

SMU Community Chat

December 14, 2022

Starting at 11 AM Eastern

Michael Cowden, Steel Market Update

Tom Derry, Institute for Supply Management (ISM)



SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars

Steel Market Update Team



SMU Newsletter developed for active buyers & sellers of flat rolled steel.

Prices – Momentum – Trends – Analysis – with a guarantee

For more information visit www.SteelMarketUpdate.com

Upcoming Events

Date	Event	Status	Venue
January 17-18	SMU Steel 101 Workshop	Virtual	SteelMarketUpdate.com/Events
February 5-7	Tampa Steel Conference 2023	Live	Tampa Marriot Water Street

For more information about Tampa Steel, including registration info, visit <https://www.tampasteelconference.com/>
Or contact our events team directly at Events@SteelMarketUpdate.com



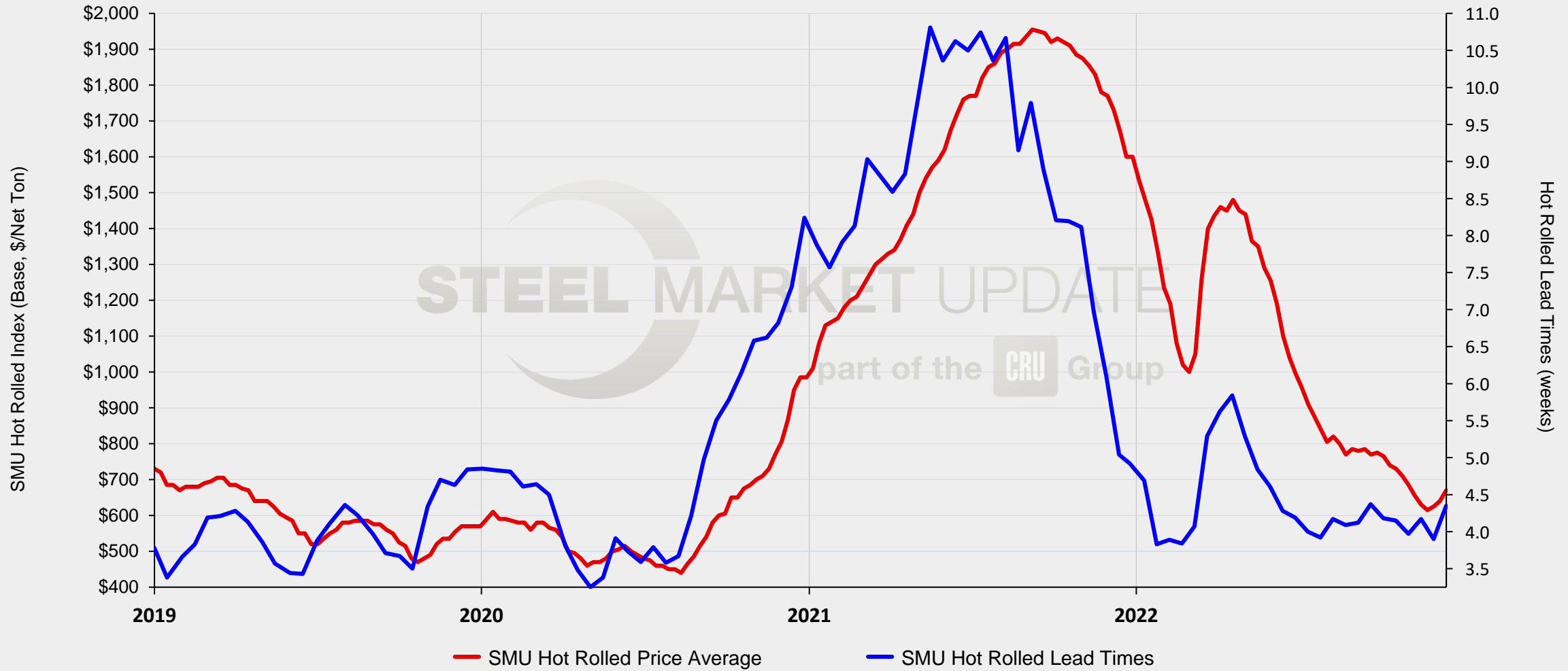
STEEL MARKET UPDATE

part of the  Group

Don't just read our data, see your
company's experience reflected in it.

Contact Brett@SteelMarketUpdate.com
for participation information.

SMU Hot Rolled Steel Prices vs Lead Times

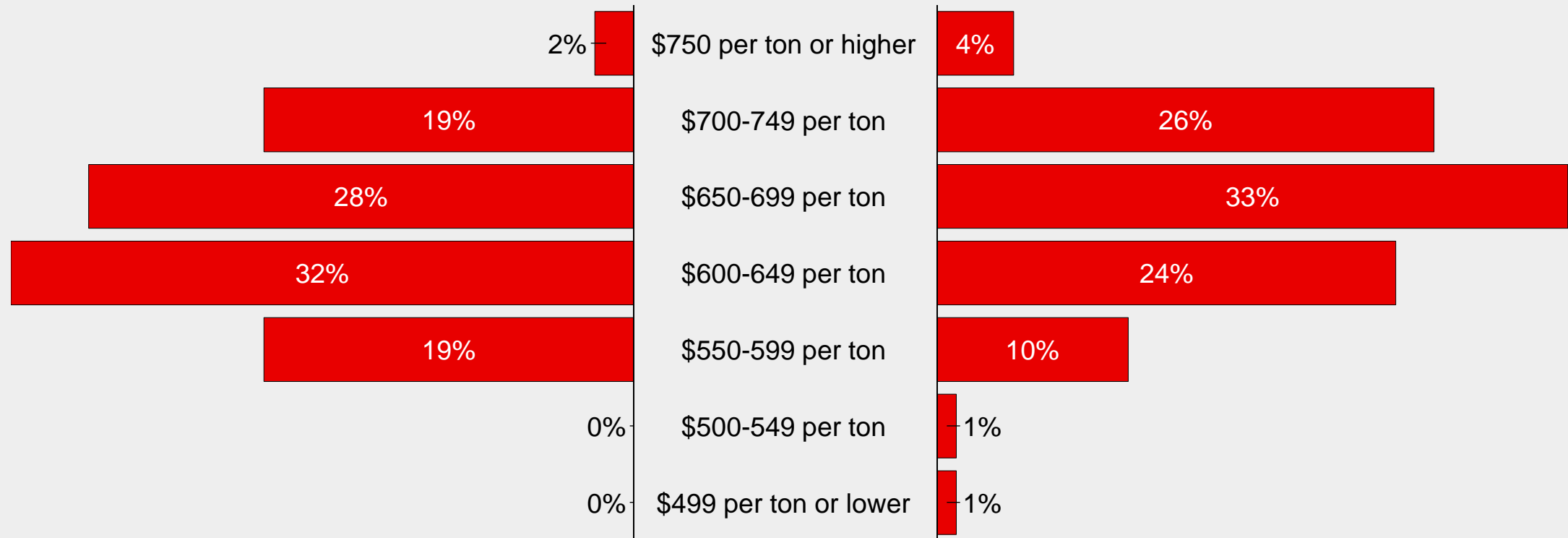


Future Hot Rolled Prices

Where do you think HRC prices will be in two months?

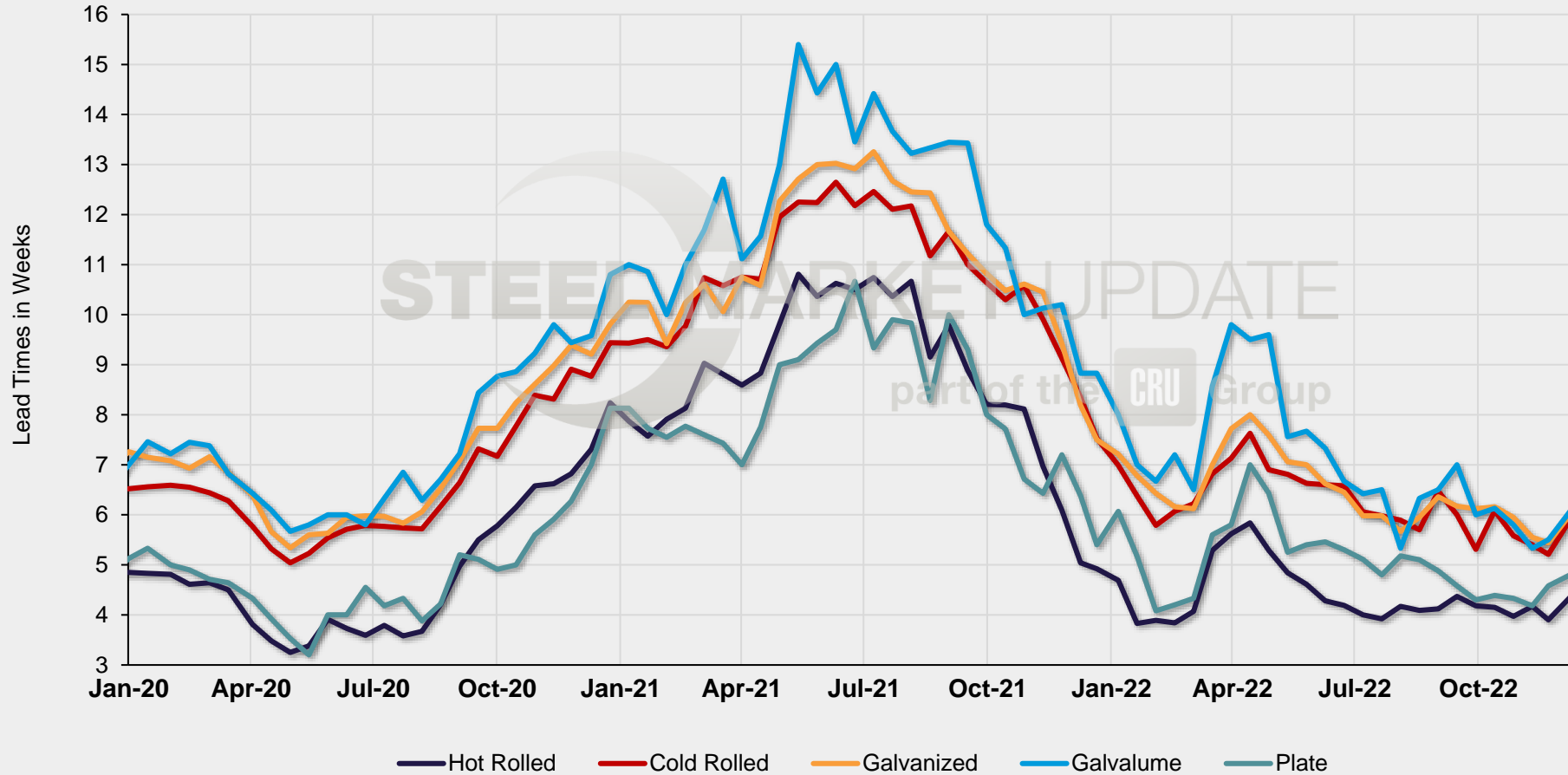
November 22, 2022

December 8, 2022



Steel Mill Lead Times by Product

SMU Lead Times Comparison
Through December 8, 2022

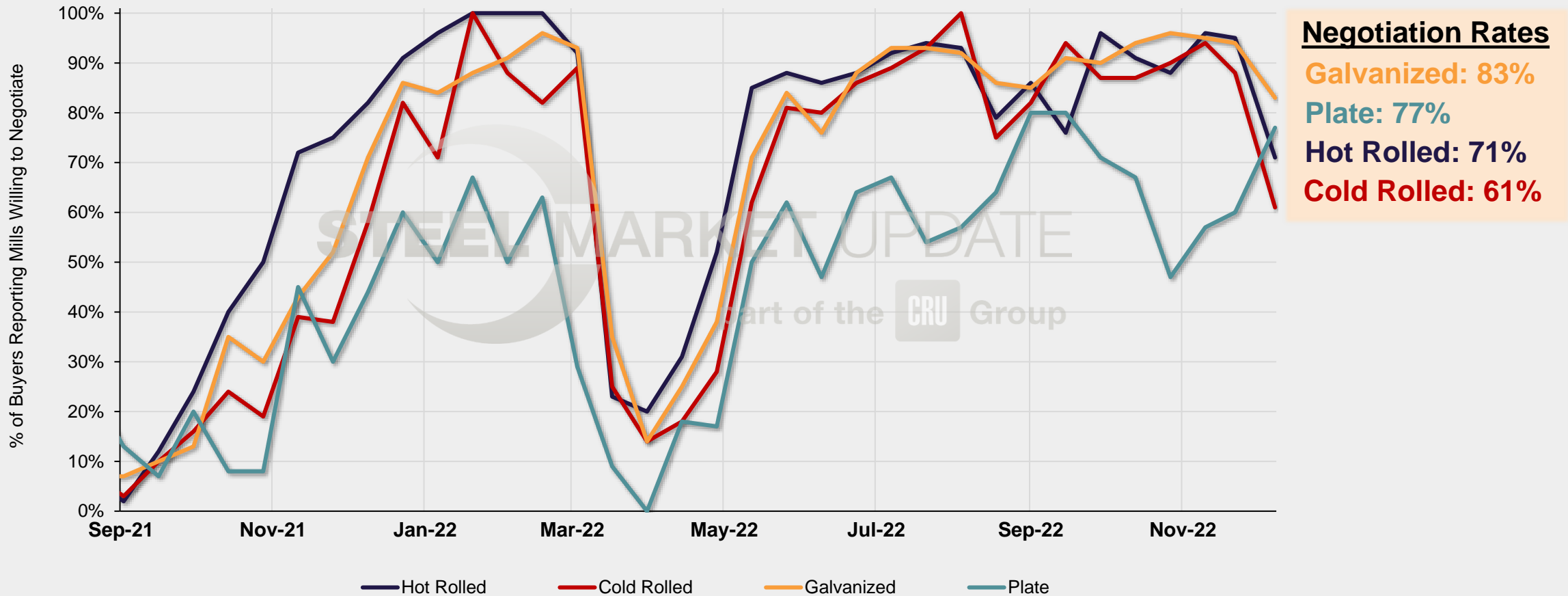


Lead Times (Weeks)

