

Transport

BofA Freight Follower: Ocean rates unwind, air up on ecommerce

Industry Overview

Ocean rates decline on increasing capacity

Our tracker of the latest high-frequency freight indicators shows that ocean spot rates decreased in November, despite an early boost from 1 November GRI (General Rate Increase), as carriers continued to add capacity amid slow demand. Container spot rates are down -2% m-m, putting them 30% above November 2019 levels. Air freight rates increase by +10% in November, as demand out of China continued to see an improvement, especially for B2C ecommerce shipments, while Air capacity increased +13% y-y in October.

Ocean: TP rates down, volume growth continues

Ocean rates decreased -2% m-m in November as liners were unsuccessful with retaining rate increases. Rates to the USWC decreased -3% m-m. Global container volumes increased +13% y-y in September, better than the +4% increase in August, on easier comps. Port of Los Angeles volumes increased +7% y-y in October (-6% vs 2019), better than +5% in September, on base effect, with management expecting FY23 TEUs to reach 8.55m, implying growth of c4% in Nov/Dec. National Retail Federation (NRF) in its latest Global Port Tracker expects Nov/Dec volumes to be 6-7% higher y-y. Liners continue to add more capacity with new ship deliveries amidst weak market conditions and c.1% of the fleet remains idle (ex-shipyards). Panama Canal, due to drought, is reducing daily transits to half of normal, which could lead to delays for container services but has had limited impact so far.

Air: volumes up +4% y-y in October, rates +10% in Nov

Air freight rates were up +c10% m-m in November (+41% vs 2019) as demand improved. Shanghai to N. America rates were up +c10% m-m while Shanghai to Europe rates increased +c22%. Global air freight volumes increased +4% y-y in October as per IATA data, higher than +2% in September. Global air cargo capacity was up +13% y-y in October, as belly capacity continued to recover. October capacity was +c3% above 2019 levels, below +4% in September. Global loads increased 1.2ppt m-m to 45.2% in October (down c4ppt y-y).

Market conditions remain subdued

Retail inventories are 34% higher than 2019 levels in September, per the US Census Bureau, see Exhibit 48. Furniture, building materials and general merchandise inventory to sales ratios were above 2019 levels while clothing and autos were below (Exhibit 49). Maersk in its 3Q23 results cut FY23 guidance, given worsening market conditions, however, raised its market volume outlook to -2.5% to -0.5% (from -4.0% to -1%). Management said they expects container shipping to remain challenged for a few years as new supply enters the market. ZIM in its 3Q23 results highlighted that it doesn't expect an improvement in demand or spot container rates for rest of 2023 and had to book a \$2bn non-cash impairment, reflecting its negative near-term market outlook (and higher interest rates).

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Refer to important disclosures on page 17 to 18.

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Timestamp: 27 November 2023 12:30AM EST

27 November 2023

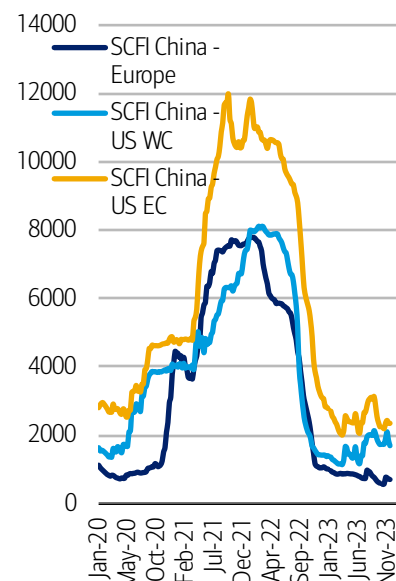
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Exhibit 1: SCFI indices by trade lane

Asia-Europe rates higher by 22% m-m in Nov.



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

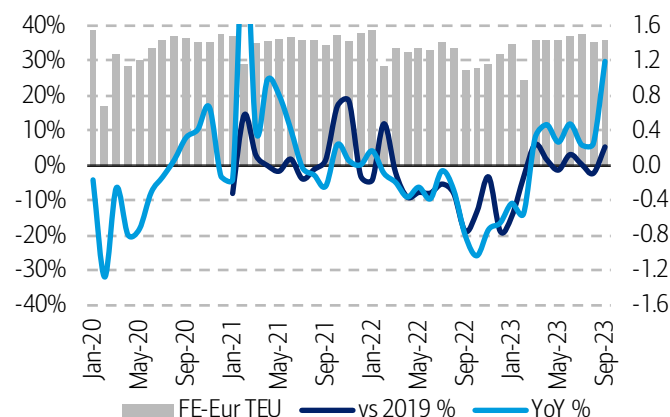
TEU: twenty-foot equivalent unit

Container shipping data

Shipping Volumes

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

Asia to Europe volumes were up c30% YoY in Sep 2023



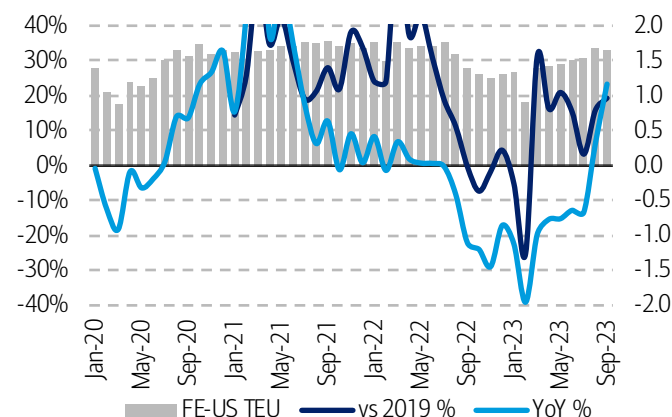
TEU: Twenty-foot equivalent unit.

Source: Alphaliner

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

Transpacific volumes were up c23% YoY in Sep 2023

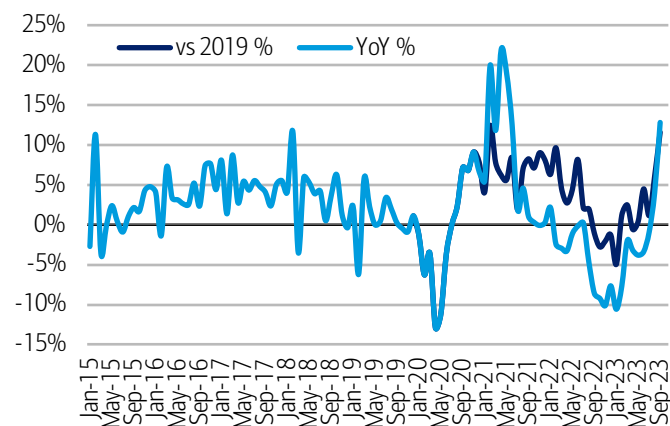


Source: Alphaliner

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

Global container volumes were up 13% YoY and were up 12% vs 2019 in September 2023

