INDUSTRY UPDATE

Q3 - 2026

- Resins & Raw Materials
- Economic Indicators
- Global Transportation
- Domestic Transportation

RESINS AND RAW MATERIALS

QUARTER 3
2026

Supply chain disruptions, energy costs, freight expenses, inflation, trade policies, and tariffs are elevating the cost of packaging raw materials and finished products. While packaging raw material prices may fluctuate from month to month, the overall direction is clear: higher prices.

The July Producer Price Index (PPI) illustrates this market trend. Over the past 12 months (July 2025 to July 2026), the PPI for plastic resins rose by 10.7%, aluminum mill shapes (including sheet products used to make cans) climbed by 40.5%, steel mill products increased by 22.5%, and paper rose by 10.4%.

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.

PLASTIC RESINS

The following summarizes current market conditions for key plastic resins:

- **PET (Polyethylene Terephthalate):** Ample resin supplies and inventories, stable production, softening demand, and lower feedstock costs are putting downward pressure on PET prices.
- **HDPE/MDPE/LDPE (Polyethylene):** Following a hefty increase in the spring from the crude oil price shock, PE pricing has retreated due to plentiful supplies and elevated inventories.
- **PVC (Polyvinyl Chloride):** High operating rates, growing inventories, lower feedstock costs, flat domestic demand, and slowing export demand are keeping a lid on PVC prices.
- **PP (Polypropylene):** Strong demand, reduced operating rates, rising exports, and higher feedstock costs suggest upward movement in PP prices in the near term.
- **PS (Polystyrene):** The biggest driver of PS pricing is benzene feedstock costs, which rose in June, fell in July, and are likely to increase in August.
- **Post-consumer recycled (PCR):** Recycled HDPE **(rHDPE)** pellet prices rode the coattails of rising virgin prices this past spring but have fallen over the summer due to slowing demand and slumping virgin prices. For the balance of the year, buyers should expect stable pellet pricing due to lower virgin PE prices and competitively priced imports. The recycled PET **(rPET)** market features ample supplies, below-average demand, and stable pricing. The outlook for the remainder of 2026 includes steady demand, sufficient supply, and pricing support from imports and elevated freight costs.

GLASS

In July, the Oregon Department of Environmental Quality (DEQ) took a significant step to address concerns about glass packaging fees under the state's Extended Producer Responsibility (EPR) program. Following months of collaboration among DEQ, Circular Action Alliance Oregon (the state's PRO), the Glass Packaging Institute (GPI), and other stakeholders, Oregon will reclassify glass and return it to the state's uniform recyclables collection list beginning July 1, 2027.

For CPG brands that rely on glass packaging, the rules update could bring meaningful cost relief from reduced fees levied by the state and its PRO. Oregon's current EPR framework charges producers (i.e., brand owners who sell filled glass products in the state) 10 cents per pound for glass bottles, jars, and containers, creating some of the highest glass-related producer fees among state EPR programs. According to DEQ estimates and GPI analysis, the revised classification should reduce costs for glass producers while more closely aligning fees with the law's original intent: requiring producers to contribute to recycling system improvements rather than cover the full cost of an established recycling infrastructure.

