

INDUSTRIAL SECTOR TRADE REPORT

February 2023



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INSIGHTS OF THE MONTH

- The U.S. trade deficit hit a record of almost \$1 trillion in 2022, with more than a third of the total coming from trade with China. The Commerce Department reported the annual goods and services trade deficit rose 12.2% to \$948.1 billion. (Read more [here.](#))
- Talks for a new labor pact between West Coast dockworkers and their employers are stretching into a 10th month, but with no agreement in sight and volumes dropping, patience is wearing thin. (Listen [here.](#))
- Maersk, a bellwether for global trade, said “muted” economic growth is set to push the world’s container shipping volumes down by as much as 2.5% this year. The world is facing “a significant inventory adjustment” after a period where demand has been “absolutely exceptional.” (Read more [here.](#))
- The question of how trucking capacity is growing or declining is common in industry, but the reality is that demand fluctuations are far more important to monitor as they swing much more violently. Trucking demand visibility is far more important than supply. (Listen [here.](#))
- In its second estimate of fourth quarter gross domestic product (GPD), The Bureau of Economic Analysis reported the economy grew at an annual rate of 2.7%, compared to projections of 2.5% after rising 3.2% in the third quarter. (Read more [here.](#))
- At a time when margins are tight and economic volatility is relentless, the ability to plan with accuracy is invaluable for suppliers and distributors. When supply chain partners are able to rigorously track performance and use that data to make informed decisions about market opportunities, they avoid costly mistakes, improve efficiency and gain long-term competitive advantage. (Read more [here.](#))
- Freight costs are stabilizing after steep declines in the second half of ‘22, but inflation and the threat of recession are making demand levels difficult to predict. Freightos’ Head of Research, shares insights on what’s driving these trends and provides the latest data on freight rates, congestion, capacity changes, and demand levels. (Watch more [here.](#))
- In 2023, salaries in the U.S. are expected to rise by an average of 4.6%, representing the biggest jump the nation has seen in 15 years. The primary reasons for the increase include high inflation rates and a tight labor market. Are industrial employers doing enough to counterbalance rising living costs and retain their top talent? And how will manufacturing workers fare in the coming months? (Read more [here.](#))
- Industrial production was unchanged for the month of January. However, the manufacturing sector was the biggest positive contributor in January, posting a gain of 1.0%. Looking at the details, both auto and non-auto manufacturing rose in January, posting gains of 0.5% and 1.0%, respectively. (Read more [here.](#))

KEY INDICATORS

RAW MATERIAL PRICING

Raw Material Pricing - Institute for Supply Management (IMS®) Price Index					
Month	Prices % Higher	Prices % Same	Prices % Lower	Net	Index
Jan 2023	18.2%	52.5%	29.3%	-11.1%	44.5%
2022 Index Average Jan.-Dec.					64.7
2021 Index Average May-Dec.					82.8

Notes:

- The ISM® Prices Index registered 44.5% in January, 5.1% points higher compared to the December reading of 39.4%.
- Raw materials prices increase in January compared to December but remain in the “decreasing” territory for the fourth straight month. (A reading above 50 means prices are expanding, a reading below 50 means prices are contracting.)
- This ties the longest streak of declining Prices Index readings since the onset of the pandemic, from February through May 2020. Between April and December 2022, the index has decreased 47.7%.
- In January, four industries reported paying increased prices for raw materials: Fabricated Metal Products; Miscellaneous Manufacturing; Computer & Electronic Products; and Machinery.
- Nine industries reported paying decreased prices for raw materials in January, in the following order, are: **Plastics & Rubber Products**; Wood Products; Transportation Equipment; Paper Products; Electrical Equipment, Appliances & Components; Chemical Products; Petroleum & Coal Products; Furniture & Related Products; and Food, Beverage & Tobacco Products.

