

INDUSTRIAL SECTOR TRADE REPORT

April 2023



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INSIGHTS OF THE MONTH

- A prominent economist in Washington has leveled a scathing review of Biden’s trade policies, highlighting the perils of protectionism that’s moved from the fringes into a bipartisan majority in Congress. To “take away production from others in a zero-sum way” will ultimately backfire and leave America worse off in the end. (Watch [here.](#))
- Supply chains are increasingly relying on automation, driven by intelligent analytics and cognitive computing. Dubbed Industry 5.0, it’s the next stage of the digital, environmental, and human transformation of global manufacturing. It’s where data-driven organizations make decisions based on facts rather than intuition alone. (Read more [here.](#))
- The International Monetary Fund (IMF) reduced its outlook for global economic growth this year, saying “risks are heavily tilted to the downside.” The IMF indicated that worldwide GDP will be up 2.8%, down from 3.4% last year and 0.1% point lower than the group’s January prediction. It projects GDP rising 3% in 2024. (Read more [here.](#))
- For the first time since the economy was shuttered in the early phases of the COVID-19 pandemic, the national Outbound Tender Reject Index (OTRI) has fallen below 3%, making early 2023 the softest sustained truckload market in six years. Rejection rates above 6-7% typically indicate a tighter market where spot market volumes and prices increase. (Read more [here.](#))
- U.S. container import volumes in March increased 6.9% from February 2023. Import cargo volume at the nation’s major container ports should climb steadily through this summer, normalizing to numbers considered common pre-pandemic. (Read more [here.](#))
- The trade relationship between the U.S. and China has been subject to rising tensions for at least the past seven years. But it took the pandemic to reveal just how important those sourcing from China were to the steady flow of critical materials for American industry. (Watch [here.](#))
- U.S. trade deficit in goods and services rose to \$70.5 billion in February as exports and imports both dropped. The total volume of trade (imports plus exports) is still up 3.8% versus a year ago but is down 4.5% from last year's peak in June. The drop in both exports and imports indicates a weakening demand for goods both domestically and internationally. (Read more [here.](#))
- U.S. Industrial production came in better than expected in March, rising for a third consecutive month, although the details were weaker than the headline numbers suggested. The only major category to post a gain was the utilities sector, which is volatile and largely dependent on weather. Meanwhile, both auto and non-auto manufacturing activity declined 1.5% and 0.5% 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
Mar 2023	21.4%	55.6%	23.0%	-1.6	49.2
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 49.2% in March, 2.1% lower compared to the February reading of 51.3%.
- Comments from survey respondents support a return to more balanced supplier-buyer relationships. Sellers are more interested in filling order books, as lead times have been reduced.
- The index had been in expansion territory for 28 straight months, but has now contracted in five of the last six months.
- In March, eight industries reported paying increased prices for raw materials, in the following order: Machinery; **Plastics & Rubber Products**; Transportation Equipment; Fabricated Metal Products; Nonmetallic Mineral Products; Primary Metals; Electrical Equipment, Appliances & Components; and Miscellaneous Manufacturing.
- The eight industries reporting paying decreased prices for raw materials in March, in the following order, are: Wood Products; Petroleum & Coal Products; Textile Mills; Food, Beverage & Tobacco Products; Paper Products; Furniture & Related Products; Chemical Products; and Computer & Electronic Products.

COMMODITY PRICING

Commodity Price Change - IMS® Report on Business	
Prices Up	Prices Down
Copper (4)	Caustic Soda
Electrical Components (5)	Corn
Electronic Components (2)	Corrugate (4)
Plastic Resins*	Corrugated Boxes (3)
Polypropylene (2)	Crude Oil

