

# INDUSTRIAL SECTOR TRADE REPORT

March 2023



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## INSIGHTS OF THE MONTH

- After a rocky three years the NY Fed says global supply chains are back to normal. Less shipping congestion, an easing of parts shortages and weaker consumer demand have combined to pull the indicator lower in seven of the past 10 months. (read more [here](#).)
- February saw one of the lowest import levels since the beginning of the pandemic with U.S. ports projected to have processed 1.56 million twenty-foot equivalent units (TEU), down 13.6% from January and 26.2% from a year earlier. However, import cargo volume is expected to climb in the coming months. (Read more [here](#).)
- The International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) announced in a joint statement on February 23 that they continue to negotiate and “remain hopeful of reaching a deal soon.” The parties have agreed not to discuss negotiations in the media as collective bargaining continues. (Read more [here](#).)
- Transportation prices fell in February at the fastest rate recorded in six-and-a-half-years. The Logistics Managers’ Index (LMI) registered a reading of 36.1 for transportation costs in February, 5.9% lower than January and below the previous record, which was established in December 2022. (Listen [here](#).)
- The most recent survey of more than 100 CEOs of America's biggest companies suggests the U.S. is not plunging into a recession. But it does imply slow growth and wariness around hiring, sales, and capital spending. (Read more [here](#).)
- U.S. Industrial production came in flat for February, and although the overall report was nothing to celebrate, some of the data was better than expected. Specifically, the manufacturing sector which eked out a small gain of 0.1% in February. This was the biggest positive contributor for the month and comes on the heels of an upwardly revised 1.3% gain in January. (Read more [here](#).)
- The expiration of the Generalized System of Preferences, or GSP, has meant more than 100 countries have lost tariff-free access to the U.S. As a result, some businesses are moving back to China to take advantage of cheaper shipping costs and the country’s ability to manufacture huge numbers of products at scale and speed. (Read more [here](#).)
- The March forecast from The Conference Board projects economic weakness will intensify and spread throughout the U.S. economy over the coming months. This outlook is associated with persistent inflation and Fed’s hawkishness. They forecasted real GDP growth will slow to 0.7% in 2023, and then rise to 0.9% in 2024. (Read more [here](#).)
- How do you prepare your business for a possible recession? There are three crucial factors to consider. (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
Feb 2023	24.7%	53.2%	22.1%	+2.6	51.3
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 51.3% in February, 6.8% points higher compared to the January reading of 44.5%.
- In February the index ticked back into price expansion mode after spending the last four months in decreasing territory. Over the last two months, the index has risen 11.9 points. (A reading above 50 means prices are expanding, a reading below 50 means prices are contracting.)
- The index has now risen in 29 of the last 33 months.
- In February, eight industries reported paying increased prices for raw materials: Electrical Equipment, Appliances & Components; **Plastics & Rubber Products**; Fabricated Metal Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Computer & Electronic Products; Miscellaneous Manufacturing; and Machinery.
- Six industries reported paying decreased prices for raw materials in February: Textile Mills; Furniture & Related Products; Wood Products; Paper Products; Chemical Products; and Transportation Equipment.

## COMMODITY PRICING

Commodity Price Change - IMS® Report on Business	
Prices Up	Prices Down
Aluminum* (2)	Aluminum* (10)
Copper (3)	Corrugate (3)
Electrical Components (4)	Corrugated Boxes (2)
Electronic Components	Freight (4)
Maintenance, Repair, and Operations (MRO)	Lumber (2)
Materials	Natural Gas (3)
Polyethylene	Ocean Freight (6)

