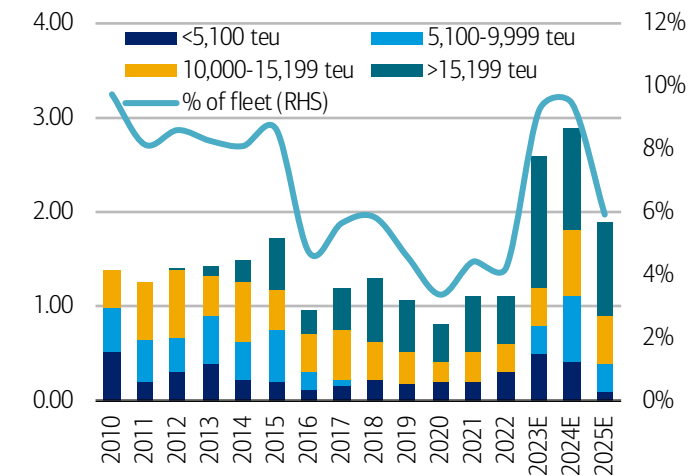
Exhibit 26: Global orderbook to fleet (%)
The global orderbook to fleet ratio remains steady at c29%



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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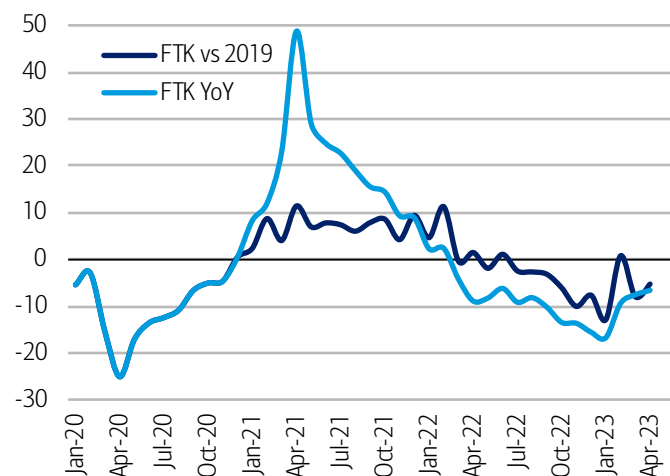


