

Industrial Trade Report

By GCP Industrial Products

Report Highlights

- Raw material prices increased in January after eight consecutive months of decreases.
- The retail price range for U.S. natural rubber is hovering between \$0.95 USD and \$2.85 USD per/kg. Wholesale prices are ranging between \$0.67 USD and \$2.01 USD per/kg.
- Further improvements in global economic conditions were observed at the start of 2024, with forward-looking indicators hinting at better conditions in the near-term.
- U.S. producer prices edged lower to 0.9% in January 2024 from 1% in December but were above expectations. In the past year, prices for goods have declined 1.7%.
- Mexico continues to hold the top spot as the largest exporter to the U.S. Exports from the country were up 4.6% in 2023 versus 2022.
- Total U.S. trade (imports + exports) rebounded in December, rising \$8.2 billion from the previous month.
- Shippers are rerouting their cargo to the U.S. West Coast, particularly to the Port of Los Angeles, to avoid security concerns in the Red Sea and drought-related issues at the Panama Canal. The port stated January rose 18% year-over-year, marking it the second busiest January on record.
- As ships are re-routed, knock-on effects which include reduced equipment and capacity are leading to rate increases. Like Asia-U.S. West Coast routes, where ocean rates have climbed 60-80% since the start of the year.
- Truckload capacity continues to rebalance to meet lower demand levels. Large carrier truckload capacity has decreased for six straight quarters and is now around 2018 levels.

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Raw Material Pricing

Institute for Supply Management (IMS®) Price Index					
Month	Prices % Higher	Prices % Same	Prices % Lower	Net	Index
Jan 2024	19.5%	66.7%	13.8%	+5.7	52.9
Dec 2023	14.4%	61.9%	23.9%	-9.7	45.2
Nov 2023	16.0%	67.7%	16.3%	-0.3	49.9
Oct 2023	11.0%	68.1%	20.9%	-9.9	45.1
Sept 2023	12.9%	61.7%	25.4%	-12.5	43.8
Aug 2023	16.4%	63.9%	19.7%	-3.3	48.4
July 2023	13.9%	57.4%	28.7%	-14.8	42.6
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
March 2023	21.4%	55.6%	23.0%	-1.6	49.2
Feb 2023	24.7%	53.2%	22.1%	+2.6	51.3
2023 Index Average Jan.-Dec.					46.6
2022 Index Average Jan.-Dec.					64.7
2021 Index Average May-Dec.					82.8

Price index under 50 means prices are decreasing	
Price index above 50 means prices are Increasing	

Key Takeaways:

- Raw material prices increased in January after eight consecutive months of decreases.
- The index reached its highest level since April 2023 (53.2 percent). Nearly 20% of companies reported higher prices, compared to 14% in December.
- 10 industries reported paying increased prices for raw materials: Printing & Related Support Activities; Textile Mills; Fabricated Metal Products; Furniture & Related Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Transportation Equipment; **Plastics & Rubber Products**; and Machinery.
- Three industries reported paying decreased prices for raw materials: Primary Metals; Chemical Products; and Food, Beverage & Tobacco Products.
- Six industries reported no change in input prices raw materials: Apparel, Leather & Allied Products; Wood Products; Petroleum & Coal Products; Paper Products; Transportation Equipment; Computer & Electronic Products.

Commodity Pricing

IMS® Commodity Price Change	
Prices Up	Prices Down
Aluminum* (2)	Aluminum* (8)
Labor - Temporary (5)	Corrugated Boxes (6)
Ocean Freight	Diesel (3)
Plastic Resins	Natural Gas (2)
Polypropylene (4)	Packaging Materials (2)
Steel (7)	Steel - Stainless.
Steel - Carbon	
Steel Hot Rolled (3)	
Steel Products (2)	
Steel Wire.	

