



## **AMERICAN STEEL INDEX – UPDATE**

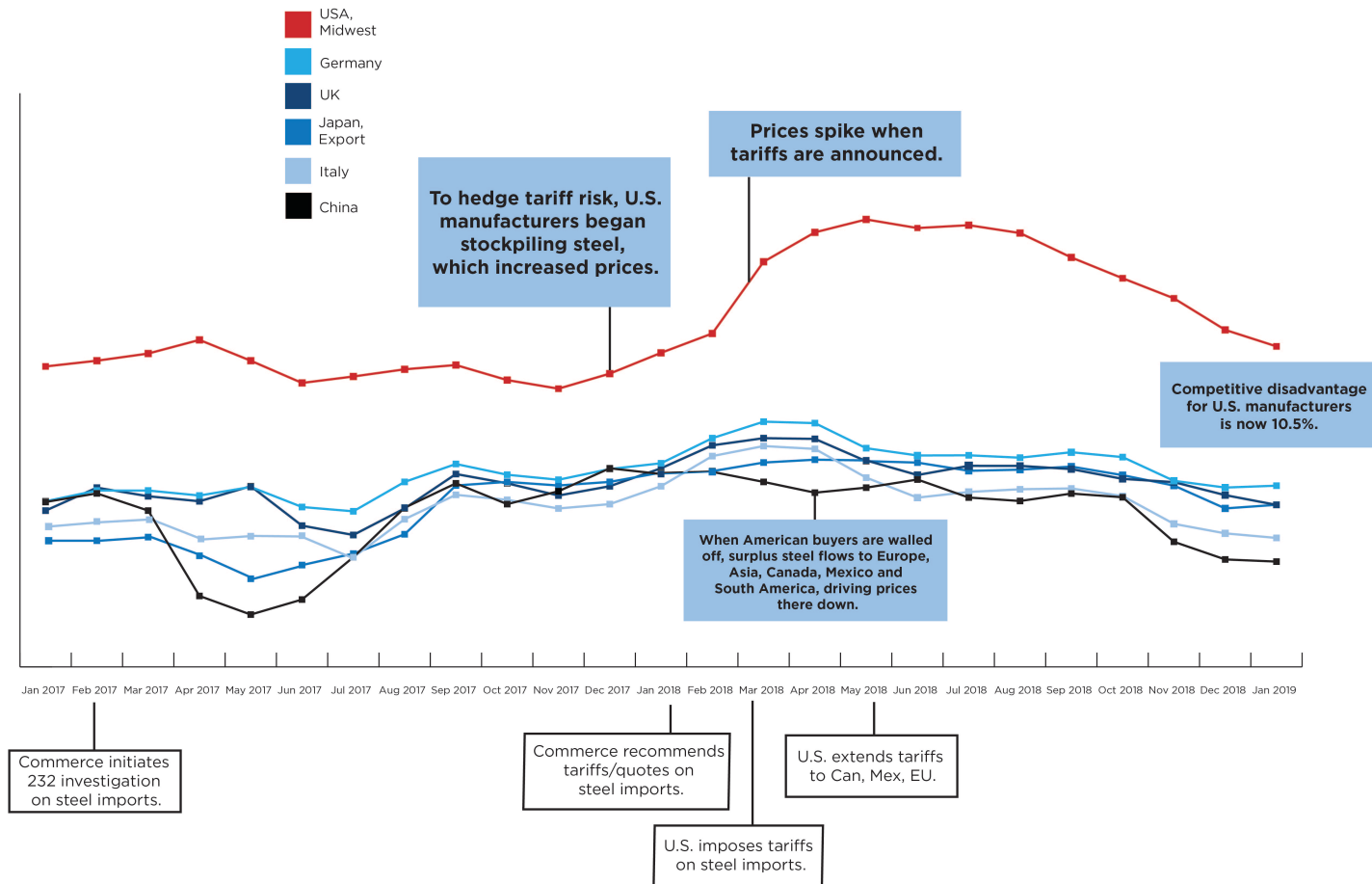
January 14, 2019

# TOP LINE

- U.S. steel prices have dropped .9% since February, while competitors' prices have fallen 13.3%: American manufacturers are paying 12.4% more than their foreign competitors for hot- and cold-rolled steel
- The difference between U.S. and competitors' prices is 1.52 times larger since February
- Putting steelmakers ahead of manufacturers is backfiring, because companies that buy steel employ 46 times more workers across the U.S. than companies that produce steel
- Months of higher steel prices have caused U.S. manufacturers to switch strategies: They are importing more finished products and manufacture less here in the U.S. Experts call this “demand destruction.”

