

Inflation & Commodity Trends

Zach Locy & Aidan Manley

March 2024

What's in this Report

This report contains information on thirteen primary commodities. Information provided for these commodities includes forecast growth rates, the impact of these primary commodities on secondary commodities, substitutes for primary commodities, as well as upstream and downstream supply chain analysis for each primary commodity.

Contents

Executive Summary.....	2
Commodity Analysis.....	3
1. Aluminum.....	3
2. Chlorine.....	4
3. Food Products	5
4. Crude Oil.....	6
5. Lumber	7
6. Natural Gas.....	8
7. Plastic.....	9
8. Semiconductors	11
9. Steel.....	13
10. Consumer Paper Products.....	14
11. XaaS.....	15
12. Vehicles.....	16
13. Labor: Professional Services.....	17
External Sources.....	18



Executive Summary

- The Federal Reserve continues to maintain a cautious approach to cutting or increasing interest rates. In March, the Fed opted to leave interest rates unchanged for the fifth consecutive time.
 - High interest rates in the short term will continue to impact commodities, particularly over the six-month horizon.
 - Three rate cuts are expected in 2024. While there has been notable progress on inflation, futures traders and analysts believe that the next rate cut will take place in June rather than May.
 - By year's end, experts predict interest rates will be cut by three-quarters of a percentage point. The long-term federal funds rate is expected to be higher than the previously targeted 2.5%, meaning that interest rates will remain moderately elevated compared to recent years.
- As global markets continue to struggle amid muted economic performance, metals demand and prices are likely to remain weak in 2024. According to a [Reuters](#) report, only aluminum and copper are projected to witness a price increase in 2024. However, compared to the rise experienced in 2023, this anticipated price growth is expected to be relatively moderate. Demand from large global consumers, such as China, remains low as the country continues to consume metals at lower rates than normal. At the same time, supply growth for metals is anticipated to grow stronger, thus contributing to price declines.
 - China continues to maintain an essential role in metals markets. For example, Chinese demand is expected to lift aluminum prices as the country increasingly focuses on manufacturing and renewables in the face of the turmoil in the real estate sector. In addition, constrained capacity growth and occasional power disruptions in China's large-scale industries will continue to cause supply chain challenges, pressuring prices upward.
- Food prices in the US are expected to increase as inflation continues to negatively impact food and agricultural products.
- Both crude oil and natural gas are expected to experience volatility over the next three years, following different trends. Crude oil prices, although experiencing some short-term growth, are predicted to decline in the long run due to an anticipated increase in global supply and large inventories tempering the effect of rising demand. Conversely, the natural gas market is poised to see an uptick in prices in the near future, driven by greater global demand and expanded exports; however, this trend reverses in the later stages as demand stabilization and normalization of global supply chains exert downward pressure on prices.
- High interest rates and inflation will have mixed impacts on secondary commodities.
 - For example, rising input costs are prompting suppliers to increase their prices to maintain profitability. However, higher interest rates and inflation are negatively impacting the demand for primary and secondary commodities, subsequently exerting downward pressure on prices.



- While the availability of secondary commodities is on the rise, the current economic volatility continues to create disruptions and uncertainties in the market, making future price trajectories unpredictable.

Commodity Analysis

1. Aluminum

Forecast CAGRs:

- 6 Month: 3.9%
- 1 Year: 7.1%
- 2 Year: 4.6%
- 3 Year: 4.2%

Analysis: Aluminum prices are expected to continue increasing throughout the following three-year period as rebounding demand for the metal contributes to continued price growth. Prices are expected to grow more steadily compared to previous years, where significant volatility occurred for the price of metals such as aluminum. Prices are expected to continue increasing, however, as sanctions on Russia and trade caps from China continue to limit supply, which will negatively impact the market. Recovering demand from China may further limit global availability, creating further shortages worldwide.

Secondary Commodities:

- Cameras/Cell Phones/Computers/Copiers
 - Aluminum is used in printed circuit boards, computer chips, and other structural or body technology components, such as cameras, cell phones, and computers. As aluminum prices stabilize, so may product prices.
- Canned Goods
 - Canned goods and beverage manufacturers will see input costs increase marginally over the next three years as aluminum prices slowly climb due to greater demand and rising overhead costs.
- Vehicle/Vehicle Parts
 - Vehicle and auto part manufacturers expect increased manufacturing capabilities due to greater aluminum production.

