



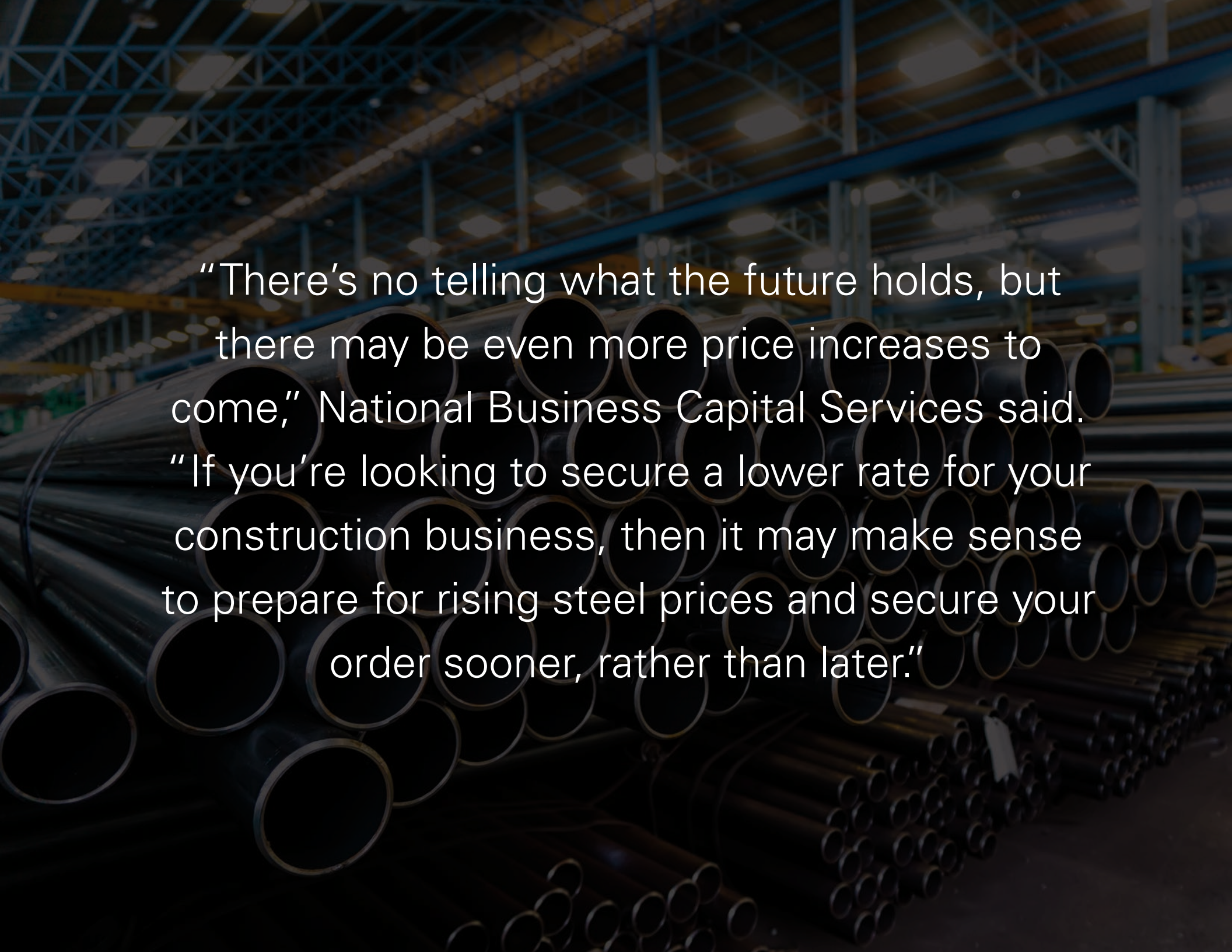
STEEL MARKET OUTLOOK: 'A LOT OF VOLATILITY ALL YEAR'

Steel prices are likely to experience a high degree of volatility in 2021 as global economies recover from the devastation wrought in 2020 by the COVID-19 pandemic.

Already-high prices are expected to continue to rise—at least in the short-term—as demand in the construction industry picks up. If and when those prices ultimately moderate or drop, and by how much, is anyone's guess.

The business financing firm National Business Capital & Services noted that the economic slowdown in 2020 paused construction projects, steel production, and steel consumption alike. Although there's no doubt that tight supply has been a major contributing factor to rising steel prices throughout 2020, **MANY EXPERTS EXPECT GROWING DEMAND TO HAVE AN EVEN BIGGER IMPACT ON STEEL PRICES IN 2021.**





“There’s no telling what the future holds, but there may be even more price increases to come,” National Business Capital Services said. “If you’re looking to secure a lower rate for your construction business, then it may make sense to prepare for rising steel prices and secure your order sooner, rather than later.”

Business information and analytics firm IHS Markit noted that sheet steel prices have been rising at one of the fastest rates in history: in the United States, the price has more than doubled since mid-2020 and recently set a new all-time record high.

THE PRICES OF MANY STEEL PRODUCTS ARE UP 50 TO 100% SINCE LATE SUMMER 2020, with the bulk of the increases occurring in November and December.





IHS Markit called the run-up in steel prices **“EXTRAORDINARY,”** and said prices are rising to **“UNSUSTAINABLE” PEAKS.** The firm anticipates that steel prices will spike in the first quarter of 2021 and then fall over the following months.



ORDER BOOKS FILLING FAST

Signs of economic rebound and recovering demand are already becoming evident. Surveys by the publication *Steel Market Update* (SMU) indicate that order books at global steel mills are filling up fast.

More than 80% of the steel buyers who responded to SMU's poll in November said they expected further steel price increases from mills.



