



INDUSTRY UPDATE

MARCH - APRIL 2024

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RESINS & RAW MATERIALS

Berlin Packaging maintains a best-in-class approach to sourcing packaging materials and manufacturing platforms. We are not bound to a specific material, technology, tool, or country of origin, affording us tremendous flexibility to find the most cost-effective packaging solutions for our customers.

Following typical upward rate adjustments at the start of the year, several market forces — lingering inventory destocking, stable energy prices, lukewarm demand, healthy supplies, available manufacturing capacity, and cooling inflation — continue keeping prices in check for many packaging raw materials.

In January, the Producer Price Index (PPI) for final demand goods (e.g., CPG products, raw materials) and services (e.g., transportation, warehousing) increased 0.3% after dropping 0.1% in December. A 0.6% rise in final demand services drove the January advance. In contrast, the index for final demand goods decreased 0.2%, mainly due to a 1.7% drop in energy prices. For the preceding 12 months ending in January, the PPI inched up 0.9%.





PLASTIC RESINS

U.S. exports of plastic materials and resins fell nearly 11% in dollar value last year, while the value of plastic imports tumbled 25% in 2023, according to the Plastics Industry Association based on preliminary trade data from the U.S. Census Bureau. The decline in American manufacturing in 2023 contributed to the drop-off in imports. Plastic exports faced global economic headwinds, with Japan and England slipping into a recession and Germany's economy averaging zero growth for over a year.

Here's a brief rundown of the current market conditions for various resins:



PET (Polyethylene Terephthalate):

PET prices fell in January but have rebounded with gains in February.



HDPE/MDPE/LDPE (Polyethylene):

A strong export market with rising ocean freight costs has elevated PE prices.



PVC (Polyvinyl Chloride):

Higher feedstock costs and housing market demand have fueled a PVC price increase.



PP (Polypropylene):

Increased raw material costs and production outages have upped PP prices.



PS (Polystyrene):

Following several months of PS price drops, higher feedstock costs contributed to a PS price increase in February.

Post-consumer recycled (PCR):

rHDPE pellet prices have been flat for the past few months because of steady demand, sufficient supplies, and high volumes of competitive virgin resin. Natural and food-grade pellets command the highest prices, while mixed-colored flakes remain at floor values. Mostly flat for several months, prices for post-consumer colorless and food-grade rPET flakes may tick upward in the coming months because beverage demand is expected to improve over last year.



GLASS

In late December 2023, the U.S. Glass Producers Coalition filed an anti-dumping duty (ADD) petition on imports of certain glass wine bottles from China, Mexico, and Chile, and a countervailing duty (CVD) petition on certain glass wine bottles from China.

The ADD petition claims that glass manufacturers from these countries are selling wine bottles in the U.S. at a price less than fair value, harming U.S. glass producers. The CVD petition contends that the government of China is subsidizing the production and export of glass wine bottles.

The U.S. Department of Commerce will announce its preliminary determinations on the CVD petition and the ADD petition in the coming months.



ALUMINUM

New data from the International Aluminum Institute (IAI) show that aluminum production grew in 2022 without an increase in total greenhouse gas (GHG) emissions. In 2022, aluminum production increased nearly 4% from 104.1 million tons to 108.2 million tons, while GHG emissions declined slightly from 1.13 giga-tons CO₂e to 1.11 giga-tons CO₂e. Since 2019, the GHG emissions intensity of primary aluminum production has been falling, decreasing by 4.4% in 2022.

TINPLATE STEEL

In February, the U.S. International Trade Commission (ITC) determined that the U.S. industry is unharmed by imports of tin mill products from Canada, China, and Germany. Earlier, the U.S. Department of Commerce (DOC) had determined these products are sold in the U.S. at less than fair value and subsidized by the government of China.