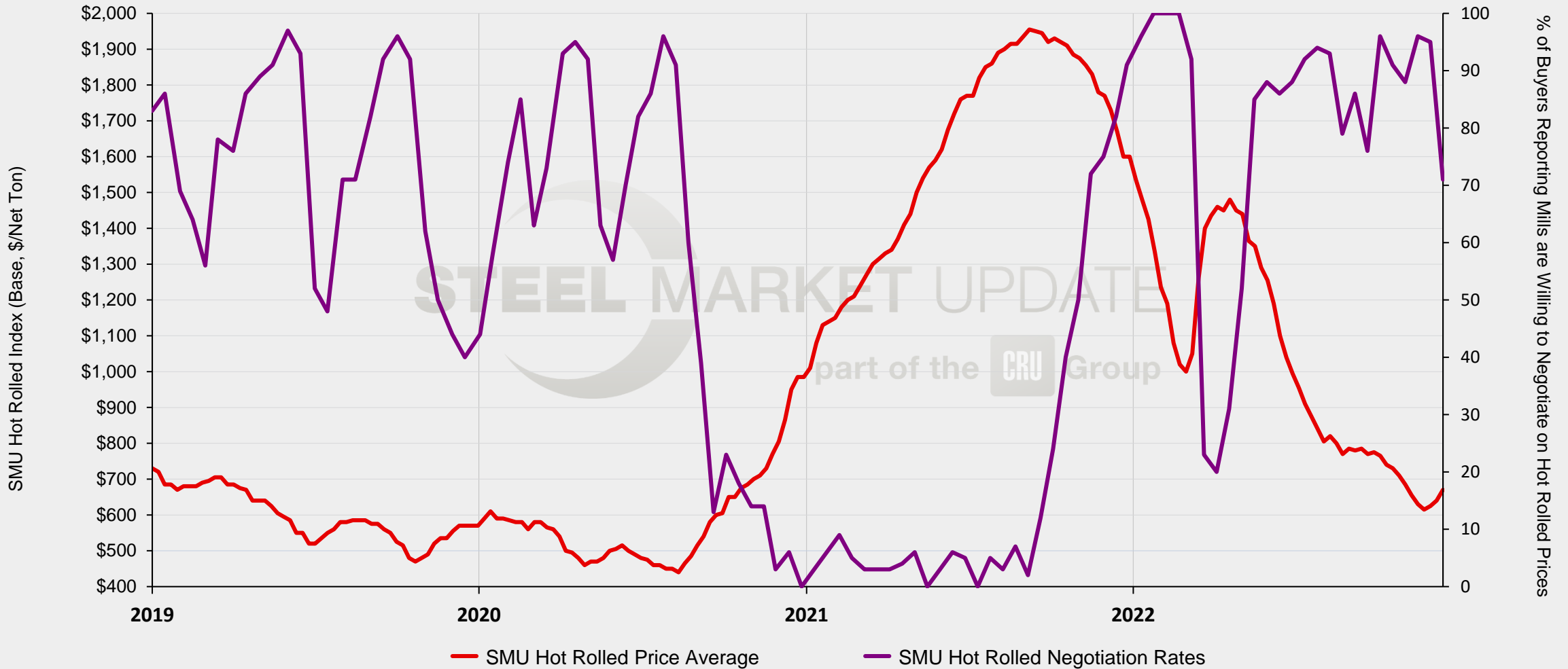
Galvalume: 6.1
Galvanized: 6.0
Cold Rolled: 5.9
Plate: 4.8
Hot Rolled: 4.4

Steel Mill Negotiations

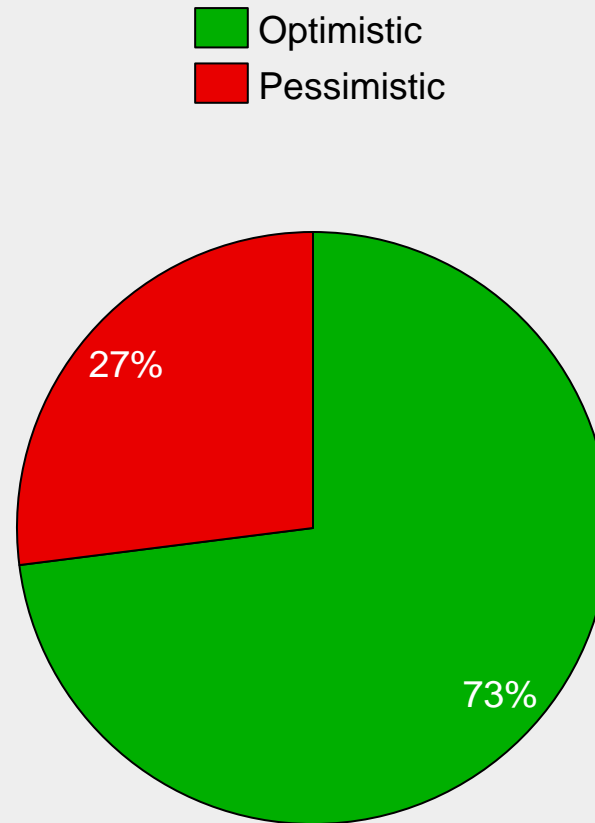
SMU Price Negotiations on New Steel Orders by Product
Through December 8, 2022



SMU Hot Rolled Steel Prices vs Negotiation Rates



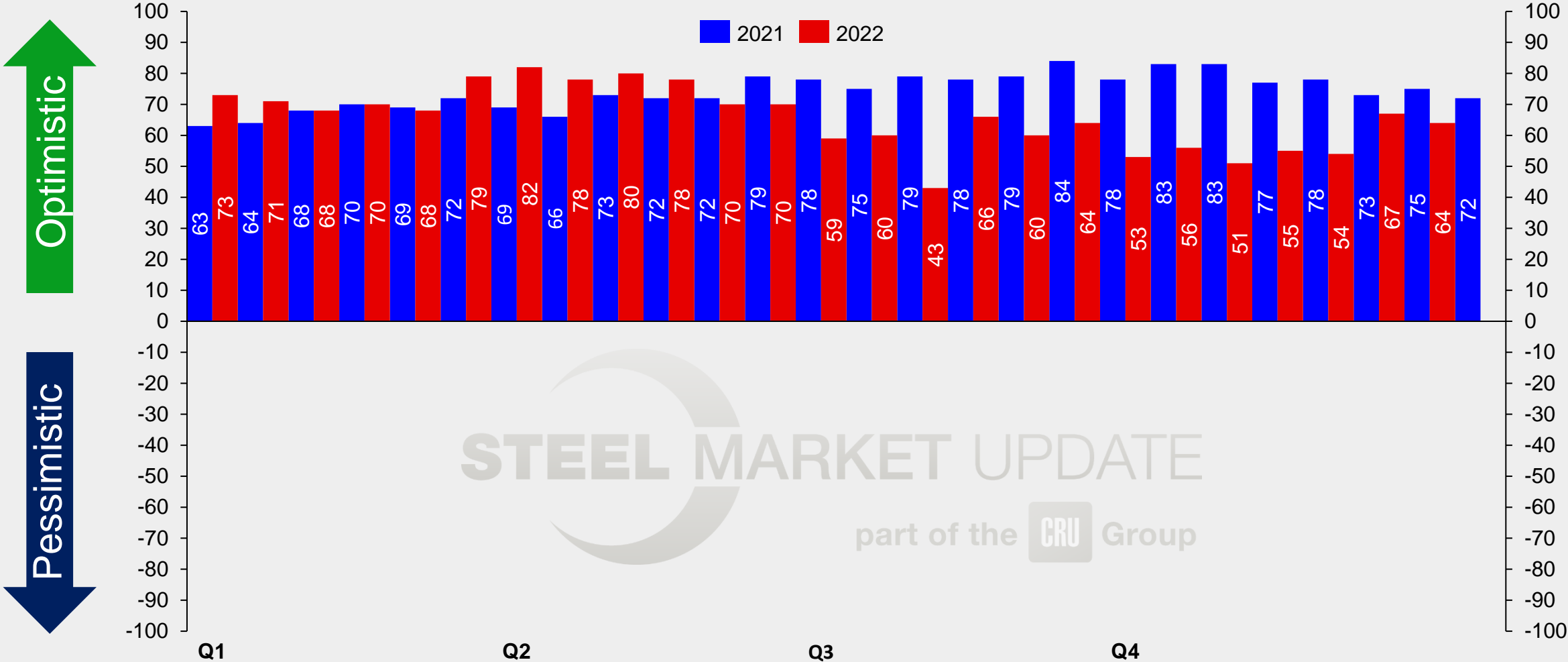
Are you optimistic or pessimistic about your prospects for the first half of 2023?



Steel Buyers Sentiment

Down 3 points to +64

Steel Market Update Steel Buyers Sentiment Index



Service Center View of Selling Prices History

Service Centers: Compared to two weeks ago, how is your company handling spot pricing to your customers?

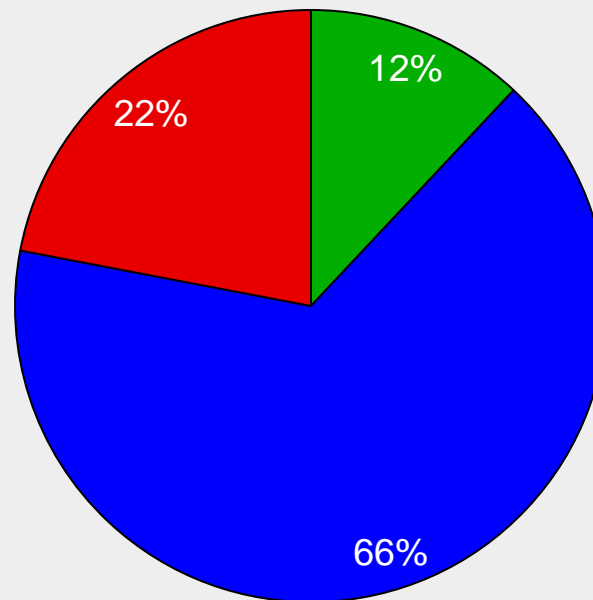
Historical Nucor Flat Rolled Price Increase Announcements

- We are lowering prices
- We are keeping prices the same
- We are raising prices



How are you seeing demand for your products?

- Demand is improving
- Demand is stable
- Demand is declining

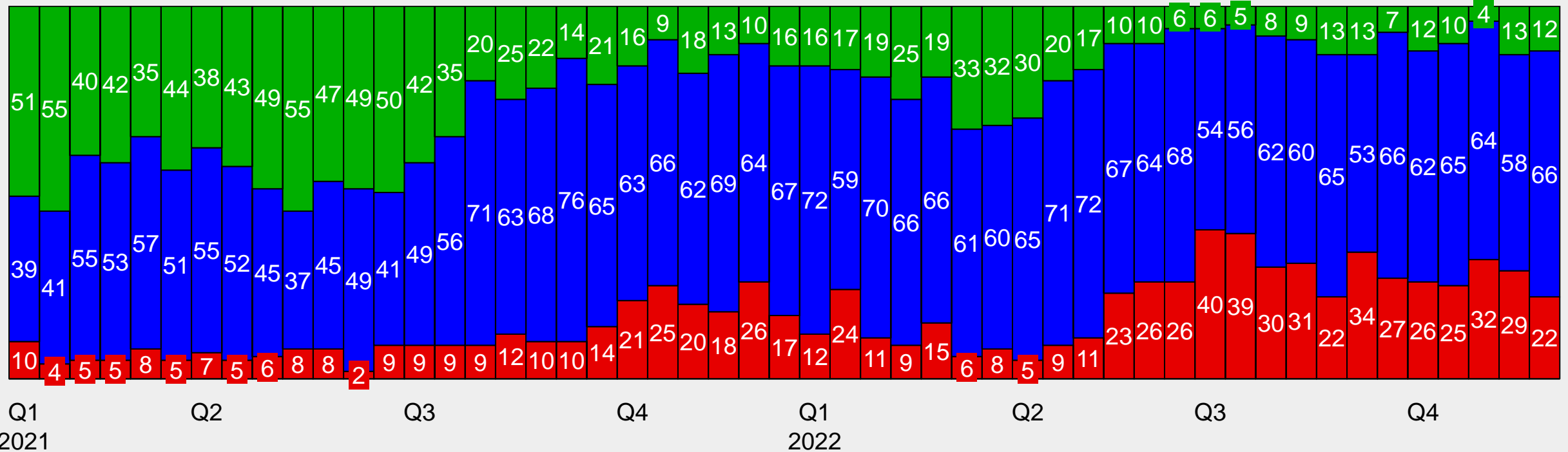


Overall Demand History

How are you seeing demand for your products?

