

JOC INSIGHTS

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NOVEMBER 2012

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

LAST MONTH, AFTER PRESENTING at the JOC's Trans-Pacific Maritime conference event in Shenzhen, China, I had the opportunity to tour a factory of a footwear supplier to a well-known U.S. discount retailer. The factory is in Zeng Cheng, a city in Guangdong province that once bustled but now resembles a ghost town.

In a lengthy conversation, the factory's general manager described the decline in the plant's export shipments and shared his views on the biggest challenges facing the industry. From my work with maritime data, I had known that China's footwear exports by volume to the U.S. were declining, but I was surprised to hear the order of the reasons behind this trend.

I had thought the biggest factor contributing to China's declining competitiveness in its footwear export sector was the rise of wages and commodity prices. The plant manager told me that wages were rising 15 to 20 percent a year but that his biggest problem was labor supply. "My biggest problem is that we can't find enough workers," he said.

In 2005, the plant employed 15,000 workers, he said. Today the payroll is only 3,400. Indeed, I saw that the second levels of all two-story buildings at this factory were completely empty. They used to be filled with machines and people producing shoes, primarily for U.S. markets.

To cope with shortage of labor and rising wages on the coast, the company has opened a plant at an inland location where it was promised an ample supply of workers. The promise, however, did not materialize. "Potential workers in the west had already been in the coast and earned coastal wages," the plant manager said. "In their mind, it doesn't make sense to work in the west for low wages when they have experienced higher wages for doing the same work in the coast."

He added: "Chinese people are more educated now.... 10 years ago, the average education of our workers was middle school, today it is high school."

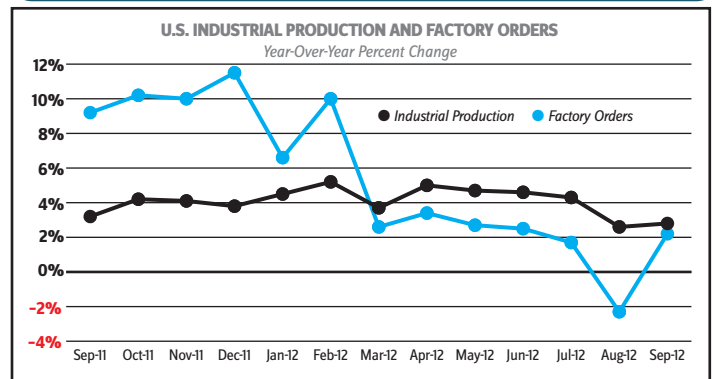
The factory owner also has opened a facility in Vietnam to take advantage of its lower wages and relatively abundant labor supply. Although Vietnam's infrastructure is less advanced than China's, it's no wonder the data shows Vietnam continues to gain market share of U.S. footwear imports at the expense of China.

This issue of JOC Insights presents my most updated import and export forecasts on the US – South America trade for 2012, and a special analysis of U.S. footwear imports.

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

THE SHIPPING ECONOMY

- ▶ U.S. manufacturing activity in expansion for second straight month in October, while China manufacturing activity contracted for 12th straight month
- ▶ US economic output accelerated slightly in 3Q on better consumer, government spending
- ▶ U.S. ocean container trade almost unchanged in August; rail container shipments decelerated in September
- ▶ Housing starts keep advancing on tight supply of homes
- ▶ Retail sales expand beating expectations



Source: Commerce Department, Federal Reserve

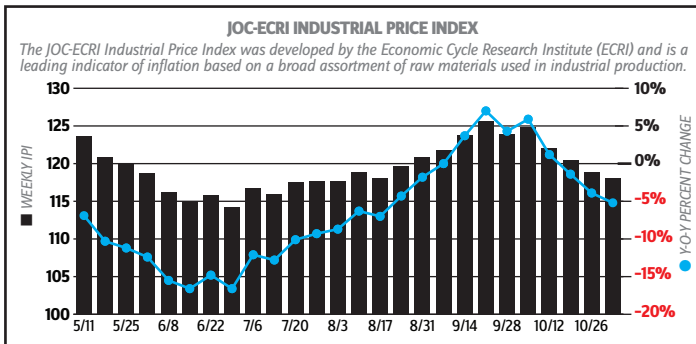
SEPTEMBER 2012: INDUSTRIAL PRODUCTION UP 0.4%; FACTORY ORDERS UP 4.8%

U.S. industrial production rebounded in September on recovering mining and utilities output. Overall production rose 0.4% in the month, following a downwardly revised drop of 1.4% in the prior month. About one-third of a percentage point of the decline in August production was partly attributed to precautionary measures in anticipation of Hurricane Isaac by idling production along the Gulf of Mexico, according to the Fed. Manufacturing edged up 0.2% after dropping by 0.9% in August. Motor vehicles production fell 2.5%, following a 5.1% contraction. Outside of motor vehicles, manufacturing recovered 0.4%, following a 0.6% contraction in the prior month. Mining output and utilities rebounded by 0.9% and 1.5%, respectively.

Overall capacity utilization rose to 78.3% versus the 78.0% posted in the prior month.

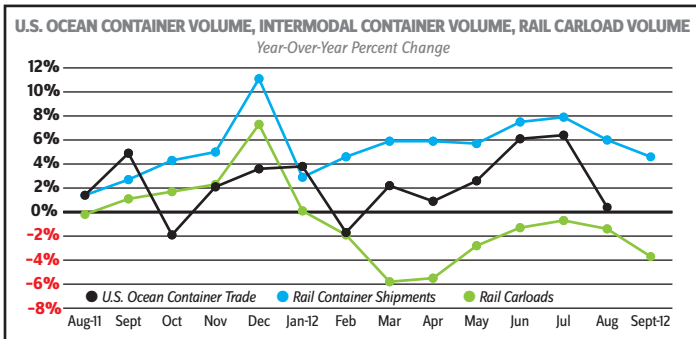
The manufacturing sector is losing steam as further evidenced by latest ISM figures. On a year-over-year basis, industrial production stood at 2.8%.

U.S. factory orders rebounded 4.8% in September, following a drop of 5.1% in the prior month. On a year-over-year basis, orders rebounded 2.2%.



INDUSTRIAL PRICE INDEX DOWN 0.9 POINTS ON NOVEMBER 2 FROM PRIOR WEEK

On November 2, the JOC-ECRI Industrial Price Index lost 0.9 points over a week earlier to a reading of 118.0, and stood below its 4-week moving average for the 4th consecutive week. Year over year, the index is down 5.2%.

