### Steel Market Update

CRU

### Community Chat with Ken Simonson of AGC of America

April 17, 2024 | David Schollaert, Senior Analyst



### Legal notice

This presentation is private and confidential. It must not be disclosed in whole or in part, directly or indirectly, or in any other format without the prior written permission of Steel Market Update and parent CRU International Limited.

CRU International Limited's responsibility is solely to its clients and its liability is limited to the amount of the fees actually paid for professional services.

Although reasonable care and diligence have been used in the preparation of this presentation, we do not guarantee the accuracy of any data, assumptions, forecasts, or other forward-looking statements. We accept no liability to third parties, howsoever arising.

CRU takes information security seriously and currently holds the UK Government approved Cyber Essentials certification. This certifies that we have the appropriate security controls across our organization and third-party suppliers to protect our information assets. CRU also has a privacy policy in place that explains how we handle personal data on our customers.



### Steel Market Update team



Michael Cowden Chicago Managing Editor



David Schollaert Atlanta Senior Analyst



**Laura Miller** Erie, Pa. Reporter / Editor



Ethan Bernard Austin, Texas Reporter / Editor



Brett Linton Atlanta Senior Analyst



Kaylee Turner Cleveland Dig. Content Admin.



Jill Waldman Steamboat Springs, Colo. Spons./Expo. Sales Mgr.



Alyssa Denis Pittsburgh Sr. Events Mktg. Mgr.



Luis Corona Chicago Sr. Account Exec.

The SMU newsletter was developed for active buyers and sellers of flat-rolled steel.

#### Prices | Lead times | Sentiment | Trends | Analysis

For more information visit www.steelmarketupdate.com



### Upcoming events



June 11-12, 2024 • Fort Wayne, IN Includes workbook, mill tour, and networking

**Live Steel 101 Workshop** June 11-12, 2024 | Fort Wayne, Ind. *Includes mill tour of Steel Dynamics Butler*  Barbon
Sound Steel

Sund Steel
Sund Steel

<t

**SMU Steel Summit 2024** August 26-28, 2024 | Atlanta *Georgia International Convention Center* 

For more information about our workshops and conferences visit:

www.steelmarketupdate.com/events-and-training/ or e-mail our team at events@steelmarketupdate.com.





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

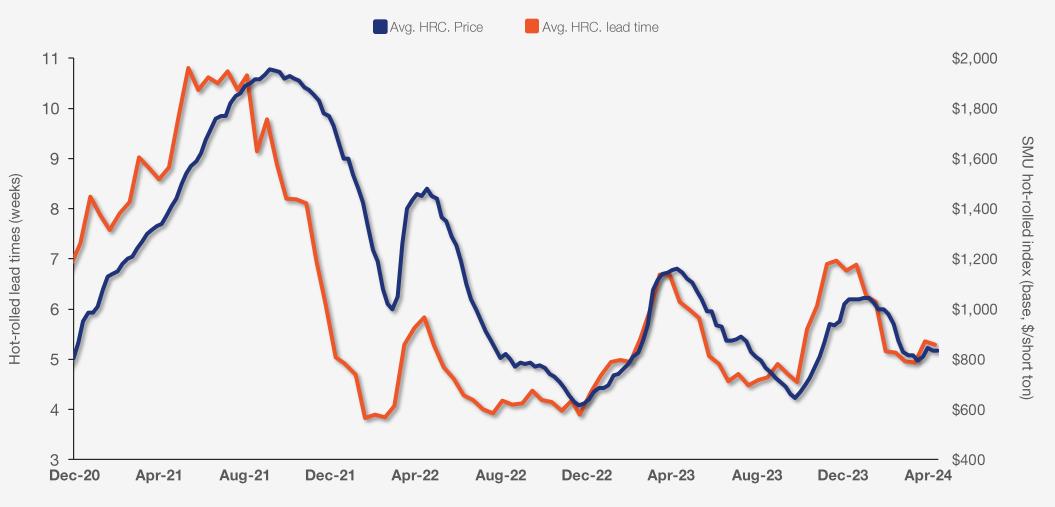
Contact david@steelmarketupdate.com for participation information.





### Hot-rolled steel prices vs. lead times

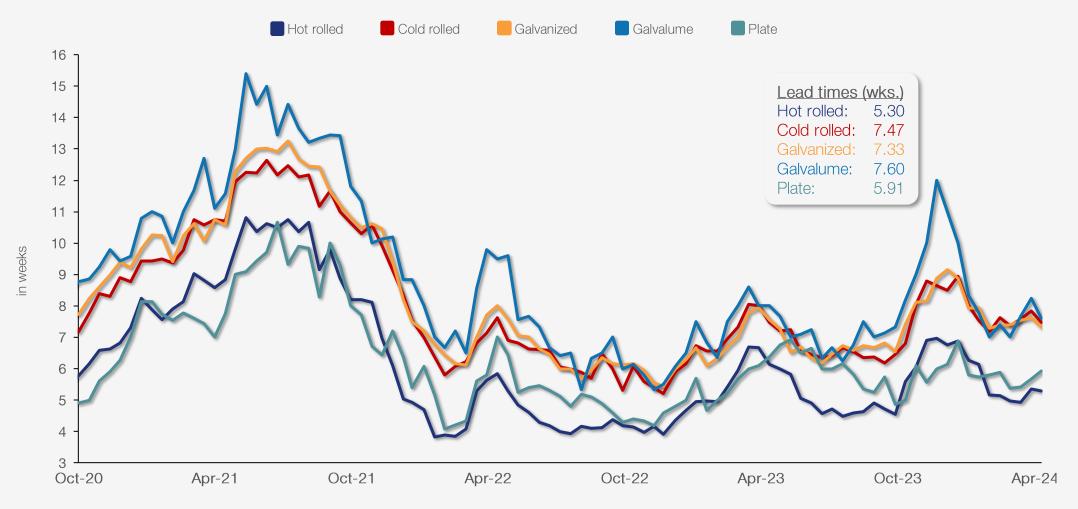
SMU's hot-rolled steel prices and lead times, with data through April 16, 2024.





### Steel mill lead times by product

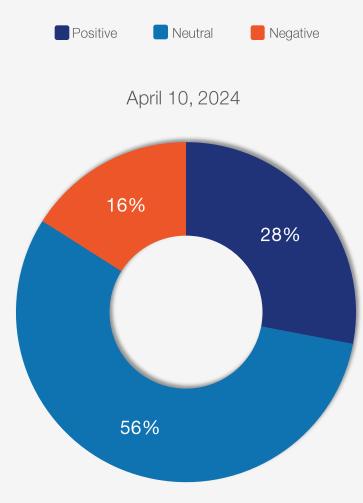
SMU lead times on new steel orders by product through April 10, 2024.