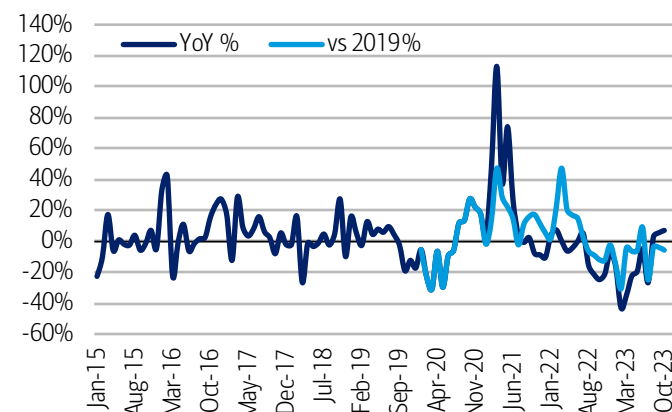


Source: Bloomberg

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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 7% YoY and were down 6% vs 2019 in October 2023



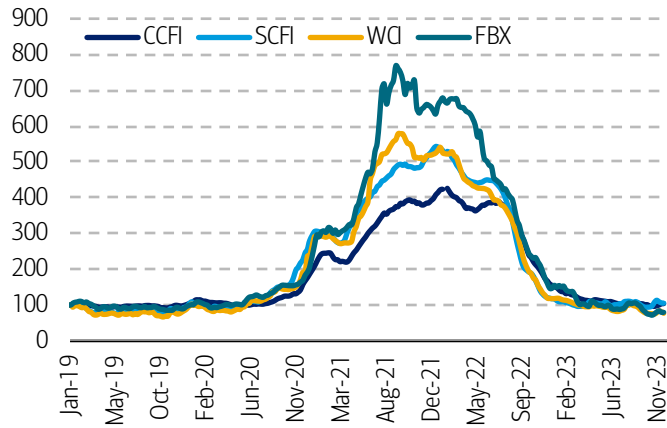
Source: Port of Los Angeles

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Shipping rates

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

SCFI decreased 2% month-on-month

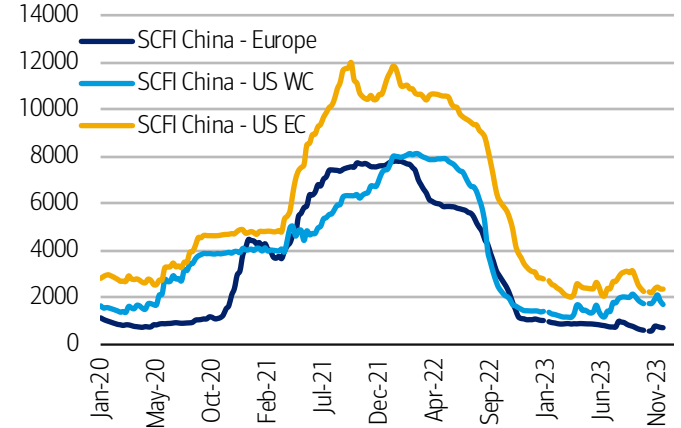


Source: Refinitiv Eikon, Drewry, Bloomberg

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Exhibit 7: SCFI indexes by trade lane

Asia-Europe rates are higher by 22% month-on-month

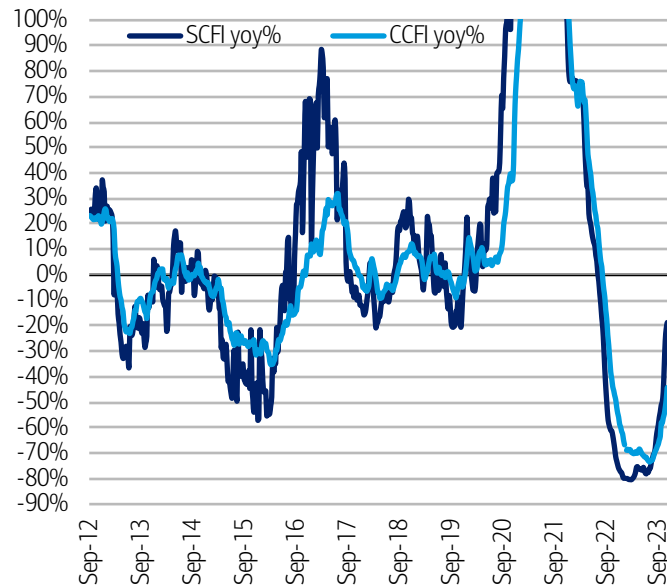


Source: Clarksons

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Exhibit 8: Container shipping freight rates, y-y % change

SCFI is down c.19% y-y in November



Source: Clarksons

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Exhibit 9: CCFI quarterly average (2022-23)

CCFI is -5% lower QoQ so far in 4Q23

		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
CCFI	CCFI	3,444	3,157	2,950	1,615	1,087	938	876	835
	CCFI Europe	5,526	5,060	4,738	2,497	1,411	1,154	1,059	946
	CCFI USWC	2,596	2,502	2,331	1,079	781	707	733	724
	CCFI USEC	2,682	2,796	2,844	1,746	1,161	886	870	827
% YoY	CCFI	78%	46%	-1%	-51%	-68%	-70%	-70%	-48%
	CCFI Europe	81%	45%	-7%	-53%	-74%	-77%	-78%	-62%
	CCFI USWC	96%	69%	14%	-53%	-70%	-72%	-69%	-33%
	CCFI USEC	81%	59%	23%	-31%	-57%	-68%	-69%	-53%
% QoQ	CCFI	6%	-8%	-7%	-45%	-33%	-14%	-7%	-5%
	CCFI Europe	5%	-8%	-6%	-47%	-43%	-18%	-8%	-11%
	CCFI USWC	12%	-4%	-7%	-54%	-28%	-9%	4%	-1%
	CCFI USEC	6%	4%	2%	-39%	-34%	-24%	-2%	-5%

Source: Clarksons

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Exhibit 10: SCFI quarterly average (2022-23)

SCFI is -1% lower QoQ so far in 4Q23

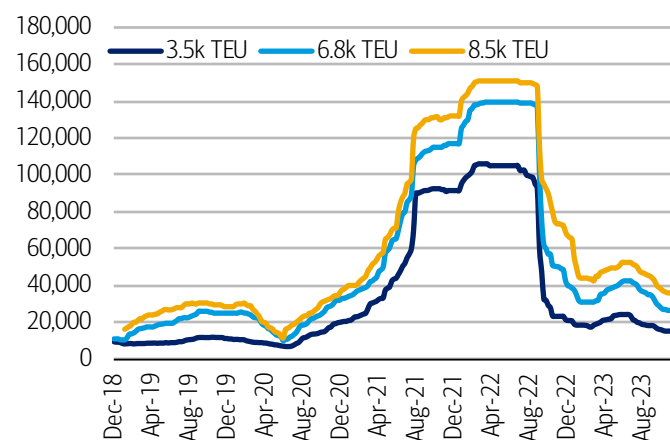
		1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
SCFI	SCFI	4,851	4,211	3,279	1,375	969	984	986	972
	SCFI Europe	7,435	5,959	4,656	1,490	926	848	776	683
	SCFI USWC	8,032	7,773	5,278	1,627	1,265	1,419	1,884	1,840
	SCFI USEC	11,008	10,409	8,557	4,126	2,438	2,366	2,768	2,321
% YoY	SCFI	74%	29%	-24%	-71%	-80%	-77%	-70%	-29%
	SCFI Europe	81%	15%	-36%	-80%	-88%	-86%	-83%	-54%
	SCFI USWC	100%	68%	-8%	-76%	-84%	-82%	-64%	13%
	SCFI USEC	130%	47%	-19%	-62%	-78%	-77%	-68%	-44%
% QoQ	SCFI	3%	-13%	-22%	-58%	-30%	2%	0%	-1%
	SCFI Europe	-3%	-20%	-22%	-68%	-38%	-8%	-9%	-12%
	SCFI USWC	18%	-3%	-32%	-69%	-22%	12%	33%	-2%
	SCFI USEC	2%	-5%	-18%	-52%	-41%	-3%	17%	-16%

Source: Clarksons

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Exhibit 11: 6-12 month Timecharter rates

Short-term charter rates declined in November...