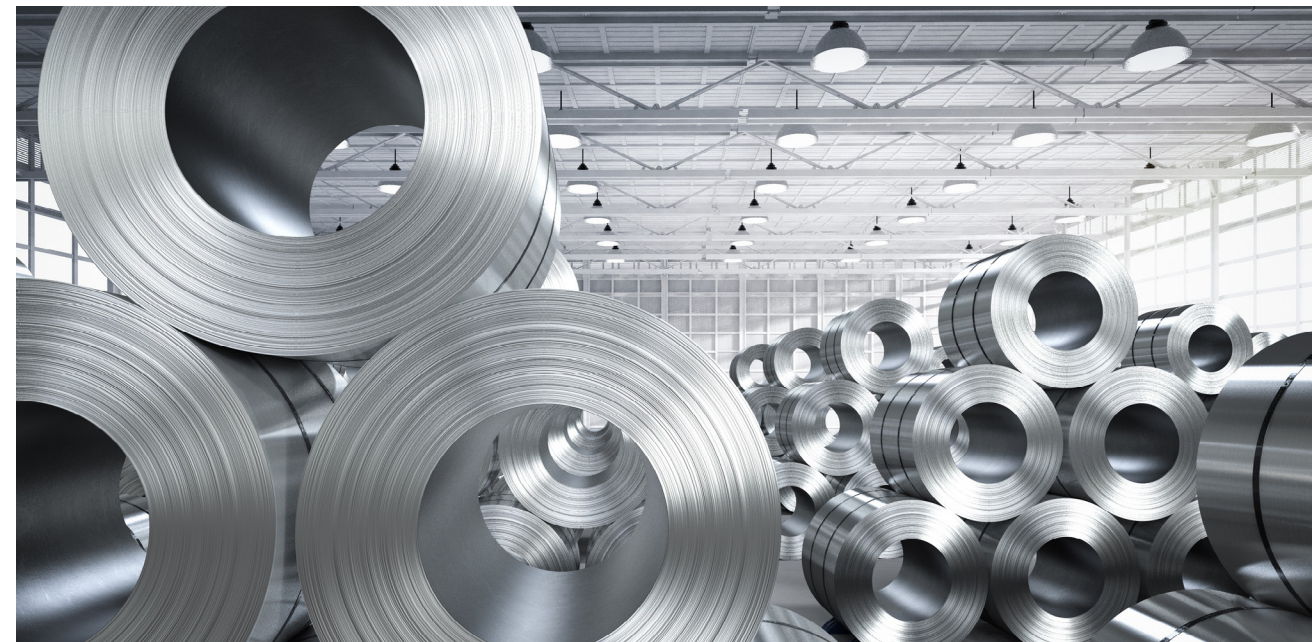
The ITC further found that the imports of these products from South Korea, which the DOC had determined are sold in the U.S. at less than fair value, are negligible and voted to terminate the anti-dumping duty investigation concerning South Korea.

As a result of the ITC's negative determinations, no anti-dumping and countervailing duty orders will be imposed on tin mill imports from Canada, China, and Germany. The Can Manufacturers Institute applauded the ITC's decision.

PULP & PAPER

Global containerboard consumption dropped by more than 8% in 2023, following an almost 7% decline in 2022, according to the Global Corrugated Packaging report from Smithers. Despite growing e-commerce sales and some pushback against plastic, the demand for corrugated packaging has slumped to levels not seen since the financial crisis of 2008. Smithers estimates the market value of converted board at just over \$226 billion in 2023, which is below the market value in 2017.

Although Berlin Packaging cannot control the price of raw materials, we do offer multiple value-added services and income-boosting solutions to help our customers Package More Profit®. Over the past few years, Berlin Packaging has added more than \$200 million in profit to our customers as a unique benefit of doing business with us.





ECONOMIC INDICATORS

Berlin Packaging's mission is to improve our customers' net income through our packaging products and services. We help to increase their sales, reduce costs, and/or improve productivity. Along with having a positive impact on their income, we are committed to providing accurate and timely information and products.

ECONOMIC INDICATORS

As the first quarter draws to a close, the monetary policies of the U.S. Federal Reserve appear to be making progress toward its goal of a soft landing for the economy. Inflation is slowing without a rise in unemployment. While the U.S. has avoided a recession, pockets of economic weakness (e.g., manufacturing, inventory destocking, and credit card debt) remain.

