

JOC INSIGHTS

The Shipping Economy 1-4
Regional 4-5
Container Trade
Port Traffic 5
Trucking 6
Rail 6
Commodity Snapshot 7-8
International Shipping Prices 9

DECEMBER 2012

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

ANOTHER YEAR OF MODEST growth for U.S. containerized imports. Surprised? Not really. A year ago I predicted overall imports will grow by 2.8% in 2012; through October, imports were up 2.8 percent and my estimations call for full-year growth in the range of 3.0-3.5 percent. As expected, unemployment remained stubbornly high but slowly decreasing as nonfarm payrolls are averaging gains of 150,000+ a month. Consumers were cautious at their spending while kept at rebuilding their balance sheets. Motor vehicles sales boosted demand for auto parts while a third round of quantitative easing allowed to further keep mortgage rates at their lowest we've seen in the last 3 decades, boosting sales of existing homes and spurring a modest demand for major home goods including. What level of import volumes can we expect in 2013? My outlook is positive but modest, and will depend on several assumptions.

The conditions now unfolding point to reduced growth prospects and even another recession should the rest of the year progress without policy intervention. I'm referring of course to the so-called "fiscal cliff" which is the simultaneous end of the Bush tax cuts enacted in 2001-2003; the elimination of the 2011 federal payroll tax break which will add a 2 percent increase on taxes for workers; the end of certain tax breaks for businesses and changes in the alternative minimum tax that promise to impose a larger tax burden for lower income classes. At the same time, President Obama's health care law will need to be funded by increased taxes that are to be imposed in January 2013 while "debt ceiling" spending cuts agreed to in 2011 will go into effect across more than 1,000 government programs, including defense and Medicare.

The above combination of tax increases and spending cuts will pull enough resources out of the economy to cut output growth by anywhere from 3.0 to 4.0 percentage points during 2013 in the worst case to 0.5 percentage points in the best case. Either way, the consequences for consumer spending and employment are significant and could be devastating for the US containerized import trades just when it appeared that economic conditions were improving. The solution to this impending challenge will require deep compromises between opposite poles in government.

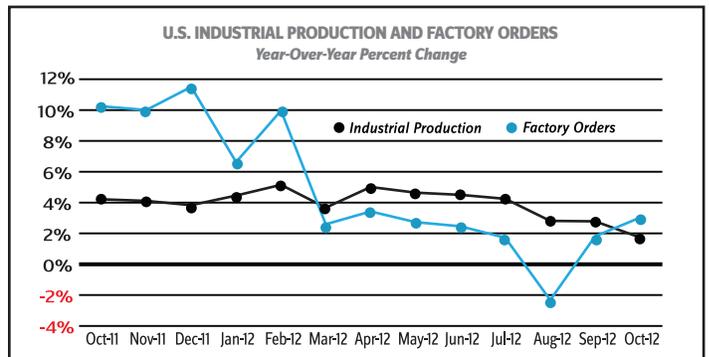
My imports forecast for 2013 calls for a modest 2.2 percent growth, to a total of 17.8 million TEUs. At this level, imports will stay below the 2007 peak by about half a million TEUs.

This issue of JOC Insights presents my most updated import and export forecasts on the US – Asia trade for 2013, and a special analysis of U.S. furniture imports.

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

THE SHIPPING ECONOMY

- ▶ U.S. manufacturing index surprised to the downside in November, while China manufacturing activity rose for the first time in 13 months
- ▶ While US output growth increased by an annualized 2.7 percent during the third quarter the pace of expansion remains below long-term trend
- ▶ U.S. ocean container trade almost unchanged in September; rail container shipments decelerated in October
- ▶ Sales of existing homes rebounded in October but may give some growth back the next month due to Hurricane Sandy effects
- ▶ Retail sales declined in October, likely impacted by Hurricane Sandy



Source: Commerce Department, Federal Reserve

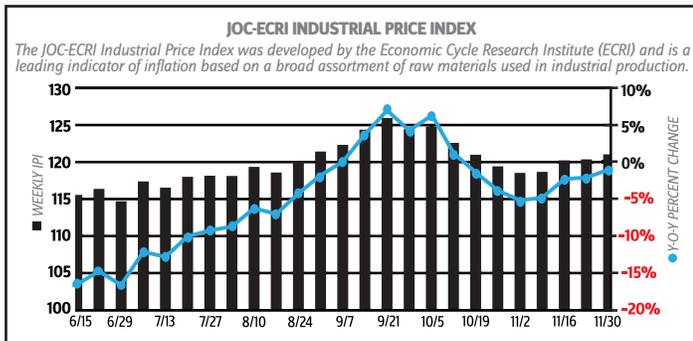
OCTOBER 2012: INDUSTRIAL PRODUCTION DOWN 0.4%; FACTORY ORDERS UP 0.8%

U.S. industrial production declined in October on negative effects from Sandy hurricane, which restrained production in the Northeast region at the end of the month. Overall production fell 0.4% in the month, following a downwardly revised boost of 0.2% in the prior month. The Fed estimates total output was reduced by one full percentage point on hurricane-related effects. Manufacturing declined 0.9% after gaining 0.1% in September. Outside of motor vehicles, manufacturing fell by a similar 0.9%, following a 0.2% boost in the prior month. Mining output advanced 1.5% while utilities slid 0.1% and 1.5%.

Overall capacity utilization fell by 0.4 percentage point to 77.8% in the month.

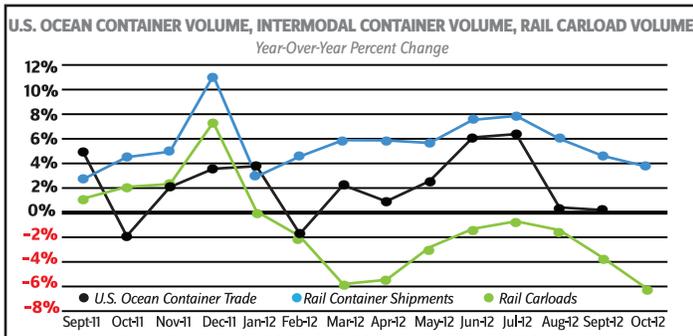
The manufacturing sector is lost some steam as further evidenced by latest ISM figures. On a year-over-year basis, industrial production stood at 1.7%.

U.S. factory orders rose 0.8% in October, following a gain of 4.5% in the prior month. On a year-over-year basis, orders advanced 3.0%.



INDUSTRIAL PRICE INDEX UP 0.7 POINTS ON NOVEMBER 30 FROM PRIOR WEEK

On November 30, the JOC-ECRI Industrial Price Index gained 0.7 points over a week earlier to a reading of 120.5, and stood above its 4-week moving average for the 3rd consecutive week. Year over year, the index is down 1.0%.

