Label and
Packaging Materials

Raw Materials **Update**
Q3 2019

Macro-Economic Overview

Numerous indicators are reflecting slow advancement in the Global and U.S. economies, while new restrictions and uncertainties in global trade abound. At the same time, various types of real and anticipated fiscal and monetary stimuli, accompanied by strong employment in the U.S., are helping to sustain overall growth.

Adhesives & Chemicals

Acrylic Adhesives: Propylene prices fell in the first half of 2019 because of soft demand and strong capacity utilization. The fall in propylene had limited impact on adhesive costs because of tight acrylic monomer and adhesive markets. The current outlook for both solvent and emulsion adhesives is stable for the next few quarters.

Hot Melt Adhesives: There has been a strong correlation between crude oil and hot melt component pricing in 2019. Soft demand coupled with a balanced supply of intermediate chemicals helped stall the upward trajectory on raw material prices. The outlook is stable.

Silicones: Siloxane supply became extremely tight in 2018 putting upward pressure on prices into the early part of 2019. The market became more balanced in Q2.

Paper

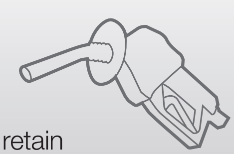
Record inventory levels and an oversupplied market continue to drive pulp pricing down. Prices are approaching the level where large producers will reduce capacity to preserve their margin expectations. Pricing will stabilize over the next few months and remain steady until global demand picks up.

Film

Polypropylene: Higher export demand and production issues led to a price increase in May. However, underlying fundamentals continue to point to plentiful supply. With soft demand, expectations are for pricing to remain stable for several months.

Polyester: Demand is healthy with utilization rates in the upper 90s. High demand has been offset somewhat by lower feedstock prices, driven by additional capacity in Asia. Soft beverage demand driven by unseasonably wet, cold weather is slowing growth, leading to a forecast for balanced markets and broadly stable prices for the remainder of the year.

Freight



Freight volumes have declined for several months as new capacity continues to come online. At the same time, though, consumer spending remains strong along with high demand for fuel. Some markets are still feeling the immense impact of a driver shortage from legislation passed last year. Although there may be pockets of excess capacity, there has been little movement in freight pricing and carriers look to retain margins captured in 2018.

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