

INDUSTRIAL SECTOR TRADE REPORT

July 2023



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INSIGHTS OF THE MONTH

- Mexico seeks to solidify rank as top U.S. trade partner as it's expanding manufacturing base has offered an alternative to producing in China. Bilateral manufacturing trade between Mexico and the U.S. represented 16.5% of all U.S. manufacturing trade; the Canada–U.S. share followed at 13.5% and then the China–U.S. share at 12.5%. (Read more [here](#))
- Import cargo volume at the major U.S. container ports is expected to climb toward an August peak this summer. July is forecast at 1.94 million Twenty-Foot Equivalent Units (TEU), down 11% year over year, and August is forecast at 2.03 million TEU, down 10.1% year over year but the first month since last October 2022 to reach 2 million TEU. (Read more [here](#))
- The U.S. and India have resolved six separate trade disputes at the World Trade Organization. A joint statement issued by President Biden and Indian Prime Minister also highlighted India's interest in being reinstated in the U.S. Generalized System of Preferences program, which waives U.S. import duties on thousands of goods from developing countries. (Read more [here](#))
- The U.S. treasury secretary, Janet Yellen, has said a four-day trip to Beijing has put ties with China on a "surer footing" and paved the way for better communication between top officials who run the world's two largest economies. (Watch more [here](#))
- As supply chain activities have normalized, corporations are reviewing and implementing supply chain changes in the light of the past three years. The second half of 2023 should bring more announcements of long-term supply chain strategy choices. (Read more [here](#))
- The 13-day B.C. port strike appears to be over after port works and employers agreed to a tentative four-year deal. Some 7,500 workers upended operations for nearly two weeks disrupting around C\$500 million (\$377 million) in trade a day. (Read more [here](#))
- Contract negotiations between United Parcel Service (UPS) and the Teamsters union stalled the first week of July, heightening the odds of a UPS strike in early August. A nationwide walkout by 340,000 UPS workers would be the largest strike against a single employer in U.S. history. (Read more [here](#))
- The U.S. trade deficit in goods and services declined to \$69.0 billion in May as both imports and exports declined. Imports declined by \$7.5 billion and are down 6.8% versus a year ago, indicating weakening demand for goods domestically. So far this year, imports from China are down 24.3% year-over-year. (Read more [here](#))
- The final reading for U.S. real GDP growth in the first quarter ended up being much better than expected, revised higher to a 2.0% annual rate from a prior estimate of 1.3%. The upward revision to the overall number was due to net exports (exports were revised higher while imports were revised lower). (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
June 2023	11.2%	61.1%	27.7%	=16.5	41.8%
May 2023	15.4%	57.5%	27.1%	-11.7	44.2%
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 41.8%, 2.4 points lower compared to the may reading of 44.2%, indicating raw materials prices decreased in June for the second consecutive month.
- The index fell dramatically back into contraction (or “decreasing”) territory after one month in expansion. Respondent’s comments support a more balanced supplier-buyer relationship, as sellers are more concerned about filling order books to support their backlogs.
- 89% of companies reported ‘same’ or ‘lower’ prices in June, compared to 85% in May.
- In June, three industries reported paying increased prices for raw materials: Textile Mills; Nonmetallic Mineral Products; and Computer & Electronic Products.
- The 13 industries reporting paying decreased prices for raw materials in June, in the following order, are: Fabricated Metal Products; Paper Products; Wood Products; Food, Beverage & Tobacco Products; Chemical Products; **Plastics & Rubber Products**; Petroleum & Coal Products; Primary Metals; Furniture & Related Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Machinery; and Transportation Equipment.