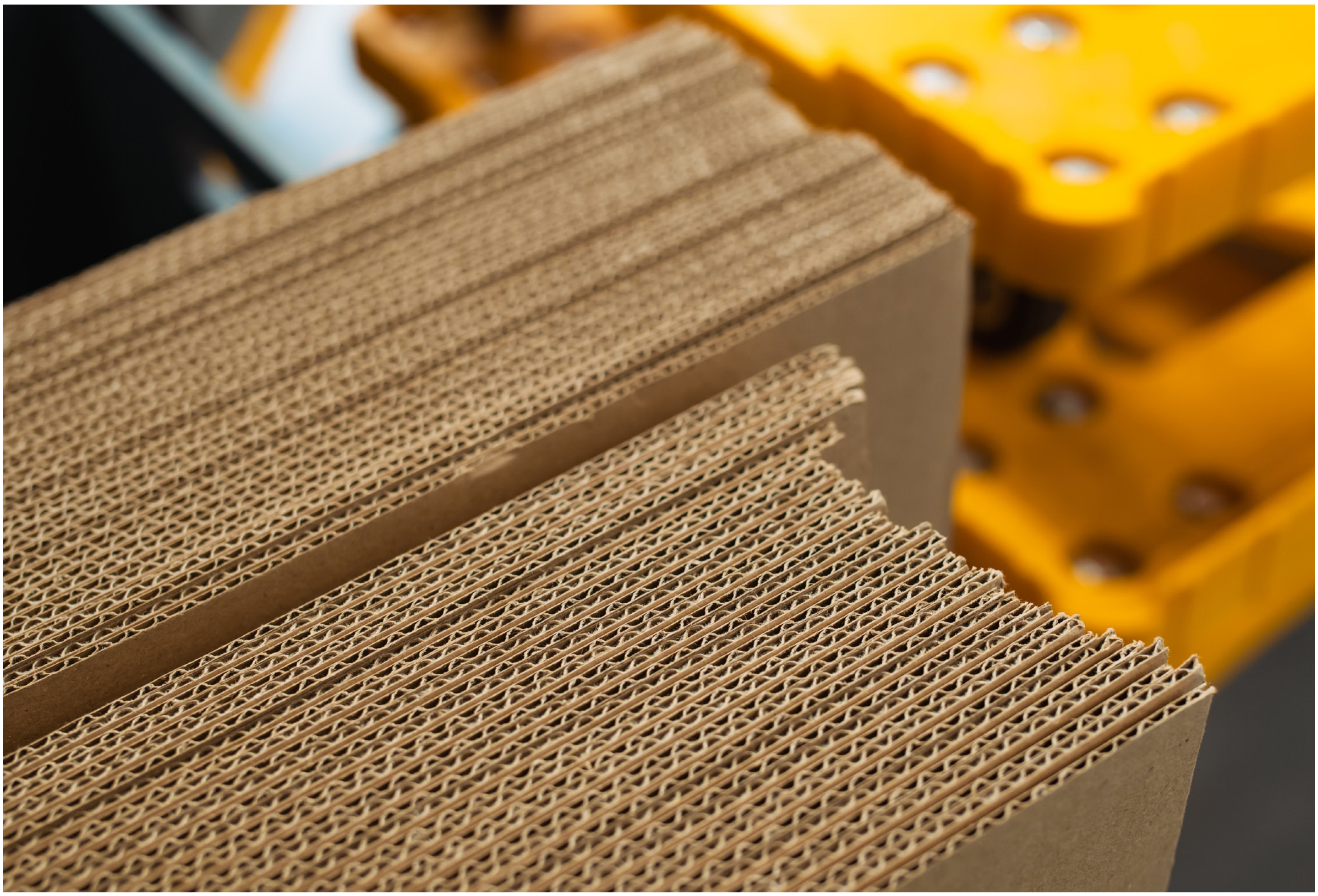
METAL

Metal packaging manufacturers and fillers understand the challenges ahead, but many have not yet invested in the technologies needed to address them, according to a recent survey of 200 metal packaging professionals across the U.S., UK, Germany, and India. **The study found that structural integrity (33%), cost control (31%), and sustainability and recyclability (30%) rank among the industry's top priorities through 2028.** As brands push for higher recycled content to meet sustainability goals, manufacturers face increasing pressure to maintain can strength, dent resistance, and product performance while also controlling raw material costs.

The research highlights a significant quality management challenge. Eighty-six percent of respondents identified quality issues that production teams detect too late in the process as the industry's biggest technical risk, while 81% said their testing approach relies too heavily on manual, operator-led measurements. Respondents identified investment in flexible testing equipment, quality measurement solutions, and resource efficiency as top priorities for the next two to three years.

PULP & PAPER

Containerboard and boxboard markets continue to tighten as producers push through a third round of price increases in 2026, citing higher costs for recovered fiber, freight, energy, and other inputs, along with reduced industry capacity after producers idled significant mill capacity in 2025. Major producers report higher operating rates, lower inventories, improved shipment volumes, and tighter supply conditions across key grades. For CPG brands that rely on corrugated packaging, containerboard, paperboard, and folding cartons, these trends signal continued upward pressure on packaging costs through the second half of 2026 and into 2027.



Although Berlin Packaging cannot control the price of raw materials, we 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 for our customers as a unique benefit of doing business with us.

ECONOMIC INDICATORS

QUARTER 3
2026

As summer vacations wind down and children head back to school, the U.S. economy may be shifting from a K shape, where affluent and comfortable consumers thrive while lower-income consumers struggle, to an E shape, with three consumer groups instead of two. Recent consumer spending and wage trends reflect this shift.

