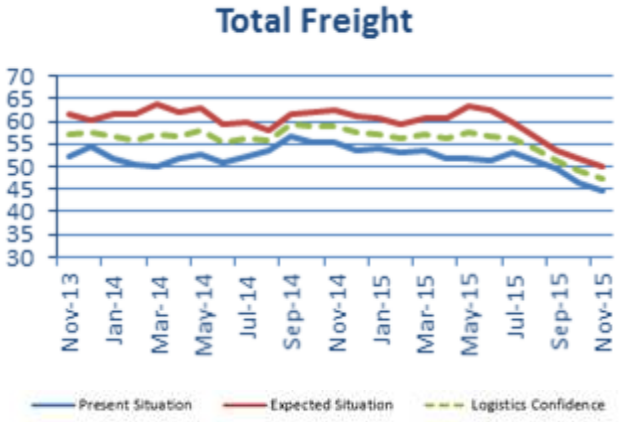
Continued Regression: Stifel Logistics Confidence Index sees a Negative Market Outlook Worsen

November 20th, London, UK: For the sixth month in succession, the Stifel Logistics Confidence Index declined. This trend resulted in the November Index score falling to the lowest registered for three years. The monthly decline registered in air freight was more moderate than that witnessed in sea freight; the former was down by 0.4 points to 48.9, whilst the latter dropped 2.8 points, amounting to 46.1. The continuation of negative macroeconomic trends at the global level, principally emanating from China, represent the principal cause of this. Chinese retail sales were up by 11% year on year in October, but the country saw exports fall by 6.9% over the same timeframe in value terms, whilst the import decline was even worse at 18.8%.

The six month outlook for both air and sea freight fell at the same rate as the present situation, declining 1.6 points from October to total 50.2. When compared to the figures measured in previous years though, it is significantly lower; the Logistics Expectations Index is down 12.4 points against November 2014, and 11.6 points against November 2013. The source of the decline is clear when expected performance is broken down. Sea freight fell by 2.7 points to 48.1 in November, whilst air freight fell by only 0.4 points to 52.3, remaining above the 50 point mark. The reason for this is the systemic overcapacity that has come to characterize container shipping, which is driving carriers to consider desperate measures in order to survive. A stark reminder of how damaging the situation has become was Maersk's decision to lay-up one of its 18,000 TEU Triple-E class vessels in what Drewry has described as a "wake up call" for the industry.

Last month, the Europe to US lane represented the sole bright spark within the Index, and this has continued, at least with regards to the

present situation. The Europe to US sea freight trade lane grew by 3.8 point month-on-month, which brought it to 55.8. The air freight Index also recorded growth on this lane, albeit at 0.1 points to 56.4. Nonetheless, in each case the Europe to US lane remains the only one in the present Index which stands above the 50 point mark. One potential reason for the performance of this trade lane is that the strength of the US dollar against the Euro has promoted transatlantic exports.

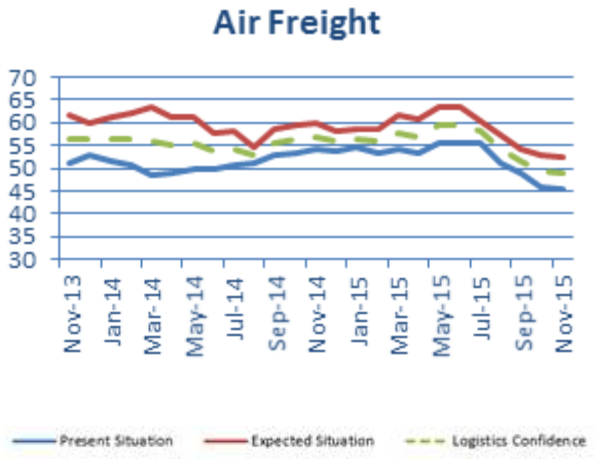


Air freight

The total air freight logistics confidence Index decreased 0.3 points from October to 48.9 in November 2015. Compared with November 2014, the Index is 8.1 points worse, while it is also 7.4 points lower than November 2013. In terms of the present situation, the air freight Index fell by 0.3 points to 45.4. Only one lane noted a gain this month, Europe to US, which was up by 0.1 points to 56.4. US to Europe remained unchanged from October at 46.1, whilst Asia to Europe and Europe to Asia both fell, the first by 0.2 points to 42.4, and the second by 1.1 points to 37.9.

For the six month outlook, the expected situation Index for total air freight also decreased slightly, by 0.4 points to 52.3. Trade lane performance was split. US to Europe and Asia to Europe both saw gains, up 1.7 points to 50.7 and 1.0 points to 52.4, respectively. By contrast, Europe to Asia and Europe to US were both down, by 2.2

points to 47.5 and 2.1 points to 58.8, in turn.

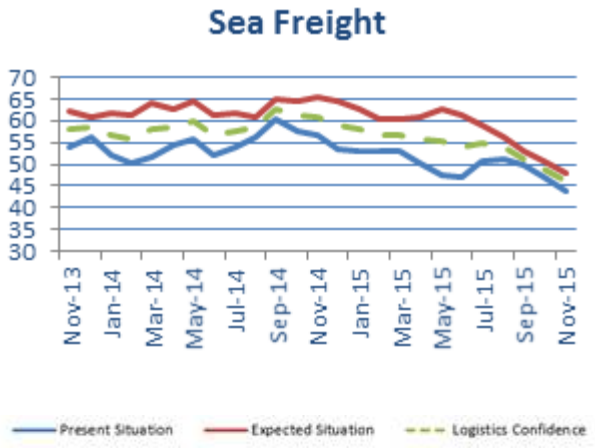


Sea Freight

For sea freight, the logistics confidence Index fell 2.8 points to 46.1. Compared with the same month in 2014, the Index is 15.0 points lower, and it is also 11.8 points lower than in November 2013.

For the present situation, the Index fell 2.9 points to 44.0. All lanes noted declines in November, with the exception of Europe to US, which again rose by 3.8 points to 55.8 for the month. Asia to Europe and Europe to Asia both fell by 6.0 points, standing at 41.1 and 37.6, respectively. US to Europe fell by 2.8 points to 43.0.

The expected situation Index for sea freight decreased 2.7 points to 48.1. Unlike the present situation Index, all lanes saw declines here. The most significant of these was recorded in Europe to Asia, which fell by 4.8 to 45.0. Next was Asia to Europe, which dropped 3.1 points to 47.1, followed by US to Europe, which was down 2.1 points to 44.8. Europe to US saw a slight decrease, of 0.6 points, and stood at 56.1 for the month.



One-Off Question

Each month, respondents to the Stifel Logistics Confidence Index survey are asked a unique, one-off question. The November one-off question was based around the prospects for volumes during this year's peak volume season, asking respondents what they expect to see happen given that China's economy has been stumbling and global trade volumes have been subdued. The largest response group, with 36.4% of the total, believed volumes would be ok, but that this year's peak will not be as pronounced as in previous years. The second largest group, consisting of 33.3% of the respondents, anticipate a low peak at best. The last two respondent groups each represented 15.2% of the total sample, with one set arguing that it is too early to tell if there will be a meaningful peak, and the other expecting a normal peak season with healthy volumes.

Take this month's survey here:
http://www.transportintelligence.com/r.php?linkID=1110

Notes to Editors

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