COMMODITY PRICING

Commodity Price Change - IMS® Report on Business		
Prices Up	Prices Down	
Electrical Components (8)	Aluminum	Paper (2)
Electronic Components (5)	Aluminum Products	Plastic Resins (13)
Steel - Carbon	Corrugate (7)	Polypropylene (2)

	Crude Oil Diesel (2) Freight (8) Ocean Freight Pallets (2)	Steel (3) Steel - Hot Rolled (2) Steel Products Synthetic Rubber
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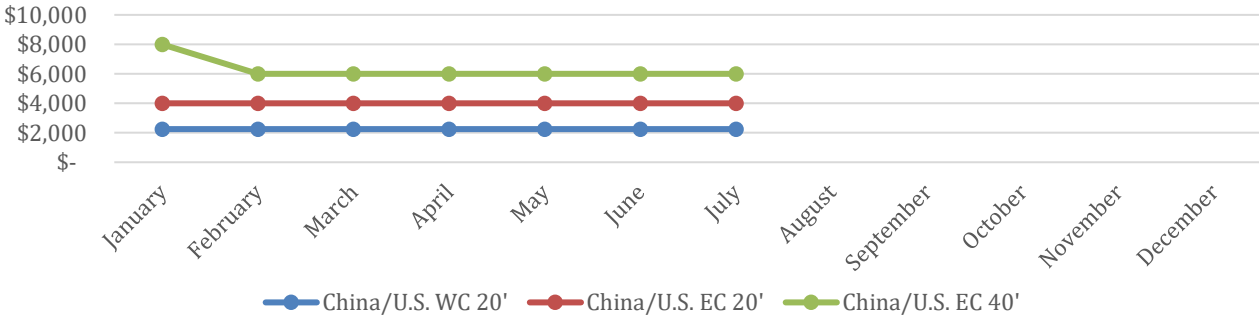
Commodities in Short Supply - IMS® Report on Business		
Electrical Components (33)	Electronic Components (31)	Titanium.
Electrical Controls and Equipment	Hydraulic Components	
Electronic Assemblies	Semiconductors (31)	

Notes:

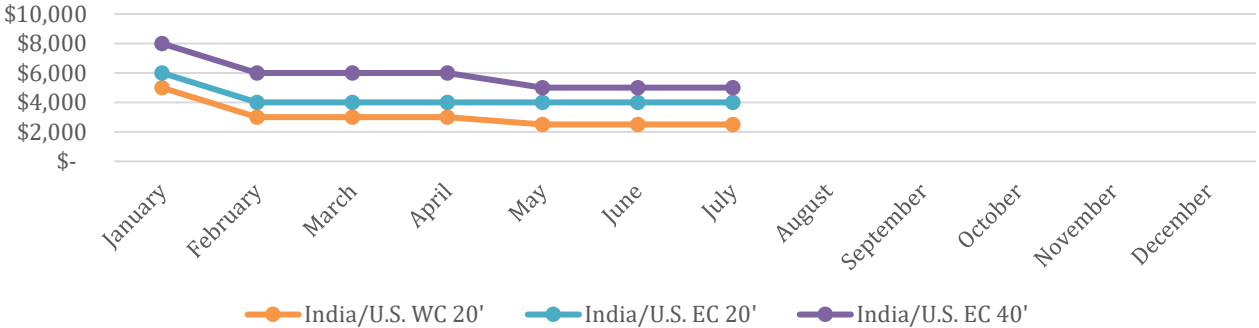
- The number in brackets after each item indicates the number of consecutive months the commodity has been listed up or down.
- * Indicates those commodities both up and down in price.

OCEAN FREIGHT

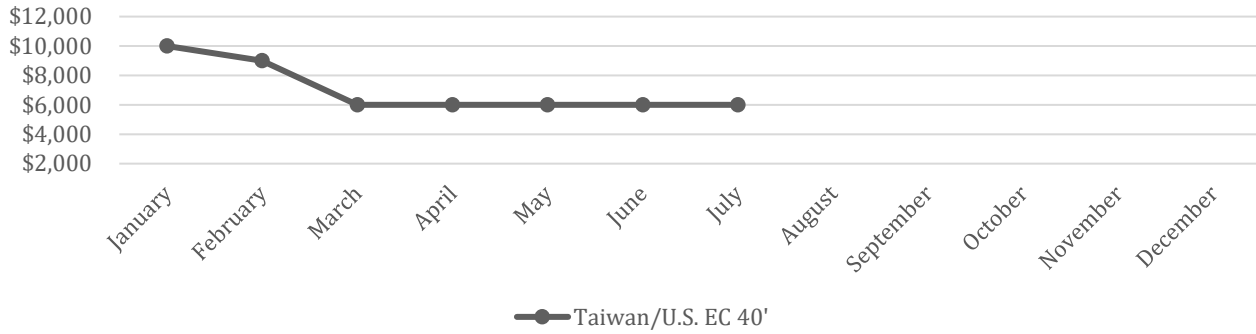
Average GCP/China Container Cost, U.S. Dollars



