



MARKET POINT OF VIEW

JUNE 2023

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INTRODUCTION

Welcome to our latest edition of the Procure Analytics (PA) market newsletter! It's hard to believe that we are already halfway through 2023. We hope that you are enjoying the summer season with your families, friends, and colleagues.

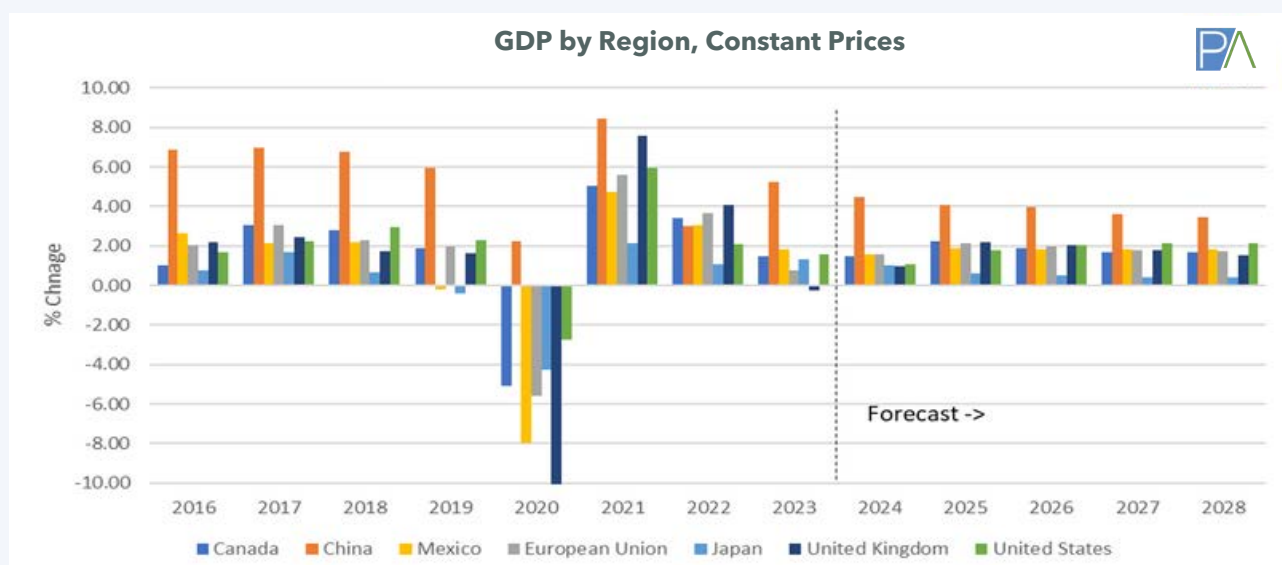
As always, the objective of this newsletter is to share valuable insights into the market forces that affect our members and suppliers. We remain dedicated to ensuring that you stay well-informed about the latest developments in crucial areas such as gross domestic product (GDP), inflation, labor, energy, commodities, transportation, and packaging. By staying up to date with these trends, we hope that you can make informed decisions that will help your business thrive.

We encourage you to speak with your PA representative about how these market forces may affect your business and to explore potential opportunities for growth. At Procure Analytics, we are committed to keeping you informed and supporting your success. Thank you for being part of the PA family.

Let's dive in.

The global economy appears to be moving in the direction of a gradual recovery. Supply chains are unlocking, inventories are rebalancing, China's economy is opening back-up, and inflation is trending downward. However, the situation remains quite fragile, as was highlighted by the recent bout of banking instability this past quarter.

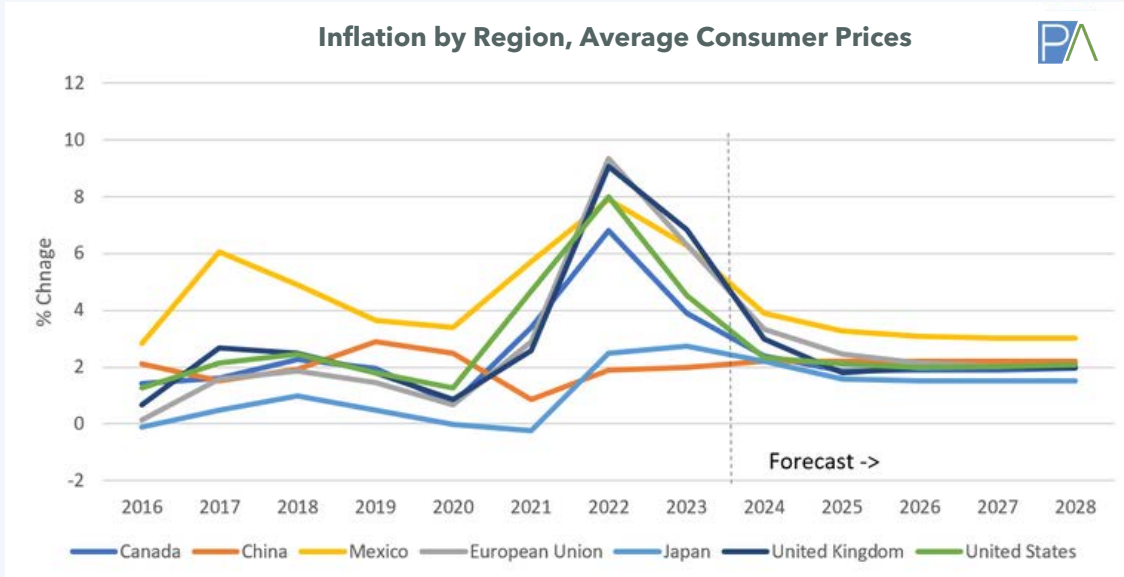
Globally, GDP is expected to be at 2.8% in 2023 and average 3% for the next five (5) years. Advanced economies are being hit even harder, as GDP is expected to fall from 2.7% in 2022 to 1.3% in 2023. Per the International Monetary Fund (IMF), GDP figures for the United States and European Union are expected to remain below 2% until 2025.