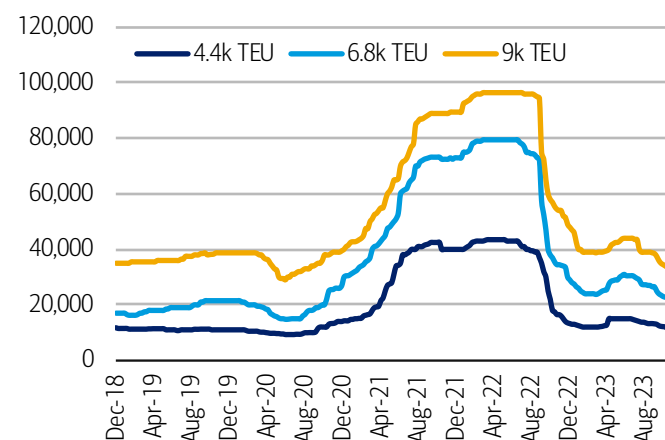


Source: Clarksons

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Exhibit 12: 3-5 years Timecharter rates

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

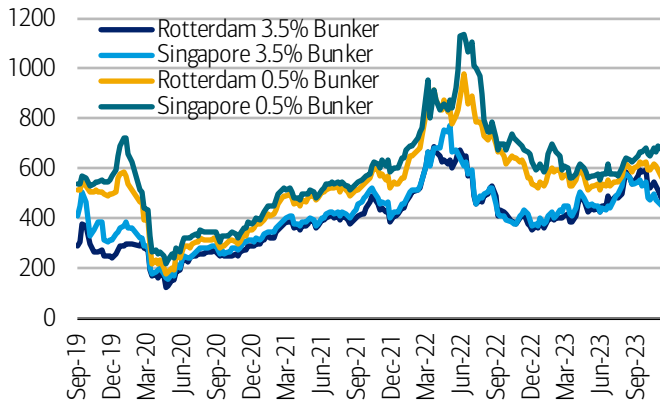


Source: Clarksons

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

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

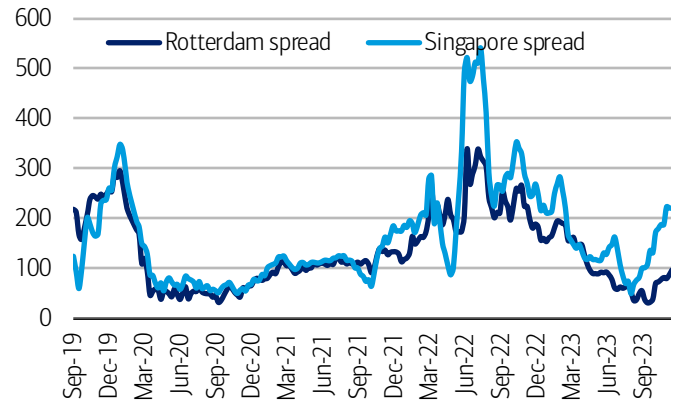


Source: Clarksons

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

... while the high and low sulphur spread expanding

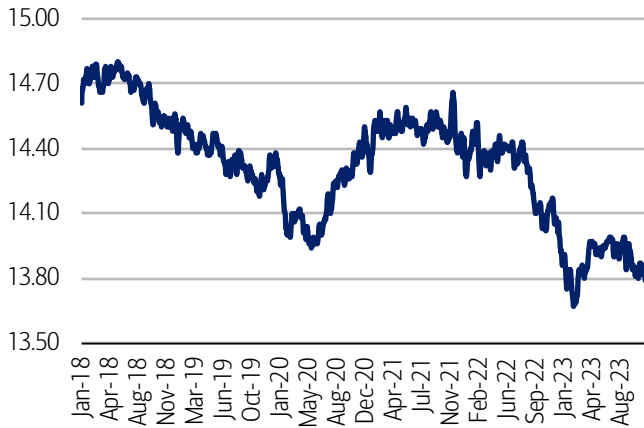


Source: Clarksons

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

Average speed started to decrease again post hitting a low earlier this year



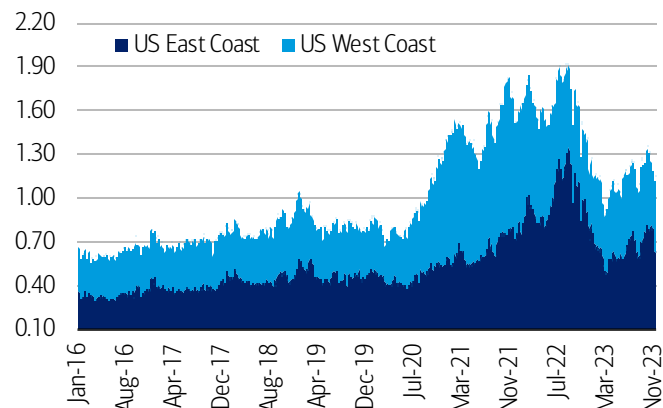
Source: Clarksons

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Port disruption

Exhibit 16: Vessels in port – US East Coast & West Coast (TEUm)

US East Coast and West Coast port congestion decreased in November

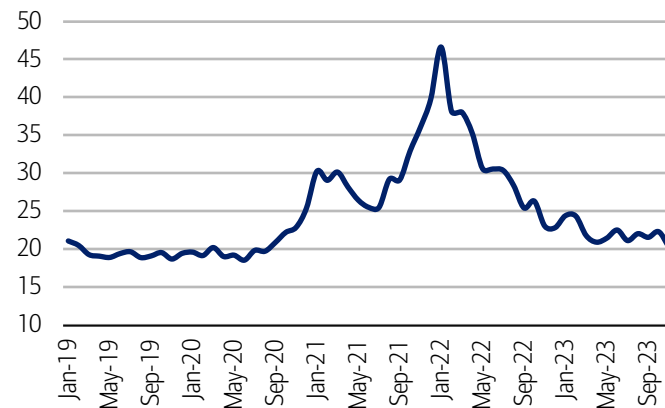


Source: Clarksons

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Exhibit 17: China to USWC average containership duration (days)

Transpacific transit times declined in November 2023

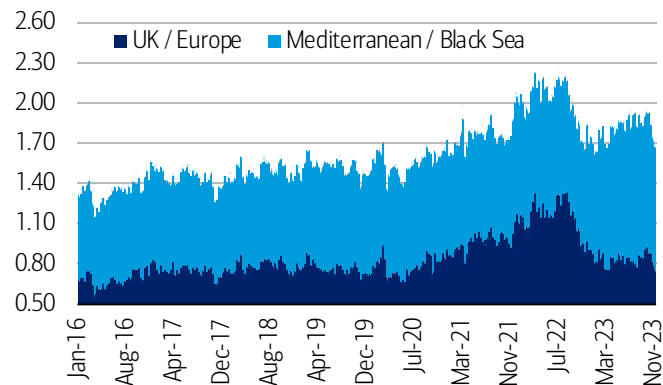


Source: Clarksons

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Exhibit 18: Vessels in Port – UK/Europe & Mediterranean (TEUm)