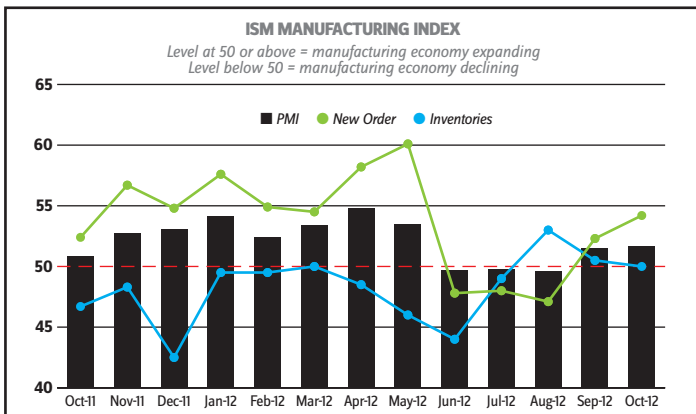


Source: PIERS and Association of American Railroads (AAR)

U.S. OCEAN CONTAINER TRADE UP 0.4% IN AUGUST

U.S. ocean container trade edged up 0.4% YoY in August, and followed a 6.4% gain in the prior month. The trade totaled 2.53 million TEUs in the month.

Rail container shipments expanded 4.6% YoY in September, following a 6.0% increase in the prior month, while rail carloads declined 3.7%, after slipping 1.4% in the prior month. Rail carloads have declined for 8 consecutive months through September on a year-over-year basis.



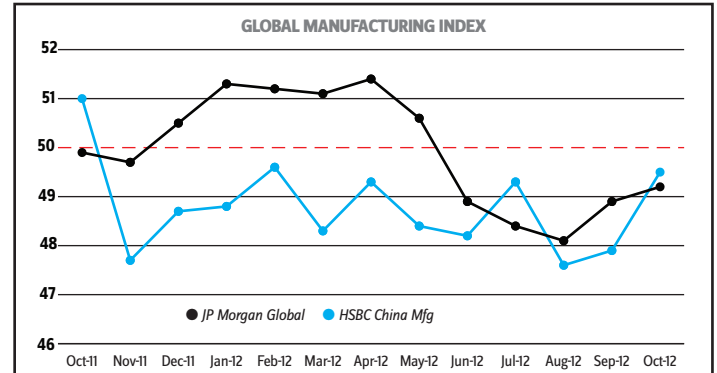
Source: Institute for Supply Management (ISM)

OCTOBER 2012: U.S. MANUFACTURING INDEX AT 51.7

U.S. manufacturing activity rose in October for the second straight month. The PMI index gave a reading of 51.7, up by 0.2 points, indicating

growth at a faster rate. Of the 18 manufacturing industries, only 8 reported growth in the month. New orders saw a respectable increase, up 1.9 points to a 54.2 level. Not surprisingly, export orders are still in contraction mode, further evidenced by recent PIERS export figures which underline declining shipments to Europe. Employment grew at a slower pace, and lost 2.6 points to a 52.1 reading. Inventories declined half a point and gave a reading of 50.0, the break-even level.

Manufacturing activity is holding up, and the near two point increase in new orders is a relief for the short-term outlook.



Source: JP Morgan; HSBC

OCTOBER 2012: GLOBAL MANUFACTURING PMI ROSE TO 49.2; CHINA MANUFACTURING PMI ROSE TO 49.5

The JPMorgan Global PMI rose by a third of a percentage point to 49.2, signaling contraction at a slower rate. Production and new orders continued on contraction mode, while new export orders declined for the sixth straight month. Production rose in North America, Brazil, Denmark, India, Indonesia, Russia, and Ireland, while Europe remained the main center of softness in the month. Asia also showed weakness with China, Japan, South Korea, Taiwan, and Vietnam all reporting lower output. Employment fell and gave a reading of 49.4 after marking 50.6 in the prior month. Average input prices rose for the second straight month at the sharpest rate since April.

Manufacturing activity in China remained in contraction in October for the 12th straight month. The HSBC China Manufacturing PMI came in at a 49.2 level, up by 1.6 percentage points from September, indicating the rate of deterioration eased marginally. Output contracted moderately in the month, while new orders grew for the first time in a year, albeit marginally. Nearly 20% of firms reported a higher number of sales in October. Hiring continued to decline this month, on lower production requirements. Average tariffs set by manufacturers rose in the month for the first time in a year. It seems manufacturing activity in China is indeed bottoming out.



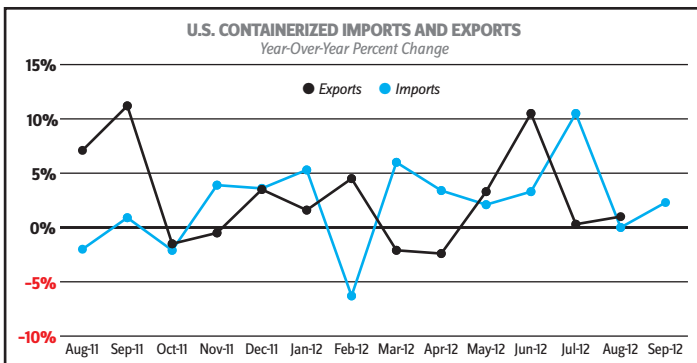
Source: US Department of Commerce

AUGUST 2012: U.S. GOODS EXPORTS DOWN 1.7%; GOODS IMPORTS DOWN 0.4%

U.S. exports of goods fell 1.7% in August over July, amounting to \$127.1 billion in the month. The decrease was led by industrial supplies (-\$1.2 billion); foods, feeds, and beverages (-\$1.1 billion); and motor vehicles and parts (-\$0.1 billion). Gains were registered in capital goods (\$0.4 billion); and other goods (\$0.2 billion).

U.S. imports of goods fell for the fifth straight month, down 0.4% in August over July, totaling \$185.9 billion. The contraction partly reflected decreases in consumer goods (-\$1.2 billion); motor vehicles and parts (-\$0.8 billion); and capital goods (-\$0.5 billion).

The deficit of goods traded widened by 2.6% to \$58.8 billion (census basis).



Source: PIERS

U.S. CONTAINERIZED IMPORTS UP 2.3% IN SEPTEMBER; EXPORTS UP 1.0% IN AUGUST

U.S. imports rose slightly in September year over year, after staying flat in the prior month, according to advanced figures from PIERS. Overall U.S. containerized imports rose 2.3% in September 2012 over September 2011 to a total of 1,482,987 TEUs. Month over month, overall imports declined 3.3% in September.

