

Pacific rates: no impact on consumer prices

On the back of the latest increases in spot rates and the growing discussions in the industry whether such freight increases lead to higher consumer prices, in issue 515 of the *Sunday Spotlight*, we took a closer look at the link between freight rates and consumer prices, and whether the extremely elevated current rate levels will have an inflationary impact on consumers. The data was extracted from the US Bureau of Economic Analysis (BEA).

While spot rates increased further in April and May, we can only compare the figures until March 2021, as the consumer prices for April and May have not yet been published by the BEA. We have therefore taken each of the three pricing indices – goods, durable goods, and non-durable goods – for the period 2009-2021 and calculated the correlation between these and the SCFI spot rates for the Transpacific. Furthermore we have calculated this with varying lag times of up to 12 months, on the basis that changes in freight rates could take some time to manifest themselves into consumer prices.

Fig. 1: Correlation between SCFI change and price change



The result of this analysis is shown in figure 1. Here we can clearly see two vital elements. The correlation coefficient is essentially close to zero, no matter how long the lag time is assumed to be. And on top of that, there is no indication at all that there is any optimum in the correlation, depending on lag time. This tells us very clearly that there is no indication in the data series from 2009 to March 2021, that changes in freight rates have any meaningful macro-economic impact on consumer prices.

It could at this point be argued that much of the cargo is not moving on the highly volatile spot rates, but instead on the more stable contract rates. We have therefore made the same type of correlation analysis using the CCFI contract rate index, with the result shown in figure 2. It is clear that there is no difference in the pattern, and hence the contract rate view does not change the conclusion.

Fig. 2: Correlation between CCFI change and price change



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