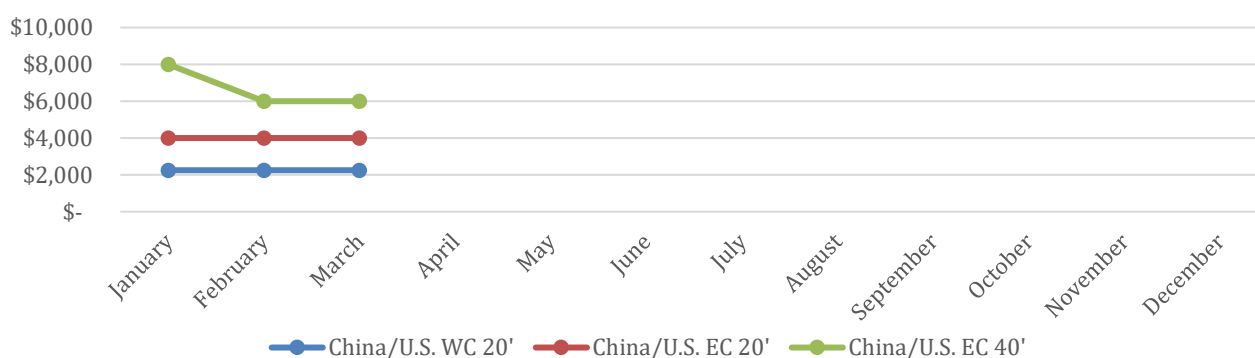
Polypropylene Solvents; Steel* Steel - Stainless Steel Products*(2)	Pallets Plastic Resins (9) Polyethylene Steel* (10) Steel - Hot Rolled Steel Products* (8)
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#### Notes:

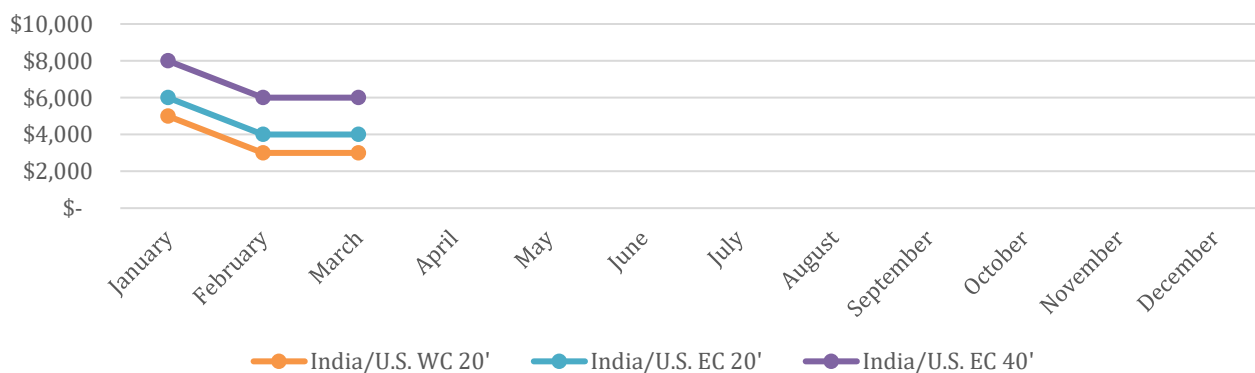
- The number in brackets after each item indicates the number of consecutive months the commodity has been listed up or down.
- \* Indicates those commodities both up and down in price.
- The ISM® also listed commodity materials in short supply for the month, which includes the following: Electrical Components (29); Electronic Components (27); Hydraulic Components (10); Packaging Materials; Plastic Resins; Semiconductors (27); and Steel Products (2).

#### OCEAN FREIGHT

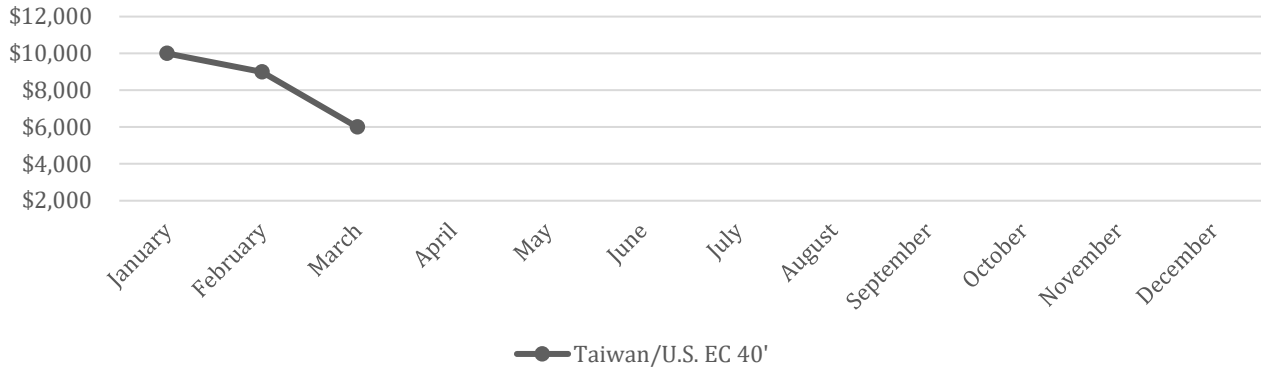
Average GCP/China Container Cost, U.S. Dollars