According to Bank of America, spending growth and after-tax wage growth among high-, middle-, and low-income earners are converging. The top 5% of earners remain the exception, as they continue to outspend the other groups. In the past, middle-income consumers spent at levels similar to their higher-income counterparts. That pattern diverged in the second half of 2025, when middle-income consumers reduced their discretionary spending while higher-income consumers maintained their spending levels.

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

- **U.S. retail sales contracted by 0.6% in July.**
- **Consumer sentiment slid by about 8% in August.**
- **U.S. annual inflation remains above 3%.**
- **In Q2, U.S. GDP rose 1.5%, Canada forecasts GDP growth of 3.4%.**

Berlin Packaging's mission is to improve our customers' net income through our packaging products and services. We help increase their sales, reduce costs, and improve productivity. We also provide accurate, timely information and products that can positively affect their income.

CONSUMER SPENDING AND SENTIMENT DECLINE

U.S. consumer spending and retail sales posted their first decline in nine months and their largest drop since May 2025, falling 0.6% month over month (MoM) in July. The decline in retail sales, combined with a loss of 23,000 U.S. jobs in July, may indicate slower consumer spending in the third quarter.

In July, the MoM sales decline centered on non-store (online) shopping, which fell 2.2%. Amazon moved its annual Prime Day shopping event from July to June this year, which likely contributed to the July decline in online sales. Other retail categories that declined included motor vehicles and parts (-1.8%), electronics and appliances (-0.5%), and gasoline stations (-0.9%), reflecting falling gas prices. However, U.S. gas prices rose an average of 20 cents per gallon from mid-July to mid-August.

Food and beverage store sales remained flat in July. Health and personal care store sales increased 0.7%. Other retail categories that posted gains included building materials and garden supplies (+0.3%) and clothing and clothing accessories (+1.9%), likely fueled by back-to-school purchases.

In Canada, consumer spending and retail sales expanded 1.0% in May, driven by gains in all nine subsectors, according to Statistics Canada. Retail sales increased 2.1% in the first quarter. Statistics Canada projects that retail sales will increase 0.4% in June.

Consumer sentiment — a measure of how U.S. consumers view their finances and the economy — fell about 8% in August after improving for two consecutive months, according to the University of Michigan consumer sentiment survey. An 11% decline in short-term business conditions drove the August pullback, while consumers' assessments of their personal finances also declined slightly. Year-ahead inflation expectations ticked up to 4.3% in August. Across all consumers, only 8% expect their income growth to exceed inflation in the year ahead.

