



# Steel Update - March 2, 2018

## Based on Currently Announced 25% Tariff on All Imported Steel

- Current overall market-**Current US domestic steel market is approximately 115 million metric tons. Traditionally, the average share of steel imports comprised 20-22% of US domestic market steel supply. Starting in 2014, the share of imported steel supply rose to average 26-28% of US domestic market share. China was the biggest player through 2016, but due to tariffs implemented that year, currently supplies only 2% of the US market. In 2017, Canada (16%) and Brazil (13%) were the biggest suppliers of imported steel to the US market.
- Current Hot Dipped Galvanized flat rolled market-** The current US galvanized flat rolled steel market, which is most important to construction markets, is approximately 16-18 million tons. Prior to 2014, galvanized imports averaged approximately 10-12% of the US HDG market. From 2014-2017, the imported market share jumped to average of 21-23%. Construction accounts for 45% of the US consumption of HDG. Current domestic capacity utilization for HDG production is estimated be over 90%.
- Pricing-** Since the announcements that the current administration was considering tariffs on imported steel in the summer of 2017, Hot Rolled Futures on the CME have moved from \$560/ton in June, 2017 to \$865/ ton for April, 2018.
- Wildcards- Supply Constraints**  
 Canada (16%) and Mexico (9%) are key steel suppliers to the US market- will they be excluded?  
 The West Coast sheet steel mills are almost exclusively dependent on imported steel slabs- will these slabs be excluded?  
 Galvanized flat rolled imports are predominately lighter gauge material (.012-.023 gauges) which impacts ceiling grid, cornerbead, metal lath and drywall metal studs/track- given domestic HDG capacity utilization would this cause a shortage in these product lines?

Currently, the domestic steel mills are allocating tonnage to the lower end of their contracts for many customers with contracts. The spot market for steel remains volatile.

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