



# INDUSTRY UPDATE

## Q3 2024

RESINS & RAW MATERIALS

ECONOMIC INDICATORS

OCEAN FREIGHT

DOMESTIC TRANSPORT





# 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.



## RESINS & RAW MATERIALS

**Multiple market forces are influencing the price of packaging raw materials. While domestic energy costs (e.g., diesel fuel) and inflation ease, ocean shipping rates remain elevated. Soft demand, adequate supplies, and excess manufacturing capacity foster stable prices. However, tariffs on foreign goods, a potential dockworkers strike at East and Gulf Coast ports in October, and hurricane development in the Gulf of Mexico add to market volatility.**

The Producer Price Index (PPI) for final demand goods (e.g., CPG products, raw materials) and services (e.g., transportation, warehousing) increased 0.2% in August after being flat in July and rising 0.2% in June. A 0.4% gain in final demand services drove the August increase, while the final demand goods remained unchanged from the prior month.

The August index for final demand transportation and warehousing services decreased by 0.1%. Over the past 12 months, the index for final demand plastic resins rose 1.6%.





## PLASTIC RESINS

On September 11, Hurricane Francine made landfall on the central Louisiana coast. Packing 100-mph winds, the Category 2 storm prompted several plastic resin producers to suspend operations temporarily at production plants along the Gulf Coast. The hurricane also forced the short-term closure of petrochemical facilities in Louisiana and oil and gas platforms in the Gulf of Mexico.

Louisiana accounts for 25% of U.S. PE capacity, 19% of U.S. polymer-grade PP, and 21% of PP production, according to Chemical Week. When Hurricane Beryl impacted Texas and Louisiana in July, many resin producers shut down their operations, leading to force majeure limits on resin deliveries and higher costs.

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



### **PET (Polyethylene Terephthalate):**

Spot prices are holding steady week-to-week with stable bottle-grade demand. PET prices may decline as summer beverage season wanes and feedstock costs decline.



### **HDPE/MDPE/LDPE (Polyethylene):**

Contract prices moved higher, with expectations for stability going forward. Energy forecasts indicate lower prices, while ethylene costs remain susceptible to increases. Spot costs continue to rise.



### **PVC (Polyvinyl Chloride):**

Following early summer cost increases, PVC prices decreased in August because of higher inventories and a weak construction/housing market.



### **PP (Polypropylene):**

With days of supply slightly above industry norms, PP prices will adjust according to ongoing monomer negotiations, influenced by crude oil and natural gas prices and inflation.



### **PS (Polystyrene):**

PS prices have been flat for several months, as slowing demand and underutilized PS production capacity keep prices stable.

### **Post-consumer recycled (PCR):**

Pellet prices for recycled PET and HDPE remained steady over the summer, while post-industrial PP pellet prices increased in North America. Demand remains strong for natural PCR HDPE resin to meet voluntary and regulated recycled content targets for 2025.



## GLASS

Returnable glass bottles are making a comeback, thanks to the adoption of refill and reuse models and sustainable packaging goals. The global returnable glass bottle market expects to achieve a 3% CAGR over the next 10 years to reach \$26.5 billion by 2034, according to market research from Future Market Insights.

India and China are projected to lead global growth, with 6.7% and 5.9% CAGR, respectively. In India, the hospitality industry is using more glass bottles to serve beverages, and the popularity of craft beer has heightened the demand for returnable glass bottles. Other countries expanding their returnable glass bottle programs include Japan (2.6% CAGR), the U.S. (2.4% CAGR), and Germany (2.0% CAGR).

## METAL

In September, the Biden Administration finalized trade sanctions which will increase tariffs to 25% on Chinese-made steel and aluminum packaging components. The additional tariffs will take effect on September 27, 2024. In August, the Canadian government proposed 25% tariffs on certain aluminum and steel products manufactured in China. If the tariffs are imposed, they will take effect on October 15, 2024.

In 2022, steel packaging in the EU achieved a recycling milestone, growing 2% from the prior year and reaching an 80.5% recycling rate, according to data from Steel for Packaging Europe (formerly known as APPEAL). Steel represents Europe's most recycled packaging material. The independently verified recycling data, released in June 2024, follows the EU's December 2023 announcement that the region's steel packaging sector had met its 2025 recycling target four years early.





