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B. CAMERON GAIN

Weak Peak Shipping Season Raises Question about U.S. Economy



B. Cameron Gain, Freelance Writer
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U.S. shipping and inventory data could dampen any optimistic feelings fueled by New Year's celebrations for those caught unaware that the U.S. economy might be running out of steam.

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Besides portending a possible sooner-than-expected slowdown in the U.S. economy, weak import shipping volumes and rising inventories during the peak holiday shipping season just past will likely have broad supply chain-specific implications. One effect could be consolidation in the shipping industry, among sea, rail, and commercial trucking firms.

According to trade data provider Datamyne, import volumes have been undergoing a consecutive month-long slide for a while.

"November continued a month-to-month slide in import volumes that began in September," Datamyne said in a statement.

According to Datamyne's bill-of-lading data, November 20-foot equivalent container units

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(TEUs) fell 5% compared to October, which saw TEUs decrease 3% from the previous month. TEUs in September fell 4% from August, which "turned out to lead the year in import volumes with 1,858,830 TEUs," Datamyne said.

The Wall Street Journal concluded that import data released in November by Zepol (before Datamyne purchased it) served as a warning sign about the state of the U.S. economy.

The Wall Street Journal reported that, after analyzing the Zepol data, imports at Los Angeles, Long Beach, Calif. and New York-New Jersey, the nation's ports with the highest traffic volumes, slid more than 10% from August to October.

A Datamyne spokesperson confirmed that the Wall Street Journal's interpretation of Datamyne's data was accurate, reflecting the first-time in at least a decade that imports fell at the three busiest ports during the peak shipping import season. However, the Datamyne spokesperson could not agree with the newspaper's conclusion that the data served as a warning of a possible economic downturn.

"Whether the slowdown at top U.S. ports signals a short-term slump or the start of a long-term slide isn't clear," Datamyne said in a statement. "But the missing peak season is being felt throughout the multimodal transport sector.

The resulting inventories/sales ratios have also continued to climb, approaching levels not seen since the Great Recession, according to U.S. Census Bureau data released earlier this month.

"Some see a warning in the ratio hitting heights not seen since 2001," Datamyne said.

The total business inventories/sales ratio, based on seasonally adjusted data at the end of October, was 1.38, the U.S. Census Bureau reported. This compared to 1.31 in October 2014 and 1.37 in September.

Manufacturers' and trade inventories, adjusted for seasonal variations but not for price changes, were estimated at \$1.81 trillion, virtually unchanged from September 2015, while up 2% during the previous-year period.

Falling shipping prices is also reflecting weakness in the shipping industry by sea, for transportation to the U.S. and worldwide.

According to analyst firm Karatzas Marine Advisors data issued in October, the average pre-downturn pricing to ship a container from China to Europe, for example, was \$1,500 to \$2,000 dollars per container, compared to \$500 per container. Shipping prices from China and Asia to North America have fallen by similar magnitudes of scale.

While falling shipping prices is obviously good news for firms now able to pay a fraction of what they would have paid before the economic downturn, the data point is another example of weakness in the world economy.

Import weakness and rising inventories will also likely trigger consolidation across the transport industry.

"The missing peak season is being felt across the transport sector, from ocean-going carriers, through to railroads and trucking companies," Datamyne said.

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