Substitute Commodities:

- Magnesium Alloys

Upstream Supply Chain:

- Alumina Producers & Processors
 - Bauxite Miners
- Mining Equipment Manufacturers

Analysis: The upstream supply chain for aluminum consists of raw material suppliers that mine bauxite, process it into alumina, and deliver it to aluminum manufacturers. The supply of these materials may begin to decrease in quantity in the following year due to Chinese emissions regulations, contributing to upward pressure on prices.



1. Aluminum

Downstream Supply Chain:

- Car & Automobile Manufacturers
- Metal Can & Container Manufacturers

Analysis: The downstream supply chain for aluminum comprises final products and solutions engineered and built from aluminum. Major downstream players include aircraft and automobile part and equipment manufacturers and canned goods and beverage suppliers. Aluminum demand is expected to rebound as interest rates begin to stabilize and inflation cools in 2024, contributing to upward pressure on market prices.

2. Chlorine

Forecast CAGRS:

- 6 Month: -0.5%
- 1 Year: 3.3%
- 2 Year: 2.7%
- 3 Year: 2.4%

Analysis: The price of chlorine is expected to recover from extreme surges and increase at a more stable rate compared to the rates that occurred during the previous three-year period. Significant supply shortages occurred during the previous three years due to a major fire at a large chlorine-production facility in Louisiana. Production has since recovered globally, mitigating negative impacts from supply shortages from this fire. As a result, chlorine prices are expected to stabilize as supply chain issues resolve as more viable alternatives to chlorine emerge and as production returns to average levels that can meet demand for the product. Demand for chlorine is expected to stabilize as well as pool construction proceeds on a normal schedule, without significant backlogs or waitlists which have been contributing to extreme volatility in the demand for chlorine products. As supply and demand factors return to average levels, prices are expected to stabilize and continue increasing at a much less volatile rate.

Secondary Commodities:

- Pharmaceutical Products
 - As chlorine shortages begin to resolve themselves, pharmaceutical products and medicines that use chlorine as components are expected to continue increasing in price, however increases are expected to occur at much less volatile rates.

Substitute Commodities:

- Bromine

Upstream Supply Chain:

- Chemical Product Manufacturers
 - Inorganic Chemical Manufacturers
- Mineral & Phosphate Miners
 - Mining Equipment Manufacturers

Analysis: The primary upstream supply chain risk for chlorine stems mainly from the ability to meet demand. A significant disruption in the supply chain occurred from the fire at a Louisiana chlorine plant



2. Chlorine

in 2021, which has continued to affect the supply of chlorine into 2023. However, production has begun to resume and supply issues are expected to be resolved as 2024 continues.

Downstream Supply Chain:

- Pharmaceutical Manufacturers
- Chemical Product Wholesalers
- Facility Maintenance Providers

Analysis: Demand from downstream suppliers is steady on average, as most buyers in the market require the product at a regular, predictable pace for operations to continue.

3. Food Products

Forecast CAGRS:

- 6 Month: 3.8%
- 1 Year: 2.5%
- 2 Year: 2.1%
- 3 Year: 1.5%

Analysis: The price of food products is expected to increase in the next 6-months and remain elevated throughout the forecast period as inflationary pressures push prices higher. Future price increases are expected to occur due to changing preferences and continued supply issues with certain products. Overall, food products are expected to face continued price increases throughout the following three-year period.

Secondary Commodities:

- Animal Feed/Products
 - Food products and grain are major components of the typical animal feed used by farmers. As animal feed prices rise, farmers raise the prices of these animal products to cover rising costs, thereby contributing to upward pressure on various food prices, including beef and dairy. The projected increase in food prices in the forecast period is expected to contribute to increases in animal feed and other related products.

Substitute Commodities:

- Barley & Other Grains
- Rice

Upstream Supply Chain:

- Fertilizer Manufacturers
 - Chemical Product Manufacturers
- Farm Product Storage & Warehousing Providers
- Tractors & Agricultural Machinery Manufacturers
 - Steel Manufacturers
- Water Supply & Irrigation Providers
 - Pipe & Tube Manufacturers



3. Food Products

Analysis: Major supply chain disruptions can result from fluctuations in the price or availability of fertilizer. Stabilization in fertilizer prices over the next three years will increase production for crops, increasing the overall supply of food prices, which will help to mitigate other demand forces pushing prices upward.

