

JOC INSIGHTS

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JUNE 2013

THE SHIPPING ECONOMY

From the desk of **MARIO O. MORENO**, Economist, *The Journal of Commerce*

THE FIRST QUARTER PERFORMANCE of US GDP remained below long-term trend and about as expected leaving little reason for economists to revise their projections upwards. The consensus outlook is therefore virtually unchanged from early 2013 projections. On average, forecasters participating in the Federal Reserve Bank of Philadelphia's Second Quarter 2013 Survey of Professional Forecasters project a US GDP expansion of 2.0% in 2013, accelerating to 2.8% in 2014 and 3.0% in 2015. My own predictions fall almost precisely in line with the Fed Survey. Both the Fed and the OECD are predicting a decline in US unemployment. In 2013 the Fed Survey predicts joblessness will fall to 7.6% of the workforce and 7.1% in 2014. Unemployment, according to the Fed will not fall below 6.0% until after 2016.

Recent improvements in the labor market have led forecasters to reduce their projections for unemployment. While encouraging, the pace of recovery in this sector is painfully slow by historical standards. Moreover, a large proportion of the recent reduction in US unemployment rates is because fewer workers are participating in the labor market. From 2003 to the end of 2012, the unweighted average labor force participation rate was 65.3%. During the boom years of 2003-2007, the participation rate reached 66.1%. However, in the first four months of 2013, the participation rate decreased to 63.4%. I expect joblessness to fall roughly in line with Fed Survey predictions but am cautious about labor force participation rates and further unconvinced that many workers who have managed to find jobs are not underemployed. Reduced unemployment that is driven by increasing numbers of underemployed persons and fewer persons in the labor market will not provide the economy with the needed boost to sustained consumer spending.

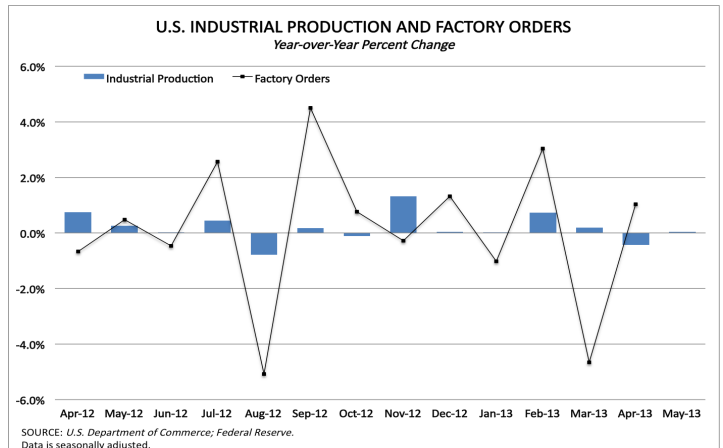
With respect to import prices (ex. petroleum) I am predicting only moderate growth as the US dollar will continue to gain strength against all major currencies. With prospects in Europe waning and Japan taking deliberate actions to inflate its economy and in the process restore competitiveness to its export industries, the dollar will stand out as a stable medium for investors. Should the Fed begin scaling back its bond purchases within the forecast period, interest rates will rise significantly and support even larger gains for the US dollar.

Finally, I anticipate continued but gradual improvements in the housing market; stable growth in auto sales and increased US demand for agricultural goods sourced overseas. These conditions overall lead me to predict a 4.2% increase in containerized import volume for 2013, and 4.7% in 2014.

This issue of JOC Insights presents my most updated overall US container trade forecasts, U.S. – South America container trade forecasts, and a special analysis of U.S. apparel imports.

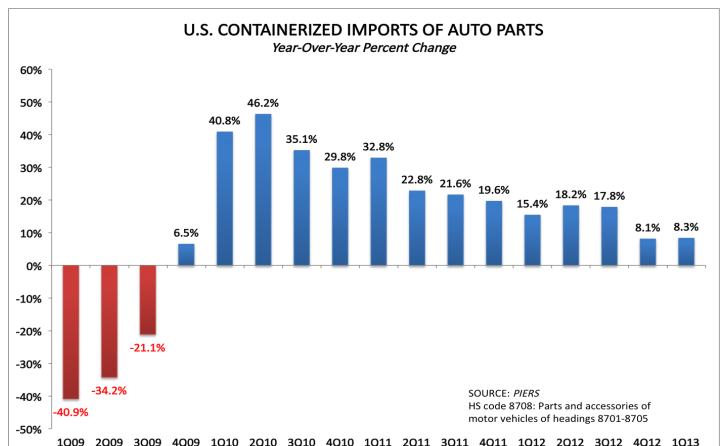
I hope you'll enjoy the latest issue of JOC Insights.

- ◆ U.S. manufacturing sector in contraction for first time since November 2012
- ◆ U.S. ocean container trade rebounded modestly in April
- ◆ Auto parts, footwear, auto tires lead gains in April containerized imports
- ◆ Retail sales performed better than expected in May
- ◆ Japan's real GDP growth forecast for 2013 upgraded on rebounding consumer spending, exports



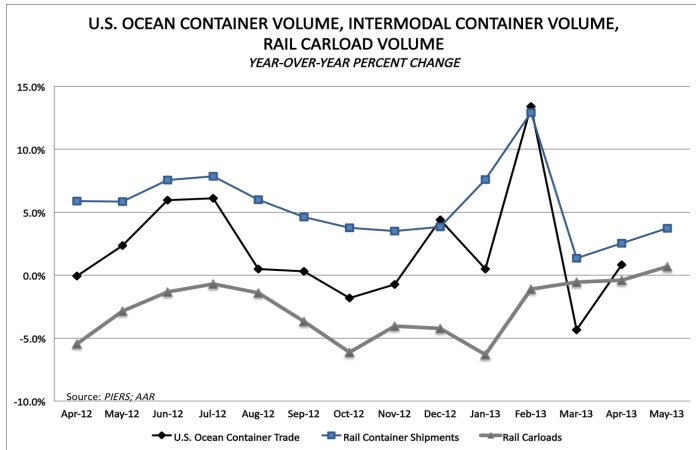
INDUSTRIAL PRODUCTION UNCHANGED IN MAY

U.S. industrial production stood unchanged in May mostly owed to falling output of utilities. As expected, the manufacturing sector remained soft with output edging up 0.1 percent, and stood below consensus for a 0.3 percent rebound. Motor vehicles and parts output rose 0.7 percent after a 0.4 percent drop a month earlier. Outside of motor vehicles, manufacturing increased only 0.1 percent, following a 0.4 percent drop in the prior month. The slight deceleration of motor vehicle production in recent months has reached out to the inbound trade of auto parts as shown in the chart below. U.S. containerized imports of auto parts



increased year over year by 8.3 percent and 8.1 percent in the first quarter of 2013 and fourth quarter of 2012 respectively after growing by double digits for the last 3 years.

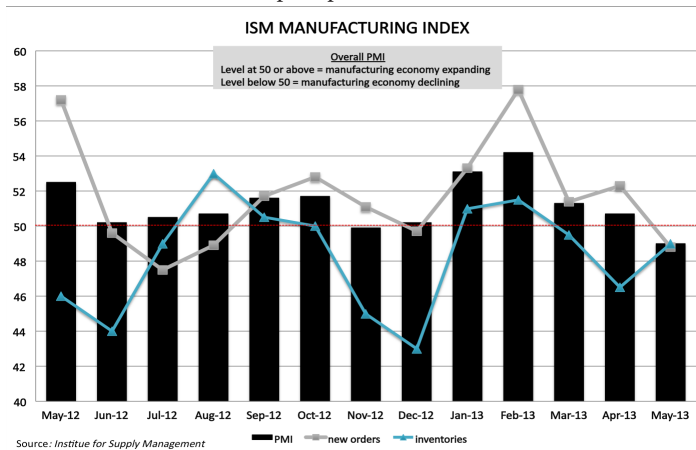
Purchases at car dealerships rose 1.8 percent in May, more than double the growth in the prior month. Moreover, sales of autos and light trucks exceeded the 15 million annual rate in 6 of the last 7 months, suggesting motor vehicle production could gather steam in the third quarter despite soft export markets.