### View of Nucor's weekly public HRC price

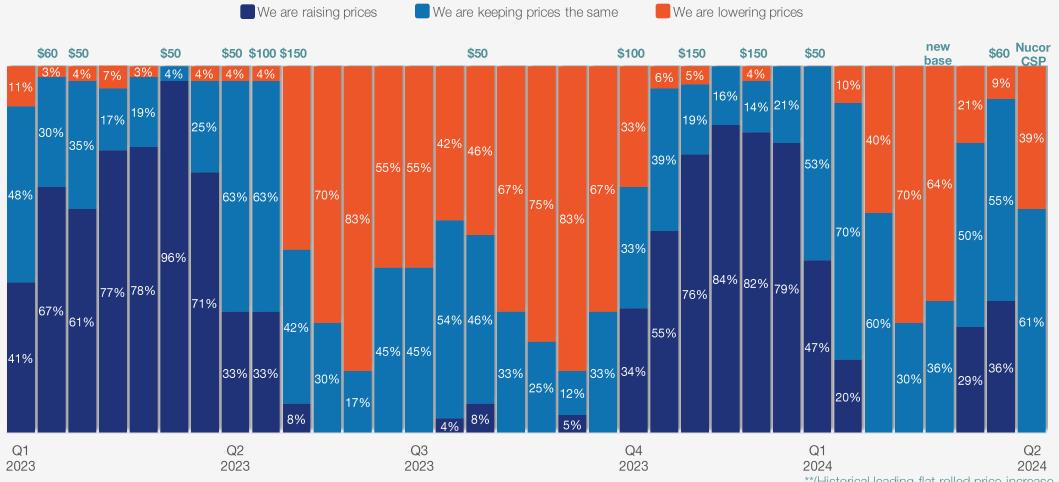
What are your thoughts on Nucor's new policy of a weekly public hot-rolled coil price?





### Service center view of selling prices history Service centers

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

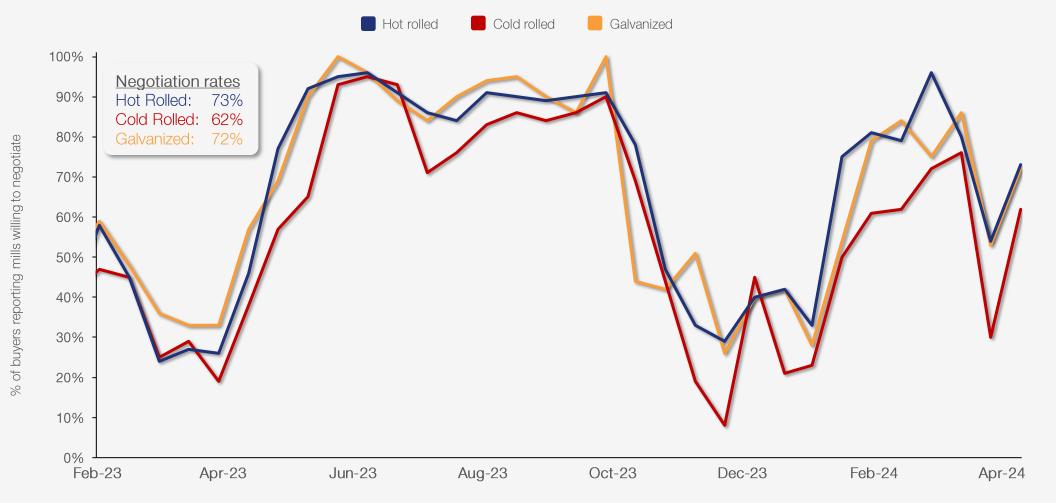


\*\*(Historical leading flat rolled price increase announcements) © Steel Market Update 2024



### Steel mill negotiations

SMU's price negotiations on new steel orders by product through April 10, 2024.

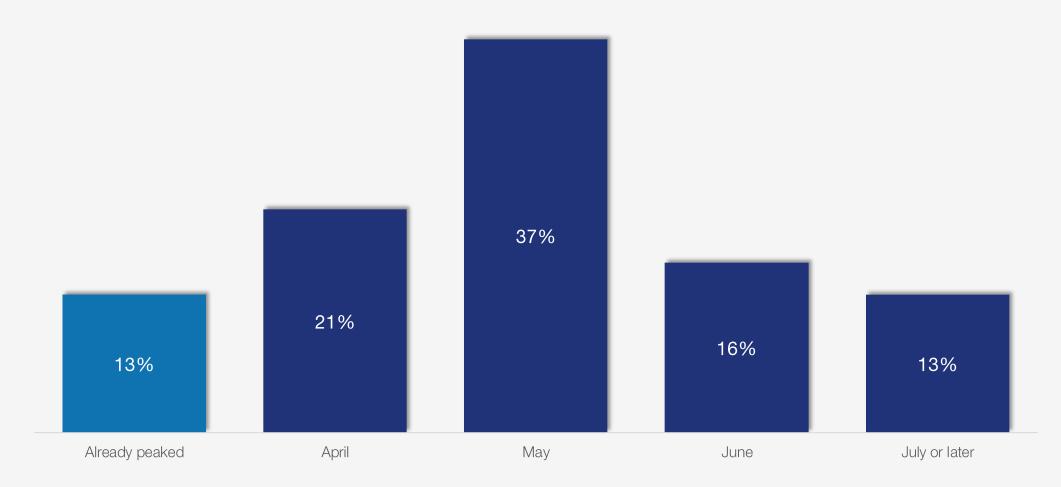


© Steel Market Update 2024 | 10



### Hot rolled inflection point

When do you think steel prices will peak?