IMS® Commodities in Short Supply
Electrical Components (40)
Electronic Components (38)
Steel - Alloy

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.*

U.S. Rubber Pricing (Cents/kg)

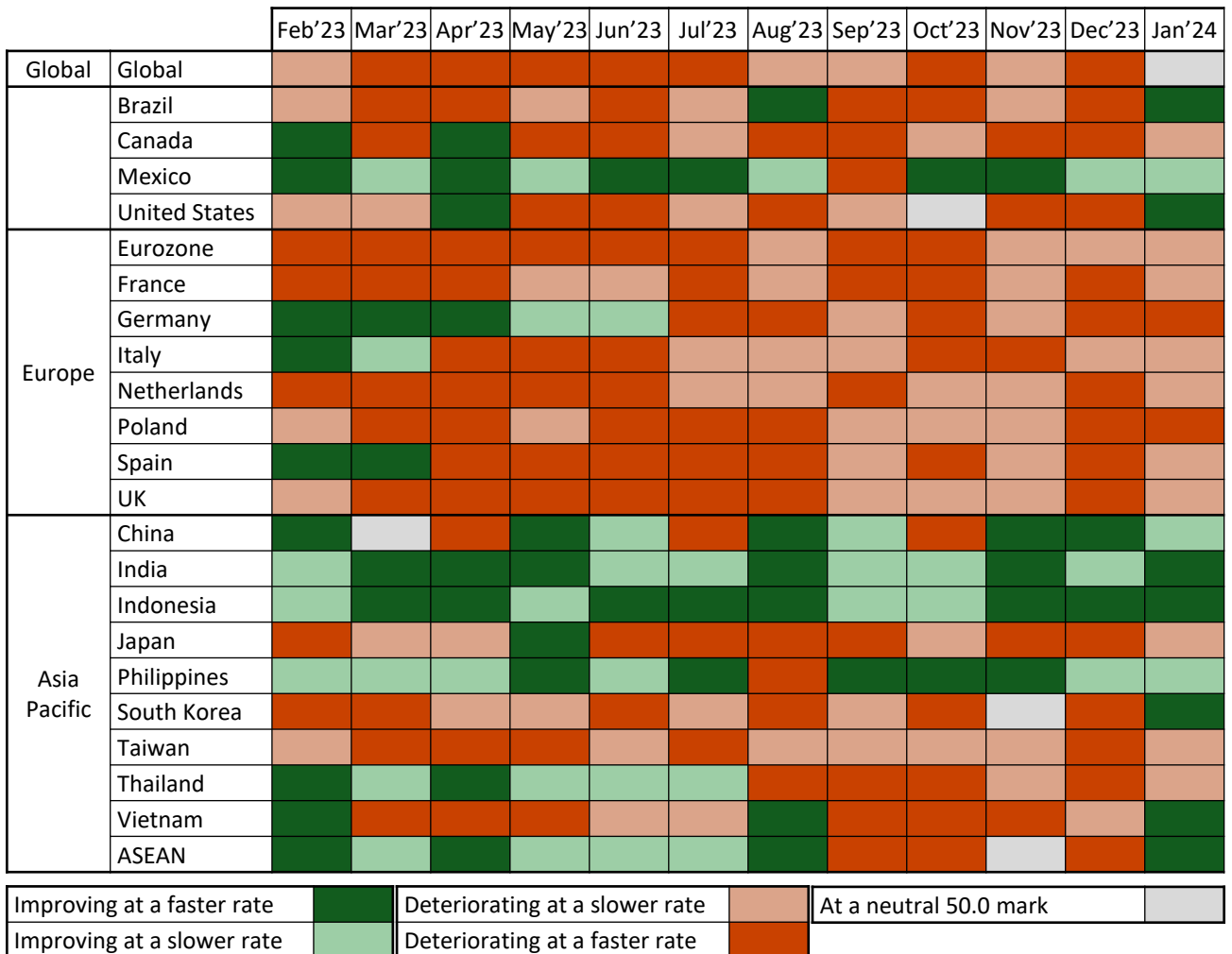


Key Takeaways:

- Rubber futures have surged beyond 160 USD cents/kg, their highest since July 2022, driven mainly by persistent supply concerns due to adverse weather conditions for major producers in Asia.
- Meanwhile the retail price range for U.S. natural rubber is hovering between \$0.95 USD and \$2.85 USD per/kg. Wholesale prices are ranging between \$0.67 USD and \$2.01 USD per/kg.