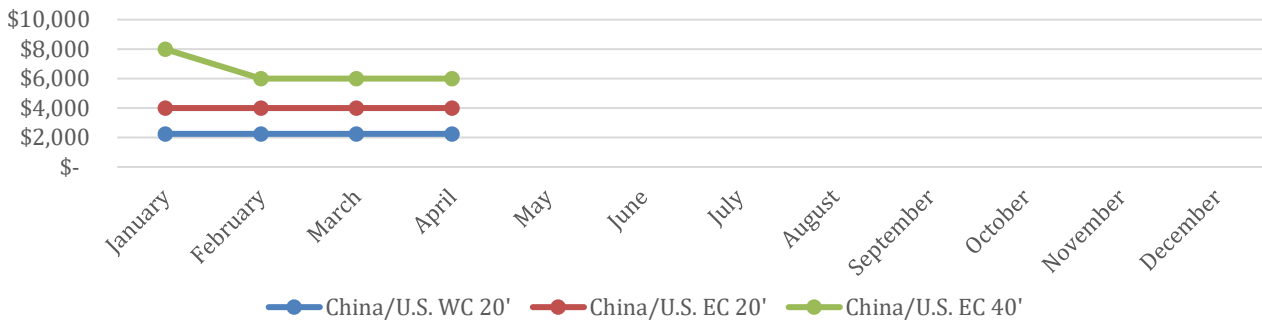
Propylenes Steel (2) Steel - Cold Rolled Steel - Fabrications Steel - Hot Rolled Steel - Scrap Steel - Stainless (2) Steel Products (3)	Freight (5) Natural Gas (4) Ocean Freight (7) Plastic Resins* (10) Polyethylene Solvents
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Notes:

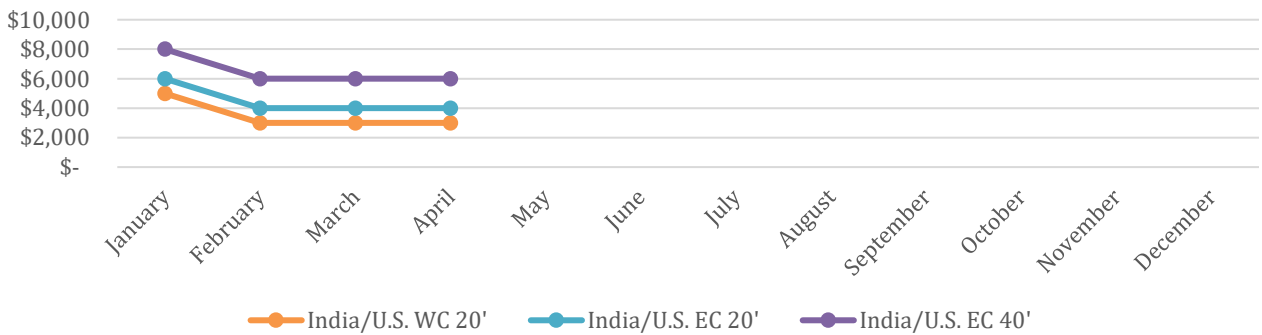
- The number in brackets after each item indicates the number of consecutive months the commodity has been listed up or down.
- * Indicates those commodities both up and down in price.
- The ISM® also listed commodity materials in short supply for the month, which includes the following: Electrical Components (30); Electronic Components (28); Hydraulic Components (11); Integrated Circuits; and Semiconductors (28).

OCEAN FREIGHT

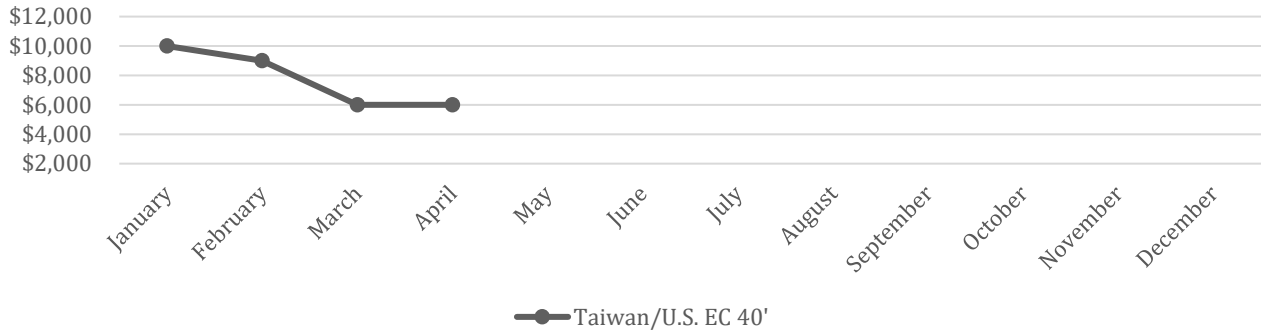
Average GCP/China Container Cost, U.S. Dollars



