ECONOMIC TRENDS • SHIPPING TRENDS • TRADE AND COMMODITY TRENDS • PRICING TRENDS • CAPACITY TRENDS

JOC INSIGHTS

DECEMBER 2013

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

THE CONDITION OF THE global economy changed little in the third quarter of 2013 compared to the first half of the year. The slowdown in the BRICS countries – Brazil, Russia, India, China, and South Africa – persists as these economies continue to face shrinking external markets in the U.S. and Europe. Growth in these markets will remain elevated relative to the advanced economies but will fall short of their cyclical peaks. In particular, slowing growth in China is restricting the earnings of major commodity exporters in emerging markets, adding to global challenges.

European economies remained challenged as well by the financial crisis and remedial austerity measures, while glimmers of light in Japan's economy have yet to translate into a more robust market for U.S. exporters.

Containerized U.S. exports increased an estimated 1.9 percent in 2013 and likely will grow a similar 2.0 percent this year. That would be enough to push exports to a record 12.4 million 20-foot equivalent units. Global economic growth, excluding Mexico and Canada, will remain at 3.0 percent or below through 2014 with only a slight acceleration anticipated for 2015.

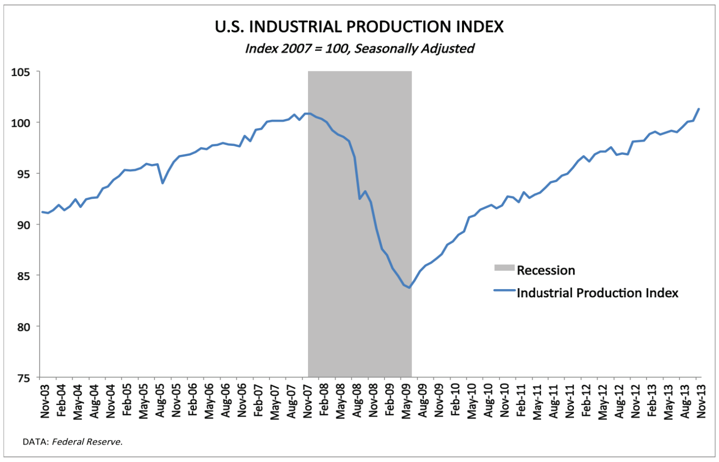
In contrast to recent indications, the U.S. dollar will undergo a mild appreciation during the forecast period as the inevitable Fed tightening draws in foreign capital. Moreover, with growth slowing in emerging markets and the BRICS countries, investors around the globe will rediscover the dollar's "safe haven" status. The dollar's appreciation will support a modest increase in export prices but slackness in the US labor market along with competitive pressures abroad will keep export prices in a tight range for the next two to three years.

This issue of JOC Insights presents my most updated forecasts on the Trans-Atlantic container trade, and a special analysis of U.S. footwear imports, following my visit to the Pou Yuen Shoe Manufacture company in Zhong Shan, China, last October.

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

THE SHIPPING ECONOMY

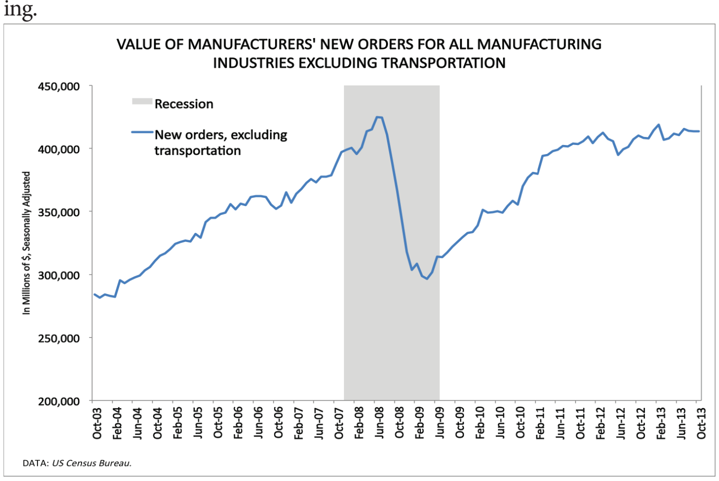
- ***ISM's manufacturing index in expansion for sixth straight month***
- ***U.S. ocean container trade jumped in October on rising imports, exports***
- ***Retail sales strengthened further in November***
- ***Existing home sales decline for third straight month; 2014 outlook downgraded***
- ***Third quarter U.S. real GDP strongly upgraded***



NOVEMBER 2013: U.S. INDUSTRIAL PRODUCTION INDEX UP 1.1 PERCENT

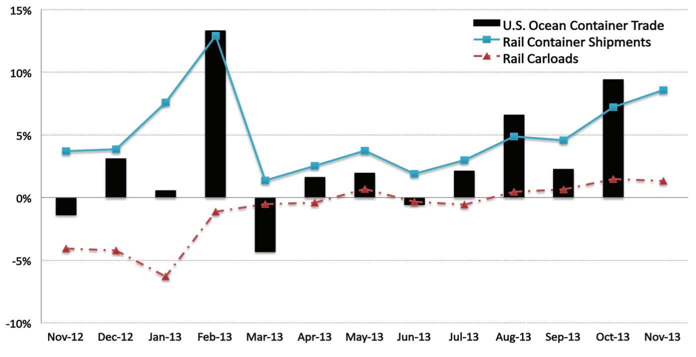
U.S. industrial production beat expectations in November mostly because of a strong surge in utilities output. Overall industrial production jumped 1.1 percent, following a 0.1 percent boost in October. The manufacturing component advanced 0.6 percent, following a strong surge of 0.5 percent in October. Motor vehicles and parts jumped 3.4 percent, following a 1.3 percent dip in October. Excluding motor vehicles, manufacturing was still healthy, up 0.5 percent.

It is clear that manufacturing has gathered momentum in the last two months, likely linked to rebounding international trade and consumer spending.



Factory orders edged down 0.9 percent in October, partly because of a big decline for defense goods, and followed a boost of 1.8 percent in the prior month. Outside of transportation, new orders were unchanged in the month. Year-to-date, from January through October, orders excluding transportation were up 1.9 percent, totaling $4.1 trillion. Orders peaked in 2012 when nominal value totaled $4.9 trillion.

Watching factory orders closely is important because orders ripple through the economy with a significant impact on trade and container traffic.



U.S. OCEAN CONTAINER VOLUME, INTERMODAL CONTAINER VOLUME, RAIL CARLOAD VOLUME

Year-over-Year Percent Change

DATA: *PIERS; AAR*

U.S. OCEAN CONTAINER TRADE UP 9.4 PERCENT IN OCTOBER

U.S. ocean container trade jumped in October as exports trade improved and retailers were optimistic about this year's holiday season. Trade jumped 9.4 percent year-over-year, totaling 2.7 million TEUs.

Rail container shipments expanded 8.6 percent year-over-year in November, while rail carloads saw a boost of 1.3 percent in the same month.