John Packard, President and Publisher of SMU, said he believes the U.S. is entering a “**super cycle**” that could keep steel prices above the historical **\$600-\$650 per ton average** on benchmark hot rolled coils.

What’s going to propel the super cycle? **Low inventories at service centers and end manufacturing facilities.**

“It very well may take into this summer before inventories become balanced,” Packard said.

Argus Media noted that despite restarts of idled capacity that was taken down due to the COVID-19 pandemic, steel producers are not expected to be able to match demand through at least the first quarter of 2021.

That means steel buyers have been unable to find the tons they need for their customers for months, with steel inventories said to be at some of their lowest levels ever.



WHAT ABOUT THE TARIFFS?

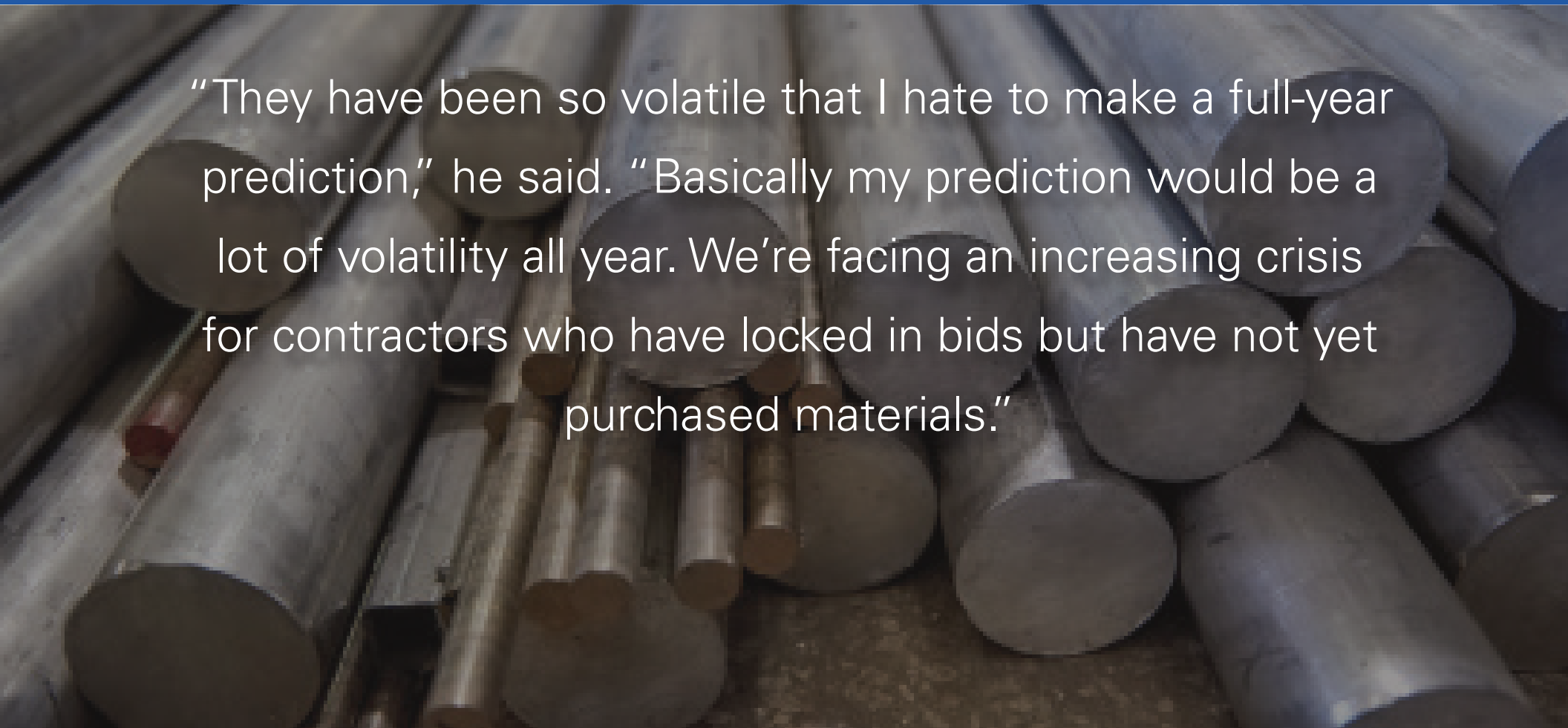
The tariffs on imported steel that were put into place in 2018 are a key factor to consider when analyzing the steel market. It's not known at this point if President Biden will leave the tariffs in place; however, the American Iron and Steel Institute, the Steel Manufacturers Association, the United Steelworkers Union, the Committee on Pipe and Tube Imports, and the American Institute of Steel Construction in January sent a letter to Biden urging him to continue the tariffs on steel imports.

“Continuation of the [steel] tariffs and quotas is essential to ensuring the viability of the domestic steel industry,” the trade groups wrote to Biden.



THE BOTTOM LINE

Ken Simonson, Chief Economist, Associated General Contractors of America, was asked in February if he thought prices for construction materials overall would remain high in 2021.



“They have been so volatile that I hate to make a full-year prediction,” he said. “Basically my prediction would be a lot of volatility all year. We’re facing an increasing crisis for contractors who have locked in bids but have not yet purchased materials.”

THE BOTTOM LINE FOR CONTRACTORS:

Volatility and uncertainty are bad for business, and those terms sum up the forecast for steel prices in 2021. A traditionally predictable and price-stable option like Aquatherm—which can also offer total installed cost savings versus metal pipe—can help bring some sanity to the proceedings by allowing you to make confident job-cost estimates and bids.

For more information on steel tariffs, please visit: [aquatherm.com/literature/free-steel-tariff-guide](https://www.aquatherm.com/literature/free-steel-tariff-guide)



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