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



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

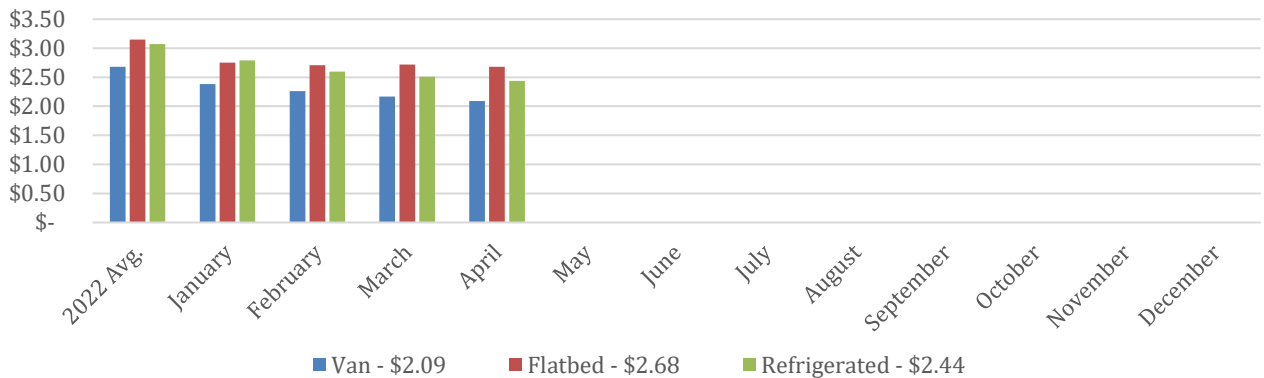


Notes:

- All rates stated above are port to door rates, fully delivered, inclusive of all fees.
- Blank sailings have hovered around 64% on Asia to North America shipping lanes so far in the first three months of the year. It's a slight uptick in percentage from the 2022 averages (when blanks were mostly due to congestion). As a result, total effective ship deployment is the lowest it has been since before the pandemic.