U.S. OCEAN CONTAINER TRADE REBOUNDS 0.8 PERCENT IN APRIL

U.S. ocean container trade rebounded modestly in April mostly owed to gains in imports. Total container trade edged up 0.8 percent YoY and totaled 2.5 million TEUs in the month.

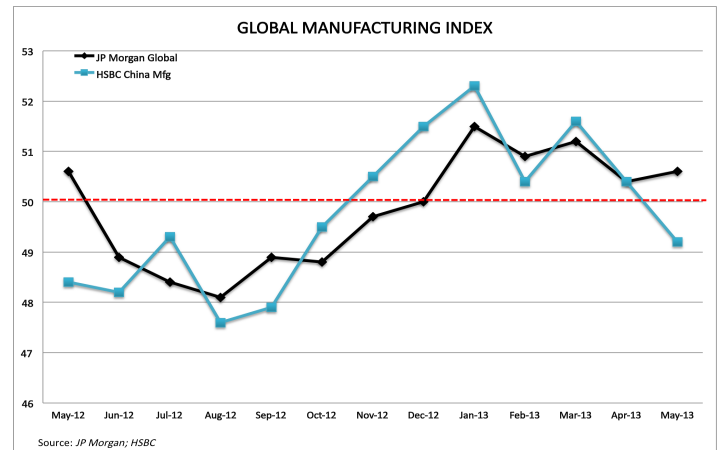
Rail container shipments advanced to 3.7 percent year-over-year in May, following a 2.5 percent gain in the prior month, while rail carloads rose for the first time in 16 months, up 0.7 percent.



MAY 2013: U.S. MANUFACTURING INDEX DIPS BELOW 50.0

The latest manufacturing reading certainly was disappointing. The PMI index gave a reading of 49.0, down by 1.7 points, indicating contraction from growing. Of the 18 manufacturing industries, only 10 reported growth in the month. New orders fell sharply by 3.5 points to a reading of 48.8, suggesting trouble ahead. Hiring grew at a slower pace.

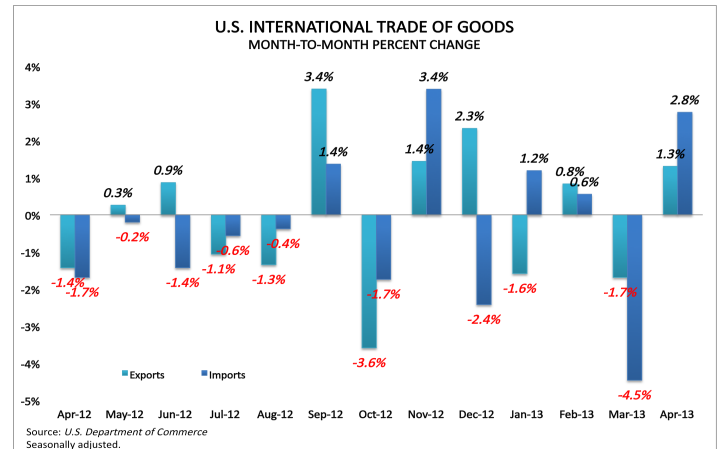
Given the mixed signals, a deceleration of the economy in the second quarter is now more certain, and the Fed slowing the pace of its monthly \$85 billion bond buying program less likely anytime soon.



MAY 2013: GLOBAL MANUFACTURING PMI UP TO 50.6; CHINA MANUFACTURING PMI DOWN TO 49.2

The JPMorgan Global PMI slightly increased by 0.2 percentage point to 50.6 in May, signaling expansion at a faster rate. New orders rose for the fifth straight month in May but increased slightly over April, while new export business remained near-stagnant. New business in the euro-zone continued to weaken.

The HSBC China Manufacturing PMI came in at a 49.2 level, down by 1.2 percentage point from April, signaling the first deterioration in operating conditions in 7 months. Output rose for the seventh straight month during May, but new orders fell modestly for the first time since last September. Hiring fell for the second straight month during May.

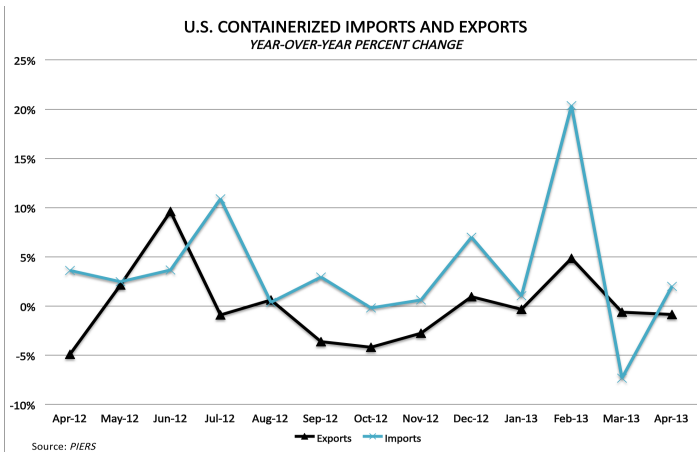


APRIL 2013: U.S. GOODS EXPORTS UP 1.3 PERCENT; GOODS IMPORTS UP 2.8 PERCENT

U.S. exports of goods rebounded 1.3 percent in April over March, amounting to \$130.0 billion in the month. Gains were seen in consumer goods (\$2.0 billion); capital goods (\$0.9 billion); and motor vehicles (\$0.6 billion). Losses were seen in industrial supplies (\$0.9 billion).

U.S. imports of goods rebounded 2.8 percent in April over the prior month, totaling \$187.5 billion. Gains were seen in consumer goods (\$1.7 billion); motor vehicles (\$0.6 billion); and capital goods (\$0.5 billion). Losses were seen in industrial supplies (\$1.2 billion).

The deficit of goods increased 6.2 percent to \$57.5 billion (census basis).



	APR-13	MOM	YOY	YTD	2013(F)
IMPORTS	1,480	17.7%	2.0%	3.4%	4.2%
EXPORTS	996	-7.2%	-0.9%	0.7%	2.6%

Source: PIERIS, JOC Container Shipping Outlook, June 2013 *In Thousands of TEUs

APRIL 2013: U.S. CONTAINERIZED IMPORTS UP 2.0 PERCENT; EXPORTS DOWN 0.9 PERCENT

U.S. imports rebounded modestly during April as the US economy struggles to gather steam. Overall U.S. containerized imports rose 2.0 percent in April 2013 over April 212 to a total of 1,480,005 TEUs. Month-to-month, overall imports advanced 17.7 percent.

Leading the volume gains were auto parts (+6,799 TEUs); footwear (+5,004 TEUs); auto tires (+2,692 TEUs); and menswear (+1,936 TEUs).