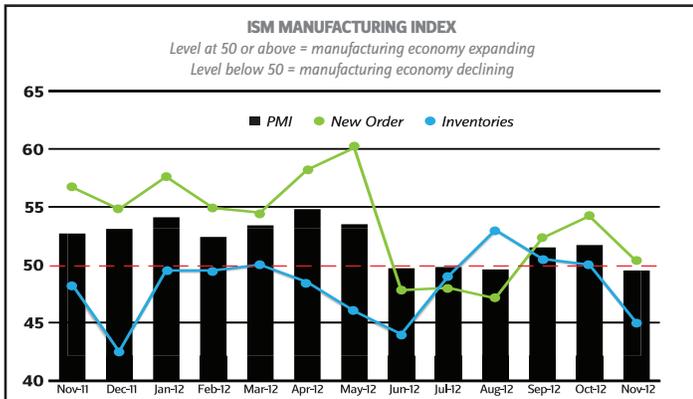


Source: PIERS and Association of American Railroads (AAR)

U.S. OCEAN CONTAINER TRADE UP 0.2% IN SEPTEMBER

U.S. ocean container trade edged up 0.2% YoY in September, and followed a 0.4% boost in the prior month. The trade totaled 2.45 million TEUs in the month.

Rail container shipments expanded 3.8% YoY in October, following a 4.6% gain in the prior month, while rail carloads declined 6.1%, after 1.4% drop in the prior month. Rail carloads have declined for 9 consecutive months through October on a year-over-year basis.



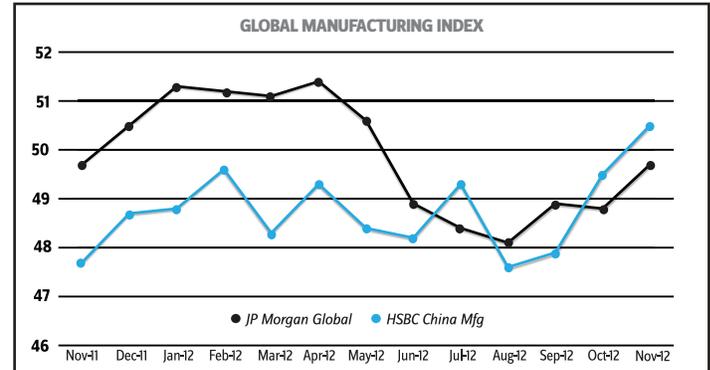
Source: Institute for Supply Management (ISM)

NOVEMBER 2012: U.S. MANUFACTURING INDEX AT 49.5

The U.S. manufacturing index surprised to the downside in November, falling to a sub-50 reading for the first time in 3 months. The PMI index gave

a reading of 49.5, down by 2.2 points, indicating contraction from growing. Of the 18 manufacturing industries, only 6 reported growth in the month. New orders lost 3.9 points to a reading of 50.3, indicating fractional growth. Backlog of orders contracted at as faster rate, while inventories declined by 5 full points and gave a reading of 45.0 suggesting businesses are taking a cautious stance on future demand. Employment was down for the first time in more than 3 years.

The latest manufacturing report may have been affected by the temporary shutdown of factories in the aftermath of Sandy.



Source: JP Morgan; HSBC

NOVEMBER 2012: GLOBAL MANUFACTURING PMI ROSE TO 49.7; CHINA MANUFACTURING PMI ROSE TO 50.5

The JPMorgan Global PMI rose by 0.9 percentage point to 49.7, signaling contraction at a slower rate. Production rose for the first time in 5 months. US production rose to a six-month peak while production in China is finally growing for the first time in more than a year. Output growth was also seen in Brazil, India, Indonesia, Mexico, Russia, Switzerland, Turkey, the UK and Vietnam. Employment fell for the fifth straight month, and gave a reading of 49.6 after marking 49.3 in the prior month. Average input prices rose to a 7-month peak in the month.

Manufacturing activity in China grew for the first time in 13 months in November. The HSBC China Manufacturing PMI came in at a 50.5 level, up by 1 full percentage point from October, indicating a marginal improvement of operating conditions in the Chinese manufacturing sector. Output increased during the month for the first time since July, while new orders grew for the second straight month, albeit at a slightly weaker pace. New export orders rose markedly with over 17% of panelists indicating growth, mostly attributed to strengthening demand in Europe and in the US. Employment declined at a marginal rate, while input prices rose for the second straight month.



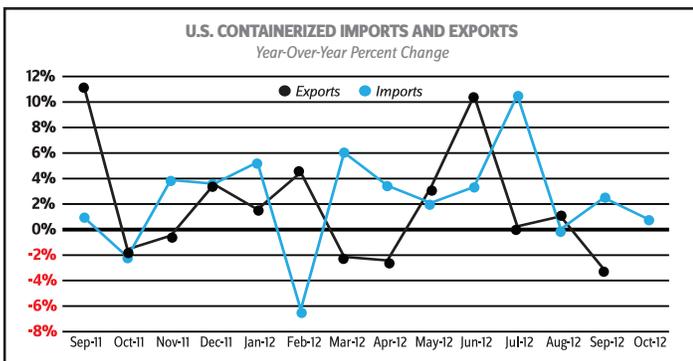
Source: US Department of Commerce

SEPTEMBER 2012: U.S. GOODS EXPORTS UP 4.2%; GOODS IMPORTS UP 2.1%

U.S. exports of goods increased by 4.2% in September over August, amounting to \$132.6 billion in the month. The increase was led by industrial supplies (\$3.4 billion); foods, feeds, and beverages (\$1.1 billion); consumer goods (\$0.5 billion); and capital goods (\$0.4 billion). A loss was registered in motor vehicles and parts (-\$0.3 billion).

U.S. imports of goods rebounded after five straight monthly declines, up 2.1% in September over August, totaling \$189.5 billion. The rebound partly reflected increases in consumer goods (\$2.7 billion); industrial supplies and materials (\$1.2 billion); and capital goods (\$0.6 billion).

The deficit of goods traded declined by 2.6% to \$56.8 billion (census basis).



Source: PIERS

U.S. CONTAINERIZED IMPORTS UP 0.8% IN OCTOBER; EXPORTS DOWN 3.1% IN SEPTEMBER

U.S. imports rose slightly in October year over year, after growing by 2.5% in the prior month, according to advanced figures from PIERS. Overall U.S. containerized imports edged up 0.8% in October 2012 over October 2011 to a total of 1,473,412 TEUs. Month over month, overall imports edged down 0.8% in October.

Leading the gains were bananas, up 21%; furniture, up 5%; auto parts, up 10%; and women's and infant wear, up 10%. Leading the losses were decorations, down 21%; footwear, down 6%; and TV equipment, down 9%, all compared to October 2011.