TRUCKING

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

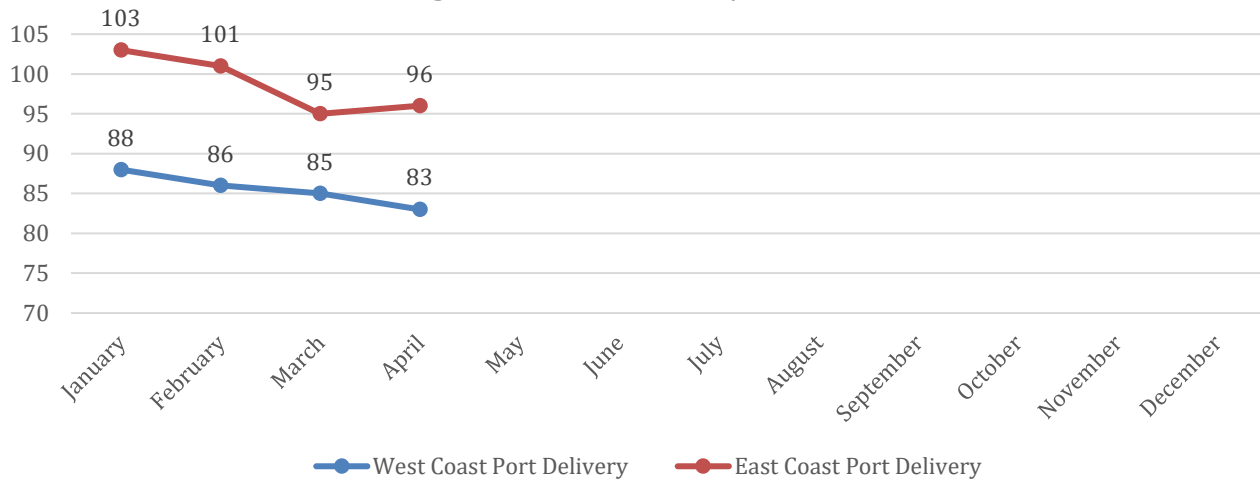


Notes:

- As freight data continues to bobble along the bottom, a recently published report suggests that per-mile rates are likely to fall a further 13% year-over-year in Q2.
- Industry consensus at the start of the year was that demand would pick back up in the second half of 2023, however there is concern that the recovery may not take shape.
- Per-shipment linehauls are down 13.8% sequentially Q1 this year and 19.1% lower year-over-year (y/y). This was the first y/y decline recorded by the index since Q3 2020.

TRANSIT TIME

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



Notes:

- The increase in April delivery time for China/U.S. EC shipments is due to a slight increase in ocean and intermodal transit time, 35-45 days versus 35-40 days last month.
- Our door-to-door transit time measures the change in days an average GCP 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 April 2023 production report. (View [here](#).)
- GCP's current average port to door transit time China/U.S. shipments is 35-45 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)	~ \$78.60	12.74%	-23.60%
Brent Crude Oil (USD/Bbl)	~ \$82.80	10.33%	-22.47%
Natural Gas (USD/MMBtu)	~ \$2.20	-11.57%	-69.03%
Coal (USD/T)	~ \$192.50	11.27%	-41.01%
Diesel Fuel (USD/Gallon)	~ \$4.203	-2.30%	-16.67%

Notes:

- Crude prices continue to be weighed down by concerns that higher interest rates could dampen global economic growth and future energy demand. The U.S. Federal Reserve is

expected to deliver another rate hike in May, while the European Central Bank is likely to raise borrowing costs over the next few months as well.

- U.S. natural gas prices continue to stay depressed due to milder weather and excess reserves. An upcoming federal report is expected to show U.S. utilities added 66 billion cubic feet of gas to storage, which is above the 41 bcf five-year average injection.
- Coal prices have dropped below \$200 per tonne amid increased production and sluggish demand outside China. On the demand side, coal consumption in the U.S. and Europe decreased dramatically as a much warmer-than-normal winter and lower natural gas prices reduced the reliance on coal for generating power.

PORT OPERATIONS

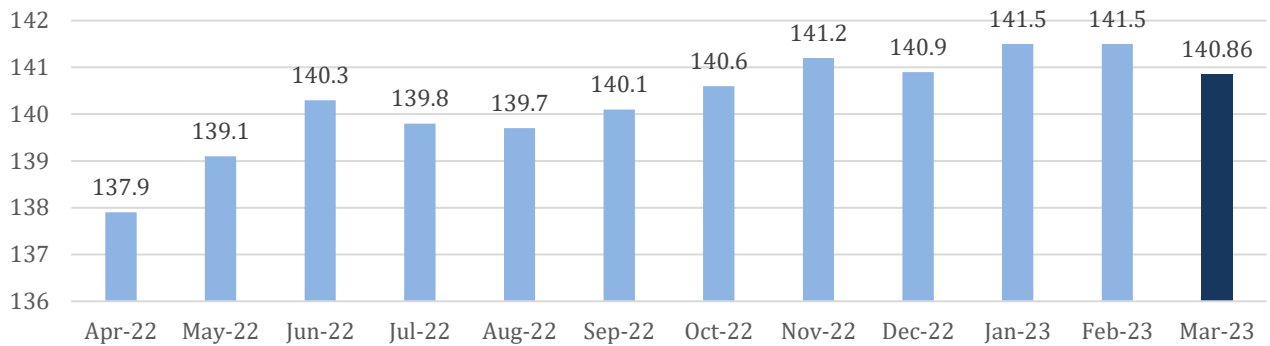
Current North America Vessel Dwell Times			
Region	Port	Average Wait for Birth	Comments
U.S. West Coast	LA/LB	3 days	Up 1 day from last month
	OAK	2 days	Up 2 days from last month
	SEA/TAC	2 days	Up 2 days from last month
Canada West Coast	Van	0 days	Down 3 days from last month
	PRR	3 days	Up 1 day from last month
U.S. East Coast / Gulf Coast	NY/NJ	1 day	No change from last month
	BAL	2 days	No change from last month
	NOR	0 days	Down 1 day from last month
	CHS	1 day	Up 1 day from last month
	SAV	2 days	Up 1 day from last month
	HOU	1 day	No change from last month

