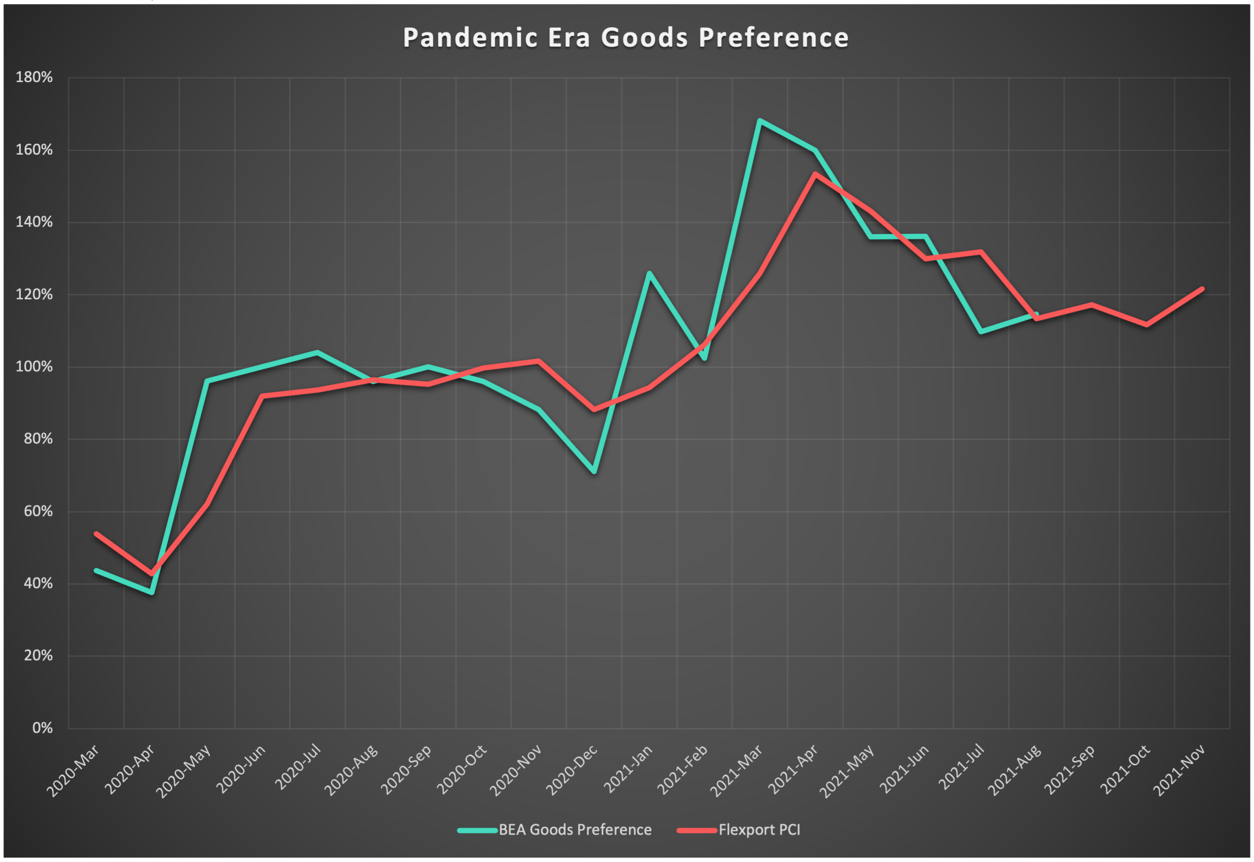
Flexport Post-Covid Indicator

October 15, 2021 Release



As we head toward the 2021 holiday season, there is no sign of the US consumer's preference for goods slackening, 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 August data at the end of September showed the preference ticking up slightly, but there is enough variation and revision to this data that a move from 110 in July to 115 in August should not be seen as significant. We revised our model accordingly and incorporated shipping data from September. Our estimates show that the relative slowdown from the spring should level off with no sign of any return to pre-pandemic levels. From an August PCI value of 113, we now see 117 in September, 112 in October, and 122 in November.

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 on at least toward the end of the year.

The next update for the Flexport PCI will be on November 17. BEA will release September data on October 29, October data on November 24, and November data on December 23. Please direct questions about the Flexport PCI to economics@flexport.com.