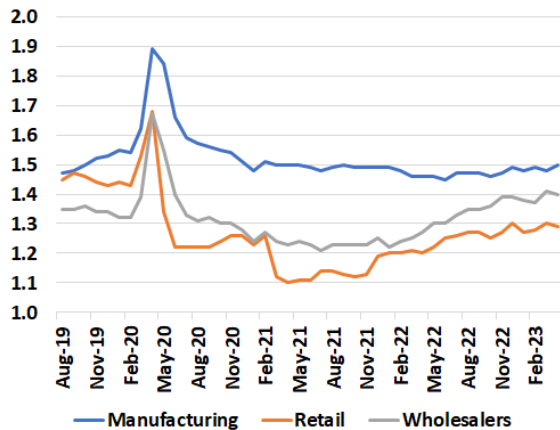


US inventories still not declining

Given that there has been no material pickup in North American imports, we looked at data from the US Bureau of Economic Analysis (BEA) to see whether this was being reflected as an inventory reduction in the US.

Fig. 1: Inventory to Sales ratio by Category



Looking at Figure 1, for the three categories: manufacturing, retail, and wholesale, the relative size of inventories (in light of development in sales) is on an increasing trend for wholesale and retailers, while showing stagnation for manufacturing. The underlying sales data indicates a steady -5% decline in wholesale from a peak in June 2022, whereas sales are being held constant for retailers, with no signs of a downwards trend.

Looking at the data, it is clear that the inventory correction in the US is having problems clearing the backlog. But it is not a problem affecting all companies in the same way. The shift in balance between the retailers and the wholesalers, as well as the trend in sales in recent months for the two, indicate that the wholesalers potentially are the ones who have a problem.

The data can be seen to support the notion that retailers maintain steady sales, and hence a lack on their part in reducing inventories is not a major problem. Conversely, the wholesalers see declining sales and increasing inventory-to-sales ratios. If this is combined with a gradual shift back towards retailers, this is an indication that the wholesalers might be sitting on inventory they cannot get rid of.

For the upcoming peak season, this has the interesting effect that wholesalers might not import peak season goods, whereas the retailers might indeed be fuelling a normal peak season. Overall leading to a weaker than normal peak season, but still a peak season though.

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

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