Port congestion in UK and Mediterranean is declining

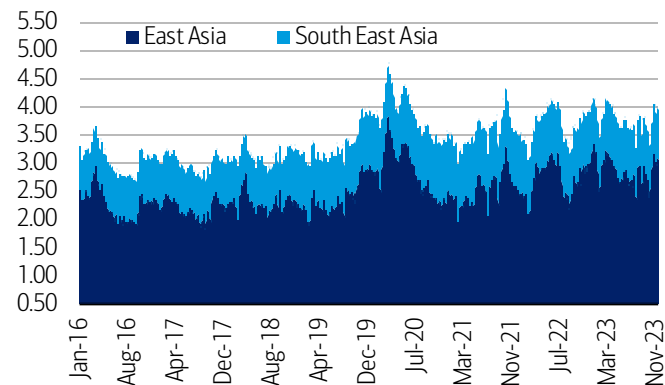


Source: Clarksons

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Exhibit 19: Vessels in port – East and South-East Asia (TEUm)

Port congestion in East Asia and South-East Asia is increasing

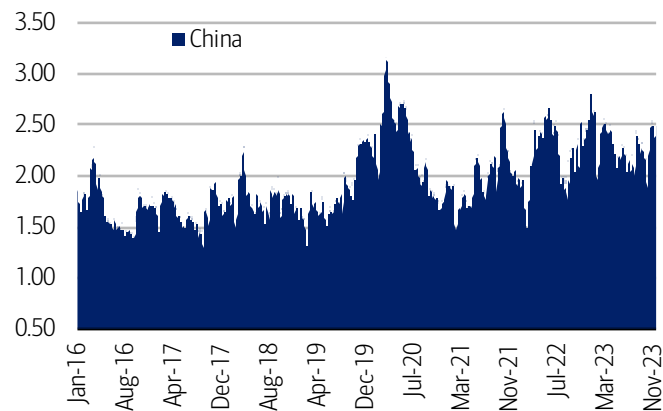


Source: Clarksons

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Exhibit 20: Vessels in port – China (TEUm)

Chinese port congestion has increased over the past month

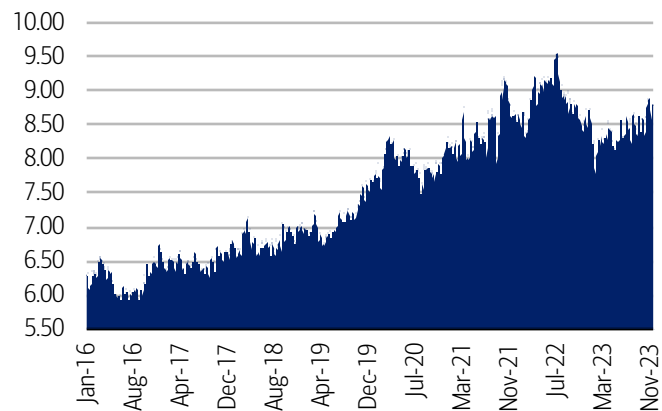


Source: Clarksons

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Exhibit 21: Vessels in port - Global (TEUm)

Global port congestion elevated but remains well below peak levels

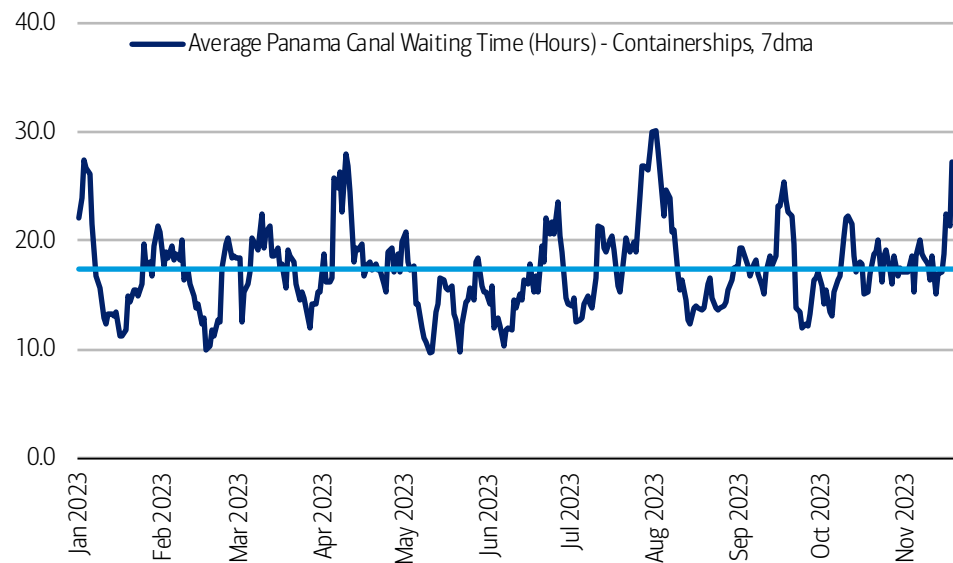


Source: Clarksons

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Exhibit 22: Panama Canal Waiting Time for Containerships

Drought-related transit restrictions are increasing waiting times at Panama Canal

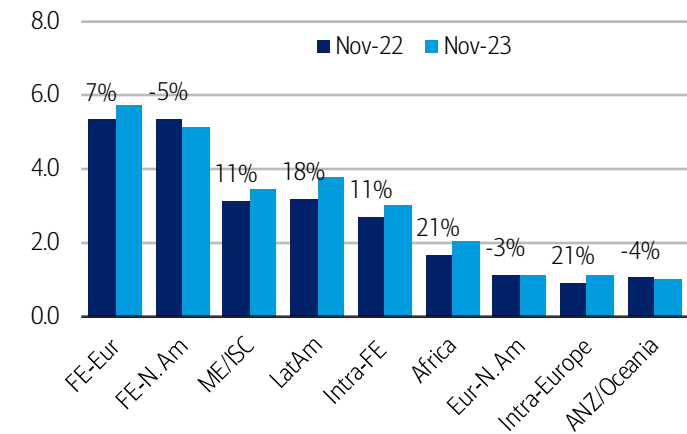


Source: Clarksons

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Capacity deployment

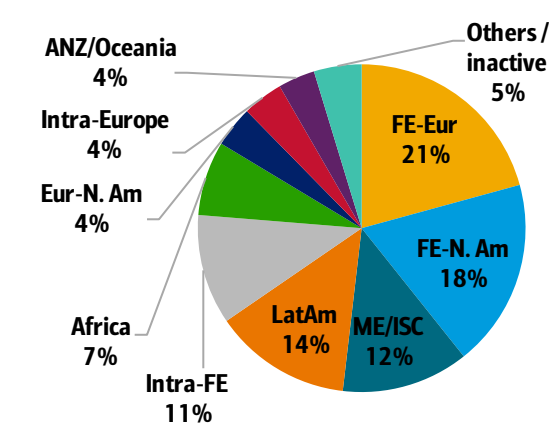
Exhibit 23: Global deployment by cellular TEU capacity (TEUm)
Asia to N. America has seen the biggest YoY cut in capacity at -5%



Source: Alphaliner

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Exhibit 24: Global deployment by TEU capacity in Nov-23 (% of total)
Asia-Europe and Asia- N. America dominate global trade lanes