Data Source: International Monetary Fund, World Economic Outlook Database, October 2022

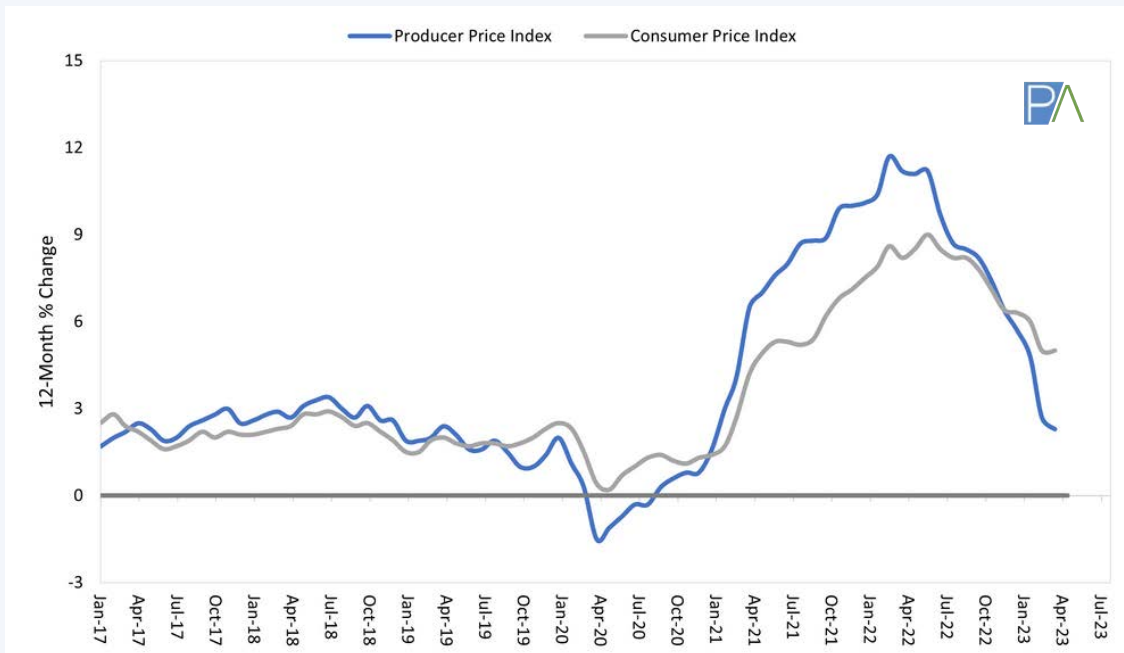
INFLATION

Inflation remains sticky, but we are seeing improvements. Globally, inflation is expected to fall from 8.7% in 2022 to 7.0% in 2023 and is expected to return to target by 2025.



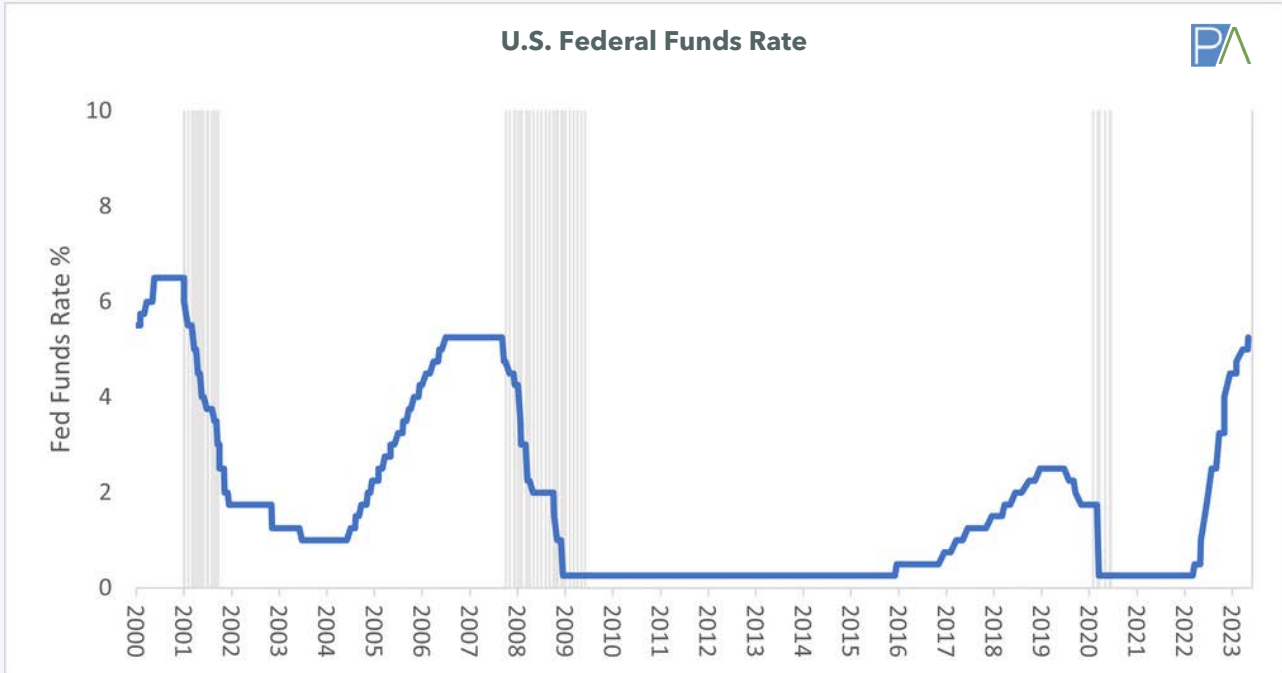
Data Source: International Monetary Fund, World Economic Outlook Database, October 2022

In the United States, inflation is falling more rapidly, driven by the aggressive policies implemented by the U.S. Federal Reserve. The Consumer Price Index (CPI), a measure of goods and services purchased by households, is up +4.1% year-over-year. The Producer Price Index (PPI), a measure of prices at the wholesale level, is up +1.1% year-over-year.



