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The tsunami of pent-up freight rocked the U.S. supply chain which had been relatively stable and predictable for 20 years before COVID. Even at two or three times normal freight costs, shippers waited for days and weeks to get a truck. We all wondered how long it would last and knew we would have a clearer picture halfway through the year. Typically, U.S. businesses make the decision to “throttle up or throttle down” going into the second half.

Despite high consumer demand and purchase power, we are seeing more signs of throttling down. In addition to raising the prices of their goods to address their increased transportation spend, many U.S. companies are scaling back on capital projects and cutting discretionary spending. To some extent, that has led to a pause in truckload activity.

Van and Refrigerated spot pricing seem to have peaked while Flatbed demand continues to outpace supply, but at a much lower rate than earlier this year. For June, Flatbed tonnage was up 3.6 percent while overall truck tonnage was down 1.5 percent. If new truck manufacturers were able to get all the computer chips needed to fill sales orders, that would help to further bring freight pricing down.

U.S. companies are being further squeezed by our trade deficit with China which is up 22 percent over last year. The cost of shipping a 40' ocean container from China to Los Angeles is up 229 percent from last year. Many of those containers are unloaded and then brought back to China... empty.

Signs of growing inflation are everywhere. Consumer prices were up 5.4 percent in June. The Social Security Administration is anticipating at least a 6.1 percent cost of living adjustment, the largest jump since 1983. Last month, they predicted 5.4 percent and they have three more months to make their final decision. Gas prices are up nearly \$1.00/gallon and diesel prices are up 80 cents/gallon on average. Since the beginning of the year, nearly all commodity prices have been on the rise.

Finally, our labor market is tough to understand. 12.7 million Americans continue to receive extended unemployment benefits. States that stopped participating are seeing improvements in people coming back to work. However, I was startled to read just this morning that 419,000 Americans unexpectedly applied for first-time unemployment benefits last week. I worry that it may be a sign that many U.S. companies are uncertain about the future and pulling their “Help Wanted” signs. I sure hope not.

Stay safe,
Mark