Air freight data

Air Freight Volumes

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

Global air cargo volumes were down c7% YoY in April 2023

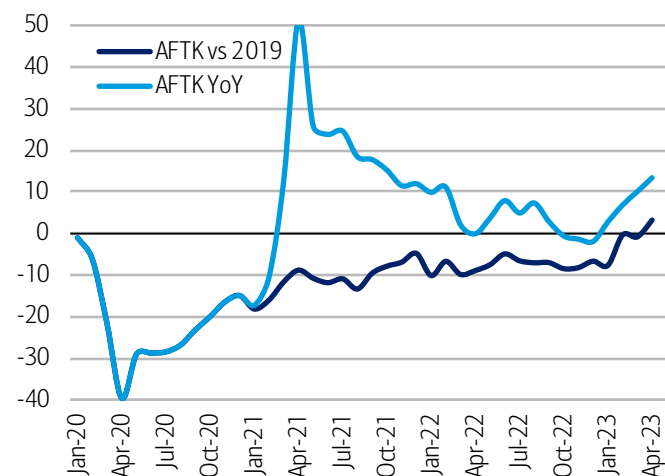


Source: IATA

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

Global air cargo capacity was up c13% YoY in April 2023

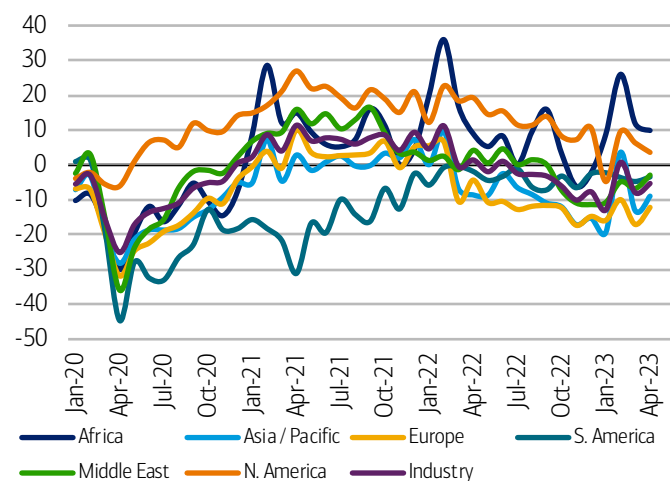


Source: IATA

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

Volumes improved across most regions' vs 2019 levels in April 2023

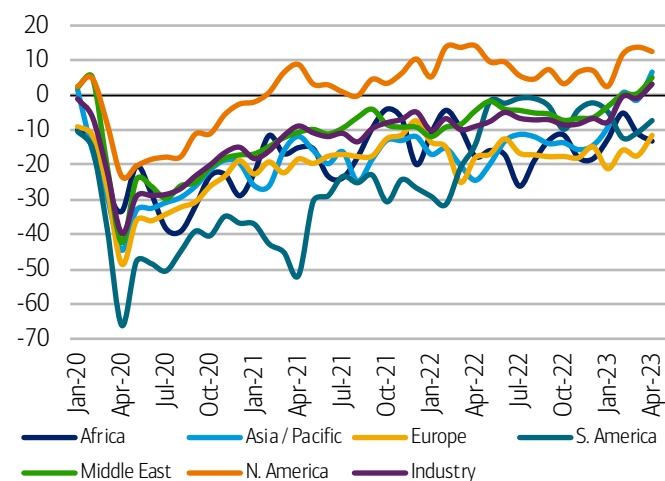


Source: IATA

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

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

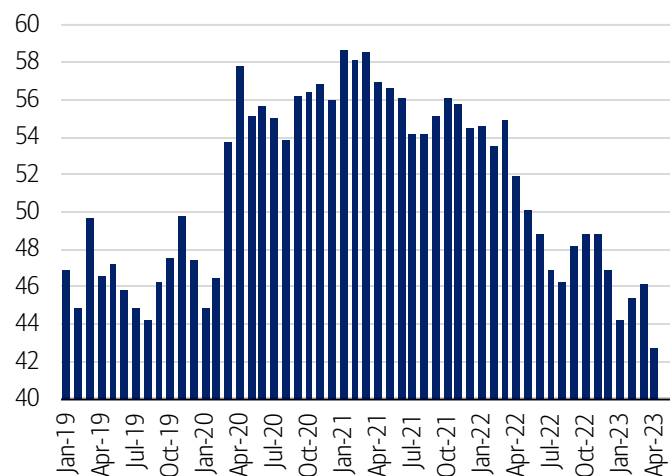


Source: IATA

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Exhibit 32: Global air freight load factor (%)

Load factor decreased M-o-M to c43% in April 2023

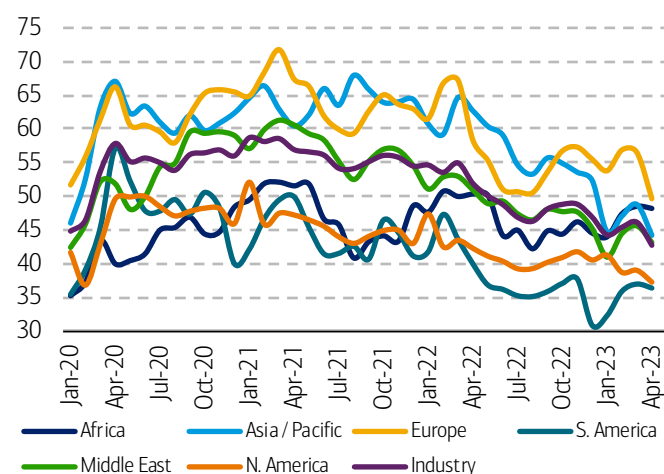


Source: IATA

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

Load factor declined M-o-M the most in Europe in April 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 down -c16% M-o-M in May

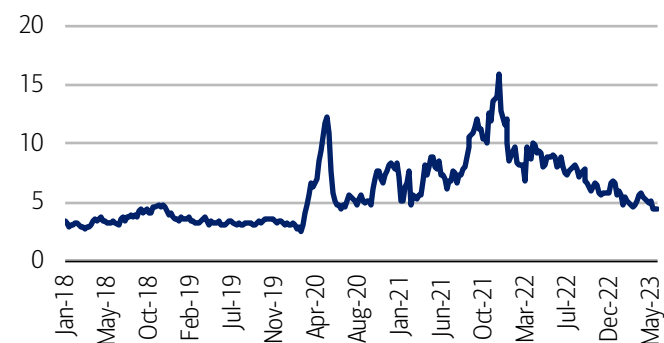


Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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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 -c13% M-o-M in May

