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

JOCINSIGHTS

FEBRUARY 2013

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

WITH THE FISCAL CLIFF largely behind it, the issue of sequestration has now reared its ugly head almost exclusively because the US Congress was unable to find common ground with the White House on spending cuts mandated by the Budget Control Act of 2011. Programs considered vital such as some forms of assistance to the poor and some military spending will be exempt but cuts to the remainder of the government's spending are severe. In the current fiscal year, the cuts will amount to $85 billion but will climb to $100 billion for the next nine years. In percentage terms, most agencies are compelled to cut spending by 5 percent; the defense department will have to cut spending by 8 percent.

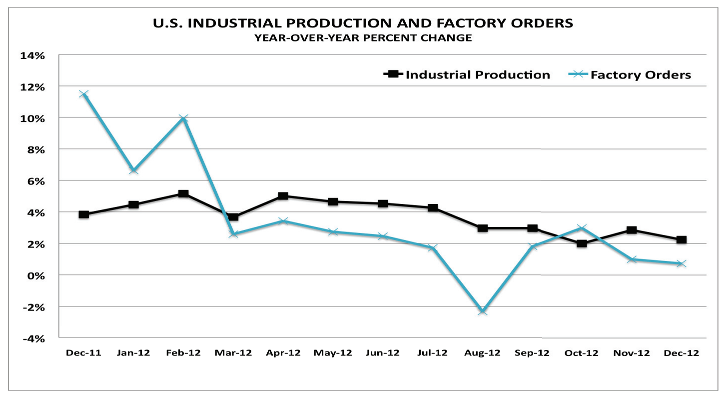
While the longer term impacts of sequestration could benefit investment spending, the short-term impact will be undecidedly negative. While it seems as if the amounts are small compared to the size of the US government, the short-term multiplier effects of these cuts signal weaker short-term income growth. The extent to which income will be affected is open to debate. In some circles, such as Standard & Poor's, sequestration impacts will be mild but this assumes that a long-term package of spending cuts and tax increases will be forthcoming in April. While plausible, this outcome may, given the performance of the US Congress to-date, be overly optimistic. In this vein, other analysts, including here at the JoC are less sanguine. There is virtually no confidence building evidence that the US Congress and the White House can agree on fiscal matters; Republicans have dug in their heels on taxes even while Democrats have conceded to $4 in spending cuts for every dollar of new revenue. The sticking point appears to be the so-called entitlements such as social security, Medicare and Medicaid.

Aside from the direct impact on the US economy, sequestration brings up the issue of confidence in the US government's ability to restore fiscal soundness after years of crushing deficits. It marks a continuation of fiscal instability and uncertainty that will deter investors, both domestic and foreign from committing capital for new projects that would create jobs. The Congressional Budget Office agrees. In their latest forecast, spending cuts from sequestration combined with a package of spending cuts and tax hikes agreed to in December of last year will provide for significant deficit reduction over the next decade. The cost however will be high. The nascent recoveries in the US labor market and the housing market will stall leaving millions without job opportunities, reducing the prospects for US containerized import growth.

This issue of JOC Insights presents my most updated import and export forecasts in the North-South trade for 2013, and a special analysis of U.S. toys imports. I hope you'll enjoy the latest issue of JOC Insights. JOCINSIGHTS

THE SHIPPING ECONOMY

- *U.S. manufacturing activity rose by the most in 3 years*
- *The U.S. economy is expected to grow 2 percent in 2013, slightly below 2.2 percent in 2012*
- *U.S. ocean container trade declined on hurricane Sandy, port labor strike*
- *Home sales on continuing recovery*
- *Retail sales slowed in the first month of the year*



Source: Commerce Department, Federal Reserve

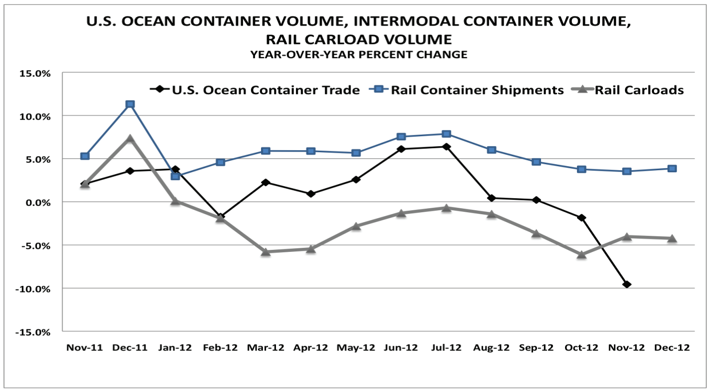
DECEMBER 2012: INDUSTRIAL PRODUCTION UP 0.3 PERCENT; FACTORY ORDERS UP 1.8 PERCENT

U.S. industrial production advanced in December for the second straight month, but utilities fell sharply. Overall production rose 0.3 percent in the month, following a downwardly revised rebound of 1.1 percent in the prior month. Manufacturing advanced 0.8 percent after jumping 1.3 percent the prior month. Motor vehicles advanced 2.6 percent after rising by 5.8 percent the prior month. Outside of motor vehicles, manufacturing rose 0.7 percent after rebounding 0.9 percent in the prior month. Mining output increased 0.6 percent while utilities dropped 4.8 percent.

Overall capacity utilization rose by 0.1 percentage point to 78.8 percent in the month.

On a year-over-year basis, industrial production advanced 2.2 percent.

U.S. factory orders rebounded 1.8 percent in December, following a loss of 0.3 percent in the prior month. On a year-over-year basis, orders advanced 0.7 percent.

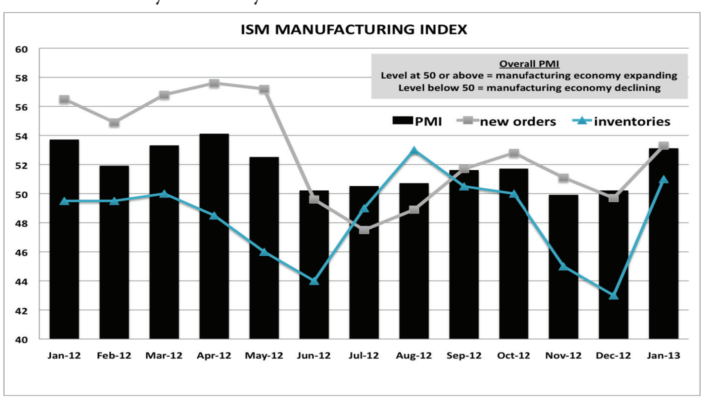


Source: PIERS; AAR

U.S. OCEAN CONTAINER TRADE DOWN 9.6 PERCENT IN NOVEMBER

U.S. ocean container trade tumbled 9.6 percent year-over-year in November on labor strike and weather disruptions. The trade totaled 2.204 million TEUs in the month.

