



ARE SUPPLY CHAINS BROKEN?



Agenda: Supply Chain

- Two scenarios to drive the market
- Lumber
- Shipping
- Semiconductors
- Cars

Two scenarios to drive the market

Inflation Booms

- Goods demand remains high vs services
- Supply chain problems are intractable, and will last for years
- Commodity demand will exceed supply for foreseeable future
- Energy costs remain high
- Wage growth will continue as workers are in short supply, which creates more demand

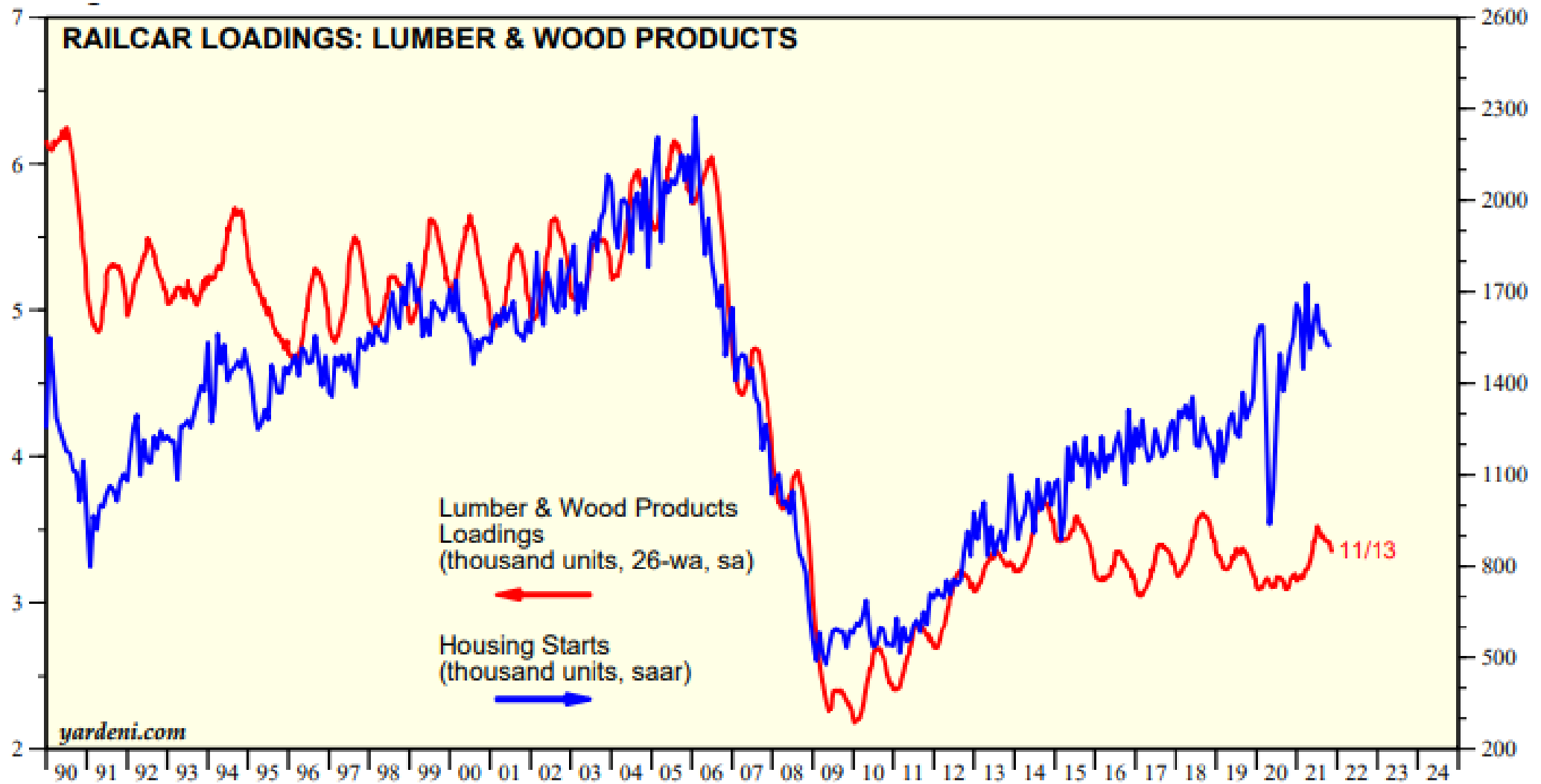
Inflation Busts

- Goods demand reverts to trend with reopenings
- Supply chain problems are temporary
- Commodity demand falling (China construction) and supply increasing
- Energy costs to fall as Nordstream 2 is resolved, China measures take hold
- Workers don't want more pay, they want better lifestyle. More employees needed for same job, productivity worse, profits lower, wages don't rise so demand weak