Global PMI Manufacturing Heatmap

Included components for calculating the manufacturing conditions of each country are; Production output, new orders, new export orders, backlogs of work, employment, input prices, output prices, future expectations, quantity of purchases, suppliers' delivery times, stocks of purchases, stocks of finished goods.

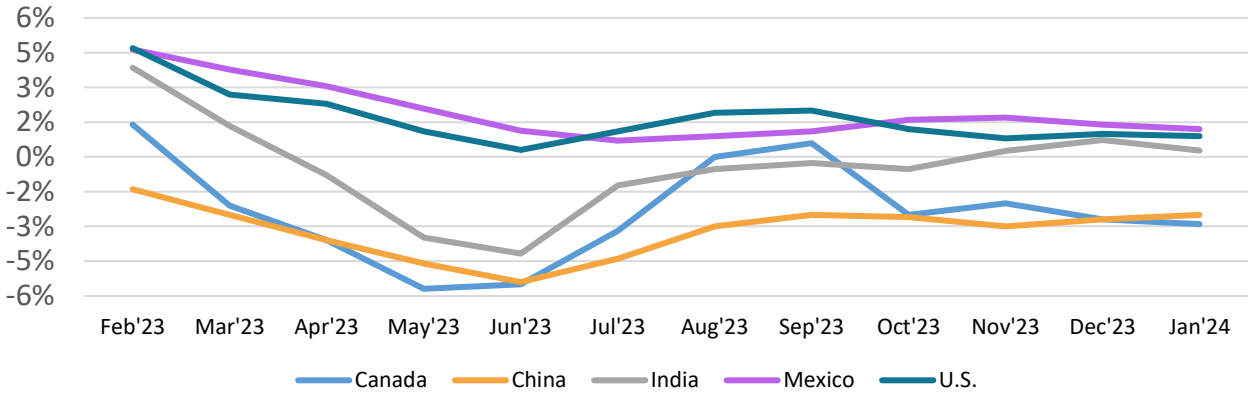


Key Takeaways:

- Global manufacturing output notably expanded for the first time in eight months despite ongoing disruptions in the Red Sea. Global economic expansion also accelerated for a third straight month in January.
- Confidence improved among global manufacturers with better growth prospects of looser financial conditions and with global destocking, a key dampening factor on demand thus far, further easing.

Producer Prices

Producer Prices by Country
Percent Change Per Month Year Over Year

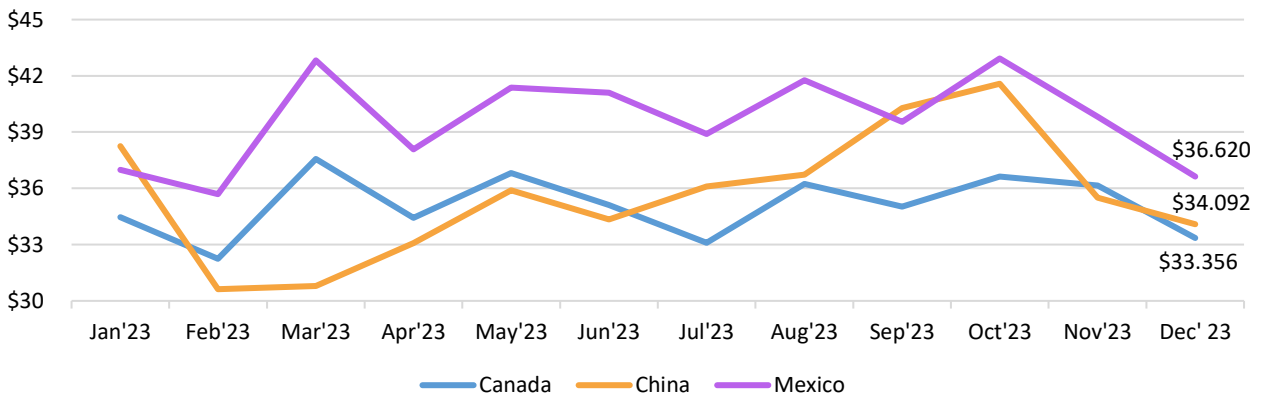


Key Takeaways:

- U.S. producer prices edged lower to 0.9% in January 2024 from 1% in December but were above expectations. In the past year, prices for goods have declined 1.7%.
- China's producer prices fell by 2.5% year-over-year in January 2024, after a 2.7% drop in the prior month. While marking the softest drop in four months, the latest result was the 16th straight month of contraction in factory gate prices, reflecting persistent deflation forces in the economy.

Exports to the United States

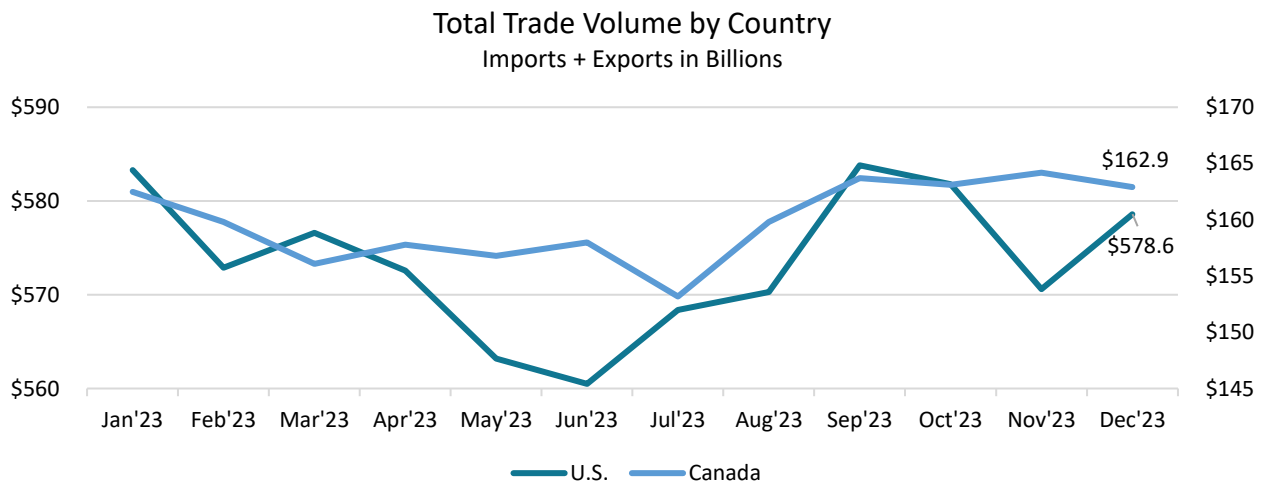
Largest Exporters to the United States
By Country in Billions



Key Takeaways:

- Mexico continues to hold the top spot as the largest exporter to the U.S. Exports from the country were up 4.6% in 2023 versus 2022. By comparison exports from China to the U.S. were down 20.3% versus 2022.
- Mexico has been among the beneficiaries of the growing shift away from reliance on Chinese factories. But the picture is more complicated than it might seem. Many Chinese manufacturers have established factories in Mexico to benefit from the U.S.-Mexico-Canada Trade Agreement, which allows for duty-free trade in North America for many products.

Total Trade Volume



Key Takeaways:

- Combining both imports and exports provides a comprehensive view of a country's total business and consumer interactions beyond its borders. An increase in both exports and imports signifies a flourishing and robust economy.
- For the U.S. there was a rebound in trade for December, rising \$8.2 billion from the previous month. Specifically, the export of industrial supplies and materials increased \$3.3 billion while imports also gained \$1.2 billion.
- For Canada there was a slight decrease in trade from November to December falling \$1.3 billion. Specifically for the industrial chemical, plastic and rubber products sector, exports increased 2.4%, while imports shrank 3.8% for the same period.