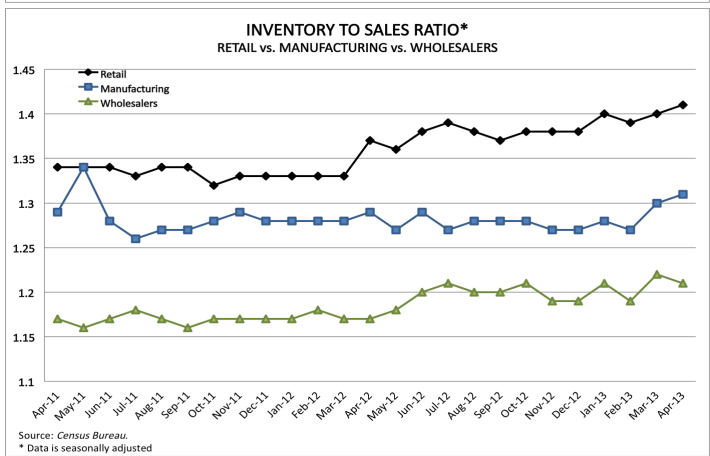
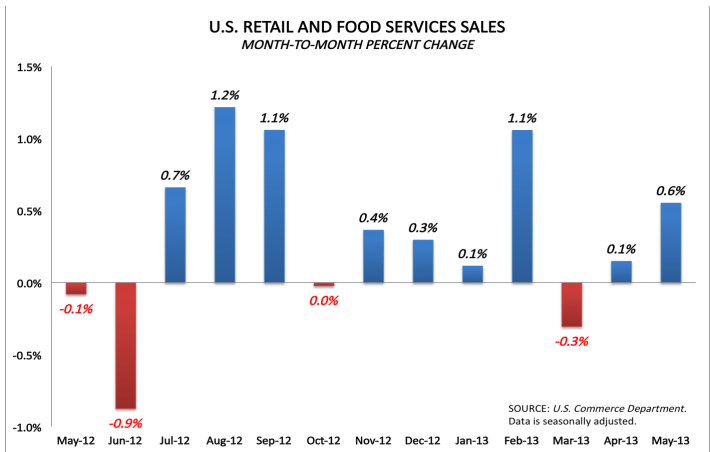
On a country level, shipments from India gained the most, up 5,025 TEUs (or 14.5 percent). Korea follows with a gain of 3,628 TEUs (or 6.3 percent), while Belgium gained 3,497 TEUs (or 18 percent). On the downside, imports from China declined by 10,176 TEUs (or 1.5 percent).

In line with expectations, imports started the second quarter with a modest rebound despite economic challenges in the manufacturing and employment front. Going forward, I anticipate that the overall inbound trade will continue to be buffeted by the improving US housing and auto markets. Therefore, I am modestly upgrading my imports forecast for 2013 from 2.6 percent to 4.2 percent.

U.S. box exports dipped for the second straight month in April on struggling Asian and European markets. Overall U.S. containerized exports slid 0.9 percent year-over-year in April to 995,867 TEUs, according to preliminary data from PIERIS. Losses were led by mixed metal scrap, down 5,763 TEUs; scrap iron, down 5,407 TEUs; and miscellaneous plastic products, down 3,160 TEUs. On the upside, fabrics including raw cotton gained 5,510 TEUs, while soybeans advanced 4,997 TEUs, all compared to April 2012.

On a country level, shipments from Taiwan fell the most, down by 5,399 TEUs (or 11 percent) and totaled 44,390 TEUs. Hong Kong followed with a loss of 5,163 TEUs while Japan advanced 4,191 TEUs. On the upside, exports to Turkey jumped by 5,766 TEUs (or 48 percent) and totaled 17,861 TEUs in the month.

Exports forecast for 2013 has been slightly upgraded from 1.9 percent to 2.6 percent, mostly owed to better-than-expected volume in the first quarter.



MAY 2013: U.S. RETAIL SALES UP 0.6 PERCENT

Retail sales performed better than expected in May, rising 0.6 percent and following a 0.1 percent boost in April. Experts called for an advance of 0.5 percent in the month. Auto sales advanced 1.8 percent, following a rise of 0.7 percent in the prior month. Excluding autos, sales rose 0.3 percent. Gains were seen in building materials & garden equipment; and food services & drinking places.

Year-over-year, overall retail sales accelerated the pace to 4.3 percent from 3.7 percent in the prior month. Consumer spending on retail goods appears to be gaining momentum, likely owed to an improving job and stock market.

Seasonally adjusted retail inventory to sales ratio gave a reading of 1.41 in April, up from 1.40 in the prior month.

	MAY-13	MOM	YOY	2013(F)
EXISTING HOME SALES	5,180	4.2%	12.9%	8%
NEW HOME SALES	476	2.1%	29.0%	34%
HOUSING STARTS	914	6.8%	28.6%	21%

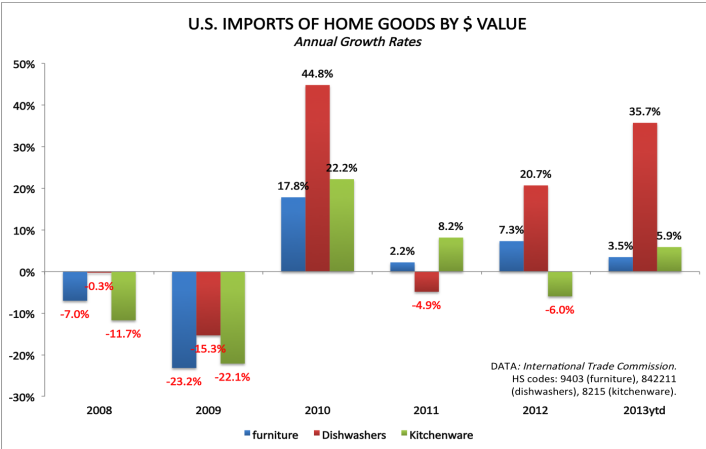
Source: US Department of Commerce; NAR; JOC Forecast *In Thousands of Units, Seasonally Adjusted Annual Rate

MAY 2013: EXISTING HOME SALES UP 4.2 PERCENT; NEW HOME SALES UP 2.1 PERCENT; HOUSING STARTS UP 6.8 PERCENT

Existing home sales once again surprises the market by rising more than expectations, up 4.2 percent in May to a seasonally adjusted annual rate of 5.2 million units. Growth was centered in single-family category. Prices are gaining mainly because of tight supply. Sales are expected to grow by 8 percent in 2013, upgraded from 5 percent.

New home sales also came in at a stronger-than-expected annual rate of 476,000 in May. Supply here is actually growing as builders look to take advantage of higher prices. New home sales are expected to grow by 34 percent this year, upgraded from 26 percent.

Just the thought of mortgage rates keep going up (expectations) will prompt those still undecided buyers to purchase now rather than later. The question is: what would be the mortgage rate level that will deter buyers completely to buy a home?



A steady recovery in home sales is highly important to the container import trade. The sale of a home spurs consumption opportunities that reach as far as international trade. The graph above shows how this housing recovery is impacting imports of major home goods. Furniture imports by value picked up the pace in 2012 and advanced 7.3 percent, following a boost of 2.2 percent in the prior year. Dishwasher imports rebounded strongly in 2012 while kitchenware imports contracted. Nevertheless, imports of kitchenware were up year to date through April, as well as furniture and dishwasher imports.

As long as the housing recovery continues we can expect to see further import gains in these categories.