GLOBAL MANUFACTURING

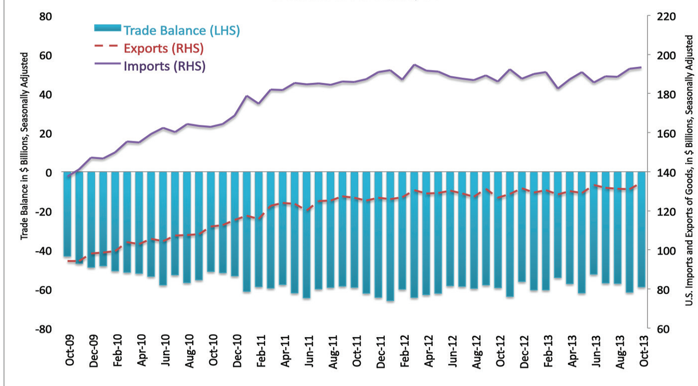
	NOV-13	OCT-13	MOM	DIRECTION, RATE OF CHANGE
US PMI	**57.3**	**56.4**	**0.9**	**GROWING, FASTER RATE**
NEW ORDERS	63.6	60.6	3.0	GROWING, FASTER RATE
INVENTORIES	50.5	52.5	-2.0	GROWING, SLOWER RATE
CHINA PMI	**50.8**	**50.9**	**-0.1**	**GROWING, UNCHANGED**
GLOBAL PMI	**53.2**	**52.1**	**1.1**	**EXPANDING, FASTER RATE**

Source: Institute for Supply Management; Markit; HSBC; JPMorgan

U.S. MANUFACTURING SECTOR IN EXPANSION FOR THE SIXTH STRAIGHT MONTH

The U.S. manufacturing sector continues to show strength, and the ISM index gave its highest reading in 2 ½ years. The PMI composite index gave a reading of 57.3, up 0.9 point over the prior month, indicating growth at a faster rate. New orders are accelerating, boosted by a recovery in foreign and domestic demand. Total U.S. exports via ocean container jumped 9.1 percent year-over-year in the third quarter boosted by logs and lumber, pet and animal feeds, and miscellaneous plastic products. Inventories grew at a slower rate.

China's manufacturing sector in November saw a marginal improvement in operating conditions. Output and new orders grew at their strongest rates in eight months in November, driven by stronger domestic demand. New export orders advanced at a fractional pace. Total China exports to the U.S. via ocean container were up 4.6 percent in October year-over-year, following a 6 percent year-over-year increase in September.



U.S. TRADE BALANCE

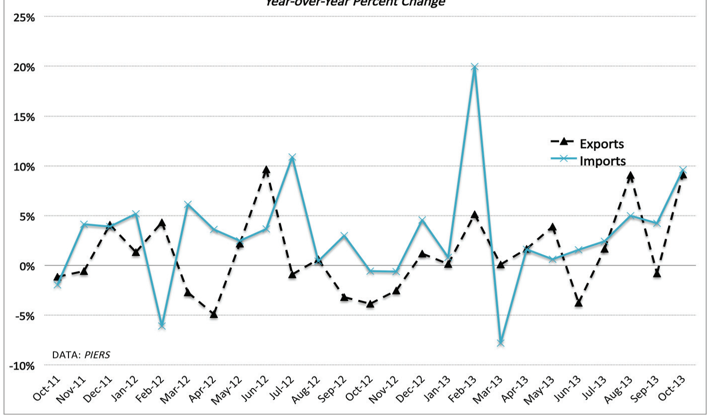
In Billions of U.S. Dollars, SA

DATA: *U.S. Census Bureau*

OCTOBER 2013: U.S. EXPORTS OF GOODS REBOUNDED STRONGLY

U.S. exports of goods rebounded strongly in October, up 2.7 percent month-to-month, after three consecutive monthly declines. The rebound mostly reflected increases in industrial supplies, consumer goods, and foods, feeds and beverages. U.S. imports of goods increased modestly by 0.4 percent, after a strong gain of 2.2 percent in September. Gains in imports were mostly seen in industrial supplies and consumer goods.

The U.S. trade deficit in goods narrowed 4.4 percent to $58.9 billion.



U.S. CONTAINERIZED IMPORTS AND EXPORTS

Year-over-Year Percent Change

DATA: *PIERS*

U.S. CONTAINER TRADE

	OCT-13	MOM	YOY	YTD	2013(F)	2014(F)
IMPORTS	**1,593**	**2.4%**	**9.6%**	**3.6%**	**3.5%**	**5.9%**
EXPORTS	**1,071**	**11.4%**	**9.1%**	**2.6%**	**1.9%**	**2.0%**

Source: PIERS; JOC Container Shipping Outlook, Deceember 2013

OCTOBER 2013: U.S. CONTAINERIZED IMPORTS UP 9.6 PERCENT; EXPORTS UP 9.1 PERCENT

U.S. containerized imports via ocean expanded year-over-year in October for the seventh consecutive month, suggesting retailers were fairly optimistic on the 2013 holiday shopping season. Overall U.S. containerized imports jumped 9.6 percent in October year-over-year, totaling 1,593,138 TEUs.

Among the top 25 source countries, China gained the most, up 32,146 TEUs or 5 percent year-over-year. Germany followed with a gain of 11,178 TEUs (or 27 percent), while India gained 10,831 TEUs (34 percent). On the downside, U.S. imports from Hong Kong declined 6,143 TEUs, off 15 percent.

Leading the gains among the top 25 imports were plastic products, up

17,871 TEUs or 54 percent year-over-year; decorations, up 12,677 TEUs or 88 percent; and fabrics including raw cotton, up 9,859 TEUs or 64 percent. The largest declines were seen in computers, down 6,620 TEUs or 27 percent; menswear, down 6,565 TEUs or 25 percent; and bananas, down 5,534 TEUs or 14 percent.

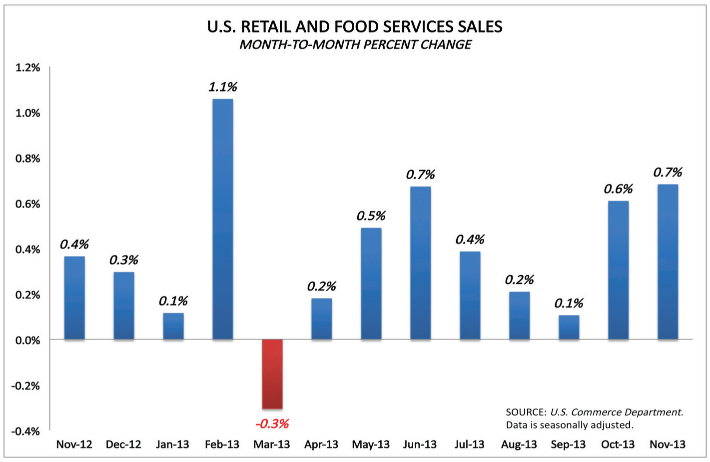
The U.S. economy performed surprisingly well in the third quarter, but around half of the 3.6 percent expansion came from a sharp increase in inventories. Import volume growth will be lower in the fourth quarter than previously estimated, but still at a respectable 5 percent. Looking forward into 2014, the auto industry is poised to expand further, boosting trade and job creation. The home sales market, however, may stall a bit in 2014 as the 30-year mortgage rate increases to 5 percent or more, lessening the demand for top-ranked import furniture.

