

INDUSTRIAL SECTOR TRADE REPORT

May 2023



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INSIGHTS OF THE MONTH

- Through information provided by purchasing managers, the U.S. manufacturing sector grew in April for the first time in six months. This was based on improved supply chains, and an increase in new order inflows for the first time since last September. (Read more [here](#))
- U.S. industrial production increased 0.5% in April versus a consensus expected 0.0%. The biggest contributor to the gain was the manufacturing sector where activity rose 1.0%, with auto output soaring 9.3% and the rest of the manufacturing sector gaining 0.3%. Auto production is up 8.5% year-over-year. (Read more [here](#))
- U.S. imports are rising off their lows. Monthly imports are now either at or above 2019 levels. U.S. ports imported 2,020,197 twenty-foot equivalent units of containerized cargo in April. That's down 18% from a year ago, but up 9% from March and 5% from April 2019, pre-COVID. (Listen [here](#))
- The latest U.S. trade deficit in goods and services came in at \$64.2 billion in March, which was larger than the consensus expectations of \$63.1 billion. Focusing on the total volume of trade, (imports plus exports) this measure rose by \$4.2 billion in March but is down 3.0% versus a year ago. Total volume of trade represents the extent of business and consumer interactions across all U.S. borders. (Read more [here](#))
- There were noticeable improvements throughout all metrics of carrier schedule reliability and average delays on global shipping/trade lanes in Q1 2023. This continues the same trend we saw from most of last year, with data now closer to pre-pandemic levels. (Read more [here](#))
- According to the New York Fed's Global Supply Chain Pressure Index (GSCPI) global supply chain pressures decreased again in April, falling below the index's historical average. Weaker demand and less shipping congestion coupled with easing material/parts shortages have combined to pull the indicator lower. (See data [here](#))
- Lean and just-in-time (JIT) strategies are still vital to today's supply chains. JIT strategies may have taken a beating in recent years, but the key principles of lean supply chain management can help manage risk, reduce waste, and increase efficiency. (Read more [here](#))
- US National Security Advisor Jake Sullivan said the Biden administration is working to "de-risk," not "decouple," from China, making the case that the administration's industrial strategy is crucial to contending with its geopolitical counterpart. (Read more [here](#))
- Real (inflation-adjusted) GDP grew from Q4 2022 to Q1 2023 at an annualized rate of 1.1%. Notably, most components of GDP, including consumer spending, exports, and government purchases, grew at a healthy pace. Business investment in equipment fell slightly. (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
April 2023	26.3%	53.7%	20%	+6.3	53.2
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 53.2%, 4 points higher compared to the March reading of 49.2%. This indicates raw materials prices increased in April.
- Price increases for foundational materials like steel, copper, plastics, and diesel continue to put upward pressure on material costs.
- 26% of companies reported paying ‘higher’ prices, up from 21% in March, which supports a general trend that price reductions may have eased for the near to medium-term.
- In April, nine industries reported paying increased prices for raw materials, in the following order: Petroleum & Coal Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; **Plastics & Rubber Products**; Machinery; Transportation Equipment; Miscellaneous Manufacturing; Fabricated Metal Products; and Computer & Electronic Products.
- The seven industries reported paying decreased prices for raw materials in April were: Paper Products; Wood Products; Textile Mills; Chemical Products; Food, Beverage & Tobacco Products; Primary Metals; and Electrical Equipment, Appliances & Components.

COMMODITY PRICING

Commodity Price Change - IMS® Report on Business	
Prices Up	Prices Down
Copper (5)	Aluminum
Diesel	Corrugate (5)
Electrical Components (6)	Corrugated Boxes (4)
Electronic Components (3)	Epoxy
High Density Polyethylene (HDPE)	Freight (6)
Labor - Temporary	Methanol

Plastic Resins* (2) Polypropylene (3) Steel (3) Steel - Carbon Steel - Hot Rolled (2) Steel - Stainless (3) Steel Products (4)	Natural Gas (5) Ocean Freight (8) Plastic Resins* (11) Steel Wood Pallets
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Commodities in Short Supply - IMS® Report on Business