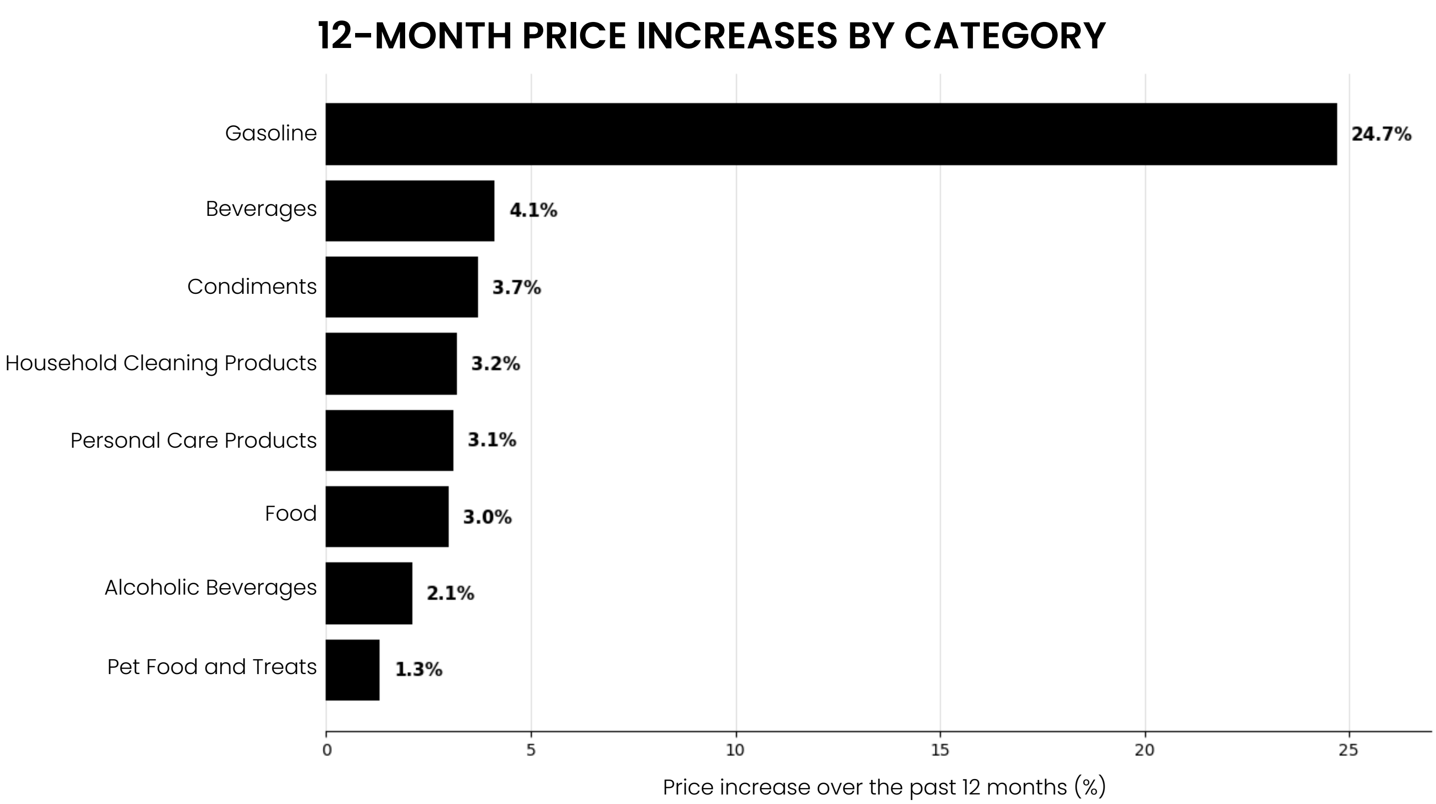
U.S. ANNUAL INFLATION PERSISTS ABOVE 3%

The U.S. consumer price index (CPI) rose 0.1% MoM in July after falling 0.4% in June, according to the Bureau of Labor Statistics. The July increase included gains in shelter (+0.1%), food (+0.1%), and food away from home (+0.3%). The energy index fell 1.5% in July. **On an annual basis, the CPI reached 3.4% over the 12 months ending in July, well above the government's 2% annual inflation target.**

Over the past 12 months, gasoline prices increased 24.7%, while prices for food increased 3.0%, beverages 4.1%, condiments 3.7%, household cleaning products 3.2%, personal care products 3.1%, alcoholic beverages 2.1%, and pet food and treats 1.3%.

Canada's CPI rose 0.5% MoM in July and 3.0% YoY, according to Statistics Canada. Grocery-store food prices rose 3.1% YoY in July, while gasoline prices increased 25.7% YoY.

For CPG brand owners, the CPI data suggest moderate monthly inflation, elevated headline inflation, higher input and operating costs, and continued price pressures for consumers. Brand owners cannot simply pass price increases on to consumers with diminishing purchasing power. Instead, brands should protect their margins through supply chain improvements, sourcing efficiencies, and tighter cost management.



Q2 GDP: U.S. ROSE 1.5%, CANADA FORECASTS 3.4% GROWTH

In the second quarter, U.S. real gross domestic product (GDP) increased at an annual rate of 1.5%, following a 2.1% increase in Q1. Consumer spending, business investment, and exports drove Q2 growth, while lower government spending partly offset those gains. **The slowdown from Q1 to Q2 reflected lower government spending, business investment, and exports. Imports also increased more than they did in the first quarter.**

In Canada, the Royal Bank of Canada (RBC) predicts real GDP growth of 3.4% in the second quarter. Canada's GDP remained essentially flat in the first quarter after declining 0.2% in Q4 2025. **The Q2 rebound reflects growth in employment, manufacturing, mining, oil and gas, exports, and consumer demand.**

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

GLOBAL TRANSPORTATION

QUARTER 3
2026

North American shippers face elevated global transportation costs due to constrained capacity, supply-and-demand imbalances, rising fuel prices, higher ocean freight spot rates, supply chain disruptions, and extreme market volatility associated with conflicts in the Middle East and Persian Gulf.