Leading the gains were auto parts, up 12%; furniture, up 4%; paper & paperboard, up 9%; and miscellaneous plastic products, up 6%. Leading the losses were footwear, down 22%; toys, down 4%; and auto tires, down 4%, all compared to September 2011.

On a regional level, imports from Northern Europe led the gains, up 9%, and totaled 12,436 TEUs. Northeast Asia followed with a gain of 1%, and totaled 11,563 TEUs. Imports from all of Asia rose 1.7% in the month. On the downside, shipments from West Coast South America dropped 6%, and

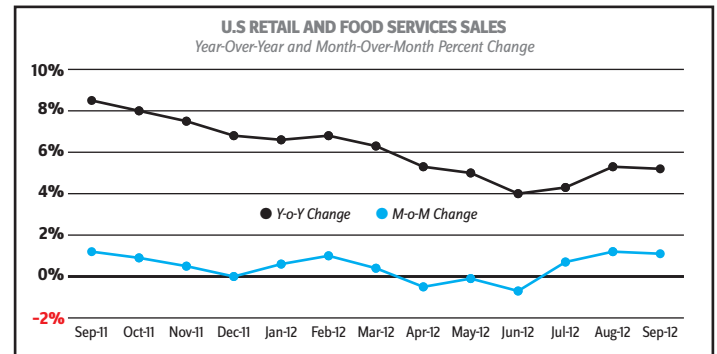
totaled 33,203 TEUs, while shipments East Coast South America fell 4%, and totaled 31,752 TEUs.

On a country level, shipments from China showed the highest expansion, up 2%, and totaled 734,607 TEUs in the month. Korea follows with a gain of 9%, while Germany advanced by 11%. On the downside, Hong Kong and Chile declined by 12% and 13%, respectively.

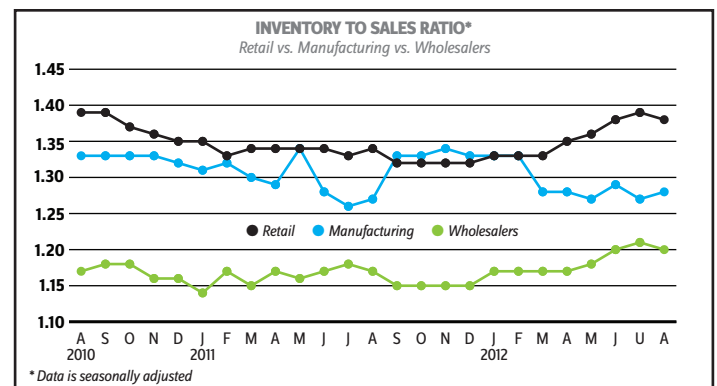
Year to date, through August, overall U.S. containerized imports were up 3.1%.

U.S. box exports advance discreetly on falling shipments to struggling European and Northeast Asian markets. Overall U.S. containerized exports edged rose 1.0% YoY in August to a total of 996,452 TEUs, following a boost of 0.3% in the prior month. Gains were led by pet & animal feeds, up 18%; PVC resins, up 49%; auto parts, up 30%; and fabrics including raw cotton, up 25%. On the downside, losses were seen in motor vehicles, down 12%; metal scrap, ferrous, pig iron, down 7%; and frozen meat, down 4%, all compared to August 2011.

Year to date, through August, exports were up by 1.9%.



Source: U.S. Commerce Department



Source: Census Bureau

SEPTEMBER 2012: U.S. RETAIL SALES UP 1.1%

Retail sales advanced markedly in September, beating expectations. Sales increased 1.1% in the month, following an upwardly revised 1.2% boost in August. Excluding autos, sales rose 1.1% after rising by 1% in the prior month. Gasoline sales rose 2.5%, following a 6.1% jump in August. Excluding autos and gasoline, sales rose by just 0.9%. Gains were also seen in electronics and appliance stores (highly linked to iphone 5 release), nonstore retailers, and building materials & garden equipments.

Even excluding gasoline, retail sales look encouraging, which bodes

well for the lessening on unintended accumulation of inventories. Year over year, overall retail sales stood at 4.9%, up slightly from 4.5% in the prior month.

Seasonally adjusted retail inventory to sales ratio gave a reading of 1.38 in August; lower than July's 1.39 ratio but higher than August 2011 1.34 ratio. The ratio for manufacturers increased to 1.28 from July's 1.27, while the ratio for wholesalers slid to 1.20 from July's 1.21.

U.S. HOUSING MARKET (In Thousands of Units, Seasonally Adjusted Annual Rate)					
TRADE LANE	SEP-12	MoM	YoY	2012(f)	2013(f)
EXISTING HOME SALES	4,750	-1.7%	11.0%	4,640	5,050
NEW HOME SALES	389	5.7%	27.1%	368	575
HOUSING STARTS	872	15.0%	34.8%	776	1,128

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

SEPTEMBER 2012: EXISTING HOME SALES, UP 1.7%; NEW HOME SALES UP 5.7%; HOUSING STARTS UP 15%

Sales of brand new homes rebounded in September at the fastest pace in 7 months. Sales rose 5.7% MoM to an annual sales rate of 389,000. Supply of homes at 4.5 months is the lowest reading since 2005, limiting further growth in sales. The National Association of Realtors predicts brand-new home sales will total 368,000 in 2012 and rise to 575,000 in 2013.

Sales of existing homes declined in September for the first time in 3 months. Sales dropped 1.7% to a seasonally adjusted annual rate of 4.75 million homes. Existing home sales will total 4.64 million units in 2012, and rise to 5.05 million in 2013, the National Association of Realtors predicts.