- Demand is improving
- Demand is stable
- Demand is declining

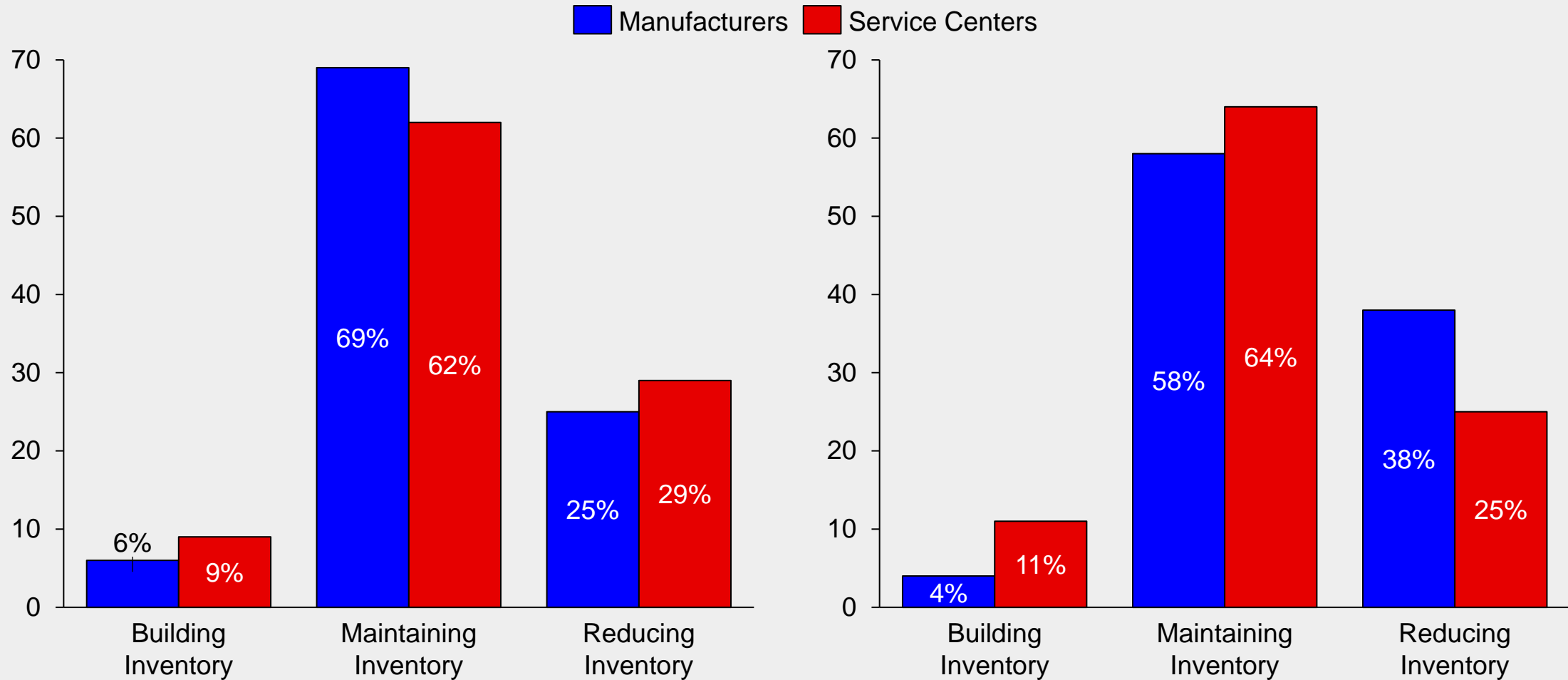
out of 100%



Manufacturer and Service Center Inventory Buying Patterns

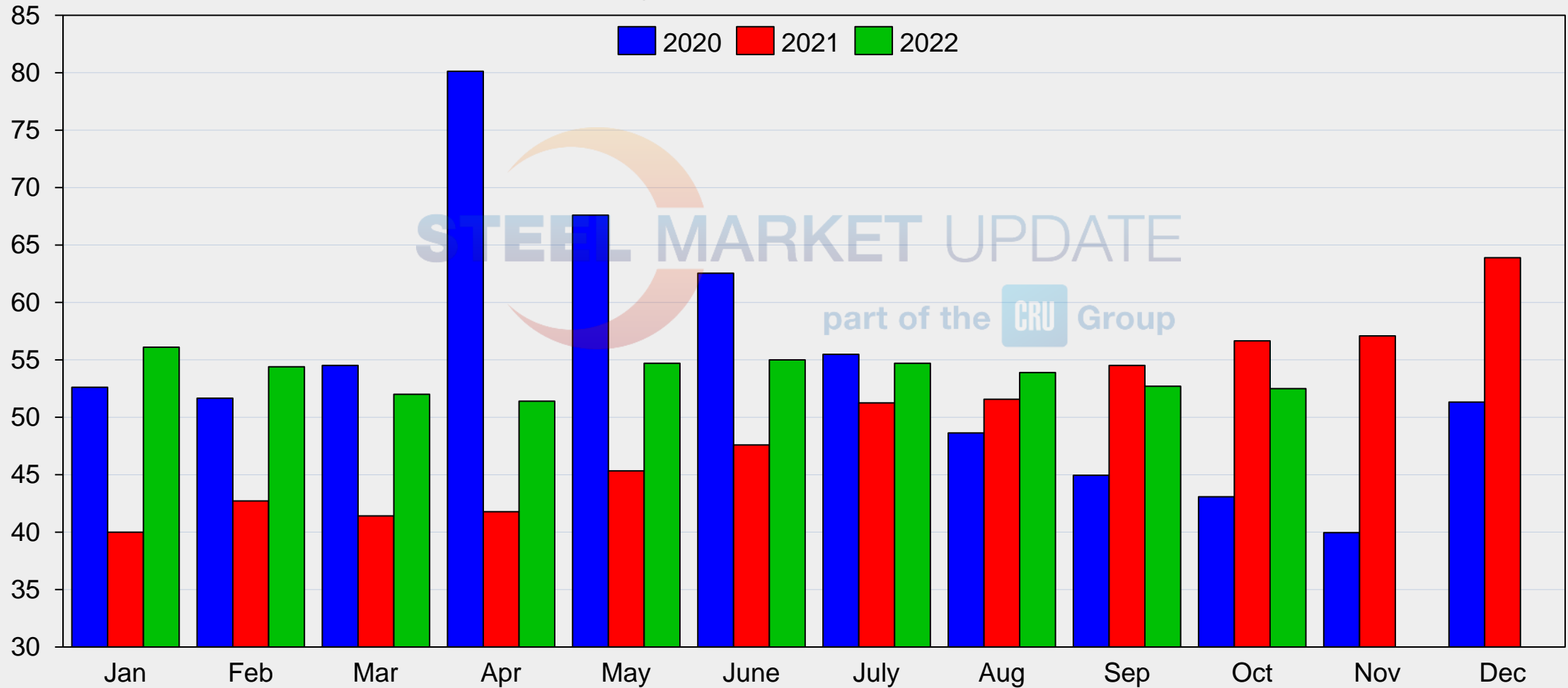
November 22, 2022

December 8, 2022



Service Center Inventories

Shipping Days of Supply – Flat Rolled



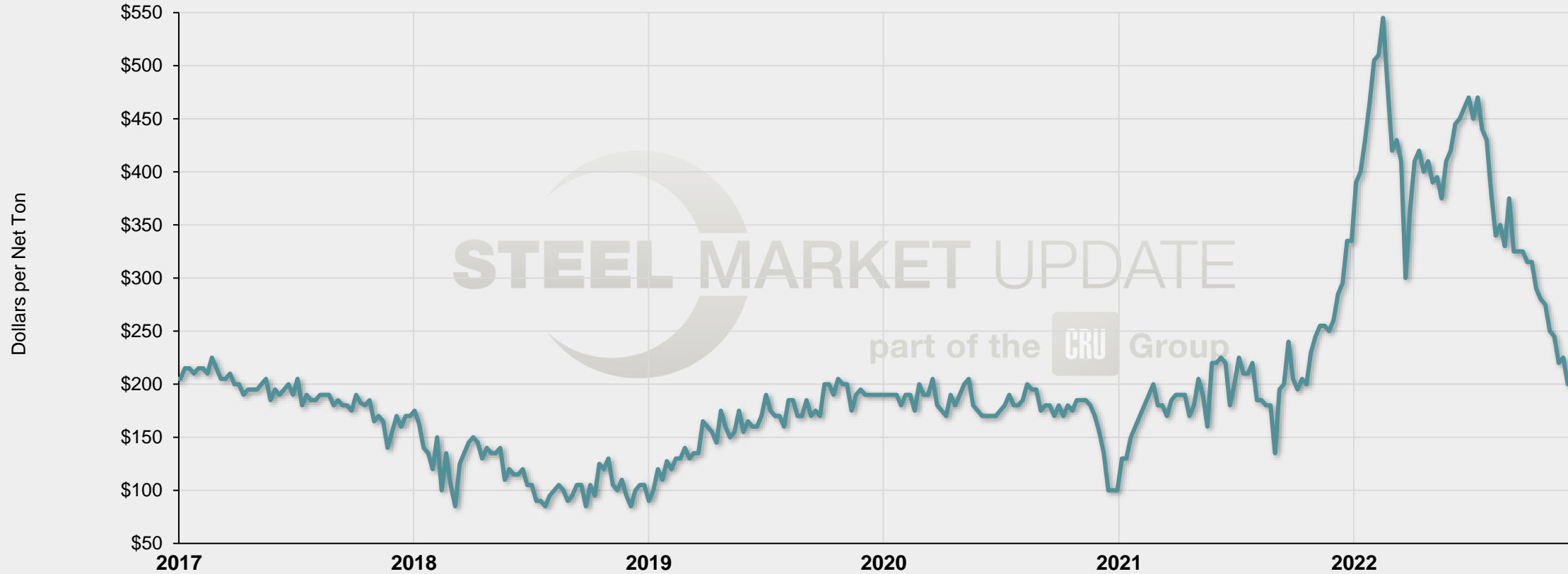
Still the Elephant in the Room?

NEW NORTH AMERICAN FLAT-ROLLED STEEL CAPACITY LAST REVIEWED: OCTOBER 2022

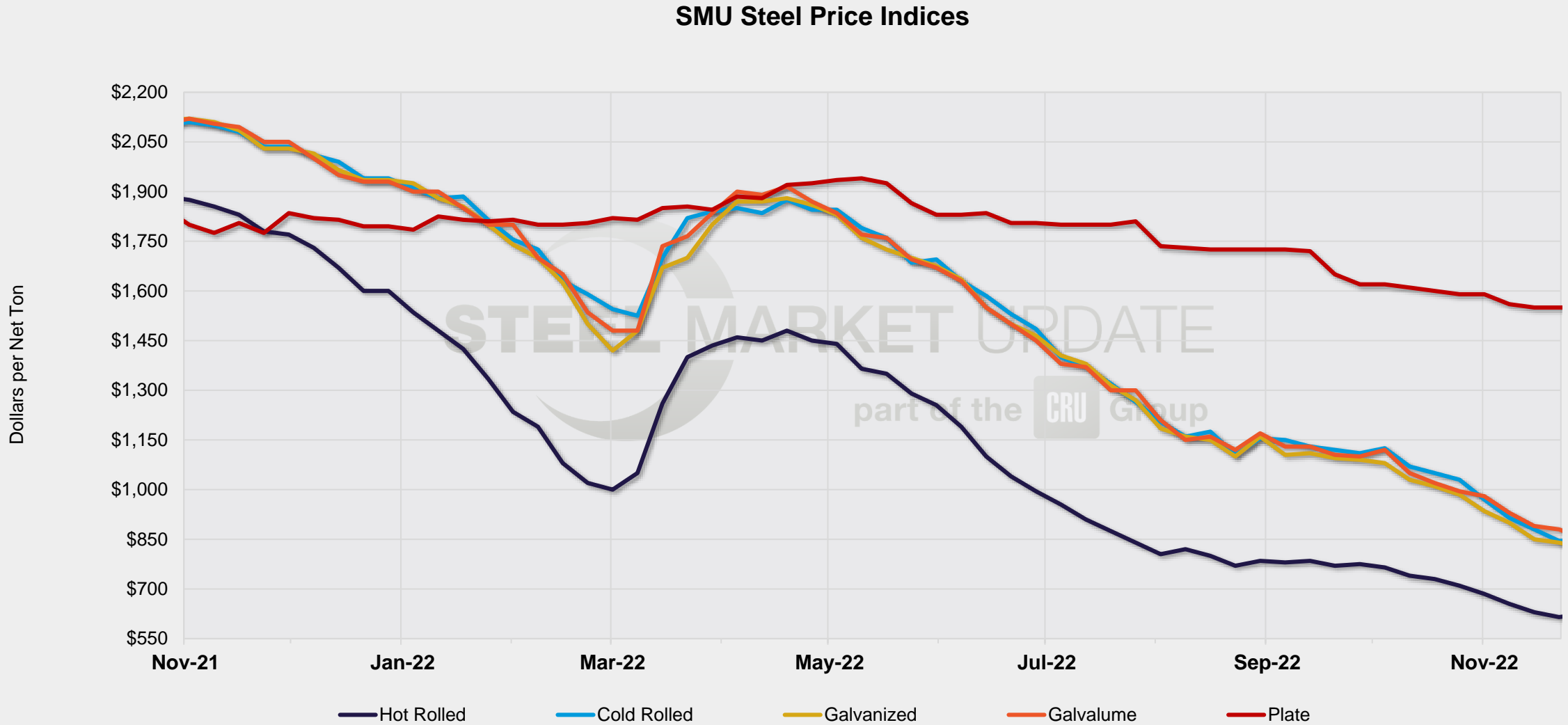
Company	Location	Capacity (short tons per year)	Type or Project	Completion Date	Investment
Stelco - Lake Erie Works	Nanticoke, Ontario	300,000	Blast furnace upgrade	Oct-20	???
Big River Steel (a U.S. Steel company)	Osceola, Ark.	1.65M	Doubling of capacity at existing EAF steel mill	Nov-20	\$1.2B
Ternium	Pesquería, Mexico	4.4M	New hot rolling mill	May-21	\$1.1B
Steel Dynamics Inc. (SDI)	Sinton, Texas	3M	Greenfield EAF sheet mill	Feb-22	\$1.9B
North Star BlueScope	Delta, Ohio	~1M	Expansion of existing EAF sheet mill: 3rd EAF and 2nd caster. First coil produced in June. Construction "substantially complete" as of August 2022.	1H 2022	\$700M
Nucor (Gallatin)	Ghent, Ky.	1.4M	New EAF and LMF commissioned. Caster and second down coiler pending.	June 2022	\$650M
Nucor	Mason County, W.Va.	3M	New EAF sheet mill	2024	\$2.7B
Nucor	Brandenburg, Ky.	1.2M	Greenfield EAF plate mill	Year-end '22	\$1.35B
AM/NS Calvert	Calvert, Ala.	3.0M	Addition of one 1.5M-tpy EAF in 2H 2023. Second 1.5M-tpy EAF being studied.	1H 2023	\$775M
ArcelorMittal México	Lázaro Cárdenas, Michoacán	2.75M	New hot rolling mill	Completed Dec-21	\$1B
U.S. Steel	Osceola, Ark.	3M	New EAF sheet mill	2024	\$3B
Total		24.7M			\$14.375B

Galvanized Price Premium over Hot Rolled

SMU Galvanized Price Premium over Hot Rolled



SMU Steel Price Indices



© Steel Market Update 2022



Tom Derry is Chief Executive Officer of the Institute for Supply Management® (ISM®), with more than 30 years of experience in leadership and general management roles for public and private companies, and in the not-for profit sector. He has executed turn-arounds at the corporate and business-unit level through a variety of means, including acquisitions, divestitures, restructuring, and business process re-engineering.

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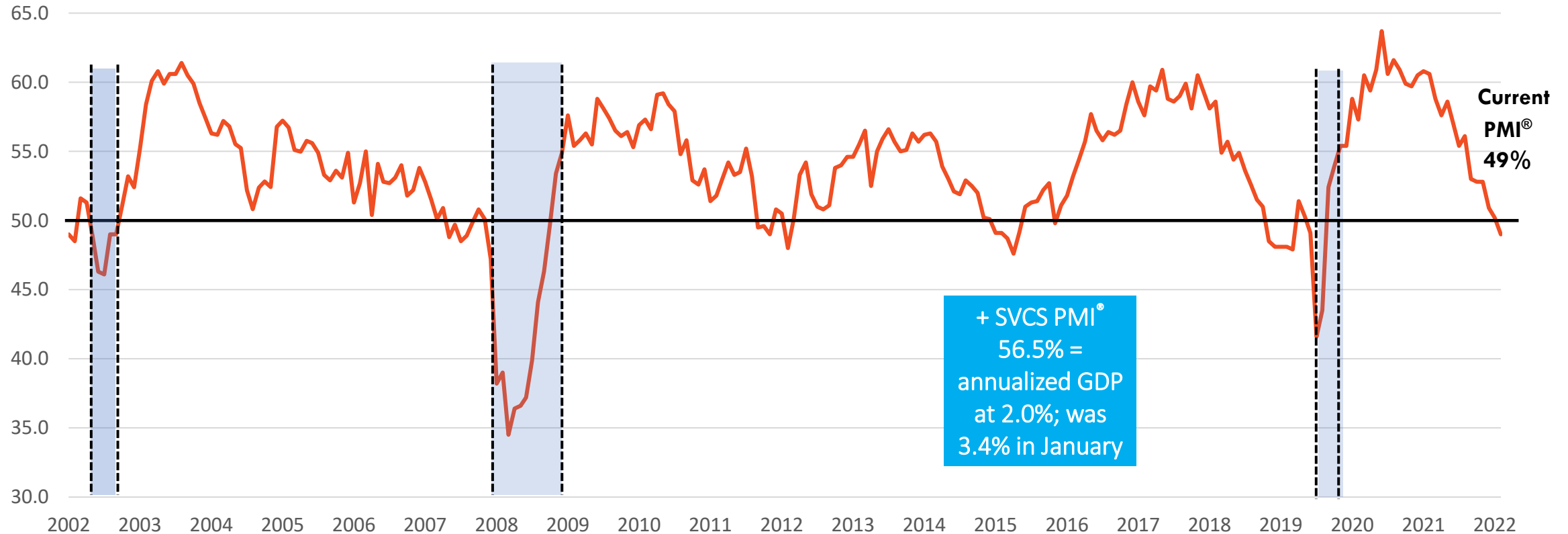
U.S. Economic Outlook and Implications for the Steel Market

