



How is inflation affecting Shipping Rates 2021

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Episode 26 www.thefreightguru.io



What is economy inflation?

Inflation is **the decline of purchasing power of a given currency over time**. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time.

Inflation refers to the rise in the prices of most goods and services of daily or common use, such as food, clothing, housing, recreation, transport, consumer staples, etc. Inflation measures the **average price change in a basket of commodities and services over time**.





Soaring Trucking Costs

The tightest trucking market in years is testing the limits of an otherwise well-conditioned U.S. economic expansion. It also is tinder for accelerating inflation should the capacity constraints spark moves by companies to pass on those higher delivery costs.

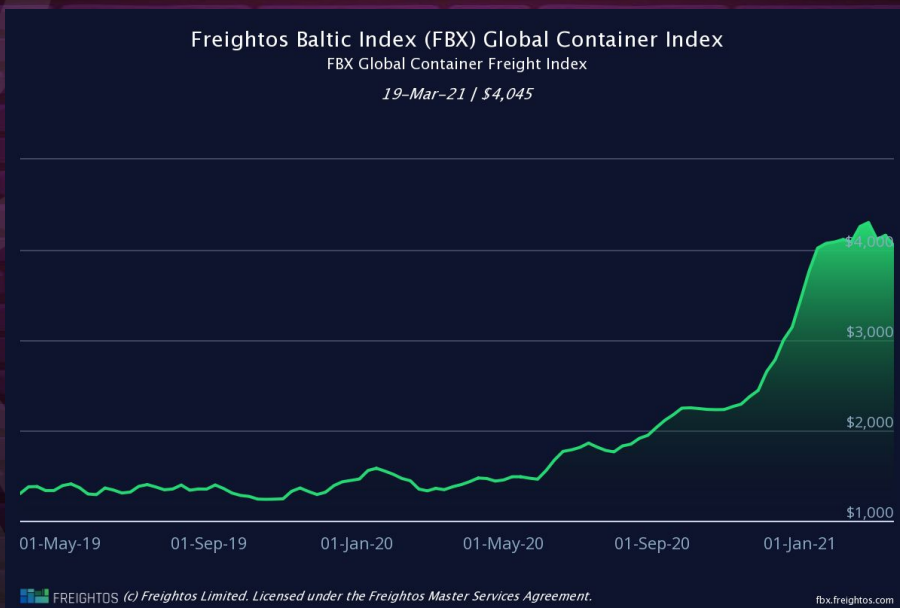
The cost to haul a full truckload of finished product or materials has soared this year. Cass Information Systems' measure of per-mile rates, excluding fuel charges, jumped 9% in May 2021 from a year earlier, the most in records going back 13 years.

Per-mile rates for dry vans, temperature-controlled trailers and flatbeds have roared above \$2, according to data from Truckstop.com.



Sea Freight Rates up 300%

The Freightos Baltic Index pegs the market rate for a single 40' container at a little over \$4,000—nearly quadruple what it was a year ago.

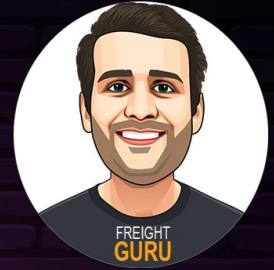




Why is Sea Freight Rates going Parabolic?

Here are a few of our culprits:

- Lockdown restrictions slowing down global trade
- Trade imbalance between China and the West
- Trade tensions between China and the US
- Lack of manpower due to the pandemic
- Big shipping firms taking advantage



When will things go back to normal?

The short answer is nobody knows. As a matter of fact, no one is sure if it will normalize at all.

Some reports say that there may be no easing until Q2 2022 , which could sound like ages if you're in ecommerce or your a small business , especially if you're shipping fast-moving products that are in high demand due to the pandemic.

Others say that the container shortage will likely last longer into 2021 Q4, despite a lot of carriers recently placing new orders for containers. I don't see domestic trucking capacity slowing down anytime soon especially with the passing of the infrastructure bill that congress approved recently.



How to Hedge against inflation in 2021

1. Gold
2. Commodities
3. Stocks and Bond Portfolio
4. Real Estate
5. S&P 500
6. Real Estate Income
7. Cryptocurrency

(This is not financial advice from a financial advisor just my take)



Will goods go up due to inflation?

Yes!!!!

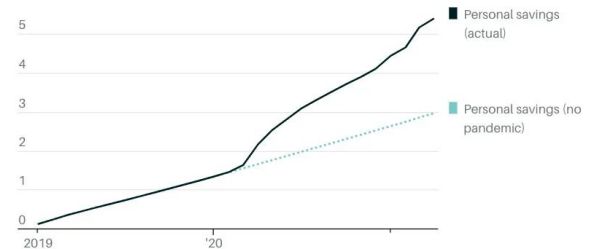
<https://nymag.com/intelligencer/article/inflation-coming-2021-rising-prices.html>

1. Housing Markets are at a All time High
2. Used Car Markets are at a All time High
3. Commodities such as Lumber and Steel have reached all time highs
4. The Fed is printing money and consumers are spending!

The Cash Stash

Americans have saved an extra \$2.4 trillion since the beginning of the pandemic thanks to higher incomes and lower consumer spending.

Cumulative personal savings since January 2019



Source: Bureau of Economic Analysis; Barron's calculations

Internet Personality: **Freight Guru**

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