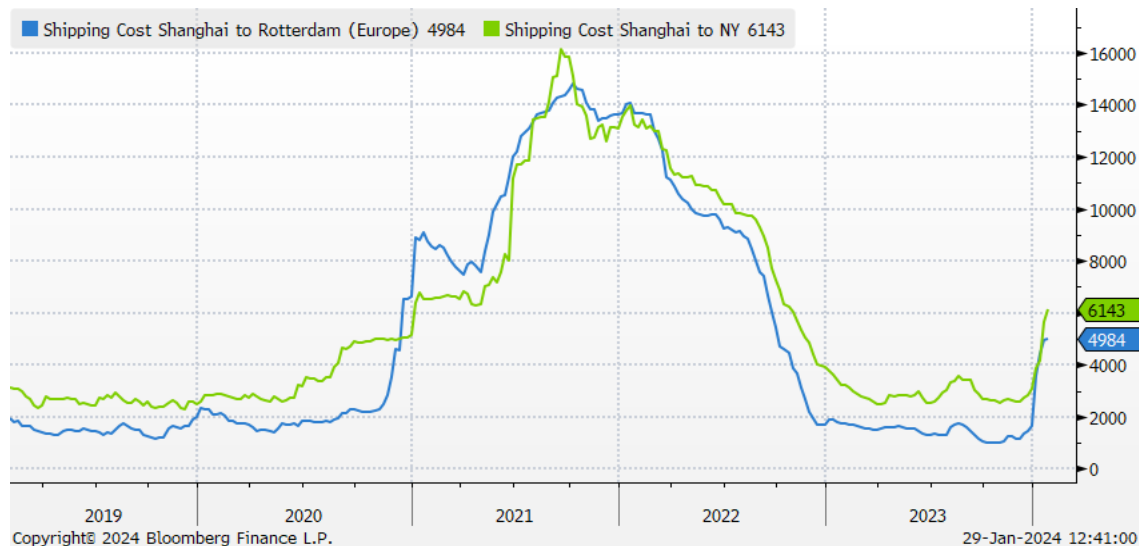


01.29.2024

Shipping Costs



- The disruption of maritime traffic in the Red Sea due to Houthi attacks has impacted the supply chain and shipping costs.
- As more traffic is being rerouted away from the Suez Canal – forcing ships around Africa – shipping costs have been rising, posing inflation risks.
- Since the beginning of December, the cost to ship a 40-foot container from Shanghai to New York (green line) has increased by ~140% (\$2560 to \$6143).
- The cost to ship from Asia to Europe (blue line) has experienced a more substantial rise – increasing from \$1170 at the start of December to nearly \$5000 – a 325% increase!!!
- *Estimates* suggest (all else being equal) that higher shipping costs will add ~0.3% to inflation during the first quarter in the U.S. and a more meaningful 1% to inflation readings in Europe. There will be other factors adding to and subtracting from the aggregate inflation readings.
- Last week's attack on a Russian oil tanker has forced investors to rethink the potential impact on the global energy market, which, thus far, has had a muted response to the tensions in a key region. Energy prices are also a key factor in headline inflation readings and are inversely linked to consumer confidence (higher prices / lower confidence).

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