Thomas W. Derry
CEO
Institute for Supply Management

PMI® 2002 to 2022

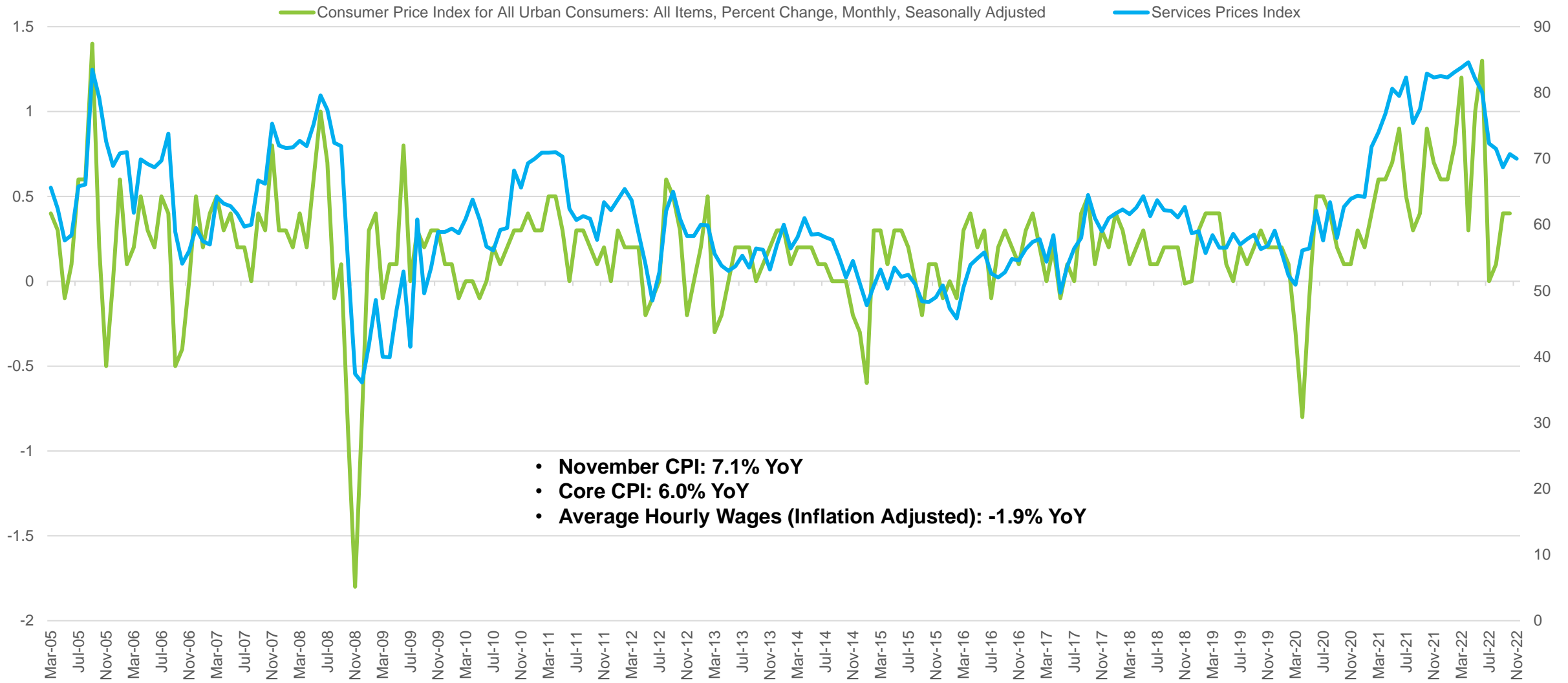
We are 1 Month into Contraction out of a Typical 35+ Month Expansion Cycle

U.S. Economic Outlook and GDP 'Speedometer'



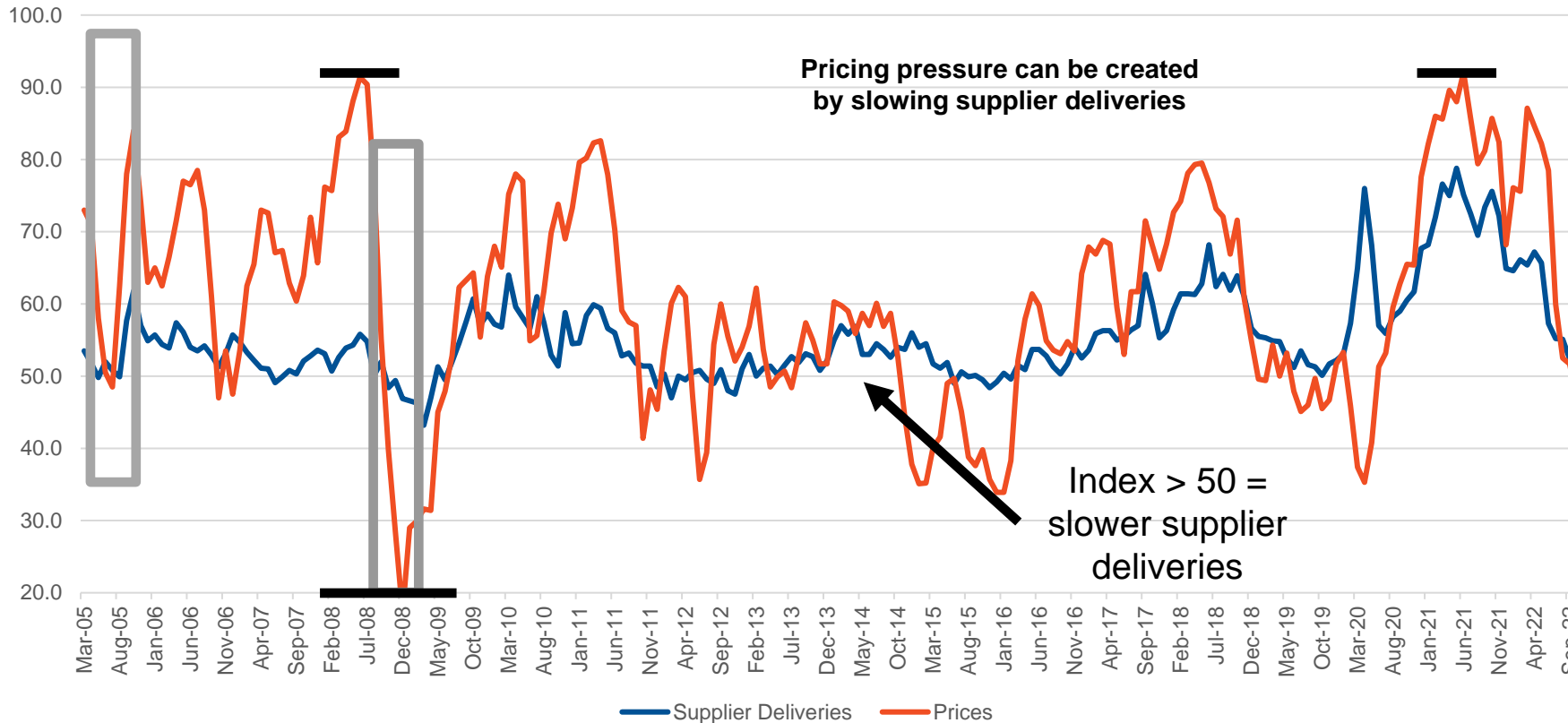
Shaded areas indicate U.S. recessions

Inflation and Service Sector Prices Index January 2005 to Nov 2022



Lead Times, Market Conditions, Commodity Detail

ISM® Manufacturing Supplier Deliveries and Prices 2005-2022



Up in Price

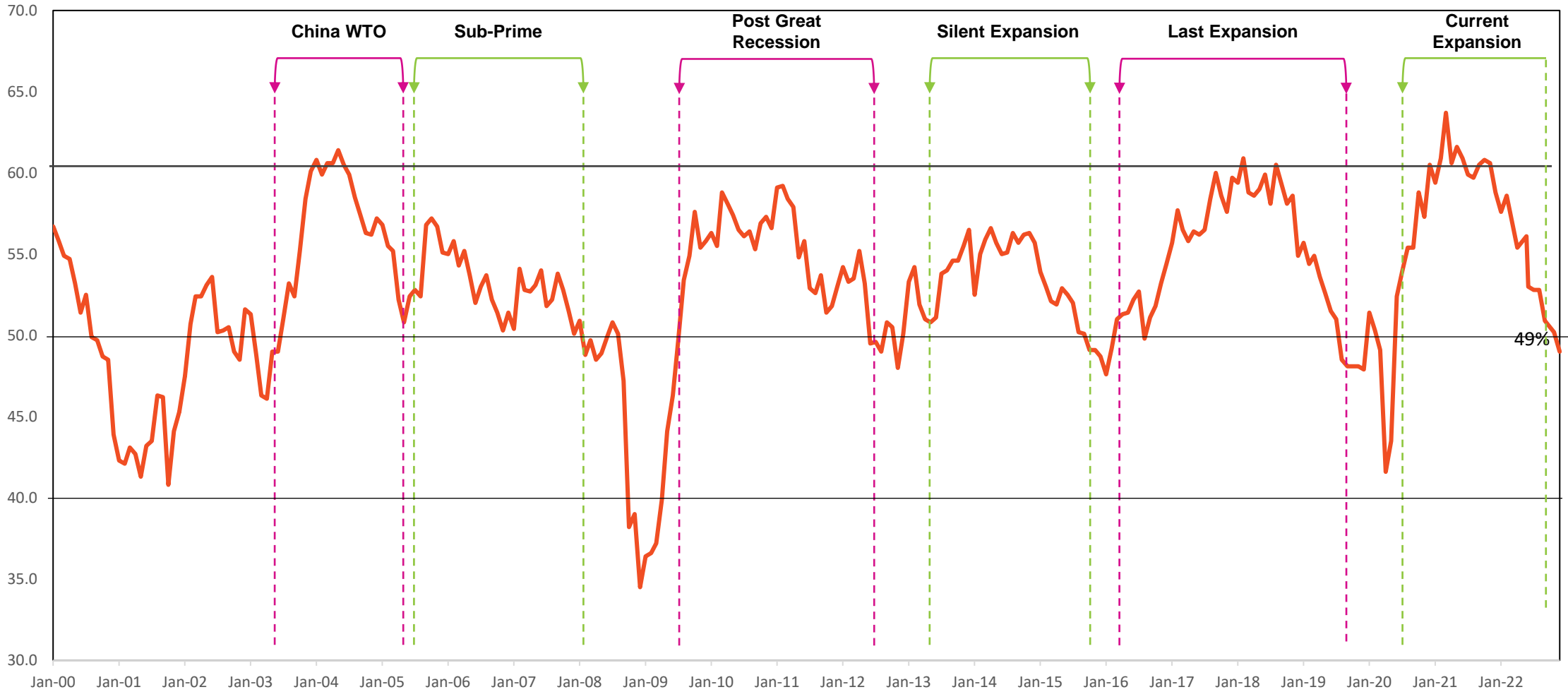
- Electrical Components
- Electricity
- Electronic Components (24)
- Labor- Temporary (3)

Short Supply

- Electrical Components (26)
- Electronic Components (24)
- Hydraulic Components (7)
- Rubber Based Products
- Semiconductors (24)
- Steel Products

U.S. Manufacturing “Recession”

Manufacturing PMI® 2000 to 2022

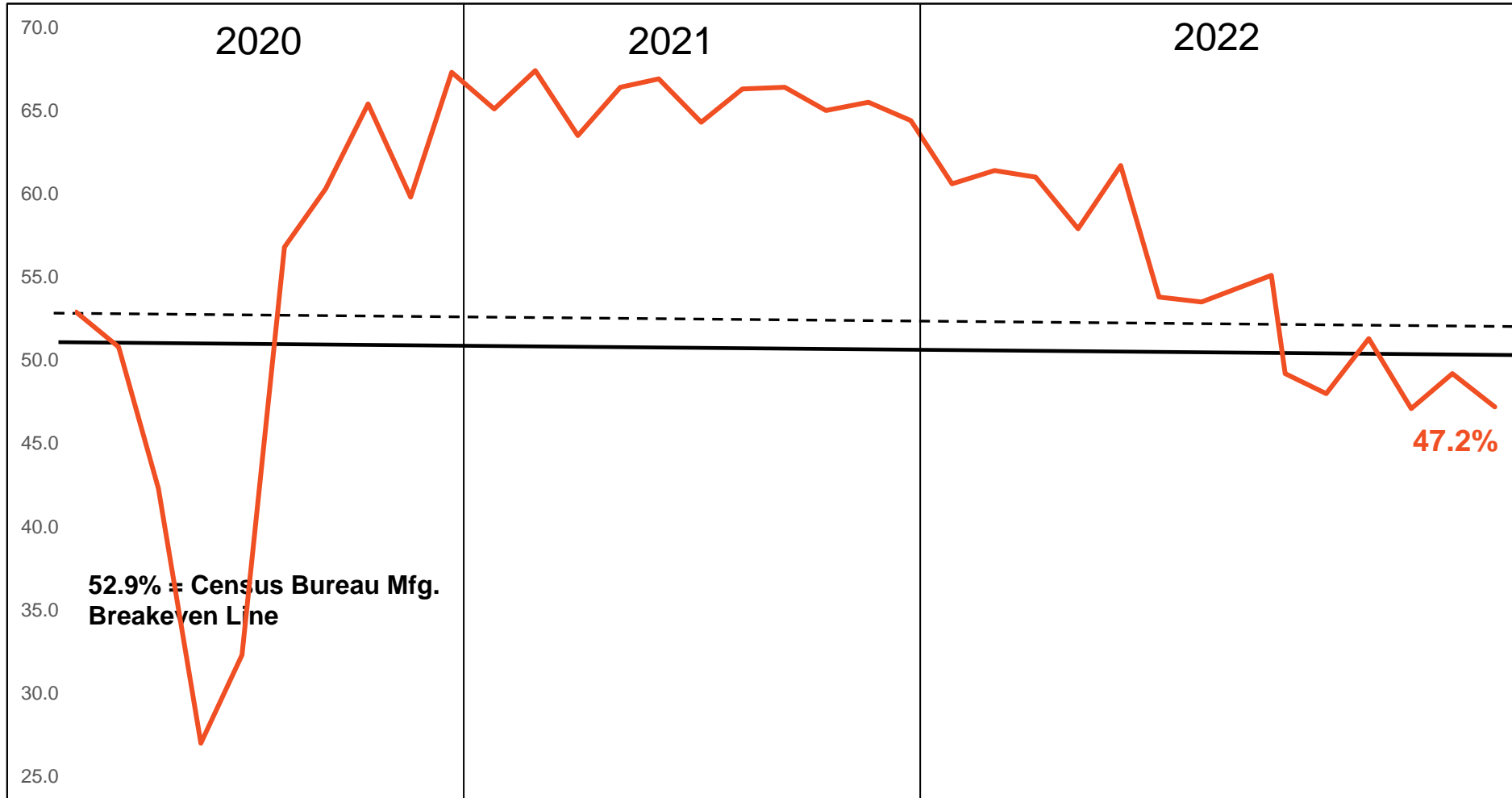


▪ Typical expansion cycle length is 35 months.



