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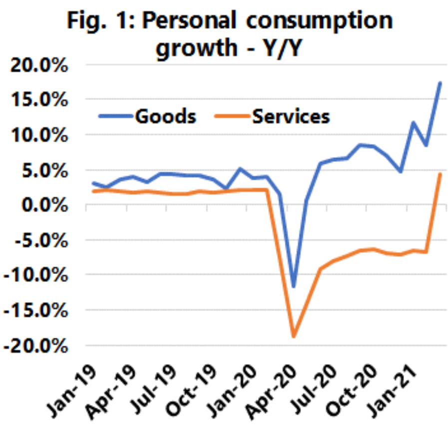
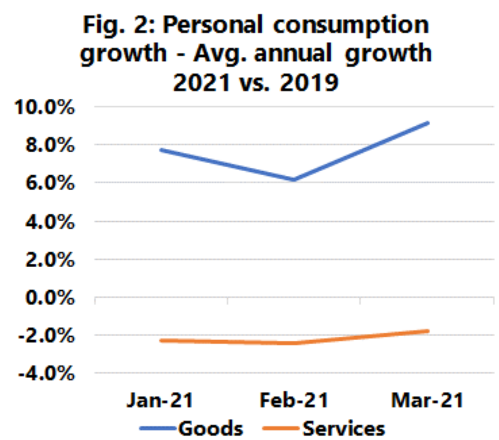
US goods consumption still increasing

In issue 513 of the *Sunday Spotlight*, we analysed the latest figures published by the US Bureau of Economic Analysis (BEA) for March 2021.



Growth in goods consumption only saw a decline for a single month in 2020 as a result of the pandemic, whereupon positive growth rates resumed, as shown in figure 1. This is quite different for consumption on services, where growth rates were negative for 12 consecutive months, until finally the year-on-year growth rate became positive in March 2021. As we progress into the first half of the year, this year-on-year comparison becomes misleading, as we are effectively comparing against the sharp downwards impact of the pandemic in 2020.



We have therefore re-calculated the growth in personal consumption for 2021 versus the same months in 2019 and from this calculated the average annual growth rate. This is shown in figure 2. We can see that the components of the growth are very much out of alignment with the past norm. In this perspective, the current situation related to goods consumption is equivalent to a spending which has grown 9% annually over the past two years. This is very high, as the 5 years leading up to the pandemic saw growth rates typically in the 3.5-4% range. Conversely, it can also be seen that from this perspective, spending on services remains in negative territory. Looking further back, spending on services in March 2021 is also lower than spending seen in March 2018, as well as March 2017.

This has also given rise to a significant change in the balance between consumption of goods and services, where we first saw a step-change in favour of goods in the immediate aftermath of the pandemic, followed by yet another shift in favour of goods coming into 2021. This is where we see the "engine" driving the boom in container volumes into North America, as the US consumer continues to favour spending on goods versus spending on services.

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All quotes can be attributed to: Alan Murphy, CEO, Sea-Intelligence.
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