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



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

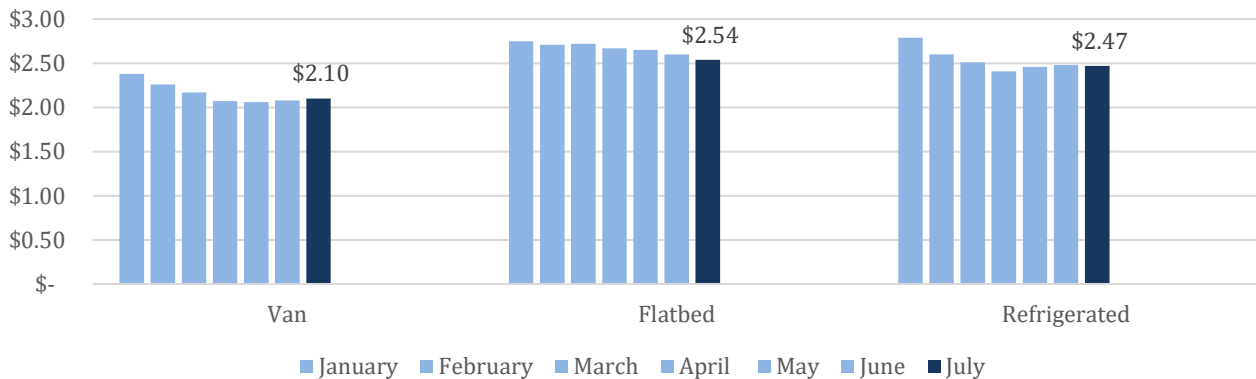


Notes:

- With import volumes higher than 2018 and 2019 in May and June, ocean rates for the most part have been at or below 2019 levels which is likely a function of excess capacity than of subdued demand.
- And if volumes do continue to increase, carriers may still have a difficult time pushing freight rates up as new vessels are slated to enter the transpacific in August and September, adding 20-25% more capacity than last year.
- The cyclical nature of shipping makes it inevitable that capacity injection at times will exceed demand growth. However, carriers are already trying to mitigate the supply-side increase through more blanked sailings, slower sailing speeds, and more port calls.