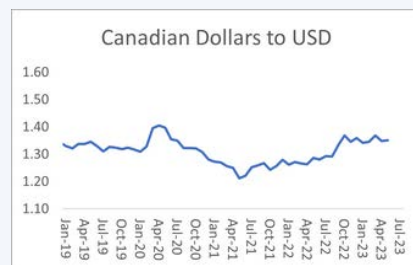
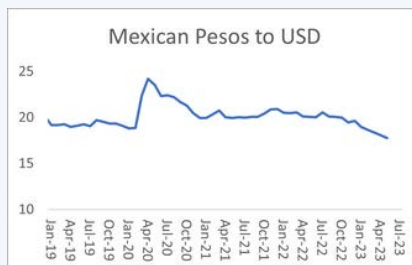
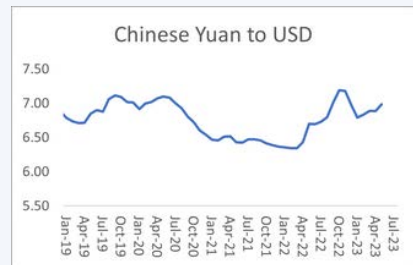
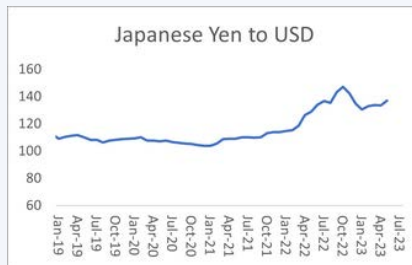
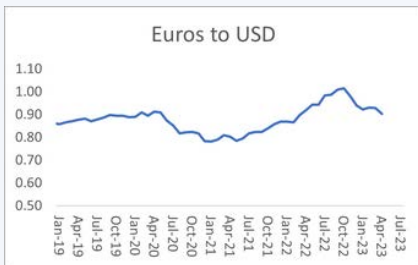
Data Source: US Bureau of Labor Statistics, Producer Price Index, PA Internal Analysis

The U.S. Federal Reserve remains keenly focused on tackling inflation and has enacted three (3) interest rate hikes since the start of the year. The federal funds rate currently sits at 5.25%. While this has helped curb inflation and strengthened the US dollar, it has also increased borrowing costs for consumers and businesses and strained the financial system.



Data Source: Trading Economics, Federal Reserve Bank of St. Louis, PA Internal Analysis

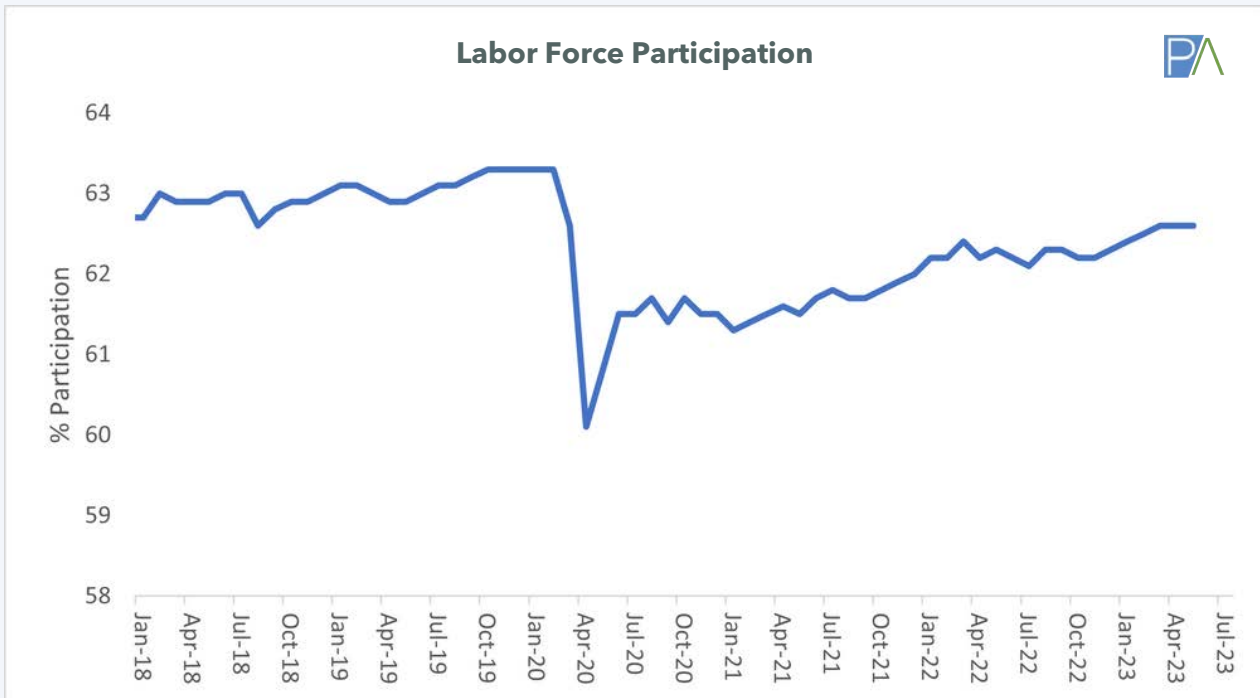
*Shaded areas indicate U.S. recession.