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



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

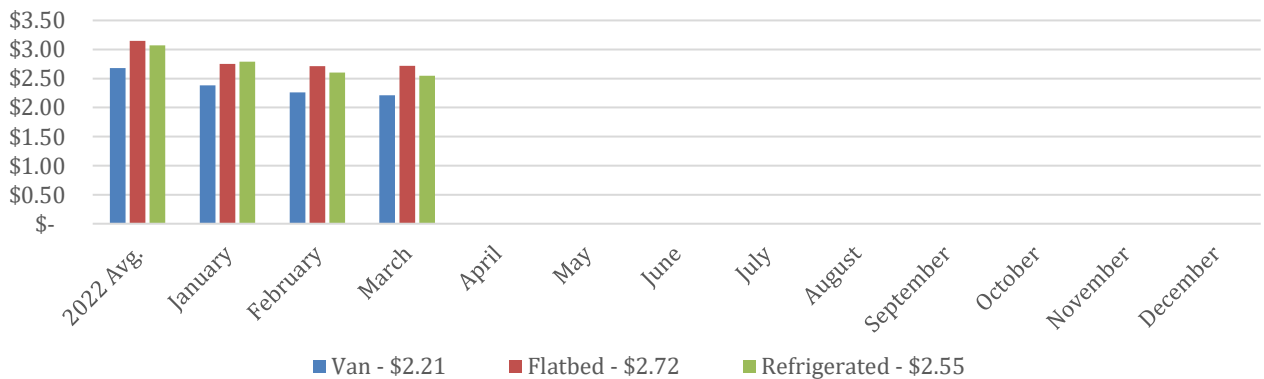


### Notes:

- All rates stated above are port to door rates, fully delivered, inclusive of all fees.
- The latest U.S. transatlantic import data shows that, monthly volumes fell 14% in February and were 26% lower than a year ago. Imports were at their lowest since June 2020 and were also lower than any month in 2019.
- The demand slump, driven by last year's inventory buildup and shifts in spending, continues to suppress China/U.S. container rates. GCP costs are hovering around \$2,000/TEU to the West Coast from China and \$4,000/TEU to the East Coast from China.
- Prospects of general rate increases (GRI) for April 1st appear more likely as carriers seek to find a floor for the continued decline in spot rates. In addition, more blank sailings are expected to persist.

## TRUCKING

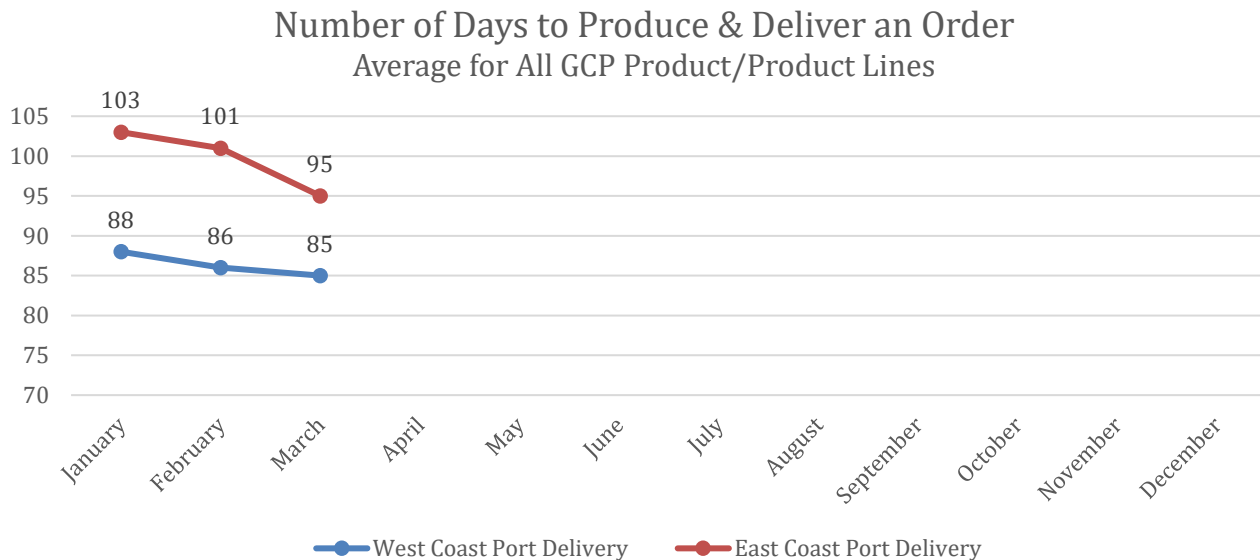
### North American Trucking Rates Average Cost/Mile, U.S. Dollars