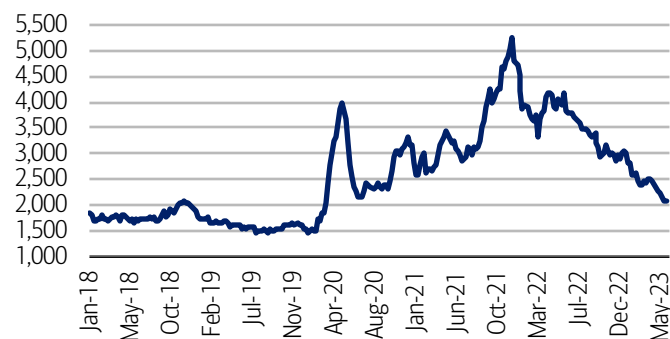


Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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Exhibit 36: Baltic Exchange Air Freight Index

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



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)

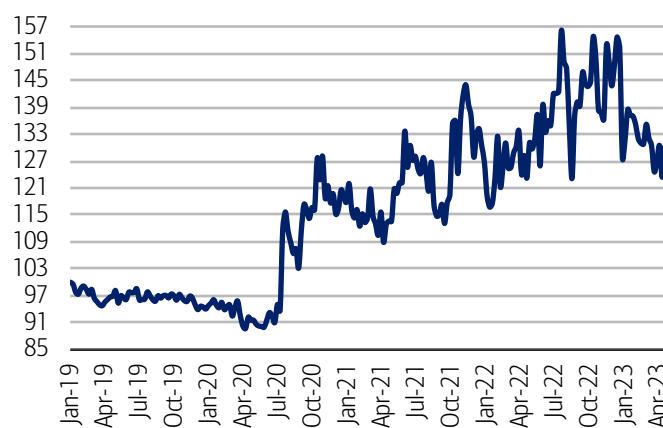
European road freight rates were 36% above 2019 levels in Apr' 23



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)

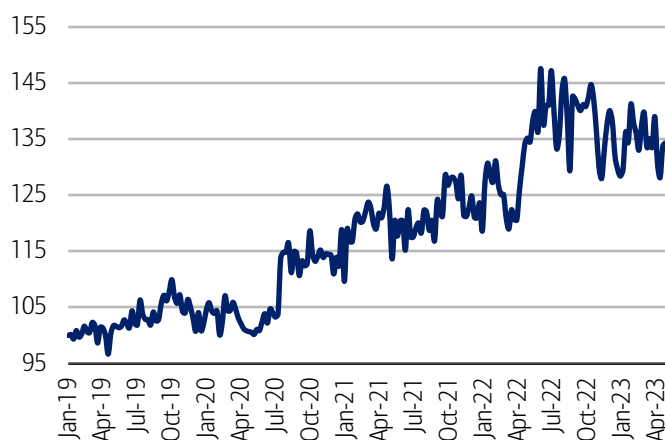
German outbound road freight rates were 31% above 2019 levels in Apr' 23



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 32% above 2019 levels in Apr' 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 33% above 2019 levels in Apr' 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 increased to c47 in April 2023

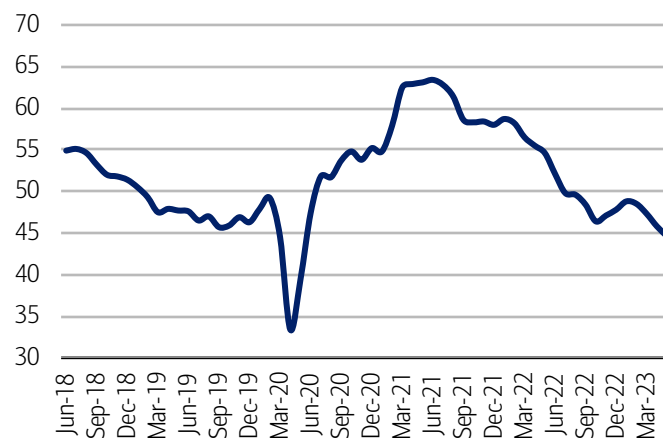


Source: Datastream, Institute for Supply Management

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Exhibit 42: Eurozone Manufacturing Purchasing Managers Index (PMI)