# COLD-ROLLED STEEL

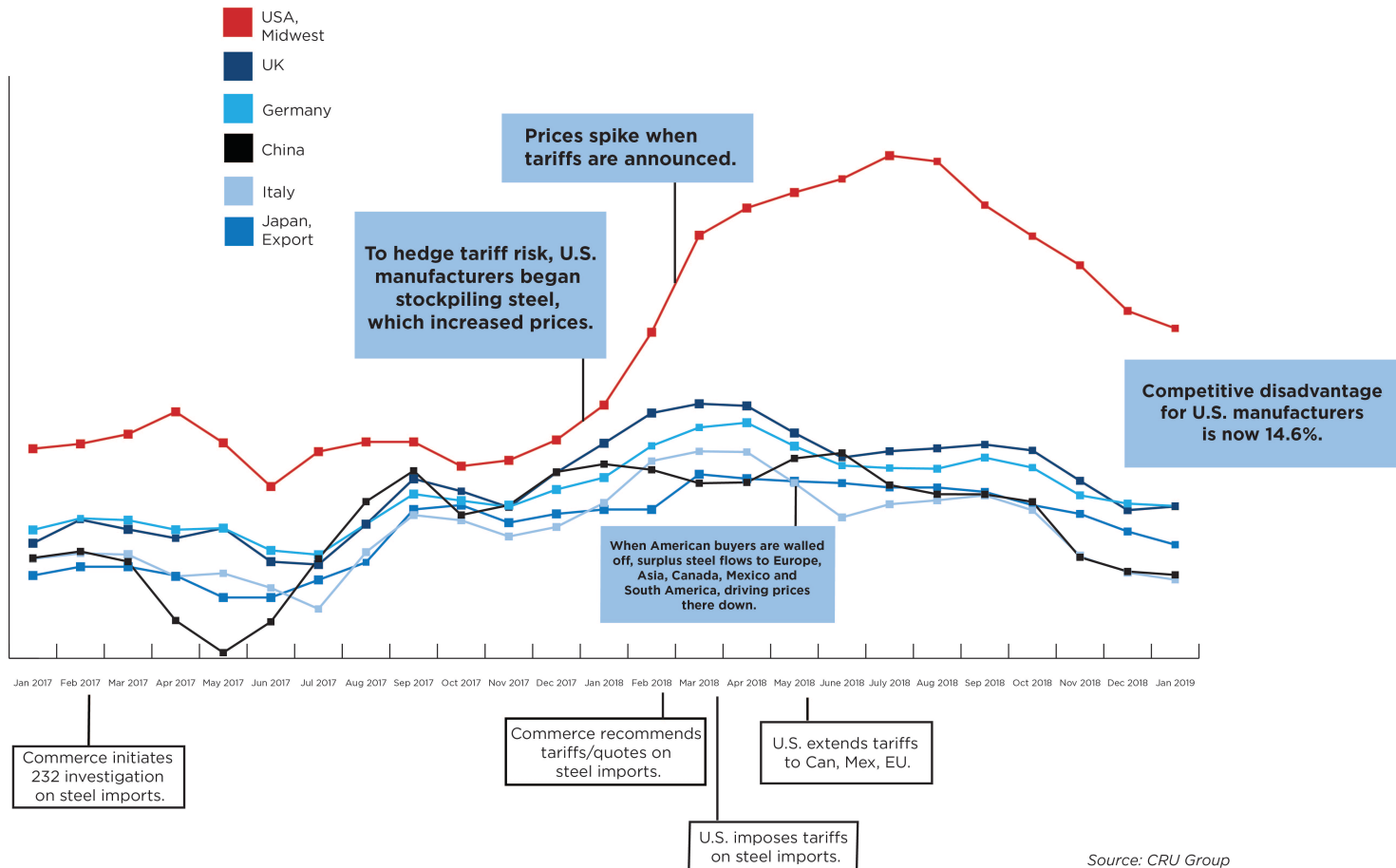
Monthly cold-rolled coil prices, by country