REAL GDP QUARTERLY GROWTH RATES ON A Y-O-Y BASIS AND ANNUAL FORECASTS

COUNTRY	Q2-2012	Q3-2012	Q4-2012	Q1-2013(E)	2013(F)	2014(F)
UNITED STATES	2.1	2.6	1.7	1.8	2.0	2.7
CHINA	7.6	7.4	7.9	8.3	7.8	7.7
JAPAN	3.9	0.3	0.4	0.2	1.7	2.1
UNITED KINGDOM	0.0	0.4	0.2	0.6	1.1	1.2
GERMANY	1.0	0.9	0.3	-0.3	0.2	1.0

* Growth rate compared to the same quarter of previous year, seasonally adjusted. All countries except China display seasonally adjusted quarterly data.

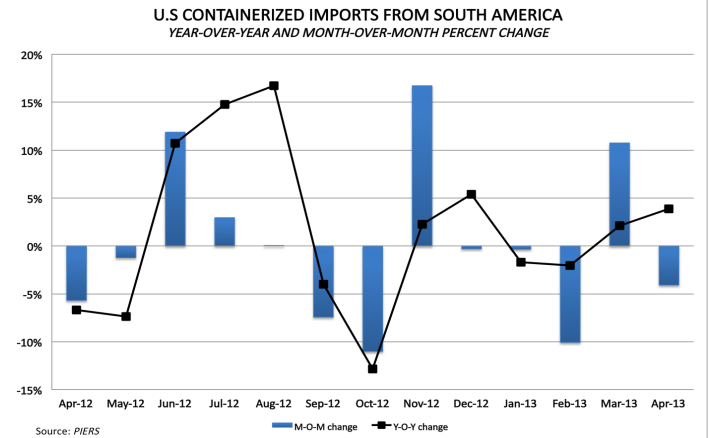
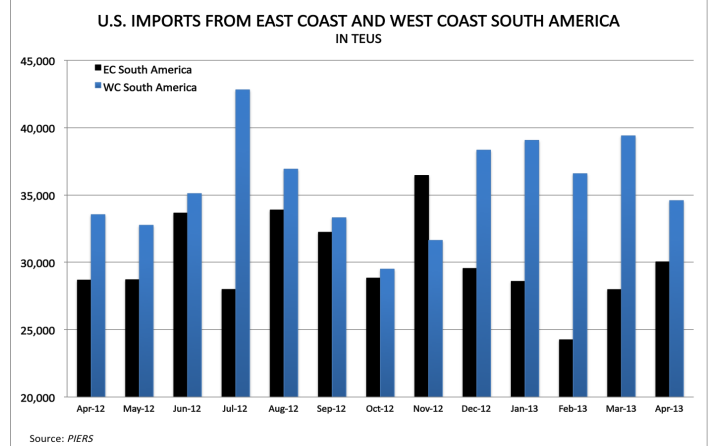
Source: OECD; EIU forecasts; in-house forecast - Updated as of June 26, 2013

Japan's real GDP growth forecast for 2013 has been upgraded by the Economist Intelligence Unit to 1.7 percent, up from 1.2 percent, following better than expected private consumption growth and a rebound in exports during the first quarter. Abenomics, the economics experiment led by the new Japanese government, will gather efforts to revive the sluggish economy by undertaking a massive increase in fiscal and monetary stimulus. In early April, the Bank of Japan launched open-ended quantitative easing which has a downward effect on the Yen's value. It remains to be seen how much of an effect will weakness of the Yen have on Japanese goods exports to the US given there's not much of a correlation between the two over a 20-year period. Nevertheless, Japan's overall exports to the world rose for the third month running in May on a year-over-year basis. By volume, Japanese container exports edged up 0.4 percent YoY in the first quarter of 2013, and just 0.7 percent in April.

REGIONAL CONTAINER TRADE

- ◆ 2013 outlook on imports from East Coast South America revised downwards
- ◆ Exports to East Coast South America expected to drop 5 percent in 2013

IMPORTS FROM SOUTH AMERICA



	IMPORTS, APRIL 2013				
	TEUS	MOM	YOY	YTD	2013(F)
EC SOUTH AMERICA	30,039	7.4%	4.7%	-1.5%	-0.5%
WC SOUTH AMERICA	34,589	-12.2%	3.1%	2.1%	12.2%

Source: JOC-PIERIS Container Shipping Outlook June 2013 issue

APRIL 2013: IMPORTS FROM SOUTH AMERICA UP 3.9 PERCENT

Inbound trade from East Coast South America totaled 30,039 TEUs in April, up 4.8 percent from April 2012. The increase was mostly driven by gains in coffee, granite, and logs & lumber. Imports from West Coast South America rose 3.1 percent in the month, to a total of 34,589 TEUs, boosted by gains in miscellaneous fruits, auto tires, and coffee.

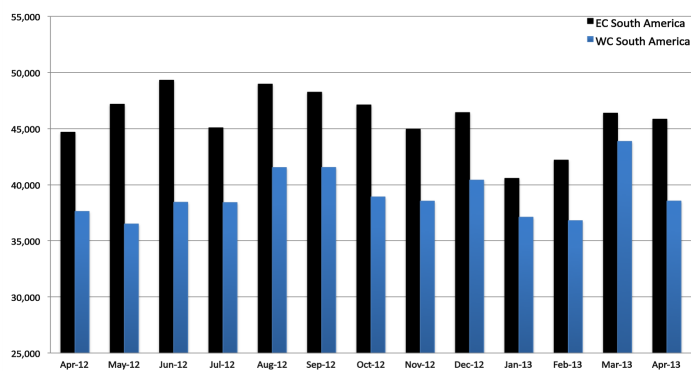
Total container imports from South America advanced 3.9 percent in April after rising by 2.1 percent in the prior month, and totaled 64,627 TEUs. Month to month, imports from South America declined 4.1 percent.

Partially because shipments from East Coast South America stood below projections in the first quarter of the year, I am revising downward the 2013 forecast to -0.5 percent from +6.3 percent predicted in the last issue of CSO. The revision is also based on coffee prices that are now too

low for Brazilian farmers to break even. We believe farmers will withhold some of this year's bumper crop until prices improve. This will not occur until later this year as lower production in Central America finally provides some pricing support. Moreover, global demand for coffee continues to rise, even within Brazil itself making less coffee available for export. We are still positive on regional shipments of housing inputs but are approaching this trade with some degree of caution as US housing prices may have begun to soar out-of-line with demand conditions in some areas.

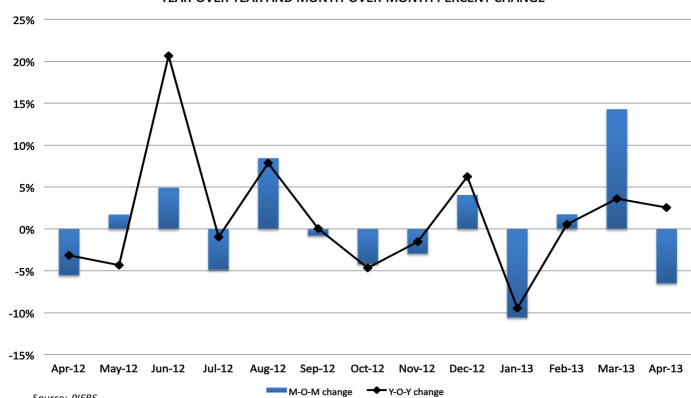
EXPORTS TO SOUTH AMERICA

U.S. EXPORTS TO EAST COAST AND WEST COAST SOUTH AMERICA IN TEUS



Source: PIERIS

U.S. CONTAINERIZED EXPORTS TO SOUTH AMERICA YEAR-OVER-YEAR AND MONTH-OVER-MONTH PERCENT CHANGE



Source: PIERIS

EXPORTS, APRIL 2013

	TEUS	MOM	YOY	YTD	2013(F)
EC SOUTH AMERICA	45,838	-1.2%	2.6%	-3.0%	-5.0%
WC SOUTH AMERICA	38,547	-12.1%	2.5%	1.9%	0.6%

Source: JOC-PIERS Container Shipping Outlook June 2013 issue

APRIL 2013: EXPORTS TO SOUTH AMERICA UP 2.5 PERCENT

Southbound shipments to East Coast South America totaled 45,838 TEUs in April, up by 2.6 percent from a year earlier. Gains were led by industrial resins and medical equipment. Southbound trade to West Coast South America increased 2.5 percent YoY to a total of 45,838 TEUs, mostly owed to rising demand for paper & paperboard, meat and industrial resins.

