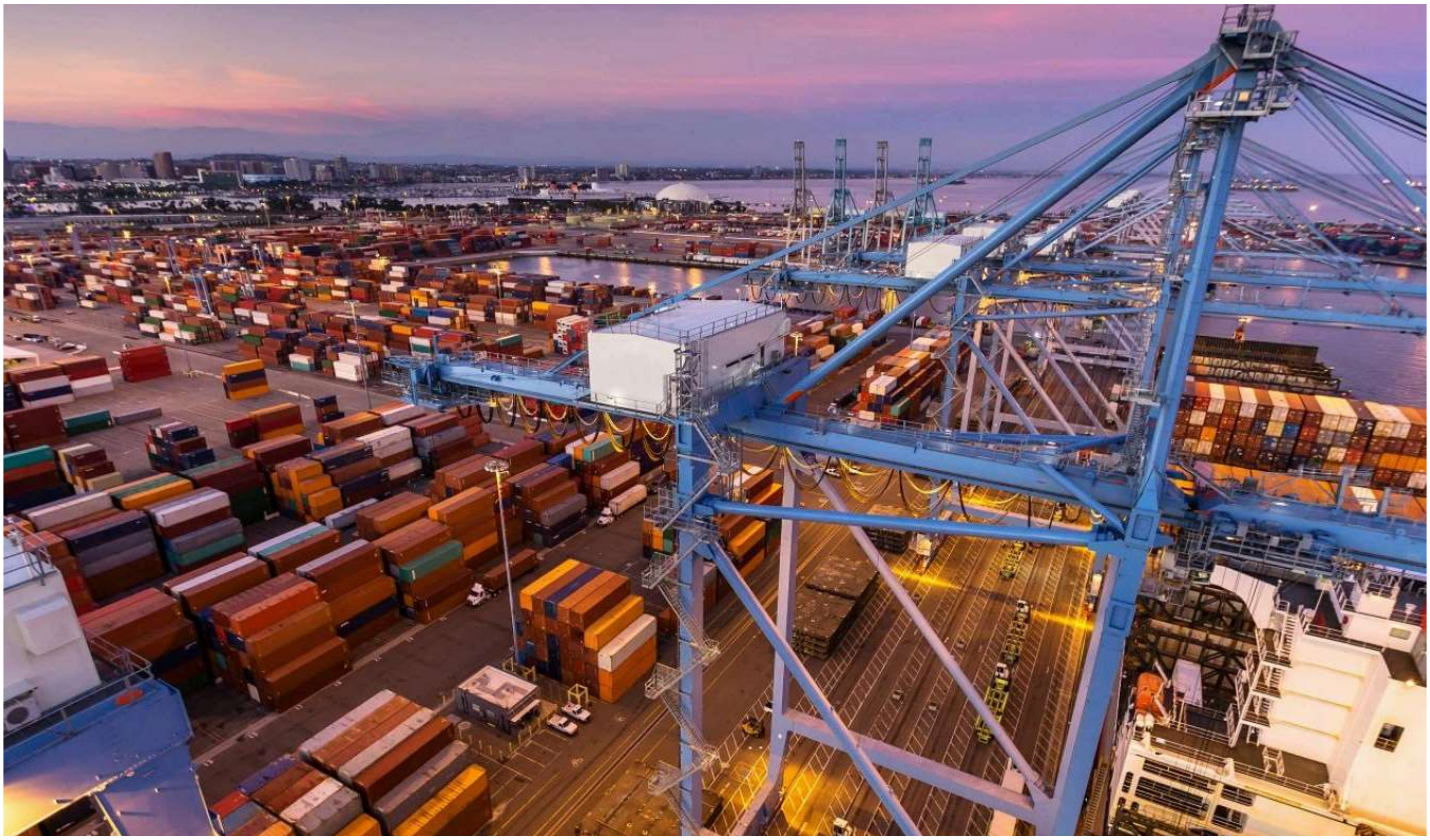
S&P Journal of Commerce

US retailers upgrade import forecast for sixth straight month amid strong sales



US retail sales are projected to increase between 2.5% and 3.5% this year despite supply chain challenges and significantly higher container shipping rates. Photo credit: Halbergman / Getty Images.