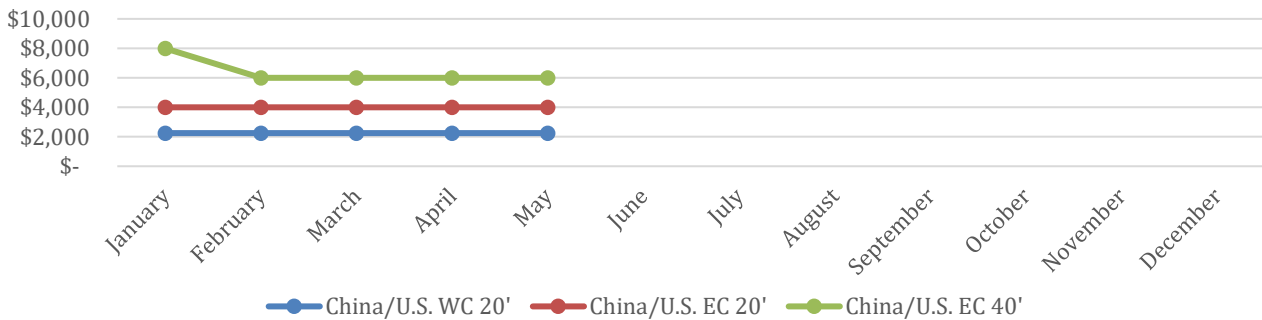
Electrical Components (31); Electronic Components (29); Labor - Temporary; Plastic Resins; Semiconductors (29)

Notes:

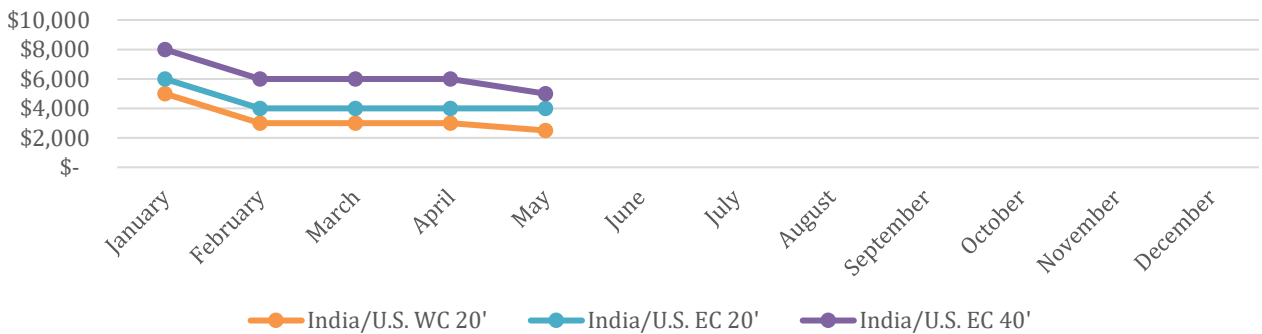
- The number in brackets after each item indicates the number of consecutive months the commodity has been listed up or down.
- * Indicates those commodities both up and down in price.

OCEAN FREIGHT

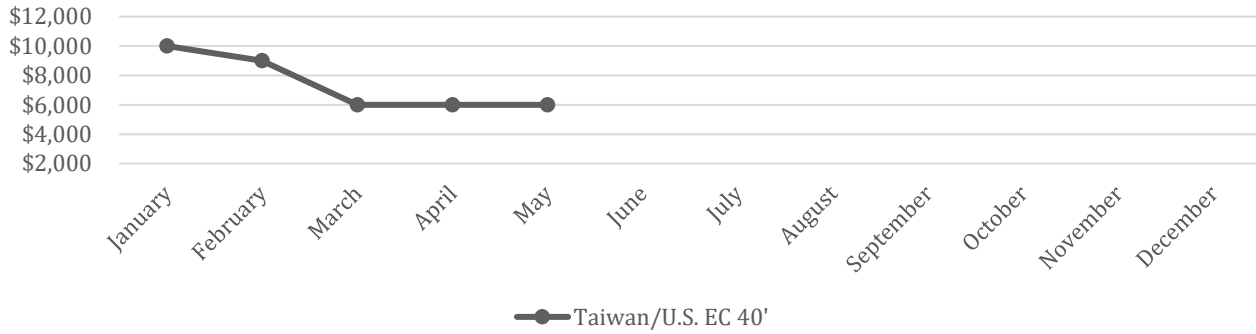
Average GCP/China Container Cost, U.S. Dollars