Overall U.S. containerized exports via ocean rebounded 9.1 percent year-over-year in October to 1,070,902 TEUs, according to preliminary data from PIERS. Gains were seen in logs and lumber, up 9,175 TEUs or 32 percent year-over-year; pet and animal feeds, up 8,679 TEUs or 17 percent; and plastic products, up 5,882 TEUs or 40 percent.

On the downside, year-over-year losses were seen in paper and paperboard, down 15,756 TEUs or 10 percent; and scrap pig iron, down 5,143 TEUs or 31 percent.

Among the top 25 export markets, shipments to China rose the most in October, up 58,000 TEUs or 26 percent year-over-year. Shipments to Germany and Turkey followed with gains of 6,054 TEUs and 5,783 TEUs, respectively. On the downside, exports to Hong Kong declined 7,292 TEUs or 20 percent.

China's demand for U.S. exports has performed surprisingly well in the last few months. A modest stimulus package helped China's economy to speed up to 7.8 percent in the third quarter, boosting domestic demand growth. Despite current China's strong demand, I see growth in total U.S. containerized exports via ocean of no more than 2 percent in 2013 given softness in other major markets, particularly Europe.



RETAIL SALES UP 0.7 PERCENT IN NOVEMBER

Retail and food services sales grew in November the most in five months, suggesting the holiday season was better than previously estimated. Sales advanced 0.7 percent after an upwardly revised gain of 0.6 percent in October. The strength in sales is found in motor vehicles, which rose 1.8 percent, following a 1.1 percent gain in October. Outside of the volatile components of motor vehicles and gasoline, sales still showed decent growth, up 0.6 percent, matching the pace in October.

Within the core, most gains were seen in furniture and home furnishings, and electronics and appliance stores. U.S. containerized imports of cooking and ironing appliances via ocean jumped 18 percent year-over-year in October, while imports of furniture rose 5 percent year-over-year.

Given the strong November retail sales figures, it is a bit more certain that the 2013 holiday shopping season will net out at or above the National Retail Federation forecast for 3.9 percent growth.

The retail inventory-to-sales ratio stood at 1.42 in October, unchanged from the prior month, indicating optimism among retailers about the holiday shopping season. I have forecast the eastbound trans-Pacific trade in the fourth quarter will rise 4.5 percent year-over-year.

U.S. HOUSING MARKET

	NOV-13	MOM	YOY	2013(F)	2014(F)
EXISTING HOME SALES	**4,900**	**-4.3%**	**-1.2%**	**9%**	**-8%**
NEW HOME SALES	**464**	**-2.1%**	**16.6%**	**19%**	**18%**
HOUSING STARTS	**1,091**	**22.7%**	**29.6%**	**18%**	**28%**

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

2014 OUTLOOK FOR EXISTING HOME SALES DOWNGRADED

Existing home sales declined in November for the third straight month, down 4.3 percent to a seasonally adjusted annual rate of 4.9 million units. Year-over-year, sales fell for the first time in nearly 2 1/2 years. Tight supply, especially in the West, continues to be the biggest obstacle facing housing. High home prices and unattractive mortgage rates are two other reasons behind the weakness in sales. The 2014 outlook for existing home sales has been downgraded accordingly.

New home sales, however, are holding up better. Sales of new homes declined 2.1 percent in November but followed sharp upward revisions to October and September. Supply is tight in the new home sales market too, but that has not deviated the upward trend and neither has the hike in mortgage rates. It appears the tight supply of existing homes is severe, and that prompted many buyers to look into the new home sales market.

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

COUNTRY	Q3-2012	Q4-2012	Q1-2013	Q2-2013	Q3-2013(E)	2013(F)	2014(F)
U.S.	**3.1**	**2.0**	**1.3**	**1.6**	**1.8**	**1.6**	**2.6**
CHINA	**7.4**	**7.9**	**7.7**	**7.5**	**7.8**	**7.5**	**7.3**
JAPAN	**-0.1**	**-0.3**	**-0.1**	**1.3**	**2.4**	**1.7**	**1.7**
U.K.	**0.0**	**-0.2**	**0.2**	**1.3**	**1.5**	**1.4**	**1.8**
GERMANY	**0.9**	**0.3**	**-0.3**	**0.5**	**0.6**	**0.5**	**1.33**

** 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 December 23, 2013

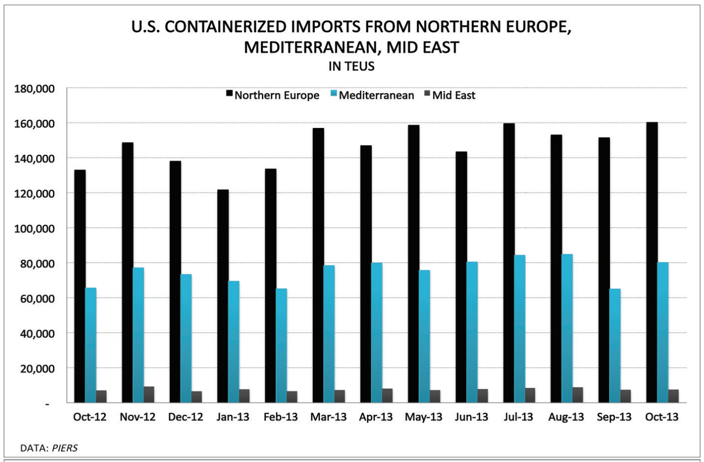
Although the strong upgrade to third quarter real GDP looks good on the surface, the details show otherwise. Personal consumption expenditures growth was downgraded to 1.4 percent in the third quarter, compared with an increase of 1.8 percent in the second quarter. This is a bit worrisome given that consumer spending is the major driver of the U.S. economy and imports. If the slowdown in consumer spending continues, retailers will quickly cut down orders, adversely impacting import volumes in the short run.