Source: CRU Group

# HOT-ROLLED STEEL

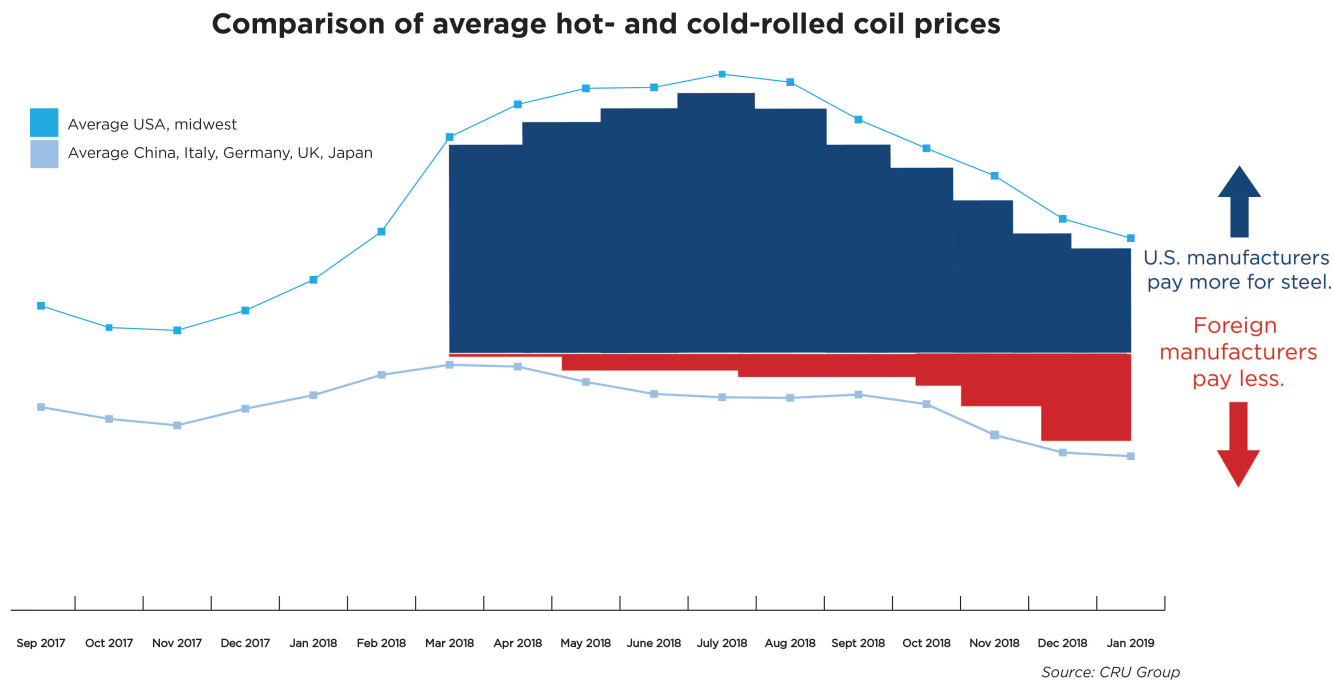
Monthly hot-rolled coil prices, by country



Source: CRU Group

# CONTINUED PRICE GAP

Prices in the U.S. dropped .9% from February 2018 to January 2019, on average, while prices in the UK, Italy, China, Germany, and Japan dropped 13.3%, on average. The difference between prices here and in those markets almost doubled since February 2018 (152%).



# DEMAND DESTRUCTION

CRU, a leading steel industry research firm, provides market analysis and forecasts, market-leading price assessments and comprehensive cost services.

CRU's principal steel analyst predicts further drop in demand as U.S. manufacturers choose to import finished goods rather than import steel and make those goods here.