Trade to South America advanced by 2.5 percent YoY in April totaling 84,385 TEUs, after a 3.6 percent gain in the prior month. On a month-to-month basis, exports declined 6.5 percent.

The outlook for US exports to the East Coast of South America has

deteriorated in the last three months, largely due to a severe currency crunch in Venezuela. Several factors, including excess government spending, political instability, declining oil prices, and restrictive currency controls, have combined to result in a serious lack of US dollars for Venezuelan importers. As a result, there is a shortage of even basic goods in this import-dependent economy. Eventually the new government will have to devise a better system to distribute dollars. Rising demand from Brazil will help pick up some of the slack. Nonetheless, total exports to the region are now expected to decline by 5.0% this year, compared to the previous forecast of 2.1% growth.

PORT TRAFFIC

- ◆ Port of Los Angeles was U.S. top port by volume through April, with a total traffic of 1.8 million fully loaded TEUs.
- ◆ Port of Shanghai is China's top port by volume with a total traffic of 10.6 million fully loaded and empty TEUs through April.

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

RANK	NAME OF PORT	In April 2013		TOTAL THOUGHTPUT IN 2012
		CURRENT MONTH	YOY CHANGE (%)	
1	LOS ANGELES	466	-11.2%	1,774
2	LONG BEACH	411	14.1%	1,593
3	NEW YORK	342	-4.3%	1,329
4	SAVANNAH	194	-2.9%	756
5	VIRGINIA PRTS	147	12.0%	563
6	OAKLAND	131	3.9%	521
7	HOUSTON	127	15.2%	510
8	CHARLESTON	108	10.2%	430
9	TACOMA	103	27.8%	412
10	SEATTLE	88	-23.0%	354

Source: PIERIS. Figures are rounded. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

- Top 10 ports handled 85 percent of the total U.S. container trade in April.
- Container traffic at top-ranked Port of Los Angeles declined 11.2 percent year over year in April and totaled 466,000 fully loaded TEUs.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

RANK	NAME OF PORT	In April 2013		TOTAL THOUGHTPUT IN 2013
		CURRENT MONTH	YOY CHANGE (%)	
1	SHANGHAI (上海)	2,827	4.0%	10,629
2	SHENZHEN (深圳)	1,847	-0.5%	7,137
3	NINGPO ZHOUSHAN (宁波-舟山)	1,365	-0.1%	5,526
4	QINGDAO (青岛)	1,392	14.6%	5,308
5	GUANGZHOU (广州)	1,326	5.2%	4,562
6	TIANJIN (天津)	1,154	11.9%	4,154
7	DALIAN (大连)	762	26.2%	2,800
8	XIAMEN (厦门)	659	15.0%	2,419
9	SUZHOU (苏州)	532	18.0%	1,844
10	YINGKOU	462	6.5%	1,793

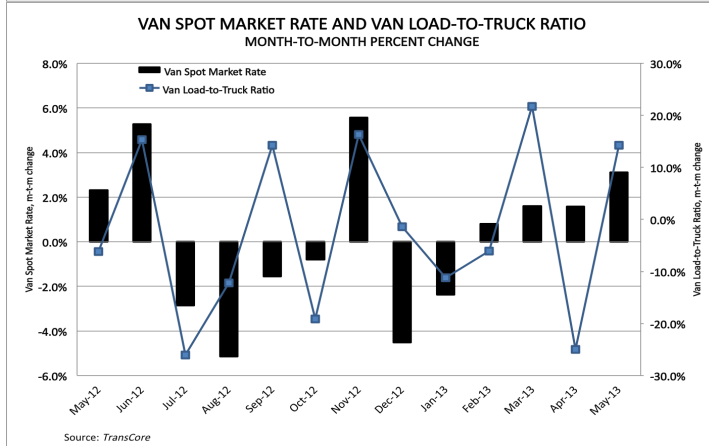
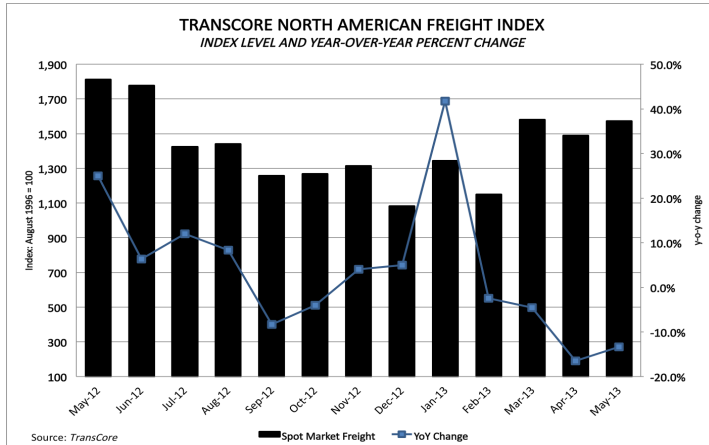
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

- Container traffic at top-ranked Port of Shanghai increased 4.0 percent in April, totaling 2.8 million TEUs, including empties.

TRUCKING

◆ Freight availability rose 19 percent for vans, 27 percent for reefer trailers
Domestic Trucking Pricing

DOMESTIC TRUCKING PRICING



MAY 2013: FREIGHT INDEX DOWN 13.3 PERCENT

Spot market freight volumes reported by the DAT North American Freight Index rose 5.6 percent from April to May. The month-over-month increase was consistent with seasonal expectations; freight volume increased from April to May in eight of the past ten years, for an average increase of 6.3 percent, compared to this year's 5.6 percent uptick. Freight availability rose 19 percent for vans and 27 percent for refrigerated ("reefer") trailers, but declined 7.2 percent for flatbeds.

Compared to May 2012, when freight reached an all-time high, freight volume declined 13 percent. The decline was due largely to a 24 percent drop in load availability for flatbeds. Van freight also declined 7.1 percent, but there was a 3.6 percent year-over-year increase in reefer loads.

Spot market rates rose 3.9 percent for vans in May, and reefer rates soared 12 percent, but flatbed rates lost 0.6 percent, compared to April. On a year-over-year basis, van rates were unchanged, while reefer rates rose 2.5 percent. Flatbeds dropped 8.0 percent from the extremely high rates that accompanied scarce capacity during May 2012.

DAT RateView™ recorded a \$0.04 (3.1 percent) increase in the national average spot market line haul rate for dry vans in the U.S. in May compared

to April, not including fuel surcharges. The fuel surcharge for vans increased from \$0.44 to \$0.47 during the same period, so the total rate per mile increased \$0.07 (4.0 percent) from \$1.73 to \$1.80.