On a regional level, imports from Northeast Asia led the gains, up 3%, and totaled 27,912 TEUs. Central America followed with a gain of 26%, and totaled 15,113 TEUs. Imports from all of Asia rose 3.1% in the month. On the downside, shipments from Northern Europe dropped 12%, and totaled 129,474 TEUs, while shipments from the Mediterranean fell 13%, and totaled

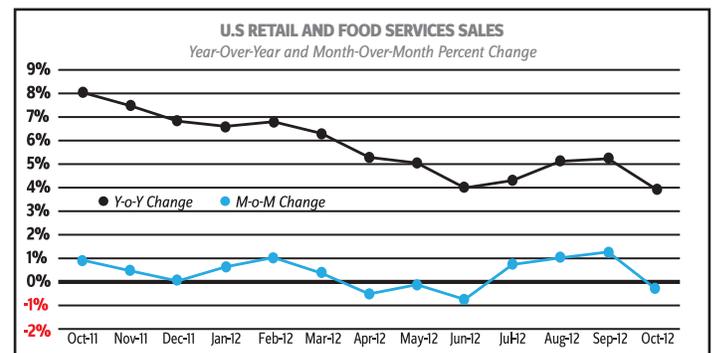
57,236 TEUs.

On a country level, shipments from China showed the highest TEU expansion, up 4%, and totaled 726,368 TEUs in the month. Costa Rica follows with a gain of 99%, while Japan advanced by 10%. On the downside, Belgium and Chile declined by 22% and 32%, respectively.

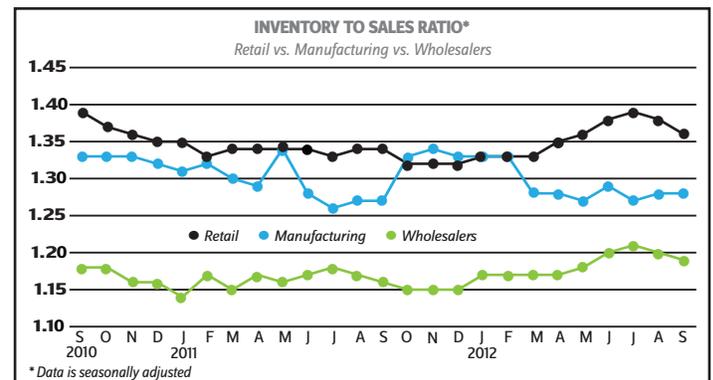
Year to date, through October, overall U.S. containerized imports were up 2.8%.

U.S. box exports contracted in the month on falling shipments to struggling European and Northeast Asian markets. Overall U.S. containerized exports fell 3.1% YoY in September to a total of 963,765 TEUs, following a boost of 1.0% in the prior month. Losses were led by metal scrap and pig iron, down 38%; grains & flour products, down 29%; pet & animal feeds, down 6%; and meat, down 15%. On the upside, gains were seen in fabrics including raw cotton, up 62%; wood pulp, up 8%; and poultry, up 7%, all compared to September 2011.

Year to date, through September, exports were up by 1.3%.



Source: U.S. Commerce Department



Source: Census Bureau

OCTOBER 2012: U.S. RETAIL SALES DOWN 0.3%

Retail sales declined in October, likely impacted by the adverse effects of Hurricane Sandy. Sales slid 0.3% in the month, following an upwardly revised 1.3% boost in September. Excluding autos, sales were unchanged following a 1.2% increase in September. Gasoline sales rose 1.4%, following a 2.5% boost in the prior month. Excluding autos and gasoline, sales fell 0.3%.

Year over year, overall retail sales decelerated to 3.9% from 5.2% in the prior month.

Seasonally adjusted retail inventory to sales ratio gave a reading of 1.36 in September; lower than August's 1.38 ratio but higher than September 2011

1.34 ratio. The ratio for manufacturers stood unchanged at 1.28, while the ratio for wholesalers slid to 1.19 from August's 1.20.

U.S. HOUSING MARKET (In Thousands of Units, Seasonally Adjusted Annual Rate)					
TRADE LANE	Oct-12	MoM	YoY	2012(f)	2013(f)
EXISTING HOME SALES	4,790	2.1%	9.6%	4,640	5,050
NEW HOME SALES	368	-0.3%	17.2%	368	575
HOUSING STARTS	894	3.6%	41.1%	776	1,128

Source: U.S. Department of Commerce: Census Bureau

**OCTOBER 2012: EXISTING HOME SALES UP 2.1%;
NEW HOME SALES DOWN 0.3%; HOUSING STARTS UP 3.6%**

Sales of brand new homes slid for the first time in 4 months. Sales edged down 0.3% MoM to an annual sales rate of 368,000, following a downwardly revised sales figure of 369,000 in the prior month. Home median prices fell 4.2% to \$237,000, while supply of homes stood low at 4.8 months. The Commerce Department noted Hurricane Sandy had only a minimal effect on October.

Sales of existing homes bounced back in October, up 2.1% and followed a decline of 2.9% in the prior month. Sales totaled a seasonally adjusted annual rate of 4.79 million homes. Sales in the Northeast fell 1.7%, mostly owed to Hurricane Sandy. The National Association of Realtors believes that Sandy's impact on November sales will likely be greater.

REAL GDP QUARTERLY GROWTH RATES ON A Y-O-Y BASIS, AND ANNUAL FORECASTS						
COUNTRY	Q4-2011	Q1-2012	Q2-2012	Q3-2012(e)	2012 (f)	2013 (f)
UNITED STATES	2.0	2.4	2.1	2.5	2.1	1.9
CHINA	9.1	8.1	7.6	7.4	7.7	8.5
JAPAN	-0.6	2.7	3.4	0.2	2.0	1.2
UNITED KINGDOM	0.7	-0.1	-0.5	-0.1	-0.2	0.5
GERMANY	1.9	1.2	1.0	0.9	0.9	0.8