Euro area PMI declined to c45 in May 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 c2% YoY in the week ending May 20

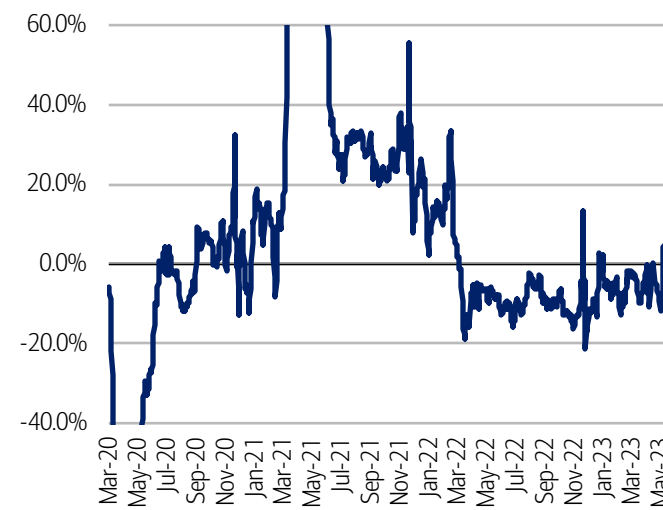


Source: BAC internal data.

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

US clothing spending was down c4% YoY in the week ending May 20

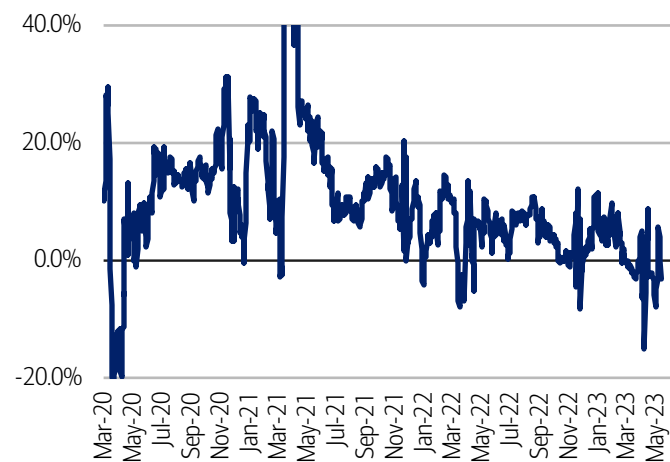


Source: BAC internal data.

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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 May 20



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 c16% YoY in the week ending May 20

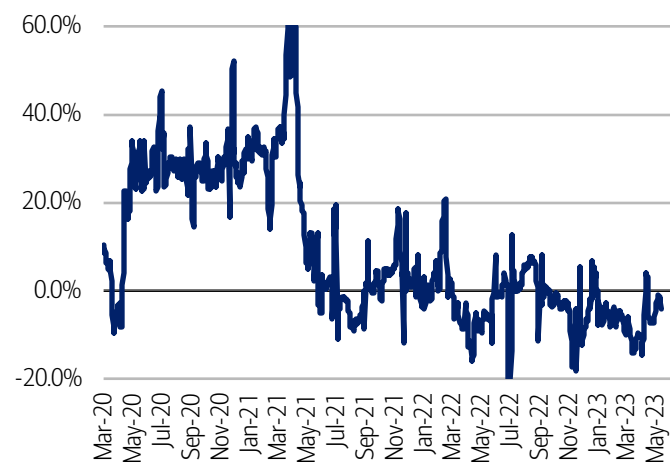


Source: BAC internal data.