REAL GDP QUARTERLY GROWTH RATES ON A Y-O-Y BASIS, AND ANNUAL FORECASTS						
COUNTRY	Q4-2011	Q1-2012(e)	Q2-2012(e)	Q3-2012	2012 (f)	2013 (f)
UNITED STATES	2.0	2.4	2.1	2.3	2.1	2.1
CHINA	9.1	8.1	7.6	7.4	7.8	8.6
JAPAN	-0.6	2.7	3.4	0.2	2.0	1.2
UNITED KINGDOM	0.7	-0.1	-0.5	-0.1	-0.4	0.5
GERMANY	1.9	1.2	1.0	N.A	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; EU forecasts; in-house forecast; updated as of November 14, 2012

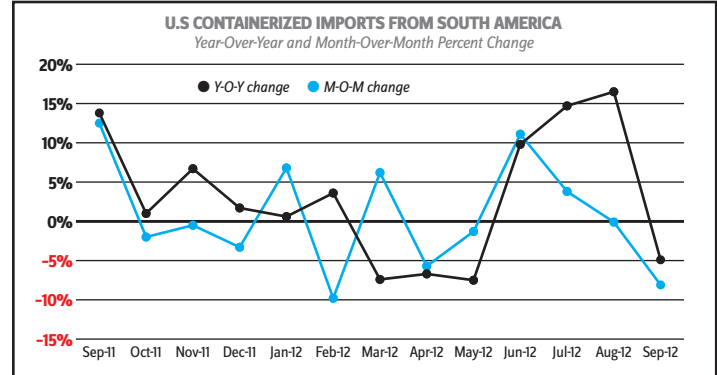
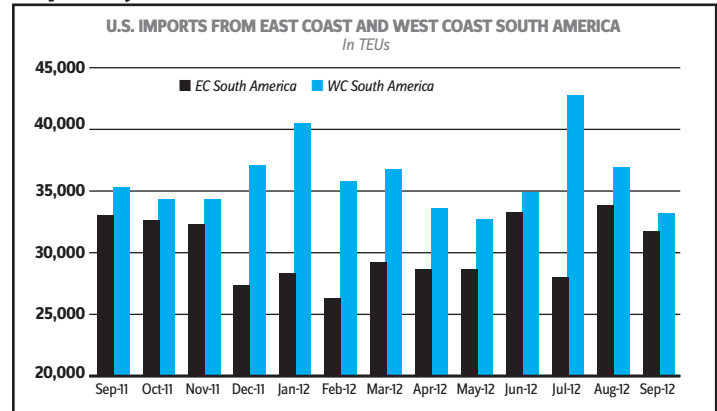
US economic output rose to 2.0% in the third quarter of the year, following a boost of 1.3% in the second. Personal consumption surprised to the upside, with durable goods growing respectably, hinting consumer optimism going into the 4th quarter. Another surprise was government spending which made a decent contribution to output growth, led mostly by federal and defense spending. Exports continue to drag overall output, mainly reflecting softness in European markets.

Payrolls rose 171,000 in October, topping expectations, while net revisions for August and September were up notoriously by 84,000. Unemployment rate, however, rose one-tenth of a point to 7.9%.

REGIONAL CONTAINER TRADE

- ▶ 2012 projections on East Coast South America – US container trade downgraded on poor first half year performance
- ▶ 2012 projections for US – East Coast South America container trade downgraded slightly

Imports from South America



IMPORTS, SEPT 2012					
TRADE LANE	TEUs	M-O-M	Y-O-Y	YTD	2012(f)
EC SOUTH AMERICA	31,752	-6.1%	-3.8%	2.3%	2.0%
WC SOUTH AMERICA	33,203	-10.0%	-5.9%	1.1%	2.0%

Source: PIERIS; JOC Container Shipping Outlook September 2012 issue

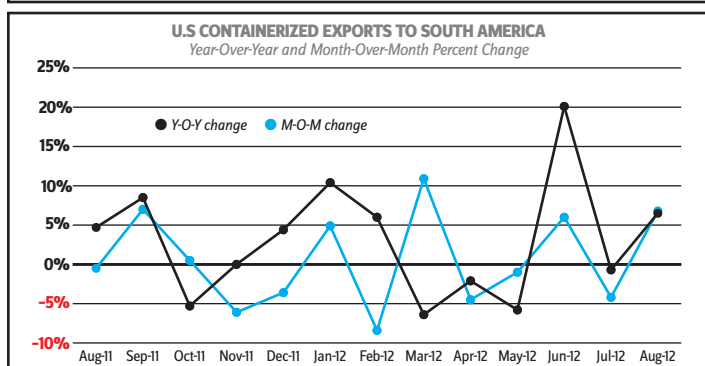
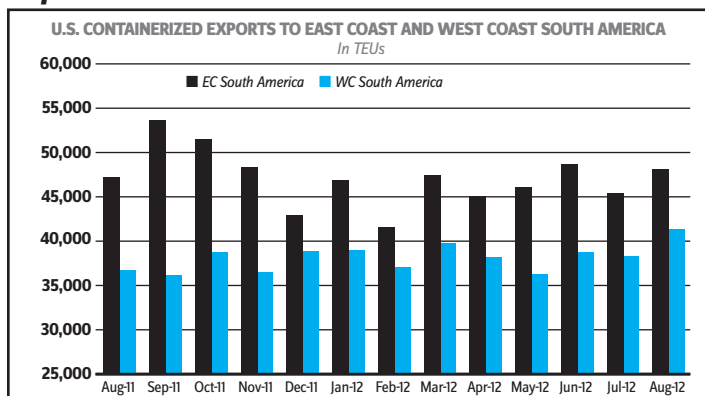
SEPTEMBER 2012: IMPORTS FROM SOUTH AMERICA DOWN 4.9%

Inbound trade from East Coast South America totaled 31,752 TEUs in September, down 3.8% from September 2011. The contraction was mostly driven by losses in auto tires, auto parts, and granite. Imports from West Coast South America declined 5.9% in the month, to a total of 33,203 TEUs, led by losses in fruits, veneers & plywood, and vegetables.

After jumping by 16.5% YoY in August, total imports from South America declined by 4.9% in September, and totaled 64,955 TEUs. On a month-to-month basis, imports from these regions contracted 8.1%.

Because second quarter imports from East Coast South America were lower than estimations, I revised imports growth lower for full year 2012, from 7.8% to 2.0%. Nevertheless, I expect that with the Fed's recent easing, mortgage rates will continue to fall and spark a gradual recovery in U.S. housing demand. This will support a medium-term expansion in housing industry inputs from this region, which should materialize in 2013.

Exports to South America



EXPORTS, SEPT 2012					
TRADE LANE	TEUs	M-O-M	Y-O-Y	YTD	2012(f)
EC SOUTH AMERICA	48,049	5.9%	1.8%	-2.7%	-3.6%
WC SOUTH AMERICA	41,281	7.8%	12.5%	10.4%	5.0%

Source: PIERIS; JOC Container Shipping Outlook September 2012 issue

AUGUST 2012: EXPORTS TO SOUTH AMERICA UP 6.5%

Southbound shipments to East Coast South America totaled 48,049 TEUs in August, up by only 1.8% from a year earlier. Gains were led by industrial resins, miscellaneous grocery products, and auto parts. Southbound trade to West Coast South America increased jumped 12.5% YoY to a total of 41,281 TEUs, mostly owed to industrial resins, paper & paperboard, wood pulp, and miscellaneous plastic products.