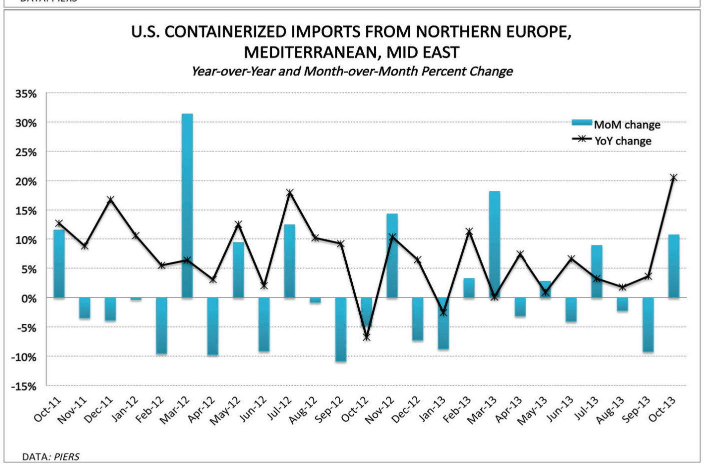
The effects of the partial government shutdown over consumer spending in the fourth quarter will likely be more modest than was previously believed. One reason is that the American consumer has come a long way in his deleveraging fight, and now household debt as a percent of disposable income is at 110 percent, down from 135 percent in 2007. This is further evidenced by the solid retail sales figures in recent months. What is even more encouraging about the economy is the improvement in the labor market. Nonfarm payrolls rose by 203,000 in November, followed by a similar gain of 200,000 jobs in October. In the last six months through November, payroll gains have averaged 180,000 a month, a significant improvement over the 21,000 jobs growth seen in the six months through November 2012.

REGIONAL CONTAINER TRADE

- *Imports from North Europe to gradually accelerate in 2014*
- *Exports to North Europe modestly downgraded in 2014*

IMPORTS FROM EUROPE AND MIDDLE EAST





IMPORTS, OCTOBER 2013

TRADE LANE	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
NORTHERN EUROPE	**160,169**	**5.8%**	**20.5%**	**3.7%**	**4.0%**	**8.8%**
MEDITERRANEAN	**80,112**	**23.3%**	**22.2%**	**8.1%**	**7.2%**	**7.5%**
MID EAST	**7,563**	**1.4%**	**6.6%**	**1.0%**	**3.4%**	**30.2%**

Source: JOC-PIERS Container Shipping Outlook December 2013 issue

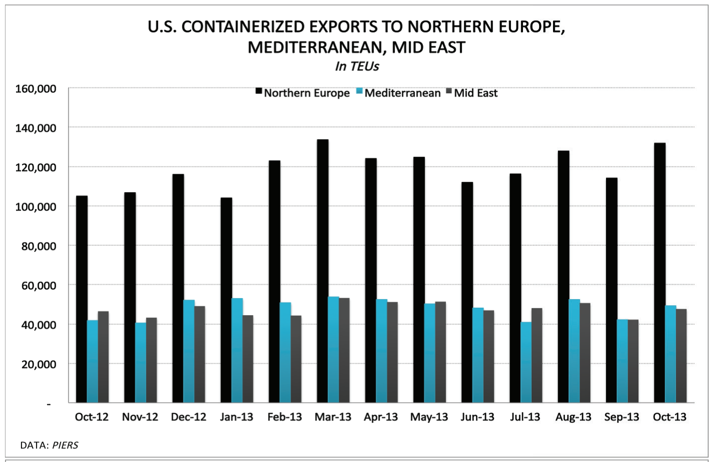
OCTOBER 2013: IMPORTS FROM EUROPE, MIDEAST UP 21 PERCENT

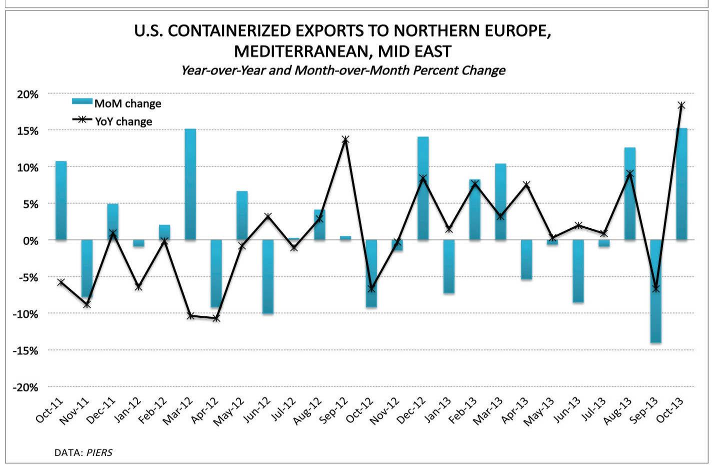
Inbound trade from northern Europe totaled 160,169 TEUs in October, up 20.5 percent from October 2012. The advance was mostly driven by gains in auto parts and plastic products. Imports from the Mediterranean region jumped 22 percent year-over-year in October to a total of 80,112 TEUs, led by gains in marble and plastic products. Imports from the Med have expanded year-over-year for five straight months to October. Imports from the Middle East rebounded 7 percent in the month. After slowing the pace in the third quarter, total imports from Europe and the Mideast jumped 20.6 percent beginning the fourth quarter and totaled 247,845 TEUs. On a month-to-month basis, imports from these regions advanced 10.7 percent.

Demand for containerized imports from northern Europe is expected to gradually accelerate during 2014, as modestly improving economic conditions in the U.S. give consumers and businesses more confidence to spend. Inbound traffic is projected to increase 4.0 percent in 2013 and 8.8 percent in 2014, compared with the prior forecast of 4.7 percent for 2014.

Imports from the Mediterranean region in 2013 were slightly downgraded to 7.2 percent from 8.0 percent, while the 2014 outlook was slightly upgraded to 7.5 percent from 6.8 percent.

EXPORTS TO EUROPE AND MIDDLE EAST





EXPORTS, OCTOBER 2013

TRADE LANE	TEUS	MOM	YOY	YTD	2013(F)	2014(F)
NORTHERN EUROPE	**131,836**	**15.5%**	**25.6%**	**3.8%**	**3.0%**	**-0.8%**
MEDITERRANEAN	**49,287**	**16.8%**	**18.0%**	**6.4%**	**1.8%**	**4.4%**
MID EAST	**47,634**	**12.8%**	**2.5%**	**3.1%**	**4.0%**	**-0.7%**

Source: JOC-PIERS Container Shipping Outlook December 2013 issue

OCTOBER 2013: EXPORTS TO EUROPE AND MIDDLE EAST UP 19 PERCENT

Exports to northern Europe totaled 131,445 TEUs, a sharp year-over-year rebound of 25.2 percent on gains in auto parts, paper and paperboard, and plastic products. Shipments to the Mediterranean region jumped 24 percent year-over-year, mostly driven by gains in PVC resins, edible nuts and poultry.

Trade to the Middle East, totaling 42,468 TEUs, recovered modestly in October after contracting 9 percent in the prior month. Gains in this trade lane were mostly in motor vehicles, furniture and auto parts.

Total exports to Europe and the Middle East, at 230,810 TEUs, rose sharply in October, up 19 percent year-over-year. On a month-to-month basis, exports to the regions advanced 16 percent.

Weak business and consumer confidence will continue to weigh on northern Europe demand for U.S. goods. I have modestly downgraded the 2014 outlook for this trade from a boost of 0.7 percent to a light contraction of 0.8 percent. Germany's economy still appears to be more resilient than the wider eurozone, while Belgium struggles to boost private consumption.