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



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

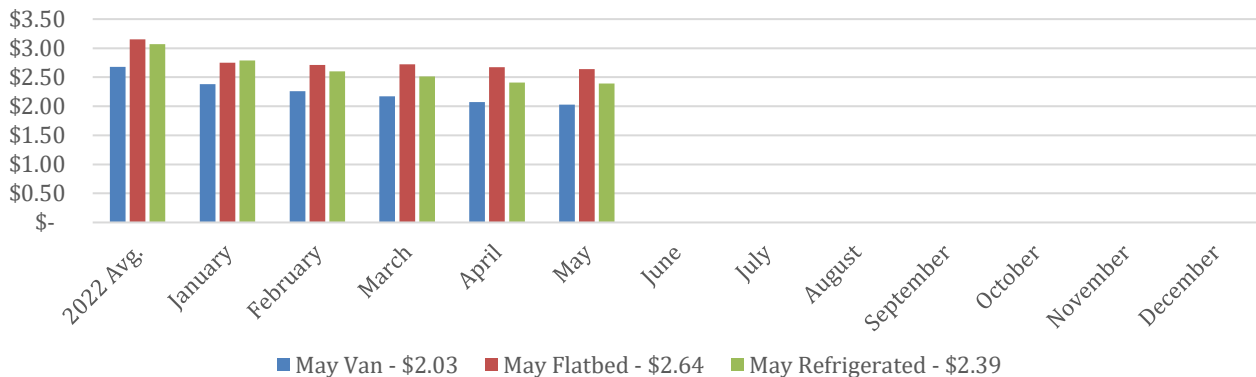


Notes:

- All rates stated above are port to door rates, fully delivered, inclusive of all fees. GCP uses a mix of contracted and spot rates for container and LCL deliveries.
- For April, transpacific ocean rates continued to hold firm. This is paving the way for what some industry observers believe will be the start of a potential spot rate war between carriers.
- Alan Murphy, the CEO of container consultancy Sea-Intelligence, said “with already significant amounts of overcapacity, even more capacity coming on stream this and next year, and a weak demand environment, the market is ripe for a rate war, especially as carriers have overflowing war chests from the last couple of years.”

TRUCKING

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

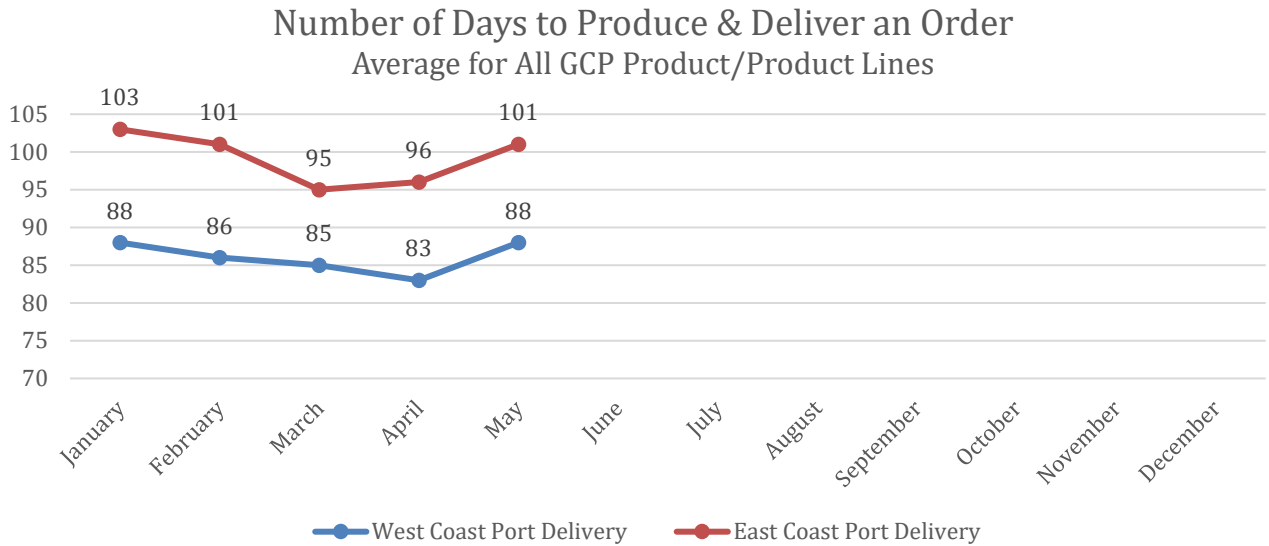


Notes:

- Truckload demand shot up 6% at the end of April as shipper requests for freight capacity hit their highest levels since the first week of the year. However, demand increases will likely not be the catalyst for higher rates.