Total trade to South America rebounded 6.5% YoY in August totaling 89,330 TEUs, after sliding 0.7% in the prior month. On a month-to-month basis, exports advanced 6.8%.

The outlook for growth in containerized exports to the East Coast of South America in 2012 has been revised downward slightly, with volumes now forecast to decline by 3.6%, compared to the previous forecast of -2.9%. A rebound is still slated for 2013, propelled by a projected turnaround in shipments to Brazil. While economic growth in Brazil remains subdued, government stimulus is beginning to have some effect, with second quarter GDP growth at the fastest pace in a year. This improvement in activity should help offset the ongoing depreciation of the Brazilian real, which has made U.S. goods significantly more expensive. The Argentinean peso has also been declining rapidly. Taken in conjunction with weakened consumer and business confidence in Argentina, the outlook for exports to that nation is relatively subdued, with growth expected to average a still healthy rate of 3.8% annually between 2013 and 2014.

PORT TRAFFIC

- ▶ Port of Los Angeles is U.S. top port year to date, with a total traffic of 4.02 million fully loaded TEUs
- ▶ Port of Shanghai is China's top port year to date, with a total traffic of 24.22 million fully loaded and empty TEUs

TOP 10 CONTAINER THROUGHPUTS OF U.S. MAJOR PORTS IN AUGUST 2012				
Unit: 1000 TEU				
RANK	NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THROUGHPUT IN 2012
1	LOS ANGELES	510	-6.7%	4,016
2	NEW YORK	416	9.9%	2,958
3	LONG BEACH	380	-1.8%	2,823
4	SAVANNAH	200	7.5%	1,571
5	VIRGINIA PRTS	145	24.6%	1,072
6	OAKLAND	129	-8.2%	1,029
7	HOUSTON	142	17.0%	993
8	SEATTLE	93	-21.7%	883
9	CHARLESTON	109	14.7%	812
10	TACOMA	105	40.7%	664

Source: PIERIS. Data represents fully-loaded containers only, and is refreshed frequently.

Top 10 ports handled 87% of the total U.S. container trade in August. Container traffic at top-ranked Port of Los Angeles declined 6.7% YoY in August, and totaled 510,000 fully-loaded TEUs. Northeast Asia shipments accounted for 75% of the port traffic in the month, while Southeast Asia accounted for 14%.

TOP 10 CONTAINER THROUGHPUTS OF CHINA'S MAJOR PORTS IN AUGUST 2012				
Unit: 1000 TEU				
RANK	NAME OF PORT	CURRENT MONTH	YOY CHANGE (%)	TOTAL THROUGHPUT IN 2012
1	SHANGHAI (上海)	2,909	5.6%	24,223
2	SHENZHEN (深圳)	2,171	12.5%	17,258
3	NINGPO ZHOUSHAN (宁波-舟山)	1,525	18.4%	12,348
4	QINGDAO (青岛)	1,207	NA	10,878
5	GUANGZHOU (广州)	1,296	3.5%	10,830
6	TIANJIN (天津)	1,135	10.9%	9,161
7	DALIAN (大连)	757	27.8%	5,837
8	XIAMEN (厦门)	648	6.4%	5,128
9	SUZHOU (苏州)	570	33.3%	4,081
10	LIANYUNGANG (连云港)	413	-2.5%	3,676

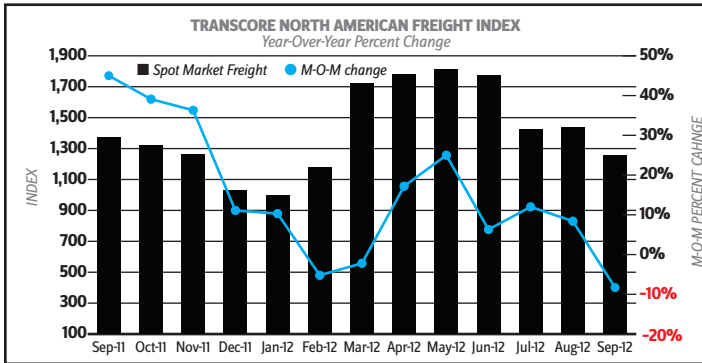
Source: Shanghai Shipping Exchange. Data represents fully-loaded and empty container figures. Data is refreshed frequently.

Container traffic at top-ranked Port of Shanghai advanced 5.6% YoY in September, and totaled 2.91 million TEUs, including empties.

TRUCKING

► Freight volume declining on reduced flatbed and reefer freight availability

Domestic Trucking Pricing



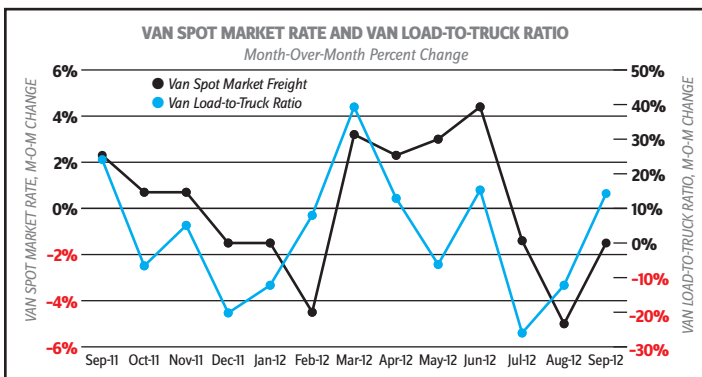
Source: Transcore, <http://www.transcorefreightsolutions.com/Resource/Trendlines.aspx>

TRANSCORE
Freight Solutions

SEPTEMBER 2012: FREIGHT INDEX DOWN 8.3%

In September 2012, The DAT North American Freight Index reports a softer spot market in September. The seasonal decline in overall freight volume was attributed to a reduction in flatbed and reefer freight availability. Both equipment types experienced a decline month-over-month. However, while flatbed volumes were down compared to the prior year by 13%, reefer freight volumes rose by 1.1% when compared with September 2011. Van freight volume showed modest gains, rising month-over-month as well as year-over-year. The net effect was an overall decline in spot market freight volume of 13% compared to August and 8.4 percent compared to September 2011.