### Notes:

- The truckload market continues to show signs of overcapacity as rejection rates are near the lowest levels of all time. Truckload volumes haven't declined with the fury as they did in the second half of 2022 but they have continued to soften. As a result, contract and spot rates continue to slide lower.

## TRANSIT TIME



### 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 March 2023 production report. (View [here](#).)
- GCP's current average port to door transit time China/U.S. shipments is 35-40 days for U.S. EC and 25-30 days for U.S. WC.

## ENERGY PRICES

Energy	Price	Monthly Change	YoY Change
WTI Crude Oil (USD/Bbl)	~ \$68.10	-11.04%	-31.74%
Brent Crude Oil (USD/Bbl)	~ \$74.50	-9.78%	-27.98%
Natural Gas (USD/MMBtu)	~ \$2.55	-1.90%	-50.08%
Coal (USD/T)	~ \$175.00	-18.22%	-48.53%
Diesel Fuel (USD/Gallon)	~ \$4.327	-4.56%	-15.22%



Notes:

- Crude prices are hovering around one-year lows, as uncertainty remains around Chinese demand recovery and a weaker U.S. dollar looks to persist. However, OPEC has recently raised its forecast for Chinese oil demand growth in 2023 and the International Energy Agency also echoed a generally bullish outlook for oil demand, in the coming months.
- U.S. natural gas prices continue to stay depressed as expectations for lower heating demand remain. Due to milder weather, the average U.S. gas demand (including exports) is expected to fall to 120.0 bcf/d from 120.8 bcf/d. Meanwhile, gas flows to LNG export plants have been on track to hit record highs after Freeport LNG's export plant in Texas became operational again.
- Coal prices fell below the \$200 per tonne for the first time since January 2022 amid lingering concerns about sluggish demand. A warm winter, particularly in the U.S. and Europe, and lower natural gas prices have decreased the reliance on coal for generating power. At the same time, uncertainty about China's industrial reopening has clouded the short-term outlook.

## PORT OPERATIONS

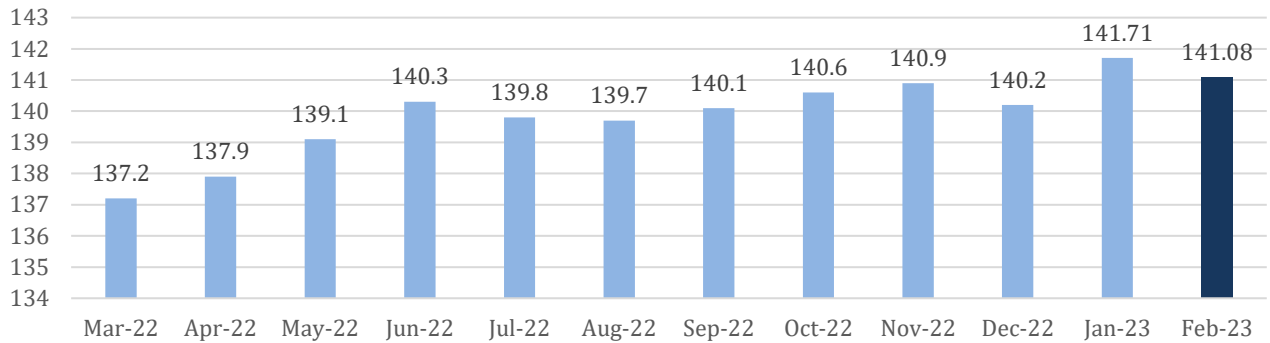
Current North America Vessel Dwell Times				
Region	Port	Vessels Waiting	Average Wait for Birth	Rail Dwell Times
U.S. West Coast	LA/LB	3	2 days	8 days
	OAK	6	0 days	8 days
	SEA/TAC	3	0 days	8 days
Canada West Coast	Van	3	3 days	9 days
	PRR	4	2 days	9 days
U.S. East Coast / Gulf Coast	NY/NJ	1	3 days	3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