## PULP & PAPER

Increased recycled capacity at North American containerboard mills is driving up the demand and cost of recycled fiber products. According to the PPI, the price index of corrugated recyclable paper jumped more than 60% in the past 12 months. Demand for old corrugated containers (OCC) increased 8% in the first half of the year compared to the same period in 2023. Prices for OCC have more than doubled since last summer.

**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 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.



**As the third quarter wraps up, the economy may be showing signs of improvement. 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. consumer spending rose 0.1% in August, following a 1.1% surge in July.
- Consumer sentiment was positive for a second consecutive month in September.
- On an annual basis, U.S. and Canadian inflation dropped to their lowest levels since February 2021.
- The Fed cut interest rates by 0.5% in September, the first reduction in over 4 years.
- In the second quarter, U.S. GDP rose 3.0%, beating analysts' expectations.
- U.S. holiday retail projections indicate modest YOY growth.





## CONSUMER SPENDING AND SENTIMENT

U.S. consumer spending and retail sales increased 0.1% month over month (MOM) in August, following a 1.1% surge in July. Food and beverage store sales slid 0.7% in August after posting a 0.9% gain in July. Health and personal care store sales rang up increases in August (0.7%) and July (1.7%), while building materials & garden supplies stores also showed sales advances in August (0.1%) and July (0.8%). Online shopping sales in August rebounded 1.4% after falling 0.4% in July.

In Canada, consumer spending and retail sales fell 0.3% MOM in June, capping off a 0.5% decline in the second quarter, according to data from Statistics Canada. However, core retail sales rose 0.4%, led by a 1.2% gain at food and beverage retailers. Statistics Canada projects retail sales to rise 0.6% MOM in July.

Consumer sentiment — a measure of how U.S. consumers view their finances and the economy — increased for a second consecutive month in September, according to the University of Michigan consumer sentiment survey. The increase was largely thanks to better buying conditions for durable goods, with consumers believing prices were more favorable. Looking ahead, people feel more optimistic about the economy, even though there's been a slight dip in confidence around the job market.

In the third quarter, U.S. consumer optimism about the economy grew to its highest level in a year, according to research from McKinsey & Co. The study also found that consumers plan to increase their spending on most essential (e.g., food, beverages), semi-discretionary (e.g., personal care, dietary supplements), and discretionary (e.g., alcoholic drinks, sit-down restaurant meals) items in the next three months.

## INFLATION AND INTEREST RATES

The U.S. consumer price index (CPI) rose 0.2% in July and August, according to the Bureau of Labor Statistics. Food at-home prices were flat in August, while food away-from-home costs increased 0.3%. Energy prices declined 0.8% in August, while the cost of personal care products dropped 0.4%. On an annual basis, the CPI rose 2.5% for the 12 months ending in August, the smallest 12-month increase since February 2021.

The annual inflation rate in Canada dropped to 2.0% in August, increasing at the slowest pace since February 2021. Lower prices for gasoline, air transportation, clothing, and footwear contributed to the waning inflation rate. With inflation at the central bank's 2% target, many economists predict the Canadian fiscal policymaker will cut interest rates by 50 basis points at its October meeting.

At its recent September meeting, the U.S. Federal Reserve reduced interest rates by 50 basis points or 0.5% to settle at 4.75% – 5.0%, the first rate cut in more than four years. Following a run-up in rates in 2022 and 2023, the 23-year-high interest rate range held steady since July 2023.

While the impact won't be immediate, the reduction may signal the start of a more favorable environment for businesses and individuals to borrow and invest in capital projects and home improvements, respectively. The U.S. central bank may lower interest rates an additional 0.5% by year-end and another full percentage point in 2025.



## **U.S. GDP ROSE 3.0% IN Q2**

In the second quarter, U.S. GDP climbed 3.0%, reflecting increases in consumer spending, private inventory investment, government spending, and business investment. However, the trade deficit grew, detracting from GDP growth.

In Canada, the GDP advanced 0.5% in the second quarter, following a 0.4% increase in the first quarter. Increased government spending and higher business investment in machinery and equipment drove the rise in GDP, while declines in exports, residential construction, and household spending on goods moderated overall growth.



