

Sky-high shipping costs could keep prices surging until mid-2023

[Ben Winck](#) Mar 21, 2022, 6:11 AM



Container ships at the congested Port of Los Angeles in September 2021.

Reuters/Mike Blake

Shipping prices are still very high, signaling inflation is far from cooling down.

It usually takes 12 to 18 months for high container costs to reach consumer prices, The New York Times reported.

That lag can leave prices soaring well into 2023, and there's little sign the supply-chain mess is improving.

Tangled supply chains started to worsen US inflation in 2021, but the problem probably won't die down for at least another year.

Shipping costs remain elevated, and it usually takes 12 to 18 months for

those higher costs to made their way to the prices Americans pay, Nicholas Sly, an economist at the Kansas City Fed, told [The New York Times](#) in a story published Monday. That means pricey shipping could keep inflation at worryingly high levels well into 2023 even if container prices start to fall.

"The goods that are being affected by shipping costs today are really the goods that consumers and American households are going to be buying many months from now, and that's why those costs tend to show up later," Sly told The Times.

The US economy was already struggling to balance supply with demand before the shipping crisis emerged. Vaccination drives and nationwide reopening in early 2021 powered a wave of strong demand as Americans left lockdowns and deployed pent-up savings. Yet businesses were caught off guard and unable to match the spending boom.

That imbalance worsened as firms rushed to shore up inventory. Complex global supply chains weren't able to rebound as quickly as demand, and issues ranging from shipping delays to materials bottlenecks quickly ensnared the logistics industry.

The supply-chain issues "have been larger and longer lasting than anticipated," [Federal Reserve](#) Chair Jerome Powell said Wednesday, adding the pressures have played a major role in [keeping inflation at four-decade highs](#).

The latest signs suggest the shipping crisis could boost inflation for even longer than Sly's estimate. The [Freightos Baltic Index](#) — a measure of global shipping prices — sat at \$9,488 on March 18, meaning it cost nearly \$10,000 on average to ship a 40-foot freight container. That's almost seven times higher than the March 2020 reading of \$1,400. While that's down from the highs seen in the fall of 2021, it's still holding at extremely high levels.

The last few weeks brought new risks to the outlook. Russia's invasion of Ukraine has driven prices for energy commodities like oil and natural gas even higher. That can quickly lead to pricier shipping as truckers and freighters are forced to pay even more for fuel.

Soaring infections in China could also worsen the supply chain's recovery. The Chinese government reinstated some lockdown measures in recent weeks to stem the coronavirus's spread. Should the situation worsen, it's possible the country will have to shut its factories once again and throw the global supply chain into a new phase of disarray.

The Fed which is tasked with cooling off US inflation, is still optimistic that the price surge will slow later in the year. Officials expect inflation to start easing in the second half of 2022, Powell said in a Wednesday press conference. Policymakers' updated projections [also see inflation improving into 2023](#), albeit at a slower pace than they forecasted in December.

If that cooldown is to come, shipping prices will be among the first indicators to show it. Yet costs have plateaued after only falling slightly, signaling Americans will have to keep footing a bigger bill for many more months.