Truckload freight rates on the spot market continued the seasonal decline that began in July, although reefer and flatbed rates were up compared to September 2011. Reefer rates dipped 1.2% month-over-month but increased 2.5% year-over-year. Flatbed rates dipped 1.1% for the month but rose 1.2% when compared to the same month last year. Rates for dry vans declined 1.5% compared to August and 1.5% versus September 2011.



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

TRANSCORE
Freight Solutions

SEPTEMBER 2012: VAN SPOT MARKET RATE DOWN \$0.02; LOAD-TO-TRUCK RATIO UP 14.3%

TransCore's DAT Truckload Rate index recorded a \$0.02 (1.5%) decline in the national average spot market line haul rate for dry vans in the U.S. in September compared to August, not including fuel surcharges. The fuel surcharge

for vans rose from \$0.51 to \$0.52 during the same period, so the average total rate per mile slipped by only a penny, from \$1.85 to \$1.84. Spot market rates are paid by freight brokers and other intermediaries to the carrier.

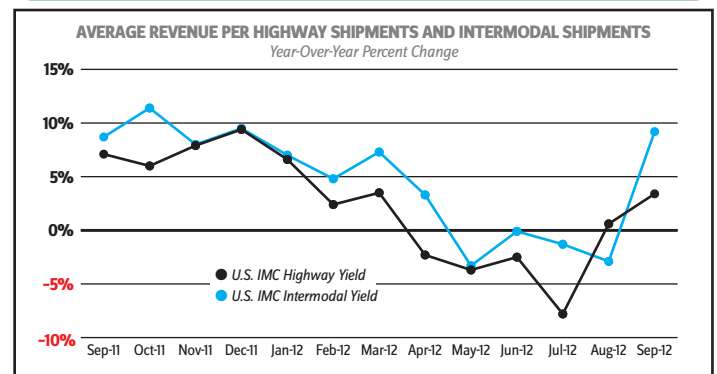
The softening rate was accompanied by a 1.1% increase in load availability and a 12% decline in truck capacity, month over month, on the company's DAT Load Boards. The result was a 14% increase in the load-to-truck ratio for dry vans on the spot market, from 2.6 available loads per truck in August to 3.0 in September. Much of the increase in loads was added in the last week of the month, as shippers rushed to close the quarter on a high note.

On a year-over-year basis, load volume for vans in September was up 3.8% compared to the corresponding month of 2011, while capacity increased 11%. The resulting load-to-truck ratio declined 6.4% compared to September 2011.

Spot market rates dipped \$0.02 (1.5%) compared to September 2011, not including fuel surcharges. When fuel is included, the total rate increased by \$0.03 (1.7%) from \$1.81 in September 2011 to \$1.84 last month.

RAIL

- U.S. rail intermodal traffic advanced in September for the 34th straight month
- U.S. rail transportation of lumber keeps advancing on modest housing market recovery



Source: Intermodal Association of North America (IANA)

SEPTEMBER 2012: AVERAGE REVENUE PER HIGHWAY SHIPMENTS UP 3.4%; AVERAGE REVENUE PER INTERMODAL SHIPMENTS UP 9.2%

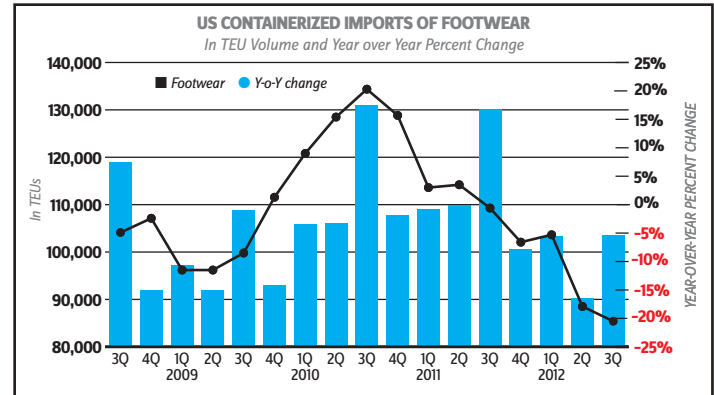
The average revenue per highway load edged increased by 3.4% YoY to \$1,502, following a boost of 0.6% in the prior month, and marking a second straight year-over-year increase. From August to September, the average revenue rose 5.0% (or \$71), marking its fastest advance in 18 months.

The average revenue per intermodal load rebounded strongly in September, up 9.2% YoY and amounted to \$2,571. From August to September, the average revenue advanced 7.9% (or \$204).

COMMODITY SNAPSHOT

- ▶ Footwear imports on the downtrend as the US economy struggles to gain speed
- ▶ Footwear sourcing from China tumbling on the back of labor supply issues and rising costs

Selected Commodities: Footwear



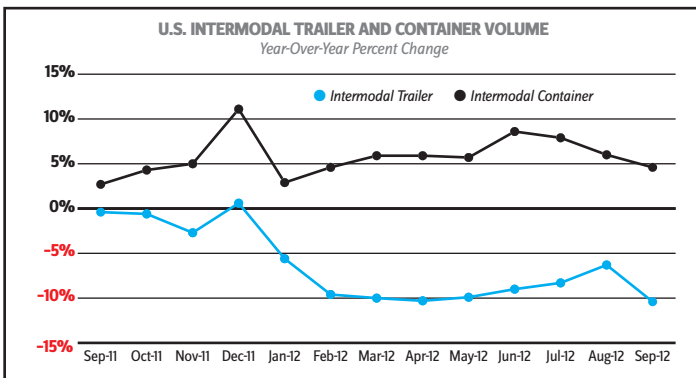
Source: PIERIS

FOOTWEAR IMPORTS DOWN FOR 5 CONSECUTIVE QUARTERS

US containerized imports of footwear tumbled 20.5% YoY in the third quarter of 2012, marking its fifth straight quarterly decline. Through the third quarter of the year, imports were down by 15%, which compared unfavorably with the first three quarters of 2011 where growth was up by 1.8%.