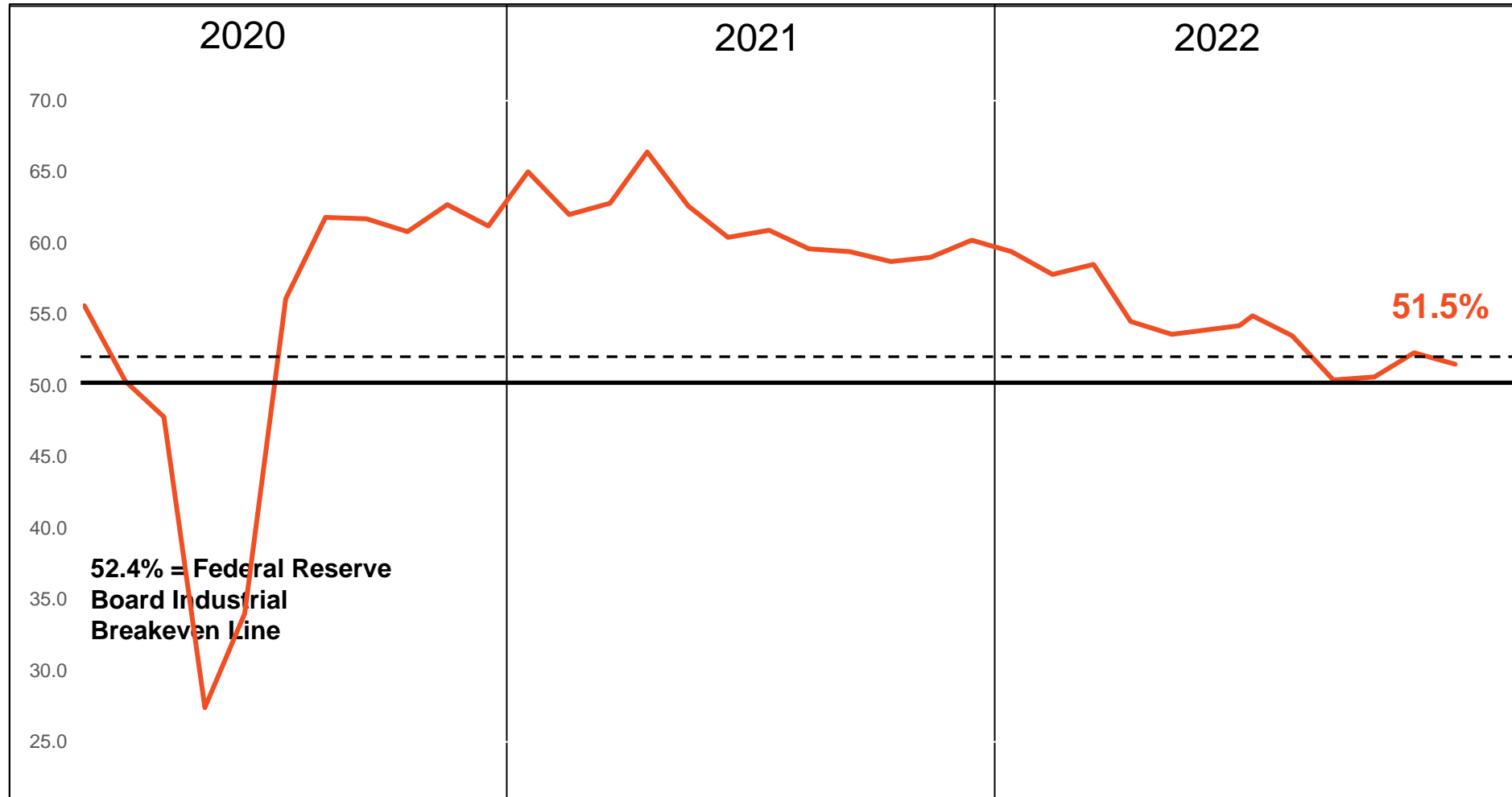
Manufacturing New Orders Index

ISM® Manufacturing New Orders 2020-2022



Manufacturing Production Index

ISM® Manufacturing Production 2020-2022



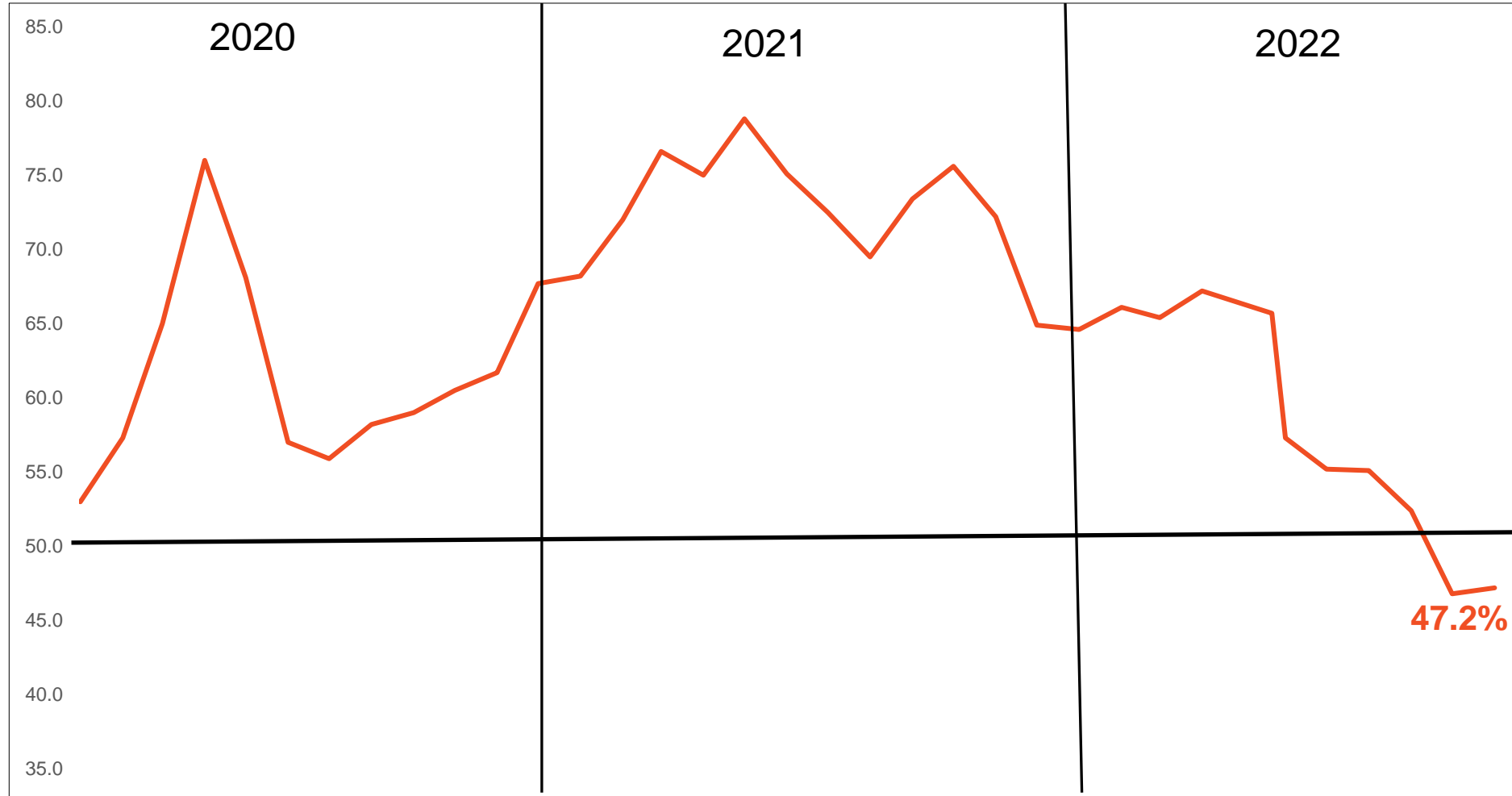
Manufacturing Employment Index

ISM® Manufacturing Employment 2020-2022



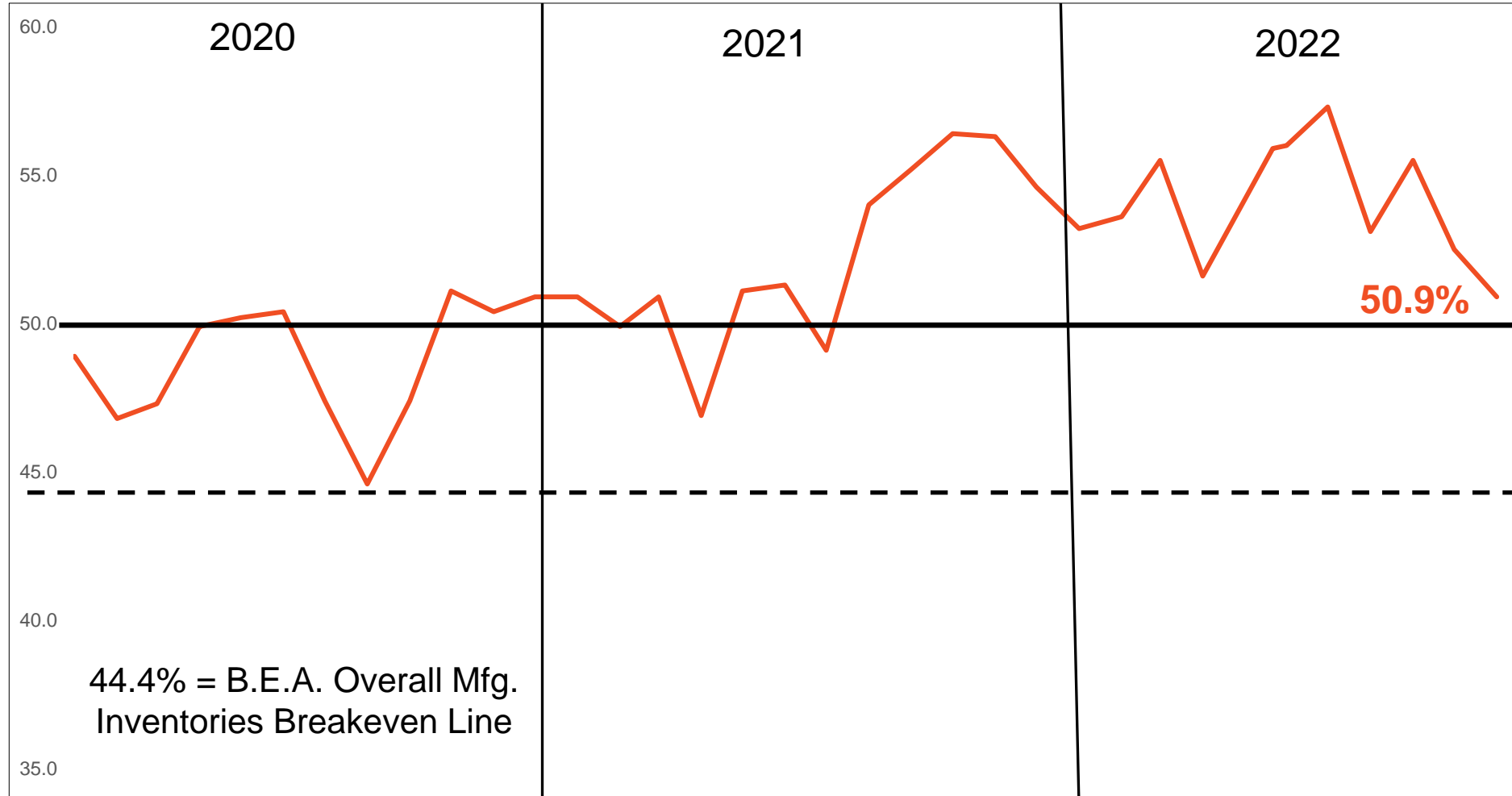
Manufacturing Supplier Deliveries Index

ISM® Manufacturing Deliveries 2020-2022



Manufacturing Inventories Index

ISM® Manufacturing Inventories 2020-2022

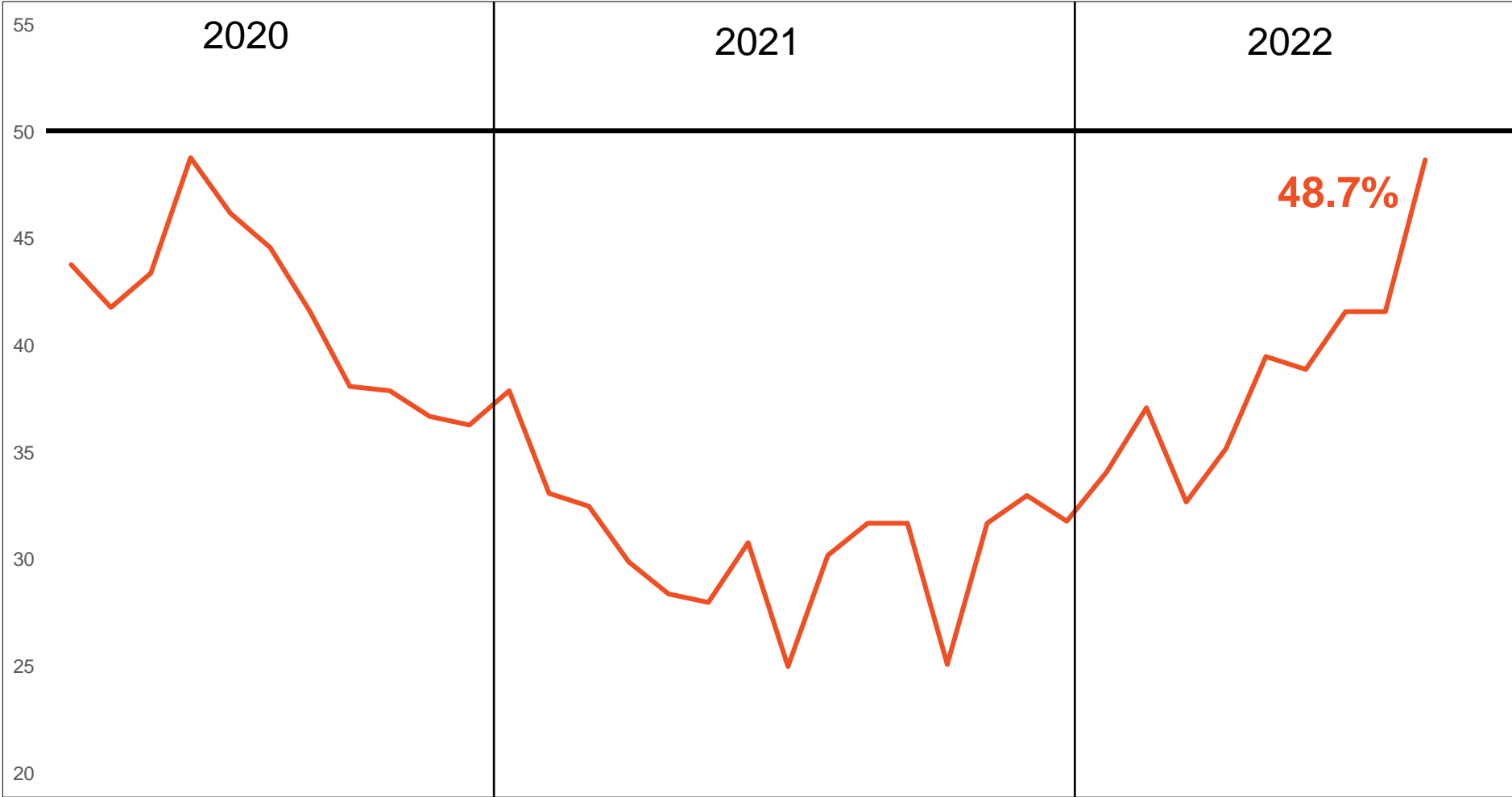


44.4% = B.E.A. Overall Mfg.
Inventories Breakeven Line