Lumber Prices

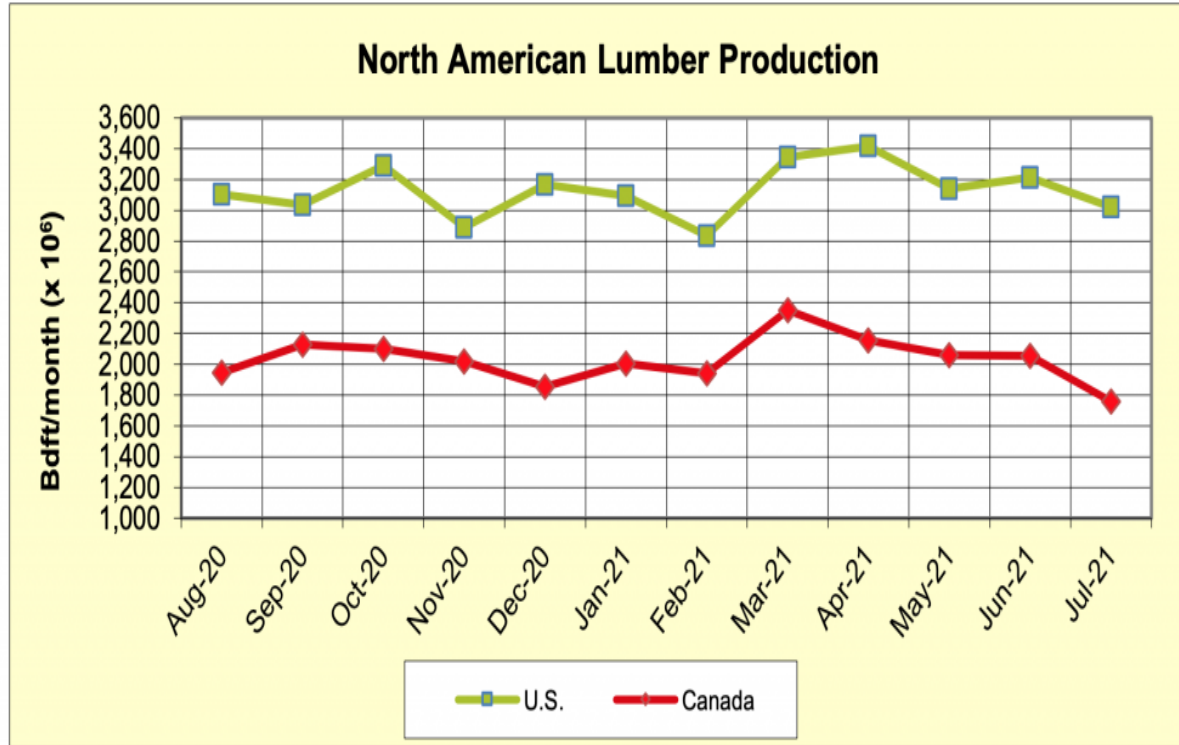


Lumber Volumes

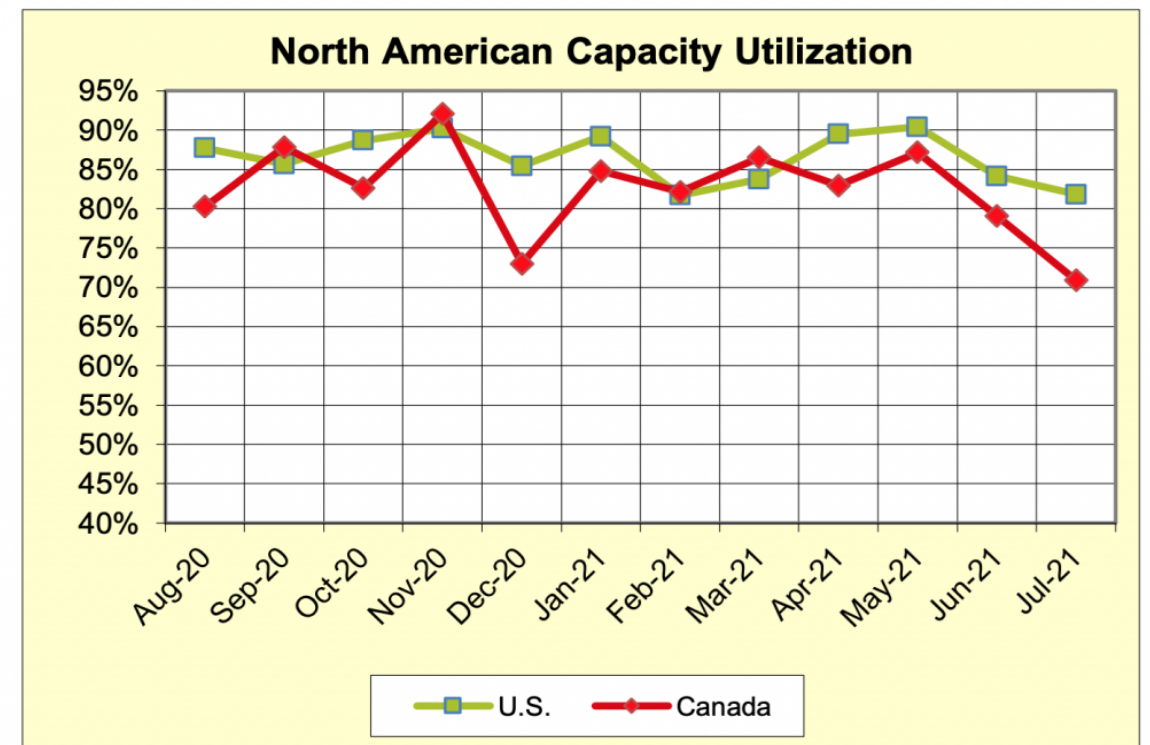


Source: Atlantic Systems and US Department of Commerce, Bureau of the Census.