Downstream Supply Chain:

- Animal Feed Producers
- Food & Grocery Stores
- Fruit & Vegetable Markets

Analysis: Downstream demand is steady; however, many substitutes are available to consumers and farmers alike, reducing the impact of demand shocks in the market.

4. Crude Oil

Forecast CAGRS:

- 6 Month: 1.2%
- 1 Year: -2.5%
- 2 Year: -4.3%
- 3 Year: -3.9%

Analysis: The price of crude oil is currently experiencing high volatility. A higher global oil supply is expected to allow prices to decline during the following three-year period, as the market recovers from significant disturbances that occurred during the previous three years. Demand for oil is expected to recover globally as well, however bolstered supply levels and inventories are expected to help mitigate price increases from this higher level of demand. As a result, oil prices are expected to face continued periods of price declines after significant surges during the previous three-year period.

Secondary Commodities:

- Diesel/Gasoline
 - In April, gasoline and diesel prices currently stand at \$3.535 and \$4.024 per gallon, respectively, increasing from previous data listed from January.
- Grounds Maintenance Equipment/Heavy Equipment
 - Many types of equipment rely on lubricating oils to ensure machines' longevity. Because these products are refined from crude oil, owners of these machines can expect significant volatility in future costs associated with maintaining their equipment.
- Tires/Auto Parts
 - Oil is a primary component in tires and in manufacturing additional auto parts. Both manufacturers and buyers of tires can expect price relief as oil prices are expected to begin declining in the future periods.
- Industrial Consumables:
 - Industrial consumables, including motor and lubricating oils, paint, and plastic products, depend heavily on the market for crude oil, as many of these products are oil derivatives. As volatile conditions persist in the crude oil market, the supply and prices



4. Crude Oil

of these products are expected to shift quickly. However, price declines are expected to occur in the following period as global oil markets face relief.

Substitute Commodities: N/A

Upstream Supply Chain:

- Mining, Oil & Gas Machinery Manufacturing
 - Steel Manufacturers
- Industrial Supplies Wholesalers
 - Power Tools & Other General Purpose Machinery Manufacturers
 - Pump & Compressor Manufacturers
- Metal Pipe & Tube Manufacturers
 - Steel Manufacturers
 - Iron Manufacturers

Analysis: Significant supply chain risk exists in the market for crude oil, as the market depends heavily on other risky commodities. While international sanctions on Russia have contributed to instability in the supply chain, tariffs on global steel producers can also cause disturbances, as steel and iron are critical components of most machinery used in the oil-extracting process. For example, Section 232 implemented a 25.0% tariff on steel which contributed to significant negative impacts since most steel pipes utilized in the domestic oil and gas industries are imported. However, as global supply chains have stabilized the negative impacts have begun to be mitigated in the market.

Downstream Supply Chain:

- Petroleum Refineries
- Gasoline & Petroleum Stations
- Petrochemical Manufacturers
- Rubber Product Manufacturers
- Plastics & Related Products Manufacturers

Analysis: Downstream demand shocks in the market can contribute to significant strain on oil markets; however, as inventories are high, downstream supply chain issues are limited.

5. Lumber

Forecast CAGRS:

- 6 Month: 2.7%
- 1 Year: 4.9%
- 2 Year: 10.2%
- 3 Year: 5.6%

Analysis: The price of lumber is expected to increase over the forecast period as demand for new homes surges throughout the United States. There currently exists a large supply and demand gap for houses, currently sitting at around 3.2 million homes. This shortage of homes is expected to contribute to increased new construction throughout the country, which is expected to put further strain on lumber markets. While prices in the market are expected to increase, extremely volatile conditions seen



5. Lumber

in the past due to widely fluctuating supply levels are not expected to return as lumber mills are running at full operational capacity.

Secondary Commodities:

- Toilet Paper
 - As lumber prices steadily increase, personal paper products that depend on wood pulp, such as toilet paper, are forecast to grow through the forecast period.

Substitute Commodities:

- Metals/Steel
- Concrete/Asphalt
- Plastics

Upstream Supply Chain:

- Tools & Hardware Wholesalers
 - Tools & Hardware Manufacturers

Analysis: Upstream supply chain risk primarily stems from the availability of wood and lumber to be cut and sold. Weather events or wildfires can reduce the overall stock of lumber and contribute to higher prices.