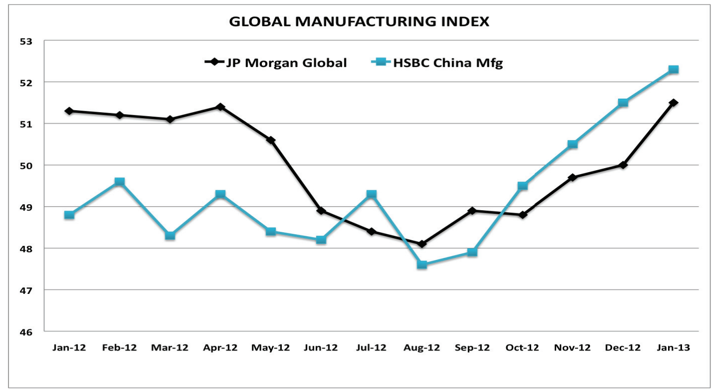
Rail container shipments expanded 3.8 percent year-over-year in December, following a 3.5 percent gain in the prior month, while rail carloads declined 4.2 percent, after a 4.0 percent contraction in the prior month. Rail carloads have declined for 11 consecutive months through December on a year-over-year basis.



Source: Institue for Supply Management

JANUARY 2013: U.S. MANUFACTURING INDEX AT 53.1

The U.S. manufacturing index rose in January by the most in 3 years. The PMI index gave a reading of 53.1, up by 2.9 points, indicating growing at a faster rate. All five indexes which make up the PMI were positive. New orders was up 3.6 points higher to 50.3 while export orders declined 1 percentage point to 50.5. Inventories jumped 8 points to 51.0 indicating growing from contracting. Employment gained 2.1 percentage points to a reading of 54.0. Recovery in the manufacturing sector is crucial for domestic transportation growth and international trade.



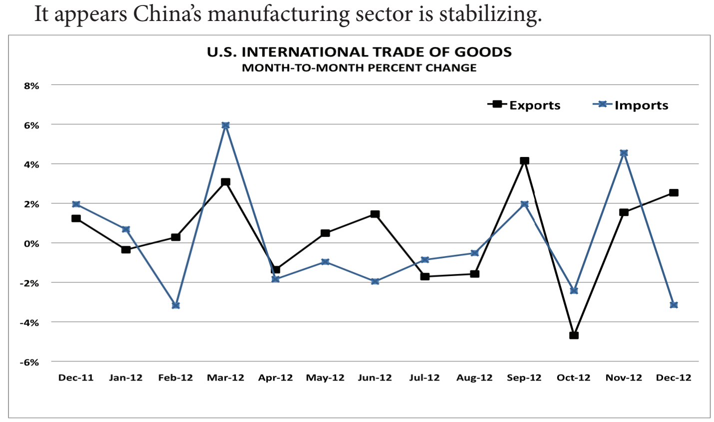
Source: JP Morgan; HSBC

JANUARY 2013: GLOBAL MANUFACTURING PMI ROSE TO 51.5; CHINA MANUFACTURING PMI ROSE TO 52.3

The JPMorgan Global PMI rose by 1.4 percentage point to 51.5, signaling expansion at a faster rate. Output gains were mostly led by the U.S., which hit a 10-month high, Mexico and China. Other emerging markets showed gains including Brazil, Russia, India, Turkey, Taiwan and Vietnam. Gains in France remained weak, while the U.K. and Germany are recovering. New export orders rose in the U.S., China, India, Brazil, Taiwan, South Korea, the Netherlands, Italy and Spain. Employment rose marginally for the second straight month.

Manufacturing activity in China grew for the third straight month in January, its highest level in 2 years. The HSBC China Manufacturing PMI came in at a 52.3 level, up by 0.8 percentage point from December, indicating a modest improvement of operating conditions in the Chinese manufacturing sector. Output increased for the third straight month, while new orders grew at the fastest pace than in 2 years. New export orders rose on strengthening demand from Europe and the U.S. Employment rose but marginally Input prices rose for the fourth straight month, possibly owed to higher raw material costs.

It appears China's manufacturing sector is stabilizing.



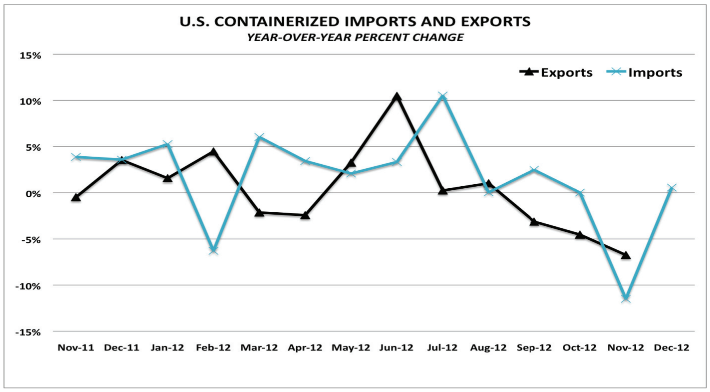
Source: U.S. Department of Commerce

DECEMBER 2012: U.S. GOODS EXPORTS UP 2.5 PERCENT; GOODS IMPORTS DOWN 3.2 PERCENT

U.S. exports of goods rose 2.5 percent in December over November, amounting to $131.3 billion in the month. The increase was led by industrial supplies ($3.8 billion); other goods ($0.3 billion); and foods, feeds, and beverages ($0.1 billion). Losses were seen in capital goods ($0.4 billion); and motor vehicles ($0.3 billion).

U.S. imports of goods declined 3.2 percent in December over the prior month, totaling $186.9 billion. The contraction partly reflected decreases in industrial supplies ($4.2 billion); motor vehicles ($0.9 billion); and capital goods ($0.3 billion).

The deficit of goods tumbled 14.4 percent to $55.5 billion (census basis).



Source: PIERS

U.S. CONTAINERIZED IMPORTS UP 0.6 PERCENT IN DECEMBER; EXPORTS DOWN 6.7 PERCENT IN NOVEMBER

U.S. imports saw a small rebound in December, partly impacted by the 8-day labor strike at LA/Long Beach ports which began on November 26. Overall U.S. containerized imports edged up 0.6 percent in December 2012 over December 2011 to a total of 1,323,163 TEUs. Month-to-month, overall imports rose 2.7 percent in the month.