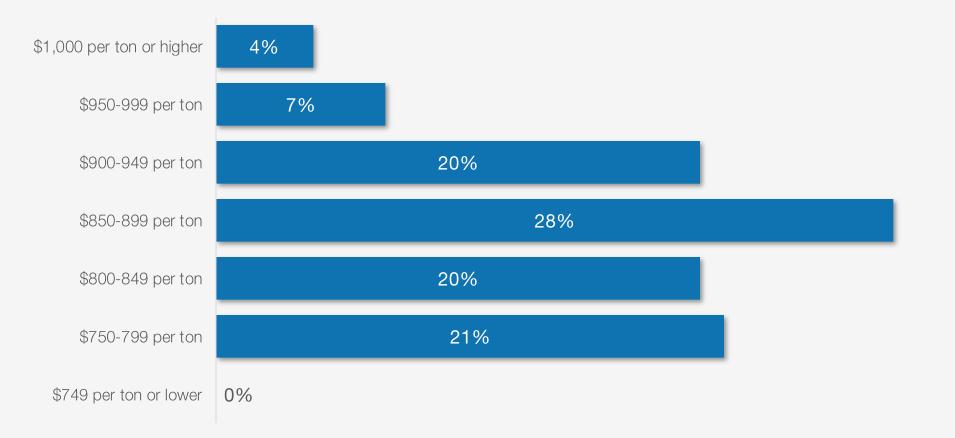


© Steel Market Update 2024 | 11



### Future hot rolled prices

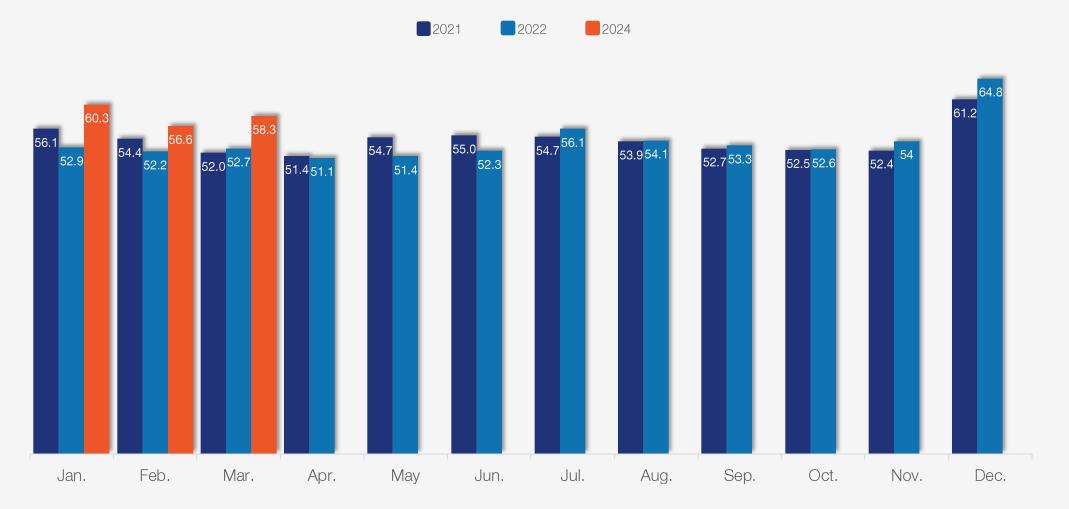
Where do you think HRC prices will be in two months?





### Service center inventories history

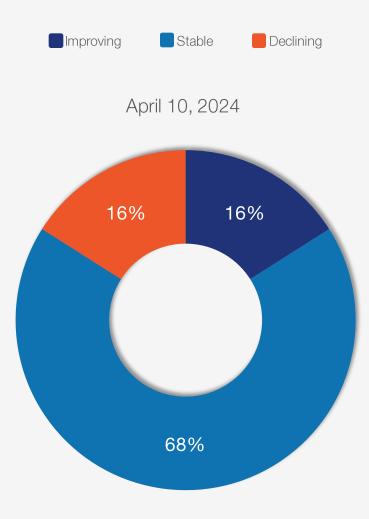
SMU's flat rolled product shipping days of supply, with data through March 2024.





### Overall demand

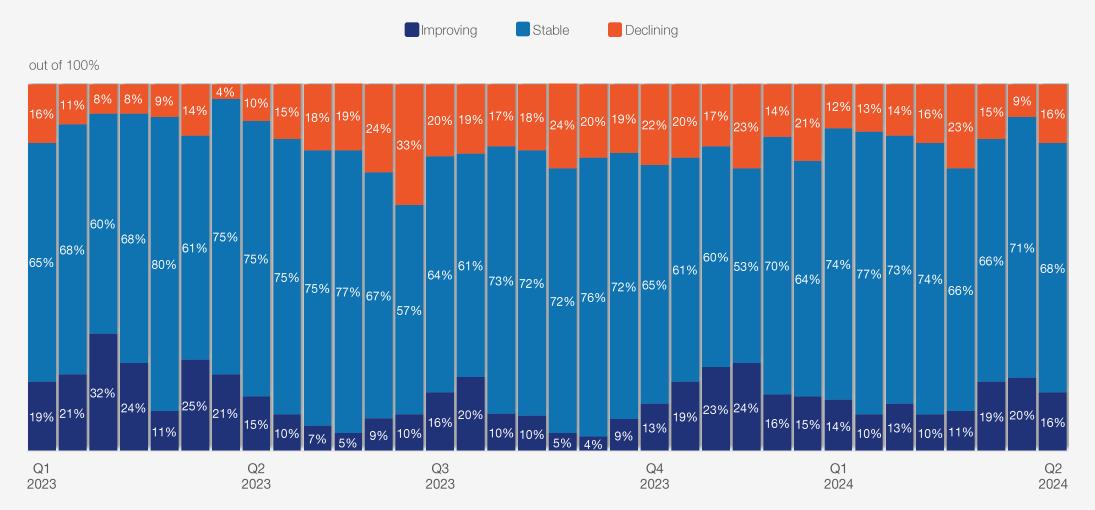
How is demand for your products?