50.9%

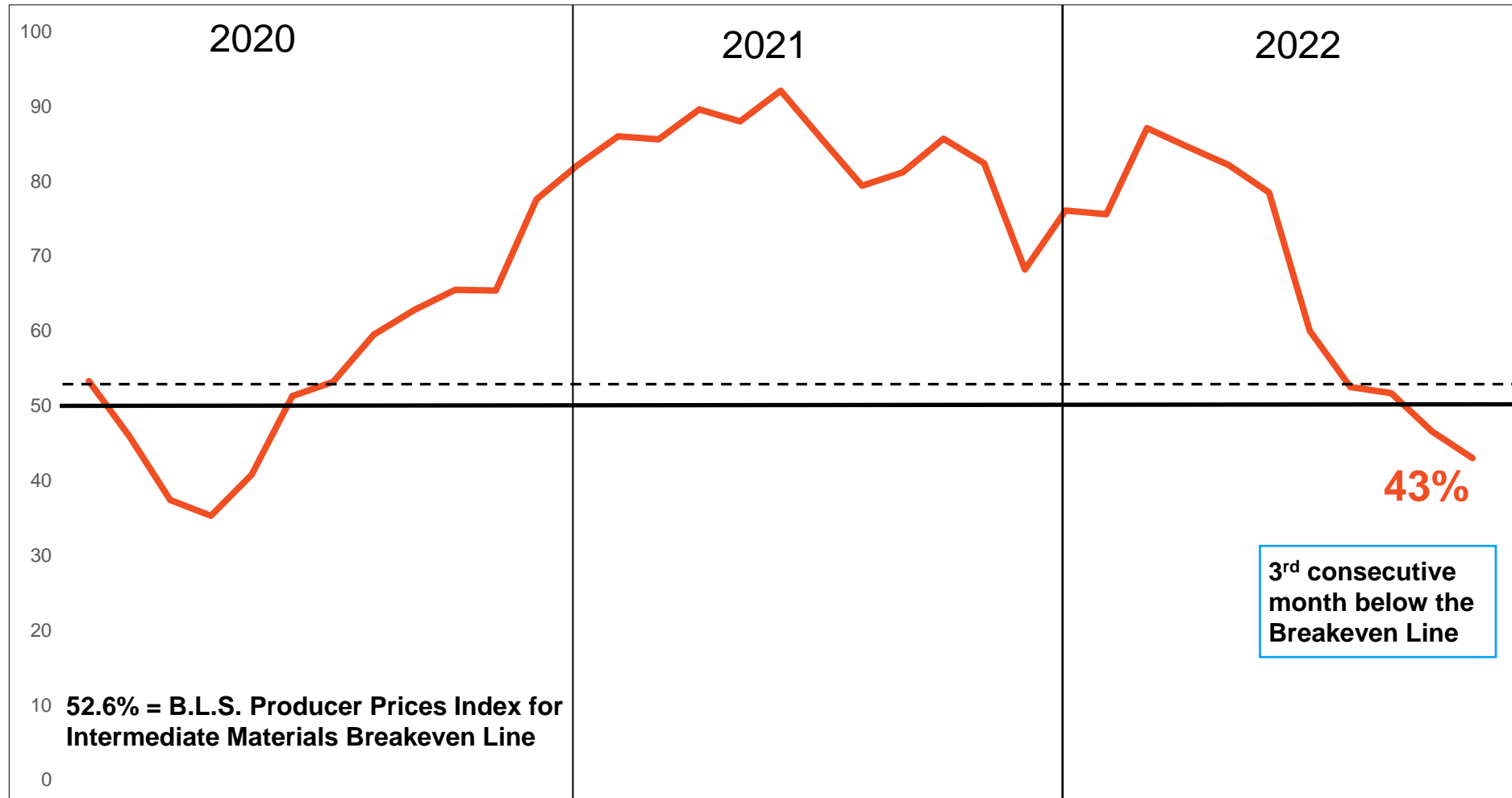
Manufacturing Customers' Inventories Index

ISM® Manufacturing Customers' Inventories 2020-2022



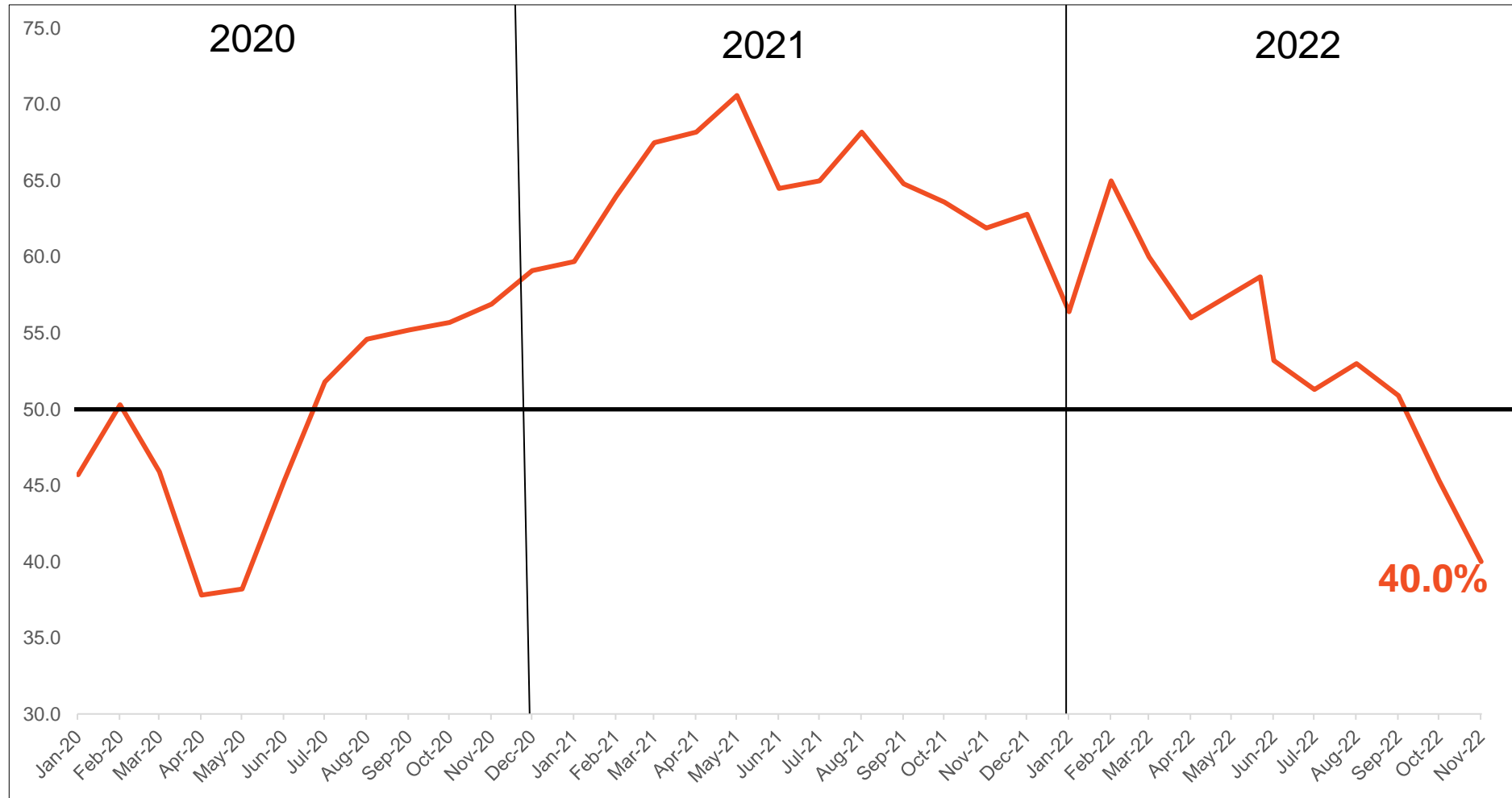
Manufacturing Prices Index

ISM® Manufacturing Prices 2020-2022



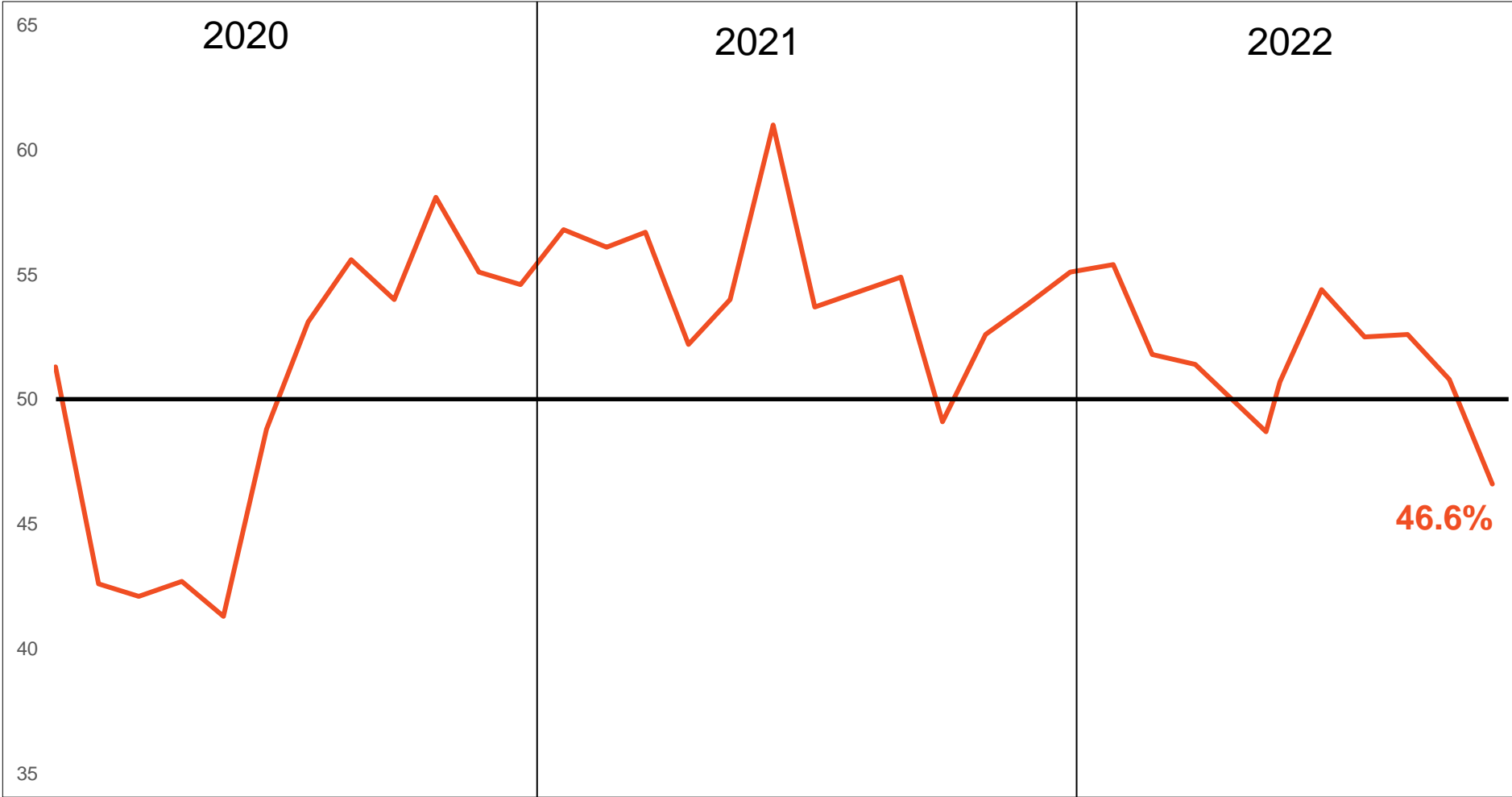
Manufacturing Backlog of Orders Index


ISM® Manufacturing Backlog of Orders 2020-2022



Manufacturing Imports Index

ISM® Manufacturing Imports 2020-2022

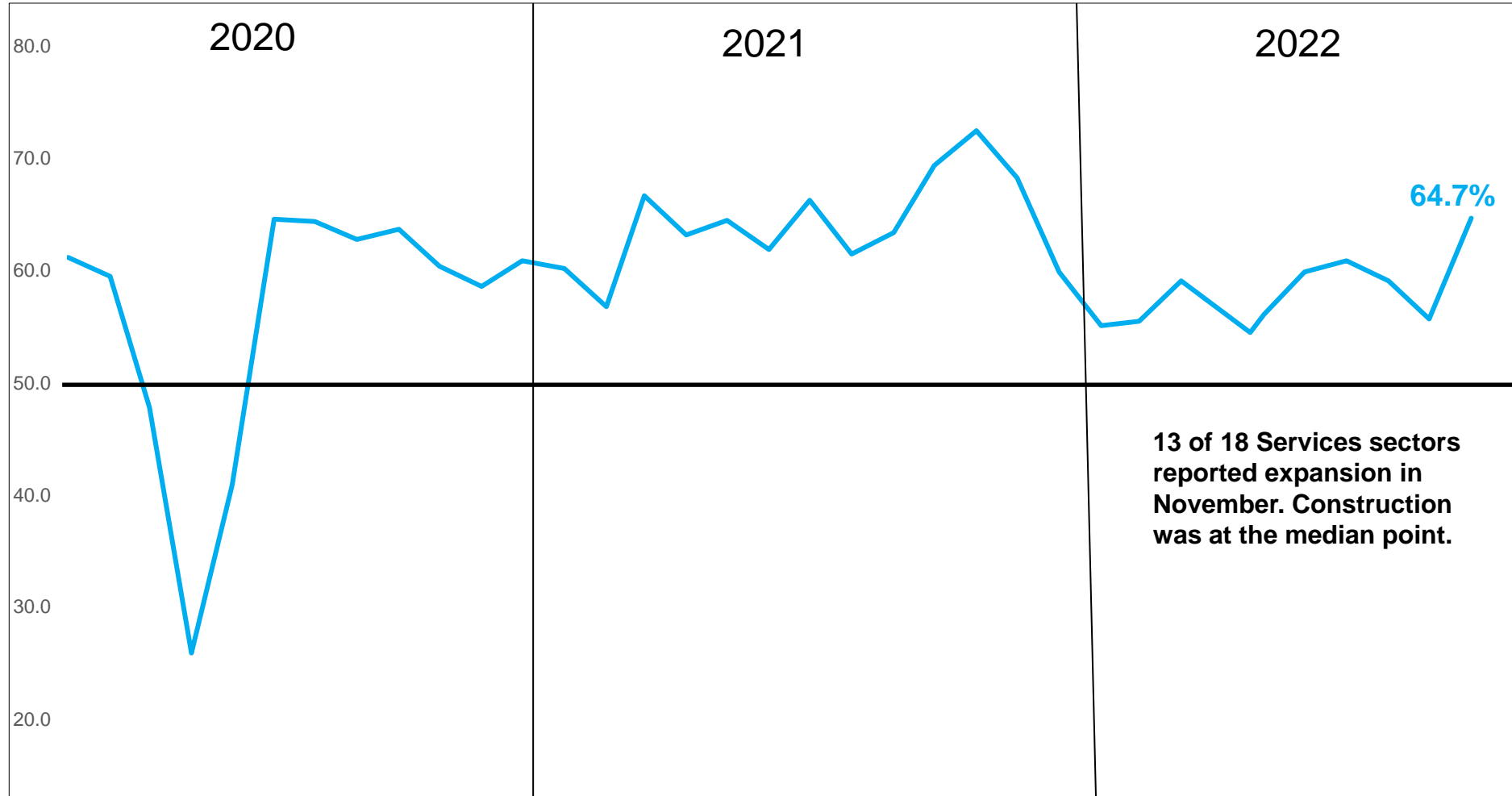




But a Manufacturing Recession Does not Necessarily Mean an Economy- Wide Recession in 2023