Leading the gains were furniture, up 6 percent; non alcoholic beverages, up 42 percent; bananas, up 15 percent; and miscellaneous plastic products, up 10 percent. On the downside, auto tires down 8 percent, and computers down 8 percent, all compared to December 2011.

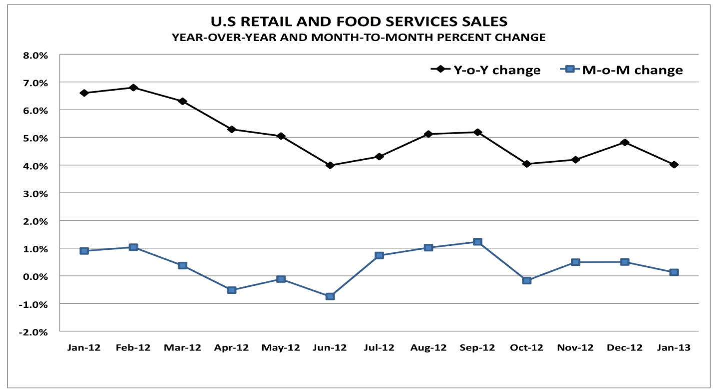
On a regional level, Central America led the gains, up 13 percent (or 8,013 TEUs), followed by Southeast Asia whose volume rose 6 percent (or 7,287 TEUs). On the downside, shipments from Northeast Asia declined 2 percent (or 13,903 TEUs) and totaled 772,036 TEUs.

On a country level, shipments from Guatemala gained the most, up 27 percent (or 5,100 TEUs). Vietnam follows with a gain of 11 percent (or 4,235 TEUs), while Honduras jumped 24 percent (or 2,942 TEUs). On the downside, Japan declined by 12 percent.

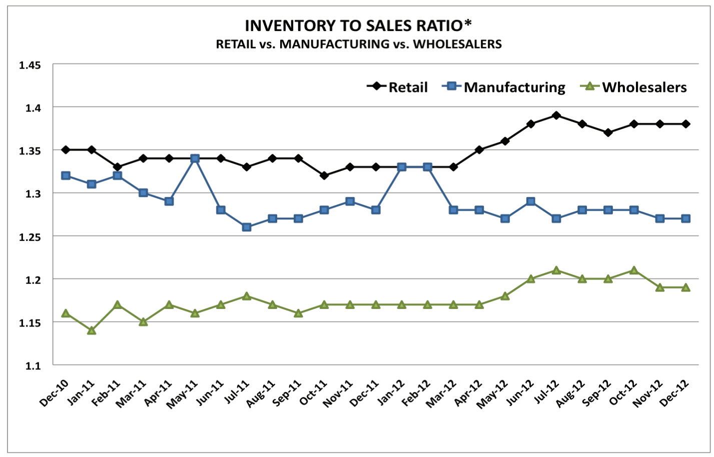
For all of 2012, overall U.S. containerized imports improved 1.5 percent.

U.S. box exports contracted for the third straight month on falling shipments to struggling European and Asian markets but also on labor strike disruptions at west coast ports. Overall U.S. containerized exports fell 6.7 percent year-over-year in November to 916,958 TEUs, following a contraction of 4.5 percent in the prior month. Losses were led by synthetic resins, down 25 percent; PVC resins, down 26 percent; pet & animal feeds, down 9 percent; and grocery products, down 15 percent. On the upside, gains were seen in paper & paperboard, up 6 percent; wood pulp, up 8 percent; and foam waste & scrap, up 15 percent, all compared to November 2011.

Year-to-date through November, exports were flat.



Source: U.S. Commerce Department



Source:Census Bureau ** Data is seasonally adjusted*

JANUARY 2013: U.S. RETAIL SALES UP 0.1 PERCENT

Retail sales slowed in the first month of the year mostly attributed to the expiration of the payroll tax reduction. Sales edged up 0.1 percent in the month, following an upwardly revised 0.5 percent boost in December. The consensus for January retail sales was very wide, ranging from -0.8% to 0.6%. Auto sales edged down in the month but followed a strong December. Excluding autos, sales rose 0.2 percent following a 0.3 percent boost in December.

Year-over-year, overall retail sales slightly decelerated to 4.0 percent from 4.8 percent in the prior month.

Seasonally adjusted retail inventory to sales ratio gave a reading of 1.38 in December, unchanged from the prior month, but higher than December 2011 1.33 ratio. The ratio for manufacturers and wholesalers stood unchanged at 1.27 and 1.19 in the month. High inventory-to-sales ratios suggest containerized imports during first quarter of year will be soft.

U.S. HOUSING MARKET

	JAN-13	MOM	YOY	2013(F)
EXISTING HOME SALES	**4,920**	**0.4%**	**9.1%**	**5,050**
NEW HOME SALES	**377**	**4.4%**	**15.3%**	**368**
HOUSING STARTS	**861**	**-3.0%**	**21.6%**	**776**

Source: US Department of Commerce; National Association of Realtors

JANUARY 2013: EXSITING HOME SALES UP 0.4 PERCENT; NEW HOME SALES UP 8.0 PERCENT; HOUSING STARTS DOWN 5.4 PERCENT

Sales of new homes jumped 15.6 percent month-to-month to an annual sales rate of 437,000, following an upwardly revised sales figure of

378,000 in the prior month. During winter months seasonality can inflate sales figures. Signs of tight supply strengthened, with supply of homes at 4.9 months, down from 5.6 months in December. Tight supply spurs opportunities of new construction in the months ahead.

Sales of existing homes saw a small rebound in December, up 0.4 percent and followed a downwardly revised decline of 1.2 percent in the prior month. Sales totaled a seasonally adjusted annual rate of 4.92 million homes. It appears tight supply is holding down sales. Supply is at 4.2 months, down from 4.5 and 4.8 months in the prior two months.