## **HOLIDAY RETAIL SALES PROJECTIONS**

U.S. holiday retail sales are likely to increase between 2.3% and 3.3% YOY in 2024 to reach about \$1.59 trillion, according to Deloitte's annual holiday retail forecast. Last year, holiday sales grew 4.3%. The projected slowdown in sales growth is attributed to rising credit card debt, depleted savings accounts, and easing inflation (negatively impacting the nominal rise in the dollar value of sales).

E-commerce will be a key driver of overall retail growth in the upcoming season, with a forecasted increase of 7% to 9%, reports Deloitte. Last year, e-commerce holiday sales jumped 10.1% YOY. While the convenience of online shopping is undeniable, consumers believe in-store prices are not competitive with online prices, according to a survey by Gartner. Other in-store concerns include inventory, selection, and security.

**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.**





# 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.



**Ocean freight spot rates have ticked downward as peak season demand winds down and vessel capacity improves. However, in early September, global spot rates for forty-foot containers averaged more than 250% higher than one year ago, according to Drewry's World Container Index.**

To maintain rates and adjust their capacity, ocean carriers have increased their blank or canceled sailings. Through the first half of the year, schedule reliability is averaging 50–55%, a 12% drop in July compared to 12 months ago, according to data from Sea-Intelligence. Global average delays for late vessel arrivals topped five days in July, a figure only surpassed by the pandemic highs of 2021 and 2022.





## BAD WEATHER, GOOD WEATHER

Weather can disrupt ocean freight. To avoid attacks on shipping near the Red Sea, many ocean carriers have rerouted their vessels around the African continent. The southern tip of Africa is known for its strong storms and rough seas. Since June, several ships have lost or sustained damage to hundreds of containers due to extreme weather in this region of the Indian Ocean.

In late August, torrential rains and flooding along India's west coast shut down the country's largest container port for several days, creating a backlog of shipments and congestion at neighboring ports. In early September, a super typhoon with wind speeds over 125 mph battered the South China Sea, southern ports in China, and northern ports in Vietnam before making landfall on the northeast coast of Vietnam. The powerful storm temporarily halted manufacturing, vessel sailings, and port terminal operations.

Abundant and beneficial rains are lifting transit restrictions through the Panama Canal, which curtailed shipping activities for many months due to severe drought conditions. In September, the Gatun Lake reservoir that feeds the canal recorded water levels above its five-year average. To lessen the impact of future droughts, the Panama Canal Authority has proposed a \$1.6 billion project to dam the nearby Indio River and create a reservoir. Constructing a five-mile mountain tunnel will connect the new reservoir to Gatun Lake.





## IMPORT VOLUMES LEAP

July U.S. container import volumes leaped more than 11% month over month (MOM), hitting a 26-month high since the record set in May 2022, according to Descartes. July was the third-highest monthly import volume on record, with imports from China reaching an all-time high. Early peak season demand drove much of the growth, with importers receiving their goods ahead of impending tariffs and a potential labor strike at East and Gulf Coast ports.

August inbound cargo volume at major U.S. container ports will likely surpass July's figures, according to the National Retail Federation (NRF) and Hackett Associates. NRF estimates import volume grew nearly 15% in the first half of 2024 compared to last year.