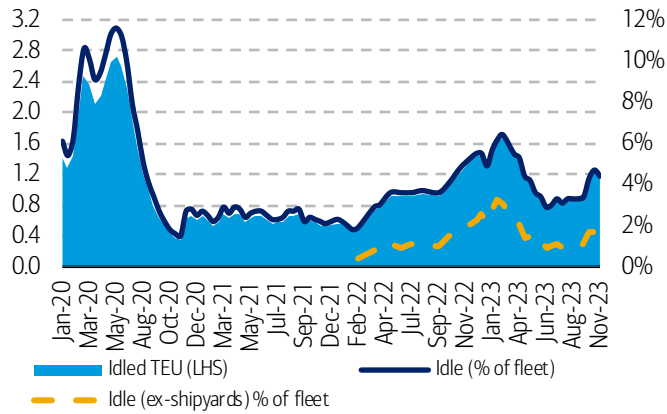
Source: Alphaliner

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Idle capacity

Exhibit 25: Idled TEU (and % of global fleet)

Idling (excluding capacity at shipyards) has decreased slightly to c1.6% of global fleet

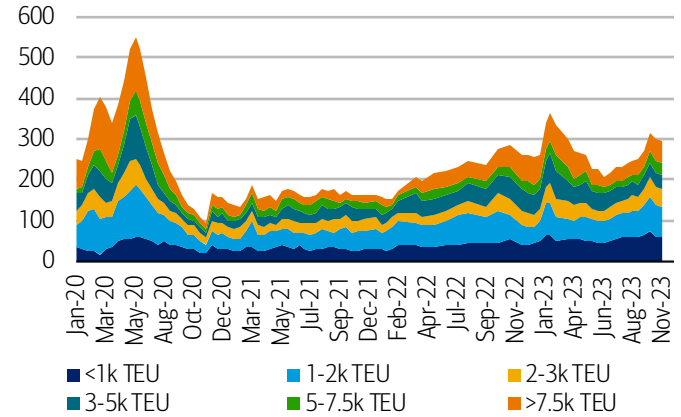


Source: Alphaliner

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Exhibit 26: Idled TEU breakdown by vessel size (number)

Inactivity either fell or remained stable across most size segments



Source: Alphaliner

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New orders

Exhibit 27: Global orderbook to fleet (%)

The global orderbook to fleet ratio remained broadly flat at c27%

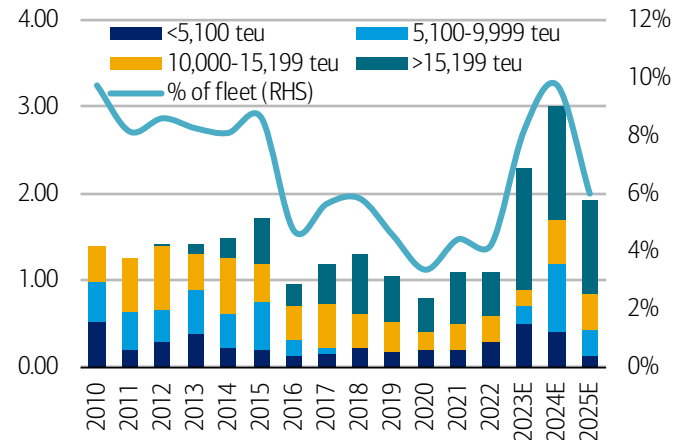


Source: Clarksons

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Exhibit 28: Deliveries per year (TEUm) and % of fleet

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



Source: Alphaliner

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Scrapping

Exhibit 29: TEUs and Units deleted during the year
Deletions 2023 YTD are below pre-Covid levels...

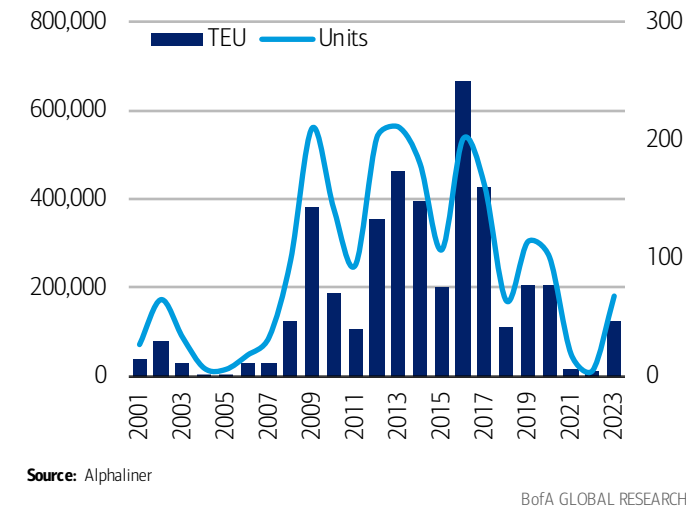
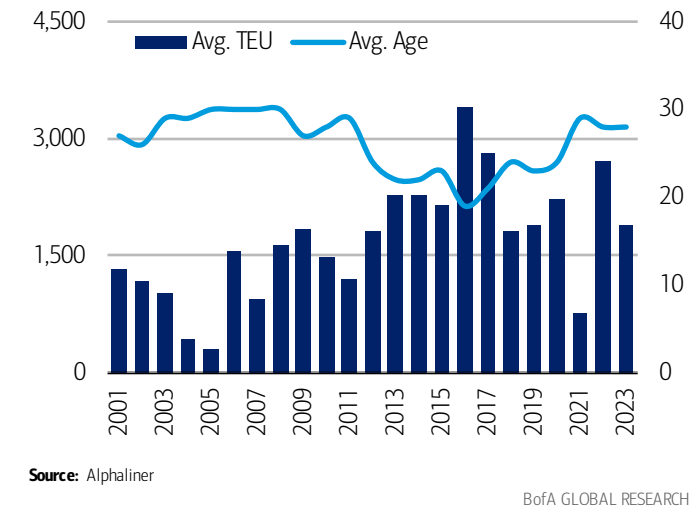


Exhibit 30: Average TEUs and Age of scrapped vessels
... while average age of scrapped vessels has increased