Lumber Capacity

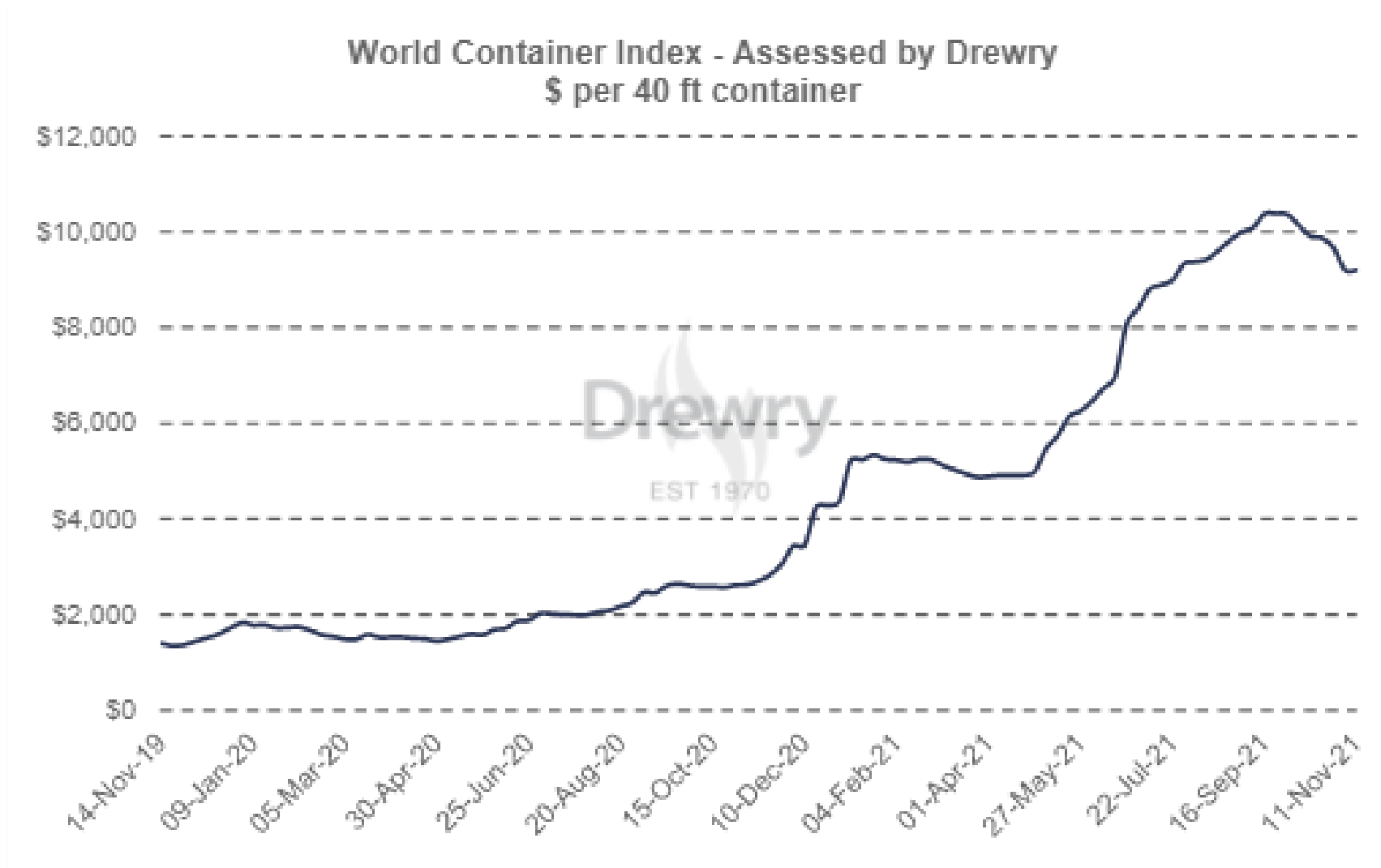


Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA



Sources: FEA, LLC: Softwood Sawmills in the United States and Canada, WWPA

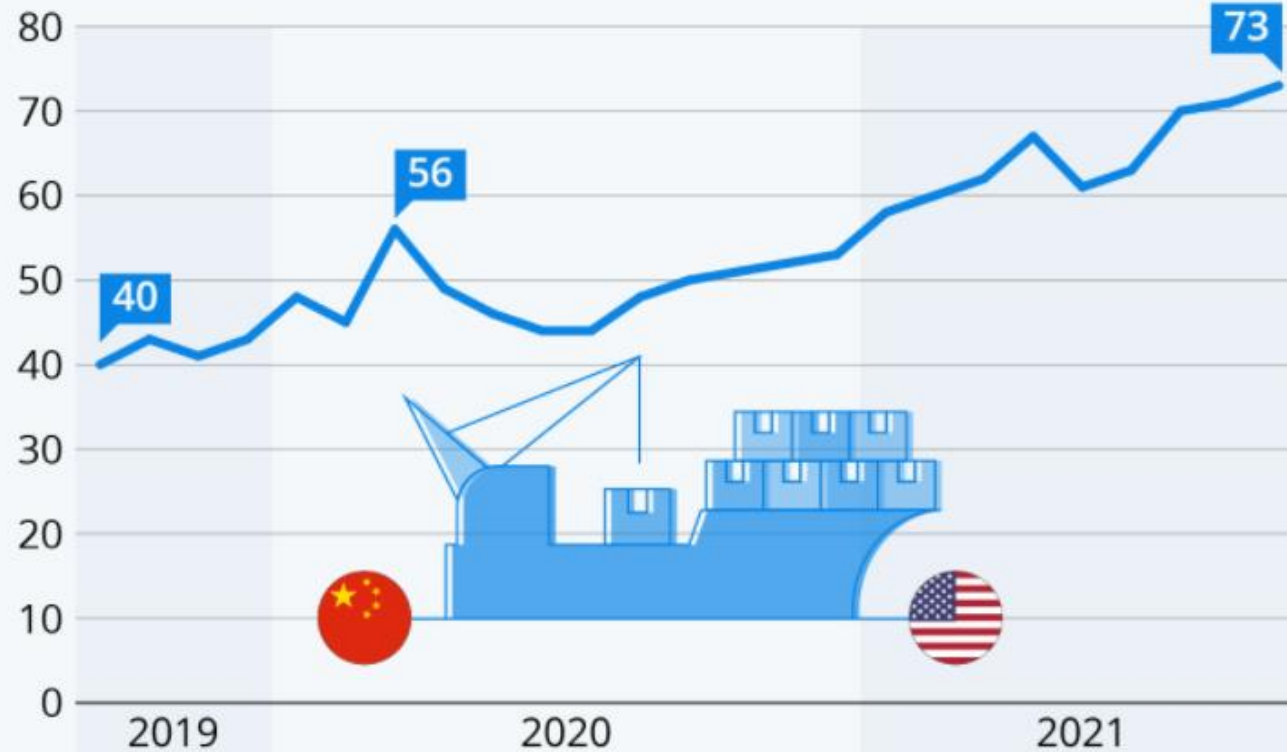
Shipping Prices



Shipping Traffic Jam

Lost in Transit: Major Delays Plague China-U.S. Shipping

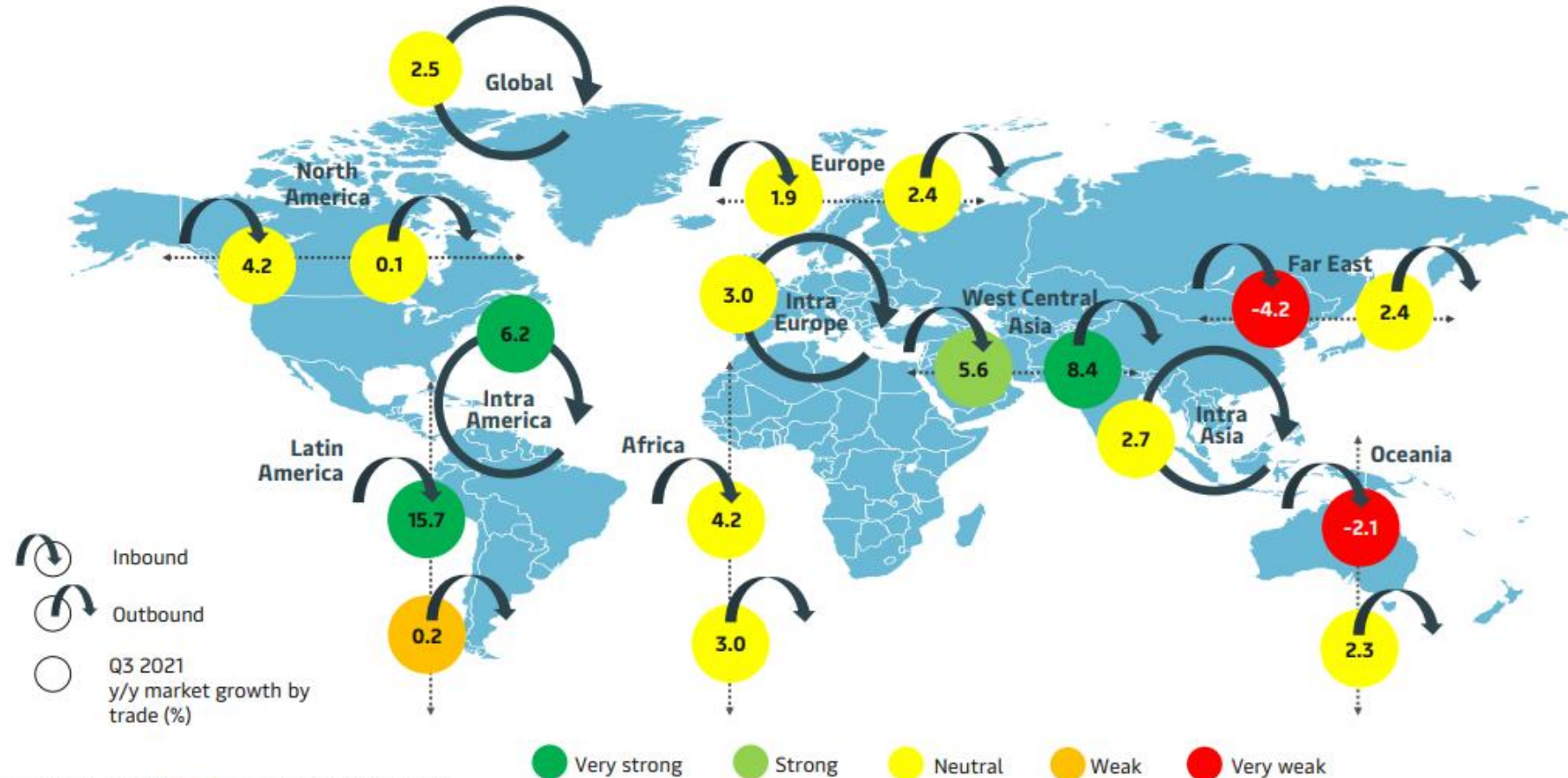
End-to-end transit time for China-U.S. ocean freight (in days)