COMMODITY PRICING

Commodity Price Change - IMS® Report on Business		
Prices Up	Prices Down	
Aluminum*	Aluminum* (9)	Ocean Freight (5)
Copper (2)	Aluminum Products (2)	Petroleum Based Products
Copper Products	Coconut Products	Plastic Based Products
Electrical Components (3)	Corrugate (2)	Plastic Resins (8)
Freight* (2)	Corrugated Boxes	Polyethylene
Packaging Materials	Crude Oil (2)	Terephthalate (PET)

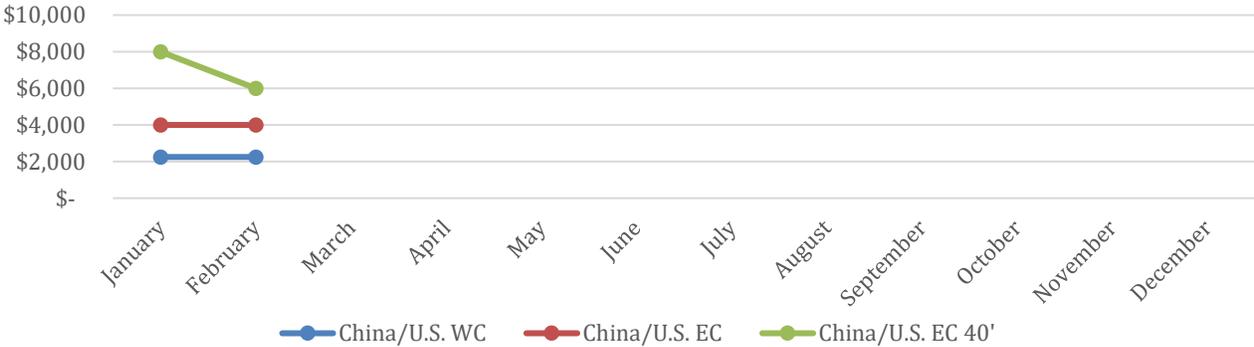
Portland Cement	Diesel (2)	Polypropylene (6)
Steel - Carbon	Freight* (3)	Polyvinyl Chloride (PVC)
Steel - Hot Rolled	HDPE Resin	Solvents
Steel - Scrap	Lumber	Steel (9)
Steel Products*	Methanol	Steel Bars
	Natural Gas (2)	Steel Products* (7)

Notes:

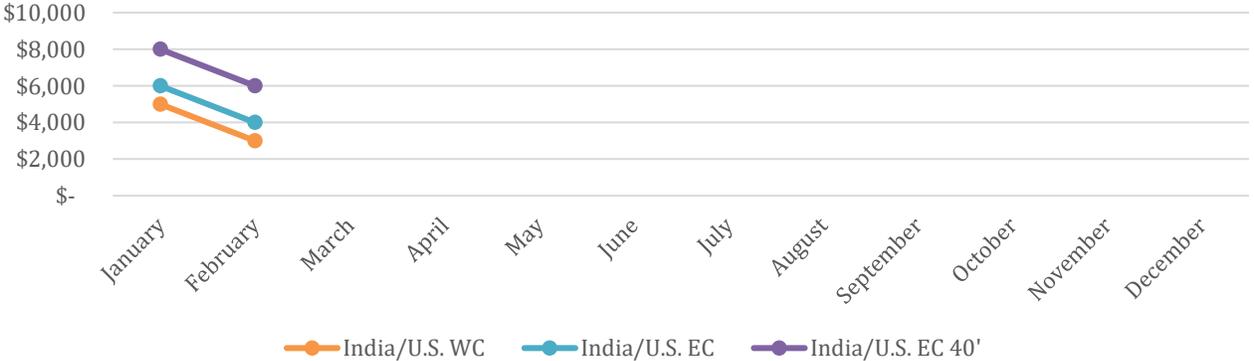
- The number in brackets after each item indicates the number of consecutive months the commodity has been listed up or down.
- * Indicates those commodities both up and down in price.
- The ISM® also listed commodity materials in short supply for the month, which includes the following: Bearings (2); Electrical Components (28); Electronic Components (26); Hydraulic Components (9); Semiconductors (26); Steel - Stainless; and Steel Products.

