

AN UNPRECEDENTED SUPPLY & DEMAND IMBALANCE

SITUATION

ALMOST EVERY INDUSTRY IS FEELING THE EFFECTS OF RAW MATERIAL SUPPLY CONSTRAINTS. HOUSING, AUTOMOTIVE, AND EVEN COMPUTER COMPANIES ARE EXPERIENCING A TIGHT SQUEEZE ON MATERIALS.

WHAT'S CAUSING IT?

From plastics and lumber to steel and aluminum, COVID-19 caused significant production slowdowns for many raw materials. However, the demand for these materials didn't go away, it pent up in the system and ate away the available inventory. Now with growing optimism around the COVID-19 vaccine and additional stimulus money in wallets, consumer spending is on the rise. The increasing demand is further stressing the availability of materials as additional production coming online has not been able to keep up, spiking prices across the board.

“Tight capacity, low inventory, and a fiscal stimulus have created the perfect storm in freight transport markets.”

-According to a recent UBS note by a team led by Thomas Wadewitz.

PRICES HAVE INCREASED ACROSS MANY RAW MATERIALS, NOT JUST STEEL

Summary	Unit	Base*	Today	Change
HRC	\$/st	\$714	\$1,268	77.6%
LUMBER	\$/1000 board ft	\$419	\$965	130.3%
OIL	\$/barrel	\$53	\$62	17.0%
COPPER	\$/mt	\$6,008	\$8,789	46.3%
ALUMINUM	\$/lb	\$0.85	\$1.01	18.8%

*Base price from January, 2019

PRICES

America is reopening to a more expensive economy than the one that existed pre-pandemic.

- Lumber prices are up a staggering 130.3%. The National Association of Home Builders calculates that current lumber prices are adding at least \$24,000 to the price tag of a typical new single-family home. Not only has lumber pricing climbed at the sharpest rate since the base year, it has also seen some of the most volatility.
- Prices for polyethylene, polypropylene and other chemical compounds used to make auto parts, computers, and a vast array of plastic products have reached their highest levels in years in the U.S. as supplies tighten. For example, prices for polyvinyl chloride, or PVC, have more than doubled since last summer, according to S&P Global Platts.
- As vaccines continue to become more available, global oil markets are feeling a sense of hope that oil demand will start to recover from the pandemic's dramatic impact. In the U.S. specifically though, oil demand is not expected to return to pre-pandemic levels this year as pandemic restrictions are still in place across the country.
- The electric component shortage is expected to last until the third quarter of 2021 as the electronics sector continues to feel the impact of COVID-19's supply chain issues. In IPC's 2020 survey, 65% of respondents were told to expect three week delays on shipments of materials. Companies like Ford and General Motors are effectively competing against Apple and Samsung as high value customers, according to EPS News.
- Aluminum is experiencing supply stress as well. European consumers of rolled plate can't secure new production until Q3. The U.S. market is tight as well. Recently imposed tariffs and a supply chain that has focused on domestic supply has created longer lead times and higher prices.

DEEPER LOOK

WHAT DOES THAT MEAN FOR STEEL

Raw materials are up across the board, steel is not an outlier. Until global supply chains can catch up with the growing demand, building and manufacturing are going to be more expensive without alternatives. As one of the strongest, greenest, and most versatile materials, steel remains essential to leading the recovery.

Lumber

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