Downstream Supply Chain:

- Hardware Stores
- Commercial Building Construction
- Residential Building Construction
- Municipal Building Construction
- Lumber & Building Material Stores

Analysis: The easing of extreme interest rate hikes and the return of construction activity will elevate demand for lumber, placing upward pressure on prices throughout the forecast period. With less inflation, homeowners will be greater incentivized to spend on home repair and remodeling, increasing demand for lumber and contributing to higher prices.

6. Natural Gas

Forecast CAGRS:

- 6 Month: 6.5%
- 1 Year: 7.4%
- 2 Year: -1.0%
- 3 Year: -5.7%

Analysis: Natural gas prices are highly volatile and difficult to predict. Prices are expected to grow over the forecast period, with surges expected in the following year due to higher global demand and rising exports. Prices are expected to reverse course and begin declining in the later stages of the forecast period as demand stabilizes during this period and global supply chains normalize.



6. Natural Gas

Secondary Commodities:

- Equipment
 - Equipment, like generators, depends on natural gas to operate and generate electricity. As a result, generator owners, including extensive facilities, universities, and other buildings, can expect operating cost increases throughout the forecast period, with natural gas prices unlikely to remain at current levels.

Substitute Commodities:

- Propane
- Biofuel
- Coal

Upstream Supply Chain:

- Mining, Oil & Gas Machinery Manufacturing
 - Steel Manufacturers
- Industrial Supplies Wholesalers
 - Power Tools & Other General Purpose Machinery Manufacturers
 - Pump & Compressor Manufacturers
- Metal Pipe & Tube Manufacturers
 - Steel Manufacturers
 - Iron Manufacturers

Analysis: Supply chain disruptions stem from low gas yields at drilling sites and fluctuations in markets for steel and iron, as these metals make up a significant portion of the machinery required to drill for natural gas.

Downstream Supply Chain:

- Coal & Natural Gas Power Providers
- Fuel Dealers
- Fertilizer Manufacturers

Analysis: Downstream demand for natural gas is steady. However, shifts toward green power have made demand shocks more likely in the forecast period. While these trends continue to increase, impacts on price growth is expected to be limited as natural gas is still a primary energy product.

7. Plastic

Forecast CAGRS:

- 6 Month: 6.4%
- 1 Year: 3.6%
- 2 Year: 1.8%
- 3 Year: 1.1%

Analysis: Propane, a derivative of crude oil, is used to make ethylene and propylene, which are the foundational building blocks of plastic manufacturing. Therefore, plastic prices will increase alongside



7. Plastic

rising crude oil prices in the short term. Demand for plastic will likely increase in 2024 as interest rates eventually decline and an improvement in global economic conditions increase demand from end-use markets for this commodity, such as construction and packaging. However, lower oil prices later in the forecast period will cause input costs for plastics manufacturers to decline, restricting price growth in 2025.

Secondary Commodities:

- Medical Equipment
 - Plastic is a key input for medical equipment used in vials, beakers, implants, and medical instruments. Input costs for plastic medical equipment are projected to increase in the short term, while plastic materials offer a more cost-effective solution to alternatives such as metals, glass, and ceramics.
- Disposables and Polystyrene Foam
 - Disposable bottles and bags rely on plastic, so increases in plastic prices directly impact prices for these goods. Polystyrene foam is also a plastic-based product used in packaging and automobile parts.
- PVC Pipes
 - PVC pipes are plastic-based products often used for sewage pipes and water mains for irrigation.
- Consumer Electronics
 - Smartphones and other consumer electronics use a wide variety of plastic products, including Polycarbonate (PC), Acrylonitrile Butadiene Styrene (ABS), and Polymethyl Methacrylate (PMMA). These plastics are used for display frames, haptic feedback cushioning, and mounting frames, among other purposes.