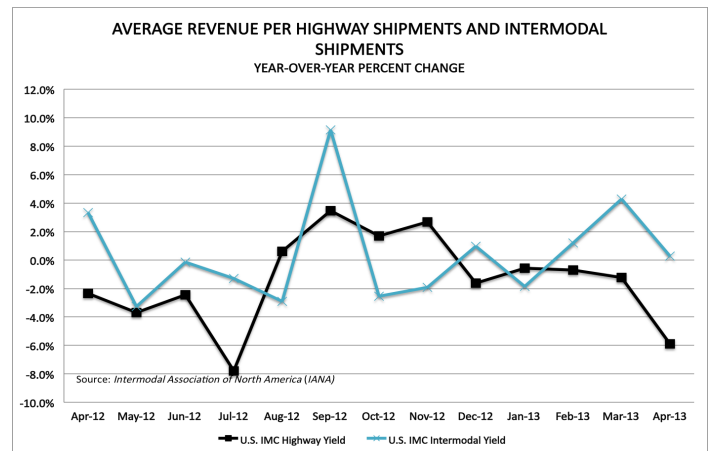
The month-over-month rate increase was accompanied by a 17 percent rise in load availability and a 0.5 percent increase in truck capacity on the company's DAT Load Boards. This yielded a 16 percent increase in the load-to-truck ratio for dry vans on the spot market, from 2.1 available loads per truck in April to 2.4 in May.

On a year-over-year basis, load volume for vans in May was down 12 percent, while capacity rose 28 percent. The resulting load-to-truck ratio declined by 31 percent compared to May 2012.

Van spot market rates were unchanged compared to May 2012, not including fuel surcharges which declined \$0.05 (9.6 percent) in that period. The total rate, including the surcharge, declined \$0.05 (2.7 percent) from \$1.85 to \$1.80.

RAIL

◆ Average revenue per highway load down for 5 straight months
◆ U.S. rail transportation of lumber and wood products down for first time in 2 years



APRIL 2013: AVERAGE REVENUE PER HIGHWAY SHIPMENTS DOWN 5.9 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMENTS UP 0.3 PERCENT

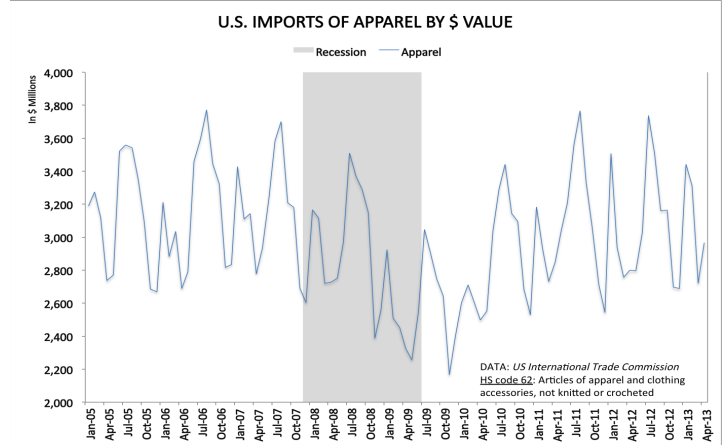
The average revenue per highway load declined in April for the fifth straight month, down 5.9 percent year-over-year to \$1,380, and followed a 1.2 percent contraction in the prior month. From March to April, the average revenue declined 2.9 percent (or \$41).

The average revenue per intermodal load edged up 0.3 percent after rising 4.3 percent in the prior month. The average revenue amounted to \$2,656. From March to April, the average revenue declined 2.8 percent (or \$75).

COMMODITY SNAPSHOT

- ◆ U.S. domestic imports of apparel, not knitted or crocheted, recovering in early 2013
- ◆ Bangladesh apparel exports to US expected to weaken after Rana Plaza accident

SELECTED COMMODITY: APPAREL (HS CODE 62)



APPAREL IMPORTS UP 3.7 PERCENT THROUGH APRIL

U.S. domestic imports of apparel, not knitted or crocheted (HS code 62), are modestly recovering from 2012's dip. Year to date, through April, apparel imports were up 3.7 percent, and totaled \$12.4 billion. Last year, imports totaled \$36.8 billion for a dip of 0.4 percent, while in 2011 imports totaled \$36.9 billion for an increase of 8.0 percent. 2012 was a mediocre year for apparel imports partly because real disposable personal income per capita experienced sluggish growth.

SHARE OF U.S. APPAREL IMPORTS AND ANNUAL GROWTH RATES (Constant US Dollars)

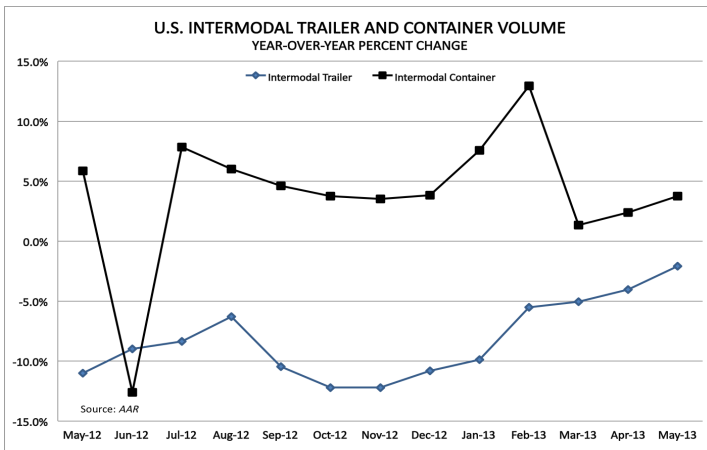
	SHARE OF IMPORTS			ANNUAL GROWTH RATES		
	2011	2012	2013YTD	2011	2012	2013YTD
CHINA	0.406	0.400	0.368	2%	-2%	3%
BANGLADESH	0.091	0.091	0.108	18%	-1%	8%
VIETNAM	0.075	0.078	0.084	14%	4%	17%
MEXICO	0.069	0.069	0.062	9%	-1%	-5%
INDONESIA	0.060	0.058	0.071	15%	-4%	9%
INDIA	0.052	0.050	0.059	9%	-4%	-4%
ITALY	0.024	0.025	0.023	20%	3%	2%

Source: International Trade Commission; author's own calculations

CHINA LOSING SHARE OF IMPORTS; BANGLADESH, VIETNAM GAINING

China is the largest supplier of apparel (not knitted or crocheted) to the US by \$ value. China sourced 40 percent of all US apparel imports in 2012, down by 0.6 percent from 2011. Year to date, through April, China saw its share of imports decline further to 36.8 percent, despite an increase of 3 percent of exports to the US.

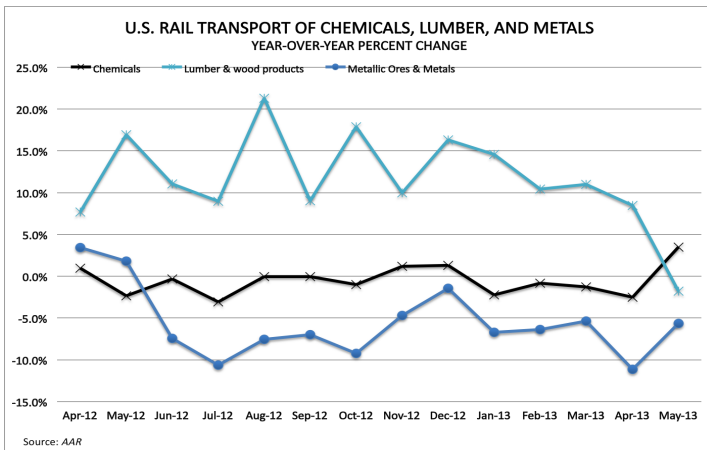
Imports from other low-cost producers such as Bangladesh and Vietnam are growing faster this year, partly as a result of the fast-pace rising production costs in China. Vietnam's share has grown steadily in recent years, boosted by rapid export growth. Year to date, Vietnamese exports



MAY 2013: INTERMODAL TRAILERS DOWN 2.1 PERCENT; INTERMODAL CONTAINERS UP 3.7 PERCENT

U.S. railroads originated 138,716 trailers and 1,075,400 containers in May. Intermodal containers expanded 3.7 percent year-over-year, following a boost of 2.4 percent in the prior month. Intermodal trailers declined 2.1 percent year-over-year after falling by 4.0 percent the prior month. Intermodal trailers have now declined for 16 consecutive months to May.

