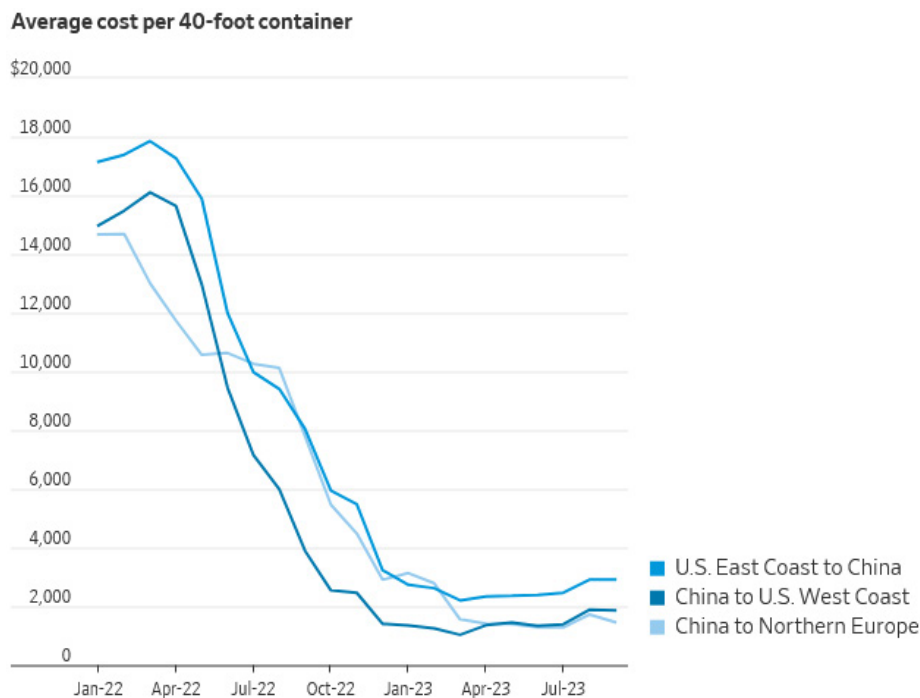


October 18, 2023

No Inflation Here

Just two years ago, trans-Pacific container shipping had become hideously expensive as COVID reduced capacity and a recovering US economy demanded more goods. This has now changed, as the chart makes clear. China-US and China-Europe shipping rates crashed 80% or more from the peak and this year they're generally flat.



Source: Shanghai Containerized Freight Index/Braemar

Source: [The Wall Street Journal](#)

The curious part here is how container rates were falling at the same time inflation was rising for pretty much everything else. One possible interpretation: Those higher rates were the result of massive backlogs as the COVID effects reduced supply and US economic recovery raised demand. Normalcy returned once it was cleared.

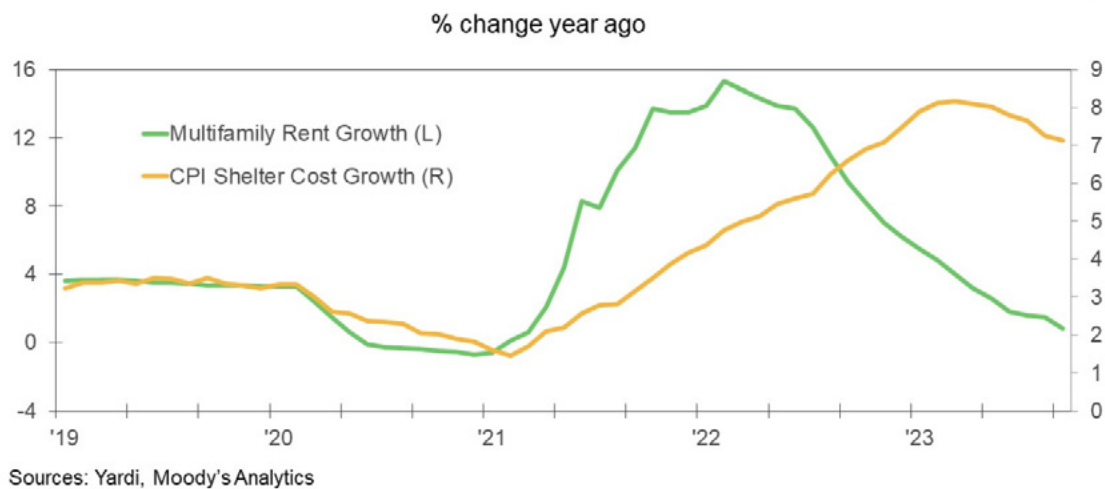
The sideways movement in 2023 suggests foreign trade is stabilizing, which might mean the same for US consumer demand. If so, recession doesn't seem imminent.

Fallout Shelter

Housing inflation has been a severe problem for many families, but it seems to be slowing down. Mark Zandi thinks further moderation is coming.