Notes:

- Inbound cargo volumes have declined at all U.S. ports since the fourth quarter of last year.
- Dwell times have also fallen significantly to an average of 2 days at West Coast hubs and 1.1 days for East Coast ports.
- Port activity is being sharply curtailed due to an inventory “bullwhip effect” as companies work through their bloated inventories. Meanwhile, concerns over a West Coast labor disruptions (due to the expired dockworker contract) has been compelling many U.S. importers to shift goods towards East and Gulf Coast ports.
- As a result of these two trends, import volumes to all ports are falling, but much more precipitously at West Coast ports.

PRODUCER PRICE INDEX (PPI)

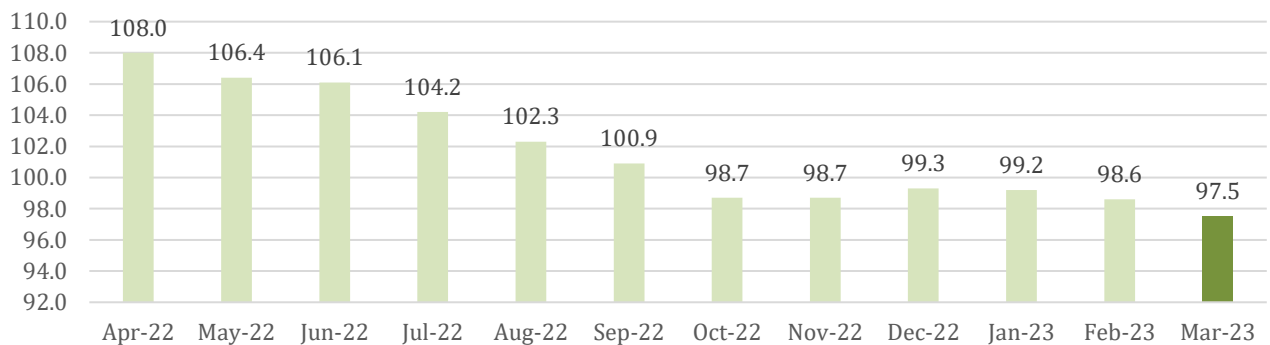
U.S. Producer Price Index



Notes:

- U.S. PPI is down from last month but still up from 137.04 one year ago. This is a change of -0.50% from last month and 2.79% year-over-year.