TRUCKING

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

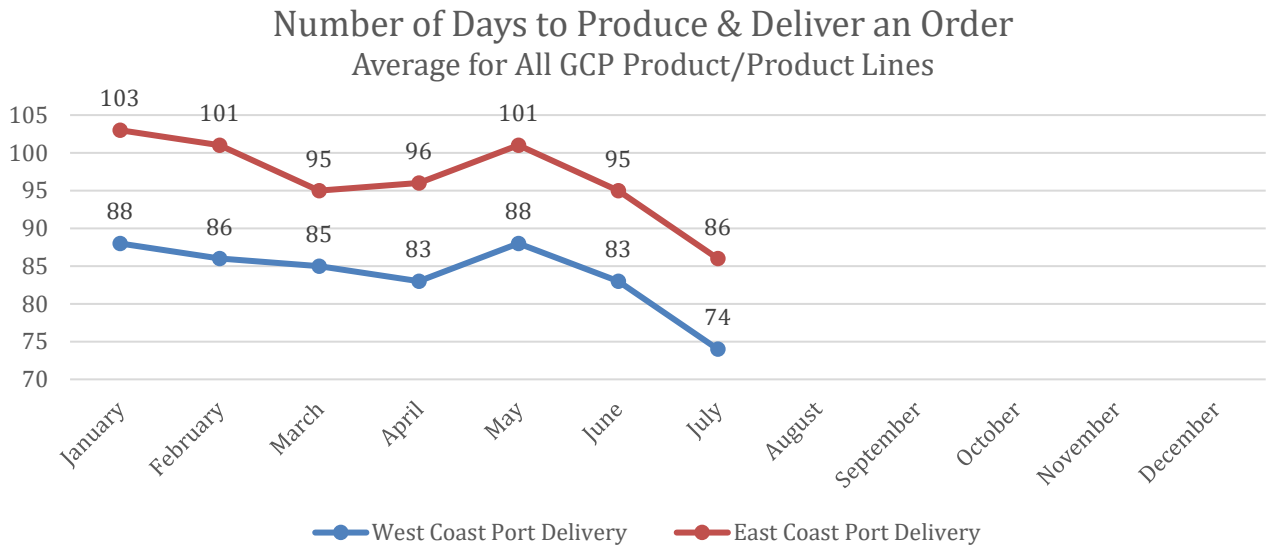


Notes:

- Truckload spot rates excluding estimated fuel costs are up ~13% since early May with truckload tender volumes up 7% since the start of the year, though still a shadow of what they were in 2021.

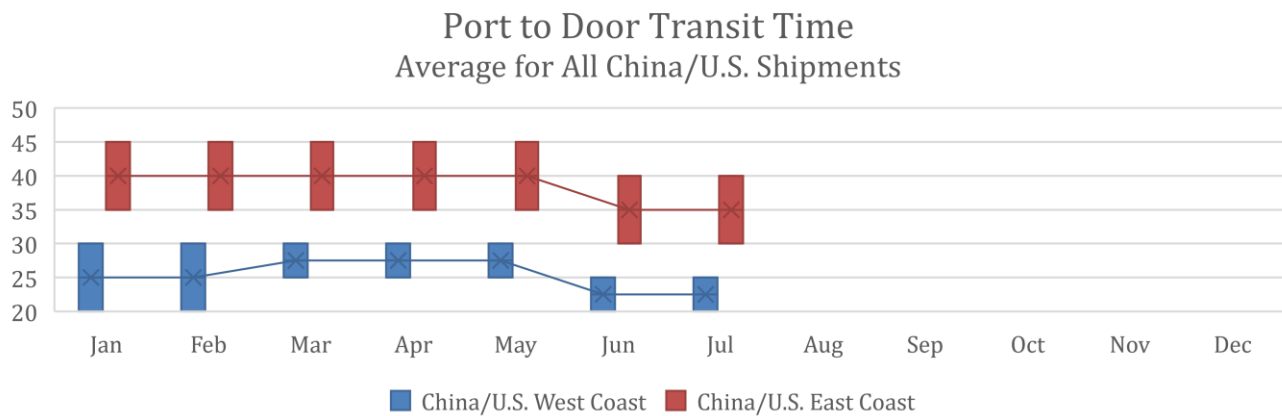
- It seems the market has found a demand floor but there is no strong evidence that spot rates will sustain their current rising trend beyond the typical summer seasonality bump.

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.
- Manufacturing lead times have remained relatively stable, and we have been fortunate that the recent strike at the British Columbia port did not significantly impact our lead times.
- For specific production times for each of our product lines, please see our June 2023 production report. (View [here](#).)



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.

ENERGY PRICES

Energy	Price	Monthly Change	YoY Change
WTI Crude Oil (USD/Bbl)	~ \$77.15	12.72%	-14.40%
Brent Crude Oil (USD/Bbl)	~ \$81.45	11.32%	-14.54%
Natural Gas (USD/MMBtu)	~ \$2.55	5.61%	-60.86%
Coal (USD/T)	~ \$129.05	-2.42%	-70.13%
Diesel Fuel (USD/Gallon)	~ \$3.85	-1.43%	-31.33%

Notes:

- Crude prices have been trending higher recently as cooler-than-expected U.S. inflation numbers raised hopes that the Federal Reserve may be nearing the end of its rate-hiking cycle. Also, China's crude imports surged to the highest in three years, underscoring robust demand despite signs of a wider economic slowdown.
- U.S. natural gas prices fell below \$2.6/MMBtu, as gas flowing to U.S. LNG export plants is still well below record levels recorded in April. Looking ahead, meteorologists are predicting temperatures above normal until the end of July, which will drive up the usage and potentially the price of natural gas as more is used for cooling purposes.
- Coal prices dipped below \$140 per tonne, retreating from the recent high of \$145 reached in early July. The demand from the world's largest user of coal, China, has been sustained by the government's efforts to mitigate power shortages, considering severe heatwaves and ongoing drought in certain regions. Moreover, China is struggling to sustain any meaningful post-pandemic resurgence due to somber growth outlooks and weak demand in major economies, dampening industrial activity.