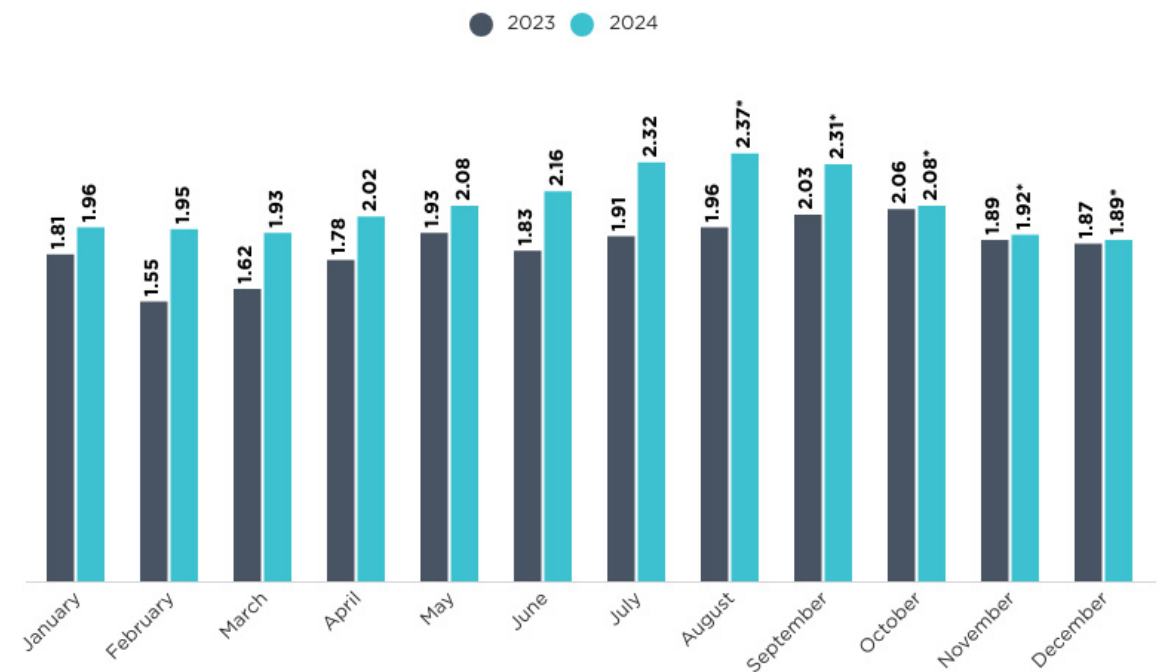
"Importers are continuing to grow their inventories and are shifting cargo to the West Coast as a precaution against potential labor disruptions," said Hackett Associates Founder Ben Hackett. "We calculate that the shift has pushed the West Coast share of cargo we track to above 50% for the first time in over three years."

## PORT ACTIVITY

On the West Coast, container volume jumped 37% YOY in July at the Port of Los Angeles (the busiest U.S. port), marking the 14th consecutive month of YOY export growth. Cargo volume at the Port of Long Beach skyrocketed 52% YOY in July, the third busiest month in the port's 113-year history. For the first seven months of the year, the Port of LA handled 18% more containers and the Port of LB moved 20% more containers than last year.

With an 11% YOY and a 14% MOM increase in container volume, July was the seventh busiest month ever at the Port of New York and New Jersey, the second-busiest U.S. port for loaded imports and exports. In July, the Port of Houston recorded a 5% YOY drop in container volume, as Hurricane Beryl and a global system outage hampered operations.