TOP COMMODITIES: NORTH EUROPE AND MED

TOP U.S. IMPORTS FROM NORTH EUROPE AND MED IN TEUS: OCTOBER 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	AUTO PARTS	15,594	9%	26%	4%
2	BEER&ALE	11,485	8%	7%	-11%
3	STILL WINES	9,623	38%	13%	6%
4	FURNITURE	9,499	3%	13%	8%
5	NON ALCOHOLIC BEVERAGES	7,713	15%	-17%	1%
6	PAPER/BOARD,INCL WASTE	7,423	-7%	-9%	4%
7	PLASTIC PRODS, MISC	6,427	13%	150%	41%
8	SPIRITS,MISC.	5,583	8%	169%	64%
9	AUTO&TRUCK TIRE&TUBES	4,316	2%	20%	13%
10	VEGETABLES	4,144	26%	-6%	-9%

Source: PIERS

U.S. imports of European auto parts have rebounded markedly in recent months, a sign of resilience in the U.S. manufacturing sector. Furniture imports will end 2013 on a positive note, helped by the continuing recovery in the U.S. housing market.

TOP U.S. EXPORTS TO NORTH EUROPE AND MED IN TEUS: OCTOBER 2013

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	AUTOMOBILES	15,910	16%	10%	6%
2	PAPER/BOARD,INCL WASTE	11,723	6%	-5%	-10%
3	WOOD PULP	9,596	5%	13%	0%
4	AUTO PARTS	8,131	29%	-5%	3%
5	EDIBLE NUTS	7,072	92%	21%	33%
6	POULTRY, FRESH&FROZEN	6,609	19%	5%	1%
7	GROCERY PRODS,MISC.	5,523	6%	41%	9%
8	VINYL ALCOHOL,PVC RESINS	5,505	3%	8%	-3%
9	PET&ANIMAL FEEDS	5,189	22%	-21%	5%
10	PLASTIC PRODS, MISC	4,643	6%	69%	30%

Source: PIERS

U.S. exports of motor vehicles to Europe are recovering, and will likely end 2013 on a positive note. Exports of paper and paperboard, on the contrary, is declining and will likely end 2013 in contraction.

PORT TRAFFIC

- *Port of Los Angeles was top U.S. port through October, with volume of approximately 4.7 million fully loaded TEUs*
- *Port of Shanghai is China's top port with total traffic of nearly 28.0 million fully loaded and empty TEUs through October*

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS

In October 2013 *Unit: 1000 TEU*

RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1 LOS ANGELES	500	-2.6%	4,689
2 LONG BEACH	426	5.7%	4,132
3 NEW YORK	377	23.3%	3,521
4 SAVANNAH	217	29.0%	1,981
5 VIRGINIA PRTS	179	33.7%	1,529
6 OAKLAND	138	3.6%	1,348
7 HOUSTON	144	15.5%	1,328
8 CHARLESTON	111	19.5%	1,085
9 TACOMA	117	-1.3%	1,070
10 SEATTLE	81	-17.1%	839

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

Top 10 U.S. ports handled 85.3 percent of the total U.S. international container traffic year-to-date, down one-third of a percent from the same period of 2012.

Container traffic at top-ranked Port of Los Angeles declined 2.6 percent year-over-year in October, while that at Port of Long Beach advanced 5.7 percent.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In October 2013 *Unit: 1000 TEU*

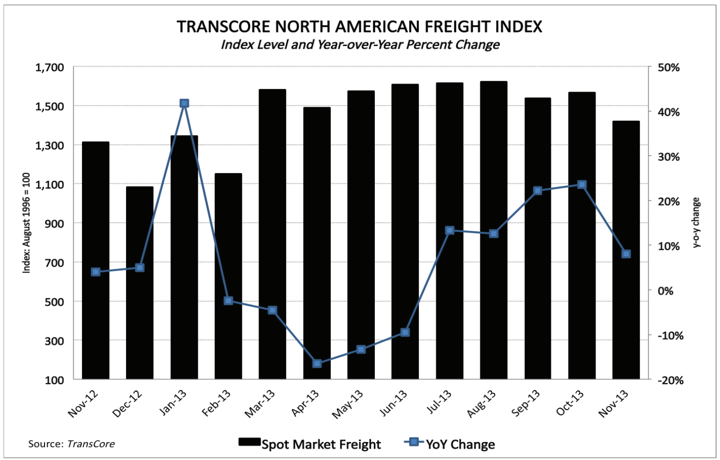
RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2013
1 SHANGHAI (上海)	2,809	3.2%	27,972
2 SHENZHEN (深圳)	2,039	4.3%	19,314
3 NINGPO ZHOUSHAN (宁波－舟山)	1,414	4.6%	14,595
4 QINGDAO (青岛)	1,256	3.9%	13,161
5 GUANGZHOU (广州)	1,407	19.6%	12,511
6 TIANJIN (天津)	1,084	0.2%	10,888
7 DALIAN (大连)	901	23.1%	8,097
8 XIAMEN (厦门)	735	8.1%	6,573
9 LIANYUNGANG (连云港)	469	9.6%	4,572
10 SUZHOU (苏州)	348	-39.8%	4,511

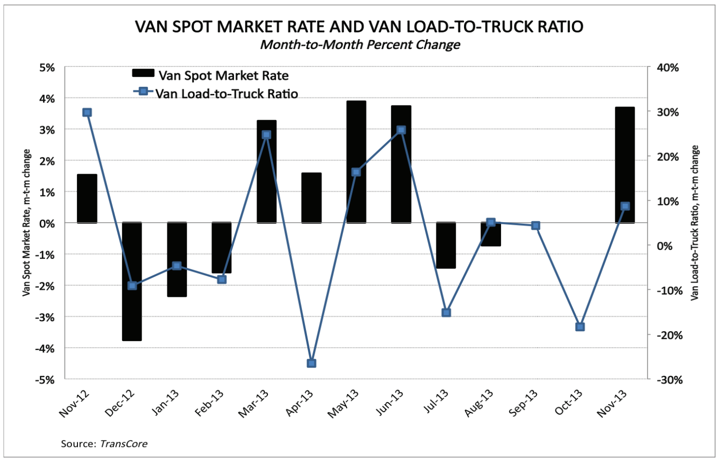
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

Container traffic at Port of Shenzhen rebounded in October, up 4.3 percent year-over-year, while traffic at Shanghai advanced 3.2 percent. Container traffic at Port of Qingdao continues on the up trend, up 3.9 percent year-over-year in October.