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	8	0 days	6 days
	OAK	7	5 days	4 days
	SEA/TAC	1	1 day	6 days
Canada West Coast	Van	13	1 day	4 days
	PRR	6	1 day	4 days
	NY/NJ	3	1 day	3 days

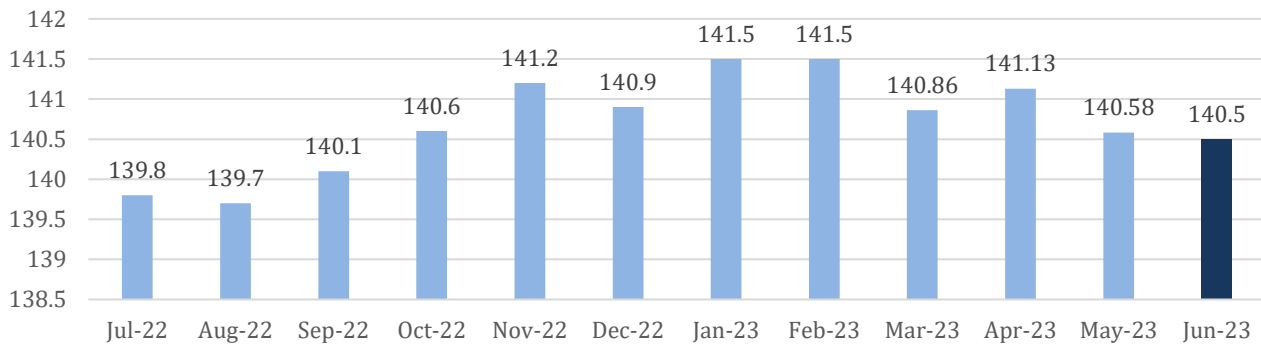
U.S. East Coast / Gulf Coast	BAL	0	3 days	N/A
	NOR	19	1 day	3 days
	CHS	0	1 day	2 days
	SAV	5	2 days	2 days
	HOU	1	2 days	N/A

Notes:

- The British Columbia Maritime Employers Association (BCMEA) and International Longshore and Warehouse Union (ILWU) Canada have reached a tentative agreement, ending the strike. We anticipate a prompt and secure resumption of operations. The Greater Vancouver Board of Trade says there are 63,000 shipping containers stuck on vessels waiting at B.C. ports to be unloaded.
- In the U.S. schedule reliability continues to improve, and as another sign of normalization we could witness in the coming months a shift of bookings (which had been diverted to the East Coast) back to the West Coast ports, which do offer shorter transit times and lower rates.

PRODUCER PRICE INDEX (PPI)

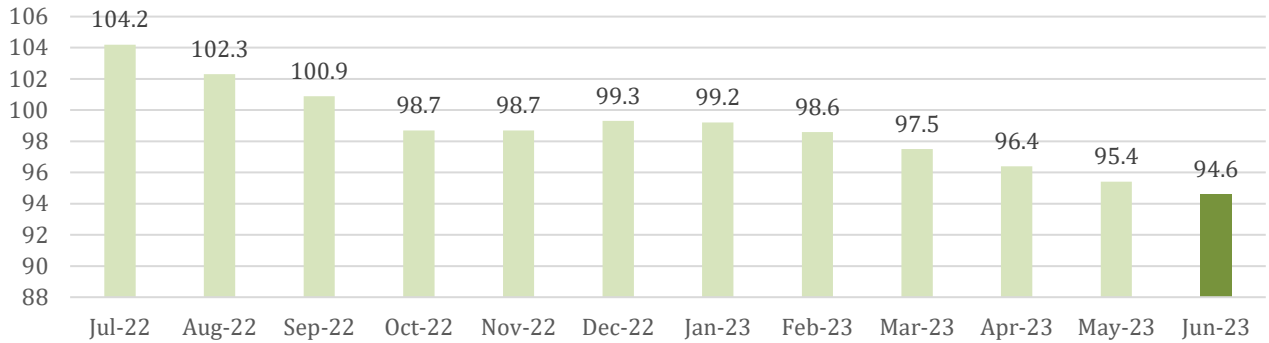
U.S. Producer Price Index



Notes:

- U.S. producer prices slipped from last month's rise to decrease -0.05% in June, while the twelve-month comparison is up 0.14%.

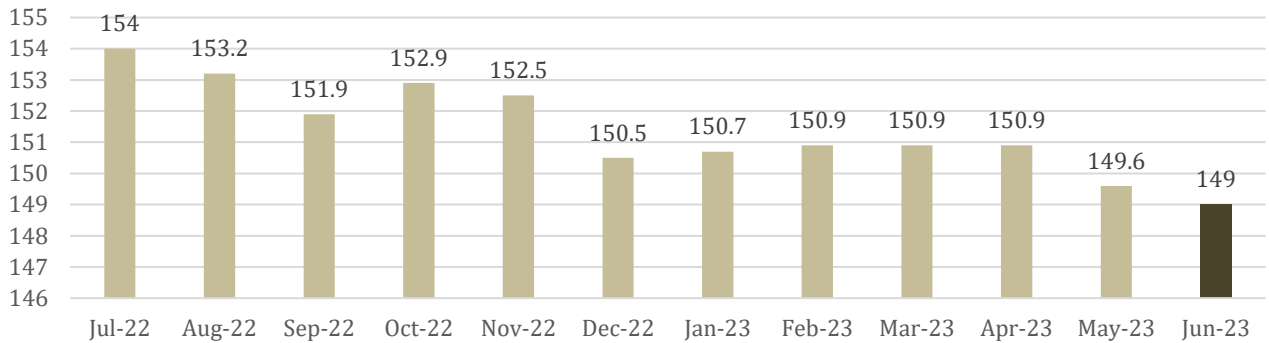
China Producer Price Index



Notes:

- Chinese producer prices continue to fall decreasing 0.83% from last month. Manufactured goods are now down 10.83% year-over-year.

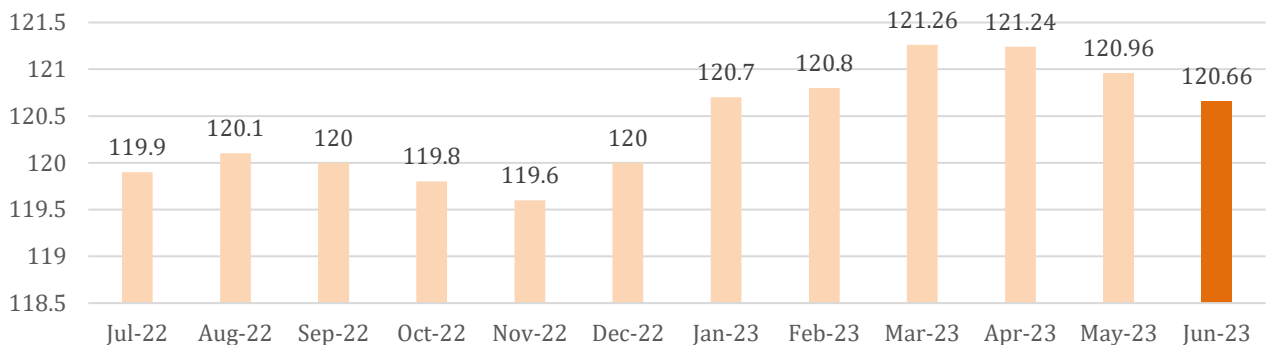
India Producer Price Index



Notes:

- India's producer prices slid again in June after a relatively consistent first 4 months of the year. The year-over-year comparison is down 4.11%.