Source: Freightos

Shipping Traffic Jam

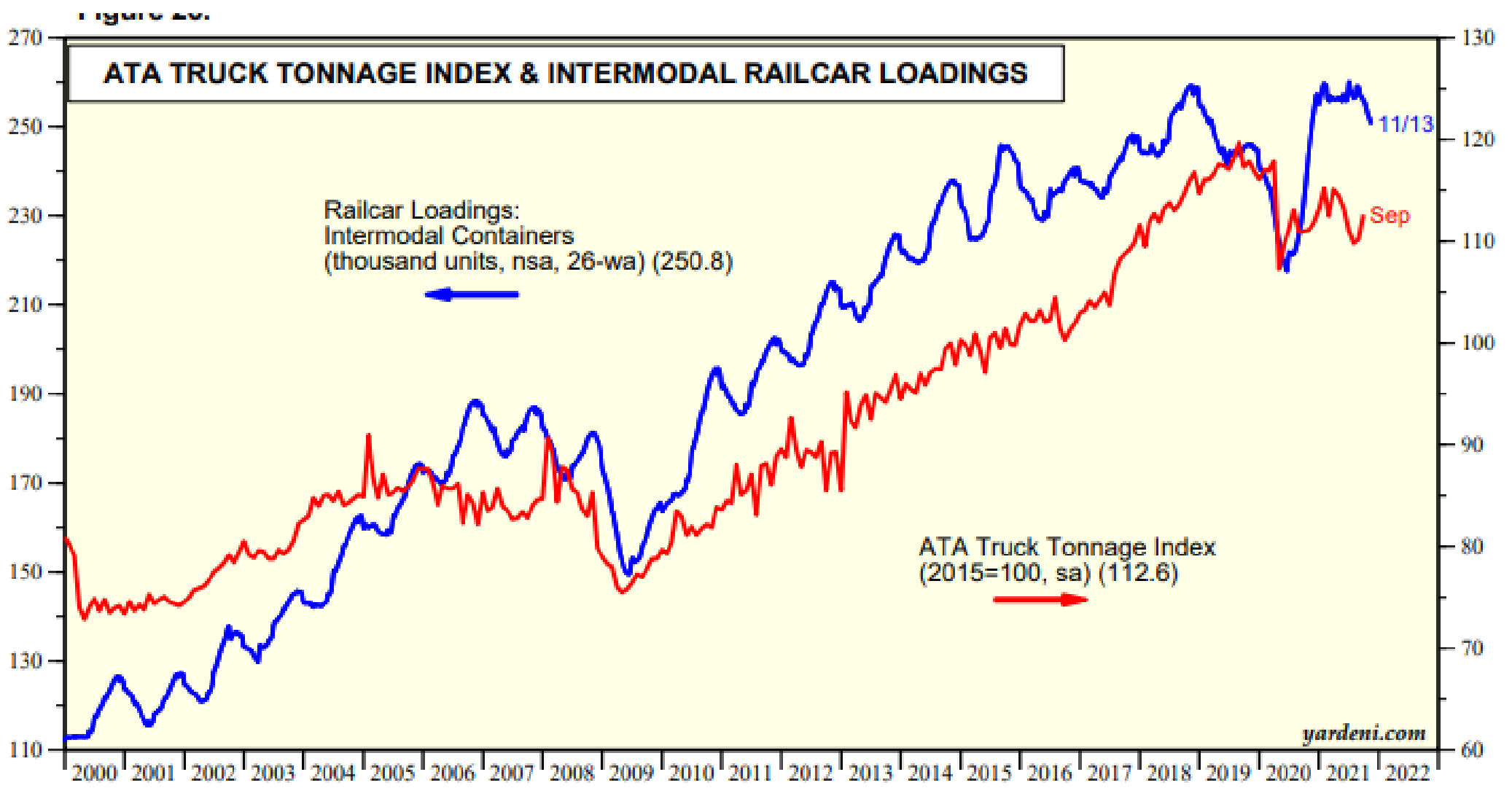
Container trade growth was moderate in most regions in Q3 2021



Source: Internal market volume estimations as of October 2021.