OCEAN FREIGHT

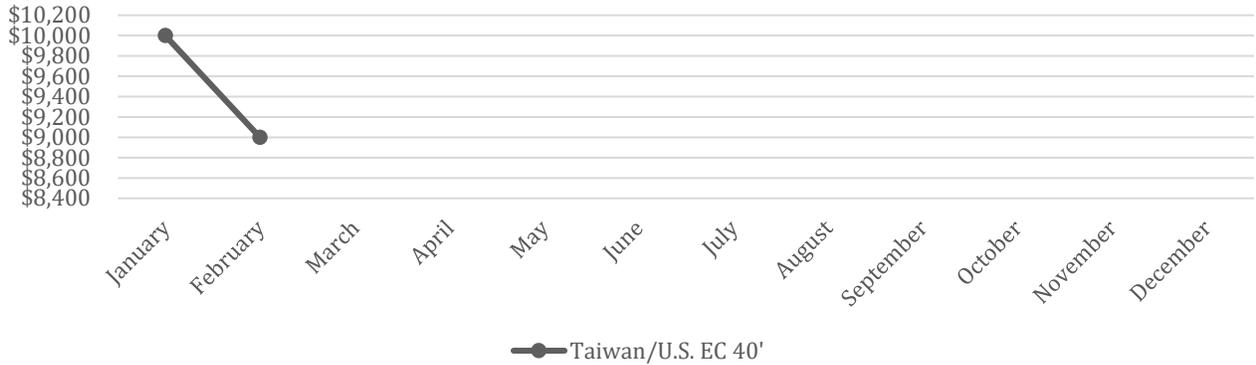
Average GCP/China Container Cost, U.S. Dollars



Average GCP/India Container Cost, U.S. Dollars



Average GCP/Taiwan Container Cost, U.S. Dollars

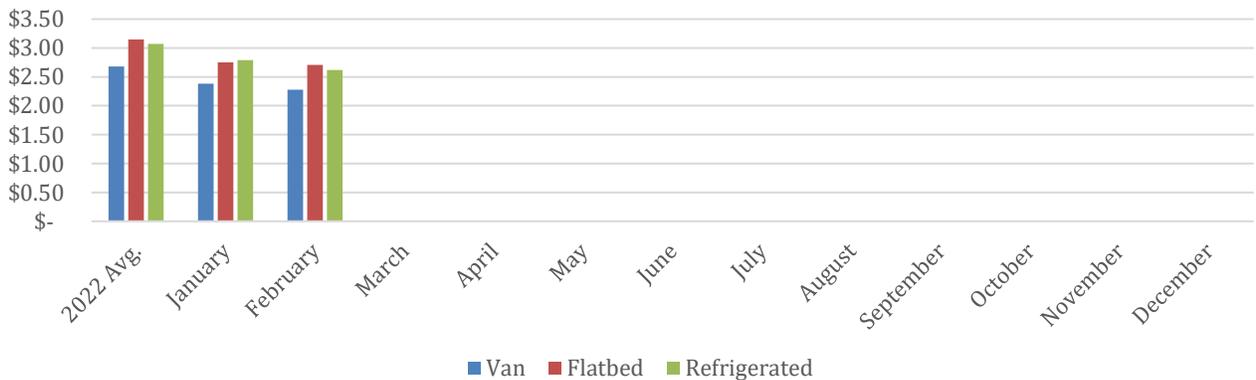


Notes:

- All rates stated above are port to door rates, fully delivered, inclusive of all fees.
- With Lunar New Year now behind us, a lot of uncertainty remains as to what the rest of the year will look like. On the demand side, import volumes to North America continue to fall, although some projections are pointing to a second half rebound.
- On the supply side, even with demand falling, a surge in new containerships from the record orderbook will start being delivered next month. At the same time some observers expect about 25% of those orders to get postponed, and carriers are increasing the number of older vessel demolitions as ways to reduce capacity.
- In terms of rates, transpacific prices remain about 90% lower than a year ago, and now hovering around 2019 levels.