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	0 days	8 days
	OAK	4	4 days	4 days
	SEA/TAC	0	1 day	4 days
Canada West Coast	Van	4	3 days	10 days
	PRR	2	1 day	8 days
U.S. East Coast / Gulf Coast	NY/NJ	N/A	1 day	4 days
	BAL	0	1 day	N/A
	NOR	0	1 day	3 days
	CHS	1	1 day	3 days
	SAV	1	1 day	2 days
	HOU	3	5 days	N/A

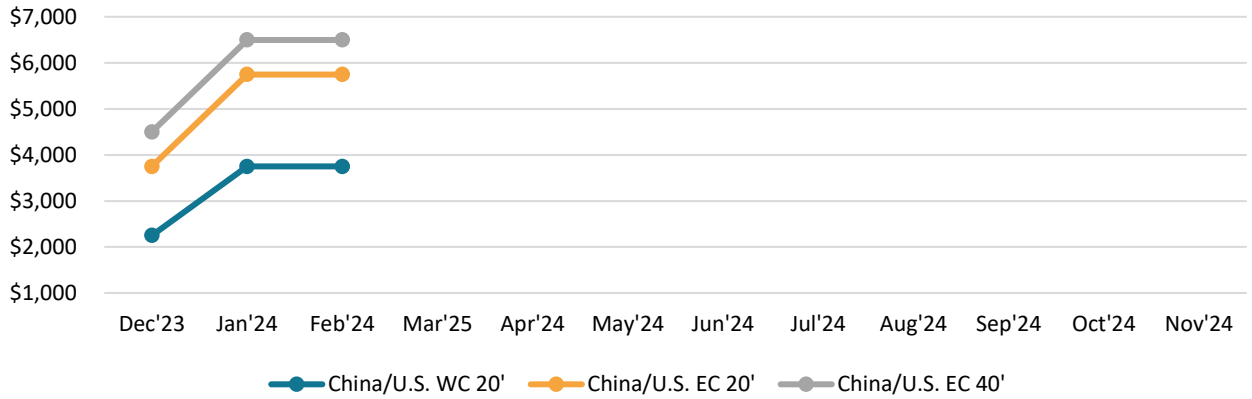
Improving over last month	Consistent over last month	Deteriorating over last month
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Key Takeaways:

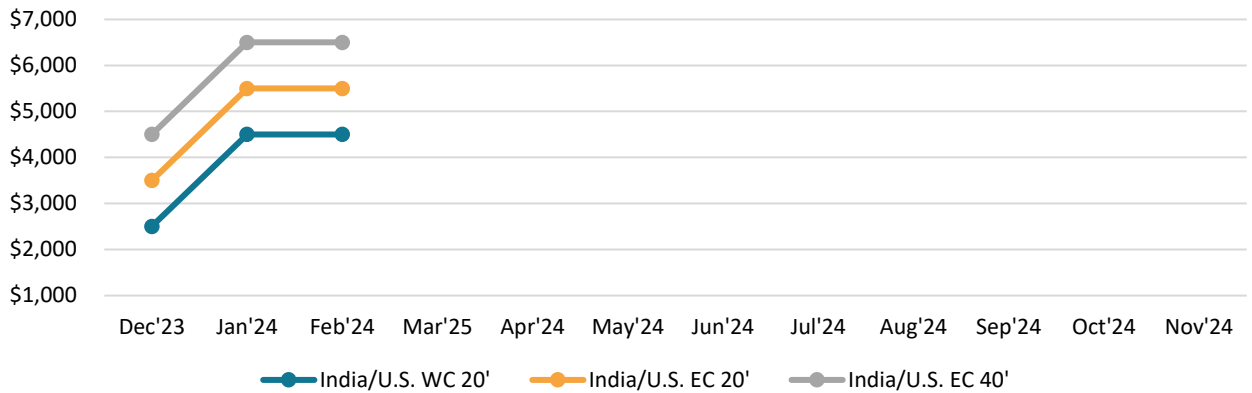
- Shippers are rerouting their cargo to the U.S. West Coast, particularly to the Port of Los Angeles, to avoid security concerns in the Red Sea and drought-related issues at the Panama Canal. The port has observed an increase in cargo volumes, with January rising 18% year-over-year, marking it the second busiest January on record.
- Bookings to the top four U.S. port complexes (Port of Los Angeles, Port of Savannah, Port of New York/New Jersey, Port of Long Beach) have surged so far compared to last year, particularly from China, prompting a notable shift in the supply chain. This spike in orders signifies a departure from the minimal increase seen last year due to pandemic-related inventory surpluses.
- Even with higher rates, it seems importers are willing to pay more to ensure timely delivery of goods, indicating a potential strong spring demand.
- Research suggests that with destocking and rising goods consumption, the freight downturn may be nearing its end, and improved freight demand could soon be on the horizon.