### Overall demand history

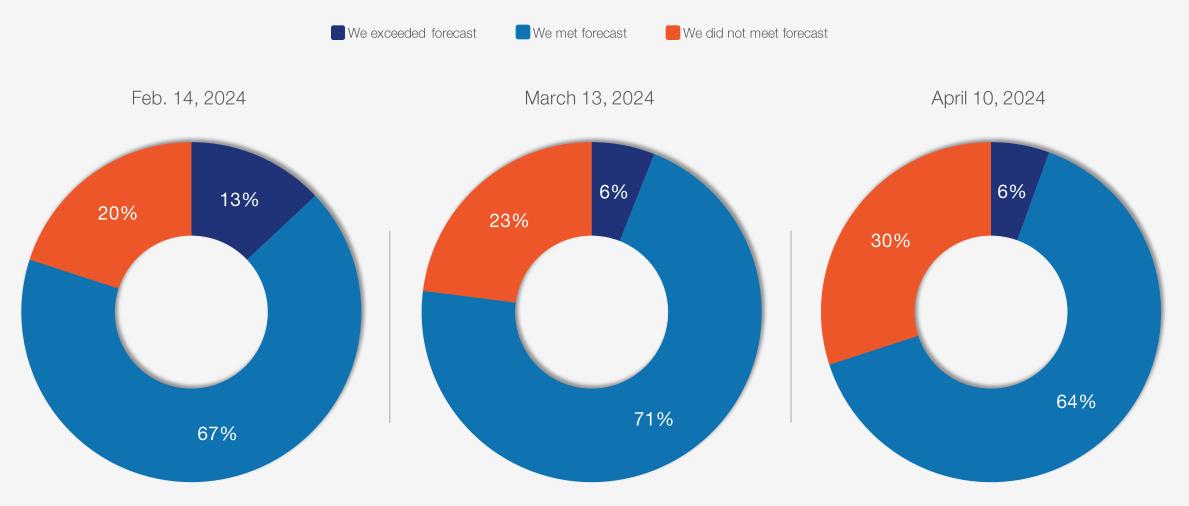
How is demand for your products?





### Business forecasts

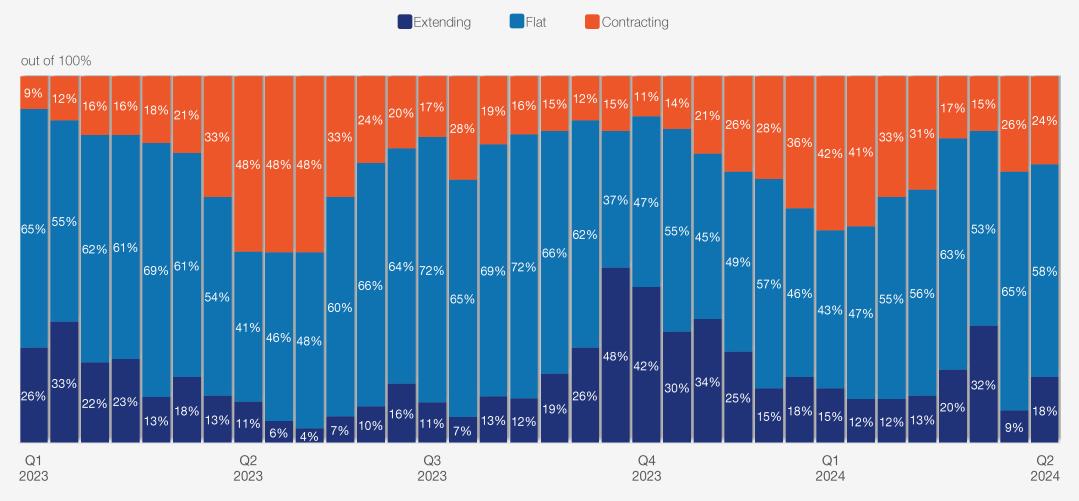
How did your company perform last month compared to your forecast?





### Direction of steel mill lead times history

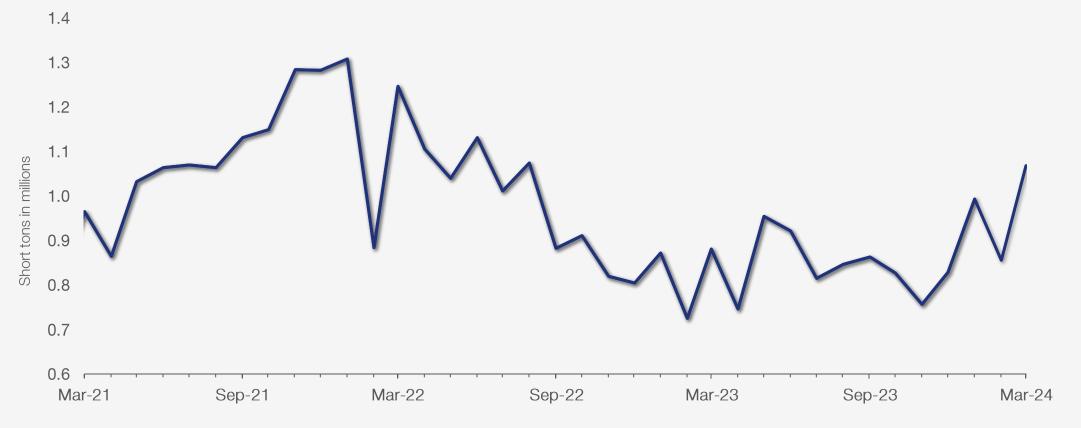
Two months from now, will lead times be extending, flat, or contracting?



© Steel Market Update 2024 | 17



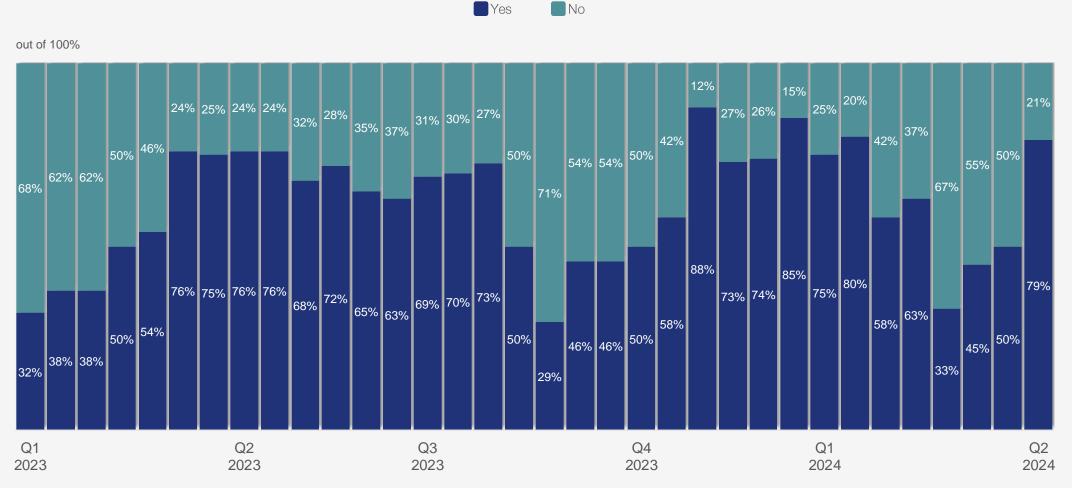
Flat-rolled steel imports *Monthly figures through March 2024 license data* 