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

COUNTRY	Q1-2012	Q2-2012	Q3-2012(E)	Q4-2012	2012(F)	2013(F)
UNITED STATES	**2.4**	**2.1**	**2.6**	**1.6**	**2.2**	**2.1**
CHINA	**8.1**	**7.6**	**7.4**	**7.9**	**7.8**	**8.5**
JAPAN	**3.3**	**3.9**	**0.4**	**0.1**	**1.8**	**0.9**
UNITED KINGDOM	**0.3**	**-0.2**	**0.2**	**0.3**	**0.0**	**0.5**
GERMANY	**1.2**	**1.0**	**0.9**	**0.4**	**0.9**	**0.7**

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

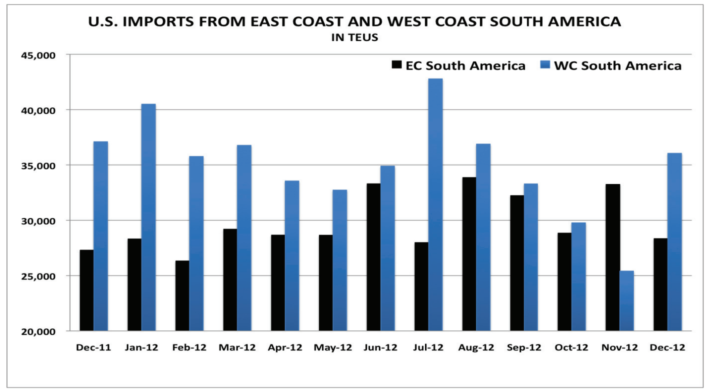
Source: US Department of Commerce; EIU

For the year, US GDP grew by 2.2 percent in 2012, only slightly better than the 1.8 percent expansion in 2011 and below the 2.4 percent increase in 2011. The culprit behind the sluggishness of the past two years is unequivocally the fiscal uncertainty generated by budget crisis in the US and to a lesser extent in Europe. Fiscal uncertainty has impacted both the investor and consumer sides of the already weakened US economy. While U.S. firms and corporations remain unwilling to commit cash to job-creating projects, consumers, shaken by persistent unemployment, are still wary about committing to long-term financing of large purchases, particularly housing. Clearly, the low interest rate regime pursued by the Fed during the past several years has helped to avert even worse conditions but this policy is inflationary over the longer term and has therefore contributed to both investor and consumer uncertainty. Add the emerging threats to fiscal austerity programs in Europe, ongoing tensions in the Persian Gulf, the Middle East and now North Africa and the stage has been set for another year of sluggish income growth.

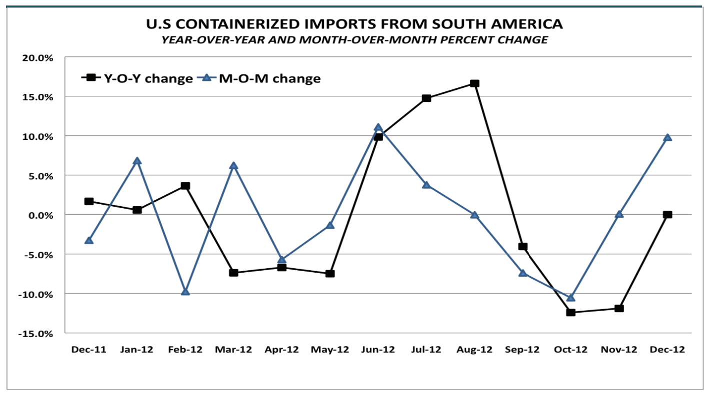
REGIONAL CONTAINER TRADE

- ***Exports to East Coast South America to rebound 2.1 percent in 2013***
- ***Imports from East Coast South America to grow 6.3 percent in 2013***

IMPORTS FROM SOUTH AMERICA



Source: PIERS



Source: PIERS

IMPORTS, DECEMBER 2012

	TEUS	MOM	YOY	YTD	2013(F)
EC SOUTH AMERICA	**28,347**	**-14.7%**	**3.8%**	**1.4%**	**6.3%**
WC SOUTH AMERICA	**36,061**	**41.9%**	**-2.8%**	**-2.5%**	**-0.2%**

Source: JOC-PIERS Container Shipping Outlook March 2013 issue

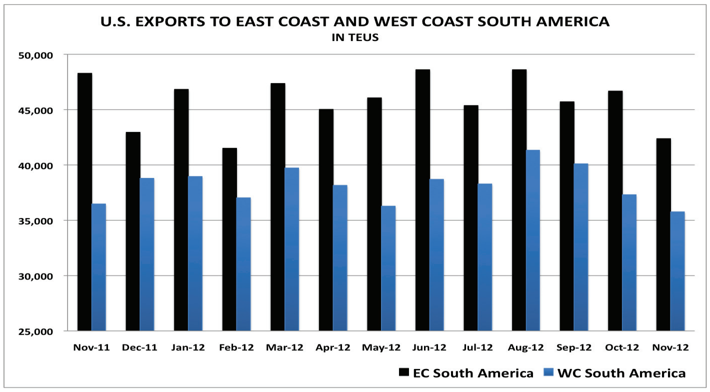
DECEMBER 2012: IMPORTS FROM SOUTH AMERICA UNCHANGED

Inbound trade from East Coast South America totaled 28,347 TEUs in December, up 3.8 percent from December 2011. The increase was mostly driven by gains in logs & lumber, wood pulp, and miscellaneous woodenware. Imports from West Coast South America declined 2.8 percent in the month, to a total of 36,061 TEUs, dragged by losses in coffee, berries, and miscellaneous fruits.

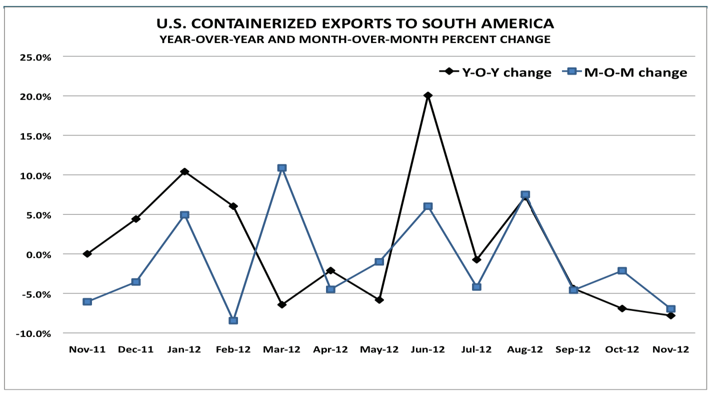
After contracting by 12% YoY in November, total imports from South America stood unchanged in December, and totaled 64,408 TEUs. Month to month, imports from South America rose 10%.

After a mere 1.4% expansion in 2012, we anticipate the trade to accelerate to 6.3% during 2013 supported by increased US demand for the region's housing industry inputs and continued gains in auto parts. Favorable exchange rates will also drive northbound shipments from this region. The Brazilian real has lost 17.1% of its value against the US dollar since peaking in February 2012 and we expect that trend to continue, although at a slower pace through 2013. Trade from Argentina will also be assisted by the stronger dollar.