The green line in this chart shows the growth of an apartment rental rate index, which began losing momentum in early 2022. The green line is the CPI shelter component. It continued higher into 2023 then started declining. But the CPI methodology amortizes rent changes over a year, so we expect it to lag. The chart shows that's what happened.

Shelter Inflation is Set to Moderate Much More



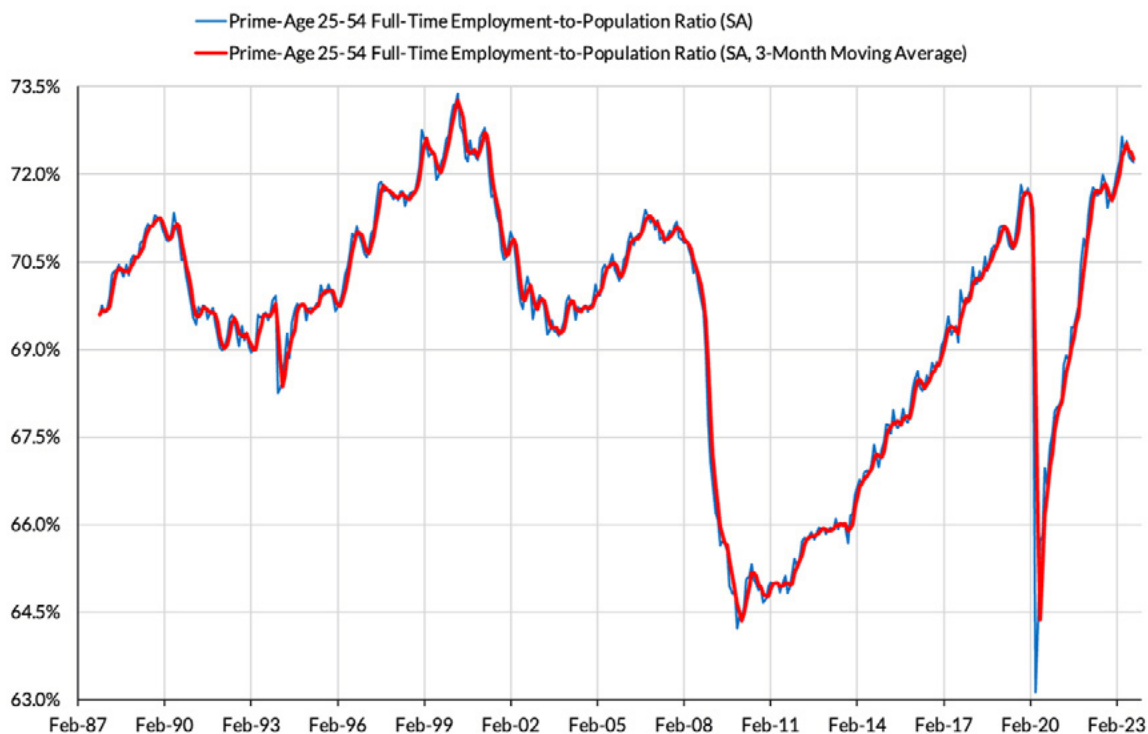
Source: [Mark Zandi](#)

Moderation is good but keep in mind the chart shows the *rate of growth*, not raw prices. Rental prices are not falling. They are just growing less quickly. That's progress but, if you're trying to rent an apartment, doesn't mean you will pay any less.

Boomers Out of Prime

The labor shortage is a key impediment to US economic growth. This chart suggests it may not improve. It shows the percentage of people in the “prime age” (25-54) cohort who hold full-time jobs. It is now near a historic high.

The “prime age” concept is a bit like the core inflation gauges that strip out volatile food and energy prices. In this case, we’re removing the younger and older groups who may have good reasons not to be working full-time. Many are still in school, retired, etc.



Source: [Skanda Amarnath](#)

But those two peaks represent sharply different demographic situations. When the ratio peaked near 73.5% in the year 2000, the entire Baby Boom generation was still in its prime age. Now, prime age consists of the smaller Gen-X and Millennial cohorts. To generate the same output, they would need to work at much higher rates than the Boomers did at their peak. There’s no sign of that happening.

Higher productivity might solve this but isn’t doing so yet.