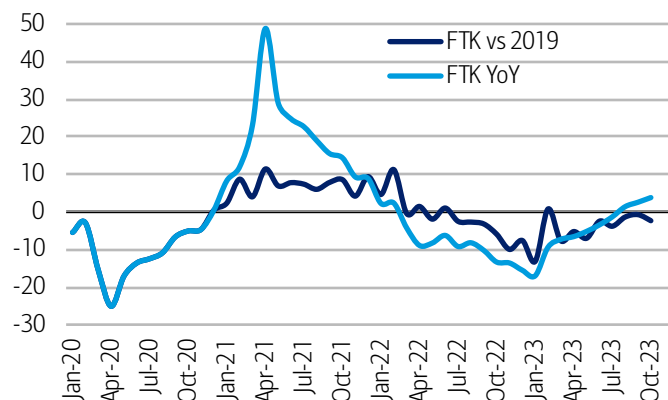


Air freight data

Air Freight Volumes

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

Global air cargo volumes were up c4% YoY in October 2023

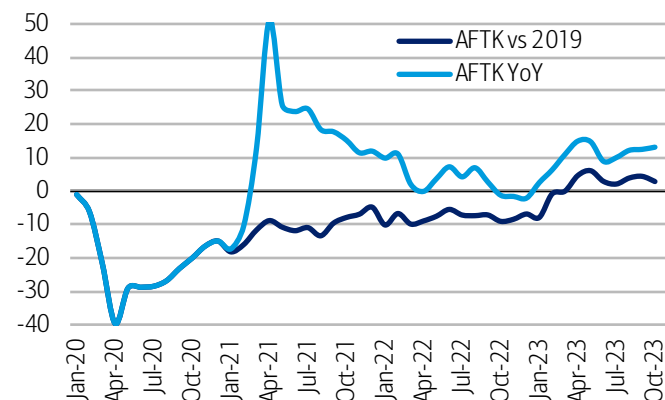


Source: IATA

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

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

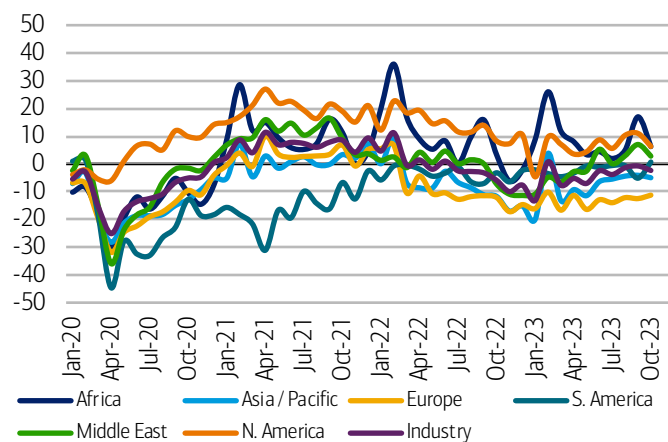


Source: IATA

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

Volumes decreased across most regions' vs 2019 levels in October 2023

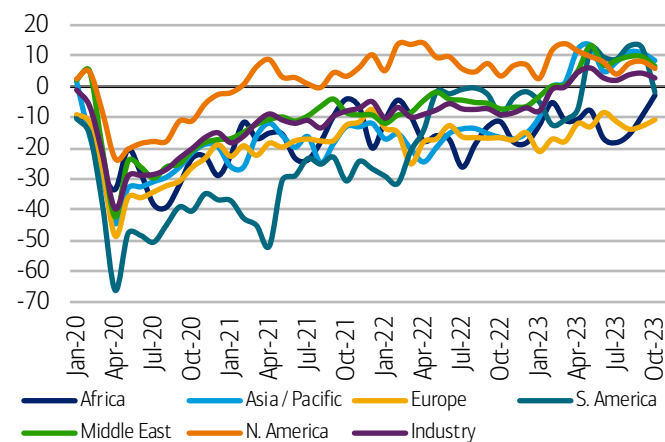


Source: IATA

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

Capacity declined across most regions' vs 2019 levels in October 2023

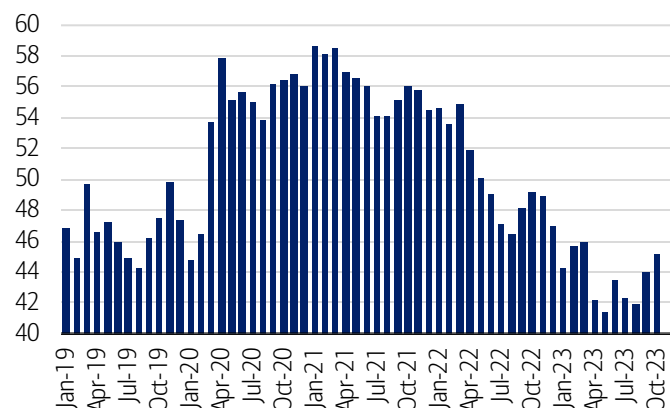


Source: IATA

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Exhibit 35: Global air freight load factor (%)

Load factor increases m-m to c45% in October 2023

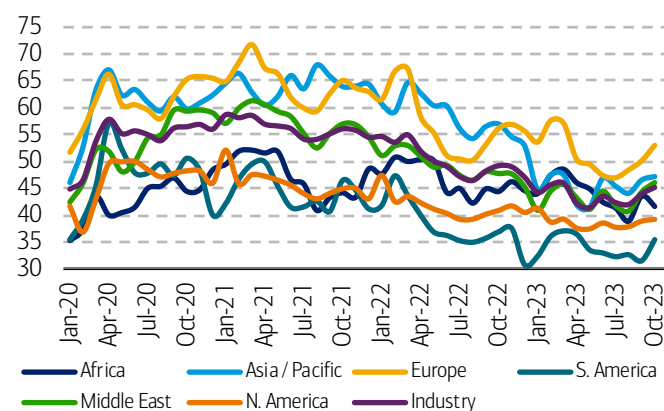


Source: IATA

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

Load factor improved in most regions' vs 2019 levels in October 2023



Source: IATA

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Air Freight Rates**Exhibit 37: Shanghai to Europe Air Cargo Index (USD per kg)**

China to Europe air freight rates were up +c22% M-o-M in November



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

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Exhibit 38: Shanghai to North America Air Cargo Index (USD per kg)

China to N. America air freight rates were up by +c10% M-o-M in November



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

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Exhibit 39: Baltic Exchange Air Freight Index

Global air freight rates were up +c10% M-o-M in November



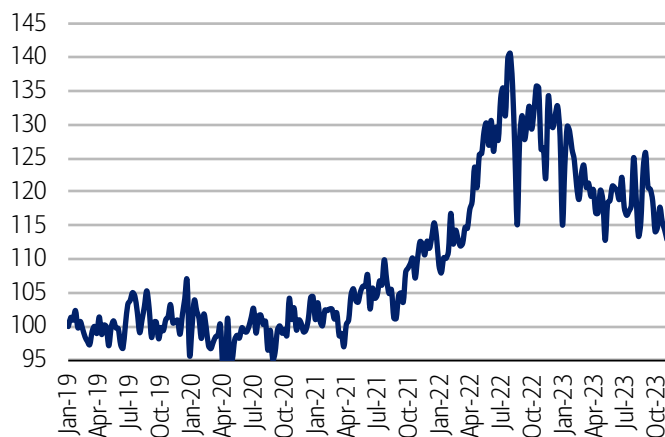
Source: Refinitiv Eikon (Baltic Air Freight Indices powered by TAC data)

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European road freight rates

Exhibit 40: Europe road freight rates (indexed to January 2019)

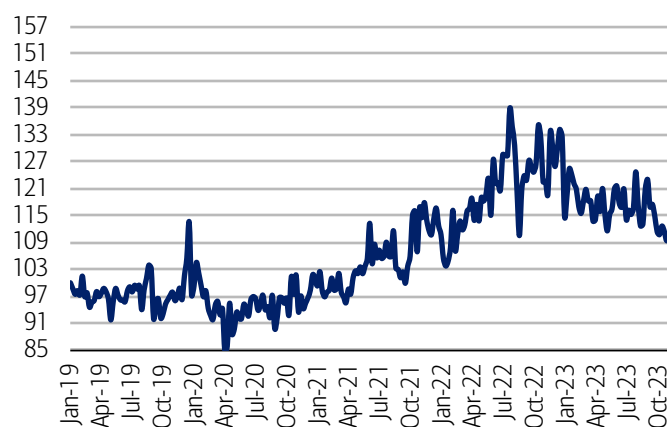
European road freight rates were 14% above 2019 levels in Oct' 23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Exhibit 41: Road freight rates out of Germany (indexed to January 19)