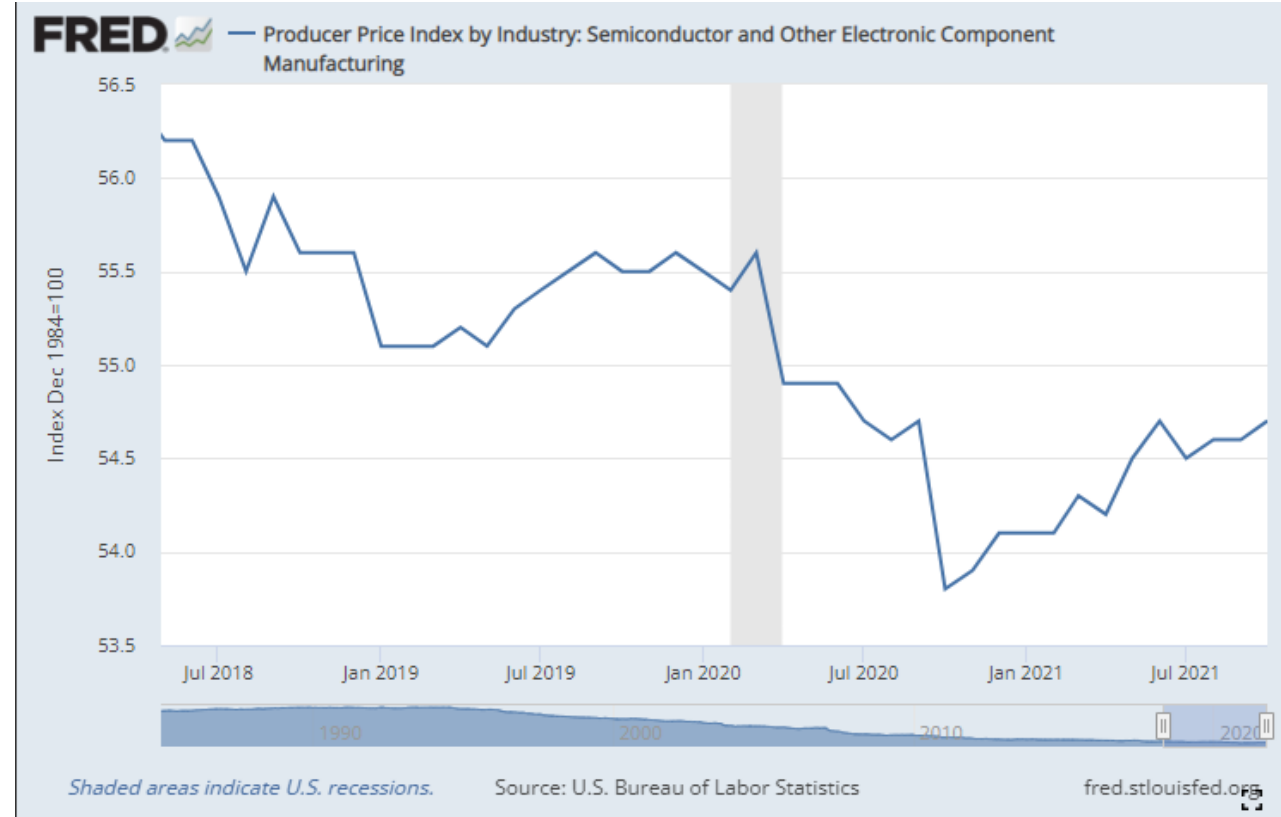
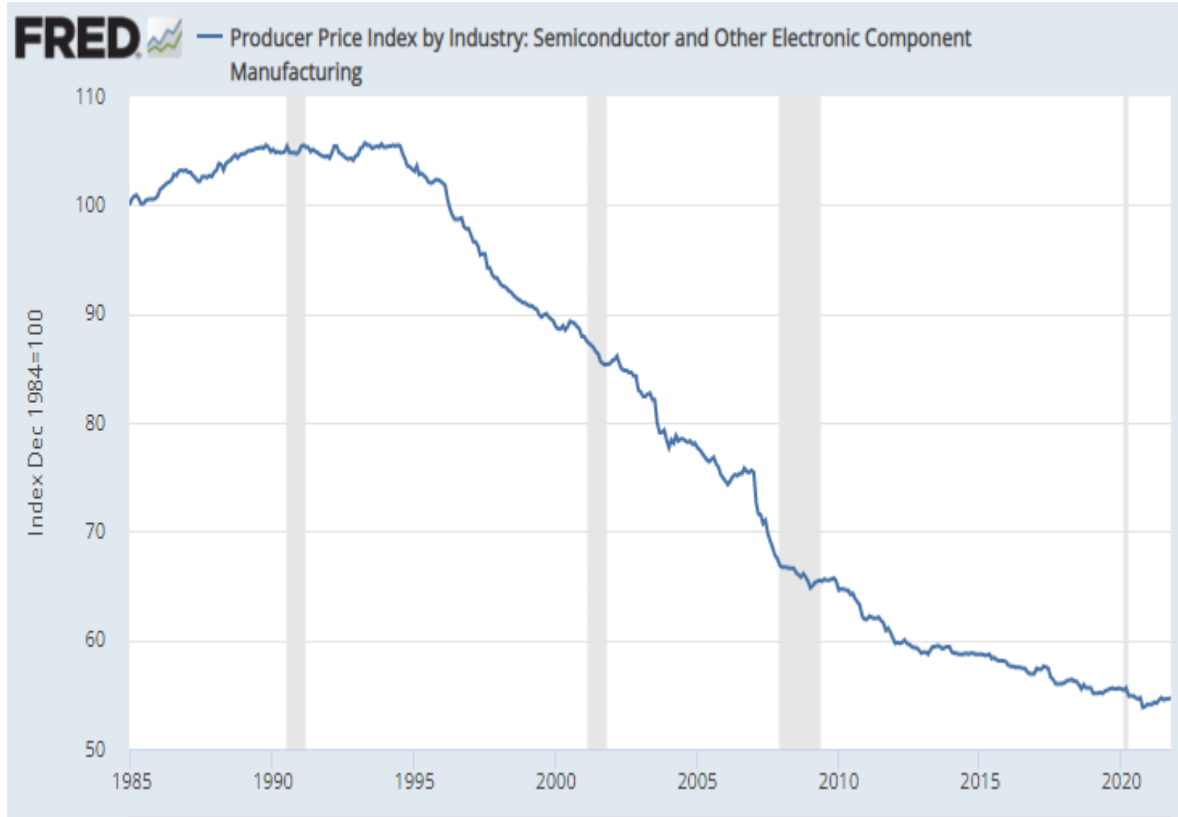
Note: 1. Actuals available until August 2021; 2. Colours embed information on the current dynamics relative to the 2012-18 average.

Shipping Volumes



Source: American Trucking Association and Atlantic Systems.

