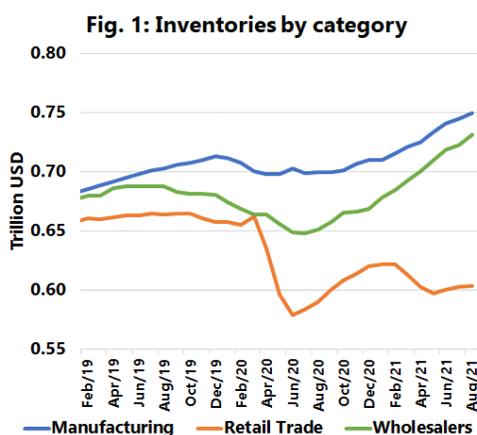


US inventories reach record high

In issue 537 of the *Sunday Spotlight*, we looked at the latest August 2021 sales and inventory data released by the US Census Bureau, and what they mean for container shipping.

To start off, we looked at the inventory to sales ratio. The 2-stage drop in relative inventory levels seen in June-August 2020, and from December-March 2021, did not reverse in August, with the relative inventory levels remaining at the same low levels, as has been the situation since April 2021. This development implies that the continuing import boom of cargo into the US is only sufficient to keep pace with sales, but not sufficient to rebuild inventories.



However, if we look at each of the three business categories – manufacturers, retailers, and wholesalers – the inventory to sales ratio has been on a declining trend for both manufacturers and wholesalers, and stable since April 2021 for retailers. When we look at the underlying inventory levels (shown in figure 1), we see inventory replenishment for manufacturers and wholesalers continue to grow rapidly, and in both cases, the levels are now above any previous level measured since the data started in 1992. For retailers however, there has been a continued very low level of inventory.

Part of the physical problems in the supply chain in the US is capacity problems in the warehouses. Seen from the perspective of the inventory size measured in USD value, we are indeed in August at a new record high level of 2.08 trillion USD. This is up 7.4% compared to August 2020 – but is also only up 1.4% compared to August 2019. From that perspective, it appears a little perplexing why a 1.4% increase over two years should cause such problems. The reason is that whilst the overall inventory change is not substantial, there is instead a massive shift in terms of the business sectors holding the inventory, with manufacturers and wholesalers up by 6%-7% over August 2019 and 7%-13% up Y/Y.

This is very likely part of the problem, as some sectors see rapidly escalating inventories, meaning they need to get more warehousing space leading to the shortages, whereas other warehousing space is held by sectors not seeing an increase.

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All quotes can be attributed to: Alan Murphy, CEO, Sea-Intelligence.

For more information, please contact: ia@sea-intelligence.com, am@sea-intelligence.com

Sea-Intelligence is a leading provider of Research & Analysis, Data Services, and Advisory Services within the global supply chain industry, with a strong focus on container shipping. Combining strong quantitative analytical skills with a deep understanding of the supply chain industry, based on many decades of experience at all central parts of the Ocean supply chain, Sea-Intelligence supports customers across all stakeholder groups.