### Foreign steel competitiveness Service centers

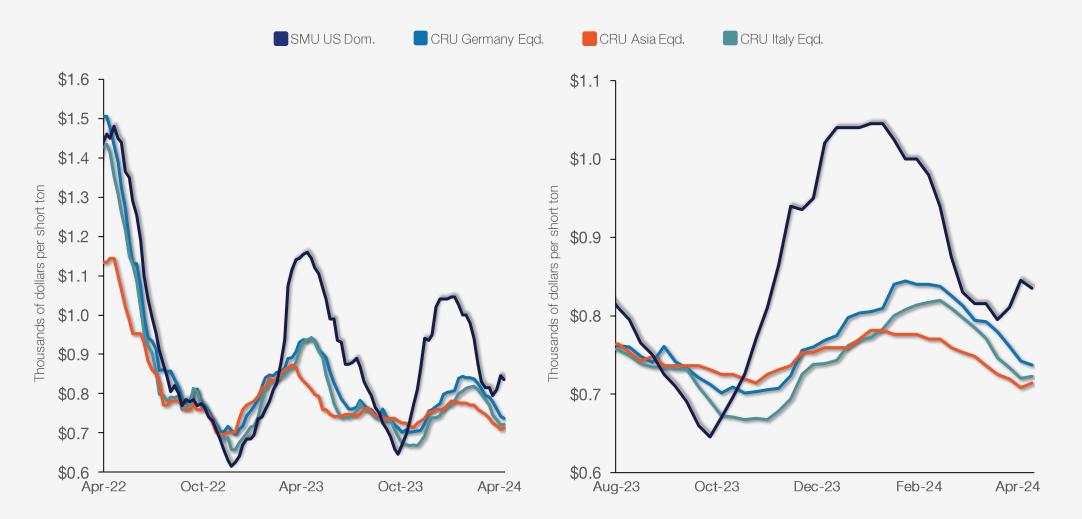
Are your foreign steel suppliers quoting you competitive prices for new orders for future delivery?



© Steel Market Update 2024 | 19



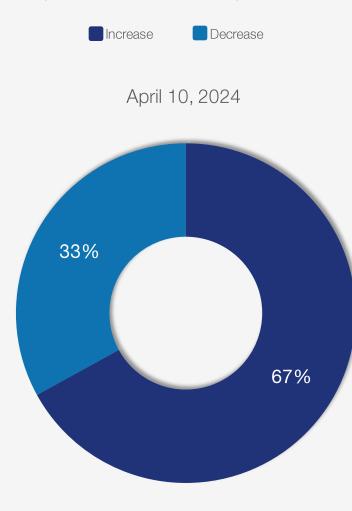
### Foreign vs domestic HR prices Foreign prices include \$90/st in importing costs, Asian prices include a 25% tariff





### Trading companies

Are you seeing an increase or decrease in orders from your North American buyers?\*



\*Limited number of responses to this question



### Ken Simonson



Ken Simonson has been Chief Economist for the Associated General Contractors of America, the leading construction trade association, since 2001. He provides insight into the economy and what it implies for construction and related industries through frequent media interviews, presentations, and the *Data DlGest*, his weekly one-page e-newsletter that goes to more than 20,000 subscribers.

Ken has over 40 years of experience analyzing, advocating, and communicating about economic and tax issues. He currently serves as an advisor to the Census Bureau's construction data re-engineering initiative. He is a Fellow and past president of the National Association for Business Economics, and he is co-director of the Tax Economists Forum, a professional meeting group he co-founded in 1982.

Ken has a BA in economics from the University of Chicago, and an MA in economics from Northwestern University.



**April 2024** 

## US Construction Outlook: Torrid or Tepid?

Ken Simonson

Chief Economist, AGC of America

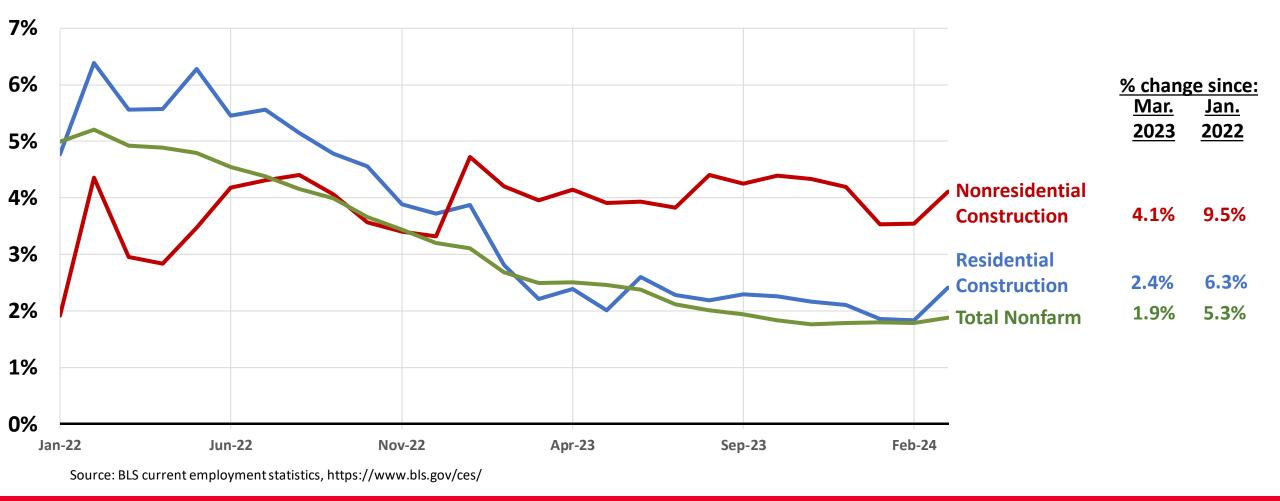
ken.simonson@agc.org

©2024 The Associated General Contractors of America, Inc.