The largest supplier of footwear to the US by volume is China, with 211,874 TEUs through September and holding a sourcing share of 71.3%, down by 2.7 percentage points from 2011. Last month, I had the opportunity to tour a footwear factory in the city of Zeng Cheng, province of Guangdong, China. This factory is a major supplier of shoes to a well-known discounted retailer in the US, but it's seeing its export shipments decline. Factory wages have been rising at 15-20% per year in the last 5 to 7 years, but the biggest problem facing factory owners is the lack of enough workers. In 2005, there were 15,000 workers at this factory making shoes for exportation; today, there are only 3,400 workers on payroll. The general manager at this factory explained that they are having problems finding enough workers because Chinese people are more educated today than in previous years. Ten years ago, the average education of workers at this factory was middle school; today, the average education is high school. The more educated they are the more demanding they become in terms of wages and types of work, while growing service-oriented businesses like hotels and restaurants are absorbing a great part of the supply of high-school educated workers.

Even as factory owners relocate coastal facilities and move inland, they are still struggling to find enough workers. As the general manager explained, many of the potential workers had gone already to the coast and earned coastal wages, which makes it difficult for these workers to take employment at these inland factories because wages there do not compare favorably with those wages on the coast. I believe that the "one-child policy" embraced by China's government had also an adverse impact on the supply of labor.

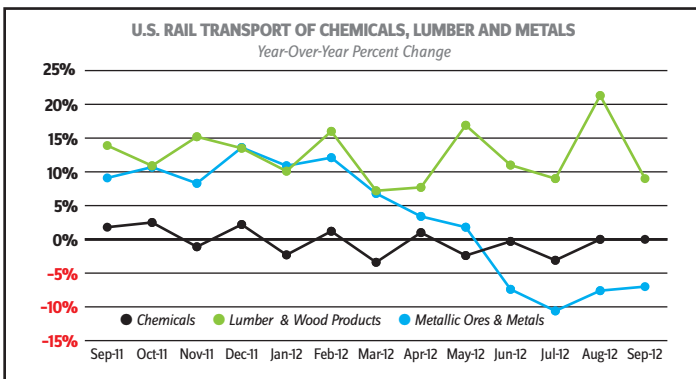


Source: Association of American Railroads (AAR)

SEPTEMBER 2012: INTERMODAL TRAILERS DOWN 10.4%; INTERMODAL CONTAINERS UP 4.6%

U.S. railroads originated 117,279 trailers and 856,436 containers in September. Intermodal containers expanded 4.6% YoY, following an advance of 6.0% in August. Intermodal trailers tumbled 10.4% YoY after falling by 6.3% the prior month. Intermodal trailers have now declined for 9 consecutive months to September.

Intermodal traffic grew 2.5% (24,126 containers and trailers) in September 2012 over September 2011, marking its 34th successive year-over-year monthly increase. On a seasonally adjusted basis, U.S. rail intermodal traffic slid 0.6% in September over the prior month.



Source: Association of American Railroads (AAR)

SEPTEMBER 2012: LUMBER UP 9.0%; CHEMICALS FLAT; METALS DOWN 7.0%

U.S. chemical carloads stayed flat YoY for the second straight month to September, to a total of 117,137.

Growth in U.S. lumber and wood products carloads jumped 9.0% YoY in the month, to a total of 12,180 marking its 17th consecutive year-over-year monthly advance.

Growth in metallic ores & metals carloads contracted for the fourth straight month, down 7.0% YoY in September after a drop of 7.6% prior.

A slowly recovering housing market is supporting transportation of lumber.

FOOTWEAR IMPORT TRADE, IN TEU VOLUME (JAN-SEP, 2012)					
TOP SOURCE COUNTRIES	2012 YTD	CHG OVER 2011 YTD (%)	2012 YTD SHARE	CHG OVER 2011 YTD (SHARE)	CAGR (2007-2011)
CHINA	-18%	71.3%	74.0%	-2.7%	0%
HONG KONG	-23%	9.9%	10.9%	-1.0%	-3%
VIETNAM	8%	9.4%	7.4%	2.0%	8%
INDONESIA	0%	4.1%	3.5%	0.6%	14%
BRAZIL	24%	0.8%	0.5%	0.2%	-31%
INDIA	9%	0.7%	0.6%	0.2%	2%
DOMINICAN REPUBLIC	10%	0.7%	0.4%	0.3%	4%
OTHERS	3%	3.2%	2.6%	0.6%	-6%
TOTAL	296,967	-15%			0%

Source: PIERIS

VIETNAM GAINS SHARE OF US FOOTWEAR IMPORTS AT CHINA'S EXPENSE

Labor supply issues and rising wages in China have prompted many factory owners to relocate inland or open new facilities out of China. Vietnam looked favorable because of its decent labor supply size and lower wages than in China, which explains why we are seeing Vietnam to continue gain more share of US footwear imports this year.

Vietnam is the third largest supplier of footwear to the United States after mainland China and Hong Kong, holding a sourcing share of 9.4% to September, up by 2 percentage points from 2011. The general manager at the Zeng Cheng factory shared that they also own a factory in Vietnam, to lessen their declining production in the Zeng Cheng factory and create another stream of revenues. Raw materials are not sourced locally in Vietnam, but shipped from China. The general manager believes the factory will likely close in the next 2-3 years (as so has other footwear factories in the area) and move all equipments to Vietnam. The relocation process will be slow for all those footwear and other labor-intensive goods factories in the export trade because China has superior infrastructure than Vietnam and other Southeast Asian economies. Vietnam is making some progress in that area but it is slow.

Footwear production in Indonesia looks favorable as well. Indonesia is the 4th largest supplier of shoes to the US, holding a sourcing share of 4.1% through September, up by 0.6 percentage points from 2011. Other options for expansion that footwear factory owners in China are considering include Cambodia, Nicaragua, and Ethiopia.

Top Commodities: South America

TOP IMPORTS FROM SOUTH AMERICA, SEPTEMBER 2012						
RANK	COMMODITIES	TEUs	MoM	YOY	YTD	
1	BANANAS	7,061	0%	8%	7%	
2	LOGS & LUMBER	3,115	-15%	2%	-10%	
3	COFFEE	2,999	11%	1%	-14%	
4	STILL WINES	2,501	11%	0%	14%	
5	AUTO & TRUCK TIRE & TUBES	2,219	14%	-11%	5%	
6	VEGETABLES	2,069	12%	-13%	4%	
7	GRANITE	2,052	-17%	-9%	11%	
8	FRUITS, MISC	1,915	-49%	-51%	3%	
9	PAPER & PAPERBOARD, INCL WASTE	1,546	-12%	2%	-5%	
10	ORANGES	1,452	-25%	55%	50%	

Source: PIERIS

Top U.S. Imports from South America in TEUs: September 2012

'Bananas' was the top containerized import commodity from South America in September 2012, totaling 7,061 TEUs, up 8% from September 2011. Solid gains were also seen in oranges, up 55%, and 50% year to date. The top 10 commodities shown above accounted for 41% of the total box import trade from South America.