Data Source: Board of Governors of the Federal Reserve System (U.S.), Federal Reserve Bank of St. Louis, PA Internal Analysis

LABOR FORCE

Labor force participation remains below pre-Covid levels, and currently sits at 62.6%.

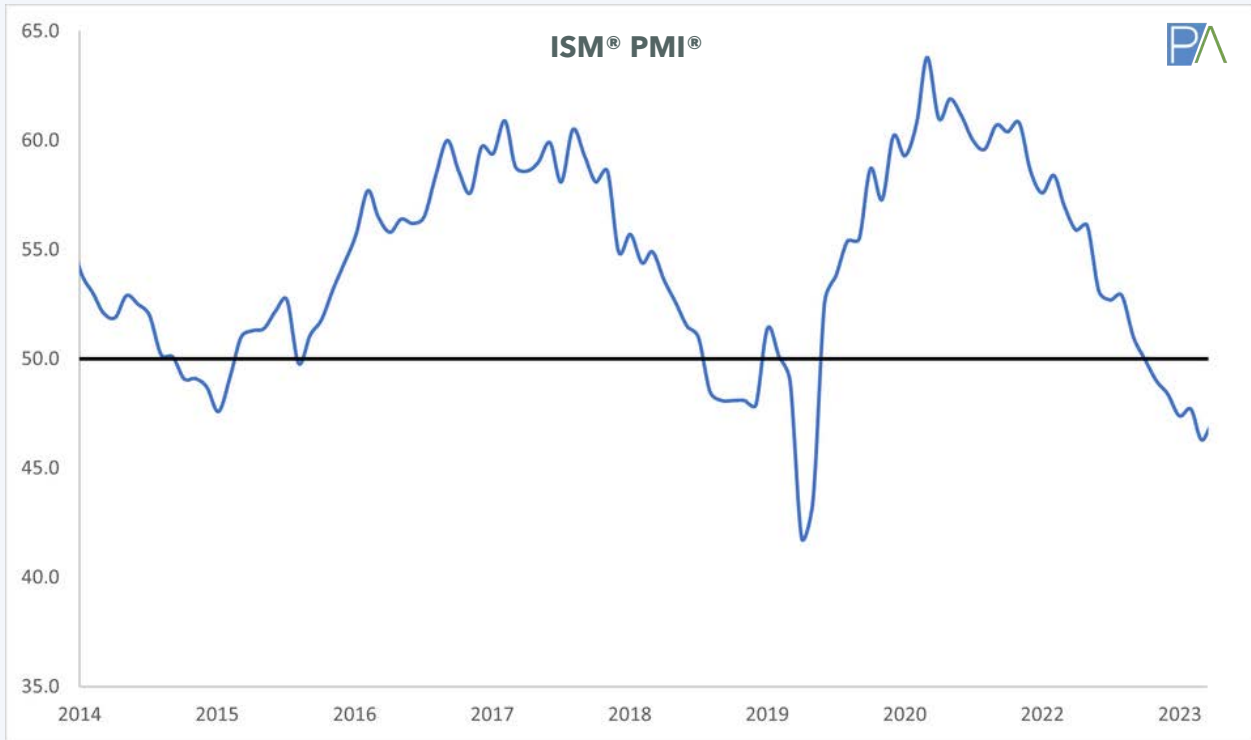


Data Source: US Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, PA Internal Analysis



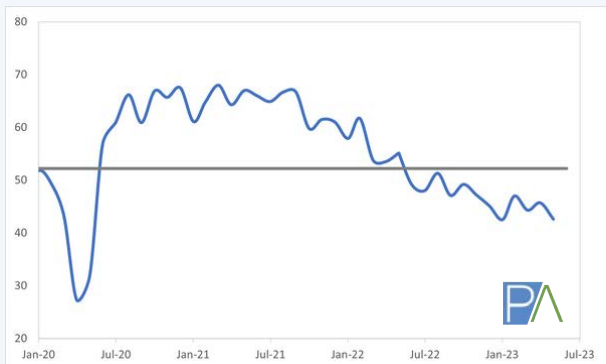
MANUFACTURING

Manufacturing activity has contracted for seven (7) consecutive months. May's Manufacturing PMI® was reported at 46.9. Companies are managing their output as demand remains uncertain heading into the second half of the year. New orders remain weak and have contracted for eight (8) consecutive months. Inventory levels are falling and were reported at 45.3 in May.

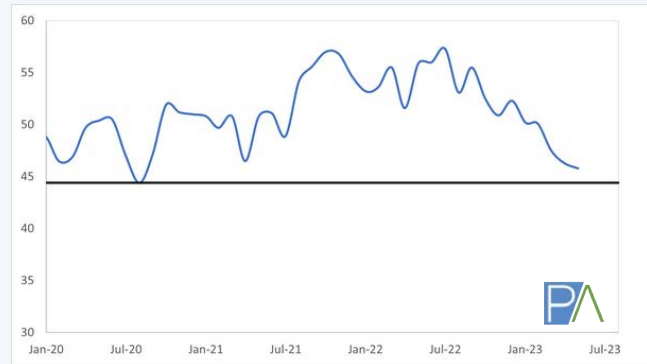


*ISM PMI - A reading below 50 indicates the manufacturing sector is contracting.