* 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 10, 2012

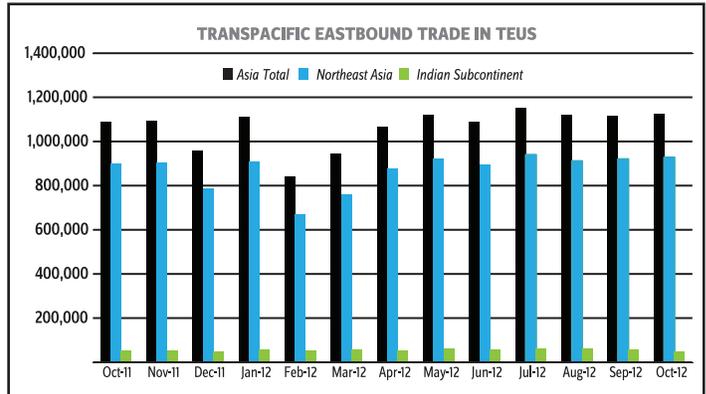
While output growth increased by an annualized 2.7 percent during the third quarter the pace of expansion remains below long-term trend and was insufficiently above the previous quarter's 1.6 percent rate of expansion to support an appreciable upwards revision in the forecasts for the remainder of this year and next. Liquidity and tight credit conditions can no longer be blamed for the halting recovery. US corporations are sitting on sufficient cash that if committed to output expansion would support a far more robust expansion than we have seen. Instead, it is investor uncertainty, caused to a large degree by the inability of the US government to adequately address the nation's long-term debt, remains the primary obstacle between a more robust expansion and the current tepid pace. Add deepening weakness in the US's European trading partners, slower output growth in Asia, and ongoing uncertainties regarding the geopolitical environment, especially the Persian Gulf, and the outcome could not have been any different.

US income growth was slightly better than expected in 3Q12 and improved over the previous quarter. However, I forecast a 2.2 percent expansion for 2012, a milder 1.9% increase for 2013 and an accelerated gain of 2.7% in the following year. My modest short-term outlook stems primarily from uncertainty surrounding the current US fiscal position, which anecdotal evidence suggests has firms putting off plans to expand output.

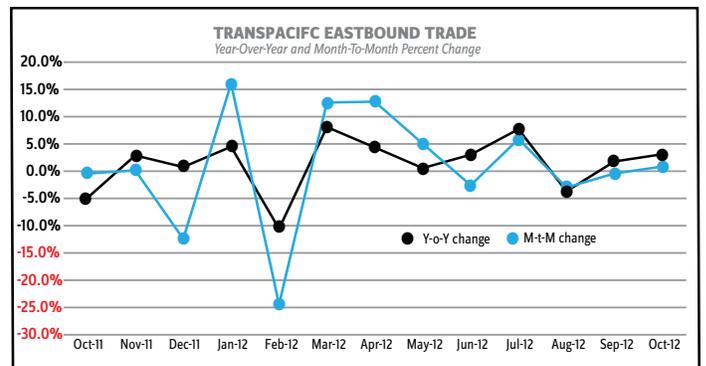
REGIONAL CONTAINER TRADE

- ▶ Imports from Northeast Asia to grow by 3.8% in 2013
- ▶ Exports to Northeast Asia to grow by 4.3% in 2013

Transpacific Eastbound Trade



Source: PIERS



Source: PIERS

IMPORTS, OCTOBER 2012					
TRADE LANE	TEUs	M-O-M	Y-O-Y	YTD	2013(f)
ALL ASIA	1,122,575	0.8%	3.1%	1.9%	4.7%
NORTHEAST ASIA	927,681	0.8%	3.1%	1.2%	3.8%
INDIAN SUBCONTINENT	48,776	-15.1%	-7.8%	4.0%	11.4%

Source: JOC-PIERS Container Shipping Outlook September 2012

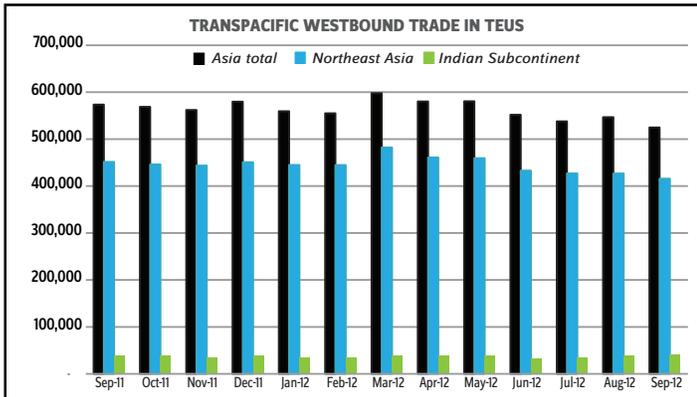
OCTOBER 2012: TRANSPACIFIC EASTBOUND TRADE UP 3.1%

Containerized imports from Northeast Asia expanded 3.1% YoY in October following a boost of 1.8% in the prior month, and totaled 1,122,575 TEUs. Gains were led by furniture, auto parts, and miscellaneous electronic products. Imports from top source country China rose 4.0% YoY and totaled 726,368 TEUs.

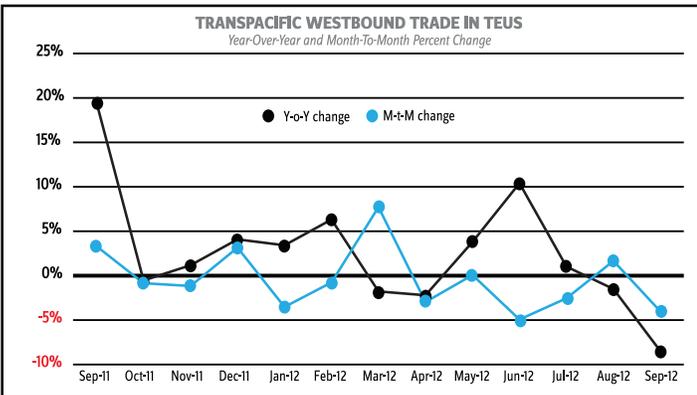
Imports from Southeast Asia climbed 7.4% YoY in October to a total of 146,117 TEUs; mostly driven by women's & infant wear, foot-wear, and computers. Imports from the Indian Subcontinent contracted for the first time in 6 months, down 7.8% YoY and totaled 48,776 TEUs on account of falling demand for sheets, towels, and blankets, women's & infant wear, and auto tires.

Imports from Northeast Asia are forecast to grow by 3.8% in 2013.

Transpacific Westbound Trade



Source: PIERS



Source: PIERS

TRADE LANE	EXPORTS, SEPTEMBER 2012				
	TEUs	M-O-M	Y-O-Y	2012 YTD	2013(F)
ALL ASIA	524,896	-4.0%	-8.5%	1.0%	4.5%
NORTHEAST ASIA	415,720	-2.6%	-7.9%	2.3%	4.3%
INDIAN SUBCONTINENT	40,468	5.5%	0.9%	-0.4%	8.1%

Source: JOC-PIERS Container Shipping Outlook September 2012

SEPTEMBER 2012: TRANSPACIFIC WESTBOUND TRADE DOWN 8.5%

Containerized exports to Northeast Asia declined 7.9% YoY in September following a rise of 5.0% in the prior month, and totaled 432,902 TEUs. Losses were led by metal scrap and pig iron; pet & animal feeds; paper & paperboard; and meat.