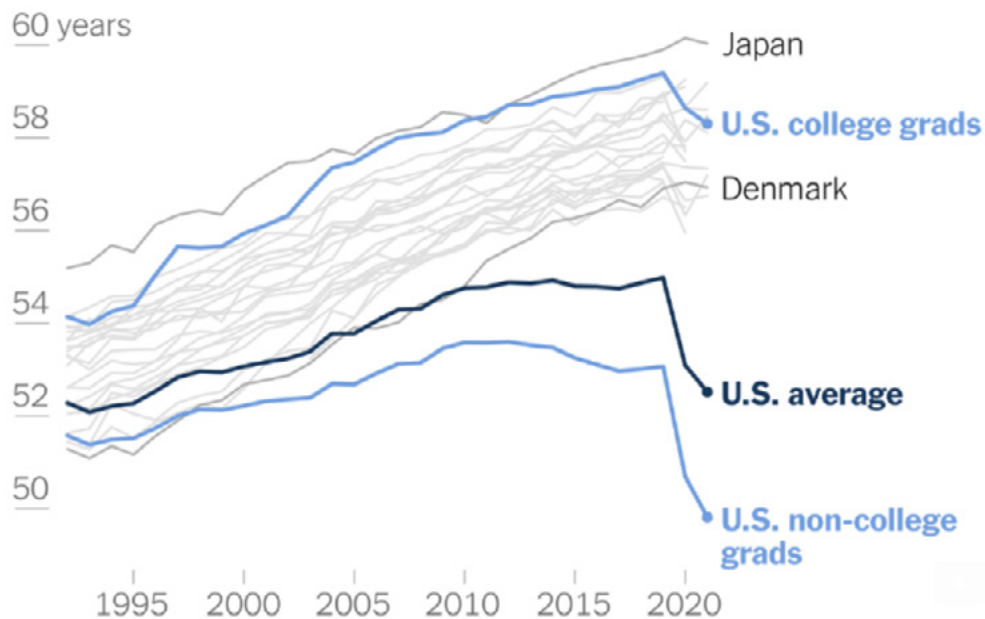
College Life

We've shown several charts comparing (not favorably) US life expectancy to other developed countries. This one adds more context by separating the US figure into college graduates and non-graduates.

As it turns out, US life expectancy is right in line with peer countries for Americans who finished college. The problem is everyone else is dying younger. (Note the chart axis is years of life *remaining* for a 25-year-old. You have to add 25 to the numbers.)

Life expectancy in the U.S. is lower than in other rich countries — unless you graduated from college

Average life remaining for a 25-year-old



Source: Anne Case and Angus Deaton, Princeton University

Source: [Laurie Garrett](#)

Does a college degree help you live longer? Probably not. It's more of a proxy for other things. Those who finish college tend to come from higher-income families and then get higher-income jobs themselves. This opens the door to marriage, better diet, a healthier lifestyle, and other stabilizing factors.

What we're really looking at here is the cost of income inequality. It isn't measured just in dollars.

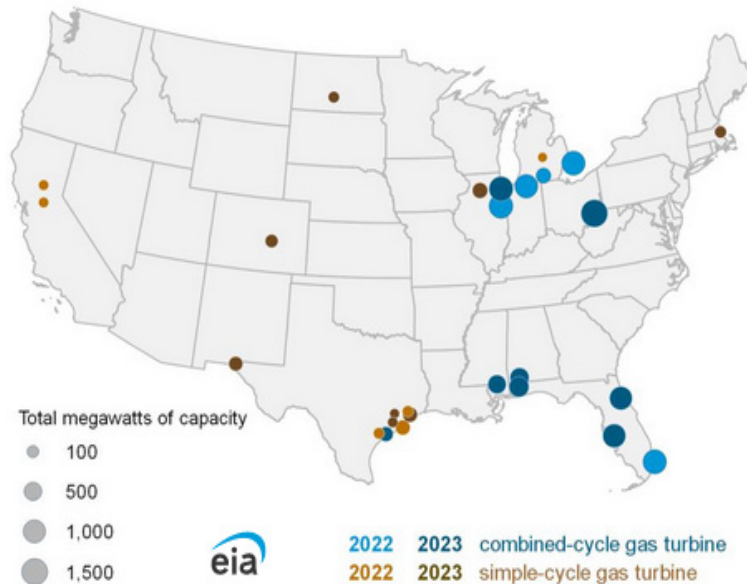
Gas-fired Gigawatts

With all the news about solar and wind energy, plus huge efforts to promote them, you might think the electrical grid is abandoning fossil fuels. Not so. This EIA map shows the US will add 8.6 gigawatts in natural gas generation capacity this year. This is happening all around the US, in both red and blue states, from the sunbelt to the northern plains.

Why so much new gas? Because we can't do without it. There's plenty of demand to go around.

New natural gas-fired capacity additions expected to total 8.6 gigawatts in 2023

U.S. natural gas-fired electric generation capacity additions, simple-cycle and combined-cycle gas turbines (2022–2023)



Data source: U.S. Energy Information Administration, *Monthly Electric Generator Inventory*

Note: Data for 2023 include the Big Bend power plant, which, after a two-phased modernization project, began partial operations in 2021 and full operations in January 2023.

Source: [EIA](#)

Thanks for reading **CLIPS THAT MATTER**. We hope you enjoyed it. We welcome feedback and suggestions at oms@mauldineconomics.com.

Best regards,

John & Patrick

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