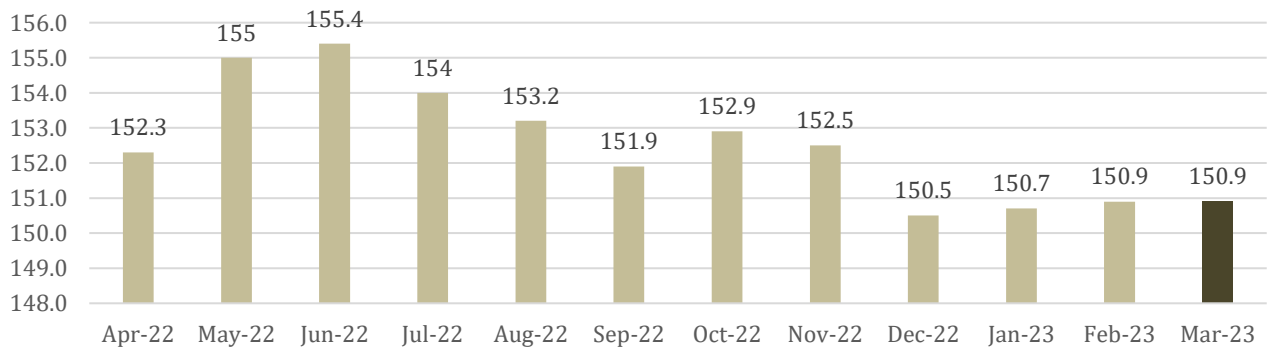
China Producer Price Index



Notes:

- China's PPI is currently reading 97.50, down from 98.60 last month and down from 108.30 one year ago. This is a change of -1.12% from last month and -9.97% from one year ago.

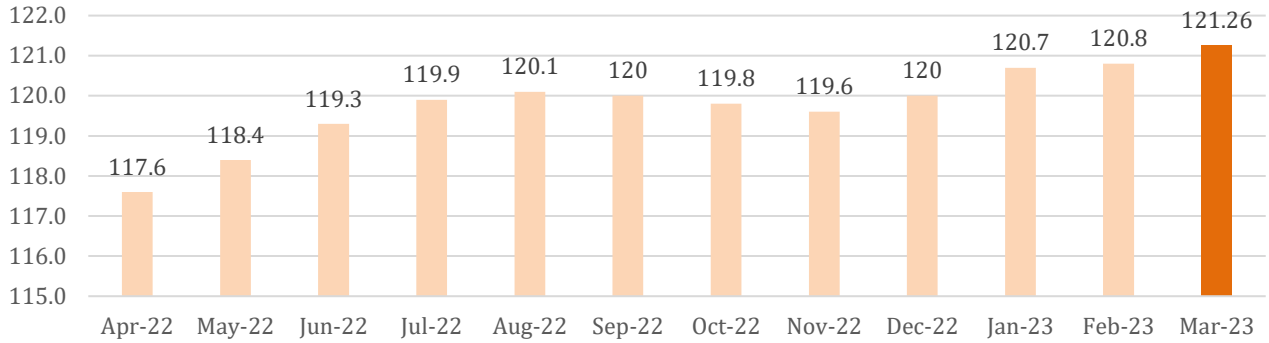
India Producer Price Index



Notes:

- India’s PPI is currently gauging 150.90, which is flat from last month and up from 148.9 one year ago. This 0% change month over month and 1.34% versus last year.

Mexico Producer Price Index

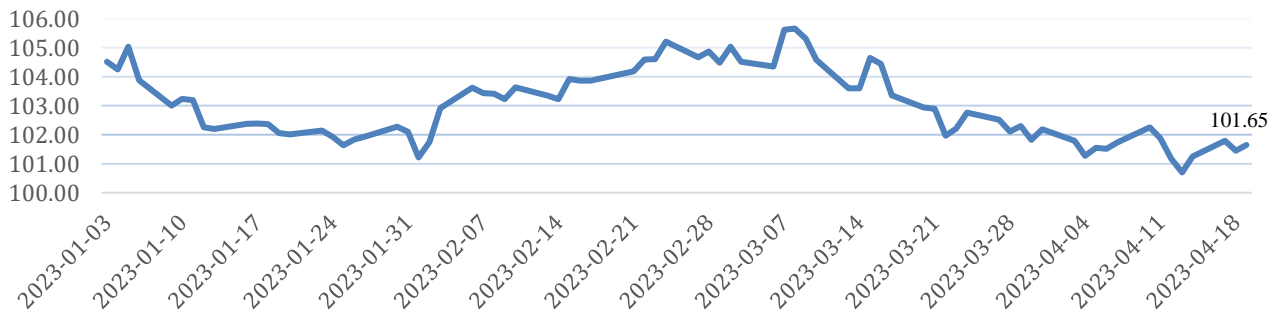


Notes

- Mexico’s PPI is currently rating 121.26, up from 120.81 last month and up from 116.8 one year ago. This is a change of 0.37% from last month and 3.81% 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 2.74% year to date. The 52-week high reading is 114.69, 52-week low reading is 95.98.
- The U.S. dollar retreated throughout March, but its downside may be limited due to recent expectations that the U.S. Fed will keep monetary policy tight.