ISM Manufacturing New Orders



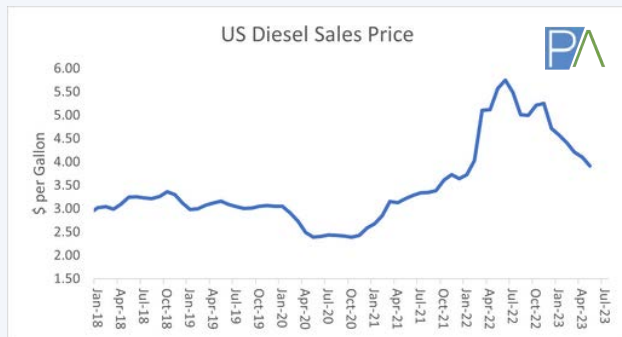
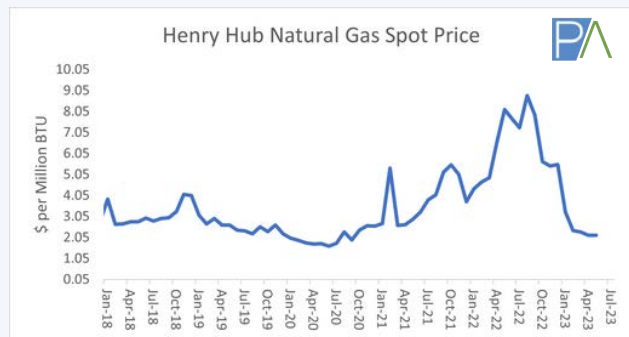
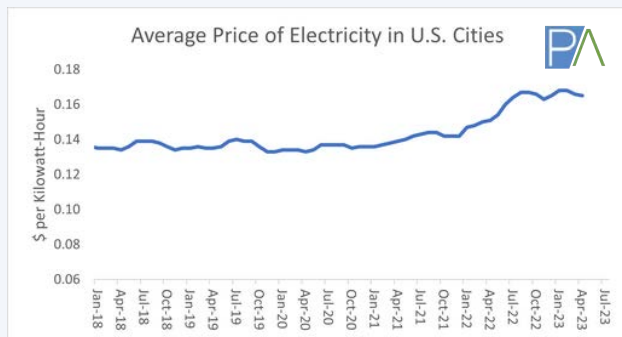
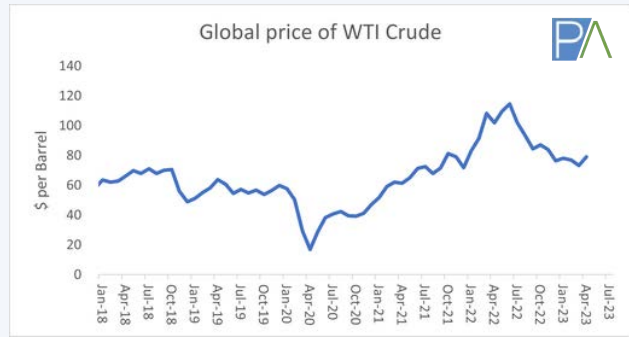
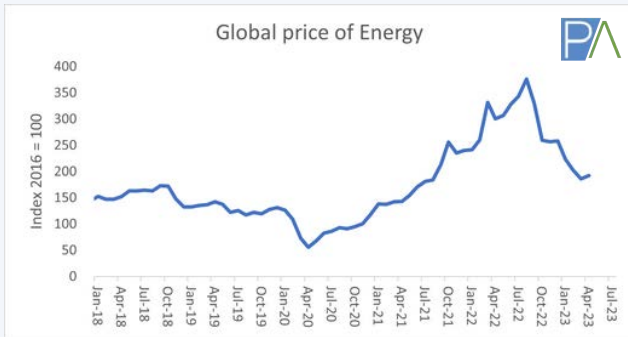
ISM Manufacturing Inventory Levels



Data Source: Institute for Supply Management, Fastmarket RISI, PA Internal Analysis

ENERGY

Energy prices globally are declining. Crude oil currently averages \$72 per barrel. The U.S. continues to battle elevated electricity costs, which are up +7% year-over-year. But natural gas and diesel fuel costs are falling rapidly. Natural gas costs are down -74% year-over-year. Diesel fuel currently costs ~\$3.90 per gallon, an -30% decrease vs. previous year.



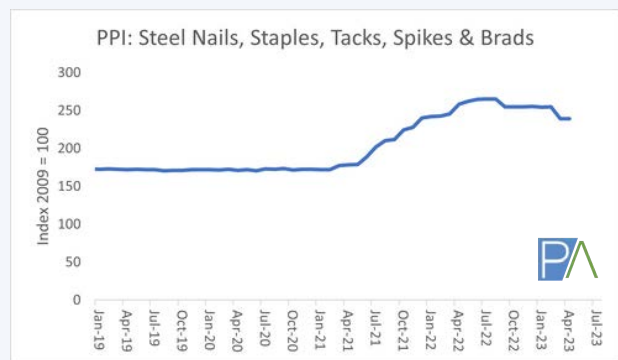
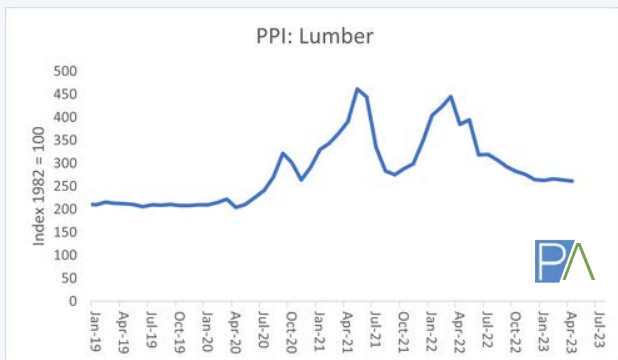
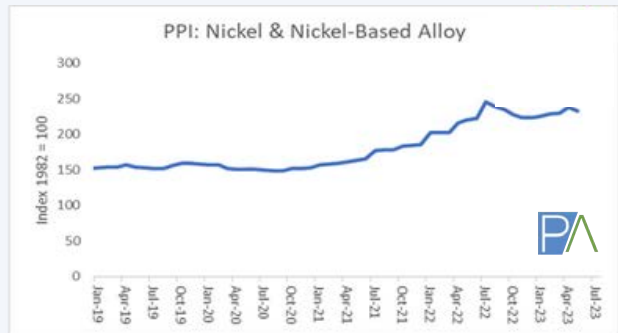
Data Source: International Monetary Fund, U.S. Energy Information Administration, Federal Reserve Bank of St. Louis, PA Internal Analysis