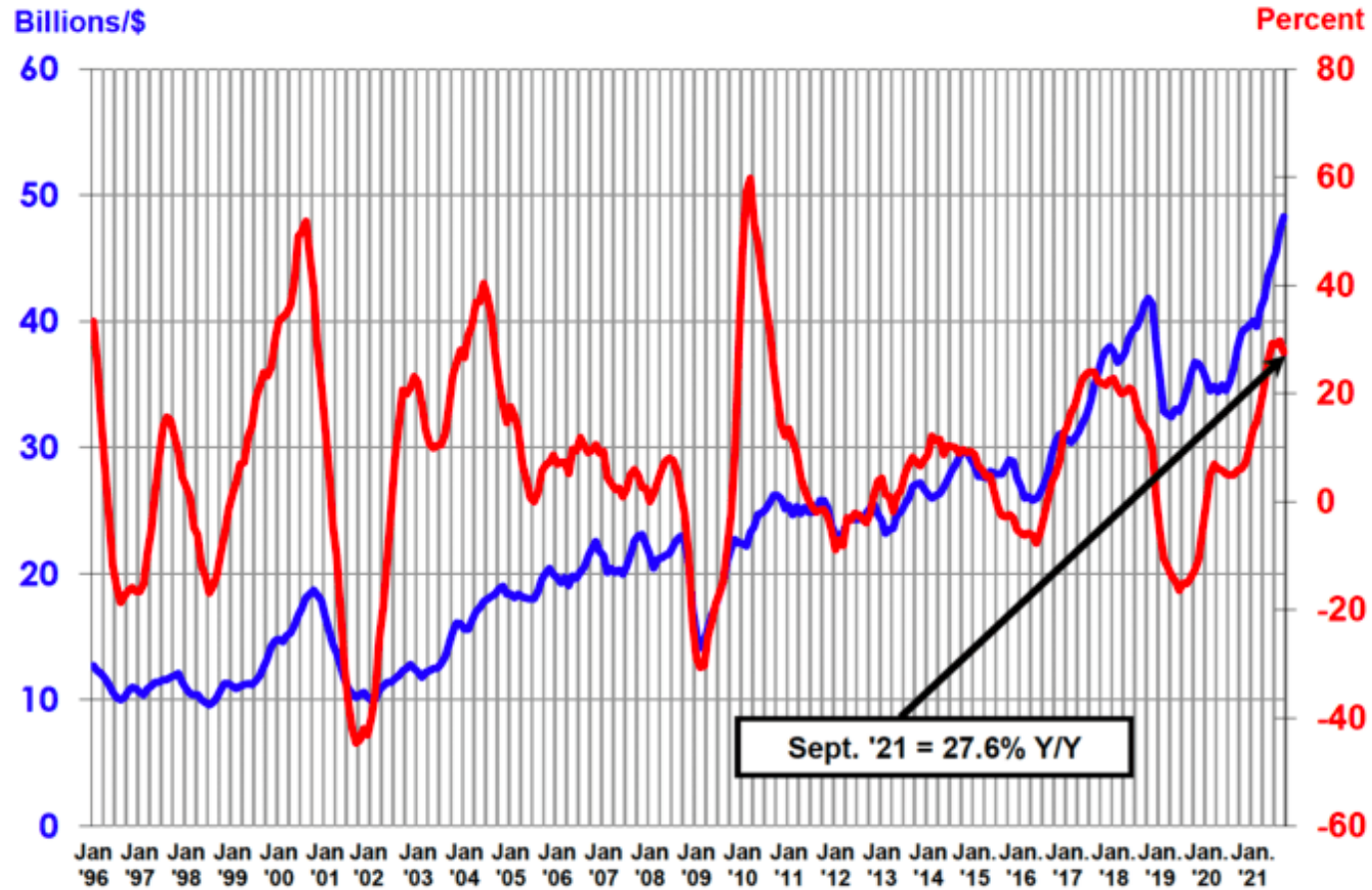
Semiconductor Producer Price Index



Semiconductor Volumes

Worldwide Semiconductor Revenues

Year-to-Year Percent Change



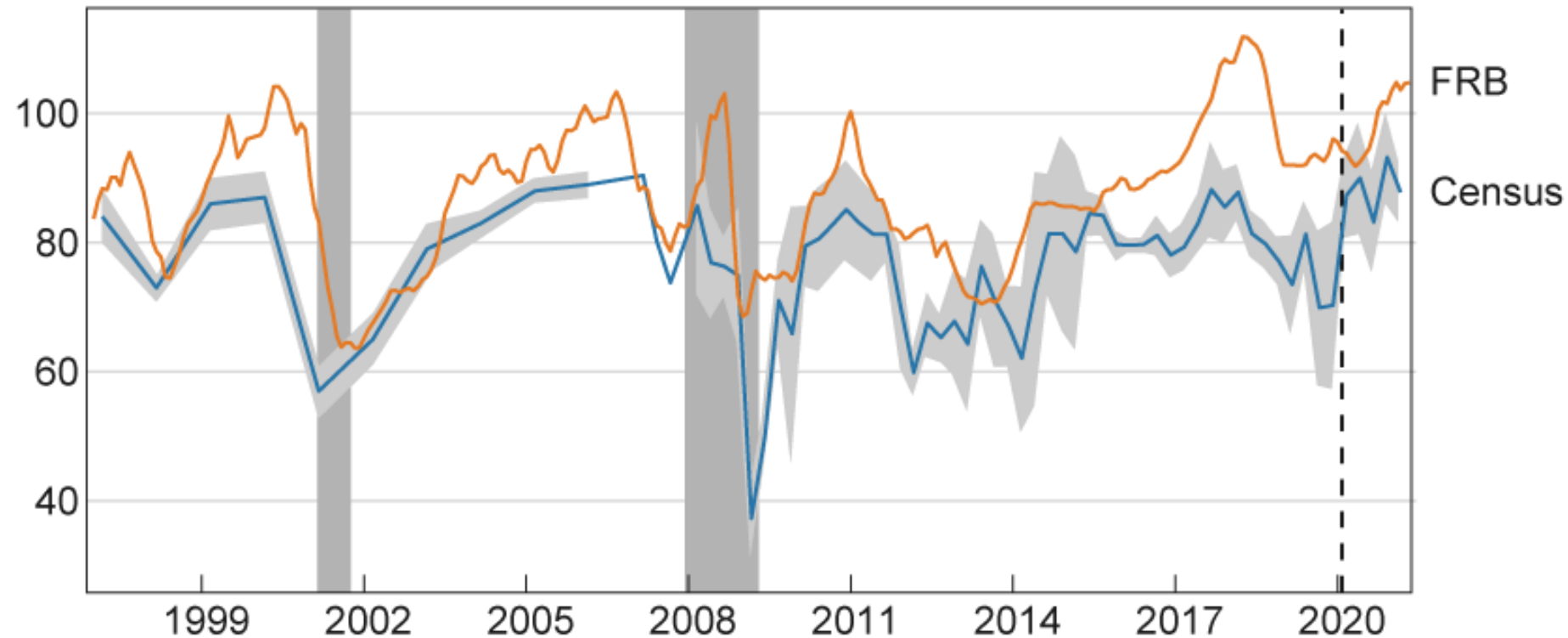
Source: WSTS

Revenue Y/Y % Change