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>- 0.43%</i>	<i>- 7.74%</i>	<i>- 2.77%</i>	<i>- 1.47%</i>
Current	¥6.869	\$17.99	€0.910	\$1.338
March 31, 2023	¥6.875	\$18.06	€0.919	\$1.355
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 April 17, 2023.
- January 02, 2023, represents the first trading day of 2023.

ADDITIONAL INFORMATION

INFLATION

- The Consumer Price Index (CPI) rose 0.1% in March, which was below the consensus expected +0.2%.
- “Core” CPI, which excludes food and energy, rose 0.4% in March, matching consensus expectations.
- Headline inflation moderated in March, coming in below expectations and pushing the twelve-month comparison down a full percentage point to 5.0%. However, the latest report showed inflation was more of a problem than the headline suggests.
- Overall consumer prices were held down by the energy sector, which decreased 3.5% as all major energy components declined. When stripping out energy and its other volatile counterpart, food prices (unchanged in March), “core” prices rose 0.4%, matching consensus expectations, and pushing the twelve-month comparison up to 5.6% from 5.5% in February.
- Unfortunately for the Fed, even after stripping out nearly every category, it does nothing to improve the picture. The data showed inflation is still well above where the Fed feels comfortable.
- Over the past year or so, the Fed has raised its benchmark interest rate nine times for a total of 4.75% points, the fastest pace of tightening since the early 1980s.
- Putting this altogether, inflation is still a problem in the U.S. economy. Expect Powell and Co. to keep monetary policy tight in the months to come.

LABOR COSTS/SHORTAGES

- Small businesses owners' sentiment about businesses conditions declined last month as higher costs weighed on operations, according to the National Federation of Independent Business (NFIB).
- The NFIB's Small Business Optimism Index fell 0.8 points in March at 90.1, well below its historical average as small business owners struggle with inflation and labor shortages.
- In March 43% of businesses reported job openings that were hard to fill, down four points from February but remain historically high. Nearly as many (42%) said they are raising compensation, while 22% plan to raise compensation in the next three months.
- Owners cited the difficulty of hiring as their second most challenging problem behind inflation.

- In terms of the wider industrial employment picture, U.S. manufacturers shed 1,000 jobs, following a 4,000-job loss the sector posted in February.
- Additionally, the latest U.S. Labor Department's Job Openings and Labor Turnover survey found the number of job openings in manufacturing fell significantly to 644,000 unfilled positions for the sector in February (February JOLTS data is reported in April).
- Despite the decrease, unfilled positions in manufacturing and in the U.S., economy remained elevated since the pandemic. As an example, open positions in the industrial sector totaled 432,000 in March 2019.

U.S./CHINA RELATIONS

- U.S. Treasury Secretary Janet Yellen delivered a loud-and-clear message during a recent speech on the relationship between the U.S. and China.
- She noted that tensions between the two superpowers are real and not going away, but this shouldn't stand in the way of a constructive economic relationship.
- It seems after years of frosty relations between the world's two largest economies, the Biden administration is trying to feel out the possibility of finding areas of pragmatic collaboration.
- In particular, finding areas of constructive diplomacy away from hot-button national security topics and ones shaped by zero-sum dynamics.
- "As a foundation, we must continue to develop steady lines of communication between our countries for macroeconomic and financial cooperation," Yellen stated.
- While it remains to be seen where Yellen's comments go from here, most onlookers agree that any worsening U.S.-China tensions are enough to set the world on edge.
- The International Monetary Fund (IMF) recently said in their World Economic Outlook "a fragmented world is likely to be a poorer one."
- In one of their modeled scenarios, the IMF splintered the world into U.S. and China-centered camps, which resulted in global output falling by 7% long term.

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