Here's a snapshot of recent economic news and data impacting the consumer packaged goods (CPG) market and the packaging industry in North America.

- Following a holiday-shopping-driven increase (0.4%) in December, U.S. consumer spending declined 0.8% MOM in January.
- Consumer sentiment remained positive in February, with favorable outlooks for cooling inflation and a strong labor market.
- U.S. inflation rose by 0.3% MOM in January, driven by rising rent and food costs.
- Prestige beauty product sales grew 14% YOY in the U.S. last year.
- Target sets its sights on budget-conscious consumers, while Walmart attracts more higher-income households.



CONSUMER SPENDING AND SENTIMENT

U.S. consumer spending declined 0.8% month over month (MOM) in January, following a 0.4% MOM increase in December. The January pullback corresponds to sales drops in health & personal care stores (-1.1%), building materials & garden supplies stores (-4.1%), electronics & appliance stores (-0.4%), and sporting goods/hobby/book stores (-0.2%).

In Canada, consumer spending and retail sales fell 0.4% in January, according to advance estimates from Statistics Canada. Retail sales rose 0.9% in December.

Consumer sentiment — a measure of how U.S. consumers view their personal finances and the economy — remained positive in February because of slowing inflation expectations and continued full employment, according to the University of Michigan consumer sentiment survey. Five-year expectations for business conditions rose 5% to its highest reading since December 2020.

CPG SALES FLATTEN OUT

In January, U.S. retail sales, including discretionary general merchandise and CPG, were flat in both units and revenue compared to 12 months earlier, according to Circana. Discretionary general merchandise spending fell by 5% in dollar and unit sales compared to January 2023. CPG performance held steady. Food and beverage year-over-year (YOY) sales revenue grew 1%, while unit sales were flat. Non-edible CPG sales were mixed, with 2% revenue growth and a 1% unit sales decline.

Last year, the overall retail market grew by 3% in revenues and shrunk by 2% in unit sales, reports Circana. Prestige beauty was the only general merchandise industry to post growth across dollars and units in 2023.

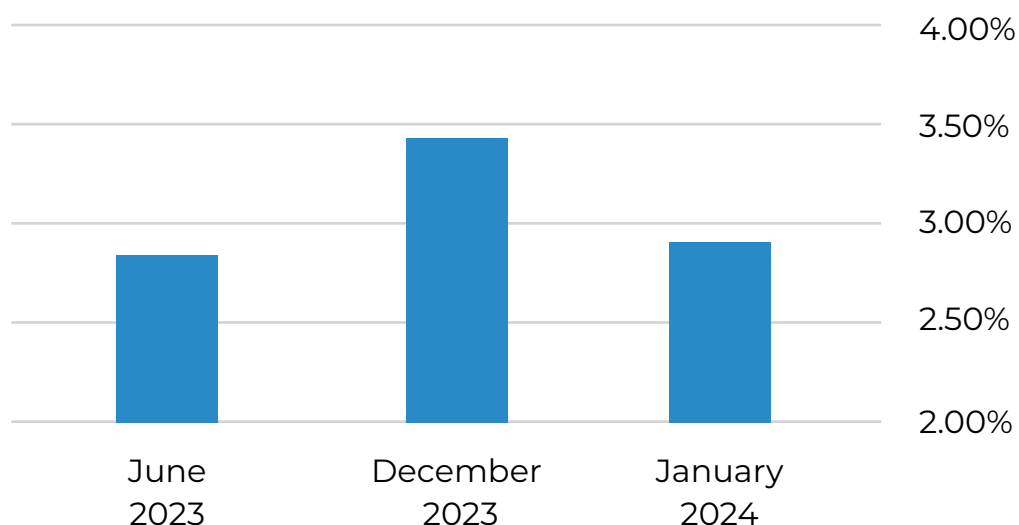


PRESTIGE BEAUTY MARKET GLOWS

Dollar sales of U.S. prestige beauty products grew by 14% YOY to reach \$31.7 billion in 2023, according to Circana. In the prestige channel, makeup was the fastest-growing category based on dollar sales, while skincare was the fastest-growing category based on units sold.