Intermodal traffic grew 3.0 percent (35,790 intermodal units) in May 2013 over May 2012. Year to date, intermodal volume was up 4.1 percent, and totaled 5,261,051 units.



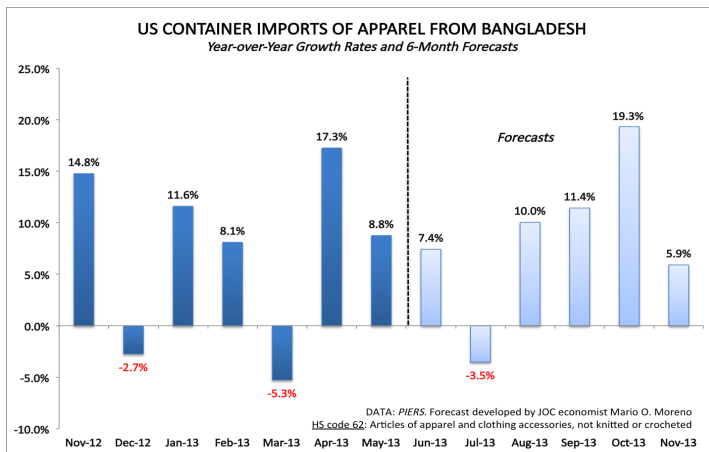
MAY 2013: LUMBER DOWN 1.8 PERCENT; CHEMICALS UP 3.5 PERCENT; METALS DOWN 5.6 PERCENT

U.S. chemical carloads rose for the first time in 5 months, up 3.5 percent year-over-year in May to a total of 151,193.

U.S. lumber and wood products carloads declined for the first time in May after 2 years of year-over-year expansion. The contraction, however, was modest, down 1.8 percent and totaled 15,982 carloads.

Growth in metallic ores and metals carloads contracted for the 11th straight month, down 5.6 percent year-over-year in May after a drop of 11.2 percent prior.

of apparel to the US jumped 17 percent, and Vietnam's share of imports increased to 8.4 percent. Second-ranked Bangladesh also saw its share of imports increased in recent years and it's currently holding 10.8 percent of the total US apparel imports trade year to date. Ultra low wages, which have remained flat for years, spurred an \$18 billion garment industry. According to some estimates, average monthly pay in 2009 for workers in Dhaka was \$47 compared to \$235 in Shenzhen China. Bangladesh's exports of apparel to the US rose 8 percent year to date, a good improvement over the 1 percent dip seen last year. Nevertheless, exports growth will likely be challenged for the rest of the year in the aftermath of the April 25 collapse of Rana Plaza, an eight-story building in Savar, Bangladesh, killing over 1,000 garment workers. Some apparel retailers have signed a safety pact agreement with the intension of raising payment to suppliers so that factory owners undertake major safety upgrades. Furthermore, the Bangladeshi government has agreed to International Labour Organization proposals that include worker protection rights and liberty to form unions. How will new safety measures and regulations impact container apparel imports from Bangladesh going forward?



WILL APPAREL IMPORTS FROM BANGLADESH BE ADVERSELY IMPACTED BY THE RANA PLAZA DISASTER?

U.S. container imports of apparel from Bangladesh were up 7.6 percent year to date through May, and totaled 34,544 TEUs. By extrapolating the data we can determine the expectation of apparel import volumes from Bangladesh over the next 6 months as the graph shows. This is important because we can estimate the impact of the Rana Plaza disaster and new safety measures and regulations over future container imports of apparel from Bangladesh. For June, apparel imports from this country are expected to grow by 7.4 percent year over year.

TOP COMMODITIES: SOUTH AMERICA

TOP US IMPORTS FROM SOUTH AMERICA IN TEUS, APRIL 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	BANANAS	8,566	-14%	-8%	-5%
2	FRUITS, MISC.	6,025	-13%	10%	14%
3	LOGS & LUMBER	2,770	-18%	-6%	11%
4	COFFEE	2,360	-2%	56%	0%
5	GRANITE	2,352	26%	26%	23%
6	FIELD SEEDS & BULBS	2,272	-38%	9%	23%
7	PAPER & PAPERBOARD/WASTE	2,072	49%	23%	12%
8	AUTO & TRUCK TIRES	1,862	3%	-10%	-4%
9	STILL WINES	1,783	-22%	-30%	-12%
10	VENEERS & PLYWOOD	1,454	9%	37%	8%

Source: PIER'S

'Bananas' was the top containerized import commodity from South America in April 2013, but it is down 8 percent over April 2012 and down 5 percent year to date. The top 10 commodities shown above accounted for 49 percent of the total box import trade from South America.

TOP US EXPORTS TO SOUTH AMERICA IN TEUS, APRIL 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER&PAPERBOARD/WASTE	6,220	-2%	7%	-6%
2	AUTO PARTS	4,819	-9%	-18%	-17%
3	SYNTHETIC RESINS, NSPF	3,410	-11%	20%	3%
4	VINYL ALCOHOL, PVC RESINS	3,301	-7%	29%	12%
5	PE, MELAMINE, UREA RESINS	2,736	-9%	80%	58%
6	WOOD PULP	2,278	-2%	-14%	-14%
7	FABRICS, INCL. RAW COTTON	2,075	28%	55%	25%
8	PLASTIC PRODS, MISC.	2,007	-7%	-33%	-14%
9	MEDICAL EQUIP & SUPPLIES	1,780	-3%	16%	3%
10	UNCLASSIFIED CHEMICALS	1,745	-5%	-21%	-14%

Source: PIER'S

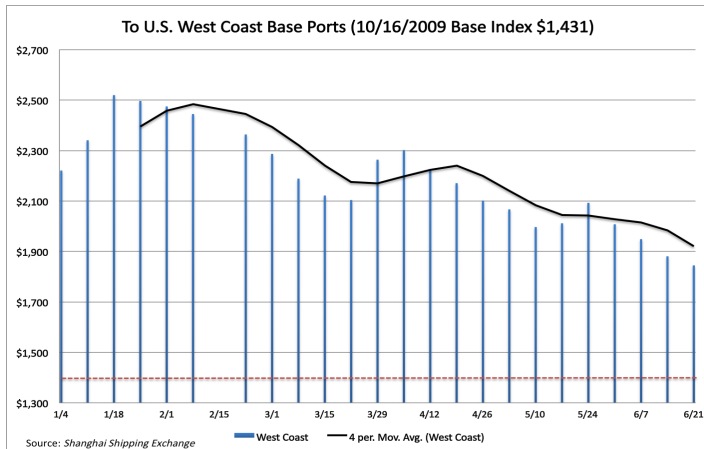
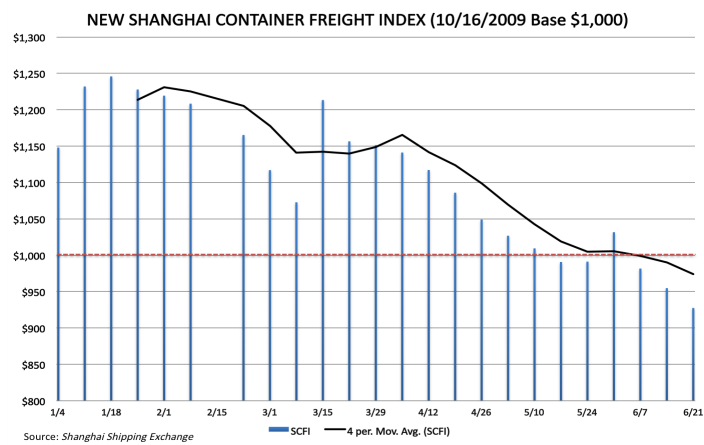
'Paper & paperboard' was the top containerized export commodity to South America in April 2013. The top 10 commodities shown above accounted for 36 percent of the total export trade to South America.