## Monthly imports 2023-2024 (TEU-Millions)



Source: NRF/Hackett Associates Global Port Tracker \*Forecast



## PORT LABOR STRIKE LOOMS

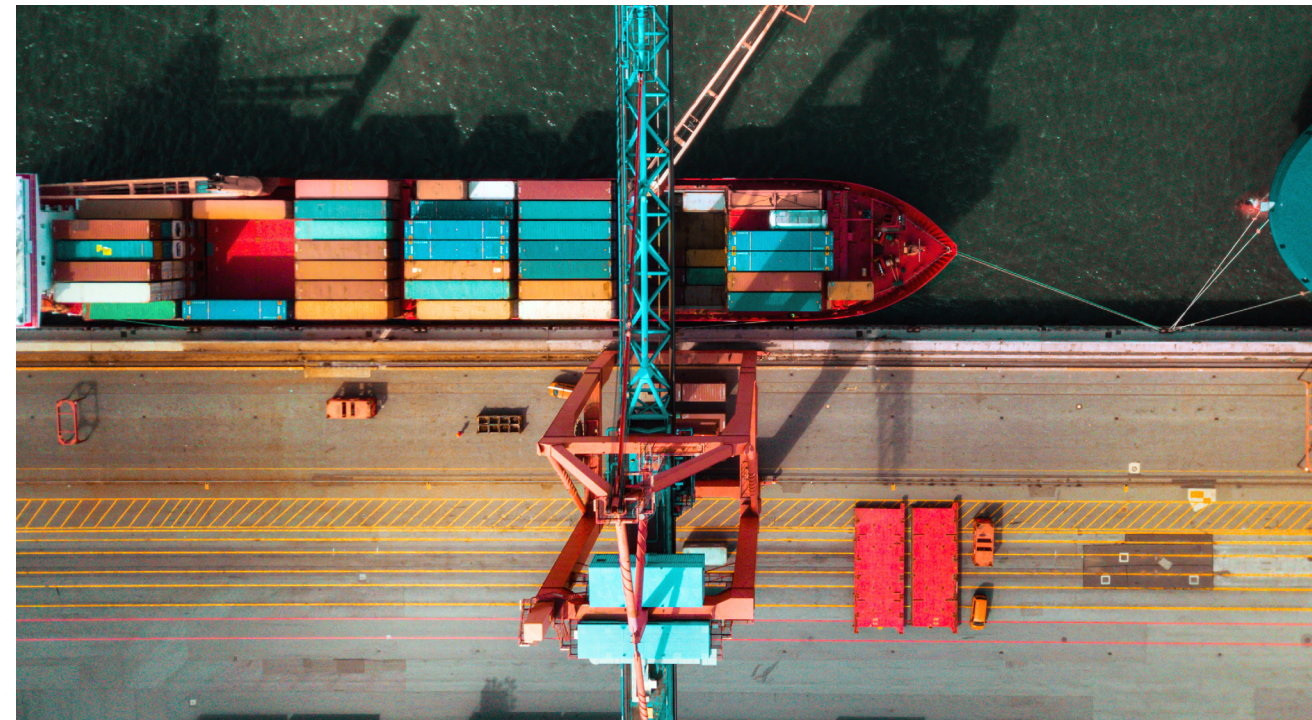
The labor contract between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) expires on September 30. The ILA union represents tens of thousands of dockworkers from Maine to Texas, while the USMX speaks for ocean carriers and employers at 36 coastal ports on the East and Gulf Coasts.

As of early September, the two groups appear to be far apart on reaching a new, six-year contract. The main points of difference include wage increases, healthcare, and automated and semi-automated services. The union has told its workers to prepare for a strike on October 1 if they don't have a new deal. The last strike occurred in 1977 and lasted three months.

If a strike happens and lasts weeks, some imports originally destined for East and Gulf Coast ports will likely shift to the West Coast, possibly increasing trans-Pacific rates from Asia to North America. Moving those redirected goods from the West Coast to eastern markets and locations will probably boost intermodal and truckload rates on those routes.

With the U.S. presidential election so close to the port strike deadline, many industry experts believe the government may intervene to mediate a deal to prevent a work stoppage. Last year, the U.S. government played an active role in the labor negotiations between the dockworkers union and the port employers group on the West Coast.

**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

**The lingering market forces of sufficient truckload capacity, moderate freight demand, weak manufacturing activity, and sinking diesel fuel prices continue to stabilize transportation costs — both contract and spot rates — in North America. However, tightening capacity, holiday merchandise distribution, and a potential East and Gulf Coast port strike could spell higher truckload rates in the fall and winter.**

In July, freight shipments and expenditures slipped 1.1% and 6.2% YOY, respectively, according to data from Cass Transportation Systems. Compared to the prior year, shipments and expenditures have fallen for 18 consecutive months.

[The August 2024 Logistics Managers' Index report](#) showed a drop in transportation prices following three months of increases. After several months of contraction, inventory levels rose in August. Companies are likely building inventories in anticipation of Q4 and holiday merchandise shopping. “This suggests a return to traditional patterns of seasonality that we have not seen since pre-COVID,” noted the report.





## RAILROAD CROSSINGS

On August 22, the Canadian National Railway (CN) and Canadian Pacific Kansas City (CPKC) locked out their 9,300 workers after failing to reach a new collective bargaining agreement with the workers' union (Teamsters Canada Rail Conference). The Teamsters had threatened to strike the same day as the lockout. The railroad work stoppage was estimated to cost the Canadian economy more than C\$300 million per day.