TRUCKING

North American Trucking Rates Average Cost/Mile, U.S. Dollars

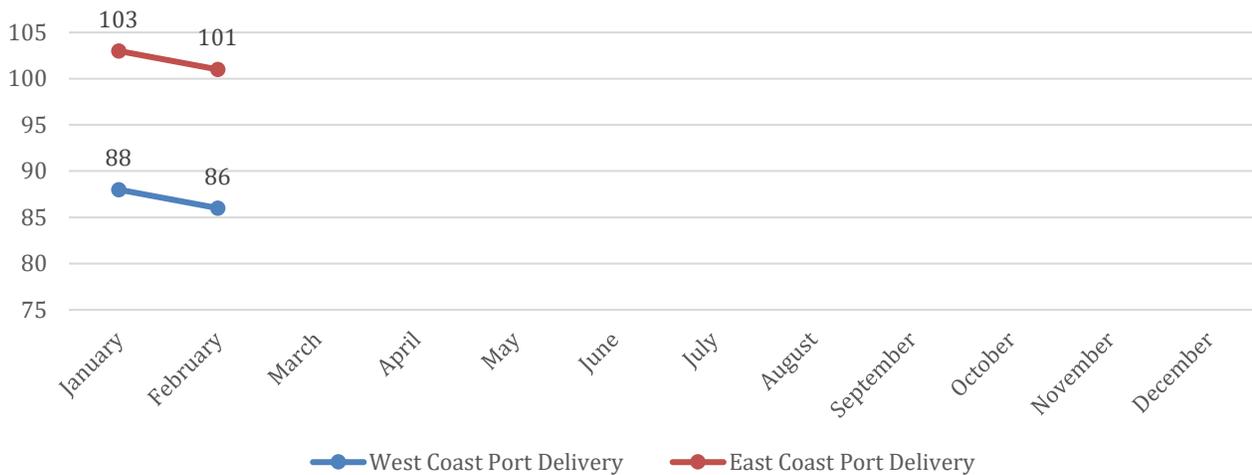


Notes:

- Current van rates \$2.28, flatbed rates \$2.71, refrigerated rates \$2.62.
- February is typically the slowest month of the year for truckload markets, and that seasonal trend is playing out. Load volume is down, truck capacity remain loose, inbound container shipments are down, and fuel prices are lower as well. All factors combined continues to lead to lower rates.

TRANSIT TIME

Number of Days to Produce & Deliver an Order
Average for All GCP Product/Product Lines



Notes:

- Our door-to-door transit times measures the change in days an average order will take to supply from the time the purchase order is submitted to the time it is delivered (all facilities, all products). This includes the time it takes to book a container as well as ocean shipping and other intermodal transit times.
- For specific production times for each of our branded product lines, please see our February 2023 production report. (View [here](#).)
- Industry average port to door transit time (ocean shipping + ground transportation) for all China/U.S. shipments is 52 days. This stays consistent with the previous month and remains 20% higher than 2019, where the average was 43 days.
- GCP’s current average port to door transit time (ocean shipping + ground transportation) for China/U.S. shipments is 35-45 days for U.S. EC and 20-30 days for U.S. WC.