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

US home improvement spending was down c4% YoY in the week ending May 20



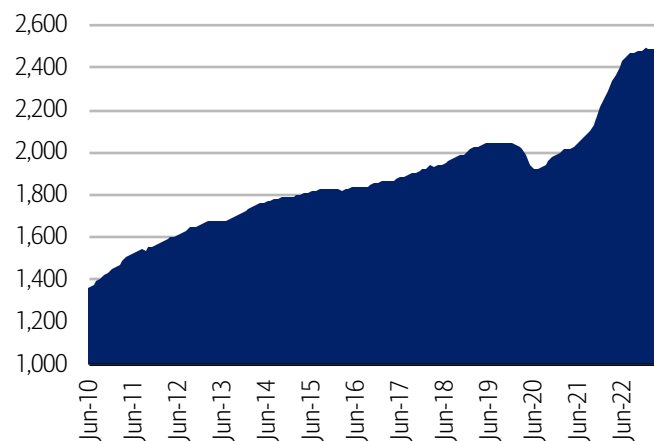
Source: BAC internal data.

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US inventories

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

US manufacturing & trade inventories were 23% above 2019 levels in March

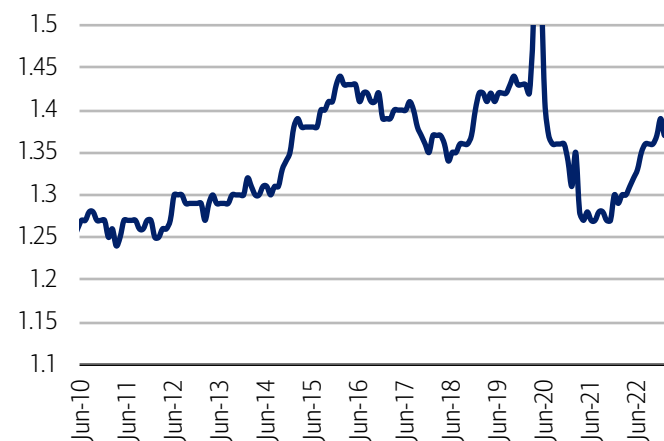


Source: US Census Bureau

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

US total inventory to sales ratio increased to 1.39 in March

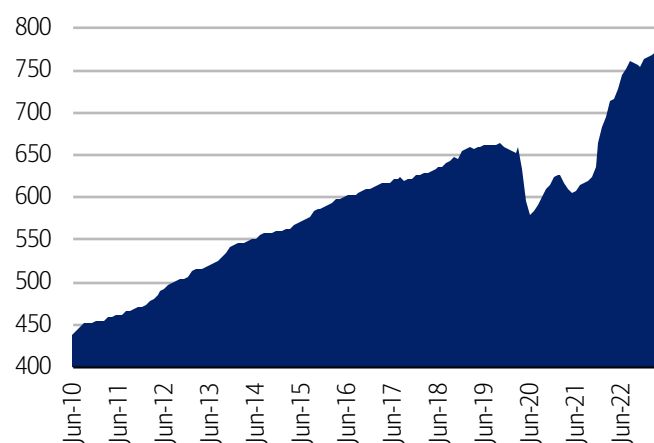


Source: US Census Bureau

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Exhibit 50: US retail inventories (\$bn)

