Steel prices skyrocketed in the first half of 2021. After the COVID-19 pandemic spurred plant idling and capacity curtailments across the steel industry in the first half of 2020, an earlier-than-anticipated demand rebound caused a supply imbalance. That, along with higher ferrous scrap costs, boosted steel prices to record levels.

Non-ferrous metals experienced a similar rally in pricing, particularly copper and aluminum, driven by China’s strong economic recovery and slower mining activity.

MANUFACTURING STEELS THE SHOW

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AUTOMOTIVE

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APPLIANCES

Appliance demand boomed during the pandemic as consumers spent more time at home and invested in home improvement, added by stimulus funds, and given climbing home sales and construction activity.

MANUFACTURING SECTOR

The Institute for Supply Management’s (ISM) Manufacturing PMI® was 61.2% in May 2021 vs. 12-month low of 43.1% in May 2020, reflecting expansion in manufacturing sector and overall economy for 12th consecutive month.

PRODUCTION PRESSURE

Low capacity utilization rates in mid-2020 resulted in a steel shortage once demand rebounded. Although steel mills have since ramped up production, reaching optimal rates of 80% or above in June 2021, a supply deficit persists in the current market.

PRICING POWER

Hot rolled band pricing serves as a bellwether for overall steel price trends. Since mid-August 2020, hot rolled band prices have more than tripled, reaching all-time highs for multiple weeks in a row.

A PRETTY PENNY

The strong rally in copper and aluminum prices suggests the steel boom is part of a broader recovery. Prices climbed as demand rebounded earlier than anticipated, with supplies playing catch-up; copper is seeing a severe supply crunch.

BOOM TO BUST?

The surge in steel pricing defied predictions of a peak earlier this spring, with prices instead reaching record highs amid a continued supply imbalance. Some analysts are worried that the steel boom may be a bubble that will burst once supplies catch up with demand. It remains to be seen whether other market variables emerge to delay a price peak yet again, or whether a peak is indeed in sight for steel.

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