Exports to Southeast Asia tumbled 16.2% YoY in September to a total of 68,708 TEUs; mostly dragged by soybeans, fabrics including raw cotton, and logs & lumber. Exports to the Indian Subcontinent edged up 0.9% YoY and totaled 40,468 TEUs on account of falling shipments of soybeans, fabrics including raw cotton, and pet & animal feeds.

Quarterly, US shipments to Northeast Asia fell by 3.5% during the quarter, the first negative showing since Q3:2010. While slow-growing China managed to raise its demand for US goods by 1.1%, volumes to the remaining countries in the region all fell into the red.

Exports to Northeast Asia in 2013 are forecast to grow by 4.3%, and to the Indian Subcontinent by 8.1%.

PORT TRAFFIC

- ▶ Port of Los Angeles is U.S. top port by volume through September, with a total traffic of 4.55 million fully loaded TEUs
- ▶ Port of Shanghai is China's top port by volume through October, with a total traffic of 26.94 million fully loaded and empty TEUs

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS IN SEPTEMBER 2012			
Unit: 1000 TEU			
RANK	NAME OF PORT	CURRENT MONTH	CONTAINER THROUGHPUT YOY CHANGE (%) TOTAL THROUGHPUT IN 2012
1	LOS ANGELES	535	2.1% 4,551
2	NEW YORK	359	-0.9% 3,271
3	LONG BEACH	340	-4.5% 3,163
4	SAVANNAH	192	-5.4% 1,765
5	VIRGINIA PRTS	138	13.6% 1,210
6	OAKLAND	128	-3.6% 1,150
7	HOUSTON	120	2.0% 1,121
8	SEATTLE	105	-6.8% 968
9	CHARLESTON	102	-0.2% 918
10	TACOMA	85	10.3% 766

Source: PIERS. Figures are rounded. Data represents fully-loaded containers only, and is refreshed frequently.

Top 10 ports handled 86% of the total U.S. container trade in September. Container traffic at top-ranked Port of Los Angeles rose 2.1% YoY in September, and totaled 535,000 fully-loaded TEUs. Northeast Asia shipments accounted for 75% of the port traffic in the month, while the Indian Subcontinent accounted for 2%.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS IN OCTOBER 2012			
Unit: 1000 TEU			
RANK	NAME OF PORT	CURRENT MONTH	CONTAINER THROUGHPUT YOY CHANGE (%) TOTAL THROUGHPUT IN 2012
1	SHANGHAI (上海)	2,721	1.4% 26,944
2	SHENZHEN (深圳)	1,955	-2.2% 19,212
3	NINGPO ZHOUSHAN (宁波—舟山)	1,352	12.9% 13,700
4	QINGDAO (青岛)	1,209	12.0% 12,087
5	GUANGZHOU (广州)	1,176	-7.2% 12,006
6	TIANJIN (天津)	1,082	5.5% 10,243
7	DALIAN (大连)	732	27.8% 6,569
8	XIAMEN (厦门)	680	15.2% 5,808
9	SUZHOU (苏州)	578	33.4% 4,659
10	LIANYUNGANG (连云港)	428	6.3% 4,104

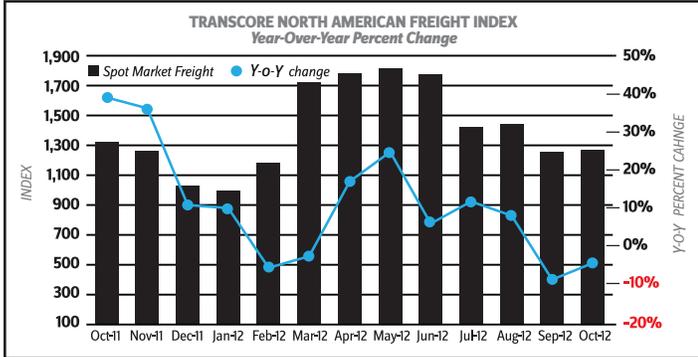
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

Container traffic at top-ranked Port of Shanghai advanced 1.4% YoY in October, and totaled 2.7 million TEUs, including empties.

TRUCKING

► Freight volume declining year over year on reduced flatbed growth

Domestic Trucking Pricing



Source: Transcore, <http://www.transcorefreightsolutions.com/Resource/Trendlines.aspx>

TRANSORE
Freight Solutions

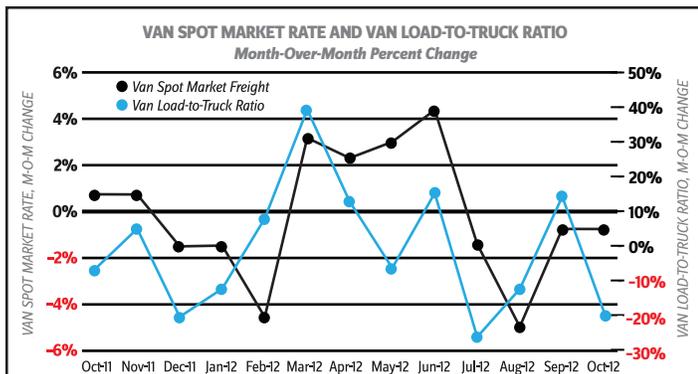
OCTOBER 2012: FREIGHT INDEX DOWN 4.0%

In October 2012, The DAT North American Freight Index reports a 0.8% increase in spot market freight availability in the U.S. and Canada, compared to September. After a strong first two weeks, softness in U.S. freight availability at the end of the month was partly offset by volume growth in Canada. Year-over-year, North American freight volume on the spot market declined 4.0%.

Of the past ten years, comparative freight volumes from September to October have been mixed, increasing in five years and declining in the other five. The resulting ten-year average was a month-over-month increase of 3.9%.

On DAT Load Boards in the U.S. only, all three equipment types experienced a net decline in freight availability month-over-month. Van load volumes slipped 1.1%, refrigerated ("reefer") freight dipped 5.5% and flatbed loads declined 5.0% compared to September. Year-over-year, van freight volume increased 3.5%, reefer freight dipped 1.5% and there were 20% fewer flatbed loads.

Truckload freight rates for all three equipment types continued the seasonal decline that began in July on the spot market, although reefer rates were up slightly compared to October 2011. Van rates dipped 0.8% month-over-month and 3.0% year-over-year. Reefer rates slid 3.1% for the month but rose 1.9% when compared to the same month last year. Rates for flatbeds declined 2.9% compared to September and 1.2% versus October 2011.