Mexico Producer Price Index



Notes

- Mexico's producer prices also slightly decreased in June, with the index up a modest 1.13% 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 reached a new 52 week low in July.
- The greenback is weakening as U.S. interest rates near a peak and the Federal Reserve's aggressive tightening begins to take its toll. Every Group-of-10 currency strengthened against the U.S. dollar over the past month.

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	+ 3.8%	- 13.94%	- 4.91%	- 2.65%
Current	¥7.164	\$16.78	€0.890	\$1.322
June 30, 2023	¥7.269	\$17.08	€0.920	\$1.327
May 31, 2023	¥7.107	\$17.72	€0.936	\$1.365
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 July 17, 2023.
- January 02, 2023, represents the first trading day of 2023.

ADDITIONAL INFORMATION

INFLATION

- The Consumer Price Index (CPI) rose 0.2% in June, below the consensus expected +0.3%. The CPI is up 3.0% from a year ago.
- “Core” CPI, which excludes food and energy, rose 0.2% in June, below the consensus expected +0.3%. Core prices are up 4.8% versus a year ago.
- There was more progress in the battle against inflation in June, but don’t expect that to change the likelihood of a Fed rate hike later this month.
- On the surface it looks like inflation has been moderating rapidly recently, with year-to-year inflation dropping from 4.9% to 3.0% in the last two months. But, digging deeper, shows that this has more to do with outsized jumps in prices last year, with May and June 2022 inflation of 0.9% and 1.2%, respectively, rolling off the year-ago comparisons.
- As is often the case, the surge in inflation last year was followed by a lull, with prices barely budging in July and August 2022. That means we are likely to see the twelve-month inflation readings re-accelerate toward the end of the Summer.
- Couple that with a resilient U.S. labor market, Powell and Co. still have plenty of reason to keep monetary policy tight in the months to come.

LABOR COSTS/SHORTAGES

- U.S. small business confidence climbed to a seven-month high in June as pessimism about the economic outlook diminished sharply and sales expectations improved, but a still-tight labor market continues to drive concerns.
- The National Federation of Independent Business (NFIB) said 42% of owners reported job openings that were hard to fill, down 2 points from May, but still historically high.
- The share of owners with unfilled job openings far exceeds the 49-year historical average of 23% although down 9% from its record high of 51% last reached in May 2022.
- The percentage of small business owners reporting labor quality as their top small business problem remains elevated at 24%, unchanged from last month. Labor costs reported as the single most important problem to business owners decreased two points to 8% in June.
- “Inflation and labor shortages continue to be great challenges for small businesses. Owners are still raising selling prices at an inflationary level to try to pass on higher inventory, labor, and energy costs,” NFIB Chief Economist Bill Dunkelberg said in a statement.

- In terms of the industrial sector as a whole, U.S. manufacturers added 7,000 jobs in June, following a 2,000-job loss in May. This is according to the latest jobs report from the Labor Department.
- And according to the latest Job Openings and Labor Turnover survey, U.S. manufacturers are still struggling to hire, though overall number of job openings in manufacturing has declined to 579,000 unfilled positions. This compared to the 660,000 open positions reported last month.

U.S./CHINA RELATIONS

- U.S. Treasury Secretary Janet Yellen was the second high profile U.S. diplomat to visit China and while there sought to clarify and perhaps tone down the rhetoric even further during her trip to Beijing.
- Among the goals: opening more lines of communication to avoid more semantic debates as the rivalry intensifies between the world's largest economies. "We seek to diversify, not to decouple," Yellen said.
- "I've heard my Chinese counterpart's express skepticism about decoupling and have expressed some concern that de-risking amounts to decoupling. And I felt that it was extremely important for me to address this issue."
- The two sides also discussed the issue of American tariffs on Chinese imports, and the U.S. is now conducting a four-year review of those measures. "The results are not yet in," the Treasury chief said.
- Any broad reduction in tariffs would involve political risk for President Joe Biden as he seeks reelection in November 2024, because maintaining pressure on China has bipartisan support in the U.S. Congress.
- Yellen completed the trip by saying her two days of meetings with Chinese officials were "direct, substantive and productive" and a step forward in helping to set relations between the world's two largest economies on a "surer footing."

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