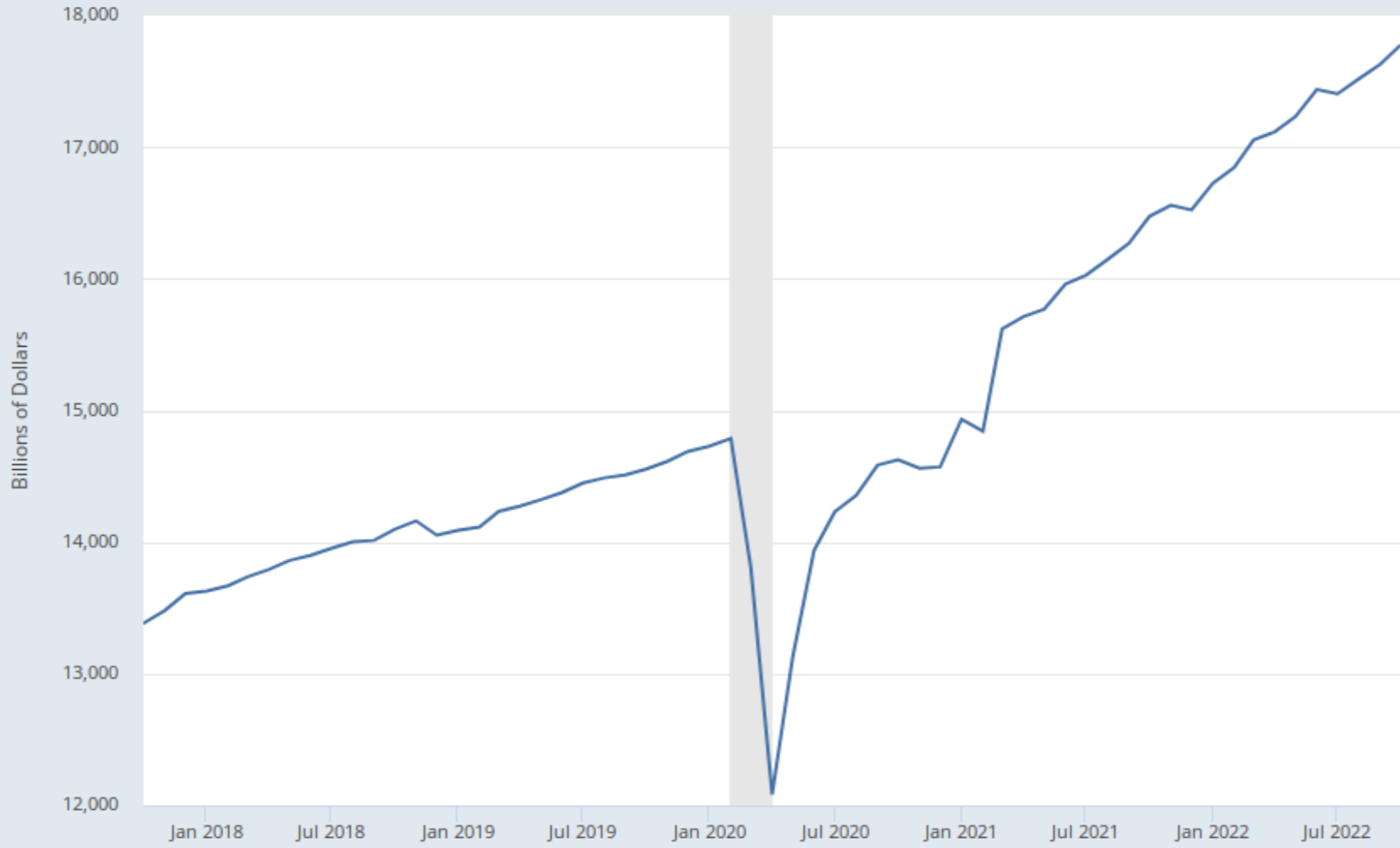
Services Business Activity Index

ISM® Services Business Activity Index 2020-2022





— Personal Consumption Expenditures



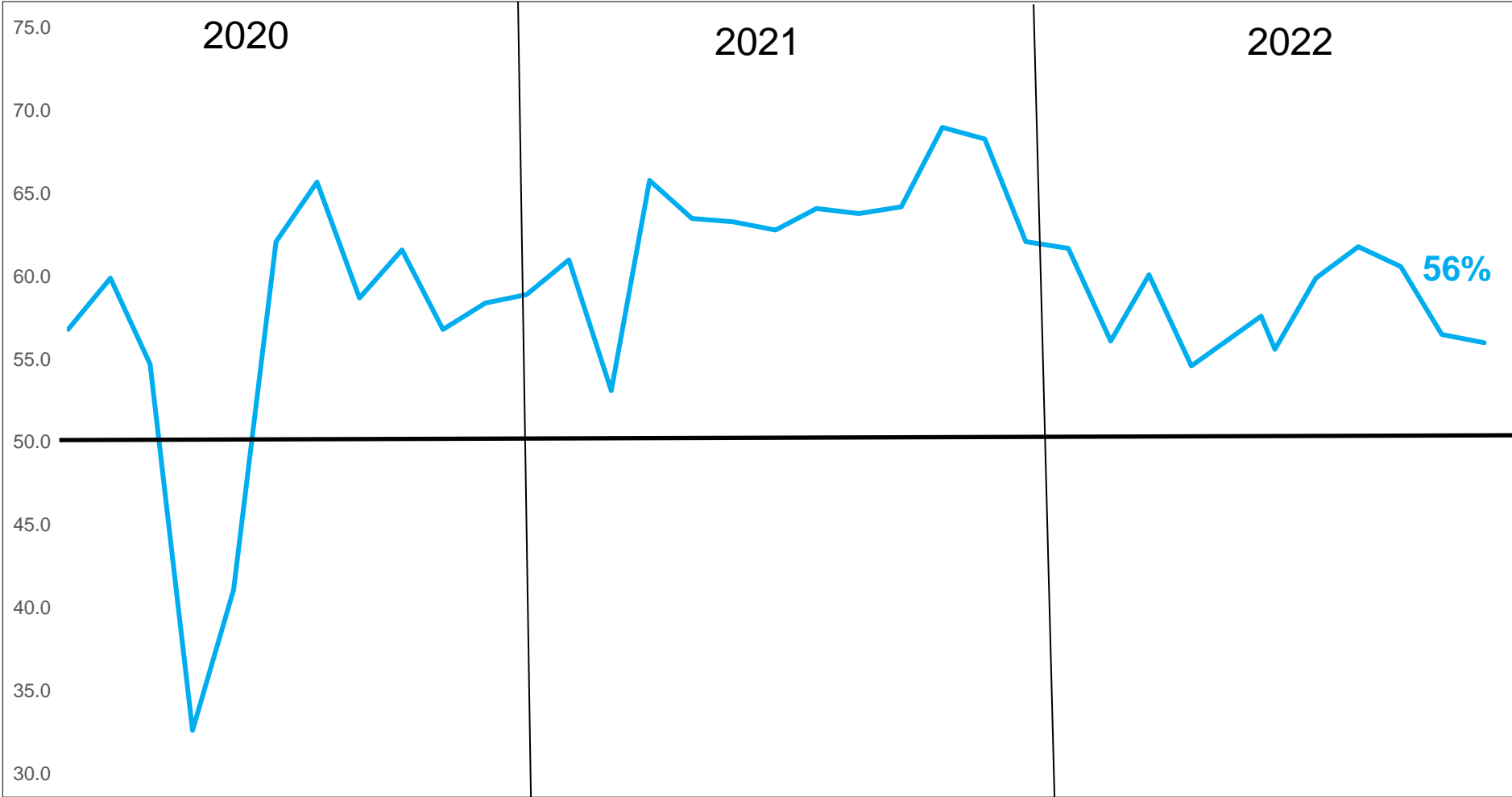
Source: U.S. Bureau of Economic Analysis