Source: Transcore, <http://www.transcorefreightsolutions.com/Resource/Trendlines.aspx>

TRANSORE
Freight Solutions

OCTOBER 2012: VAN SPOT MARKET RATE DOWN 0.8%; LOAD-TO-TRUCK RATIO DOWN 19.4%

TransCore's DAT Truckload Rate index recorded a \$0.01 (0.8%) decline in the national average spot market line haul rate for dry vans in the U.S. in October compared to September, not including fuel surcharges. The fuel surcharge for vans declined from \$0.52 to \$0.51 during the same period, so the average total rate per mile slipped by \$0.02, from \$1.84 to \$1.82. Spot market rates are paid by freight brokers and other intermediaries to the carrier.

The softening rate was accompanied by a 1.1% dip in load availability and a 22% increase in truck capacity, month over month, on the company's DAT Load Boards. The result was a 19% decline in the load-to-truck ratio for dry vans on the spot market, from 3.0 available loads per truck in September to 2.4 in October. Load availability was strong at the beginning of October, but waned somewhat in the second half of the month.

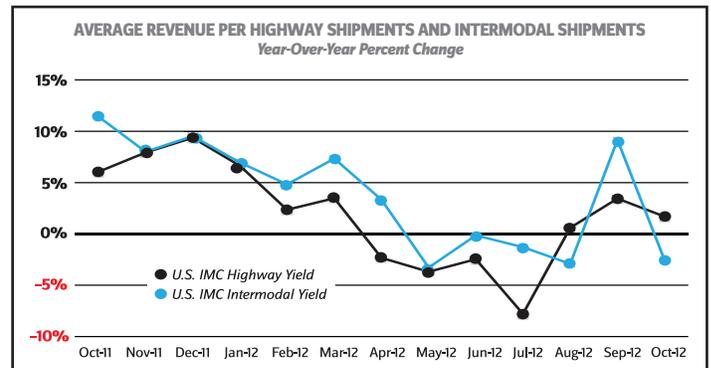
On a year-over-year basis, load volume for vans in October was up 3.5% compared to the corresponding month of 2011, while capacity increased 28%. The resulting load-to-truck ratio declined 19% compared to October 2011.

Spot market rates dipped \$0.04 (3.0%) compared to October 2011, not including fuel surcharges. When fuel is included, the total rate increased by \$0.01 (0.6%) from \$1.81 in September 2011 to \$1.82 last month.

RAIL

► U.S. rail intermodal traffic advanced in October for the 35th straight month

► U.S. rail transportation of lumber keeps advancing on continuing recovery in housing market



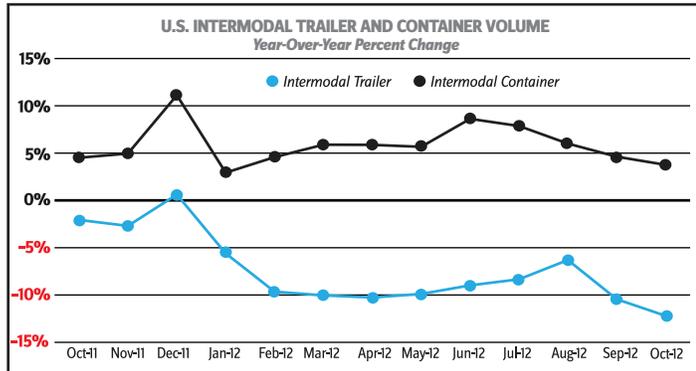
Source: Intermodal Association of North America (IANA)

OCTOBER 2012: AVERAGE REVENUE PER HIGHWAY SHIPMENTS UP 1.7%; AVERAGE REVENUE PER INTERMODAL SHIPMENTS DOWN 2.6%

The average revenue per highway load increased by 1.7% YoY to \$1,518, following a 3.4% advance in the prior month, and marking a third straight year-over-year increase. From September to October, the average revenue rose 1.0% (or \$15).

The average revenue per intermodal load declined 2.6% after rebounding strongly by 9.2% in the prior month. The average revenue amounted to

\$2,613. From September to October, the average revenue dropped 5.8% (or \$162).

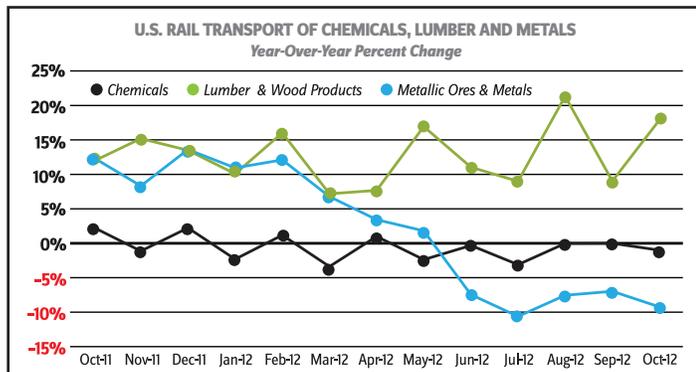


Source: Association of American Railroads (AAR)

OCTOBER 2012: INTERMODAL TRAILERS DOWN 12.2%; INTERMODAL CONTAINERS UP 3.8%

U.S. railroads originated 148,407 trailers and 1,085,068 containers in September. Intermodal containers expanded 3.8% YoY, following an advance of 4.6% in the prior month. Intermodal trailers tumbled 12.2% YoY after falling by 10.4% the prior month. Intermodal trailers have now declined for 10 consecutive months to October.

Intermodal traffic grew 1.5% (18,710 containers and trailers) in October 2012 over October 2011, marking its 35th successive year-over-year monthly increase. On a seasonally adjusted basis, U.S. rail intermodal traffic slid 1.2% in October over the prior month.



Source: Association of American Railroads (AAR)

OCTOBER 2012: LUMBER UP 17.9%; CHEMICAL DOWN 1.0%; METALS DOWN 9.2%

U.S. chemical carloads declined 1.0% YoY in October to a total of 145,137.

Growth in U.S. lumber and wood products carloads jumped 17.9% YoY in the month, to a total of 15,859 marking its 18th consecutive year-over-year monthly advance.

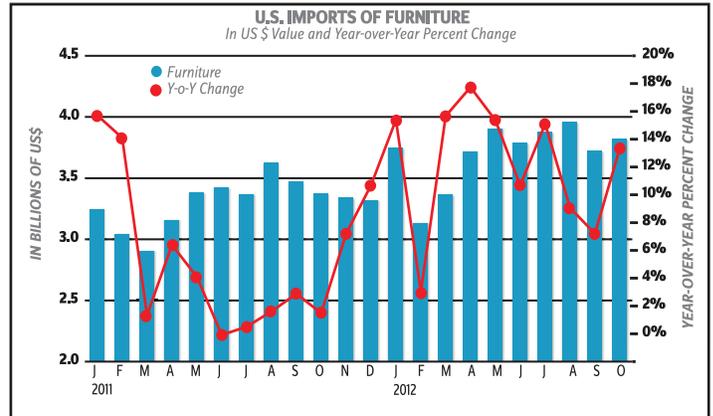
Growth in metallic ores & metals carloads contracted for the fifth straight month, down 9.2% YoY in October after a drop of 7.0% prior.