- This is because there are significantly more trucks available than current demand, which has transitioned rapidly from a period in which demand greatly exceeded supply of capacity. The recent demand spikes have had little to no impact on the spot market because of this. Since early March 2022, tender volumes have dropped 25%, while spot rates have fallen 33%.

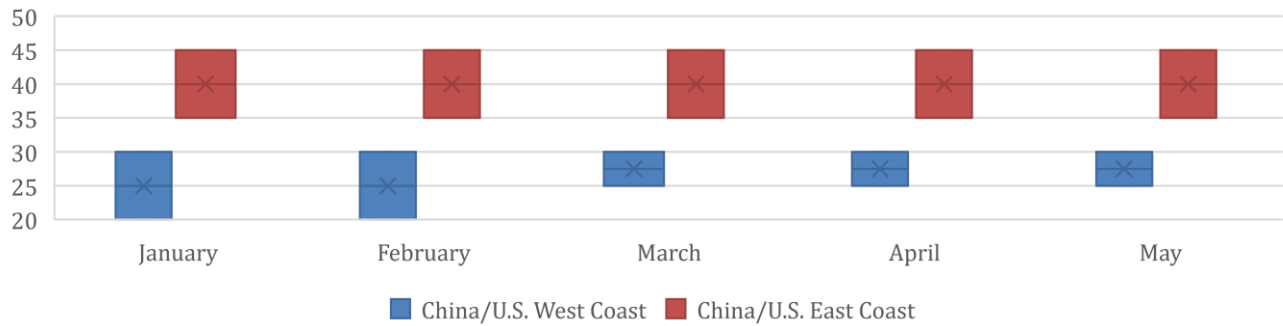
TRANSIT TIME



Notes:

- Our number of days it takes to produce and deliver an order 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 May 2023 production report. (View [here](#).)
- The increase in May was mainly due to a 20-day rise in production time for our Rubatex material. In this case the May Day holiday in China severely reduced capacity at the facility leading to a backlog of orders and a delay in the overall manufacturing schedule.

Port to Door Transit Time Average for All China/U.S. Shipments



Notes:

- Our port-to-door transit time measures the change in days an average GCP order will take to cross the ocean, including all other intermodal shipping. Transit times have remained unchanged for the past 3 months.

ENERGY PRICES

Energy	Price	Monthly Change	YoY Change
WTI Crude Oil (USD/Bbl)	~ \$71.00	-12.84%	-32.24%
Brent Crude Oil (USD/Bbl)	~ \$74.50	-12.09%	-30.31%
Natural Gas (USD/MMBtu)	~ \$2.34	-1.09%	-72.29%
Coal (USD/T)	~ \$163.80	-12.41%	-60.43%
Diesel Fuel (USD/Gallon)	~ \$4.012	-4.61%	-27.91%

Notes:

- Crude prices are hovering in the low-to-mid \$70's as future demand remains uncertain. In its May report, the International Energy Agency increased its global oil demand forecast and expects tighter market conditions in the second half of the year.
- U.S. natural gas prices are down by more than 40% since the beginning of 2023 and remain close to two-year lows due to warmer weather that reduced demand and created excess supply.
- Coal prices fell below \$170 per tonne, the lowest level since January 2022 due to higher production and weak demand outside China. China's coal output rose 5.8% year-over-year as the government encouraged miners to boost production. Despite an increase in clean energy generation, coal accounted for 64% of China's Q1 2023 electricity generation.