### Total nonfarm & construction employment, Jan. 2022-Mar. 2024

Year-over-year change, seasonally adjusted

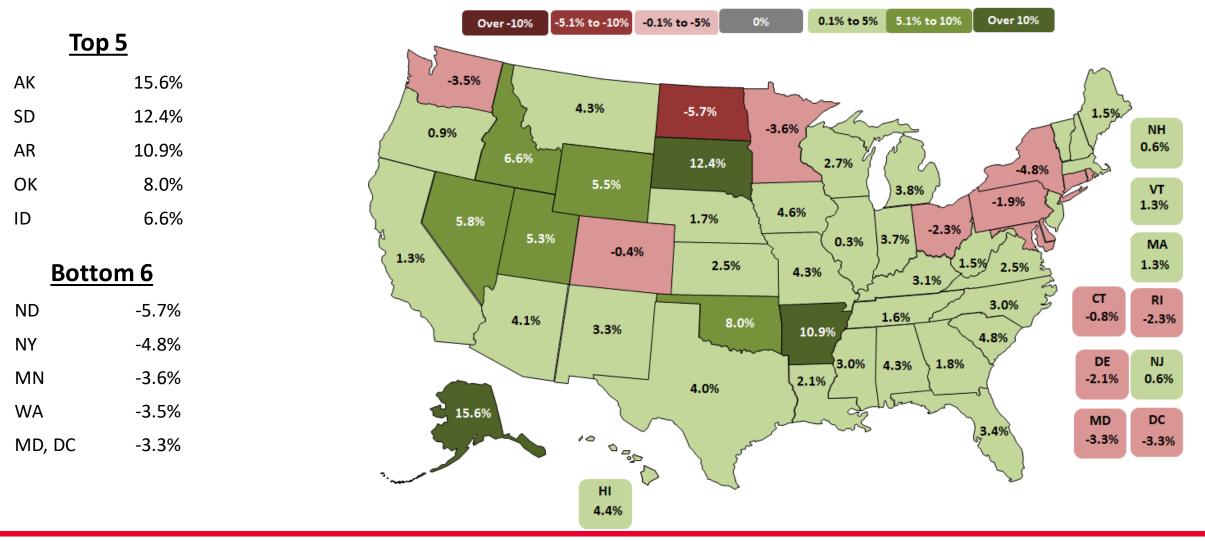




#### Construction employment change by state, Feb. 2023-Feb. 2024 (U.S.: 2.8%)

#### 39 states up, 11 states & DC down





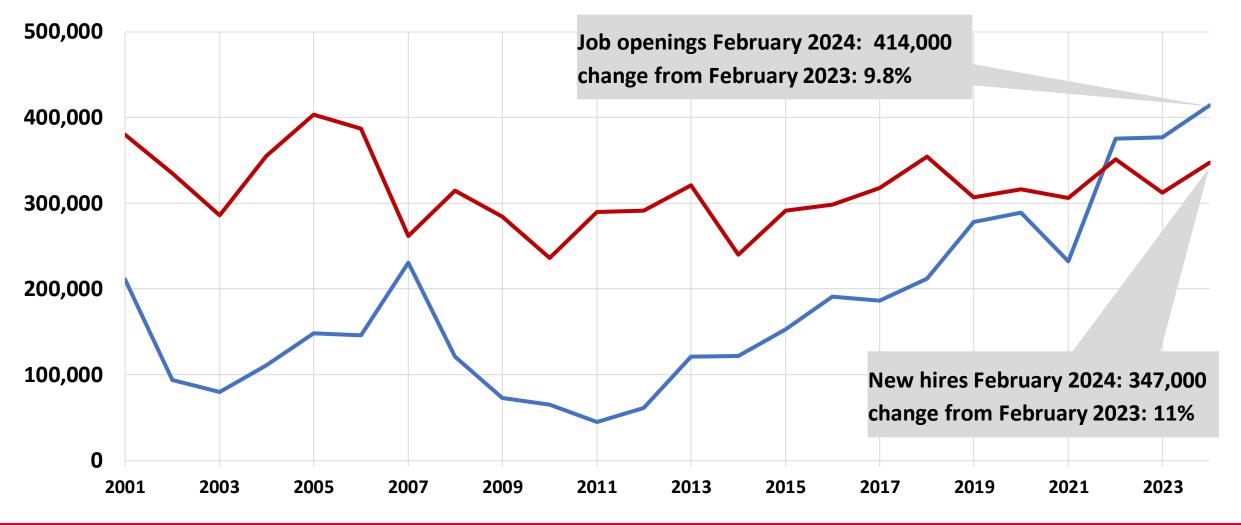
25 | Source: Bureau of Labor Statistics, state and area employment, www.bls.gov/sae

©2024 The Associated General Contractors of America, Inc.

### **Construction job openings & new hires**

Job openings and hires, February 2001-February 2024, not seasonally adjusted





26 | Source: Bureau of Labor Statistics, <u>www.bls.gov/ilt</u>, Job Openings & Labor Turnover Survey (JOLTS)

©2024 The Associated General Contractors of America, Inc.

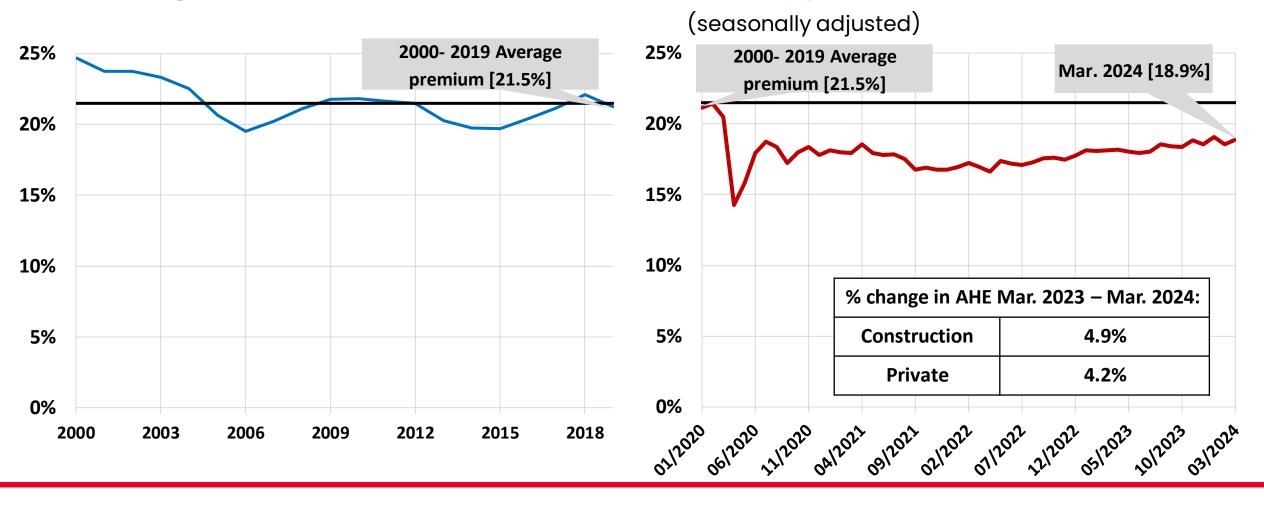
### Construction wage "premium" vs. total private sector