A continuing recovery in the housing market is supporting transportation of lumber.

COMMODITY SNAPSHOT

- ▶ Furniture imports expand on the back of a modest housing recovery
- ▶ Furniture imports from Mexico and Vietnam increase at China's expense

Selected Commodities: Furniture



Source: US International Trade Commission

FURNITURE IMPORTS UP FOR 16 CONSECUTIVE MONTHS

US imports of furniture jumped 13.4% YoY in October 2012, marking its 16th straight monthly advance and totaling \$3.8 billion in constant dollars. Through October, imports were up by 12.2%, in line with a rebounding housing market.

China is by far the largest source of U.S. furniture (HS code 94) imports, accounting for a 51.5 percent share in 2011 according to ITC estimates. A great number of U.S. furniture makers had to shut down operations over the years as they saw production and jobs being transferred to China to take advantage of lower wages and costs. In fact, back in October 2003, a concerted coalition of furniture makers and unions petitioned the International Trade Commission for money repairs, arguing China was dumping furniture into the U.S. market (Drayse, 2008). A duty on Chinese furniture was later imposed; however, furniture shipments from China to the U.S. continued rising.

	Share of imports			Annual Growth Rates		
	2010	2011	2012 YTD	2010	2011	2012 YTD
CHINA	0.528	0.515	0.510	25%	3%	10%
MEXICO	0.149	0.158	0.176	47%	11%	27%
VIETNAM	0.048	0.046	0.051	32%	1%	26%
MALAYSIA	0.021	0.019	0.018	19%	-6%	10%
INDONESIA	0.015	0.014	0.015	20%	-3%	16%
INDIA	0.008	0.009	0.010	43%	16%	21%
POLAND	0.008	0.009	0.007	29%	24%	-16%
THAILAND	0.008	0.006	0.005	20%	-15%	-6%
PHILIPPINES	0.004	0.004	0.003	24%	-1%	11%
BRAZIL	0.003	0.003	0.002	-1%	-9%	-9%
OTHERS	0.028	0.028	0.026			

MEXICO, VIETNAM, AND INDIA GAINING SHARE OF US FURNITURE IMPORTS AT CHINA'S EXPENSE

This outsourcing trend bolstered China's share of US furniture imports significantly from 29.3 percent in 2001 to 52.8 percent in 2010. Nevertheless, China's share declined in 2011 and in 2012 year to date according to US International Trade Commission figures, while the share of Mexico and Vietnam rose in those same years. Mexico's share of US furniture imports increased from 14.9% in 2010 to 15.8% in 2011 to 17.6% in 2012 through October.

In 2012, through October, imports from China in constant dollars were up by 9.8 percent, but imports from Mexico, Vietnam and India were up by double-digit growth rates. In terms of volume I see a similar pattern, with containerized shipments from China nearly flat this year while shipments from Vietnam and India were up by double-digit growth rates.

Although home sales – a leading indicator of future furniture sales – were very sluggish during 2011 and early part of 2012, this disparity in imports growth rates suggests US importers looked for alternative suppliers as Chinese wages and costs increased notoriously. The manufacturing wage gap between China and Mexico has narrowed in recent years. This event combined with Mexico's natural proximity with the world's largest importer makes Mexican goods more appealing over Chinese goods in the shipper's eyes.

One major result of imposing a tariff on Chinese furniture was that some shippers began to source more from Vietnam – more favorable trade terms and favorable exchange rates combined. From 2001 through 2011, furniture imports from Vietnam expanded at a compound annual growth rate of 62.7 percent – the highest growth rate among developing economies.

Another supplier that remarkably increased its furniture shipments to the U.S. in 2011 was Poland, up 26 percent (or \$59 million) to a total of \$289 million in shipments. This growth is partly attributed to a significant currency depreciation of the Polish Zloty against the U.S. dollar last year, from 2.65 Polish Zlotys for 1 U.S. dollar on May 3 to 3.44 Polish Zlotys at year's end – that's a currency depreciation of nearly 30 percent. Favorable exchange rates helped Poland to increase its share of US furniture imports from 0.8 percent in 2010 to 0.9 percent in 2011. In 2012, the Polish Zlotys has appreciated again and reached a high point in September 13 at 3.09 per 1 U.S. dollar, partly explaining perhaps Poland's decrease in its share of imports back to 0.8 percent, year to date. Over a 10-year period through 2011, U.S. furniture imports at constant dollars from Poland grew at a remarkable compound annual growth rate of 19.6 percent.

Top Commodities: Asia

TOP IMPORTS FROM ASIA, OCTOBER 2012					
RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	FURNITURE	121,964	3%	-3%	5%
2	TOYS	67,493	21%	-4%	-1%
3	AUTO PARTS	46,624	6%	-18%	16%
4	WOMEN'S & INFANTWEAR	38,057	-5%	0%	-1%
5	FOOTWEAR	36,517	17%	-9%	-14%
6	PLASTIC PRODS, MISC	29,265	-1%	-7%	4%
7	AUTO & TRUCK TIRE & TUBES	26,835	9%	-16%	-3%
8	EDP, NUMBER, ADDRESS MACHINERY	26,171	9%	-3%	-5%
9	SHEETS, TOWELS, BLANKETS	25,806	0%	-3%	-1%
10	ELEC & ELECTRONIC PRODS, MISC	25,213	4%	-1%	9%
SHARE		40%			
TOTAL IMPORTS FROM ASIA		1,122,575			

Source: PIERS

Top U.S. Imports from Asia in TEUs: October 2012

A modest improvement in the pace of home sales has supported a modest recovery in the furniture import trade, which is up by 5% year to date. Auto parts imports continue to post remarkable gains. The top 10 commodities shown above accounted for 40% of the total box import trade from Asia.