Within 24 hours of the lockout, Canada's federal labor board imposed binding arbitration on the railroad companies and union, ending the work stoppage and forcing the two sides to negotiate. CN workers headed back to their jobs on August 23, while CPKC employees returned to work on August 26. Although the lockout was brief, the railways — which slowed or suspended some transportation activities before August 22 — have taken several weeks to clear the backlog and return to normal operations.

On August 29, the Teamsters Union challenged the constitutionality of the binding arbitration order by filing four separate appeals to the Federal Court of Appeal. The union contends the government's actions stripped them of their right to bargain collectively. "The right to collectively bargain is a constitutional guarantee. Without it, unions lose leverage to negotiate better wages and safer working conditions for all Canadians. We are confident that the law is on our side, and that workers will have their voices heard," said Paul Boucher, President, Teamsters Canada Rail Conference.

## TRUCKLOAD RATES & SHIPMENTS

In late August, line-haul costs per mile for the dry van spot market averaged \$1.88, nearly identical to rates 12 months ago, according to data from Uber Freight. Costs have been steady over the summer, tracking close to typical seasonal patterns. The weekly count of dry van spot shipments rose 4.7% compared to one year ago. Spot rates averaged 33 cents less per mile than contracted rates just before the Labor Day Holiday.

Van load-to-truck ratios, which serve as a measure of demand (the number of loads) and capacity (the number of available trucks to carry those loads), fell slightly over the summer to drop below 4 in August. The ratio was 3.96 in August 2023 and 3.54 in August 2022, according to DAT Trendlines. Declining ratios suggest less demand or competition for available trucks, curbing rates.





## DIESEL FUEL PRICES DECLINE

Since February, U.S. diesel fuel prices have fallen \$0.48 per gallon and stood at \$3.62 per gallon in early September. The price is about 13 cents lower than 12 months ago. Declining crude oil prices, slowing demand from China, and the OPEC+ announcement of increasing barrel output in October place downward pressure on diesel fuel prices.

## U.S. MANUFACTURING SLUMPS

Economic activity in the U.S. manufacturing sector contracted in August for the fifth consecutive month and the 21st time in the past 22 months, according to the [August Manufacturing ISM Report On Business](#). “While still in contraction territory, U.S. manufacturing activity contracted slower compared to last month. Demand continues to be weak, output declined, and inputs stayed accommodative,” stated the report.

New orders, production, employment, customers' inventories, imports, and new export orders also showed contraction in August, while supplier deliveries, inventories, and prices exhibited expansion. Prices have increased for nine consecutive months. August's production index was the lowest reading since May 2020, the early stages of the COVID pandemic.

**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)

**\$3.75**

September 2023

**\$4.10**

February 2024

**\$3.62**

September 2024



## E-COMMERCE SALES GREW 1.3% IN Q2

According to recent government data, U.S. retail e-commerce sales reached \$291.6 billion in the second quarter of 2024 — a 1.3% increase over the first quarter and a 6.7% jump from the second quarter of 2023. Retail e-commerce sales in Q2 accounted for 16% of total retail sales.

Online buying continues to grow, but many shoppers are dissatisfied with their delivery experience, according to Descartes' 2024 Home delivery Consumer Sentiment Study of 8,000 consumers in North America and Europe.

Top-level findings from the research:

- 57% cited convenience as the top reason for increasing purchases.
- 39% increased purchases vs 16% decreased purchases in the prior year.
- 57% made purchases in new categories in the past year.
- 44% preferred lower-cost deliveries, while 28% preferred faster deliveries.
- 67% experienced a delivery problem.
- 63% took some form of action that had negative consequences for the retailer or delivery company.
- 83% of consumers aged 18–24 and 71% of 25–34-year-olds consider the environmental impact when buying online, compared to just 43% of those over 65 years of age.

**As a member of the U.S. EPA's SmartWay Transport Partnership, Berlin Packaging continually looks for ways to advance its supply chain sustainability by measuring, benchmarking, and improving our freight transportation efficiency and reducing our environmental impact.**







# 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®.



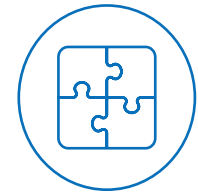
Best Elements of a Manufacturer

+



Distribution & Logistics

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Value-Added Specialty 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