myf.red/g/XcpE



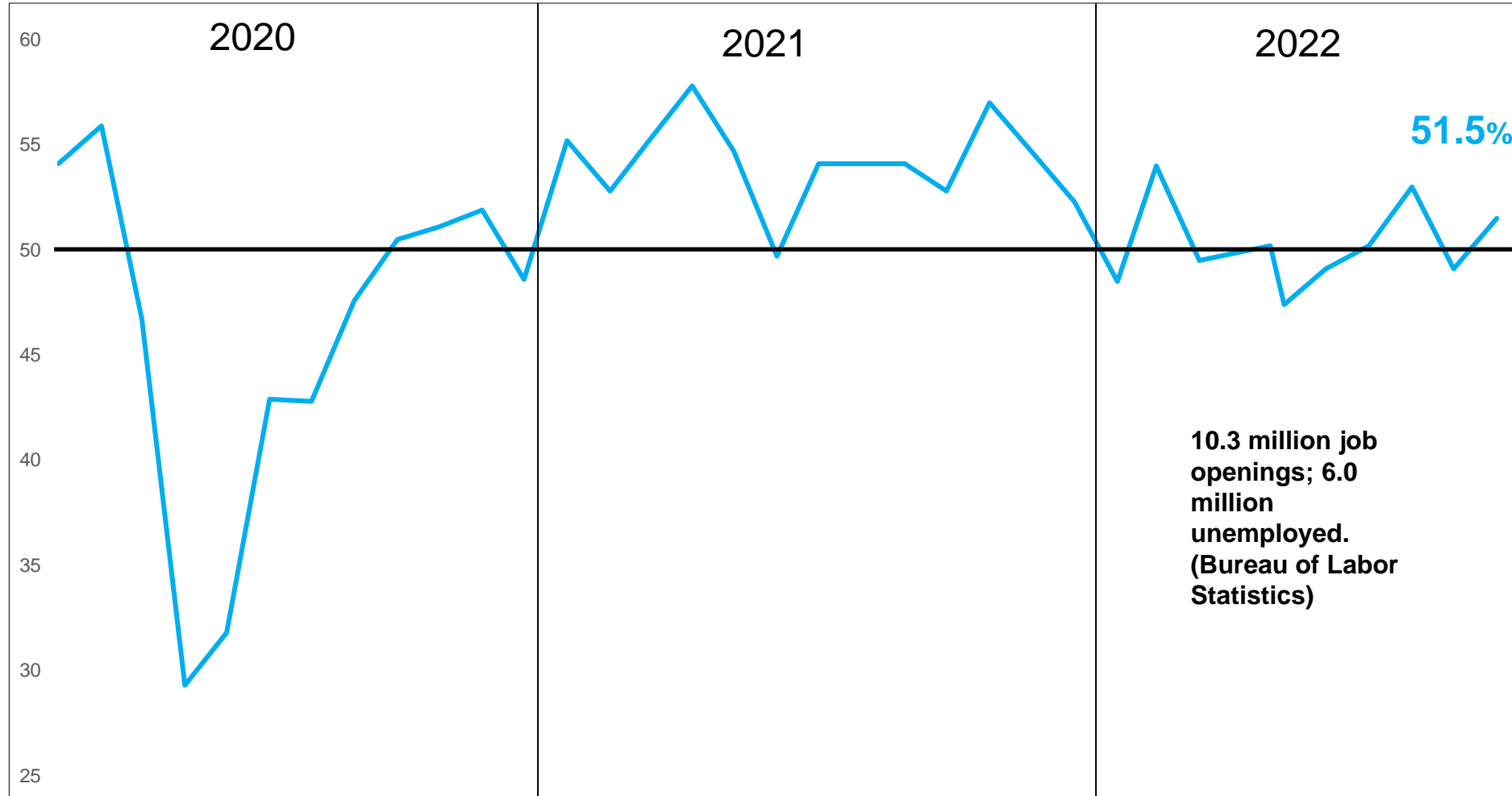
Services New Orders Index

ISM® Services New Orders 2020-2022



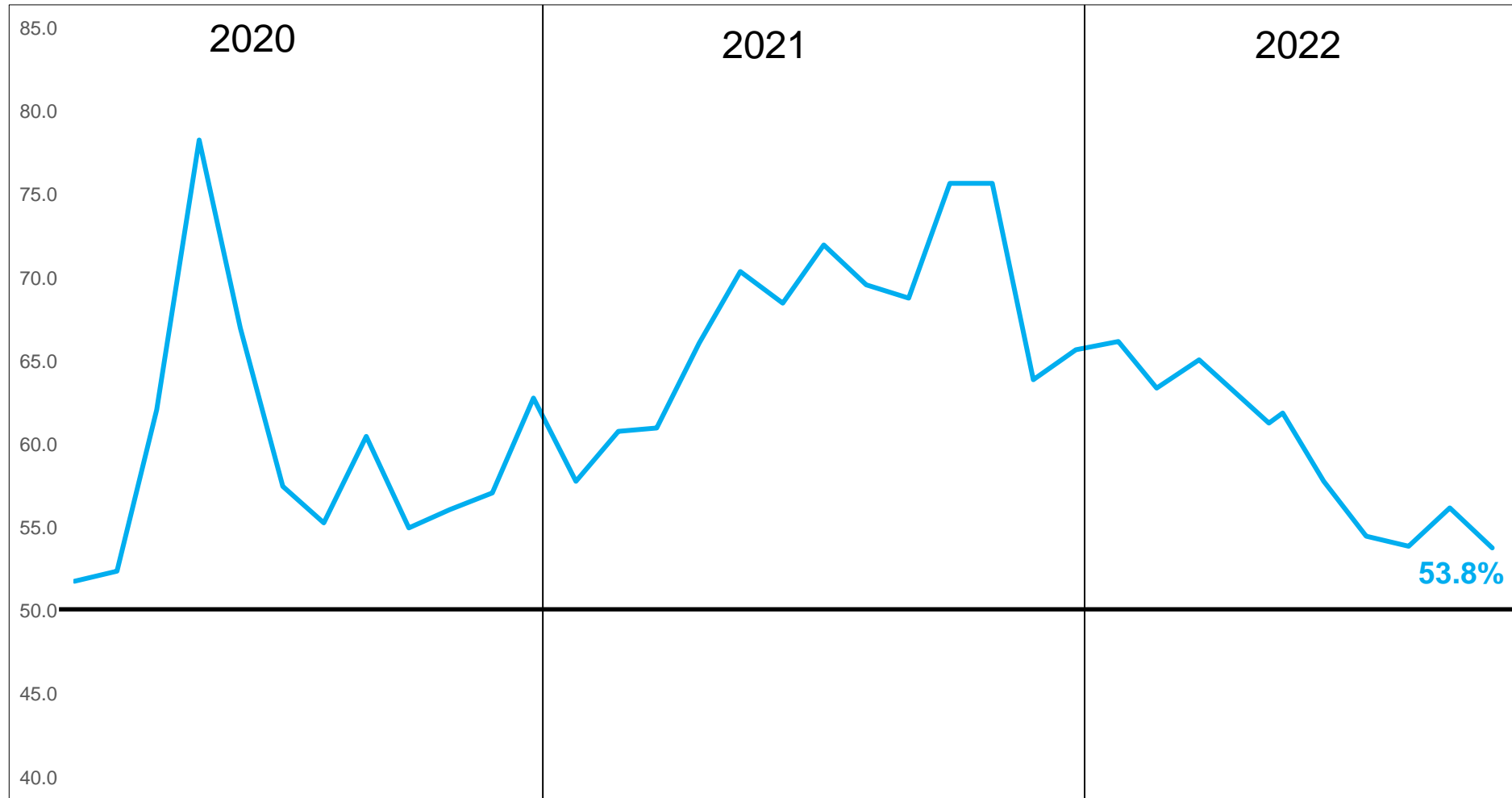
Services Employment Index

ISM® Services Employment 2020-2022



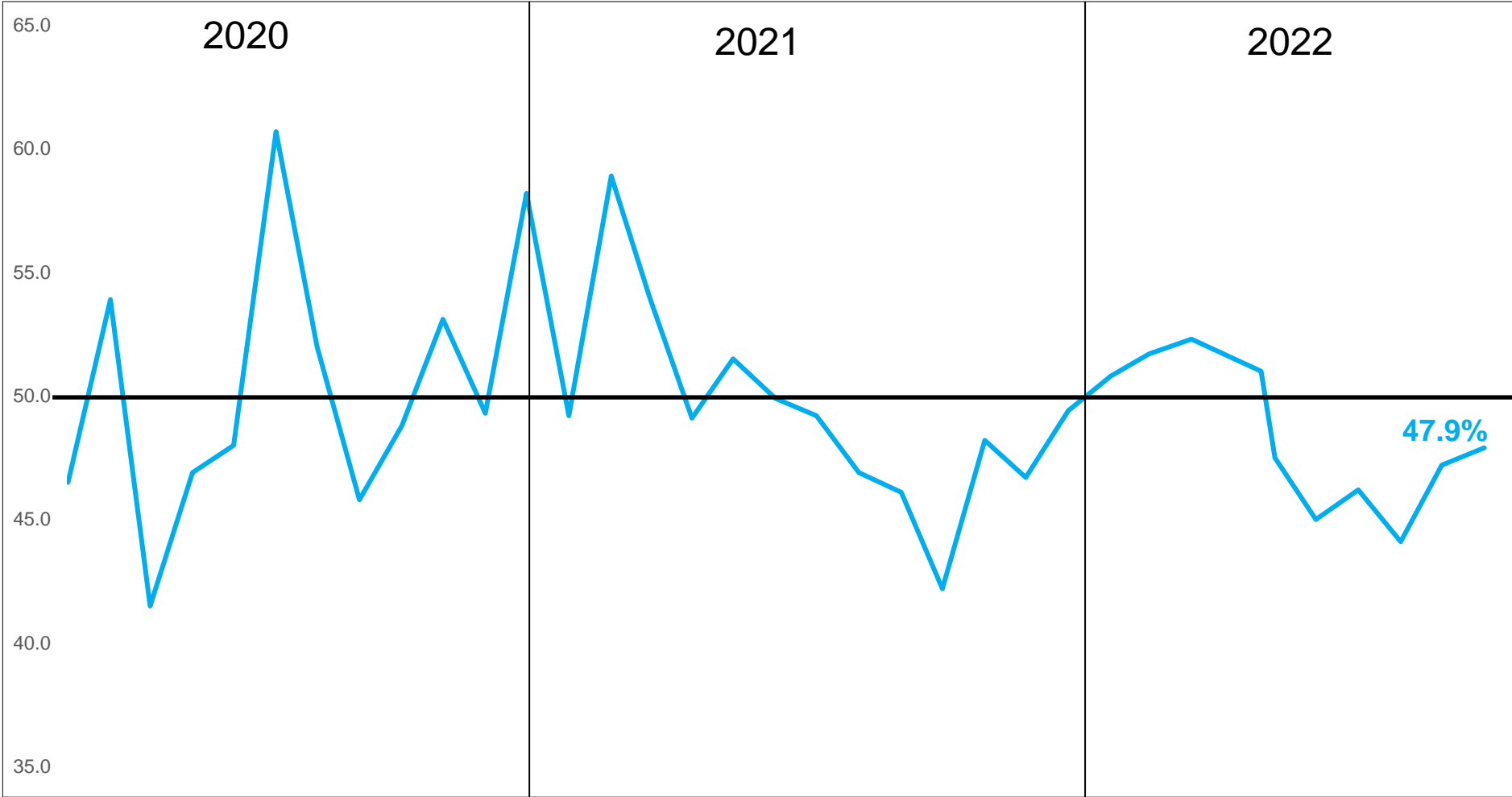
Services Supplier Deliveries Index

ISM® Services Supplier Deliveries 2020-2022



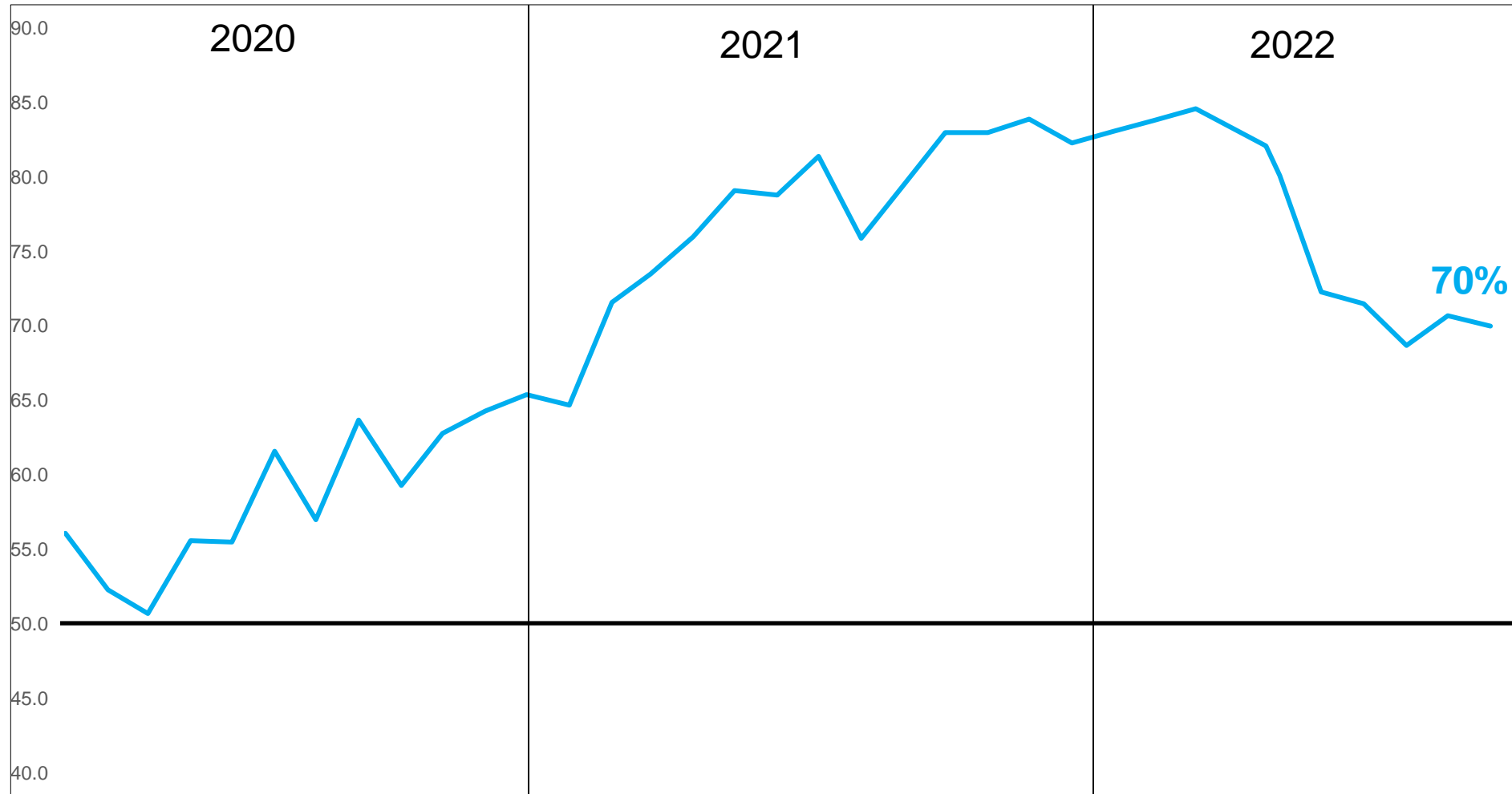
Services Inventories Index

ISM® Services Inventories 2020-2022



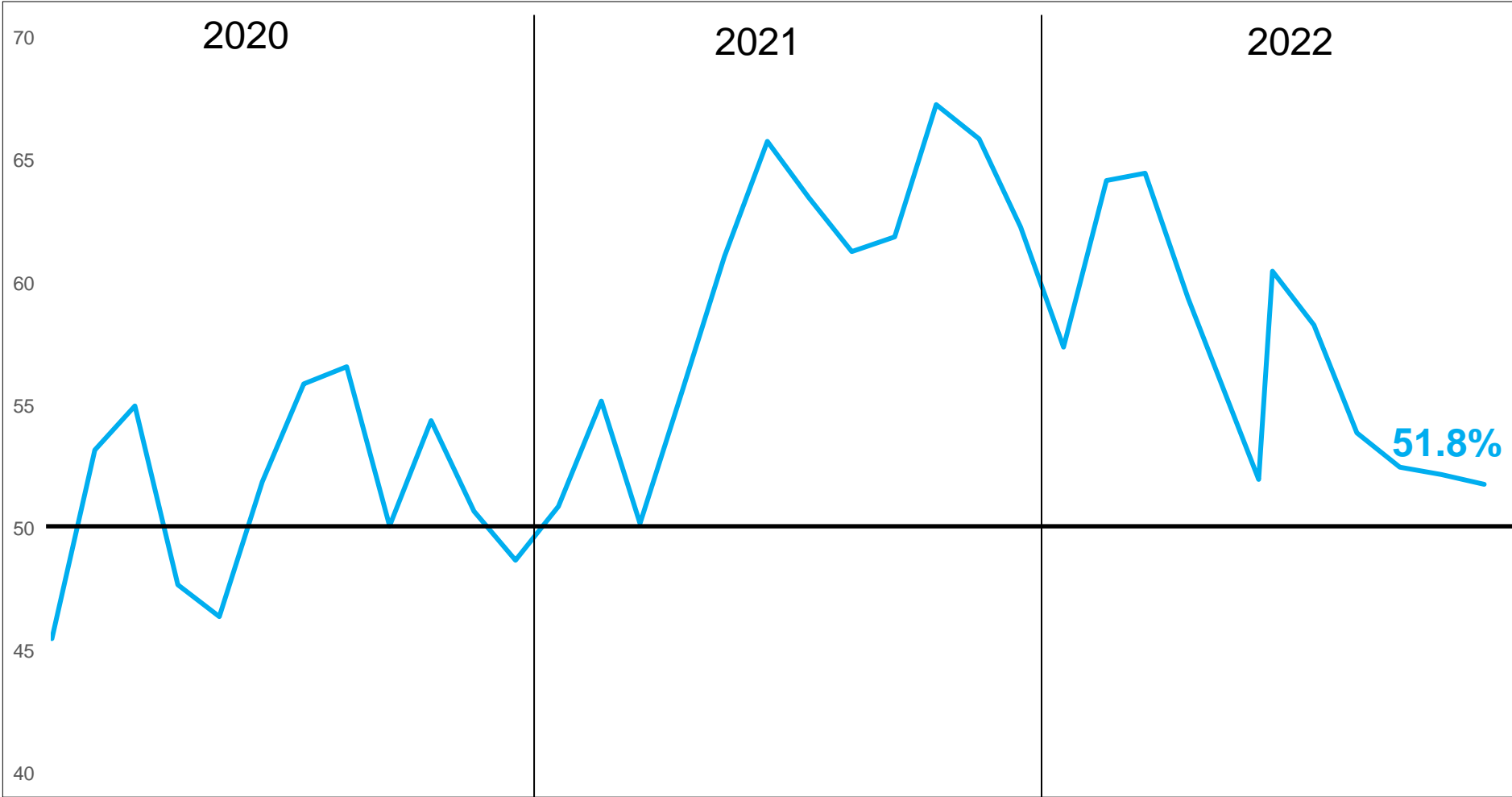
Services Prices Index

ISM® Services Prices 2020-2022



Services Backlog of Orders Index

ISM® Services Backlog of Orders 2020-2022





Q & A

Don't just read our data, see your company's experience reflected in it.
Contact Brett@SteelMarketUpdate.com for participation information



- Philip K. Bell is President of the Steel Manufacturers Association (SMA). SMA is the largest steel industry trade association in the United States, representing electric arc furnace (EAF) steel producers that account for more than 70% of U.S. steel production.
- Prior to joining the SMA in 2013, Bell served as Director of External Communications and Public Affairs for Gerdau North America. A 30-year industry veteran, he became interested in steel while serving as a production and maintenance supervisor at Elementis Chromium in Corpus Christi, Texas, in the 1980s.
- Bell also serves on the U.S. Department of Commerce International Trade Advisory Committee on Steel (ITAC 7), a role in which he advises the Secretary of Commerce and United States Trade Representative (USTR) on trade policy, trade agreements, and other trade-related matters.

Thank You

Thanks for attending our Community Chat. A special thanks to Tom Derry for his participation. You can reach Tom at Tom.Derry@ismworld.org

For information on subscribing to SMU, contact Lindsey Fox: Lindsey@SteelMarketUpdate.com

To participate in our survey, contact Brett Linton: Brett@SteelMarketUpdate.com

To become a data provider for our service center inventory report, contact Estelle Tran: Estelle.Tran@CRUGroup.com

To contact Michael Cowden: Michael@SteelMarketUpdate.com

Stay safe and stay tuned to Steel Market Update!

The logo features a stylized circular element on the left, composed of two curved segments. The top segment is orange and the bottom segment is red, meeting at a point on the right side. The text 'STEEL MARKET UPDATE' is written in a bold, white, sans-serif font across the middle of the circular element.

STEEL MARKET UPDATE

part of the  Group

The CRU logo consists of the letters 'CRU' in a bold, white, sans-serif font, enclosed within a white square.

When you need answers... www.SteelMarketUpdate.com