Substitute Commodities:

- Paper & Paperboard
- Bioplastics
- Glass
- Platinum Silicone
- Ceramics

Upstream Supply Chain:

- Petrochemical Manufacturers
 - Petroleum Refiners
- Industrial Machinery & Equipment Wholesalers
 - Steel Manufacturers
 - Iron Manufacturers
- Inorganic & Organic Chemical Manufacturers
 - Steel Manufacturers
- Resin Producers
 - Coal Miners



7. Plastic

Analysis: Petrochemicals, such as ethylene and propylene, are key inputs for plastic manufacturing and are produced from propane and butane, both of which derive from crude oil refining. Thus, increases in oil prices will pressure plastics prices upward.

Downstream Supply Chain:

- Plastic Bottle Manufacturers
- Plastic Film, Sheet & Bag Manufacturers
- Plastic Pipe & Part Manufacturers
- Urethane Foam Manufacturers
- Plastic Product Wholesalers
- Plastic Toys
- Adhesive Manufacturers

Analysis: Increasing costs in resin and oil, thus plastic, will push prices higher for plastic-based products, including plastic containers, bags, and bottles. The price of polyolefins is also rising, which impacts various products, including clothing, carpet, and roofing materials,

8. Semiconductors

Forecast CAGRS:

- 6 Month: -4.1%
- 1 Year: -2.9%
- 2 Year: -1.2%
- 3 Year: -0.4%

Analysis: Forecasts for semiconductors continue to fluctuate significantly. The demand for semiconductors at present is low owing to a slowdown in electronic manufacturing induced by a decrease in demand. [According to S&P Global Market Intelligence](#), shipments of smartphones and game consoles are projected to remain sluggish in 2024. China's recent advancements in manufacturing capacity have triggered strategic price reductions in wafer foundries, pushing semiconductor chip prices lower across the industry. Risks to the upside for this market include the recent earthquake in Taiwan, which has temporarily shut down two major chip factories (Taiwan Semiconductor Manufacturing Co. and United Microelectronics Corp.), potentially reducing supply. Increased AI adoption may also increase demand for advanced or specialized semiconductors.

Secondary Commodities:

- Cell Phones
 - The semiconductor market for mobile phones is projected to decline. S&P Global predicts that there will be no recovery in this market until 2027, continuing a declining trend since 2016.
- Computers, Copiers, Web Cameras, and Smartboards
 - The demand for computers is decreasing due to continued challenges in the computer and printer markets, with laptop shipments continuing to fall. These factors will increase demand for semiconductors, pressuring prices downward.
- Vehicles



8. Semiconductors

- EV demand has declined and is projected to continue to decline in 2024. This has been attributed to factors such as consumer range anxiety, inadequate charging infrastructure, and unaffordable pricing amid a period of high-interest rates and [declining consumer confidence](#). In support of this, Tesla marked its first sales decline in four years in Q1 of 2024. Falling demand will continue to pressure semiconductor prices downward.

Substitute Commodities: N/A

Upstream Supply Chain:

- Semiconductor Machinery manufacturers
 - Steel Manufacturers
 - Iron Manufacturers
 - Aluminum Manufacturers
- Copper Rolling, Drawing & Extruding Suppliers
 - Copper Miners
- Chemical Product Manufacturers
 - Silicon Suppliers

Analysis: While silicon production slowed down during the past three-year period, silicon wafer shipments are still expected to increase in 2024 as they become increasingly used for new applications like AI and 5G. This will continue to increase demand for semiconductors, helping to restrict price declines in this market.

Downstream Supply Chain:

- Consumer Electronics Stores
- Computer Manufacturers
- Wireless Telecommunication Manufacturers
- Automobile Electronics Manufacturers

Analysis: As demand for consumer electronics is projected to decrease in 2024, this could lead to a broader range of products at potentially lower prices. However, lesser demand might also negatively impact innovation in the sector, slowing down the development of advanced integrated technology. HP Inc.'s [seven straight quarters of revenue decline](#), driven by sluggish demand in the personal computer (PC) market, exemplifies this trend as consumers continue to delay system upgrades and spend cautiously due to an uncertain economy.



9. Steel

Forecast CAGRS:

- 6 Month: -6.8%
- 1 Year: -7.0%
- 2 Year: -6.5%
- 3 Year: -2.6%

Analysis: Global steel prices are projected to decline in 2024, primarily due to weakened demand from manufacturing and construction sectors in advanced markets combined with slow growth in China's property sector. Stringent financial conditions amid high interest rates and inflation continue to reduce the demand for steel. Additionally, the [World Bank](#) is projecting iron ore prices to decrease. As a key input of steel, iron ore prices are correlated with that of steel.