Notes:

- Green - better than last month, Orange - same as last month, Red - worse than last month.
- Market conditions are similar around North America. Vessel waiting and birth times are stable with rail dwell times varying but generally decreasing month-over-month.
- The majority of U.S. and Canadian ports and rail ramps are fluid, and not experiencing any significant delays.

## PRODUCER PRICE INDEX (PPI)

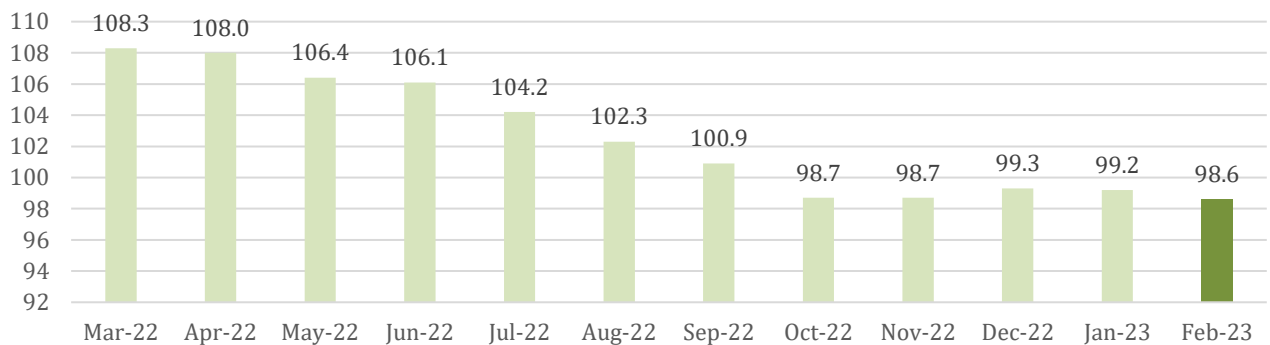
### U.S. Producer Price Index



#### Notes:

- U.S. PPI is currently measuring 141.08, down from 141.28 last month but up from 134.88 one year ago. This is a change of -0.15% from last month and 4.59% versus last year.

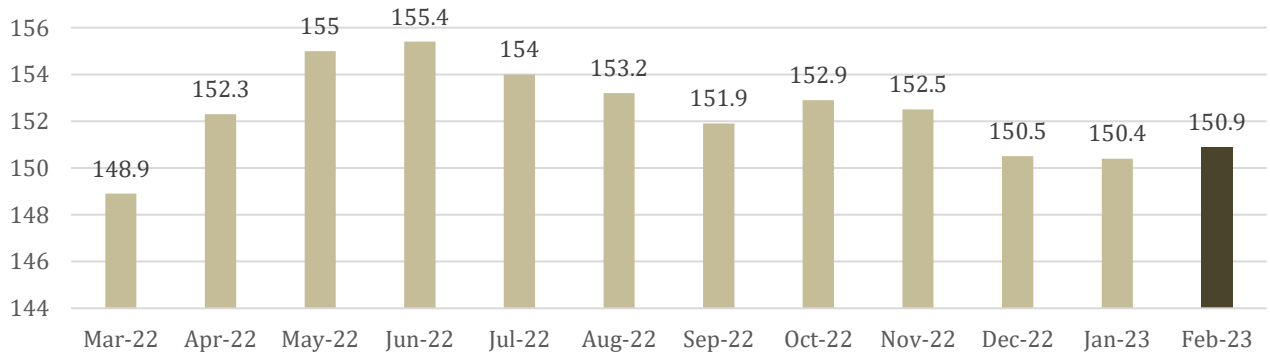
### China Producer Price Index



#### Notes:

- China's PPI is currently reading 98.60, down from 99.20 last month and down from 108.80 one year ago. This is a change of -0.60% from last month and -9.38% versus last year.