ENERGY PRICES

Energy	Price	Monthly Change	YoY Change
WTI Crude Oil (USD/Bbl)	~ \$75.80	-9.94%	-18.64%
Brent Crude Oil (USD/Bbl)	~ \$82.60	-8.75%	-12.73%
Natural Gas (USD/MMBtu)	~ \$2.60	-33.15%	-53.10%
Coal (USD/T)	~ \$209.00	-41.94%	-11.53%
Diesel Fuel (USD/Gallon)	~ \$4.414	-3.18%	13.26%

Notes:

- Crude prices continue to fall as stronger-than-expected U.S. employment and consumer prices data fanned concerns of more Federal Reserve interest rate hikes that could weigh on demand at a time when inventories continue to rise. Keeping a floor under prices were expectations of tighter global supplies and increasing demand from China.
- U.S. natural gas prices fell below \$2 earlier in the month, which is the weakest level since September 2020. Natural gas prices have declined more than 45% since the beginning of the year and are now over 80% down from their August peak of \$10. Warmer winter weather has kept heating demand subdued and stockpiles well above average.
- Coal prices slid towards \$200 per tonne, a level not seen since February 2022, as signs of sluggish demand offset concerns about supply disruptions from key exporter Australia. Warm weather, particularly in the U.S. and Europe, and lower natural gas prices has decreased the reliance on coal for generating power.

PORT OPERATIONS

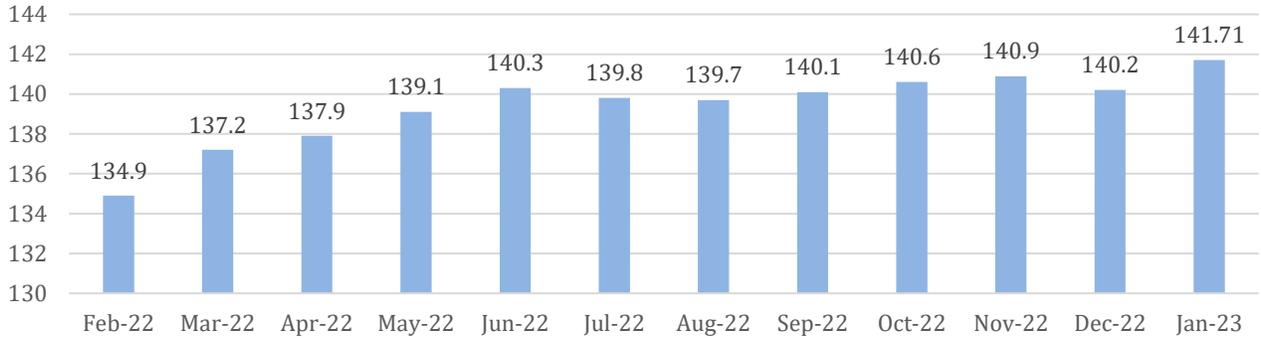
Current North America Vessel Dwell Times				
Region	Port	Vessels Waiting	Average Wait for Birth	Rail Dwell Times
U.S. West Coast	LA/LB	6	2 days	7 days
	OAK	2	0 days	10 days
	SEA/TAC	0	0 days	7 days
Canada West Coast	Van	3	9 days	9 days
	PRR	1	2 days	11 days
U.S. East Coast / Gulf Coast	NY/NJ	1	1 days	5 days
	BAL	0	2 Days	N/A
	NOR	0	1 day	3 days
	CHS	4	0 day	4 days
	SAV	8	3 days	3 days
	HOU	3	5 days	N/A

Notes:

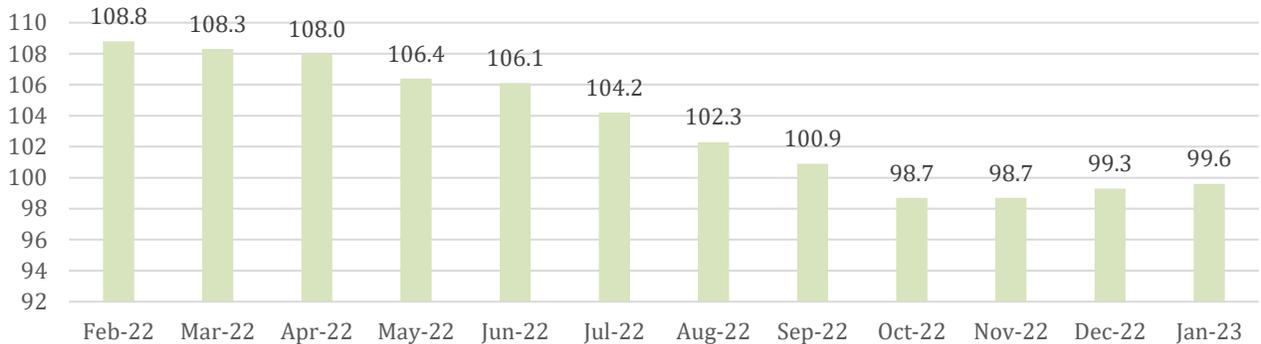
- Market and rate conditions are similar around North America. Vessel waiting and birth times continue to be stable with rail dwell times varying but generally decreasing from last month.
- Majority of U.S. and Canadian ports and rail ramps are fluid, and not experiencing any significant delays.

PRODUCER PRICE INDEX

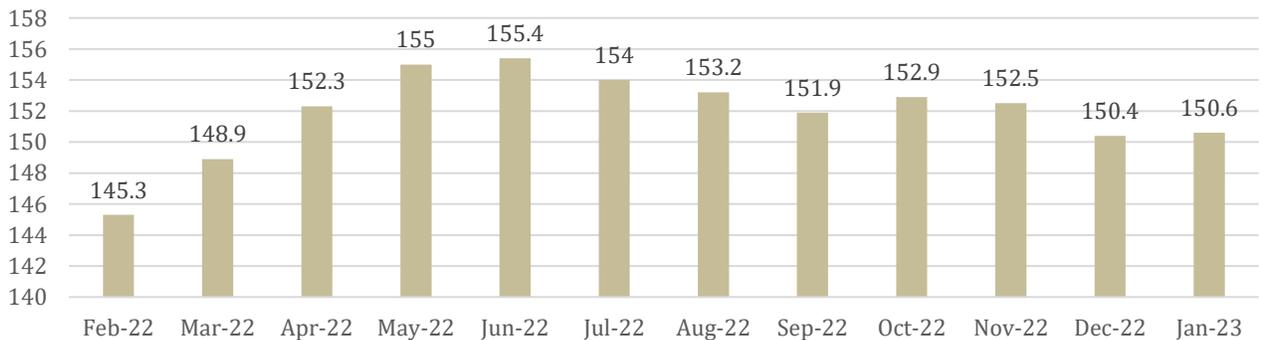
U.S. Producer Price Index



China Producer Price Index



India Producer Price Index



Mexico Producer Price Index



Notes:

- For more information on the Producer Price Index (PPI) read [here](#).
- U.S. PPI is currently measuring 141.71, up from 140.78 last month and up from 133.65 one year ago. This is a change of 0.66% from last month and 6.03% from one year ago.
- China's PPI is currently measuring 99.60, up from 99.30 last month and down from 109.10 one year ago. This is a change of 0.30% from last month and -8.71% from one year ago.
- India's PPI is currently measuring 150.60, up from 150.40 last month and up from 143.8 year-over-year. This is a change of 0.13% month-over-month and 5.64% from last year.
- Mexico's PPI is currently measuring 120.77, up from 120 last month and is the highest reading over the past year. This is a change of 0.58% from last month and 4.59% from last year.

FOREIGN EXCHANGE

ICE U.S. Dollar Index



Notes:

- For more information on the ICE U.S. Dollar Index (USDIX) read [here](#).
- The ICE U.S. Dollar Index current reading of 104.51 is down 0.10% year to date. The 52-week high reading is 114.69, 52-week low reading is 95.98.
- The dollar index is climbing off the January lows, on expectations the Federal Reserve will continue to tighten monetary policy to control inflation.