EXPORTS TO SOUTH AMERICA



Source: PIERS



Source: PIERS

EXPORTS, NOVEMBER 2012

	TEUS	MOM	YOY	YTD	2013(F)
EC SOUTH AMERICA	**42,384**	**-9.2%**	**-12.2%**	**-5.3%**	**2.1%**
WC SOUTH AMERICA	**35,769**	**-4.1%**	**-1.9%**	**8.0%**	**1.0%**

Source: JOC-PIERS Container Shipping Outlook March 2013 issue

NOVEMBER 2012: EXPORTS TO SOUTH AMERICA DOWN 7.8 PERCENT

Southbound shipments to East Coast South America totaled 42,384 TEUs in November, down by 12.2 percent from a year earlier. Losses were led by paper and paperboard, industrial resins, miscellaneous plastic products and wood pulp. Southbound trade to West Coast South America declined 1.9 percent YoY to a total of 35,769 TEUs, mostly owed to falling demand for paper & paperboard and industrial resins.

Trade to South America dropped 7.8 percent YoY in November totaling 78,153 TEUs, after contracting by 6.9 percent in the prior month. On a month-to-month basis, exports declined 7 percent.

The outbound lane to the East Coast of South America has performed generally as anticipated. Likewise the JoC continues to forecast a healthy recovery in ex- port trade in 2013. Container volumes are expected to expand by 2.1% year-over-year this year. Improved demand from Brazil is behind the projected recovery. Low interest rates and tax cuts introduced in 2012 should feed into stronger investment and consumption in 2013. Exports to Argentina are also expected to accelerate, though not at quite the same pace. Demand from both countries will be tempered by depreciating currencies, though this will be partially offset by rising inflation in Brazil and Argentina. Trade from Venezuela is not subject to exchange rate fluctuations as the Bolivar is pegged to the US dollar. Nonetheless the outlook for Venezuela remains relatively weak, as the current rate of consumption is not sustainable.

PORT TRAFFIC

- ***Port of Los Angeles is U.S. top port by volume through November, with a total traffic of 5.449 million fully loaded TEUs.***
- ***Port of Shanghai is China's top port by volume in 2012, with a total traffic of 32.530 million fully loaded and empty TEUs***

TOP 10 CONTAINER THROUGHPUTS OF U.S.

Major Ports in November 2012 Unit:1,000 TEU

RANK	NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2012
1	LOS ANGELES	374	-31.1%	5,449
2	NEW YORK	318	-10.9%	3,901
3	LONG BEACH	324	-9.0%	3,900
4	SAVANNAH	181	5.1%	2,118
5	VIRGINIA PRTS	162	27.7%	1,510
6	OAKLAND	120	-12.8%	1,404
7	HOUSTON	123	5.7%	1,366
8	SEATTLE	85	-30.9%	1,153
9	CHARLESTON	100	7.7%	1,114
10	TACOMA	94	12.4%	979

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

- Top 10 ports handled 85 percent of the total U.S. container trade in November.
- Container traffic at top-ranked Port of Los Angeles tumbled 31.1 percent year-over-year in November on labor strike disruptions, and totaled 374,000 fully loaded TEUs.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS

In December 2012 Unit: 1000 TEU

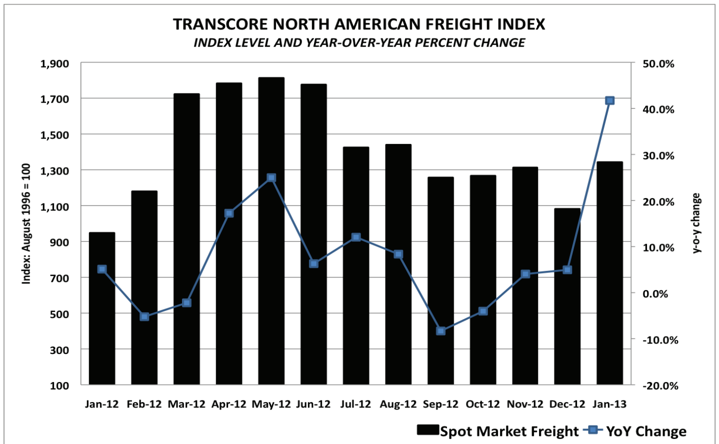
RANK NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THOUGHTPUT IN 2012
1 SHANGHAI (上海)	2,761	3.9%	32,530
2 SHENZHEN (深圳)	1,887	-2.1%	22,941
3 NINGPO ZHOUSHAN (宁波一舟山)	1,192	5.6%	16,174
4 QINGDAO (青岛)	1,285	-4.4%	14,547
5 GUANGZHOU (广州)	1,194	NA	14,503
6 TIANJIN (天津)	1,008	2.8%	21,303
7 DALIAN (大连)	779	21.7%	8,064
8 XIAMEN (厦门)	699	10.7%	7,202
9 SUZHOU (苏州)	609	29.6%	5,863
10 LIANYUNGANG (连云港)	463	14.5%	5,020

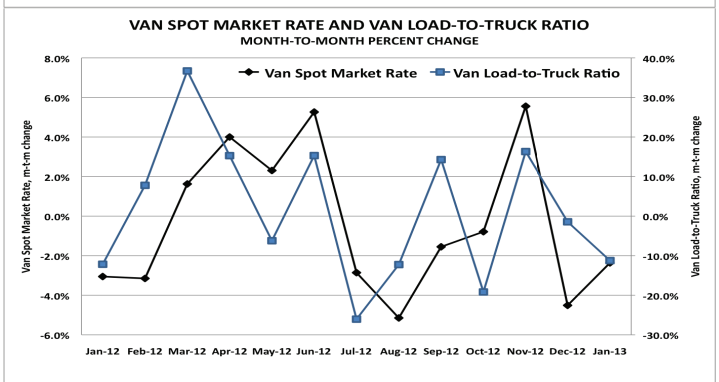
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

- Container traffic at top-ranked Port of Shanghai expanded 9.4 percent in 2012, totaling 32.530 million TEUs, including empties.

TRUCKING

- *Freight volume saw an unusually robust January*





Source: Transcore

JANUARY 2013: FREIGHT INDEX UP 42 PERCENT

Reaching the highest-ever volume for the month of January, the DAT North American Freight Index increased 42 percent compared to January 2012. Freight volume was unusually robust for the season, exceeding December levels by 24 percent, and marks the first time since the Freight Index started where freight availability increased from December; over the past ten years, there has been a 13 percent average decline in freight levels between these two months. The DAT North American Freight Index is a measure of spot market freight availability in the U.S. and Canada.