Ocean Freight

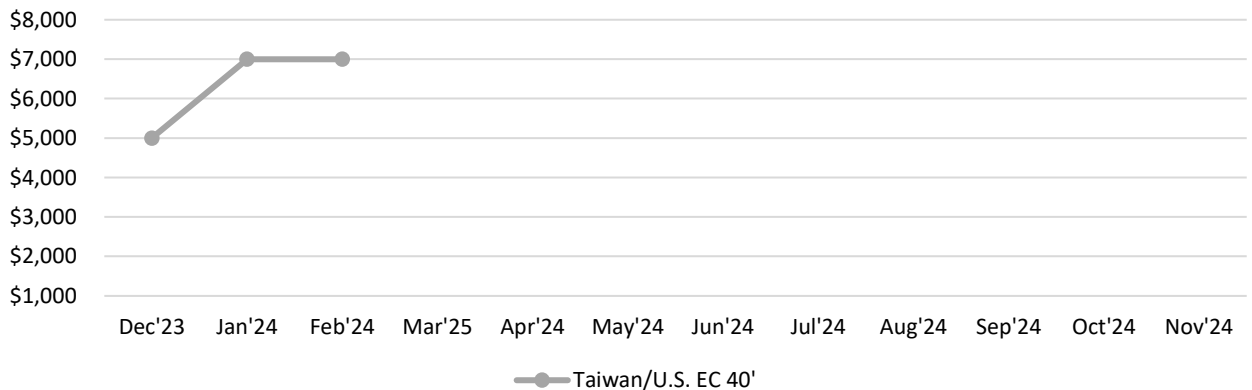
Average GCP/China Container Cost, U.S. Dollars



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



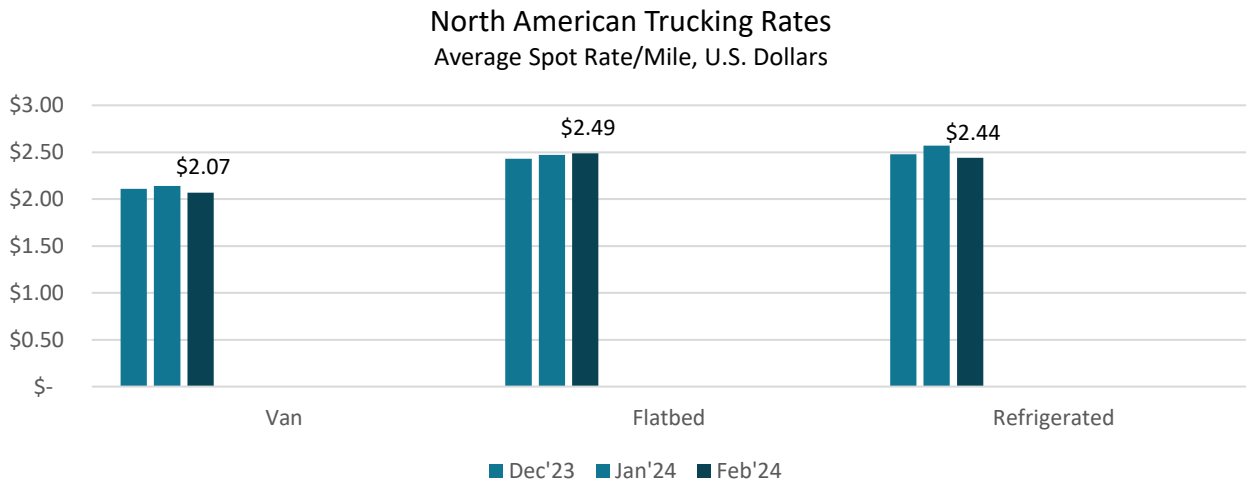
Average GCP/Taiwan Container Cost, U.S. Dollars