Lip makeup was the strongest performer within prestige makeup, up 31% because of products such as tinted lip oils and balms. Face serums and creams, body sprays, body lotions and creams, and body cleansers grabbed the top-performing product spots in the prestige skincare category.

Annual Inflation Rate in Canada



INFLATION, SHRINKFLATION, AND INTEREST RATES

After rising 0.2% MOM in December, the U.S. consumer price index (CPI) increased 0.3% in January, driven by growing rent, food, and electricity and gas services costs, according to the Bureau of Labor Statistics. Food prices increased 0.4% in January, following a 0.2% rise in December. On an annual basis, the CPI rose 3.1% for the 12 months ending in January. One year ago, the CPI was 6.4%.

The annual inflation rate in Canada stood at 2.9% in January, a drop from 3.4% in December and the lowest level since June 2023. Lower gasoline prices and slowing grocery prices contributed to the annual inflation deceleration.

While inflation is diminishing, “shrinkflation” is trending, thanks to President Joe Biden. Shrinkflation — shrinking product contents or packaging without lowering prices — sparked news headlines after President Biden complained about smaller salty snacks, ice cream, and beverage packages in an Instagram video post on Super Bowl Sunday. He called the practice a rip-off.

At its January meeting, the U.S. Federal Reserve held interest rates steady for the fourth consecutive time amid slowing inflation. Fed Chairman Jerome Powell noted, “We believe that our policy rate is likely at its peak for this tightening cycle and that, if the economy evolves broadly as expected, it will likely be appropriate to begin dialing back policy restraint at some point this year.”

RETAILER RUMBLINGS

To appeal to budget-conscious consumers who are shopping increasingly at dollar stores, Target announced in February the launch of a new private-label brand — dealworthy — with nearly 400 low-priced products spanning essentials, beauty, apparel, electronics, and home items. Some goods retail below \$1; most products cost less than \$10.

Target also recently announced the refresh of its up&up brand for everyday essentials. The retailer reformulated 40% of existing products to meet higher quality standards. The up&up brand added hundreds of new products and now boasts 2,000 SKUs, with most under \$15. New color-coded packaging with big product names makes shopping easier.

Meanwhile, at its fourth-quarter earnings call in February, Walmart declared that upper-middle-class and high-income shoppers (households with more than \$100,000 annual income) drove most of the growth in its general merchandise products, like apparel, electronics, and home goods.

As the world's largest Hybrid Packaging Supplier®, Berlin Packaging continually tracks consumer behavior, product trends, macroeconomics, geopolitical events, and packaging innovation to fully understand what is happening in the market so we can best help our customers succeed.

The brands mentioned in this report are trademarks of their respective owners. Inclusion of these brands in this report is not meant to imply an association with or endorsement from the respective trademark owners.





OCEAN FREIGHT

As volatility persists in many global trade lanes, Berlin Packaging continues to proactively provide alternate routings and real-time visibility of the global freight market to help our customers minimize any disruptions to their supply chains. We partner with all major ocean carrier alliances to help mitigate delays due to route changes or blank sailings from a single carrier.

Militant attacks on commercial shipping, including container ships, in the Red Sea and Gulf of Aden have forced ocean carriers to bypass the Suez Canal and reroute their vessels around the Cape of Good Hope in southern Africa.

Longer routes and transit times from Asia to Europe, the Mediterranean Sea, and North American East/Gulf Coasts increase fuel usage and costs, labor costs, emergency surcharges, insurance premiums, and lead times for importers.

From early December to late February, global spot ocean freight rates for forty-foot containers increased 150%, according to Drewry's World Container Index.

The lengthening transit times also reduce the availability of containers. According to Sea-Intelligence, the longer routes increase global twenty-foot equivalent unit miles by 16%, which means the need for capacity also rises by 16%. Thankfully, carriers have enough overcapacity to accommodate the capacity demand. They can also increase vessel speed to hasten container turnaround.