PORT OPERATIONS

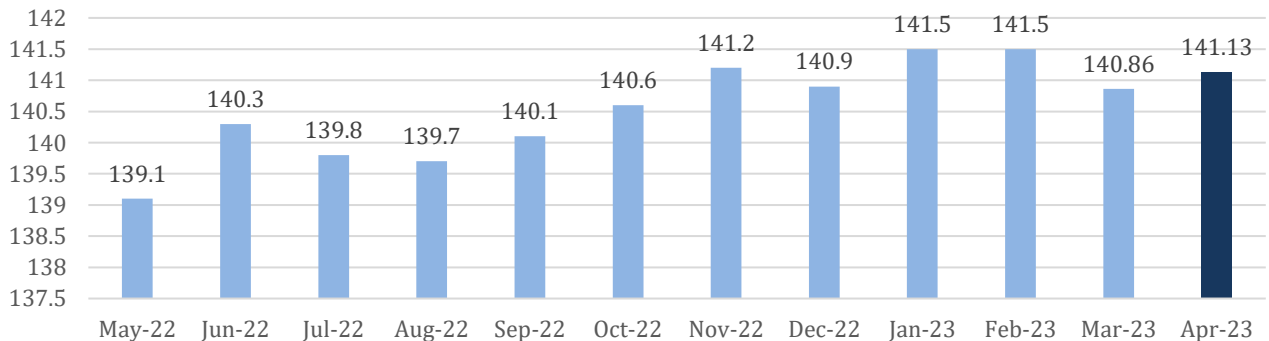
Current North America Vessel Dwell Times			
Region	Port	Average Wait for Birth	Comments
U.S. West Coast	LA/LB	3.5 days	Up 0.5 day from last month
	OAK	2 days	No change from last month
	SEA/TAC	0 days	Down 2 days from last month
Canada West Coast	Van	0 days	No change from last month
	PRR	0 days	Down 3 days 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	No change from last month
	CHS	2 days	Up 1 day from last month
	SAV	2 days	No change from last month
	HOU	1 day	No change from last month

Notes:

- Congestion at North American ports are largely gone as year-over-year import volumes have been on the decline at most ports since late last year. Import cargo volume at the nation's major container ports are expected to remain below last year's levels heading into this fall.
- 2023 forecasts now project a larger decline in imports for the first half of the year than initially forecast. It is now anticipated imports will remain below recent levels until inflation rates and inventory surpluses are reduced.

PRODUCER PRICE INDEX (PPI)

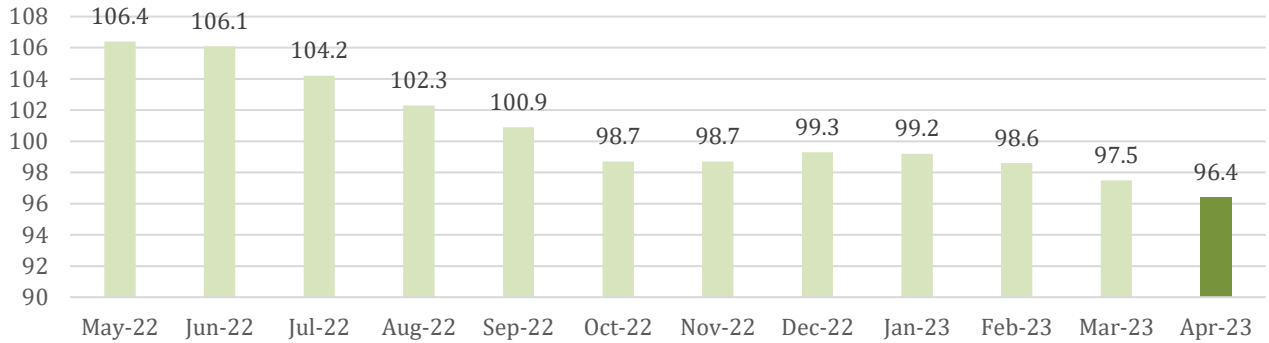
U.S. Producer Price Index



Notes:

- U.S. producer prices bounced back from a steep decline in March to rise 0.2% in April, while the twelve-month comparison is up 2.3%.