Secondary Commodities:

- Grounds Maintenance Equipment
 - Grounds maintenance equipment, such as shears, is made of hardened carbon or chromium steel.
- Heavy Equipment
 - Steel is the backbone for scaffolding, cranes, bulldozers, and other heavy equipment.
- Industrial MRO Supplies
 - Declining steel prices have placed downward pressure on prices for repair tools and safety equipment.
- Medical Equipment
 - Medical equipment includes a wide range of steel products, such as medical carts, wheelchairs, hospital beds, IV stands, surgical tools, medical syringes and needles, surgical screws, and plates, among a host of other steel-based products.
- Vehicle & Vehicle Parts
 - Steel is a key component in vehicles and vehicle parts. As the supply of steel increases, the production and supply of vehicles and vehicle parts will increase as well.

Substitute Commodities:

- Aluminum
- Wood
- Stone
- Concrete
- Plastic

Upstream Supply Chain:

- Iron Ore Miners
- Copper, Nickel, Lead & Zinc Miners
- Industrial Machinery & Equipment Manufacturers
 - Steel Manufacturers
- Utilities & Energy Providers
 - Coal Miners



9. Steel

Analysis: Steel production primarily relies on coal as the main source of energy. This is especially the case in the blast furnace method, which is the most common method of steel production globally. The decline in coal and energy prices, alongside reduced demand from machinery manufacturers and construction, will continue to pressure prices downward for steel. High inflation and interest rates will exacerbate price declines in the short term.

Downstream Supply Chain:

- Constructors
- Metal Pipe & Tube Manufacturers
- Car & Automobile Manufacturers
- Steel Rolling & Drawers
- Ferrous Metal Foundry Products

Analysis: Downstream demand for steel includes products and services that rely on steel and steel-based products as a key input. This includes industrial and construction markets that use steel in heavy equipment and structures, such as shipbuilding, oil and gas refining, and vehicle production.

10. Consumer Paper Products

Forecast CAGRS:

- 6 Month: 0.7%
- 1 Year: 1.4%
- 2 Year: 1.4%
- 3 Year: 1.3%

Analysis: Consumer paper products are expected to move in line with lumber prices over the forecast period, which shows steady growth over the next three years. Nonetheless, prices will increase slowly in the short term due to high levels of supply and muted increases in consumer spending which have a direct impact on the paper industry because less consumer spending means less demand for paper products, keeping their prices under control. However, as economic conditions and consumer confidence improve over the long term, demand for consumer paper products is likely to increase, resulting in a gradual uptick in prices throughout the three-year period.

Secondary Commodities: N/A

Substitute Commodities:

- Paper alternatives (Recycled materials, bamboo, etc.)

Upstream Supply Chain:

- Paper Mills
- Wood Pulp Mills

Analysis: Upstream supply chain risk depends entirely on the stability of the lumber and wood pulp markets, as all consumer paper products will be produced directly from these.



10. Consumer Paper Products

Downstream Supply Chain:

- Office Stationery Wholesalers
- Printing Suppliers
- Paper and Paper Product Wholesalers

Analysis: Consumer paper products typically go to printing providers, office supply wholesalers, and other paper and paper wholesalers who supply products to office buildings, hotels, and other large commercial spaces.

11. XaaS

Forecast CAGRS:

- 6 Month: 3.2%
- 1 Year: 2.0%
- 2 Year: 1.4%
- 3 Year: 1.3%

Analysis: Software-as-a-Service and Infrastructure-as-a-Service prices are projected to increase in the short term due to ongoing inflation. Over the next three-year period, a competitive labor market will continue to prompt suppliers to raise wages to attract new workers, while an increasing commitment from top suppliers to meet environmental sustainability objectives will also increase costs, which will be passed on to buyers.

Substitute Commodities:

- On-Premises Software
- In-House IT
- Open-Source Software

Upstream Supply Chain:

- Software Engineers & Developers
- Internet Service Providers
- Energy Suppliers
- Third-Party Software Suppliers
- IT Hardware Manufacturers

Analysis: As the costs of servers, storage, and networking hardware rise due to inflation, supply-chain disruptions, and higher manufacturing costs, service providers must shoulder these costs and pass them on to clients. The tight labor market, specifically in the tech sector, will continue to push XaaS prices higher.

