Flexport Research

Making Global Trade Easy for Everyone

Louder-for-Longer. A New Way to Forecast the Trade Boom

U.S. imports of goods are set to continue their double-digit growth into 2022.

U.S. merchandise imports have experienced four years of disruptions, most recently due to the boom in consumer demand in the wake of stay-at-home demand during the COVID-19 pandemic. That in turn, when combined with supply side challenges, has led to significant logistics network disruptions.

So, how long will the resulting U.S. import flows, a critical driver of ongoing logistics network disruptions, remain elevated?

Flexport's new **Trade Activity Forecast**, which combines traditional economic statistics as well as Flexport's proprietary data and analysis, indicates U.S. merchandise imports could expand by 16% year-over-year in Q4'21 and by 28% in Q1'22.

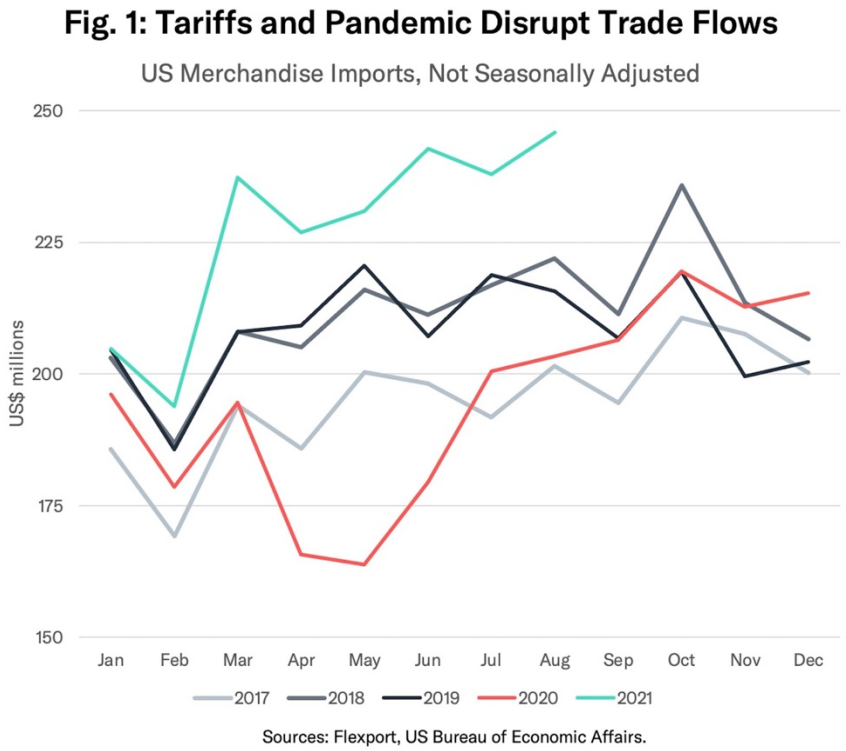
Four Years of Trade Flow Disruptions

U.S. imports of merchandise have been through four years of upheaval, as shown in Figure 1. The Trump administration's tariffs on imports from China caused a boom in shipments during 2018 as buyers sought to beat tariffs.

Aggregate imports were largely unchanged in 2019 as a shift away from sourcing from China towards other Asian manufacturing centers led to shifts in trade flows.

In 2020 the arrival of the COVID-19 pandemic depressed imports in the second quarter. The subsequent economic boom, driven by stimulus checks, and stay-at-home spending has led to repeated record highs in merchandise imports throughout 2021.

Indeed, the absence of the "off-peak" season during the first half of 2021 has led to significant logistics network congestion. The resulting price inflation may have implications for consumer demand in the coming months.



This all raises the question: will imports continue to boom or is a return to prior levels in sight? Flexport's Post-Covid Indicator, which leverages Flexport's shipping flow data, has already shown that there's little sign of U.S. consumer's preference for goods over services slackening during Q4 2021.