TRUCKING

◆ ***Freight volume continues to outpace levels seen in recent years.***





NOVEMBER 2013: FREIGHT INDEX UP 8 PERCENT YEAR-OVER-YEAR

Spot market freight availability remained strong in November, according to the DAT North American Freight Index. For the fifth consecutive month, freight availability continued to outpace levels seen in recent years, during a time when volume typically declines. Month-to-month, freight availability declined 9.5 percent, the result of four fewer business days in November versus October. Comparing an alternative measure, average daily freight volume during the month actually exceeded October's volume by 10 percent. On a year-over-year basis, freight volume increased 8.0 percent.

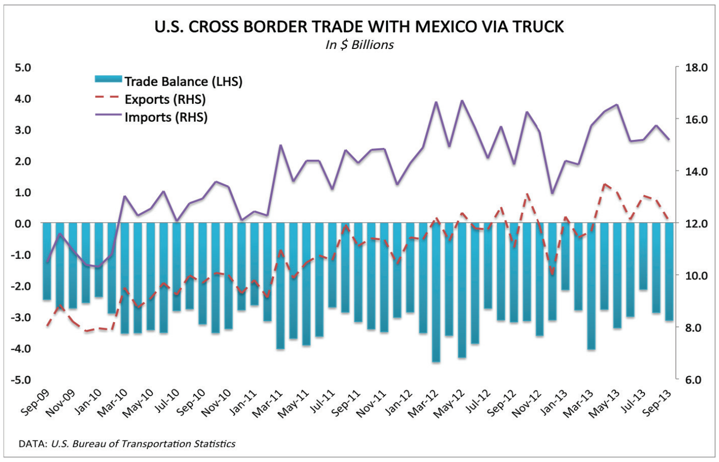
Load availability rose 0.9 percent for vans but declined 5.0 percent for refrigerated ("reefer") trailers and 21 percent for flatbeds, compared to October. Year-over-year, van freight volume declined 11 percent, while reefer loads added 6.2 percent and flatbed freight increased 4.3 percent.

DAT RateViewTM recorded a $0.05 (3.7 percent) increase in the national average spot market line-haul rate for dry vans in the U.S. in November compared to October, not including fuel surcharges. The fuel surcharge for vans dropped by 1 cent (2.1 percent) to 47 cents during the period, raising the total rate from $1.84 to an average of $1.88 per mile, including fuel.

The rate increase was accompanied by a month-to-month increase of 2.6 percent in load availability and a 12 percent drop in truck capacity on the company's DAT Load Boards. This yielded a 7.7 percent increase in the load-to-truck ratio for dry vans on the spot market, from 2.3 available loads per truck in October to 2.5 in November.

On a year-over-year basis, load volume lost 11 percent for vans in November, while capacity contracted 7.7 percent. The resulting load-to-truck ratio dropped 7.7 percent, from 2.8 to 2.5, compared to November 2012.

Van spot market rates rose 8 cents (6 percent) compared to November 2012, not including fuel surcharges, which declined 3 cents (6 percent) in that period. The total rate, including the surcharge, increased 5 cents (2.7 percent) from $1.83 to $1.88 per mile.



U.S. TRADE DEFICIT WITH MEXICO VIA TRUCK INCREASED TO $3.1 BILLION IN SEPTEMBER

U.S. exports to Mexico via truck jumped 9.1 percent in September year-over year, and totaled $12.05 billion. Exports to the U.S. southern neighbor have expanded for six consecutive months, but the pace of growth for most of the year has been modest at best. Year-to-date, from January through September, exports to Mexico via truck were up 6 percent, which compares unfavorably with the 12 percent expansion seen over the same period in 2012. Mexico's economy grew at a very modest rate of 0.8 percent in the third quarter, after contracting in the second.

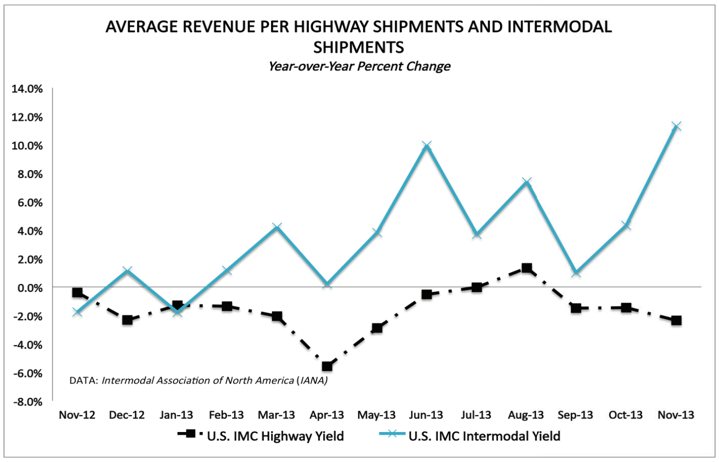
U.S. imports from Mexico via truck rose in September by the most in five months, up 6.7 percent year-over-year, and totaled $15.2 billion. A rebounding U.S. economy is a key factor behind higher imports. Year-to-date, from January through September, U.S. imports from Mexico edged up 0.6 percent. This compared unfavorably with the 10.6 percent expansion seen over the same period in 2012.

The U.S. trade deficit with Mexico widened to $3.13 billion in September from $2.9 billion in August.

RAIL

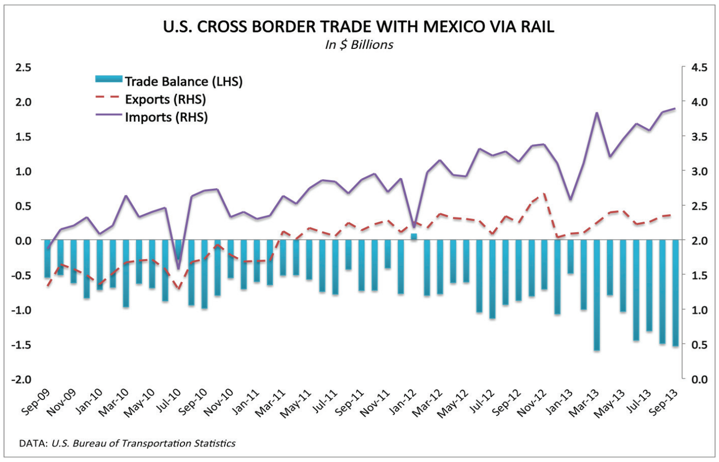
- ◆ ***U.S. exports to Mexico via rail expanded in September for third straight month***
- ◆ ***U.S. rail transportation of lumber gathers steam***

The average revenue per highway load declined in November for the third straight month, down 2.3 percent year-over-year to $1,445. From October to November, the average revenue declined 1.4 percent (or $20).



NOVEMBER 2013: AVERAGE REVENUE PER HIGHWAY SHIPMENTS DOWN 2.3 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMEMTS UP 11.3 PERCENT

The average revenue per intermodal load advanced 11.3 percent to $2,867, after rising 4.3 percent in the prior month. From October to November, the average revenue increased 5.1 percent (or $138).