Downstream Supply Chain:

- Businesses & Corporate Entities
- Government Agencies
- Tech Start-Ups
- Healthcare Institutions



11. XaaS

- Education Institutions
- Retailers
- E-Commerce Platforms

Analysis: Demand for XaaS will increase due to its scalability and cost-effectiveness, ultimately supporting price increases in this market.

12. Vehicles

Passenger Vehicles

Forecast CAGRS:

- 6 Month: 1.4%
- 1 Year: 2.2%
- 2 Year: 2.4%
- 3 Year: 2.5%

Analysis: Passenger vehicles are expected to continue increasing in price over the following three years; however, price growth is expected to slow temporarily as many manufacturers deal with oversupply. As interest rates remain elevated, consumers may be deterred from financing car purchases. Nonetheless, gradually improving consumer confidence throughout the forecast period and progressive interest rate cuts will support demand growth for passenger vehicles.

Fleet Vehicles

Forecast CAGRS:

- 6 Month: 2.9%
- 1 Year: 3.1%
- 2 Year: 3.5%
- 3 Year: 4.5%

Analysis: Fleet vehicles are expected to continue increasing in price over the following three years, moving in line with expectations from passenger vehicles. Fleet vehicles are expected to be impacted less by oversupply as demand remains elevated and continues to meet the supply set by suppliers. A revival in the lease and rental sector drives the forecasted increase in demand for fleet vehicles in 2024. The surge in final leg delivery operations, especially by businesses like Amazon, is expected to accentuate this upward trend.

Secondary Commodities:

- Gasoline/Diesel:
 - In April, gasoline and diesel prices currently stand at \$3.535 and \$4.024 per gallon, respectively, increasing from previous data listed from January.
- Tires
 - Tires and tire sales depend significantly on passenger vehicle and car sales. As car prices increase, tire prices are expected to align with these changes.



12. Vehicles

Substitute Commodities:

- Public transportation
- Air transportation

Upstream Supply Chain:

- Auto Parts Manufacturers
 - Iron & Steel Manufacturers
- Car Battery Manufacturers
 - Copper, Nickel, Lead and Zinc Mining

Analysis: Supply chain risk is significant as the market depends on both iron and steel manufacturing and mining for metals such as lead and zinc, both of which experience high levels of volatility. Supply chain disruptions can lead to long-term shortages of specific parts in vehicle manufacturing, leading to temporary price spikes for certain types of cars that depend more heavily on a product.

Downstream Supply Chain:

- Automobile Wholesalers
- Car Rental Dealers
- Fleet Vehicle Suppliers

Analysis: New passenger vehicles are typically sold directly to a consumer from an automobile wholesaler or dealer to a car rental agency to rent to customers or to fleet vehicle suppliers to be provided to large corporations as a part of their fleet. As vehicles are a crucial aspect of day-to-day life for many customers and businesses, downstream demand is relatively stable and only impacted significantly by large-scale events.

13. Labor: Professional Services

Forecast CAGRS:

- 6 Month: 5.1%
- 1 Year: 6.0%
- 2 Year: 6.1%
- 3 Year: 5.7%

Analysis: Wages in professional services markets are expected to increase over the following three years as inflationary pressures push employers to continually raise wages during the period. Wage growth is being fueled by rising housing, food, and overall increases in the cost of living. Wage growth is expected to face similar increases over the three-year period, as employers in the professional services market target similar merit increases to salaries in order to retain talent within companies.



External Sources

1. Bankrate www.bankrate.com
2. McKinsey & Company www.mckinsey.com
3. Bureau of Economic Analysis www.bea.gov
4. Forbes www.forbes.com
5. S&P Global www.spglobal.com
6. NPR www.npr.org
7. Macrotrends www.macrotrends.net
8. CNBC www.cnbc.com
9. Reuters www.reuters.com
10. World Bank www.worldbank.org
11. Farm Progress <https://www.farmprogress.com/>
12. Wall Street Journal <http://www.wsj.com/>
13. The Fabricator www.thefabricator.com
14. Yahoo www.yahoo.com
15. National Association of Home Builders www.nahb.org
16. Stockhead www.stockhead.com.au
17. FitchRatings www.fitchratings.com
18. World Semiconductor Trade Statistics www.wsts.org