flexport.

Post-Covid Indicator

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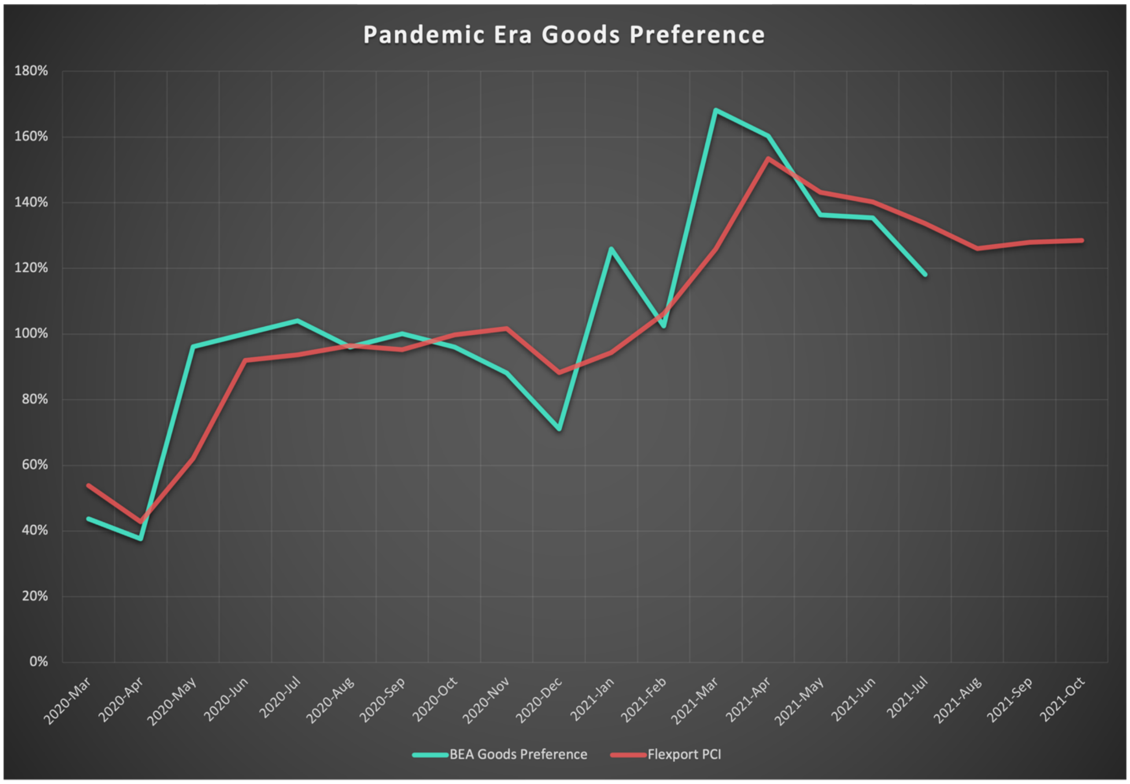

How long will the US public's elevated preference for goods last? At least through October, according to the latest Flexport data.

The chart tracks the share of US Personal Consumption Expenditures (PCE) spent on goods vs. services. For the four years preceding the Covid economic shock, the goods share averaged 31.2%, with very little variation. Then it leapt up to a stable average of roughly 34% from June through October of 2020. The Flexport Post-Covid Indicator is scaled so that the old average is 0 and the Summer 2020 average is 100.

The BEA release of July data at the end of August showed a tilt toward goods that was less extreme than we had seen in the Spring. The 118 figure was the lowest since February and lower than we predicted, though it still exceeded the high goods preference of the summer before. It is right in line with the average for the last 12 months (117). We revised our model accordingly and incorporated shipping data from August. From a July PCI value of 134, we now see the goods preference holding moderately steady in the 120s: 126 in August, 128 in September, and 128 in October.

It is worth remembering that the elevated pressure on global supply chains is the result of two factors in combination: strong incomes and a preference for goods in consumption. PCI tracks the latter. The forecast for continued strong goods preference means that, barring an income shock, the pressure on supply chains will continue as we head toward Q4.

The next update for the Flexport PCI will be on October 15. BEA will release August data on October 1, September data on October 29, and October data on November 24. Please direct questions about the Flexport PCI to trade.intelligence@flexport.com.