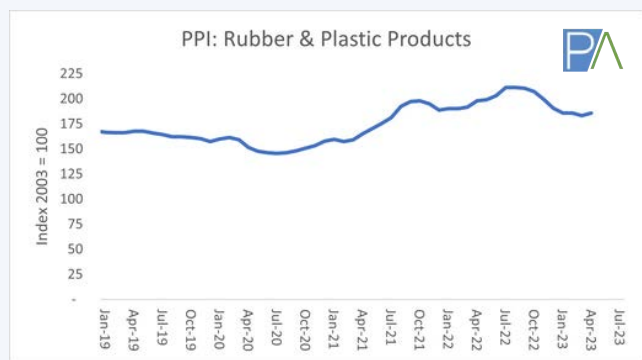
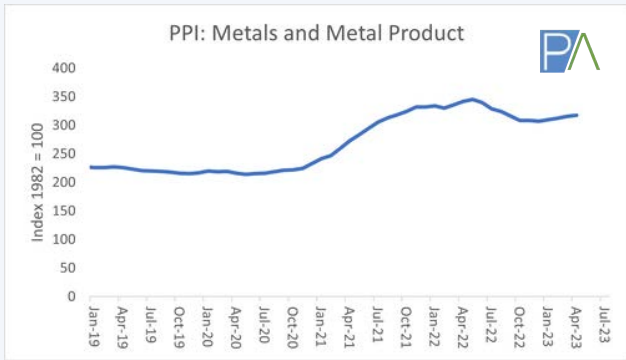
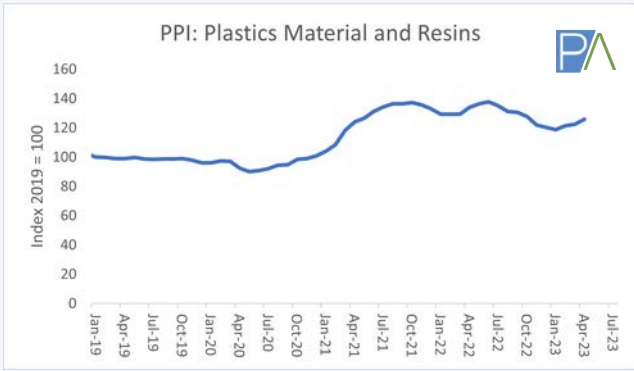
COMMODITIES



Commodities, excluding lumber, remain elevated. But prices have rescinded from their peaks:

- Copper, steel nails, plastic films, and rubber, are all down 7% to 9% year-over-year.
- Lumber prices have fallen 34% vs. the previous year.
- Nickel is the exception to this trend, as prices are up 5% year-over-year.





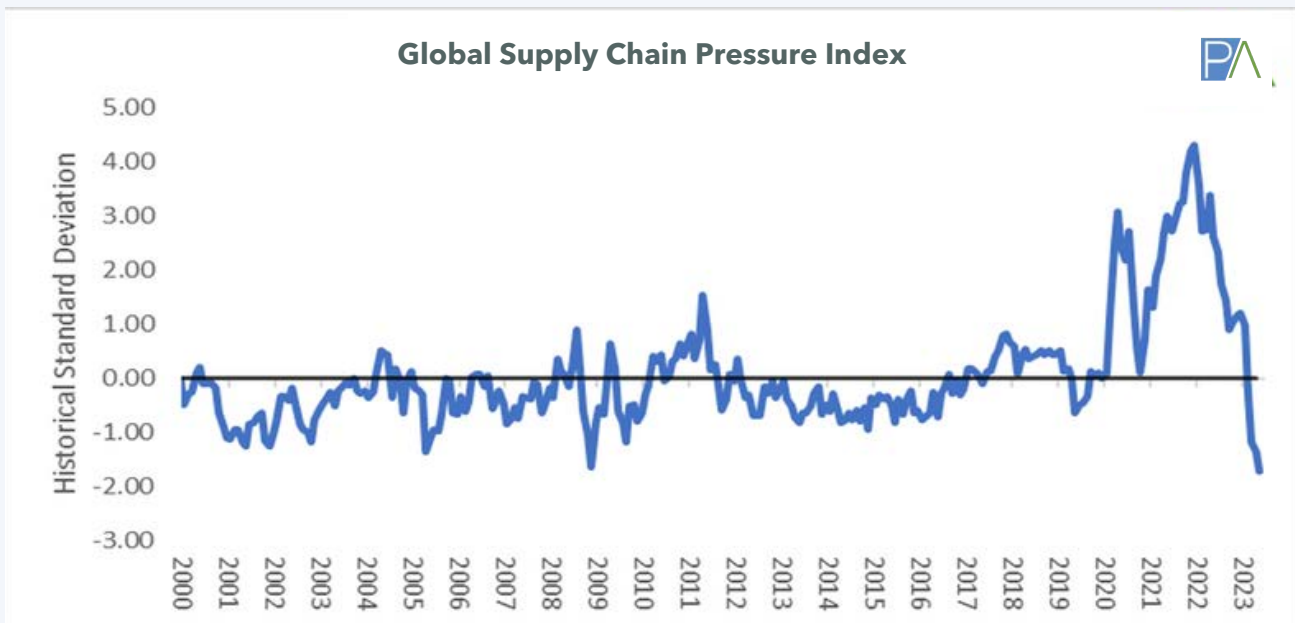
Data Sources: US Bureau of Labor Statistics, Producer Price Index, Federal Reserve Bank of St. Louis, Fastmarket RISI Estimates, PA Internal Analysis



SUPPLY CHAINS



Supply Chains have recovered from their COVID-19 induced challenges. The Global Supply Chain Pressure Index (GSCPI), a measure of global transportation and manufacturing indicators, remains below its historical average and currently sits at -1.71.