Semiconductor Utilisation

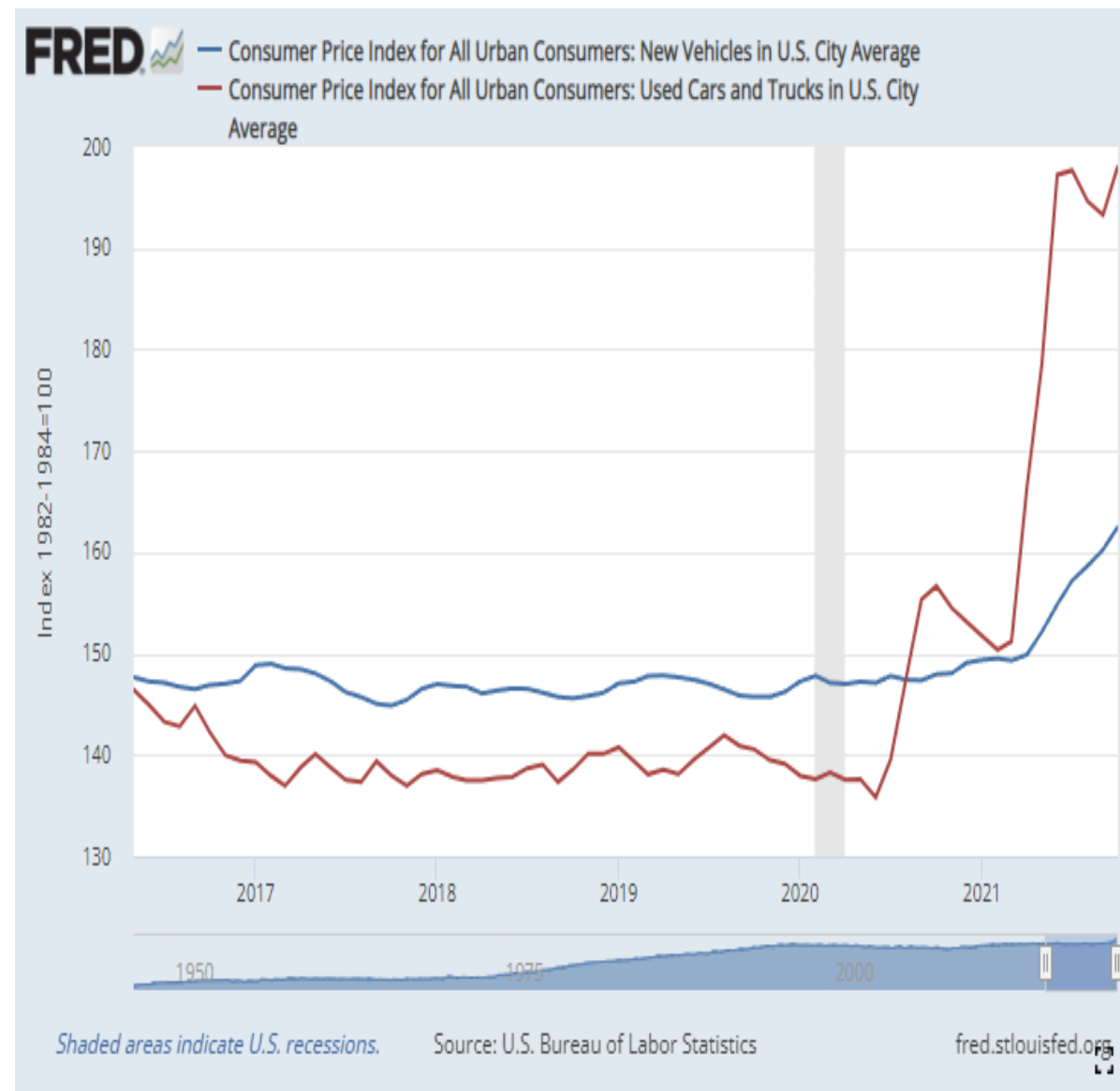
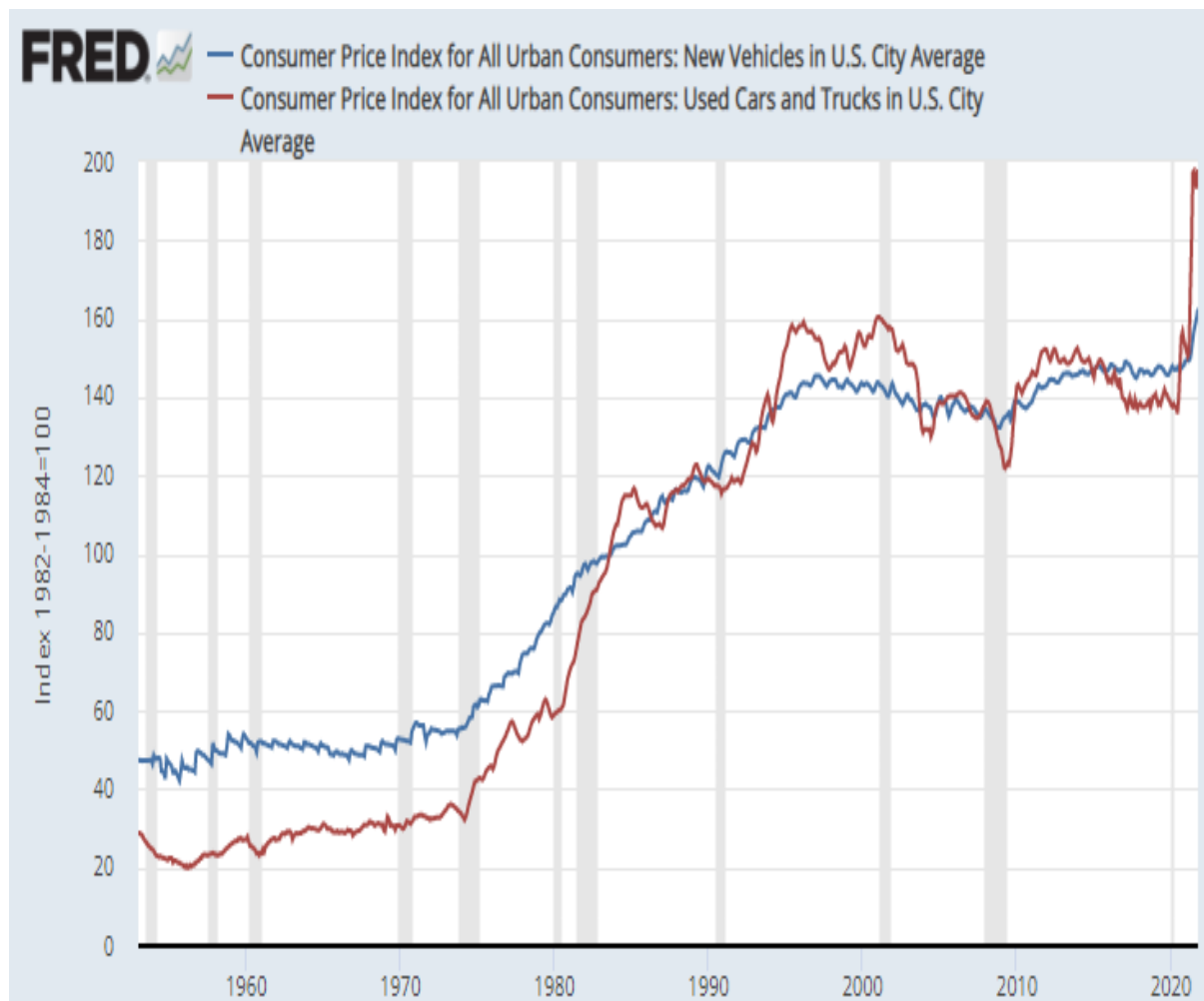
Figure 1. Capacity Utilization: Semiconductor and Related Device Manufacturing

Percent, not seasonally adjusted (Census)
Percent, seasonally adjusted (FRB)

