Infrastructure Bill — Will It Happen?

With the new Biden administration there is much talk about the funding for America's decrepit infrastructure. Rumor is that Congress will be seeking another $3 trillion, and California would be expected to reap the biggest piece. Biden's plan is meant to provide money to not just repair crumbling infrastructure but to transform transportation in America. The last time the government launched such at large scale effort was in the 1950's with President Eisenhower's initiative to build the interstate highway system. By the time it was finished a decade later, 42,795 miles of paved superhighway had been laid. Since then, infrastructure spending has consistently been pushed aside. Will this time be different?

Coming on the heels of the $2 trillion stimulus bill that was passed by Congress this past month, it may not be easy. But the Biden administration is determined to pass legislation before there are changes in Congress's makeup in 2022. So, there is a motivation to act quickly. As to how much of an immediate impact there will be here in California is also a question. We have competing projects some of which are quite ambitious and costly. There are plans for an electrified Burbank to Anaheim passenger rail system, straightening the Los Angeles to San Diego rail line and building a 1.3 mile tunnel to extend a passenger line to downtown San Francisco. Stay tuned — Change may or may not be coming our way.

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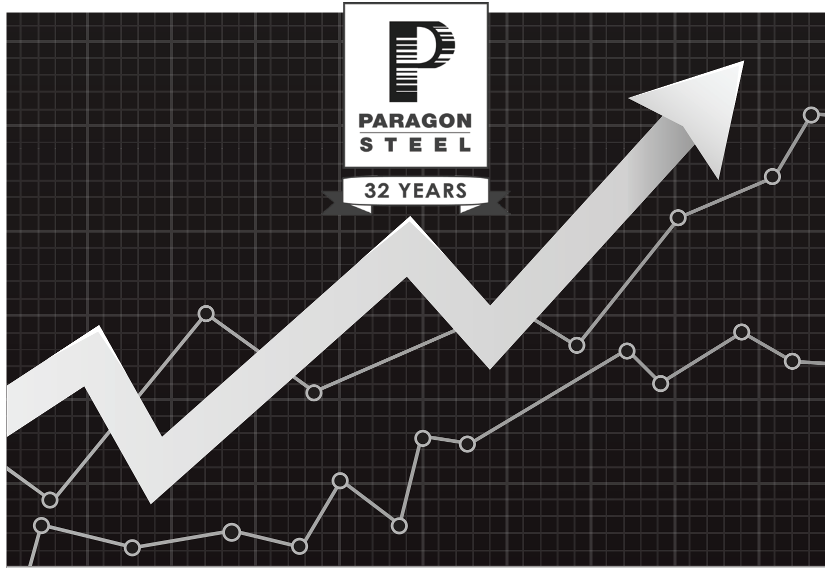

STEEL MARKET FORECAST
Buckle your Seat Belts

By Jim Stavis

As if 2020 did not cause enough havoc in our lives, the steel industry has also had its share of uncertainty here in 2021. Steel prices have risen

con't inside

since bottoming out last summer and have hopefully now peaked. Fortunately, there are signs that the astonishing uptrend in steel prices may be finally losing steam. As a distributor of all metals, we have had a flood of inquiries from customers across the country trying to find pricing from a year ago. Unfortunately, it is just not there. What has become a greater priority for most customers is finding steel to keep their operations going —at any price. The shortages in the marketplace have become quite acute, plus the mills are quoting longer and longer lead times. This really has created a panic situation we have not experienced in years.

Steel analysts forecast prices to peak within the first and seconds quarters and then will be on a slow decline through the rest of 2021. Supply is expected to increase more quickly than demand in the second half of the year as mills add capacity and as imports ordered now on order hit U.S. shores over the summer. There are some key indicators that support this projection.

- The upward momentum in steel pricing appears to be slowing. At least the increases announced have slowed down.
- Lead times from spot orders from steel mills have extended to record levels in the past six months, but now appear to be leveling out. Lead times are an indicator of demand — the longer the lead times, the busier the mills and the higher the price.
- With U.S. steel prices high, lead times long and shortages in the marketplace, more buyers have rolled the dice and placed orders for import steel to arrive at the end of spring, beginning of summer. The hope is that domestic prices do not crater in the meantime.
- Current data reflects service center inventories to be at record low levels. This is in part due to the lack of availability of steel and the fear of falling prices.

Distributors don't want to be caught bringing in higher priced steel, knowing that eventually prices will fall. It has created a very conservative mind set for many distributors.

- Steel prices are a function of demand. Last year domestic shipments declined by 15%. How much of that can be attributed to the pandemic and how much to other factors? That is hard to know.
- Lastly, there have been increases with costs that impact the manufacturing costs of steel. Prices of scrap, which is remelted by minimills has been rising, but is now starting to level off. Iron ore prices have been up one month and down the next, so it is hard for the mills to know exactly what their costs will be. Raw material costs do factor into the fluctuating market of steel.

All in all, it's anyone's guess as to which direction the markets will go. As the economy heats up with the government stimulus package, we may see a rise in demand for automobiles, appliances, energy and a host of other steel using industries. Construction may take off if and when an infrastructure bills passes through congress (*see next article*). There are signs of life everywhere and reasons for optimism for 2021. It may just be a bumpy ride, so be sure to buckle your seat belts!

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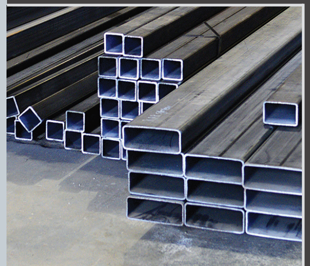

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