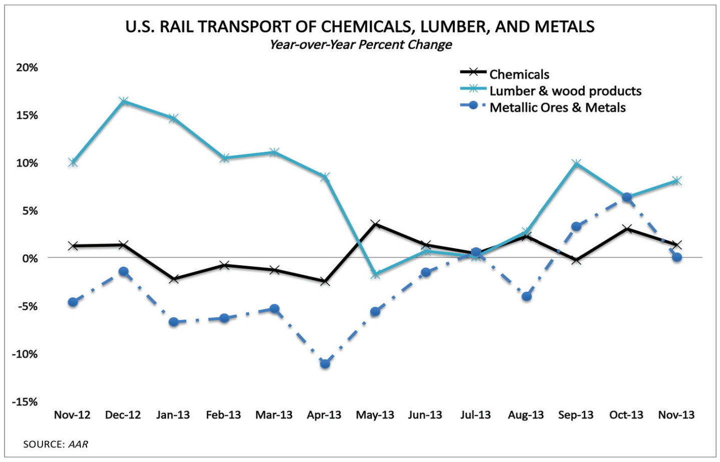


U.S. TRADE DEFICIT WITH MEXICO VIA RAIL WIDENED IN SEPTEMBER

U.S. exports to Mexico via rail expanded 4.9 percent in September year-over-year, totaling $2.4 billion. Rail exports to the southern neighbor have expanded for three straight months, reflecting the rebound of the Mexican economy starting in the third quarter. Year-to-date, from January through September, exports to Mexico via rail were up just 0.3 percent year-over-year. This compared unfavorably with the 11.6 percent year-over-year expansion seen in the same period in 2012.

U.S. imports from Mexico via rail jumped 24.6 percent in September year-over-year, and totaled $3.9 billion. Imports from this nation have increased for 20 straight months, evidencing the growing preference of rail transportation over truck. Year-to-date, from January through September, U.S. imports from Mexico via rail were up 15.0 percent year-over-year, similar to the 13.9 percent year-over-year expansion seen in the same period in 2012.

The U.S. trade deficit with Mexico via rail widened to $1.53 billion in September from $1.50 billion in August.



NOVEMBER 2013: CHEMICALS UP 1.3 PERCENT; LUMBER UP 8.0 PERCENT; METALS UNCHANGED

U.S. chemical carloads increased 1.3 percent year-over-year in November to total 116,059, underscoring the resilience of the manufacturing sector.

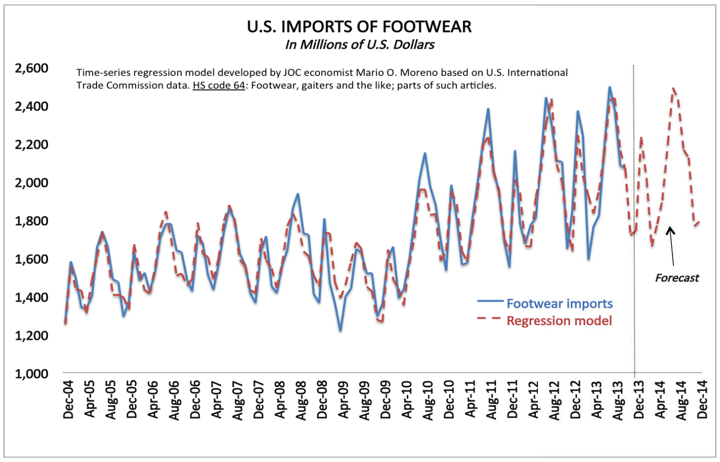
U.S. lumber and wood products carloads jumped 8.0 percent in November year-over-year, totaling 12,641. Rail transportation of lumber expanded as construction spending hit a near 4 ½-year high in August.

Growth in metallic ores and metals carloads stood unchanged in November after a 6.3 percent advance in October.

COMMODITY SNAPSHOT

- *U.S. demand for foreign footwear advances at modest pace*
- *China continues to lose sourcing share while Indonesia, Mexico gain*

SELECTED COMMODITY: *FOOTWEAR*



FOOTWEAR IMPORTS ADVANCE AT MODEST PACE

The Great Recession of 2008-2009 had a severe impact on discretionary spending. In 2009, imports of footwear (HS Code 64) tumbled 9 percent in dollar value, but imports rebounded strongly the next year as retailers rushed to replenish severely depressed inventories, growing 17 percent. Since then, the pace of footwear imports has moderated as the American consumer continued to pay down debt and wages stood fairly stagnant. For the first 10 months of 2013, total footwear imports were up 3.6 percent; for all of 2013, imports are expected to advance 3.5 percent and total $24.6 billion.

The trend for U.S. footwear imports is clear: upward.

By volume, seaborne imports are up 8 percent year-to-date through November for a total of 397,818 TEUs. Between 2007 and 2012, imports by volume have declined at a compound annual growth rate of minus-3.0 percent.

SHARE OF U.S. FOOTWEAR IMPORTS AND ANNUAL GROWTH RATES (CONSTANT U.S. DOLLARS)

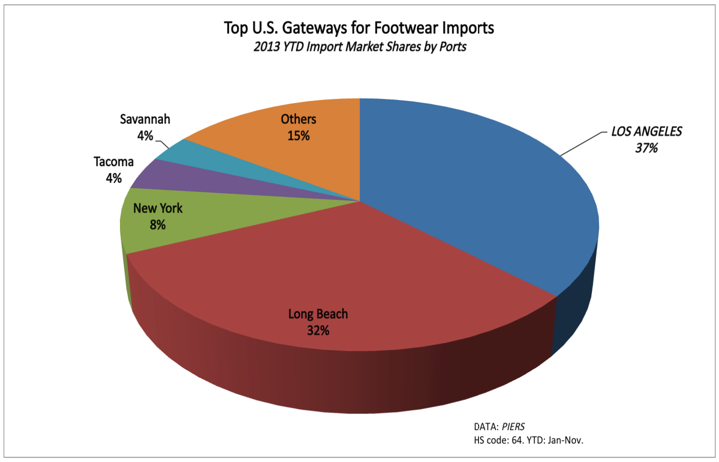
	SHARE OF IMPORTS			ANNUAL GROWTH RATES		
	2011	2012	2013YTD	2011	2012	2013YTD
CHINA	0.739	0.717	0.693	6%	2%	-1%
VIETNAM	0.090	0.101	0.115	25%	18%	21%
ITALY	0.049	0.050	0.050	24%	8%	9%
INDONESIA	0.034	0.040	0.047	29%	23%	27%
MEXICO	0.016	0.021	0.022	17%	33%	14%
INDIA	0.009	0.011	0.011	9%	35%	7%
DOMINICAN REP	0.009	0.010	0.011	23%	18%	13%
BRAZIL	0.011	0.009	0.008	-30%	-17%	-6%

Source: U.S. International Trade Commission; Author's own calculations
YTD: January through October. HS Code 64

CHINA LOSES SOURCING SHARE; VIETNAM, INDONESIA GAIN

Mexico is by far the largest supplier of refrigerators and freezers to the U.S., but its sourcing share has declined in the last two years while China's share has increased. In my recent trip to China, I visited Galanz, a major manufacturer and exporter of electrical appliances located in the city of Zhongshan, Guangdong province. e factory, which specializes in the making of refrigerators and other major household appliances, exports about 20 percent of its products to the U.S. and 30 percent to Europe, Asia and Africa. Foreign trade managers at Galanz said exports to the U.S. are soft, but to Europe are so softer.