REGION CATEGORIES

NORTHEAST ASIA HONG KONG, JAPAN, MACAU, MONGOLIA, NORTH KOREA, PEOPLES REP OF CHINA, REPUBLIC OF KOREA, TAIWAN **SOUTHEAST ASIA** BRUNEI, CAMBODIA, INDONESIA, LAOS, MALAYSIA, MYANMAR, PHILIPPINES, SINGAPORE, THAILAND, VIETNAM **NORTHERN EUROPE** AUSTRIA, BELGIUM, CZECHOSLOVAKIA, DENMARK, ESTONIA, FINLAND, GEORGIA, GERMANY, HUNGARY, ICELAND, IRELAND, LATVIA, LITHUANIA, N FRANCE, NETHERLANDS, NORWAY, POLAND, RUSSIA, SWEDEN, SWITZERLAND, UNITED KINGDOM **MEDITERRANEAN** ALBANIA, AZORES, BULGARIA, CYPRUS, EGYPT, GIBRALTAR, GREECE, ISRAEL, ITALY, MALTA, MOROCCO MED, PORTUGAL, ROMANIA, S FRANCE, SPAIN, TURKEY, UKRAINE, YUGOSLAVIA **CENTRAL AMERICA** BELIZE, COSTA RICA, GUATEMALA, EL SALVADOR, HONDURAS, MEXICO, NICARAGUA, PANAMA **CARIBBEAN** BAHAMAS, BARBADOS, BERMUDA, CAYMAN IS, CUBA, DOMINICAN REPUBLIC, FRENCH WEST INDIES, HAITI, JAMAICA, LEEWARD & WINDWARD, NETHERLANDS ANTILLES, TRINIDAD & TOBAGO, TURKS CAN CAICOS **WEST COAST SOUTH AMERICA** CHILE, COLOMBIA, ECUADOR, PERU **EAST COAST SOUTH AMERICA** ARGENTINA, BOLIVIA, BRAZIL, FRENCH GUIANA, GUYANA, PARAGUAY, SURINAM, URUGUAY, VENEZUELA **MIDDLE EAST** AFGHANISTAN, BAHRAIN, IRAN, IRAQ, JORDAN, KUWAIT, LEBANON, OMAN, QATAR, SAUDI ARABIA, SYRIA, UNITED ARAB EMIRATES, YEMEN **OCEANIA** AUSTRALIA, FRENCH PACIFIC IS, NEW ZEALAND, OTHER PACIFIC IS, PAPUA NEW GUINEA, WESTERN SAMOA **INDIAN SUBCONTINENT** BANGLADESH, INDIA, NEPAL, PAKISTAN, SRI LANKA **AFRICA** ALGERIA, ANGOLA, BENIN, CAMEROON, CANARY IS, CONGO, DJIBOUTI, EQUATORIAL GUINEA, ETHIOPIA, GABON, GAMBIA, GHANA, GUINEA, IVORY COAST, KENYA, LESOTHO, LIBERIA, LIBYA, MADAGASCAR, MALAWI, MAURITIUS, MOROCCO (ATLANTIC COAST), MOZAMBIQUE, NAMIBIA, NIGERIA, REP OF SOUTH AFRICA, SENEGAL, SIERRA LEONE, ST. HELENA, SUDAN, SWAZILAND, TANZANIA, TOGO, TUNISIA, UGANDA, WESTERN SAHARA, ZAMBIA

INTERNATIONAL SHIPPING PRICES

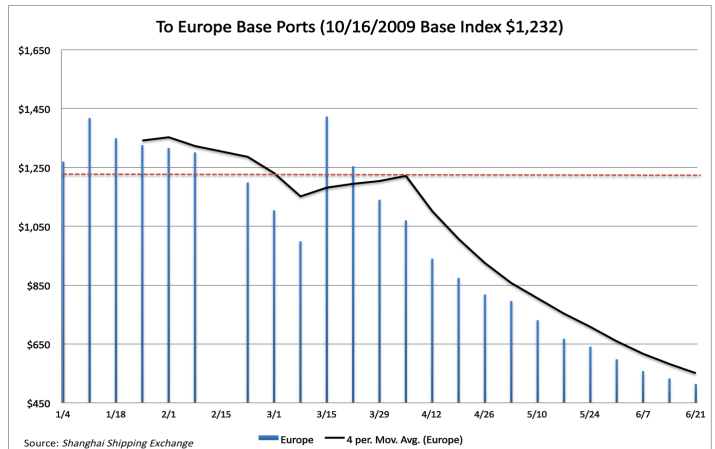
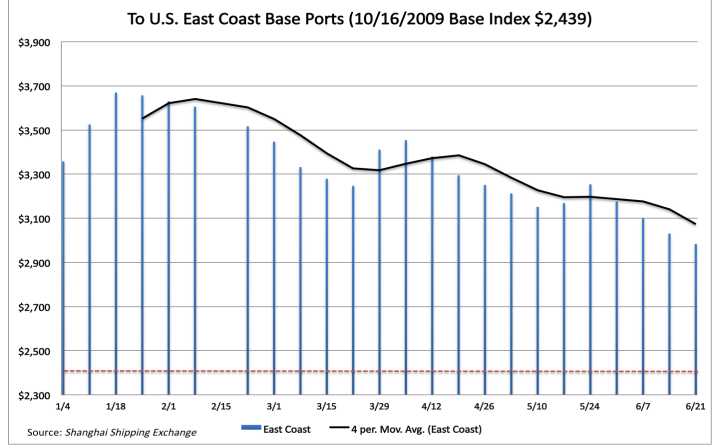
◆ General rate increases scheduled for July 1 despite weak volumes



SCFI INDEX DOWN FOR 3 STRAIGHT WEEKS

The Shanghai containerized freight index, which measures export average spot rates, fell 2.9 percent on June 21 over the prior week to \$927.53 points. The index stood below its four-week moving average for 3 straight weeks.

On June 21, the freight rate for the voyages from Shanghai to base ports in U.S. West Coast and East Coast services came out at \$1,845 per FEU and \$2,984 per FEU, down \$36 and \$47 from the preceding week, respectively. U.S. container imports from Asia edged up only 0.2 percent in April year over year.



In the Europe service, freight rates declined and stood below its four-week moving average for 13 straight weeks. On June 21, the freight rate for the voyages from Shanghai to base ports in Europe fell 3.6 percent (or \$19) over the preceding week, to \$514. Ocean carriers are planning rate increases this July 1 between \$950 and \$ 1000 per TEU on the Asia – North Europe trade lane.

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