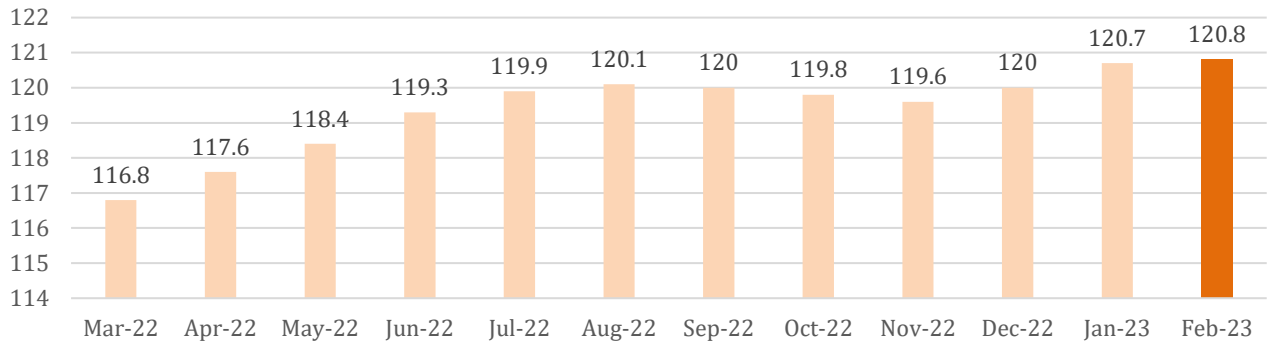
### India Producer Price Index



Notes:

- India's PPI is currently gauging 150.90, up slightly from 150.40 last month and up from 145.30 one year ago. This is a change of 0.33% from last month and 3.85% versus last year.

### Mexico Producer Price Index

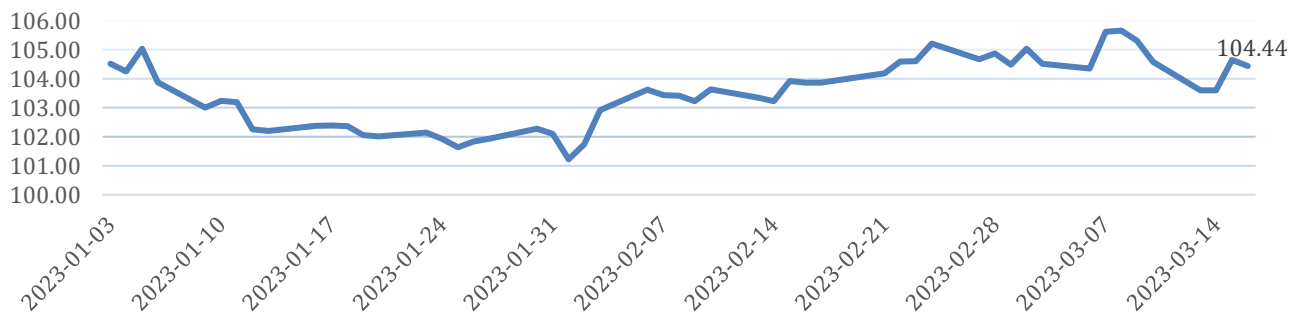


Notes

- Mexico's PPI is currently rating 120.82, up from 120.77 last month and up from 115.40 one year ago. This is a change of 0.08% from last month and 4.67% versus 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 is down roughly 0.07% year to date. The 52-week high reading is 114.69, 52-week low reading is 95.98.
- The U.S. dollar has largely been flat on the year as mixed results on inflation, a possible policy pivot by the Fed, and fears of a potential recession have pulled the greenback off its 2022 highs.