Bill Mongelluzzo, Senior Editor | Jul 9, 2024, 4:54 PM EDT

A major US retail group on Tuesday upgraded its forecast for containerized imports for the sixth straight month as the frontloading of cargo and strong sales during an early peak shipping season have driven freight volumes to their strongest in two years.

The revised forecast from the National Retail Federation (NRF) comes as US consumer spending remains strong despite higher prices for merchandise and various supply chain challenges that have increased shipping costs.

“Despite all of that, we’re experiencing the strongest surge in volume we’ve seen in two years, and that’s a good sign for what retailers expect in sales,” Jonathan Gold, NRF’s vice president for supply chain and customs policy, said in the group’s Global

Port Tracker (GPT). “Consumers can rest assured that retailers will be well-stocked and ready to meet demand as we head into the back-to-school and holiday seasons.”

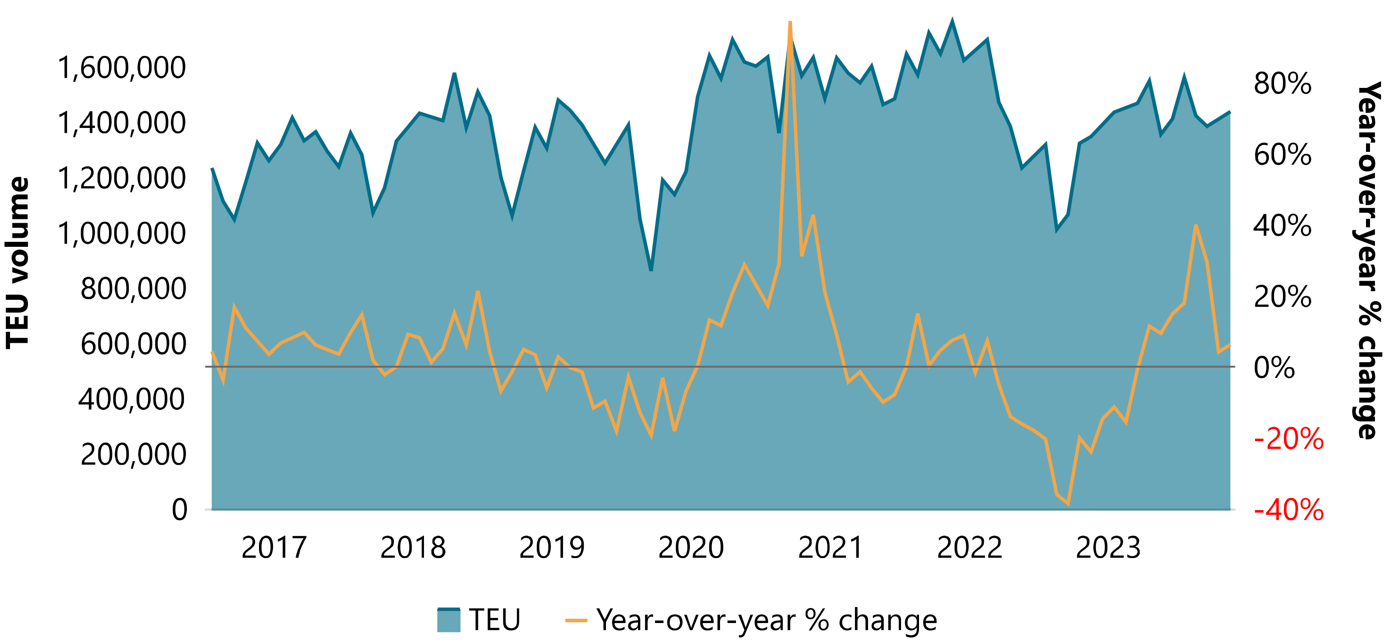
The NRF for the second consecutive month forecast that retail sales in 2024 will grow between 2.5% and 3.5% over 2023. GPT is published monthly by the NRF and Hackett Associates.

GPT forecasts that July imports will now increase 15.5% year over year, up from its 9.5% projection in last month’s report. Imports in August are forecast to grow 13.5%, up from the previous forecast of a 10.6% increase. September imports are now expected to grow 3.5% year over year, up from the previous projection of a 1.7% gain.

October is the first month in 2024 in which imports are forecast to decline year over year. But GPT forecasts a drop of 0.5% for the month, revised from the 2.3% decline expected a month ago. GPT’s initial forecast for November is for imports to increase 3.5% from November 2023.

