

Low US retail inventories could fuel strong US container demand through 2021

In issue 502 of the *Sunday Spotlight*, we analysed the developments in sales and inventories in the US using the latest data released by the US Census Bureau. This is of particular interest as the Transpacific container demand is booming and as the container volumes are driven by both growth in sales, as well as inventory restocking.

We have never, in the 28 years of data, seen the relative inventory level for retailers be as low as they are now, and despite 6 months of demand boom, there is still quite a distance up to past low points of inventories. This of course begs the question – when will the inventories be rebuilt? This is important, as it has an impact on the container boom itself. One question underlying this is how long the current boom sales will last. For now, that is a question without a good solid answer, simply because the sales development is entirely contingent on the 2021 pandemic developments, and how this impacts consumer sentiment.

We built a model to calculate the continued boost from inventory rebuilding, and how this might impact US import volumes. One possible scenario is wherein the retailers continue to build their inventories, until they reach the same inventory-to-sales ratio they had prior to the pandemic, and then maintain this level. From this perspective, we will see a scenario where sales will continue the trend seen in the past 10 years, and we see an inventory management approach where stocks are kept at levels the retailers were happy with, prior to the pandemic. But what does this imply for container growth?

Fig. 1: YoY growth for retail sales plus inventory change (2021 measured against 2019 and annualized)

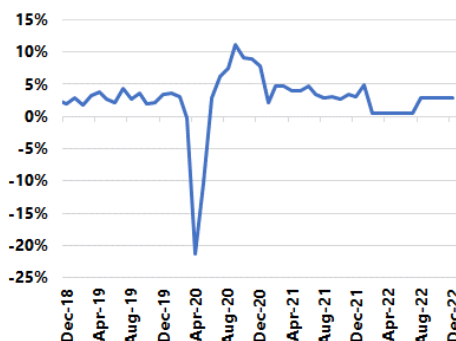


Figure 1 shows the year-on-year growth in sales plus inventory growth (or decline if inventory growth is negative) in 2018-2022, with the 2021 year-on-year growth calculated against 2019 (the extreme developments in 2020 render a year-on-year comparison meaningless) and then annualised.

If retail sales in the US revert back to the normal trend growth in 2021 – i.e. they do not “collapse”, they simply go back to normal – then we will see import growth for the entirety of 2021 remain elevated compared to 2019, simply in order to rebuild inventories. By early 2022, we might then

see year-on-year growth temporarily approach zero, but this is a short-term phenomenon, associated with the excess inventory build-up seen in 2021. Overall, what this means is that a normal development in sales in the US, could – through inventory replenishment – sustain a strong US import container growth through all of 2021.

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