An active typhoon season in the western Pacific Ocean has slowed operations, caused congestion, and created cargo backlogs at several East Asian ports. Storm-related port closures, vessel bunching, skipped port calls, and altered rotations have disrupted schedules at major gateways in China and Taiwan. The disruptions have temporarily reduced effective transpacific capacity and compounded schedule reliability problems.

As volatility persists across many global trade lanes, Berlin Packaging proactively provides alternate routings and real-time visibility into the international freight market to help our customers minimize disruptions to their supply chains. Our long-standing carrier partnerships, which include dynamic pricing and adaptable agreements, help mitigate market fluctuations.

TARIFF TALK SPURS IMPORTS, EARLY PEAK SEASON

The ocean freight market experienced an unusually early peak season fueled by tariff uncertainty and geopolitical disruption. Retailers and manufacturers pulled cargo forward to get ahead of expected tariff changes, higher fuel costs, and potential supply chain interruptions tied to the Iran conflict. The strategy boosted cargo volumes at major U.S. ports and pulled forward holiday inventory shipments that traditionally move later in the year. As a result, May and June import volumes at major U.S. container ports increased 14% year over year (YoY), according to the National Retail Federation (NRF).

The frontloading surge also tightened vessel capacity and pushed freight rates higher. Industry reports indicate port congestion has returned to levels last seen during the pandemic. At the same time, carriers continue to reroute vessels around the southern tip of Africa and deploy nearly all available capacity. The result has been a tight market in which demand growth has outpaced available space on key Asia-North America trade lanes.

Spot rates from Asia to North America have increased over 100% YoY. Soaring bunker fuel costs also drove rates higher, with fuel prices rising roughly 50% above pre-conflict levels and prompting carriers to impose emergency surcharges that increased transportation costs for shippers.

Looking ahead, market conditions are not expected to improve before the Chinese Golden Week holiday (October 1–7). Vessels continue to be fully booked three to four weeks in advance. **Ocean carriers continue to implement blank sailings to balance supply (capacity) with demand, propping up spot rates.**

The NRF forecasts monthly import volumes to decline from August through November as tariff-driven frontloading fades and retailers work through inventories already in place for the holiday season. However, rates are likely to remain elevated because congestion, capacity discipline by carriers (i.e., blank sailings), Middle East instability, and lingering uncertainty around trade policy continue to support elevated freight rates.

PANAMA CANAL BRACES FOR DROUGHT CONDITIONS

The Panama Canal faces renewed drought pressure as a strengthening El Niño reduces rainfall and lowers water levels in Gatun Lake, the freshwater reservoir that supplies the canal's lock system. In response, the Panama Canal Authority (ACP) plans to tighten maximum draft limits for the largest vessels to 48 feet on Aug. 26 and 47.5 feet on Sept. 3. The ACP has already reduced allowable drafts several times this summer as it works to conserve freshwater while maintaining vessel traffic.

For container shipping, lower draft limits force vessels to carry less cargo (i.e., weight limitations on 20-foot and 40-foot containers) through the canal. The canal depends on millions of gallons of freshwater for each transit, so declining lake levels can constrain how deeply loaded ships may sit in the water. The ACP currently expects to maintain daily transit volumes, but continued drought could eventually create tighter operating conditions. During the severe 2023-24 drought, the canal reduced daily transits to as few as 24 vessels and imposed draft restrictions below 44 feet.

SHIPPERS FACE TIGHT CAPACITY AND ELEVATED AIR FREIGHT RATES

North American shippers enter the second half of the year with strong air cargo demand, constrained capacity, and stubbornly high rates. North American carriers recorded a 13.1% year-over-year (YoY) increase in demand in June, the strongest growth among all regions, while capacity rose just 6.2%, according to the International Air Transport Association.

Jet fuel price increases due to the Persian Gulf conflict have boosted air freight rates. While fuel prices have eased since the spring, they remain higher than usual. Fuel costs account for about one-third of airline operating costs.

In Asia, recent typhoons have disrupted air freight operations at major hubs, canceling flights, creating cargo backlogs, and spiking spot rates.