US imports from Asia up year on year since October

Total monthly TEU volume of US containerized imports from Asia, with year-over-year change



Source: S&P Global

3M 6M 1Y 2Y YTD MAX

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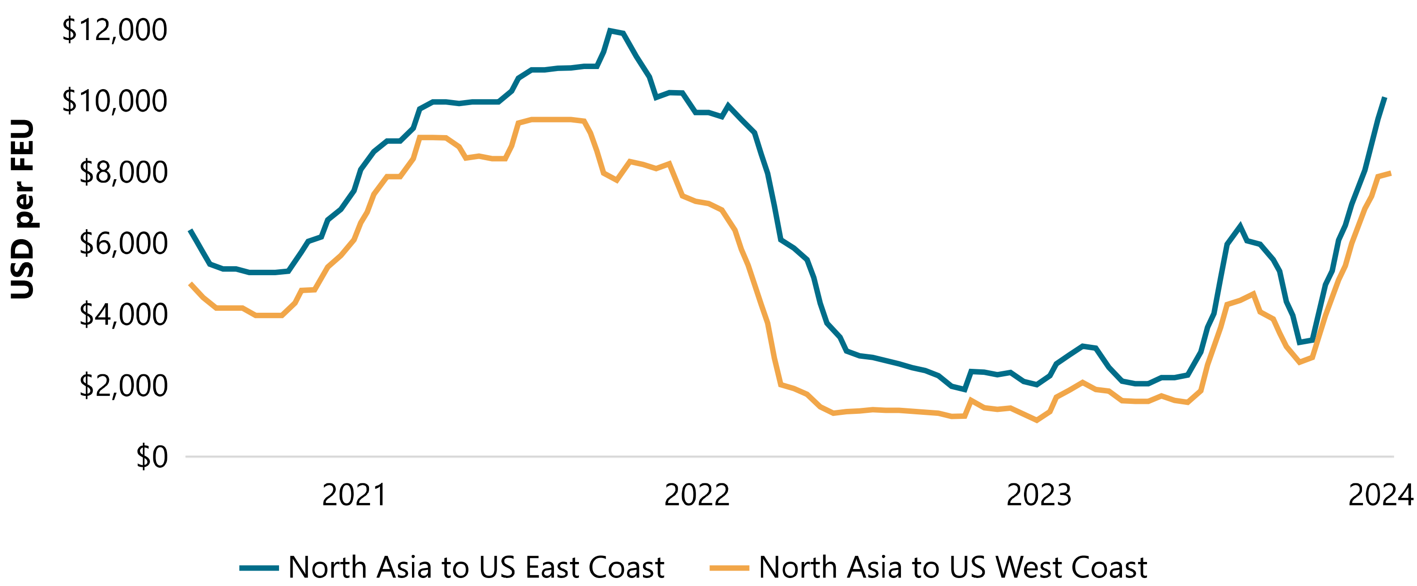
Spot rates increasing steadily since May

US imports from Asia increased 6.7% in May from May 2023, according to PIERS, a sister product of the *Journal of Commerce* within S&P Global. The growth in container volumes has continued despite steadily increasing shipping rates. The spot rate in the eastbound trans-Pacific this week reached $10,100 per FEU to the US East Coast, up from $2,250 per FEU on July 7, 2023, according to Platts, a *Journal of Commerce* sister company within S&P Global.

The West Coast spot rate of $8,100 per FEU is up from $1,150 per FEU year over year.

Asia-US spot rates jump sharply over the past four weeks

Container rate from North Asia to US East and West coasts in USD per FEU



Source: Platts, S&P Global

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Supply chain disruptions have contributed to the increased spot rates by reducing effective capacity in the trade lanes from Asia to the US East, Gulf and West coasts. Congestion at Asian load ports and ongoing diversions in the Red Sea that have forced carriers to avoid the Suez Canal and shift vessels to the much longer and costlier route around southern Africa have contributed to higher shipping costs.

Also, strong rhetoric by the International Longshoremen's Association about possible job action at East and Gulf coast ports as the coastwide contract is set to expire on Sept. 30 has resulted in fast-forwarding of back-to-school and fall merchandise to this summer, resulting in an early peak season that is propping up shipping rates.

“All of those issues drive up prices for shipping and, in turn, [for] consumers,” said Ben Hackett, founder of Hackett Associates.

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