## U.S. Dollar - Against Major Trading Partners

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>+ 0.11%</i>	<i>- 2.92%</i>	<i>+ 1.28%</i>	<i>+ 1.25%</i>
Current	¥6.907	\$18.93	€0.948	\$1.375
February 28, 2023	¥6.937	\$18.31	€0.941	\$1.357
January 31, 2023	¥6.757	\$18.83	€0.923	\$1.345
January 02, 2023	¥6.899	\$19.50	€0.936	\$1.358
<i>% Change in 2022</i>	<i>Up 8.5%</i>	<i>Down 4.4%</i>	<i>Up 6.5%</i>	<i>Up 6.6%</i>

Notes:

- Current prices above, as of March 15, 2023.
- January 02, 2023, represents the first trading day of 2023.

# ADDITIONAL INFORMATION

## INFLATION

- The Consumer Price Index (CPI) rose 0.4% in February, which matched expectations. The CPI is up 6.0% versus a year ago.
- “Core” CPI, which excludes food and energy, rose 0.5% in February, above the consensus expectations of +0.4%. Core prices are up 5.5% versus a year ago.
- In early March Fed Chairman Jerome Powell told two congressional committees that the central bank is prepared to push rates higher than expected if inflation does not come down. That set off a wave of speculation that the Fed could be teeing up a 0.5% hike at March’s meeting.
- However, the recent banking sector turmoil has paved the way for a more restrained hike of 0.25%, or possibly not at all.
- Now, the Federal Reserve must make their next move against the backdrop of a fragile banking system. They must attempt to balance the risk of lasting inflation against the risk of causing further financial system turmoil.
- In addition, Fed officials will be releasing a set of quarterly economic projections that will indicate how high they expect borrowing costs to climb this year. Central bankers had expected to lift them to around 5% in 2023. Moreover, before the market volatility, they had hinted at adjusting the anticipated peak even higher in their new projections.
- Add it all together and the Fed have a delicate decision to make.

## LABOR COSTS/SHORTAGES

- According to the most recent survey results from the National Federation of Independent Business (NFIB), nearly half (47%) of small businesses have job openings they can’t fill.
- Small business labor demand remained strong” said NFIB Chief Economist Bill Dunkelberg. “Small business owners are working to maintain competitive compensation and are raising compensation in the hopes of filling their open critical positions.”
- 21% of small business reported labor quality as their top operating problem while labor cost increased two points to 12%, one point below the highest reading of 13% reached in December 2021.
- 67% of owners reported hiring or trying to hire last month, up three points from January. Of those hiring or trying to hire, 90% of owners reported few or no qualified applicants for the positions they were trying to fill.

- To attract workers, 46% of owners said they raised compensation, and 23% plan to raise compensation in the next three months, up one point from January.
- On a wider scale, according to the latest jobs report from the U.S. Labor Department, U.S. manufacturing employment declined by 4000 jobs in February marking the first time since March 2021, the sector has registered a employment decline.
- Additionally, the latest Job Openings and Labor Turnover survey (JOLTS) finds the number of job openings in manufacturing increased to 791,000 unfilled positions in January (January JOLTS data is reported in March). This is compared to 730,000 open positions recorded for December 2022.

## **U.S./CHINA RELATIONS**

- A recently released report by the United States International Trade Commission found U.S. importers bore almost the entire burden of tariffs imposed by Donald Trump on the more than \$300 billion in Chinese goods during his presidency.
- The conclusions back the longtime assertion from U.S. Chamber of Commerce and independent academic economists that the cost of the section 301 tariffs hurt American companies and contradict Trump's claim that China paid the ultimate cost of the duties.
- "It's hardly news that the tariffs are a tax paid by American families and companies, or that tariffs produce some winners and many losers across the U.S. economy," said John Murphy, senior vice president for international policy at the U.S. Chamber of Commerce. "What's most frustrating is that the administration has provided almost no opening for tariff relief, it's long past time to revisit these policies," he said.
- The U.S. Trade Representative's (USTR) began a review of the section 301 tariffs last year, which would have started to automatically expire in the middle of 2022 absent an evaluation. The USTR received thousands of public responses to their request for comment before the window closed in mid-January.
- The USTR is continuing their ongoing review of the duties to evaluate their economic impact/effectiveness and to decide if they should continue.

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## Energy Prices

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## Transit Times

- N/A

## Port Operations

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