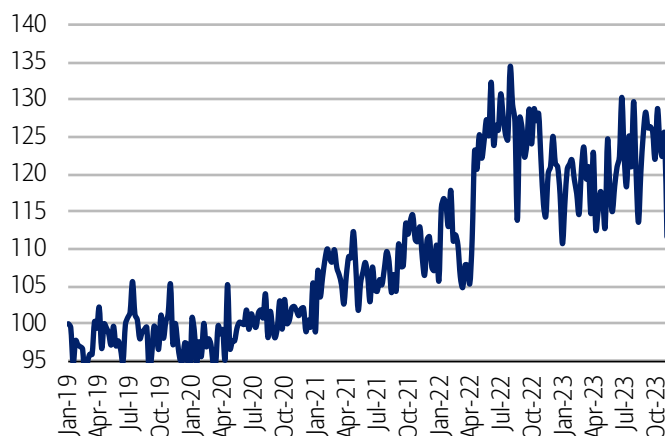
German outbound road freight rates were 16% above 2019 levels in Oct' 23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Exhibit 42: Road freight rates out of France (indexed to January 19)

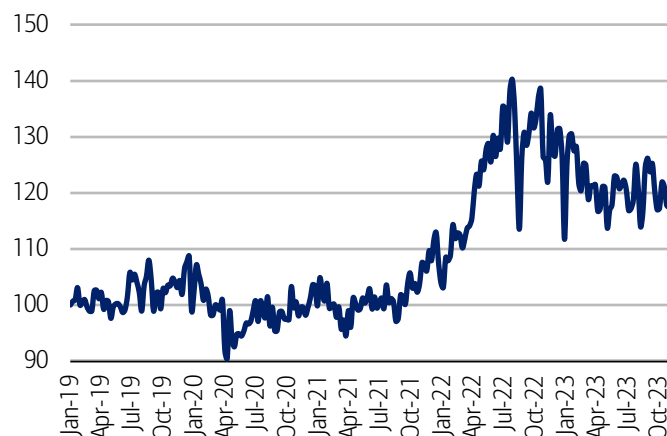
French outbound road freight rates were 21% above 2019 levels in Oct' 23



Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Exhibit 43: Road freight rates out of UK (indexed to January 19)

UK outbound road freight rates were 15% above 2019 levels in Oct' 23

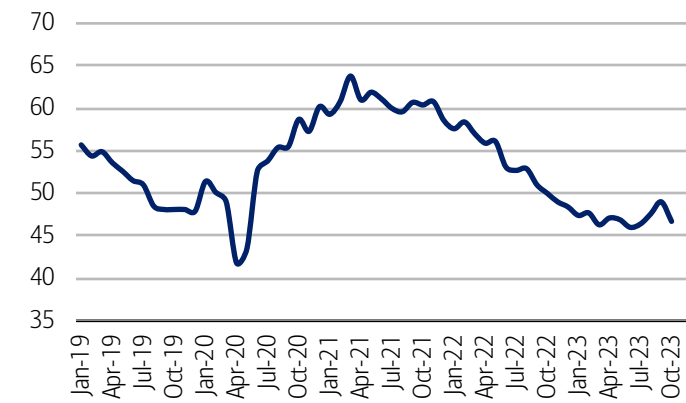


Source: BofA Global Research, Transport Intelligence, Uply. Note: average of selection of routes.
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Demand drivers

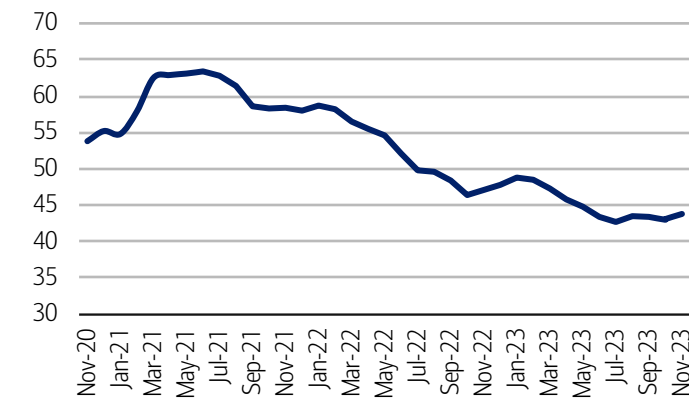
PMI indicators

Exhibit 44: US ISM Manufacturing
US PMI decreased to c47 in October 2023



Source: Datastream, Institute for Supply Management (ISM)
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Exhibit 45: Eurozone Manufacturing Purchasing Managers Index (PMI)
Euro area PMI moved up to c44 in November 2023



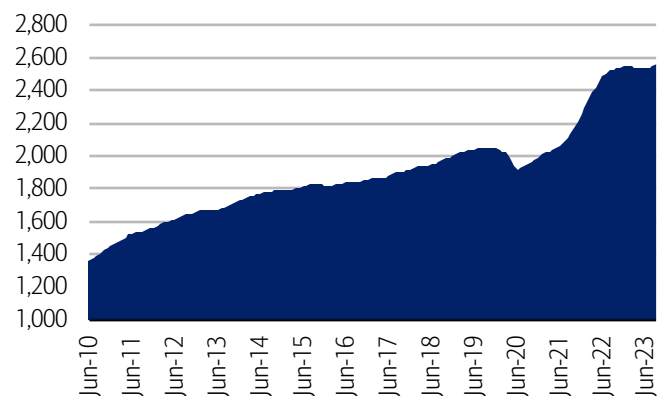
Source: Datastream, IHS Markit
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US inventories

Exhibit 46: US total manufacturing and trade inventories (\$bn)

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

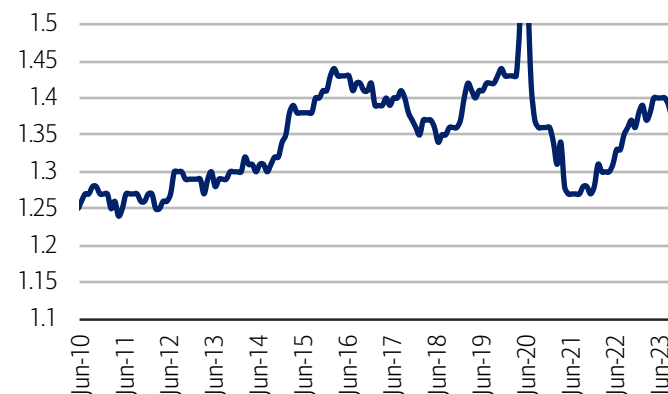


Source: US Census Bureau

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Exhibit 47: US total manufacturing and trade inventory to sales ratio

US total inventory to sales ratio declined to 1.36 in September

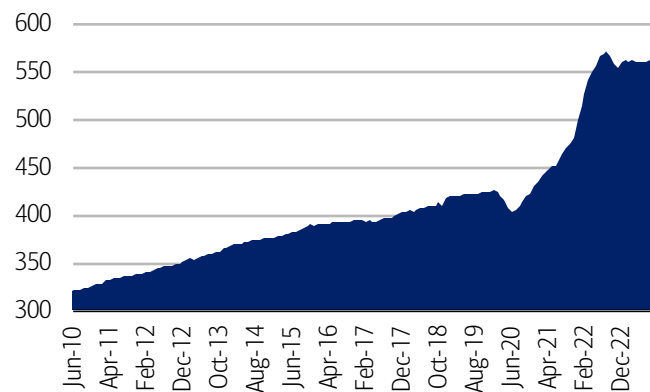


Source: US Census Bureau

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Exhibit 48: US retail (ex-auto) inventories (\$bn)