Excess of average hourly earnings (AHE) for production and nonsupervisory employees in construction vs. private sector



**Annual premium**, 2000–2019

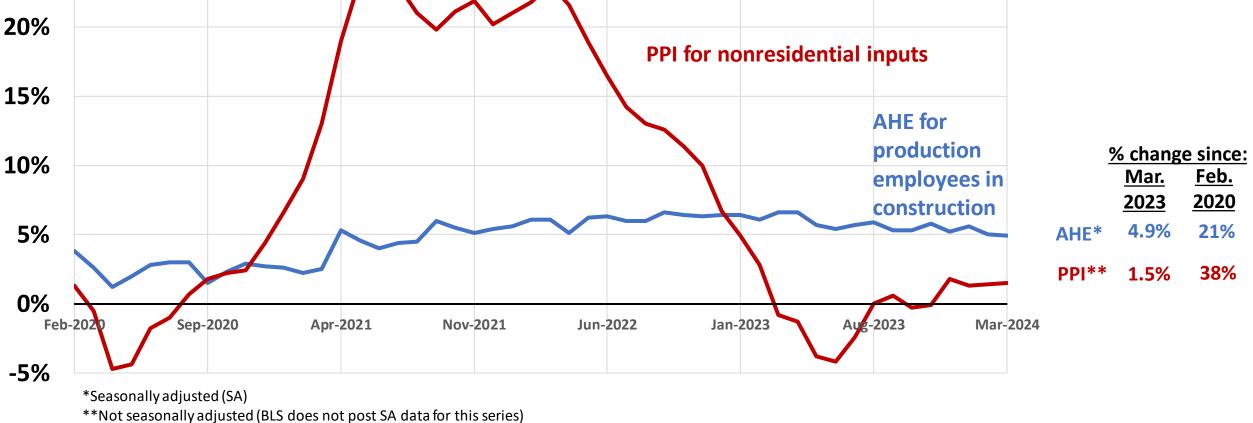
### Monthly premium, Jan. 2020-Mar. 2024



25%

### **Construction materials & labor costs**

Year-over-year change in producer price index (PPI) for nonresidential inputs and average hourly earnings (AHE) for production employees in construction, Feb. 2020 – Mar. 2024

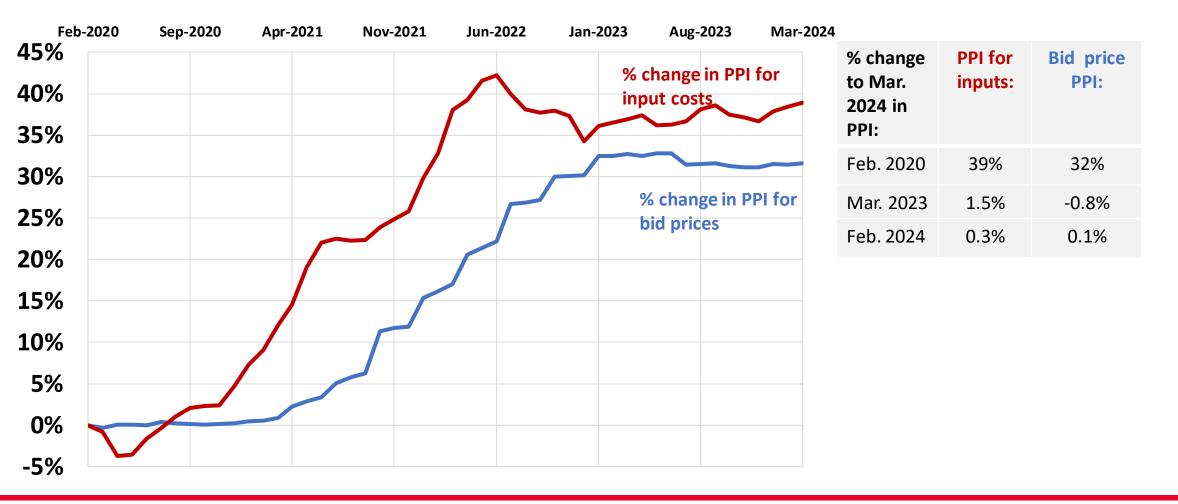




### Input costs have risen faster than bid prices since early 2020



Cumulative change in producer price index (PPI) for **inputs** and **bid prices** for nonresidential construction, Feb. 2020-Mar. 2024



### Some construction costs remain volatile

AGC THE CONSTRUCTION ASSOCIATION

producer price indexes, 1 - & 12-mo. change (not seasonally adjusted)

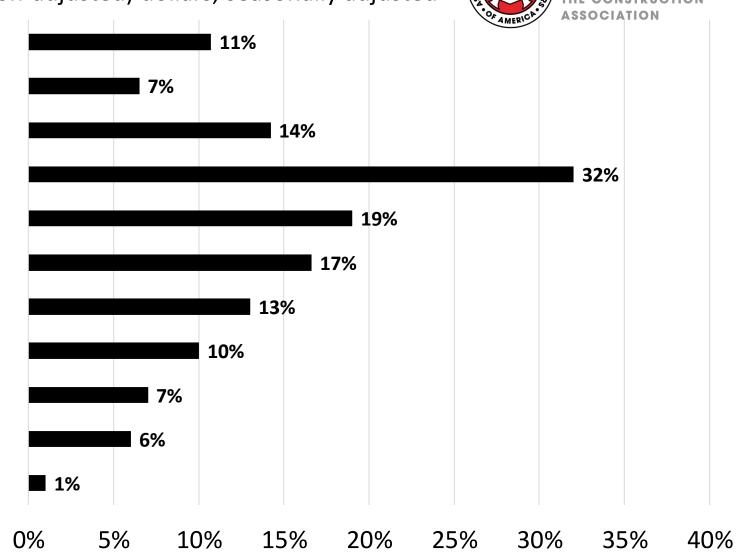
	March 2024 change from:	
		Mar. 2023 <u>(12 months)</u>
Cement	0%	5.0%
Ready-mix concrete	0.1%	7.0%
Diesel fuel	-0.6%	-6.2%
Subcontractor price indexes, nonresidential building work		

Roofing contractors	0.0%	3.7%
Plumbing contractors	-0.1%	1.8%
Electrical contractors	0.0%	-5.1%
Concrete contractors	0.2%	-0.8%