On a month-over-month basis, the unusual trend in freight availability affected the three major trailer types to differing degrees: van loads increased 16 percent, refrigerated ("reefer") freight volume increased 14 percent, and flatbed freight availability rose 28 percent. Compared to January 2012, freight volume increased 36 percent for vans, 32 percent for reefers and 7.9 percent for flatbeds.

Despite strong freight volumes, truckload capacity remained relatively loose in the spot market, so rates followed a somewhat typical seasonal pattern of a January decline that was most significant for vans and flatbeds. Van rates dropped 2.4 percent and flatbed rates slipped 2.0 percent, not including fuel surcharges. Reefer rates remained stable in January compared to December. On a year-over-year basis, van rates declined 2.4 percent and flatbeds lost 5.7 percent, while reefer rates rose 8.6 percent.

The DAT Truckload Rate index recorded a $0.03 (2.4%) decline in the national average spot market line haul rate for dry vans in the U.S. in January compared to December, not including fuel surcharges. The fuel surcharge for vans declined from $0.49 to $0.48 during the same period, so the total rate per mile dropped by $0.04 (2.3%) from $1.76 to $1.72. Such a decline is typical for the season. Spot market rates are paid by freight brokers and other intermediaries to the carrier.

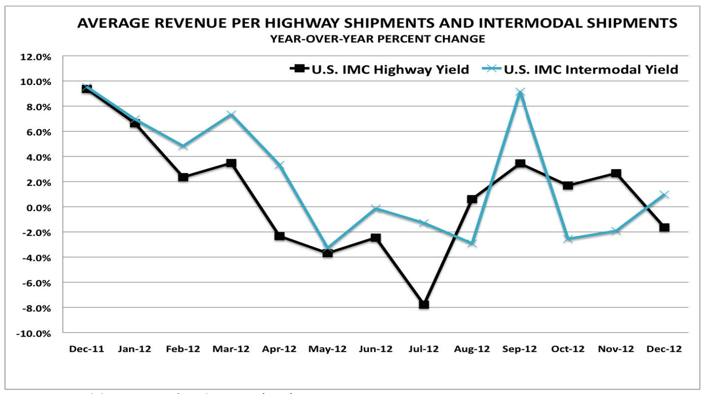
The drop in rates was accompanied by a 16% increase in load availability and a 31% surge in truck capacity, month over month, on the company's DAT Load Boards. The result was an 11% decline in the load-to-truck ratio for dry vans on the spot market, from 2.8 available loads per truck in December to 2.4 in January.

On a year-over-year basis, load volume for vans in January was up 36%, while capacity rose 22%. The resulting load-to-truck ratio increased by 12% compared to January 2012.

Spot market rates fell $0.03 (2.4%) compared to January 2012, not including fuel surcharges. Average rates and surcharges noted above for December 2012 matched prevailing rates in January 2012, so the month-over-month and year-over-year comparisons are identical.

RAIL

- *U.S. rail intermodal traffic advanced in December for the 37th straight month*
- *U.S. rail transportation of lumber up for 19 straight months*

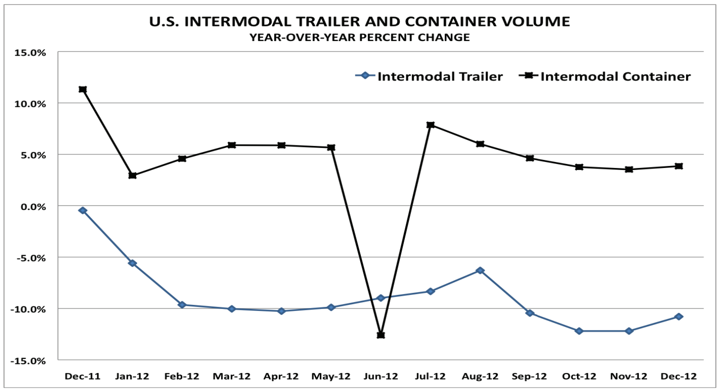


Source: Intermodal Association of North America (IANA)

DECEMBER 2012: AVERAGE REVENUE PER HIGHWAY SHIPMENTS DOWN 1.6 PERCENT; AVERAGE REVENUE PER INTERMODAL SHIPMENTS UP 1.0 PERCENT

The average revenue per highway load declined 1.6 percent year-over-year to $1,500, following a 2.7 percent advance in the prior month, and marked the first decline in 5 months. From November to December, the average revenue declined 0.8 percent (or $12).

The average revenue per intermodal load rebounded 1.0 percent after falling by 1.9 percent in the prior month. The average revenue amounted to $2,669. From November to December, the average revenue rose 3.8 percent (or $41).

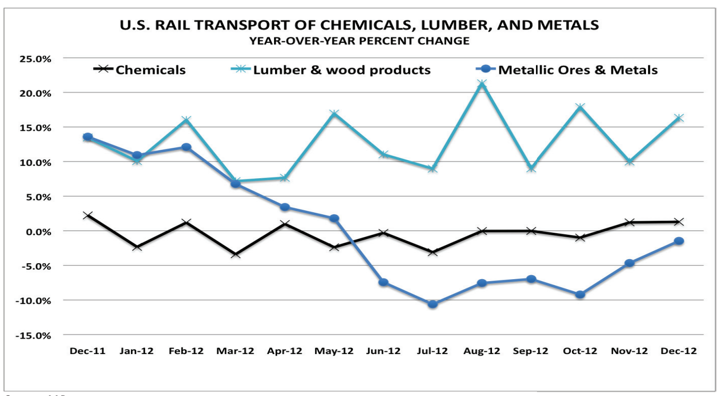


Source: AAR

DECEMBER 2012: INTERMODAL TRAILERS DOWN 10.8 PERCENT; INTERMODAL CONTAINERS UP 3.8 PERCENT

U.S. railroads originated 115,234 trailers and 772,768 containers in December. Intermodal containers expanded 3.8 percent year-over-year, following an advance of 3.5 percent in the prior month. Intermodal trailers tumbled 10.8 percent year-over-year after falling by 12.2 percent the prior month. Intermodal trailers have now declined for 12 consecutive months to December.

Intermodal traffic grew 1.7 percent (14,690 intermodal units) in December 2012 over December 2011, marking its 37th successive year-over-year monthly increase. On a seasonally adjusted basis, U.S. rail intermodal traffic edged rose 1.0 percent in December over the prior month.