U.S. Dollar - Against Other Currencies

Month	1 U.S. Dollar = Chinese Yuan	1 U.S. Dollar = Mexican Peso	1 U.S. Dollar = Euro	1 U.S. Dollar = Canadian Dollar
<i>USD YTD Change</i>	<i>Down 0.27%</i>	<i>Down 5.69%</i>	<i>Up 0.42%</i>	<i>Down 0.88%</i>
Current	¥6.880	\$18.39	€0.940	\$1.346
January 31, 2023	¥6.757	\$18.83	€0.923	\$1.345
January 02, 2023	¥6.899	\$19.50	€0.936	\$1.358
% Change in 2022	Up 8.5%	Down 4.4%	Up 6.5%	Up 6.6%

Notes:

- Current prices above, as of February 21, 2023.
- January 02, 2023, represents the first trading day of 2023.

ADDITIONAL INFORMATION

INFLATION

- The Consumer Price Index (CPI) rose 0.5% in January, matching consensus expectations. The CPI is up 6.4% from a year ago.
- Consumer prices reaccelerated in January with some of the increase coming from energy prices, which rose 2.0% in the month. However, stripping this category out and its volatile counterpart (food prices) “core” prices still rose at an elevated 0.4% clip.
- In the last 12 months, overall prices are up 6.4% while core prices are up 5.6%; both well above the Federal Reserve’s 2.0% inflation target.
- A hot inflation report for January might have surprised some, but it really shouldn’t have. The M2 measure of the money supply surged more than 40% in the two years ending in February 2022 and part of that surge is still generating extra inflation.
- Also, analysts had been touting a 1.8% annualized rate of increase in consumer prices during the last three months of 2022, but these numbers were revised, now showing that the CPI climbed at a 3.3% annual rate in the fourth quarter.
- Put it all together, Powell and the Fed have plenty of reasons to keep raising rates and keep monetary policy tight in the months to come.

LABOR COSTS/SHORTAGES

- Job openings at small businesses ticked up last month amid what remains a tight labor market, according to the most recent survey results from the National Federation of Independent Business (NFIB).
- 57% of small business owners surveyed said they were hiring or trying to hire in January, up two points from December. In addition, 27% said there were few qualified applicants for their open positions, and 25% said there were no applicants at all.
- 46% of businesses report raising compensation to attract workers with 22% saying they plan to raise worker pay in the next three months.
- The share of owners citing labor costs as their single most important business problem increased two points to 10%, historically among the highest readings over the 49-year history of the survey.
- Amidst the struggle to fill open jobs for small businesses, the U.S. manufacturing sector added 19,000 jobs in January, more than double the 8,000 jobs added in December.

However, there remains 730,000 job openings in the sector which is nearly 80% more than pre-pandemic levels.

U.S./CHINA RELATIONS

- There had been some hope of cooling tensions between the U.S. and China in recent months, but things now appear to be moving in the opposite direction.
- After shooting down what was dubbed a Chinese spy balloon, Secretary of State Antony Blinken canceled a top-level meeting with President Xi Jinping citing violations to U.S. sovereignty.
- In response, Beijing called the use of force a "violation of international conventions" and warned of "serious repercussions," insisting that its "civilian unmanned airship" was merely collecting meteorological data and strayed off course due to high winds.
- The U.S. had recently attempted to get relations back on track with Treasury Secretary Janet Yellen holding discussions with her Chinese counterpart Liu He at the World Economic Forum in Davos, while President Biden met Xi Jinping in Bali during the G20 summit in November.
- Friction between the world's two largest economies already lingers over areas like trade, but bigger economic risks are at stake with a battle over access to key cutting-edge technologies.
- The more lasting impact on U.S.-China ties has yet to be seen. History shows that geopolitical spats don't always derail close relationships, especially economic ones. Trade in goods between the U.S. and China climbed to a record in 2022, even with lingering effects and sanctions in place from the Trump-era trade war.

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