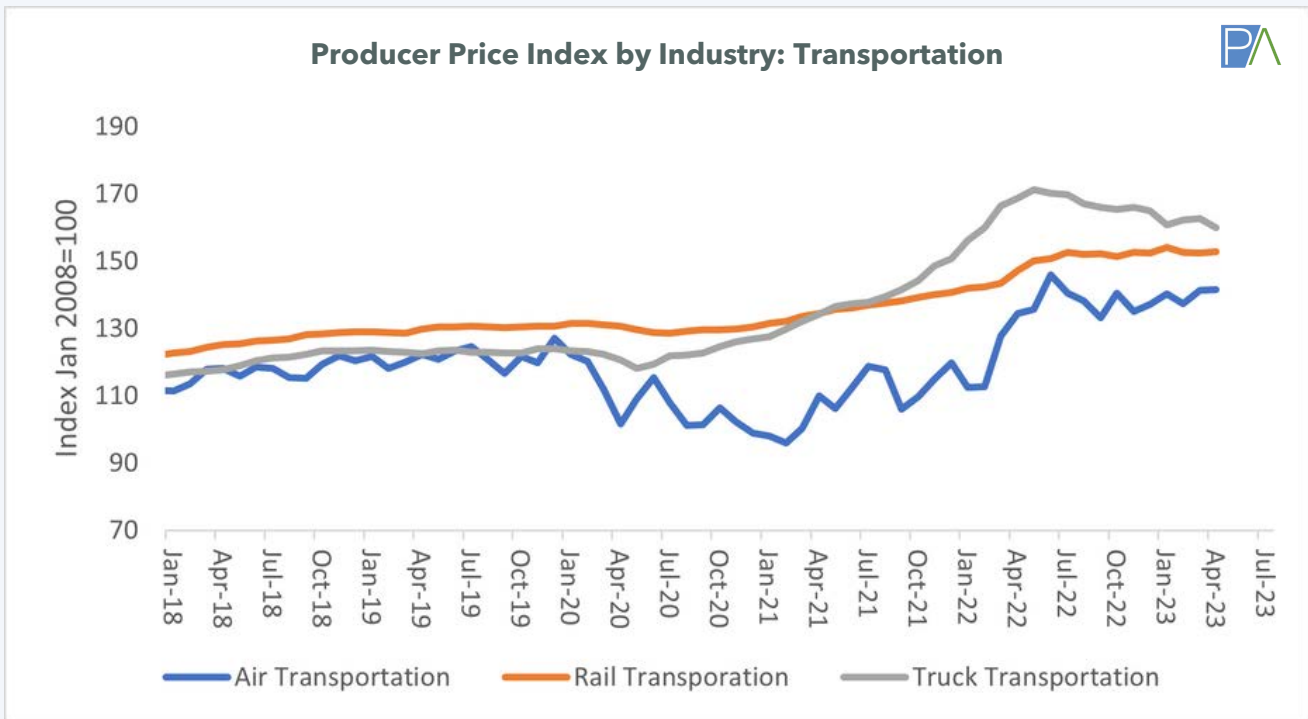


Data Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, PA Internal Analysis

TRANSPORTATION



Transportation costs remain elevated across all modes, but we are seeing some improvements. Rail and Air transportation prices have flattened. Spot prices for trucks continue to pull contract rates down. Contract prices for trucks are down -14% year-over-year, while spot prices are down -20%.