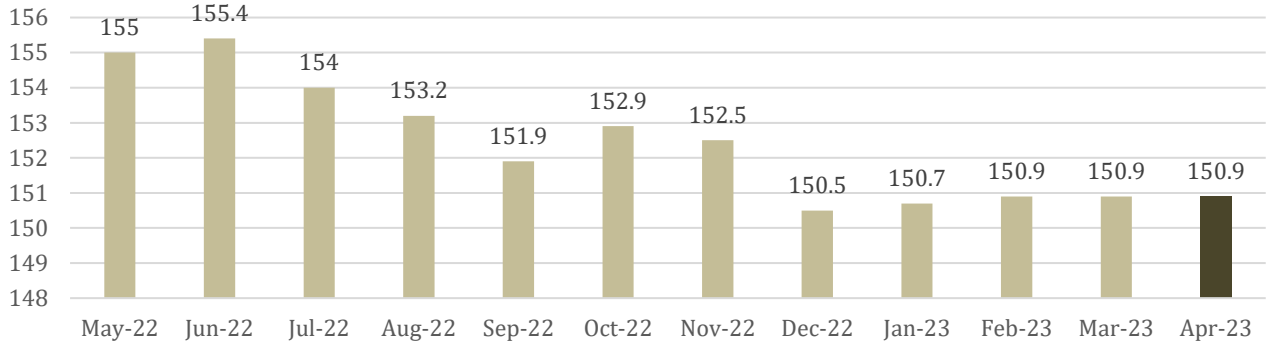
China Producer Price Index



Notes:

- Chinese producer prices continue to fall decreasing 1.1% from last month. Manufactured goods are now down 10.7% year-over-year.

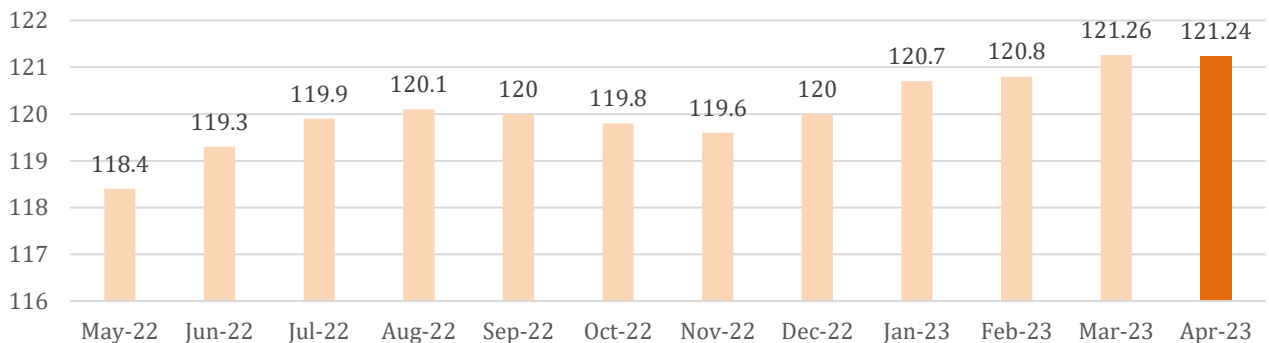
India Producer Price Index



Notes:

- India's producer prices remain unchanged this month and continue to be relatively flat year-over-year just down 0.91%.