The maritime crisis in the Red Sea hurts carrier schedule reliability. In December and January, global on-time performance fell by 5% each month to settle at 51.6% in January — the lowest reading since September 2022, according to Sea-Intelligence. The December drop was the largest month-over-month (MOM) decline since February 2021. Average vessel delays rose 0.30 days MOM to reach 5.35 days in December.



IMPORT VOLUMES AND PORT ACTIVITY

January U.S. container import volumes jumped nearly 8% MOM and almost 10% year over year (YOY), according to Descartes. Rising imports from China drove much of the gains, benefiting the Ports of Los Angeles (LA) and Long Beach (LB).

LA had its best January on record for import volumes, which grew 19% YOY. January LB import volumes spiked 23.5% YOY. LA has posted six consecutive months of YOY increases in import/export volumes, while LB has accomplished the same feat for five straight months.

Several factors are contributing to the resurgence of West Coast ports. Shippers ordered their imported goods from China and Asia earlier in anticipation of the Lunar New Year Holiday and production slowdown in February. Many carriers are avoiding the Suez and Panama Canals and favoring trade lanes to the West Coast.

The newfound optimism at West Coast ports is a complete reversal from one year ago when the seaports faced tough negotiations over a new labor contract between the port terminal operators and longshore workers. Unfortunately, that difficult scenario may repeat itself. But this time, it's the East and Gulf Coast ports.

On September 30, 2024, the labor contract between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) will expire. The ILA union represents tens of thousands of dockworkers, while the USMX represents employers at 36 coastal ports on the East and Gulf Coasts, including the Port of New York and New Jersey, the Port of Savannah, Georgia, and the Port of Houston.

Negotiations between the two groups began in February 2023 but have gone nowhere. The two sides appear to be far apart on wages, automation, and the use of nonunion workers. In November, ILA President Harold Daggett said, "Members should prepare for the possibility of a coastwide strike in October 2024."

As a Customs-Trade Partnership Against Terrorism (C-TPAT) certified importer, Berlin Packaging and our customers reap multiple benefits, such as reductions in customs freight examinations, "front of the line" status during inspections/exams, shorter wait times at the border, and more.





DOMESTIC TRANSPORT

With a dedicated and accomplished team of logistics specialists, Berlin Packaging excels in all modes of transportation to ensure our customers benefit from competitive rates and freight expertise. We are flexible and nimble, ready to tackle urgent and expedited shipments and special requests like drop trailer services for customer convenience.

DOMESTIC TRANSPORT

Domestic transportation costs — both spot and contracted rates — in North America appear to be in the doldrums, thanks to sluggish freight demand, plenty of carrier capacity, a January deep freeze, and stable diesel fuel prices and surcharges.

But there are signs that costs may begin to climb. January containerized import volumes jumped nearly 8% month over month and almost 10% year over year, according to Descartes. Some gains came from shippers pulling cargo forward ahead of the Chinese Lunar New Year celebration and Asian manufacturing shutdowns in February.

For the first time since September 2019, the [January 2024 Logistics Managers' Index](#) (LMI) showed expansion in all metrics: transportation prices/utilization/capacity, inventory costs/levels, and warehouse prices/utilization/capacity. Retailers are rebuilding their inventories after a busy holiday season.



MEXICO BECOMES TOP U.S. TRADE PARTNER

As nearshoring accelerated during the pandemic to circumvent global supply chain disruptions, Mexico expanded its industrial output. This manufacturing growth contributed to Mexico becoming the top trading partner to the U.S. in 2023, with \$798 billion in cross-border trade. More than 7.35 million cargo trucks crossed the U.S.-Mexico border last year.

Canada ranked no. 2 in trade (\$774 billion) with the U.S., while China ranked third. Trade between China and the U.S. tumbled 16.7% to \$575 billion in 2023. For the first time, Laredo, TX, was the top-ranked international trade gateway in the U.S. last year. The Port of Los Angeles captured the second spot, while Chicago O'Hare International Airport was no. 3.