Source: AAR

DECEMBER 2012: LUMBER UP 16.3 PERCENT; CHEMICALS UP 1.3 PERCENT; METALS DOWN 1.5 PERCENT

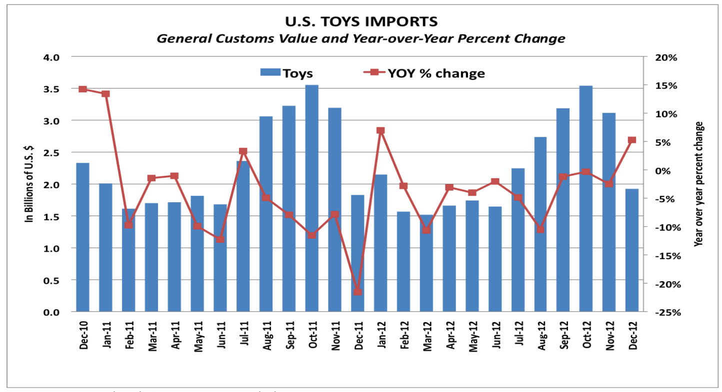
U.S. chemical carloads rose 1.3 percent year-over-year in December to a total of 115,757.

Growth in U.S. lumber and wood products carloads jumped 16.3 percent year-over-year in the month, to a total of 11,944 marking its 19th consecutive year-over-year monthly advance. A continuing recovery in the housing market is supporting transportation of lumber.

Growth in metallic ores and metals carloads contracted for the seventh straight month, down 1.5 percent year-over-year in December after a drop of 4.7 percent prior.

COMMODITY SNAPSHOT

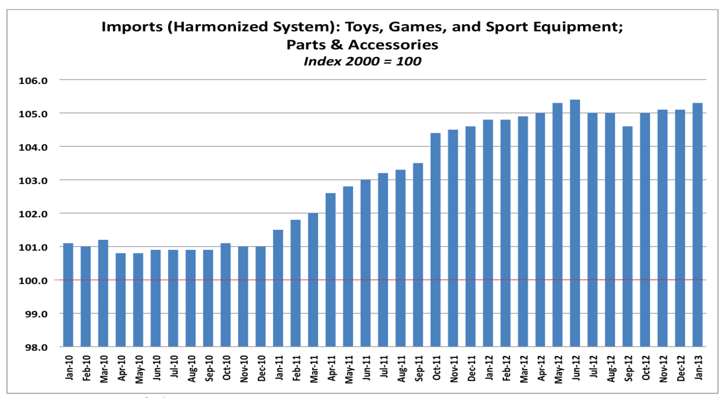
- ***U.S. toys imports(by $value) down 2.6 percent in 2012***
- ***Toys imports from China decline while imports from Mexico double in 3 years***



Source: International Trade Commission; own calculations

TOYS IMPORTS DOWN IN 10 OF LAST 11 MONTHS

U.S. imports of toys rose in December for the first time in 11 months, year over year. For all of 2012, toys imports totaled $27.0 billion, down 2.6 percent over the prior year, partly owed to weak disposable income growth in the U.S. and a strengthening currency of the world's largest toy manufacturer China. Toys imports data display high seasonality, with a peak in October.



Source: U.S. Department of Labor: BLS

GROWTH IN TOYS IMPORT PRICES MODERATING

The major drivers of toys imports are household disposable income, consumer sentiment, and price.

The trade price index of toys appeared to have leveled off in late 2012, after growing markedly in the second half of 2011. For all of 2012, the index averaged 2 percent higher than the average of 2011 and 4 percent higher than the average of 2010. In January 2013, the index rose 0.2 percent over the prior month and 0.5 percent over January 2012.

SHARE OF US TOYS IMPORTS AND ANNUAL GROWTH RATES

(Constant US Dollars)

	SHARE OF IMPORTS			ANNUAL GROWTH RATES		
	2010	2011	2012	2010	2011	2012
CHINA	0.839	0.815	0.813	8%	-9%	-3%
MEXICO	0.018	0.024	0.035	19%	22%	42%
THAILAND	0.008	0.008	0.009	31%	-4%	12%
INDONESIA	0.006	0.007	0.008	44%	7%	8%
VIETNAM	0.005	0.006	0.008	19%	10%	34%
PHILIPPINES	0.002	0.003	0.003	51%	4%	32%
MALAYSIA	0.004	0.003	0.003	29%	-14%	-2%
INDIA	0.001	0.002	0.002	-2%	10%	9%
CZECH REPUBLIC	0.001	0.002	0.002	0%	30%	-19%
SLOVENIA	0.000	0.001	0.001	28%	159%	19%

Source: ITC

MEXICO, INDONESIA, VIETNAM GAINING SHARE AT CHINA'S EXPENSE

China is by far the largest supplier of toys (HS code 95) to the U.S., but it has seen its sourcing share decline in recent years, from 83.9 percent in 2010 to 81.5 percent in 2011 to 81.3 percent in 2012. Other developing economies, on the contrary, are gaining share at China's expense. Mexico, for instance, has nearly doubled its sourcing share between 2010 and 2012, with exports to the U.S. doubling in just 3 years. Indonesia and Vietnam are also clearly gaining share.

In terms of annual growth, the data shows that imports from China has declined for 2 consecutive years to 2012, while imports from Mexico jumped 22 and 42 percent in those same years. Relaxed labor and environmental standards in China cannot alone keep production costs low as wages continue to rise, shortages of low-skilled labor are still latent, and the Chinese Yuan strengthens. The wage gap between Mexico's manufacturing and China's has narrowed in recent years, boosting toy production and exports to the U.S. Near-sourcing will continue as long as manufacturing costs in China and transportation costs keep the uptrend. Imports from Indonesia grew by 7 and 8 percent in 2011 and 2012, while imports from Vietnam grew by 10 and 34 percent in those same years.

TOP U.S. IMPORTS FROM SOUTH AMERICA IN TEUS: DECEMBER 2012

(In Thousands of Units, Seasonally Adjusted Annual Rate)

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	BANANAS	8,792	47%	50%	9%
2	FRUITS,MISC	4,262	30%	-12%	-1%
3	LOGS&LUMBER	3,217	-5%	41%	-4%
4	COFFEE	3,200	7%	-28%	-19%
5	STILL WINES	3,006	-3%	15%	9%
6	VEGETABLES	2,361	-15%	-14%	-3%
7	AUTO&TRUCK TIRE&TUBES	2,087	-7%	1%	3%
8	GRANITE	1,867	-7%	14%	9%
9	EMPTY CONTAINERS,DRUMS ETC.	1,437	-3%	6%	-31%
10	VENEERS&PLYWOOD	1,429	-16%	-11%	-30%

Source: PIERS

'Bananas' was the top containerized import commodity from South America in December 2012, totaling 8,792 TEUs, up 50 percent from December 2011. Solid gains were also seen in logs & lumber and still wines. The top 10 commodities shown above accounted for 49 percent of the total box import trade from South America.