What comes about next? Demand destruction as multiple US manufacturers (that are able to) are planning to shift production elsewhere and import a good with steel rather than manufacture stuff in the US.

In order to have great manufacturing, a country or region must have cheap or affordable materials and energy. The US has energy, but steel is not cheap.

You also will see substitution and once that comes, it is challenging for a switch back.

Josh Spoore  
Principal Analyst

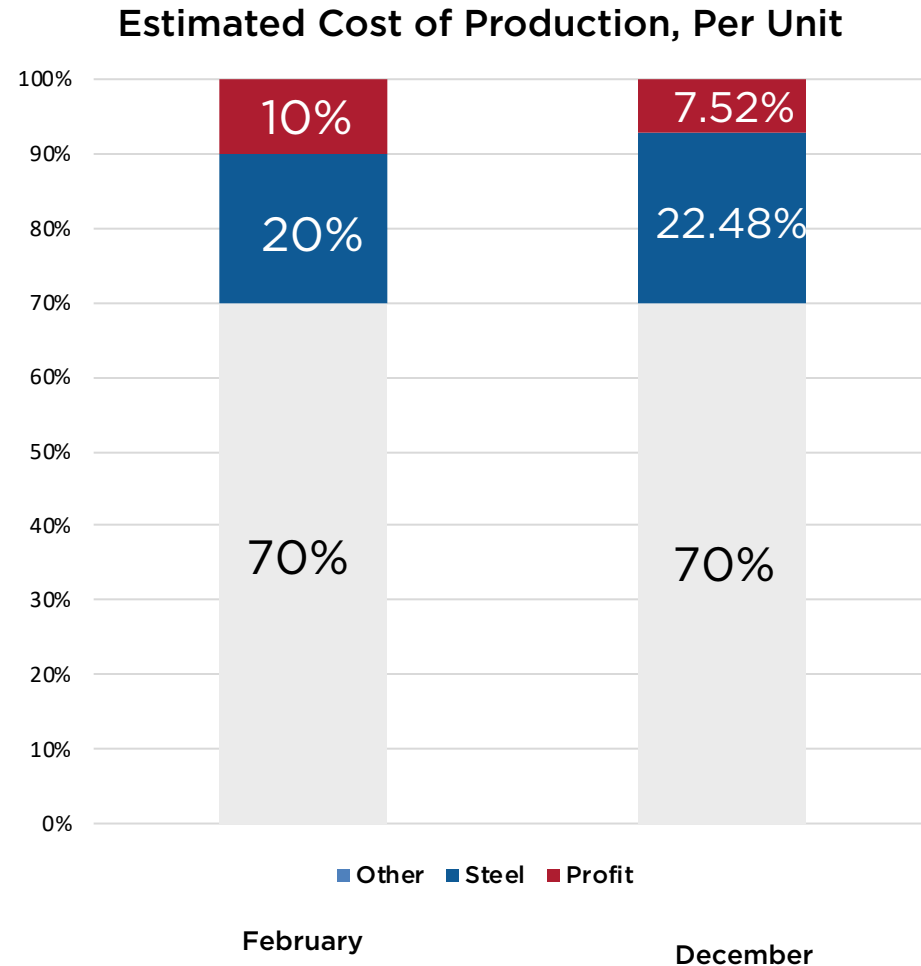


# IMPACT ON PROFITS

Trump Administration officials defend their tariffs by comparing price increases for steel with finished product prices. They should compare price increases with a manufacturer's profit margin.

Since February, U.S. steel prices have fallen .9%, on average.

If steel represented 20% of your cost of production in February, and your profit margin was 10%, these price increases wiped out 15% of your profit.





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Business leaders who have participated in our briefings have seen their suggestions implemented in the Affordable Care Act, the JOBS Act, the Clean Power Plan, the Toxic Substances Control Act, three trade agreements, and the President's budgets. Many have also shared their recommendations with their representatives in Congress and through phone calls, op-eds, and interviews with local media. Ninety-eight out of 100 business leaders who have participated in a Business Forward briefing would be interested in participating in another one.

**For more information, please contact:**  
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