

# Market Update – October 2022

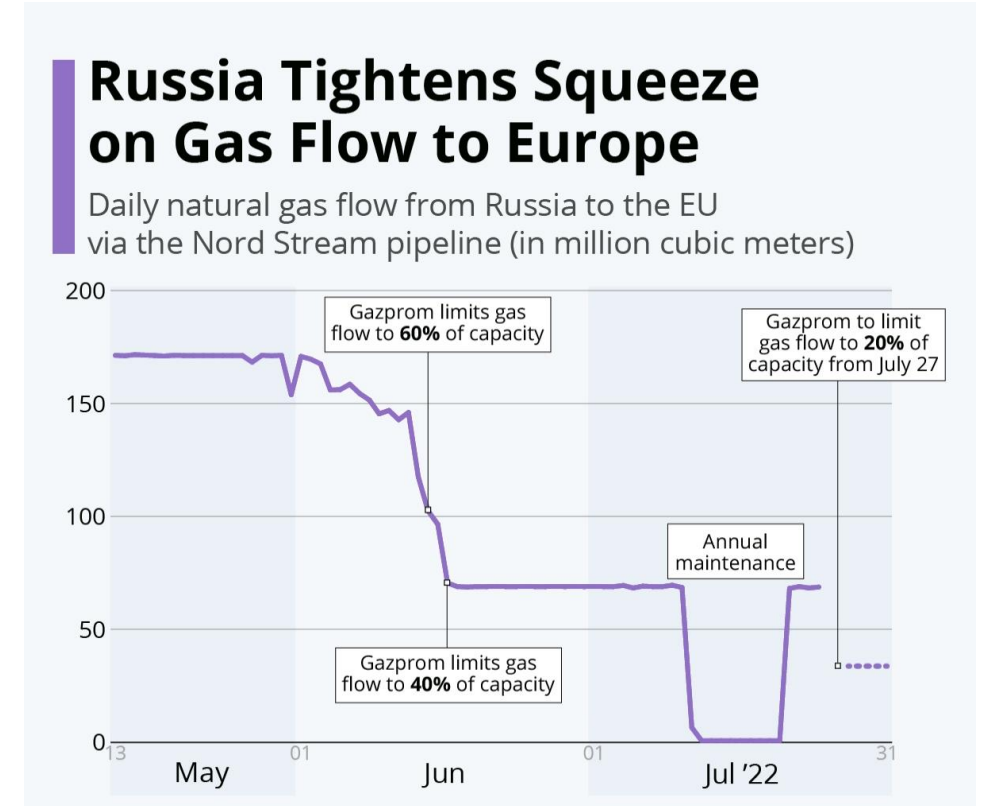
- **Energy Crisis Looms in Europe**
  - Russia has limited the supply of cheap natural gas that the continent requires to run factories, generate electricity, and heat homes.
  - European manufacturers may have to scale back production or increase pricing to offset the shortage of natural gas.
- **Interest Rate Increase Signals a Change to Macroeconomic Market Conditions**
  - Increased interest rates signal the end of the "free money era."
  - Demand wanes as inventory is being reduced to offset inventory risk.
  - Inventory levels are being reduced as lead times decrease.
- **Fuel and Labor Prices Continue to Affect Domestic Packaging**
  - Packaging suppliers have instituted fuel and other incremental surcharges to offset rising energy costs.
  - Hazardous packaging material lead times have increased from 3 to 7 days due to domestic labor shortages.
- **The Infrastructure Investment and Jobs Act Reintroduces the Superfund Tax**
  - The Superfund Excise Tax only relates to importers or manufacturers for specific hazardous substances.
  - The Superfund is used to fund government cleanup efforts of chemical spills.



# Energy Crisis Looms in Europe

**Summary** – Europe is facing an unprecedented energy crisis that will affect consumers and manufacturers in many ways.

- Detail –
  - Officials in Russia claim the supply of natural gas has been affected by wildfires and COVID-19.
  - Experts agree that the war on Ukraine contributes to the issue.
  - As an alternative to natural gas, some companies may turn to burning coal; considered the world's dirtiest fossil fuel.
- Purchasing Comments
  - European manufacturers may have to scale back production or increase pricing to offset the shortage of natural gas.



Sources: Bruegel, ENTSOG via [Statista](#)



# Interest Rate Increase Signals Change in Market Conditions

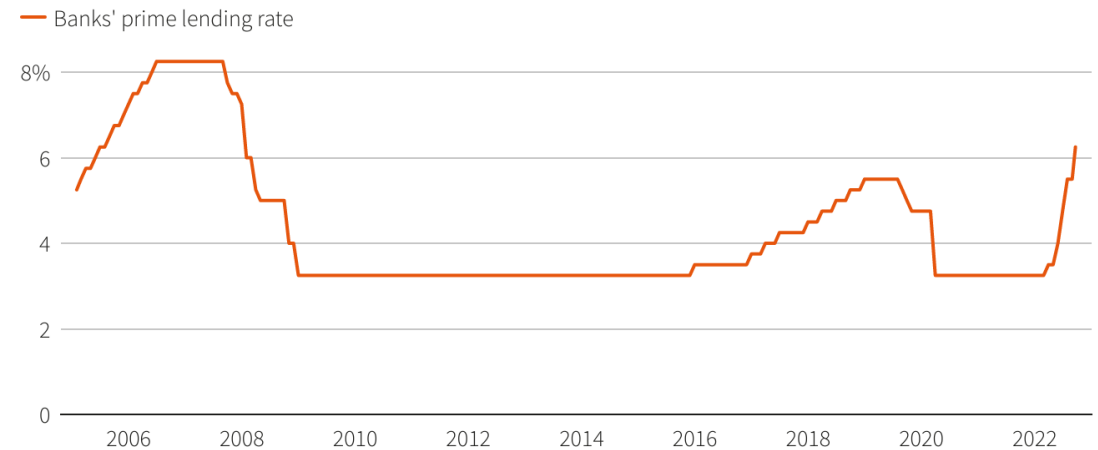


Summary – Increased interest rates signal the end of the “free money era.”

- Detail –
  - The Federal Reserve is raising rates in an effort to fight inflation.
  - Higher rates mean borrowing money is more expensive for manufacturers.
- Purchasing Comments:
  - Inventory levels are being drastically reduced as lead times decrease to avoid borrowing money for purchases.

## Prime lending rates of U.S. banks

Lending rates rose to highest since global financial crisis after Fed rate hike on Wednesday



Source: FRED



# Fuel & Labor Prices Continue to Affect Packaging

**Summary** – Packaging suppliers have instituted fuel and other incremental surcharges to offset rising energy costs.

- **Detail** –
  - Hazardous packaging material lead times have increased from 3 to 7 days due to domestic labor shortages.
- **Purchasing Comments:**
  - Vigon works with suppliers to negotiate the best possible rates and avoid unexpected fees.



# The Superfund Excise Tax

**Summary** – The Superfund Excise Tax went into effect on July 1, 2022 as part of the Infrastructure Investment and Jobs Act.

- **Detail** –
  - The Superfund Excise tax relates only to importers or manufacturers for specific hazardous substances.
  - The Superfund is used to fund government cleanup efforts of chemical spills.
- **Purchasing Comments:**
  - Vigon identifies ways to reduce the usage of the taxed materials to lessen the tax burden.