One Step Ahead

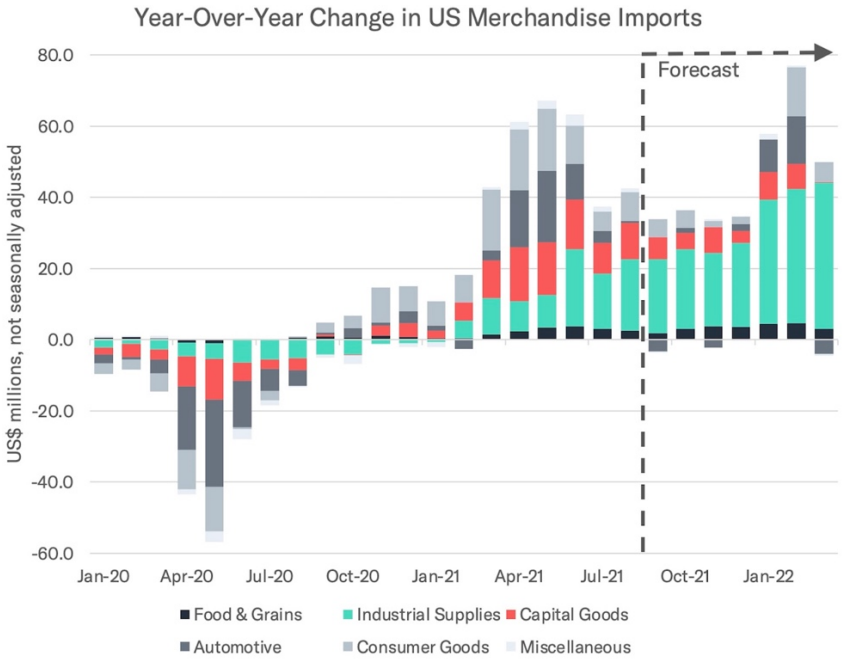
For any forecast, the further you try to see into the future, the fuzzier the picture. Most forecasts extend patterns, even very complicated ones that involve seasonal rises and dips. Over time, unexpected events tend to push reality apart from anticipated paths.

What if one could start one's forecast with September 2021 data, for example, rather than August 2021 data? Then one would be peering less far into the future and the picture should be clearer.

The difficulty is that we are still weeks away from the US government releasing September trade numbers. This is where Flexport platform data comes in. It uses actual September trades to give a more precise forecast of national merchandise imports for the month. This makes it less reliant on trends and more attuned to the sort of sudden switches that have been so frequent of late.

In brief, Flexport's shipping data measurably improves the quality of a momentum forecast (measured by out-of-sample variance) for imports using the U.S. Bureau of Economic Affairs 1-digit trade categories. The use of additional data has been particularly important since the advent of the pandemic and resulting shift in trade patterns away from historic averages.

Fig. 2: Industrial Supplies Drive Import Growth



Sources: Flexport, US Bureau of Economic Affairs.

Our model suggests that growth over the next six months will be slowest in Autos and Consumer Goods at 1% and 5% year over year respectively in Q4'21, as shown in Figure 2. Growth in both segments is expected to increase in the near year.

Growth is expected to be fastest in the Industrial Supplies and Food & Grains segments at 84% and 30% respectively in Q4'21 versus a year earlier. Industrial Supplies is also the biggest contributor in dollar terms to total import growth over the forecast period. In part that reflects elevated commodity prices for energy and derivatives including plastics and chemicals.

Double-Digit Growth Set to Continue Into 2022

When taken together, Flexport's **Trade Activity Forecast** calls for growth of imports of 15% year-over-year in September 2021 before a small acceleration to 16% in Q4'21 as a whole.

On a sequential basis, a small dip in Industrial Supplies and Autos will mean that November levels lag October's by 5% before a continued set of new, record high imports follow through to March 2022 as shown in Figure 3.

The continued high forecasted levels of activity do not call for any significant relief for hard-pressed logistics networks before March 2022 at the earliest.