TRUCKLOAD RATES & SHIPMENTS

Line-haul costs per mile for the dry van spot market followed typical seasonal patterns at the beginning of the year. In mid-February, the dry van spot rate per mile averaged \$1.95, a slight \$0.03 drop from one year ago. The weekly count of dry van spot shipments fell 4.1% compared to one year ago. Spot rates were 31 cents less per mile than contracted rates in mid-February.

Van load-to-truck ratios, which serve as a measure of both demand (the number of loads) and capacity (the number of available trucks to carry those loads), dropped to below 2.0 in February. The ratio was 2.52 in February 2023 and 7.33 in February 2022. Lower ratios mean less demand or competition for available trucks, keeping a lid on rates.



DIESEL FUEL PRICES FLUCTUATE

Since November 2023, U.S. diesel fuel prices have fluctuated between \$3.82 and \$4.36 per gallon. In February, prices held steady at \$4.10 per gallon for two consecutive weeks following a rate hike that moved prices above \$4.00 for the first time since early December. Tighter diesel inventories in the U.S. and Europe may have spurred the increase. Mid-February diesel fuel prices were \$0.27 lower than one year ago.

U.S. MANUFACTURING REMAINS WEAK

Economic activity in the U.S. manufacturing sector contracted in January for the 15th consecutive month, according to the [Manufacturing ISM Report On Business](#). But some bright spots in the January report may bolster manufacturing down the road. The indexes of new orders, production, and imports all moved from contraction to expansion.

“Demand moderately improved, output remained stable, and inputs are accommodative. Also, the customers’ inventories index contracted further, becoming more accommodative for future production,” stated the report. Since manufacturing activity affects less-than-truckload (LTL) tonnage, the prolonged softness in manufacturing indicates continued moderation of LTL shipment volumes.

For products like aluminum cans and bulk glass containers, Berlin Packaging can utilize partial truckloads, which streamline the handling and delivery of packaging at competitive market rates and avoid using LTL networks with preset carrier rates.

Average price for diesel fuel
(per gallon)

\$4.37

February 2023

\$4.36

November 2023

\$4.10

February 2024



E-COMMERCE SALES GREW 7.6% IN 2023

According to recent government data, annual U.S. retail e-commerce sales totaled \$1,118.7 billion in 2023 — a 7.6% increase over the prior year. Retail e-commerce sales accounted for 15.4% of total retail sales last year.

In February, the U.S. Postal Service (USPS) announced ambitious sustainability targets for FY2030 to reduce greenhouse gas emissions and waste. By 2030, the USPS seeks to divert 75% of its waste from landfills, increase the recycled content of packaging to 74%, increase package recyclability to 88%, increase renewable energy use to 10%, reduce scope 1 and scope 2 greenhouse gas (GHG) emissions by 40%, and reduce scope 3 GHG emissions by 20%.

In 2023, Berlin Packaging efficiently managed more than 60,000 shipments in North America, representing over 100 million pounds of packaging components and approximately 30 million transportation miles.



We Believe Anything Is Possible[®]

With over 100 years in the packaging industry, more than 2,000 packaging professionals and a global network of suppliers and warehouses, we offer 50,000+ SKUs of plastic, glass, and metal containers, closures, and dispensing systems across all markets for customers just like you.

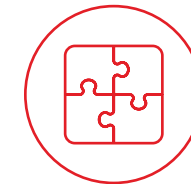
Our Business Model

Berlin Packaging combines the best elements of manufacturing, distribution and logistics, and value-added service providers to deliver cost-effective packaging solutions to our customers. Our mission is to improve our customers' net income through packaging products and services. We are the world's largest Hybrid Packaging Supplier[®].



Manufacturing Services

+



Value-Added Specialty Services

+



Distribution Services

Value-Added Specialty Services

Our compelling suite of solutions addresses your needs and unlocks profit.

- Custom Design & Innovation
- Quality Service Management
- Global Sourcing & Services
- Inventory Management Services
- Sustainable Packaging Solutions
- Berlin Financial Services