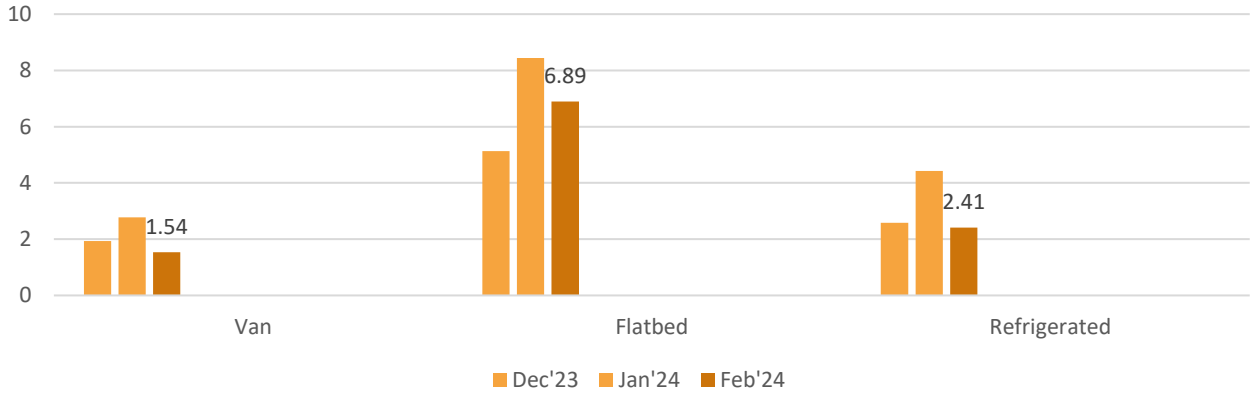
Key Takeaways:

- All rates stated on page 9 are GCP’s port to door rates, fully delivered, inclusive of all fees.
- After a lull in the frequency and effectiveness of attacks on Red Sea traffic, late February’s renewed aggression on commercial vessels, including one that led to an abandoned ship, may suggest that there is still a long way to go.
- Ocean carriers are for the most part maintaining their adjusted schedules for departures and arrivals on lanes with now longer journeys by both increasing sailing speeds and adding more vessels to these services.
- The longer transits have absorbed much of the excess capacity that characterized the container market before the Red Sea disruptions.
- With these strategies in place, carriers have been effective in reducing delays and have succeeded at avoiding congestion at major European and North American import hubs.
- However, this has created other knock-on effects which include reduced equipment and capacity leading to rate increases. Like Asia-U.S. West Coast routes, where ocean rates have climbed 60-80% since the start of the year.
- Going forward, if demand eases post Chinese New Year holiday as carriers anticipate, there are reports shippers could start reducing capacity through blanked sailing in an effort to keep their recent rate gains.