Mexico Producer Price Index

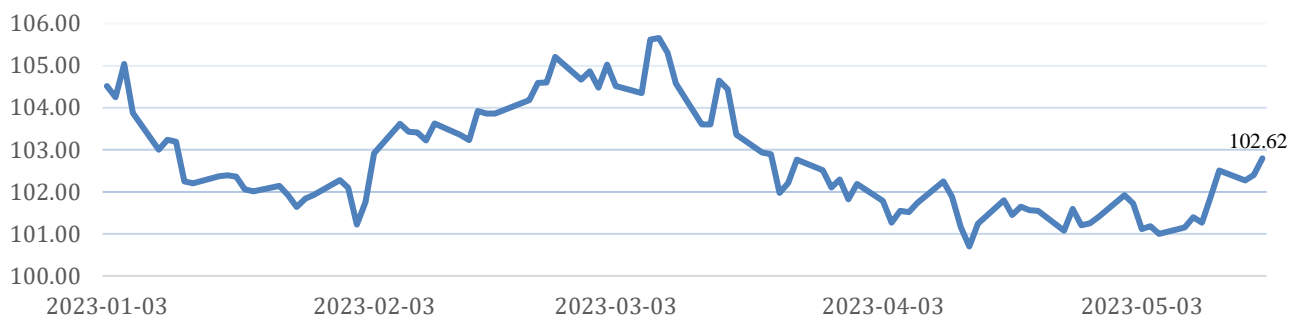


Notes

- Mexico's producer prices also remain mostly unchanged this month, however the index is up 3.1% year-over-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 1.60% year to date. The 52-week high reading is 114.69, 52-week low reading is 100.79.
- The Fed's aggressive tightening cycle pushed the U.S. Dollar Index to the highest level in decades (though it's now well below its peak). But the greenback soared not just because the Fed was hiking, but because it was hiking faster than other central banks. That gap is now closing which is resulting in the dollar retreating off its yearly 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
USD YTD Change	0.97%	- 10.51%	- 1.81%	- 0.81%
Current	¥6.966	\$17.45	€0.919	\$1.347
April 28, 2023	¥6.919	\$18.05	€0.910	\$1.364
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
% Change in 2022	Up 8.5%	Down 4.4%	Up 6.5%	Up 6.6%

Notes:

- Current prices above, as of May 16, 2023.
- January 02, 2023, represents the first trading day of 2023.

ADDITIONAL INFORMATION

INFLATION

- The Consumer Price Index (CPI) rose 0.4% in April, matching consensus expectations and is now up 4.9% from a year ago. This is the first time the index has fallen below 5% in two years.
- “Core” CPI, which excludes food and energy, rose 0.4% in April, also matching consensus expectations. Core prices have risen 5.5% in the past year and have not budged lower on a year-ago basis since the start of 2023.
- Inflation re-accelerated in April after a lull in March, and readings remain well above the Fed’s 2% inflation target.
- The next two months are going to provide an interesting test for the Fed, as outsized jumps in inflation that took place in May and June of 2022 begin to roll off from the year-ago comparisons, which could make it look like inflation is moderating rapidly.
- However, that surge in inflation last year was followed by a lull, with inflation barely budging in July and August 2022. That means we are very likely to see the twelve-month inflation readings re-accelerate toward the end of the summer.
- After announcing its 10th rate increase since March of last year, Fed chair, Jerome Powell, indicated that the central bank may pause rate rises as it assesses the impact of those increases. But Powell also made it clear that rates are likely to remain high as long as inflation remains elevated.

LABOR COSTS/SHORTAGES

- On the small business front, owners continue to struggle with finding qualified workers for their open positions.
- Labor quality has become the top business problem for small businesses with 24% of respondents citing it as their main challenge according to the latest National Federation of Independent Business (NFIB) survey.
- 45% of small businesses reported job openings they could not fill for the month. This exceeds the 49-year historical average of 23% by almost double.
- Of those hiring or trying to hire, 92% of companies reported few or no qualified applications for the positions they were seeking to fill. More owners are raising compensation to compete, but labor quality remains a serious problem.

- In terms of the manufacturing sector, the latest employment summary from the U.S. Department of Labor reports employment inched up in April.
- U.S. manufacturers added 11,000 jobs last month, rebounding from a 1,000-job loss in March and a 4,000-job loss reported in February.
- However, the latest Job Openings and Labor Turnover survey (JOLTS) finds the number of job openings in manufacturing remains elevated, with 695,000 unfilled positions for the sector in March (March JOLTS data is reported in May).

U.S./CHINA RELATIONS

- There are some indications that communication is set to resume between the world's two largest economies.
- First, U.S. Trade Representative Katherine Tai plans to meet China's commerce minister in Detroit later this month. If this takes place, it would be the most senior in-person encounter between the nations since the U.S. shot down an alleged Chinese spy balloon.
- Second, the Pentagon has also submitted a request for Defense Secretary Lloyd Austin to meet Chinese Defense Minister Li Shangfu in Singapore in June.
- These actions seem to support the Biden administration's assertions that they are working to "de-risk," not "decouple," from China.
- According to U.S. National Security Advisor Jake Sullivan "De-risking fundamentally means having resilient effective supply chains, and ensuring we cannot be subject to the coercion of any other country."
- Sullivan added, "the U.S. is focused on making sure that no event, from a global pandemic to a war, can deprive the world's largest economy of what it needs."
- Improving relations could open the way to clearing a backlog of bilateral engagements. This includes a long-anticipated phone call between President Joe Biden and Chinese leader Xi Jinping, and a visit to China by Secretary of State Antony Blinken.

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