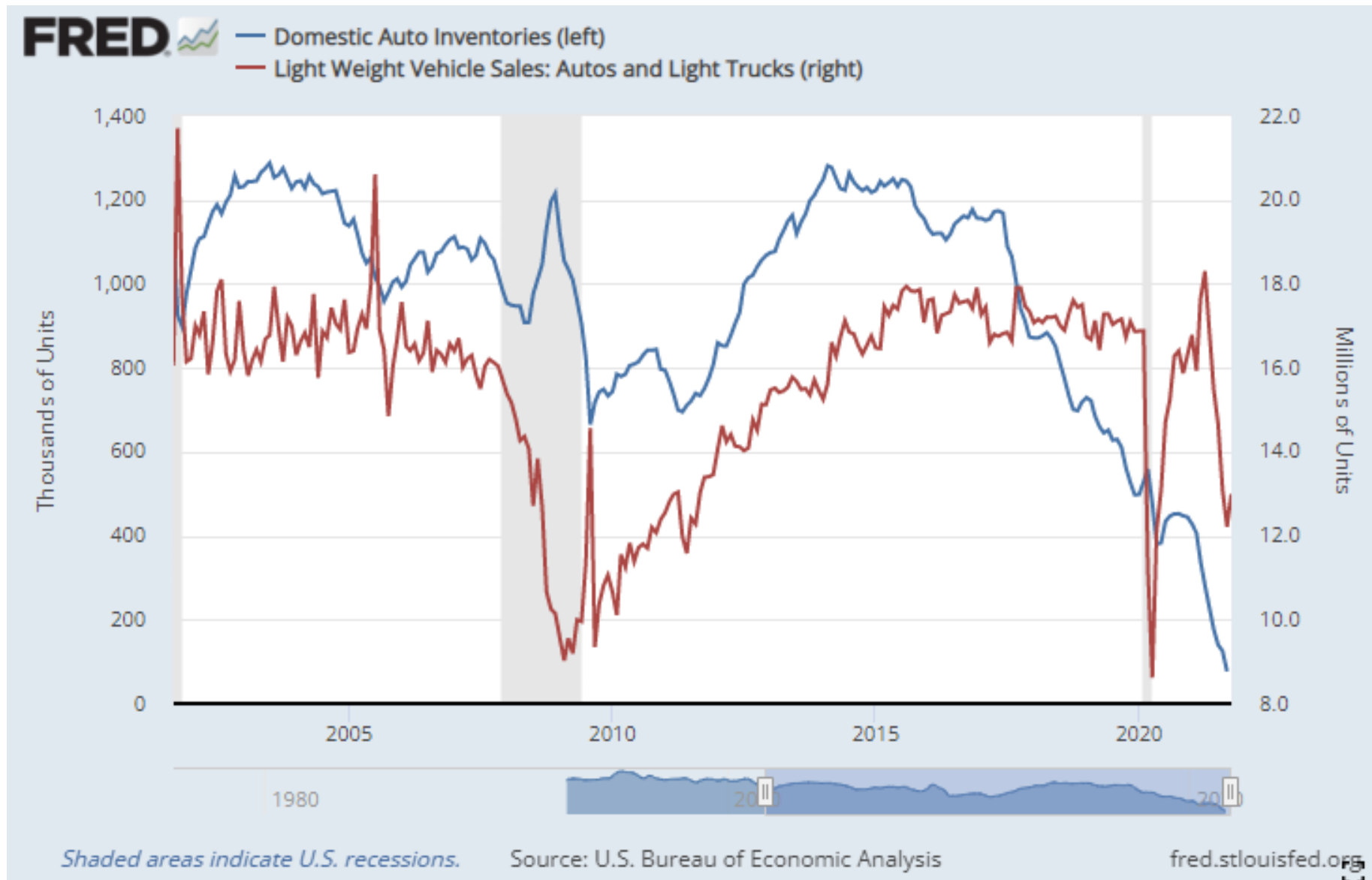


Notes: The figure depicts the capacity utilization rate in the semiconductor and related device manufacturing industry from the FRB and Census. The shaded areas surrounding the blue line represent 95 percent confidence intervals for the Census measure, which are not available from 2007:Q1 to 2007:Q4. Shaded bars indicate National Bureau of Economic Research (NBER) recessions. The vertical dashed line denotes the NBER's most recent peak. Last observation: 2021:Q1 (Census), April 2021 (FRB).
Sources: Census Bureau, Federal Reserve Board (nonpublic).

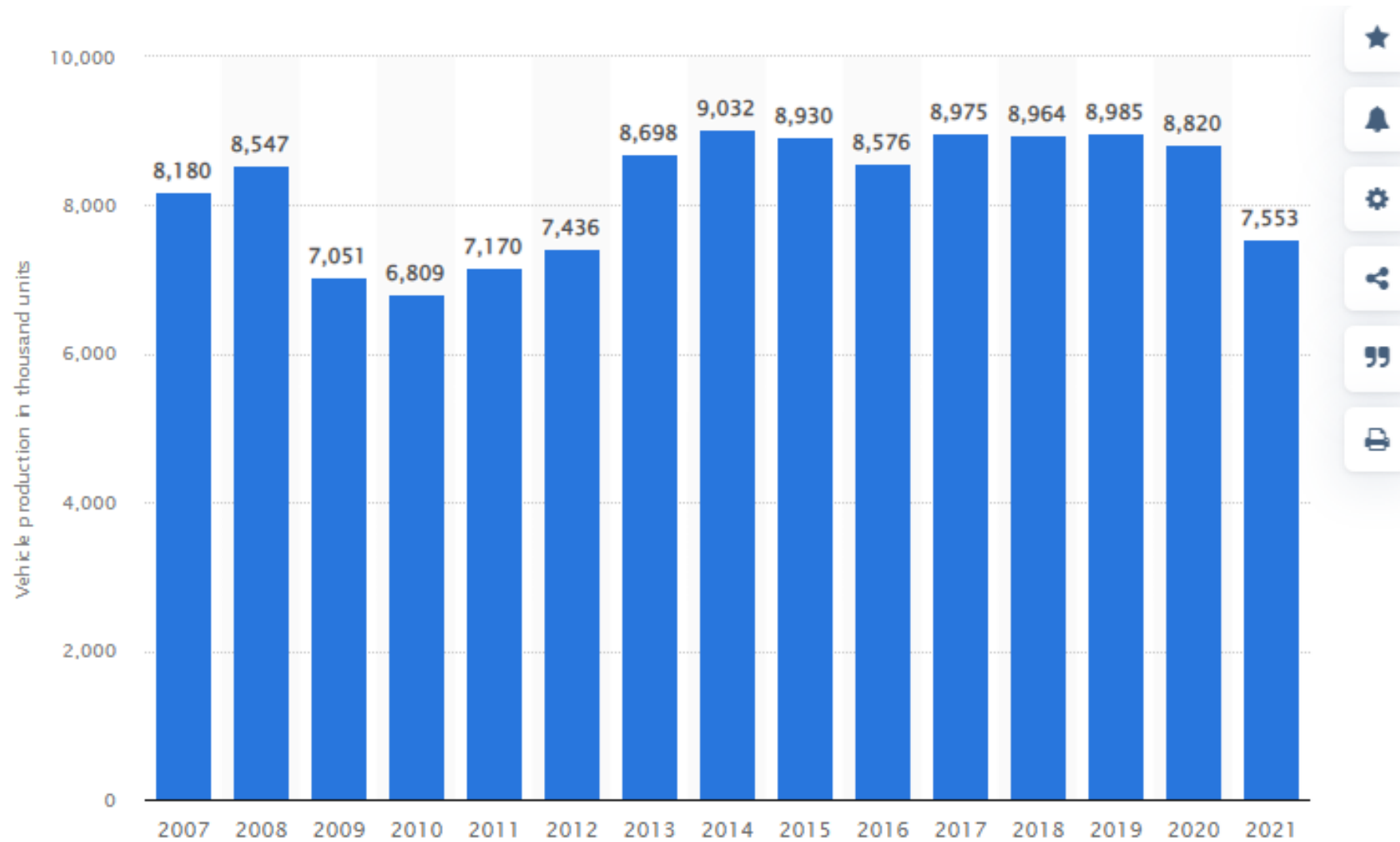
New Car Prices



New Car Sales / Inventories



New Car Production: Toyota



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Viewer question of the week:

Which supply chains should we be watching?

Drop your answers in the comments

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