Trucking



North American Load-to-Truck Ratio
Average Number of Loads Posted for Every Truck Posted



Key Takeaways:

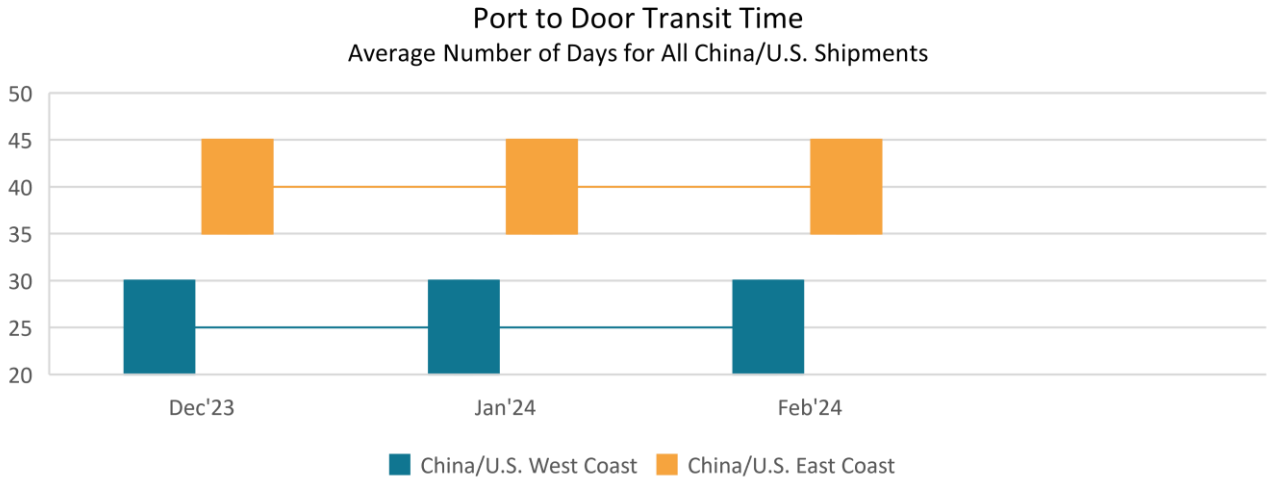
- Large U.S. truckload providers are responding to sustained low freight demand by reducing available capacity regardless of how many smaller competitors are leaving the market.
- Truckload capacity continues to rebalance to meet lower demand levels. Large carrier truckload capacity has decreased for six straight quarters and is now around 2018 levels.
- Carriers are spending less on driver recruiting and marketing, as these funds are being reallocated to alleviate operating cost increases.
- A growing consensus believes carriers will not add drivers or equipment once market conditions improve which could lead to a tighter marketplace and increased rates.

Production & Delivery Times

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



The chart above measures the change an average GCP order will take to supply from the time a purchase order is submitted to the time it is delivered (all facilities, all products). This includes the time it takes to book a container, which currently stands at an average of 10.5 days, as well as ocean shipping and all other transit times.



Our port-to-door transit time tracks the change in days an average GCP order will take to cross the ocean, including all other intermodal shipping.

Key Takeaways:

- The main factor contributing to no change in our production times for the month was the Chinese New Year holiday. This annual holiday results in temporary factory shutdowns as workers return to their hometowns for celebrations. Operations resumed in full on February 20th.
- The wider economic context shows China's manufacturing sector continues to face challenges but is showing some signs of life. China's factory activity unexpectedly reported it's third straight month of growth, along with foreign sales growing for the first time in 7 months.
- For specific production times on each of our product lines and products, please see our February 2024 production report. ([View here](#))

Resources

Raw Material Prices/Commodity Pricing

- <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/january/>

U.S. Rubber Pricing

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- <https://theloadstar.com/transpac-carriers-may-have-the-advantage-as-contract-season-looms/>
- <https://gcaptain.com/carriers-deploy-extra-loaders-to-busy-us-west-coast/>
- <https://www.sea-intelligence.com/press-room/251-red-sea-16-increase-in-teu-miles>

Trucking

- <https://www.dat.com/trendlines>
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- <https://www.joc.com/article/large-us-truckload-carriers-reining-truck-capacity-amid-low-demand-20240215.html>

Production & Delivery Times

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