According to its July Air Freight Outlook 2026 Mid-Year Update, Xeneta expects rates to increase 5%–15% this year, driven primarily by the supply chain shock from the continuing conflict in the Middle East. In its 2026 outlook published in December, Xeneta forecast a 5%–10% drop in rates and a 3–4% capacity growth. Xeneta now expects capacity to grow just 2%–3%. In the first half of the year, capacity grew only 1% while demand increased 4%. This supply-and-demand imbalance pushed rates 17% higher globally in the first half of 2026.

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 and exams, and streamlined processes that help prevent delays.

DOMESTIC TRANSPORTATION

QUARTER 3
2026

Transportation costs in North America have risen rapidly this year, hitting their highest levels since the pandemic due to capacity constraints, spiking diesel fuel prices, elevated fuel surcharges, higher carrier operating costs, and moderate demand. Recent court rulings have imposed additional regulatory, liability, and insurance burdens on carriers, increasing fleet overhead costs.

Carrier bankruptcies and closures over the past several years have reduced capacity, while stringent government regulations have limited the pool of qualified drivers. These factors have led to greater pricing volatility and longer lead times for securing capacity in certain lanes and regions. **Shippers should expect additional market pressure and higher costs during the peak shipping season, which runs from November through early January.**

While transportation conditions remain challenging, Berlin Packaging continues to actively manage freight and secure competitive rates through our established carrier network, market intelligence, and experienced logistics team.

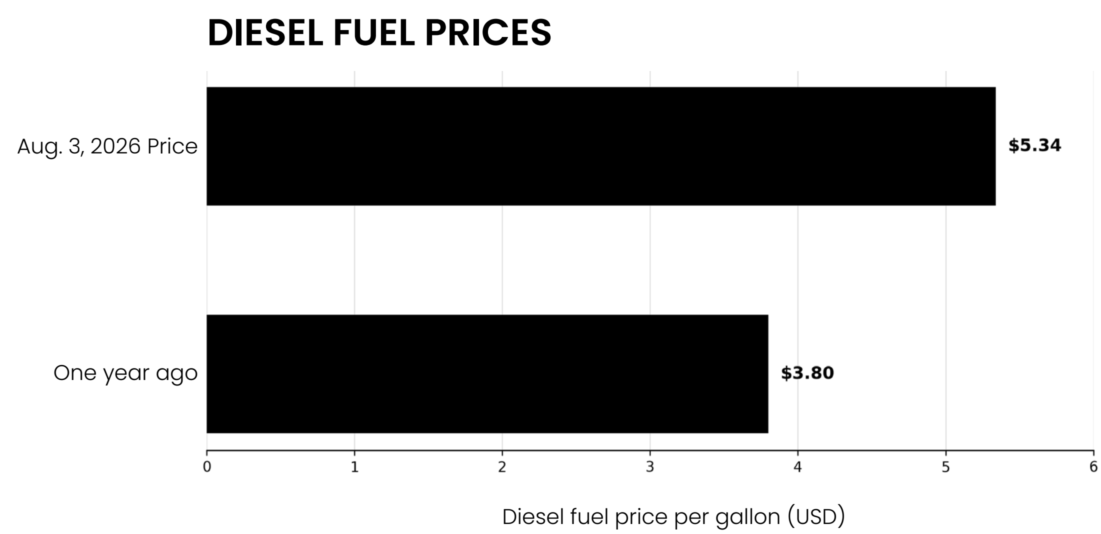
TRUCKLOAD COSTS RISE 50+% YOY

Truckload capacity remains constrained across North America. Nearly nine shipments currently compete for every available truck, compared with about four shipments per truck one year ago. **Early August market benchmarks show that combined line-haul and diesel fuel costs have increased by more than 50% year over year (YoY) across the domestic truckload network.**

Increased manufacturing output and imports are influencing freight demand. Economic activity in the U.S. manufacturing sector expanded for the seventh consecutive month in July, reaching its fastest growth rate in more than four years, according to the July Manufacturing ISM Report On Business. Three of the four demand indicators — the New Orders, Backlog of Orders, and New Export Orders indexes — expanded in July, while the Production Index expanded for the ninth month in a row.

DIESEL FUEL PRICES TOP $5 PER GALLON

Diesel fuel prices reached four-year highs in April and have averaged above $5 per gallon for the past five months as the Iran conflict disrupts crude oil supplies and the flow of refined petroleum products. In early August, diesel fuel prices stood at $5.34 per gallon — $1.54 higher than one year ago.