TOP U.S. EXPORTS TO SOUTH AMERICA, IN TEUS: NOVEMBER 2012

(In Thousands of Units, Seasonally Adjusted Annual Rate)

RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	AUTO PARTS	5,139	-6%	4%	7%
2	PAPER/BOARD,INCL WASTE	4,570	-10%	-36%	5%
3	VINYL ALCOHOL,PVC RESINS	2,675	-16%	10%	-20%
4	SYNTHETIC RESINS,NSPF	2,573	-6%	-11%	9%
5	PE,MELAMINE,UREA RESINS	2,457	21%	25%	-6%
6	WOOD PULP	2,345	17%	-13%	3%
7	PLASTIC PRODS, MISC	1,894	-8%	0%	2%
8	GROCERY PRODS,MISC.	1,619	7%	15%	22%
9	MACHNRY MISC, CSETTE PLYRS	1,598	4%	-22%	-2%
10	UNCLASSIFIABLE CHEMICALS	1,392	-9%	-12%	3%

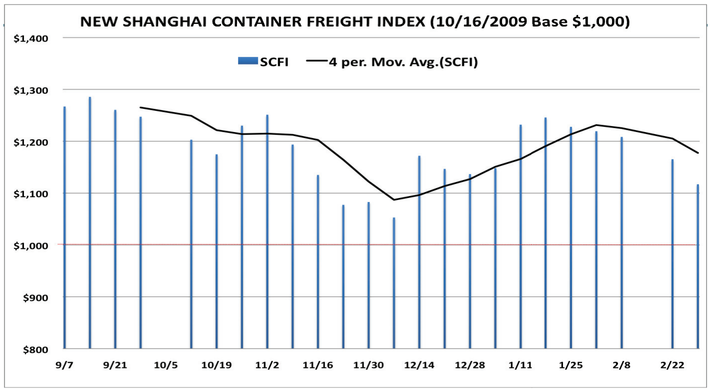
Source: PIERS

"Auto parts" was the top containerized export commodity to South America in November 2012, totaling 5,139 TEUs. A sharp drop was seen in paper & paperboard. The top 10 commodities shown above accounted for 34 percent of the total export trade to South America in the month.

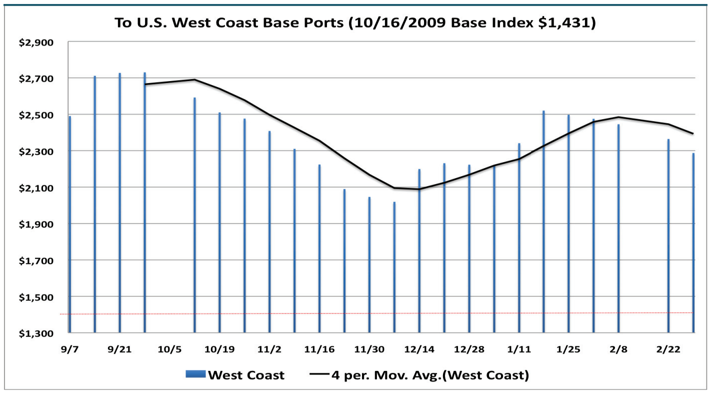
REGION CATEGORIES

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



Source: Shanghai Shipping Exchange



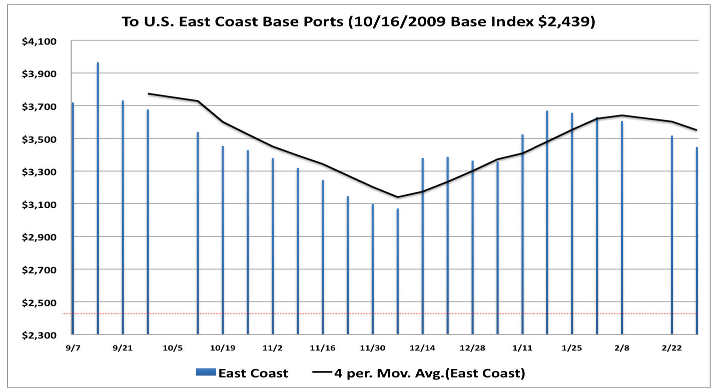
Source: Shanghai Shipping Exchange

- ***U.S. rail intermodal traffic advanced in December for the 37th straight month***
- ***U.S. rail transportation of lumber up for 19 straight months***

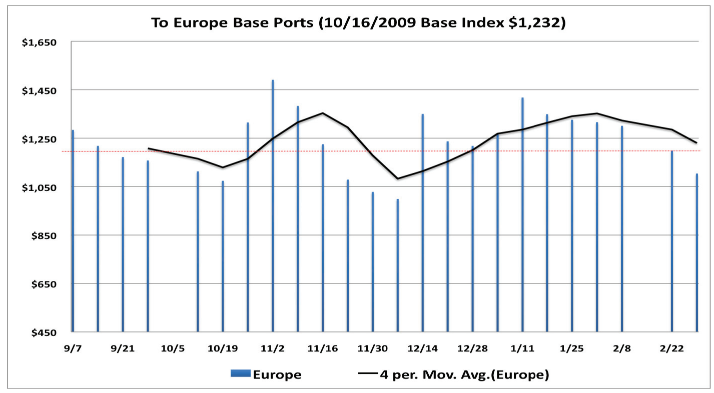
THE SHANGHAI CONTAINERIZED FREIGHT INDEX DOWN 4.1 PERCENT ON MARCH 1 FROM PRIOR WEEK

The Shanghai containerized freight index, which measures export average spot rates, declined 4.1 percent on March 1 over the prior week to $1,117.04 points. The index stood below its four-week moving for 5 straight weeks as carriers could not hang on to their recent rate gains.

On March 11, the freight rate for the voyages from Shanghai to base ports in U.S. West Coast and East Coast services came out at $2,287 per



Source: Shanghai Shipping Exchange



Source: Shanghai Shipping Exchange

FEU and $3,447 per FEU, down $77 and $70 from the preceding week, respectively. In the Europe service, freight rates declined and stood below its four-week moving average. On March 1, the freight rate for the voyages from Shanghai to base ports in Europe fell 7.9 percent (or $95) over the preceding week, to $1,104. It's been announced that on March 15 carriers will try to implement a GRI of about $700/FEU in the Asia-Europe trade.

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