The competition for the U.S. household appliances market among Asian suppliers is intense, but China has been able to increase its sourcing share in the last two years as factories specialized in these high-value products have been able to deal with high annual salary raises, and more importantly shortages of semi-skilled and high-skilled workers in this industry is much less severe than in low-value, labor-intensive industries.

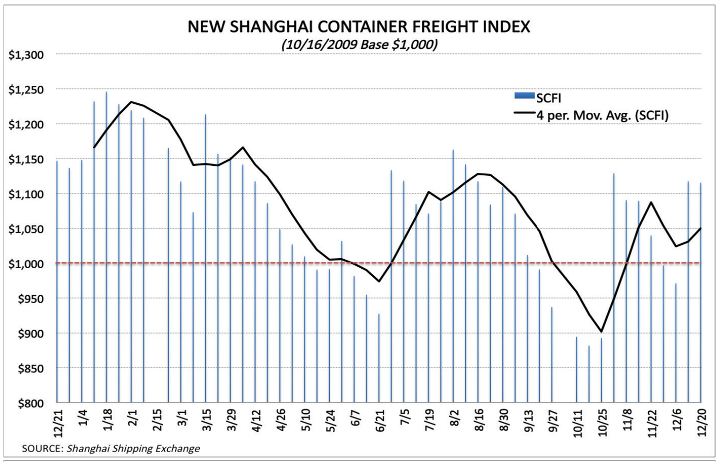


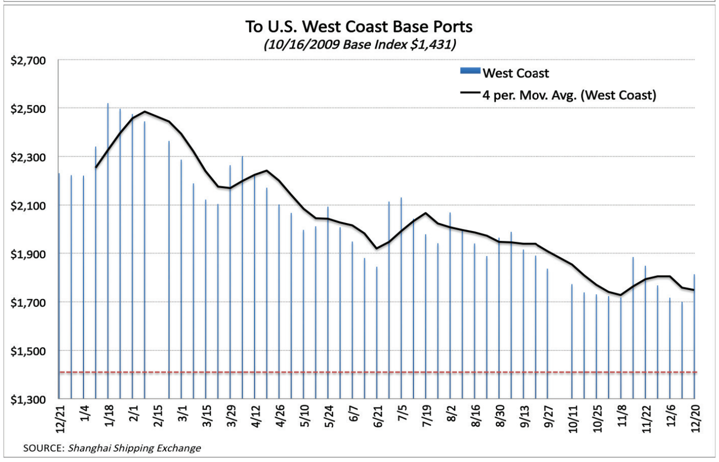
PORT OF LONG BEACH GAINED MOST SHARE OF INTERNATIONAL INBOUND TRAFFIC OF FOOTWEAR

Year-to-date through November, Port of Los Angeles handled 37 percent of all U.S. footwear imports, unchanged from a year earlier, while the Port of Long Beach handled 32 percent of all imports, up 3 percentage points from a year earlier. The Port of New York and New Jersey also gained, handling 10 percent of all U.S. footwear imports year-to-date, up 2 percentage points from 2012.

INTERNATIONAL SHIPPING PRICES

◆ *Ocean carriers obtained 57 percent of proposed GRI on Shanghai-U.S. West Coast trade lane*





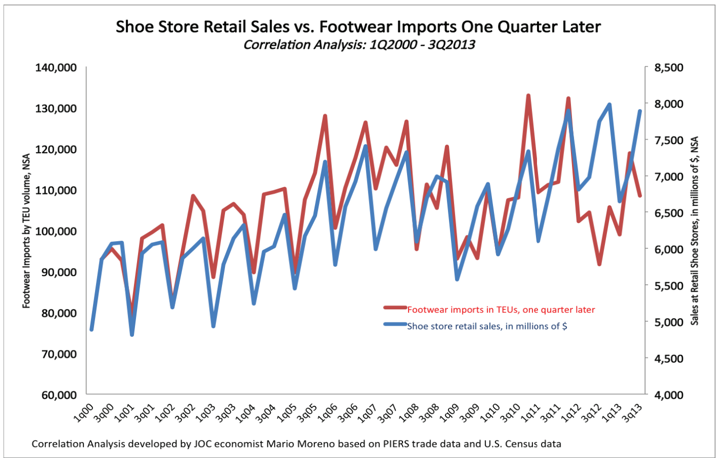
THE SHANGHAI CONTAINERIZED FREIGHT INDEX REVERSED DOWNWARD TREND

The Shanghai Containerized Freight Index, which measures average export spot rates, edged down 0.2 percent on Dec. 20 from the prior week to $1,115.29. The poor performance is mostly attributed to losses in the Shanghai-Europe trade lanes.

On Dec. 20, the freight rate for the voyages from Shanghai to base ports on the U.S. West Coast was $1,814 per 40-foot-equivalent unit, up $114 from the preceding week. The freight rate increased for the first time in five weeks in response to the first round of the two-stage rate increase proposed by the Transpacific Stabilization Agreement. The proposal called for general rate increases of $200 per 40-foot container, effective Dec. 20, 2013, and $300 per 40-foot container, beginning Jan. 15, 2014, for the Asia-to-U.S. trade lane. The spot rate from Shanghai to the U.S. West Coast on Dec. 20 achieved 57 percent of the proposed GRI.

Rates from Shanghai to the U.S. East Coast ports advanced 5.2 percent (or $155) in the week ending Dec. 20 from the prior week to $3,117 per 40-foot-equivalent unit, achieving 77.5 percent of the proposed GRI.

CORRELATIONS



STRONG POSITIVE CORRELATION BETWEEN RETAIL SALES OF FOOTWEAR AND IMPORTS OF FOOTWEAR BY TEU VOLUME

As sales at retail shoe stores increase, inventory managers are prompted to restock. Footwear sourcing mostly comes from abroad, thus a strong correlation between retail sales of footwear and imports of footwear is expected. When developing a correlation analysis between the two time series, the strength of the correlation gave a coefficient of just 0.24. However, by leading the variable "footwear imports" by one quarter, we can see a much stronger correlation at 0.69. Thus, it appears the variable "shoe store retail sales" leads "footwear imports in TEUs" mostly by one quarter.

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

CONTACT INFORMATION

2 PENN PLAZA EAST, 12TH FLOOR • NEWARK, N.J. 07105 • 973.776.8660

CUSTOMER SERVICE
Email: joc@halldata.com
Tel: 1.877.675.4761

MARIO O. MORENO, Economist
mmoreno@joc.com
973.776.7850
twitter.com/mariomoreno_JOC