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

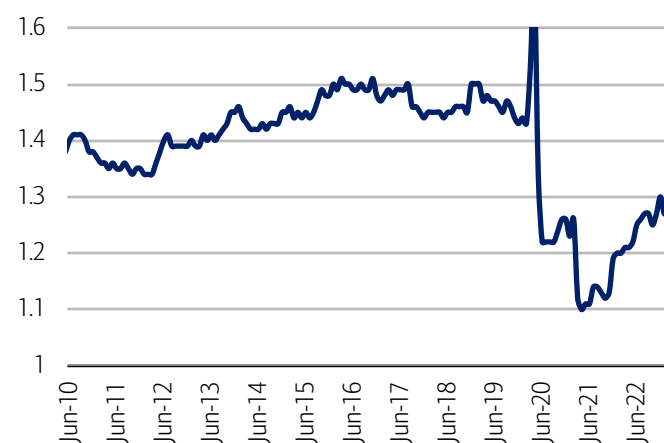


Source: US Census Bureau

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

US retail inventory to sales increased to 1.3 in March 2023

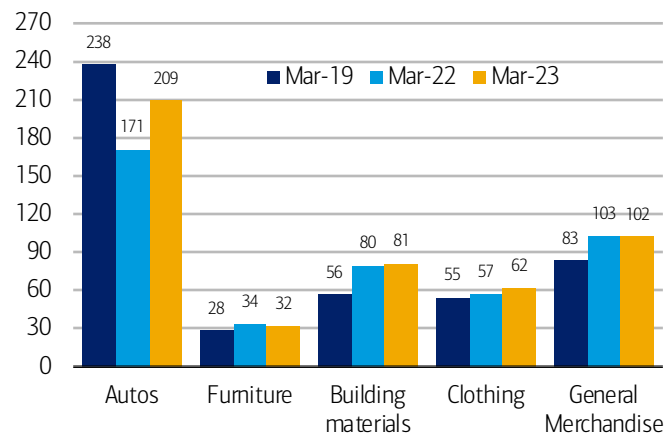


Source: US Census Bureau

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

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

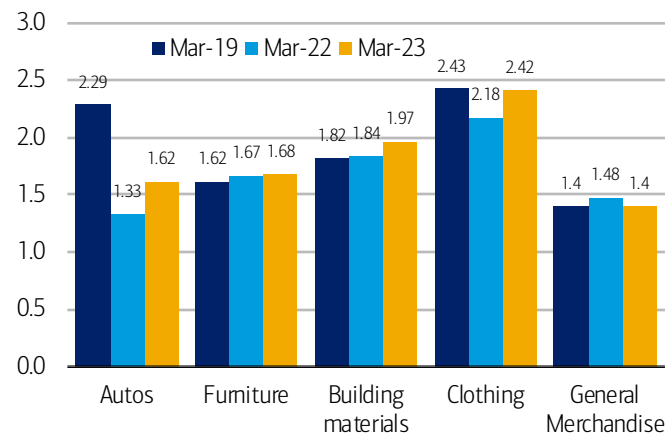


Source: US Census Bureau

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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 March

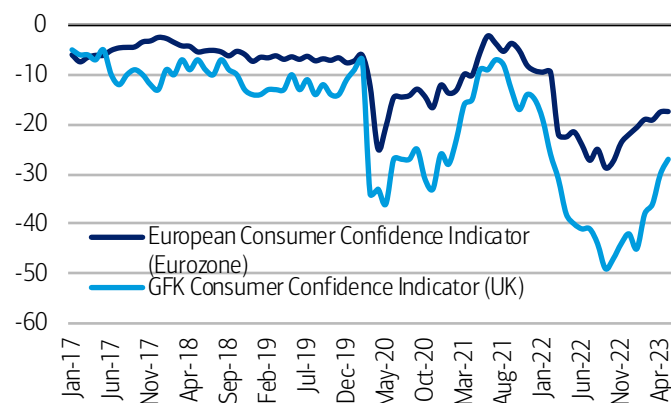


Source: US Census Bureau

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

Eurozone consumer confidence remains broadly flat in May while UK improves

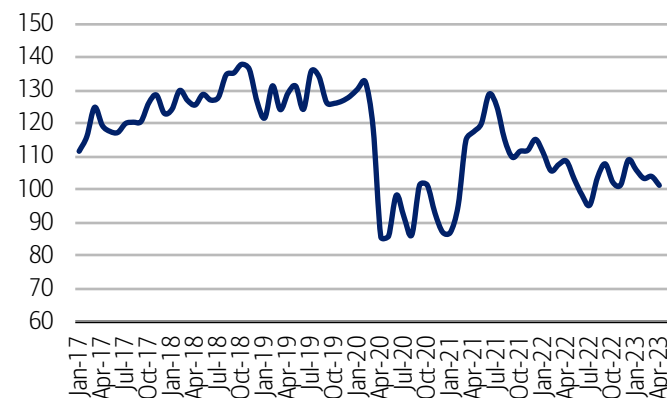


Source: Datastream

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Exhibit 55: US consumer confidence indicator

US consumer confidence declines marginally in April



Source: Datastream, The Conference Board

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Disclaimer

Selected Bank of America ("BAC") transaction data are used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and may reflect a degree of selection bias and limitations on the data available.

Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households (HHs) only. Spending from corporate cards is excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %y/y growth rate and the 4-year % change by matching calendar days (Jan 1, 2023 matched to Jan 1, 2022, and Jan 1, 2019, respectively). The % change is calculated based on the 7-day moving average of spending levels.

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