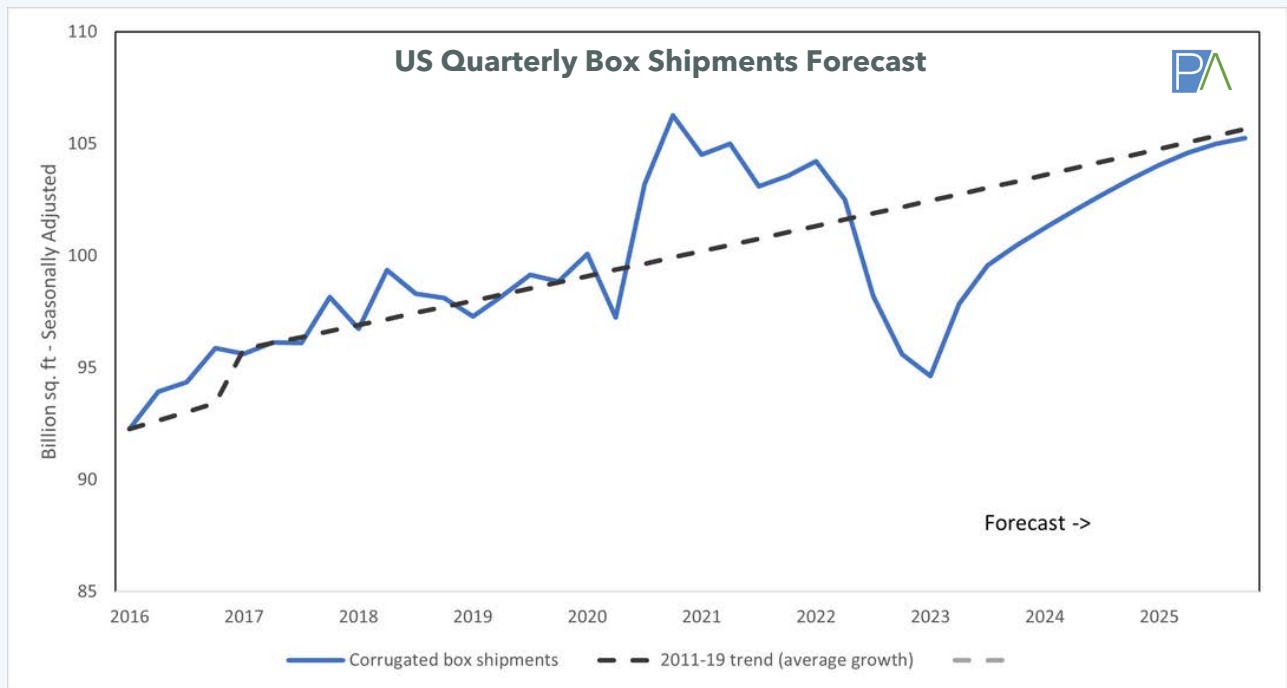


Data Source: US Bureau of Labor Statistics, Producer Price Index, Federal Reserve Bank of St. Louis, PA Internal Analysis

CORRUGATED PACKAGING

Corrugated Packaging producers continue to face challenging market conditions:

- Demand remains weak, incremental supply is coming online, and exports options are limited.
- Suppliers are responding to these challenging conditions with significant downtime or reduced operating rates.
- Box shipments remain weak and aren't expected to fully recover until 2025.



Data Source: Fibre Box Association with Fastmarkets RISI seasonal adjustment and forecast, PA Internal Analysis

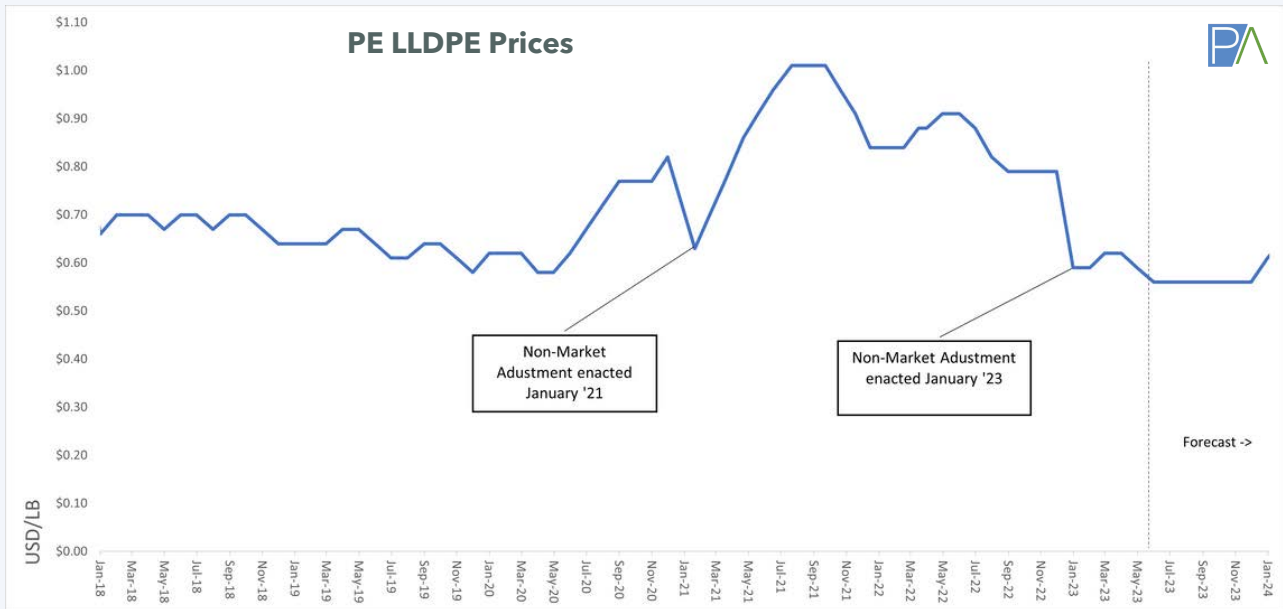


If you're interested in learning more about packaging specifically, **please speak to your PA representative about our monthly Packaging Market Point of View.**

POLYMER-BASED PACKAGING



Polymer-Based Packaging items have seen prices fluctuate following the enactment of a non-market price adjustment in January 2023. Suppliers are working through elevated inventory levels and have delayed the start-up of incremental capacity because of weak demand. Linear Low-Density Polyethylene (LLDPE), the material used to track polymer-based packaging items including (but not limited to) stretch wrap, shrink wrap, bubble wrap, poly bags, and poly mailers), is expected to decline in price during 3Q2023.



Data Source: ICIS Estimates, PA Internal Analysis

PA RECOMMENDED READS

If you're interested in learning more about the market, below are references to some additional reads.

- Goldman Sachs published an article on the likelihood of a US recession ([Article](#))
- A recent global polls shows an increase in the number of people who view the US as the world's leading economic power ([Article](#))
- Corporate bankruptcy and defaults are surging ([Article](#))
- Central bank body warns that the world economy is at a critical junction in inflation fight ([Article](#))
- Bain Capital Ventures published an article on the rapidly changing procurement space ([Article](#))

ADDITIONAL INFORMATION

Have questions about any of the information in this report?



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