US retail inventories were 34% above 2019 levels in September 2023

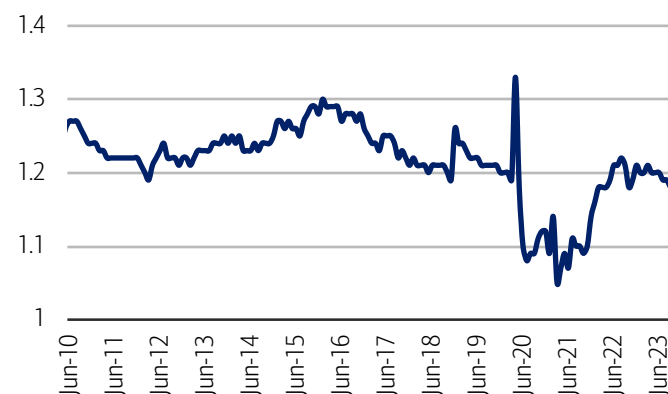


Source: US Census Bureau

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Exhibit 49: US retail (ex-auto) manufacturing and trade inventory to sales ratio

US retail inventory to sales decreased to 1.18 in September 2023

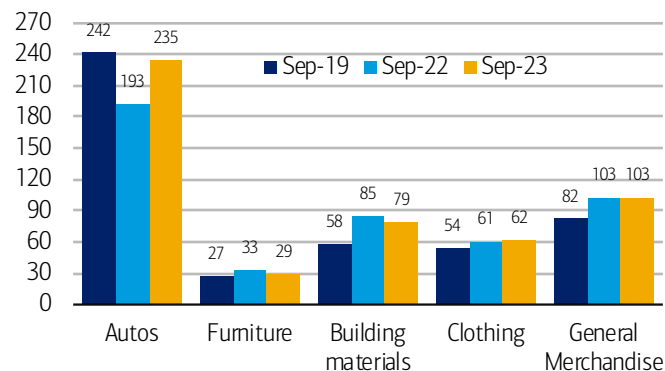


Source: US Census Bureau

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Exhibit 50: US retail inventories by product category (\$bn)

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

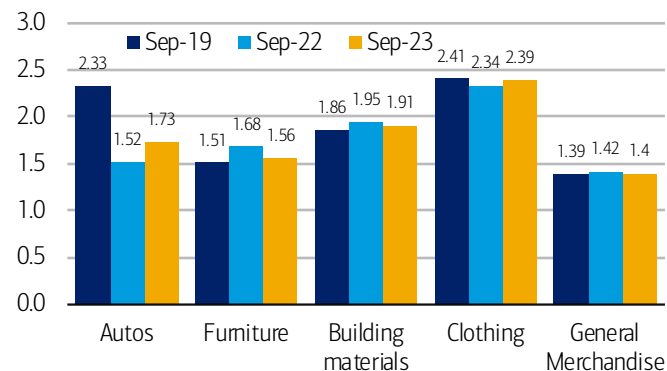


Source: US Census Bureau

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Exhibit 51: US retail inventory to sales ratio by product category

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

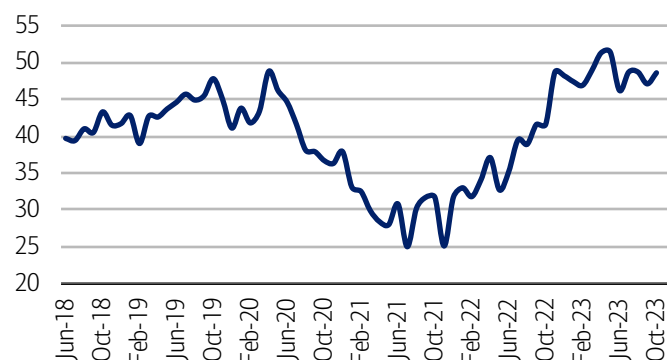


Source: US Census Bureau

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Exhibit 52: US ISM Manufacturing Customers' inventories Index

Customer Inventory Index rose to c49 in October 2023



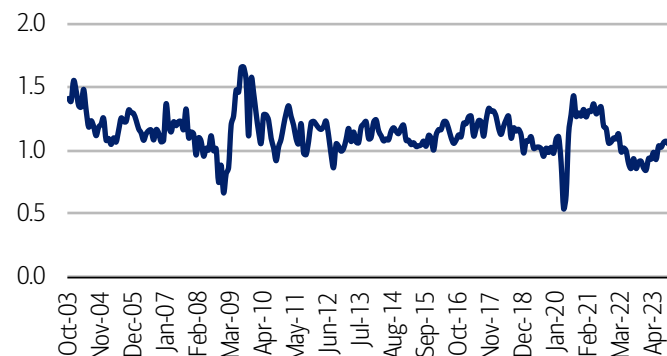
Source: Refinitiv Eikon

Note: A reading of 50 means breakeven levels

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Exhibit 53: US De-stocking cycle (ISM Manufacturing PMI new orders / inventories)

New orders are rising while business inventories decline

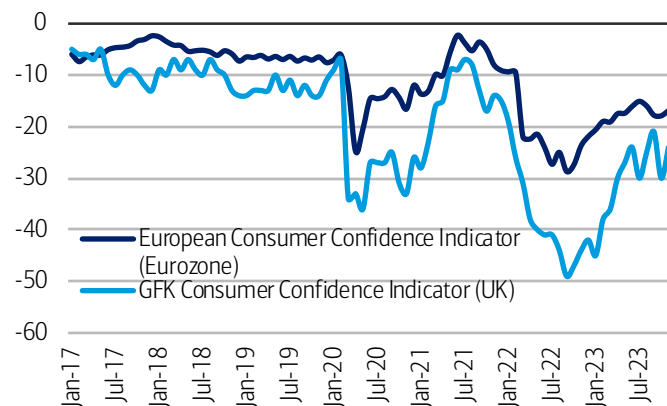


Source: Datastream

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

Eurozone and UK consumer confidence increased in November

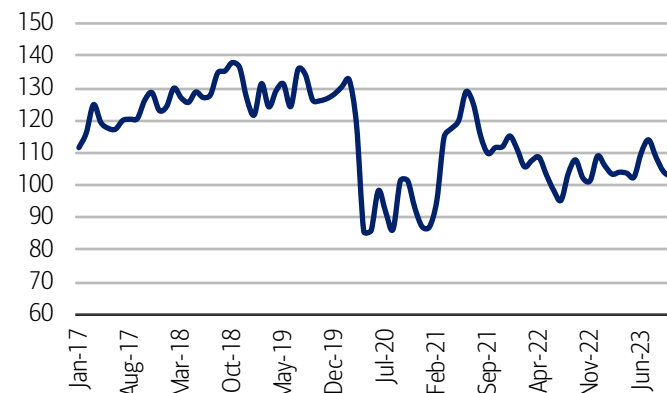


Source: Datastream

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Exhibit 55: US consumer confidence indicator

US consumer confidence declined in October



Source: Datastream, The Conference Board

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