TOP EXPORTS TO SOUTH AMERICA, AUGUST 2012					
RANK	COMMODITIES	TEUs	MoM	YOY	YTD
1	PAPER & PAPERBOARD, INCL WASTE	6,684	-7%	10%	15%
2	AUTO PARTS	4,976	17%	-8%	9%
3	SYNTHETIC RESINS, NSPF	4,592	2%	53%	11%
4	VINYL ALCOHOL, PVC RESINS	2,819	40%	1%	-24%
5	WOOD PULP	2,673	6%	16%	7%
6	PLASTIC PRODS, MISC	2,553	23%	25%	3%
7	PE, MELAMINE, UREA RESINS	2,412	14%	-6%	-7%
8	UNCLASSIFIABLE CHEMICALS	2,154	-7%	35%	6%
9	MACHNRY MISC, CASSETTE PLAYERS	1,784	12%	-9%	10%
10	GROCERY PRODS, MISC.	1,740	17%	38%	35%

Source: PIERIS

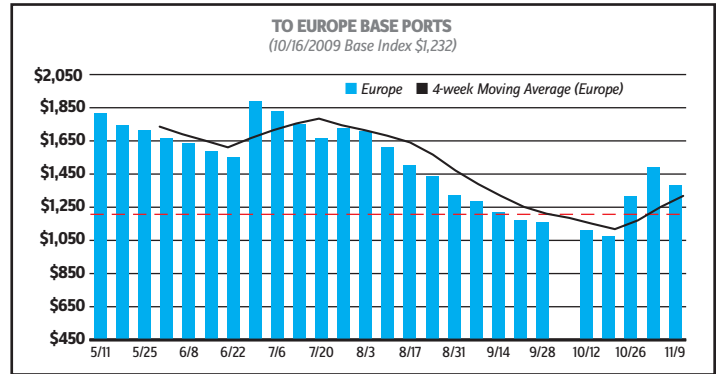
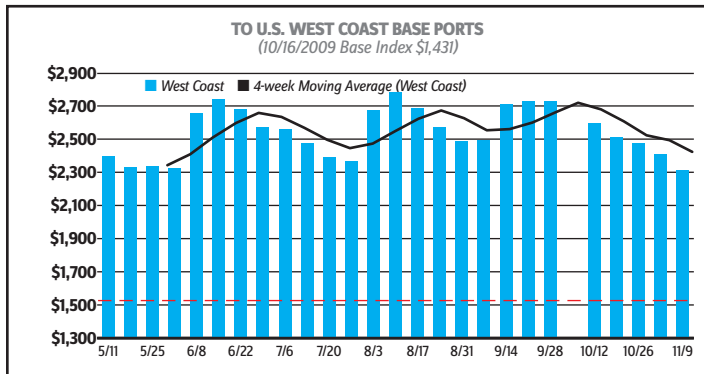
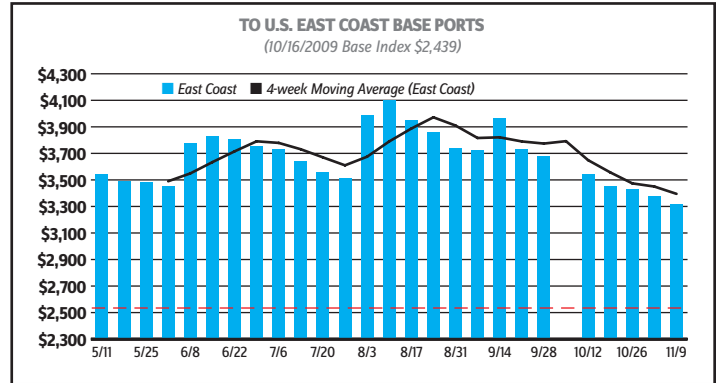
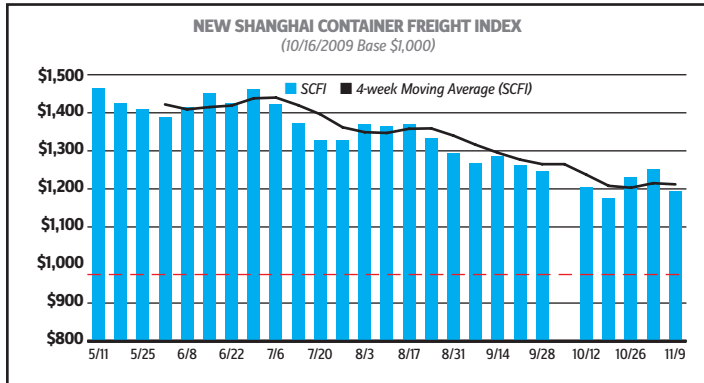
Top U.S. Exports to South America, in TEUs: August 2012

Paper & paperboard (inc. waste) was the top containerized export commodity to South America in August 2012, totaling 6,684 TEUs. Solid gains were seen in paper & paperboard, and synthetic resins. The top 10 commodities shown above accounted for 36% of the total box exports 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, SAUDI ARABIA, SYRIA, UNITED ARAB EMIRATES, YEMEN **OCEANIA** AUSTRALIA, FRENCH PACIFIC IS, NEW ZEALAND, OTHER PACIFIC IS, PAPERUA 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
 Note: The index was not published on October 7, 2011 and on January 27, 2012

► Average freight rates from Shanghai decline on lower booking prices for Europe and East Coast, West Coast US services

THE SHANGHAI CONTAINERIZED FREIGHT INDEX DOWN 4.6% ON NOVEMBER 9 FROM PRIOR WEEK

The Shanghai containerized freight index, which measures export average spot rates, fell 4.6% on November 9 over the prior week to \$1,193.66 points. The index stood below its 4-week moving for the first time in 3 months, mostly owed to declining East Coast, West Coast US services and Europe lane.

On November 9, 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 \$2,310/FEU and \$3,319/FEU, down by \$98 and \$60 from the preceding week, respectively. U.S. containerized imports from Asia rose just 2.3% YoY in September, after falling by 3.6% YoY in August.

In the Europe service, freight rates seem to have reached bottom in the week of October 19, and stood above its 4-week moving average for 3 running weeks to November 9. On November 9, the freight rate for the voyages from Shanghai to base ports in Europe fell 7.2% (or \$108) over the preceding week to \$1,383. **JOCINSIGHTS**

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