TOP EXPORTS TO ASIA, SEPTEMBER 2012					
RANK	COMMODITIES	TEUS	MOM	YOY	YTD
1	PAPER & PAPERBOARD, INCL. WASTE	112,855	-3%	-23%	6%
2	PET & ANIMAL FEEDS	41,169	-2%	-22%	14%
3	MIXED METAL SCRAP	28,296	-9%	-8%	7%
4	WOOD PULP	21,871	20%	-41%	10%
5	LOGS & LUMBER	21,653	5%	-21%	-1%
6	FOAM WASTE & SCRAP	17,997	0%	1%	3%
7	METAL SCRAP, FERROUS, PIG IRON	15,120	-21%	-39%	-19%
8	FABRICS, INCL. RAW COTTON	12,910	2%	1%	-3%
9	VEGETABLES	11,095	0%	-24%	12%
10	MEAT, CHIEFLY FRESH & FROZEN	10,146	-12%	-41%	0%
SHARE		56%			
TOTAL EXPORTS TO ASIA		524,896			

Source: PIERS

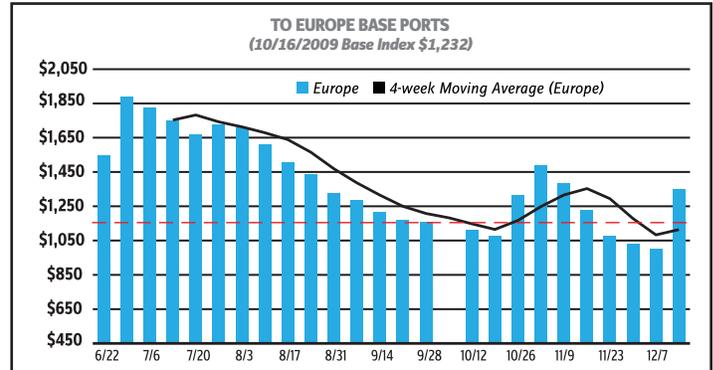
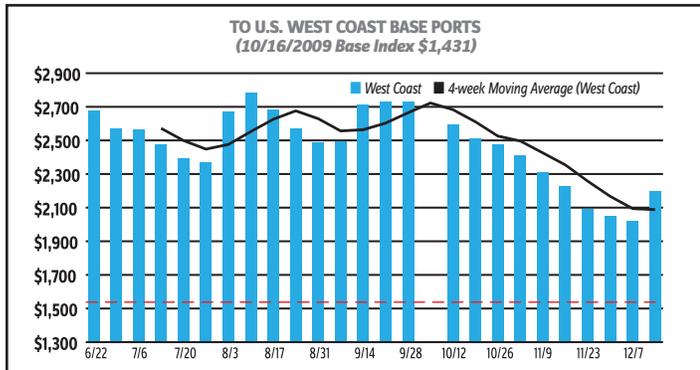
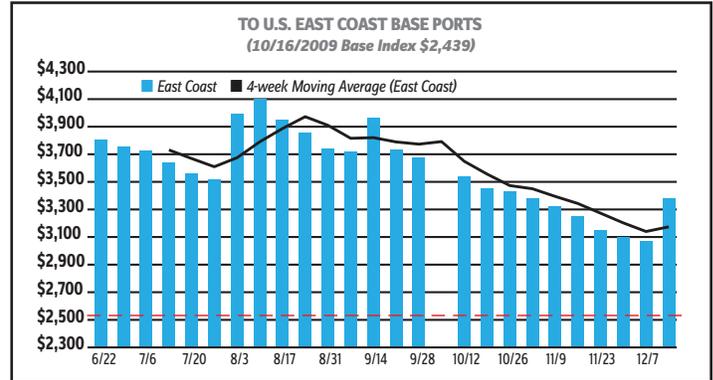
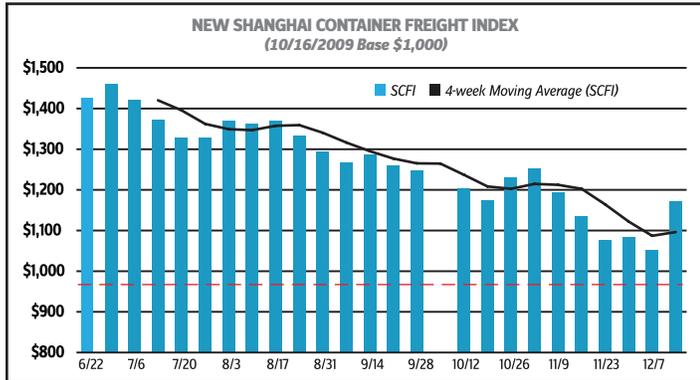
Top U.S. Exports to Asia, in TEUs: September 2012

Demand for second-ranked pet & animal feeds stalled in the month, down 22% YoY in September, but up 14% year to date. Demand for wood pulp declined in the month but was up 10% year to date. The top 10 commodities shown above accounted for 56% of the total box exports to Asia in the month.

REGION CATEGORIES

NORTHEASTASIA HONGKONG, JAPAN, MACAU, MONGOLIA, NORTH KOREA, PEOPLES REP OF CHINA, REPUBLIC OF KOREA, TAIWAN **SOUTHEASTASIA** BRUNEI, CAMBODIA, INDONESIA, LAOS, MALAYSIA, MYANMAR, PHILIPPINES, SINGAPORE, THAILAND, VIETNAM **NORTHERNEUROPE** AUSTRIA, BELGIUM, CZECHOSLOVAKIA, DENMARK, ESTONIA, FINLAND, GEORGIA, GERMANY, HUNGARY, ICELAND, IRELAND, LATVIA, LITHUANIA, FRANCE, NETHERLANDS, NORWAY, POLAND, RUSSIA, SWEDEN, SWITZERLAND, UNITED KINGDOM **MEDITERRANEAN** ALBANIA, AZORES, BULGARIA, CYPRUS, EGYPT, GIBRALTAR, GREECE, ISRAEL, ITALY, MALTA, MOROCCO, MEXICO, PORTUGAL, ROMANIA, SPAIN, TURKEY, UKRAINE, YUGOSLAVIA **CENTRAL AMERICA** BELIZE, COSTARICA, 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 & 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, SAUDI ARABIA, 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, SRILANKA **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
 Note: The index was not published on October 7, 2011 and on January 27, 2012

► Average freight rates from Shanghai increase on TEU general rate increase announcement in Asia – Europe trade

THE SHANGHAI CONTAINERIZED FREIGHT INDEX UP 11.3% ON DECEMBER 14 FROM PRIOR WEEK

The Shanghai containerized freight index, which measures export average spot rates, jumped 11.3% on December 14 over the prior week to \$1,171.98 points. The index rose above its 4-week moving for the first time in 6 weeks, mostly owed to a TEU general rate increase announcement in the Asia – Europe trade as of December 15.

On December 14, the freight rate for the voyages from Shanghai to base ports in U.S. west coast and U.S. east coast services came out at \$2,199/FEU and \$3,380/FEU, up by \$180 and \$309 from the preceding week, respectively. U.S. containerized imports from Asia rose just 3.1% YoY in October, after a boost of 2.3% YoY in September.

In the Europe service, freight rates rebounded markedly and stood above its 4-week moving average for the first time in 5 weeks. On November 9, the freight rate for the voyages from Shanghai to base ports in Europe jumped 35.1% (or \$351) over the preceding week to \$1,350. **JOCINSIGHTS**

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