For the remainder of the year, diesel fuel prices are likely to follow crude oil markets. Fully reopening the Strait of Hormuz should normalize global crude oil supplies and gradually lower fuel prices. However, diesel prices will remain well above 2025 levels. However, continued conflict in the Middle East and disputes over control of the Strait of Hormuz will likely keep diesel fuel prices elevated.

Berlin Packaging's Logistics Team bridges the gap between sales, procurement, suppliers, and operations, ensuring seamless shipment execution tailored to customer needs.

INTERMODAL RAIL VOLUMES CLIMB

With trucking capacity tight and truckload costs rising, intermodal rail has become a more attractive option for moving loads over long distances than transcontinental trucking. Regional capacity constraints also make intermodal rail competitive in some short-haul lanes.

During the first 30 weeks of 2026, U.S. railroads transported 8.41 million intermodal units, 3.8% more than during the same period in 2025. High truckload costs and an early start to the import peak season have prompted shippers to shift freight from over-the-road transportation to rail.

E-COMMERCE SALES GREW 3.8% IN Q2

According to recent government data, U.S. retail e-commerce sales reached $340.2 billion in the second quarter of 2026, representing a 3.8% increase over the first quarter and a 12.2% rise from the same quarter last year. Retail e-commerce sales in Q2 accounted for 17.1% of total retail sales. As online shopping grows, final-mile delivery accounts for a larger share of supply chain budgets.

U.S. parcel volume increased 3.3% last year to reach 23.1 billion parcels, according to the Pitney Bowes annual U.S. Parcel Shipping Index. Projections indicate that this growth will continue, with parcel volume reaching 31 billion by 2031. **Parcel revenue jumped 6.2% YoY as carriers prioritized profitability.**

In 2025, Amazon Logistics overtook USPS as the largest parcel delivery provider. Amazon handled 6.9 billion units (+9% YoY), while USPS parcel volume declined to 6.2 billion units (-8.8%). UPS also lost volume, handling 4.3 billion units, an 8.7% YoY decline. FedEx handled 3.9 billion parcels (+5.1% YoY).

While three of the four major parcel carriers experienced declines in revenue share, other / alternate carriers more than doubled their share, from 3.4% in 2024 to 7.2% in 2025, indicating growing competitive pressure and diversification in the market. These smaller carriers represent the fastest-growing segment of the U.S. parcel-delivery market and offer advantages in pricing, regional delivery speed, and residential service.

Berlin Packaging is proud to be a member of the U.S. EPA SmartWay Transport Partnership, a program that helps companies advance supply chain sustainability by measuring, benchmarking, and improving freight transportation efficiency.

OUR MISSION
To increase your net income through packaging products & services.

HOW DO WE DO IT?
We increase your sales, reduce your costs & improve your productivity.

We Believe **ANYTHING IS POSSIBLE®**

We Are The World's Largest **Hybrid Packaging Supplier®**

MANUFACTURING SERVICES
Large scale and broad scope deliver low cost and flexibility.

VALUE-ADDED SPECIALTY SERVICES
Our compelling suite of solutions addresses your needs and unlocks profit.

DISTRIBUTION SERVICES
Vast, capable network makes us reliable and close to you.

- Custom Design & Innovation
- Inventory Management Services
- Sustainable Packaging Solutions
- Quality Services Management
- Global Sourcing & Services
- Berlin Financial Services
- Customer Portal & Omni-channel Efficiency

What We Offer

We offer 50,000+ SKUs of plastic, glass, and metal containers, closures, and dispensing systems across all markets for customers just like you. We also create hundreds of custom primary and secondary packages from concept to commercialization each year.

Our Global Reach

With 100+ business operations on four continents, 2,000+ employees, and a network of suppliers around the world, we leverage our global scale and capabilities to further our mission.

Quantifiable Results

$240MM Net income our customers earned over the last 3 years as a unique benefit of working with Berlin Packaging.

INCREASE YOUR SALES

DECREASE YOUR COSTS

IMPROVE YOUR PRODUCTIVITY

Our P.OK.E.R. Mentality

We are industry leaders in customer loyalty. Our team plays POKER to thrill our customers. We are consistently Proactive, On-time, Knowledgeable, Easy & Responsive!

BERLINPACKAGING.COM
1.800.2.BERLIN