### Change in construction spending: February 2024 vs. February 2023

Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted

Total construction Private residential Nonresidential Manufacturing Highway and street Education Power (incl. oil & gas) Health care Transportation Office (incl. data centers) Commercial (warehouse, retail, farm)



### Change in construction spending: February 2024 vs. February 2023

current (not inflation-adjusted) dollars, seasonally adjusted



**Total** 11%: <u>Private residential</u> 6% (single-family 17%; multi 6%; improvements -5%); <u>public residential</u> 20% <u>Nonresidential</u> 14% (private 13%, public 17%)

Nonresidential segments (in descending order of Feb. 2024 spending; combined new & renovation spending)

- Mfg. 32% (computer/electronic 45%; chemical 10%; food/beverage/tobacco -18%; transportation equipment 35%)
- Highway and street 19%
- Power 13% (electric 16%; oil/gas fields & pipelines -4%)
- Commercial 0.8% (warehouse -3%; retail 6%; farm 3%)
- Education 17% (primary/secondary 16%; higher ed 17%)
- Office (including data centers) 6%
- Transportation 7% (air 13%; private rail/truck 4%; transit -14%)
- Health care 10% (hospital 9%; medical building 12%; special care 12%)
- Other: Sewage/waste 12%; Amuse/recreation 15%; Water supply 15%; Communication 3%; Lodging 3%; Conservation/development 7%

### **Medium-term outlook for construction**



- Economic recovery should continue but risk of recession remains
- Single-family homebuilding should continue recovering
- Multifamily, warehouse, retail, office, lodging: slowdown likely due to rising rates
- Data center and manufacturing construction should remain hot
- Infrastructure Investment & Jobs Act, "Chips" Act, Inflation Reduction Act will give major boost to infrastructure, manufacturing, and power construction. BUT
  - money will be slow to turn into construction awards and spending
  - Buy America(n), labor, environmental strings may tie up project starts for years
- Materials costs, lead times: mostly better except electrical gear, some electronics
- Labor availability has resumed being the #1 challenge for many contractors

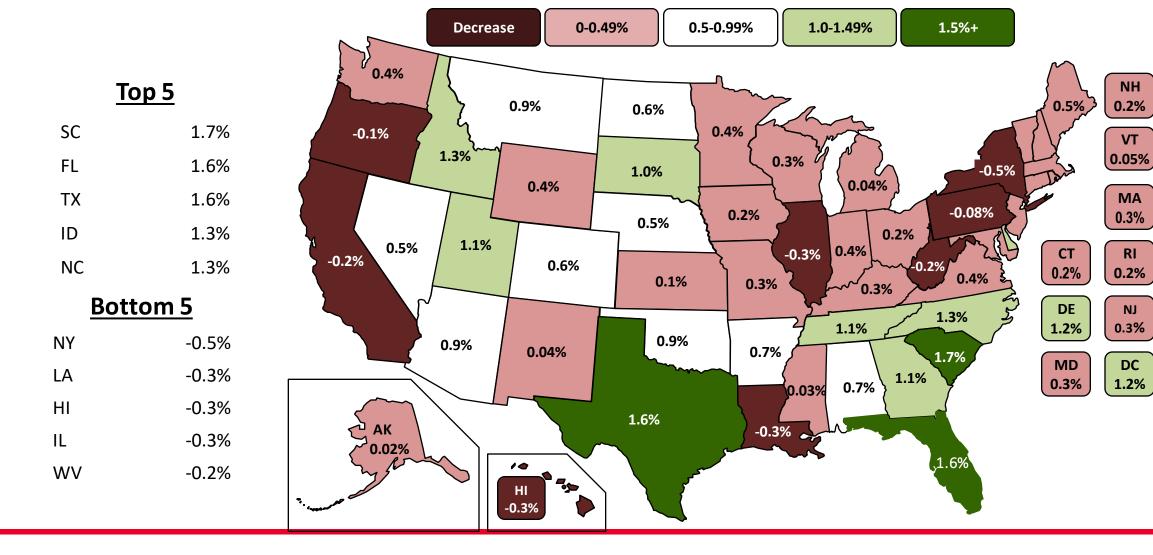
### Long-run construction outlook



- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth → fewer workers but also slower demand growth
- Slowing demand for K-12, decline for higher ed construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized and online healthcare facilities; fewer hospitals, nursing homes
- More wind, solar, battery storage and charging facilities, and related manufacturing
- Not clear if offices will decentralize or remain in less demand
- Not clear if recent urban/rural or state-to-state migration will remain or reverse

### **Population change by state**, July 2022–July 2023 **(U.S.: 0.49%)**



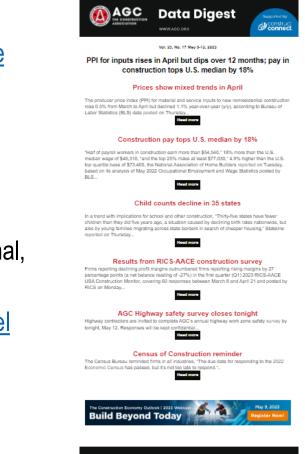


### AGC economic resources

### (email ken.simonson@agc.org)

- Data DIGest: weekly email summary of construction economic news (<u>subscribe</u> at <u>https://marketplace.agc.org/Store/ItemDetail?iProductCode=4401</u>)
- Surveys (Aug. 2023 <u>Workforce Survey</u>; Jan. 2024 <u>Outlook Survey</u>: <u>https://www.agc.org/2024-construction-hiring-and-business-outlook</u>
- State and metro data, <u>fact sheets</u>: <u>www.agc.org/learn/construction-data</u>
- Monthly <u>press releases</u>: construction spending; producer price indexes; national, state, metro employment with rankings: <u>https://www.agc.org/newsroom</u>
- Construction impact model: <u>https://www.agc.org/agc-construction-impact-model</u>
- ConsensusDocs Price Escalation Resource <u>Center</u>: <u>https://www.consensusdocs.org/price-escalation-clause/</u>





Env: 702 540 211



### Thank You!

Thanks for listening!

To subscribe to SMU, contact luis@steelmarketupdate.com

To contact David Schollaert: <u>david@steelmarketupdate.com</u>

To sign up for Steel Summit, contact: <a href="mailto:events@crugroup.com">events@crugroup.com</a>

Tune into our next Community Chat on May 1 with...

David Stickler, CEO of Hybar!



# Where the *steel* community comes together.