

THE LMS NEWSLETTER



Reinforcing
the growth of Western
Canadian communities

Steel Pricing - Current Calm, Future Uncertain

Steel prices have continued with general calm in recent months. Where prices go next will depend in part on whether and to what extent regional or global pressures on pricing prevail.

As noted previously, the US construction sector is in the midst of a turn around. An incredibly weak past five years is finally coming off of historic lows. In addition to the construction industry, the auto industry is healthy again, with Ford and Chrysler posting record sales. Airplane manufacturers have seen a similar turnaround. All of this bodes very well for US steel mills.

While the turnout in US steel demand finally appears real and sustained, steel mills are still waiting for the full effect of the changing market to take hold and hit their order books. Their hope is that as we move into the spring construction they will see an uptick in sales, and upwards pressure on pricing. At the moment therefore, while the mood is filled with optimism, the resulting sales have yet to catch up with expectations.

Looking globally, the picture for steel prices going forward is substantially less clear.

Certainly the problems in Europe are well known, and it seems highly unlikely that construction demand will rise noticeably there any time soon. Even if the many distinct crises' are resolved, and the Euro region remains intact, it may take years for a healthy construction market to return to the region. This reality suggests flat to downwards pressure on steel pricing coming from this region.

Asia too has shown signs of weakness. China, the great engine of global growth in our time, is taking somewhat of a breather. Despite massive economic stimulus of about 250 billion euros in 2012, China's economy grew only by about 7.8 percent last year - the lowest growth rate since 1999. The Organization of Economic Cooperation and Development in its index of leading economic indicators suggested sluggish growth would continue this year.

China's consumption of iron ore and production of steel rose by double-digit percentage in most years between 2000 and 2009. This growth has put unrelenting upwards pressure on steel pricing. By contrast, 2013 is expected to see far more modest growth in Chinese steel consumption and production.

China retains a massive financial capacity to prime its economy as needed to stimulate growth. Earlier this year, the government announced an extra 14.4 billion euros aimed at improving China's infrastructure and transport system, with an additional allocation for projects such as highways, waterways and docks. However, these sums are tiny compared to what the government is capable of, should it determine that the economy needs a substantial shot in the arm.

It seems likely therefore that demand from China will not drop dramatically in 2013. Either it will remain relatively flat and sluggish, or it will gain traction – either through economic recovery or government intervention.

In summary, regional demand pressure suggests increasing steel prices as we enter into the construction season. However, such regional price increase pressure is likely to be tempered by continued uncertainty and weakness in two of the world's major steel regions.

LMS Co-Founders Celebrate 25 Years in Business

25 years ago, two hard-working young ironworkers formed the idea of joining forces and starting a business. Starting in 1988 as VanRon Reinforcing, Ivan Harmatny & Ron McNeil began providing reinforcing steel services out of their pickup trucks to projects in the lower mainland of BC.

The two quickly earned a reputation with customers for reliability, professionalism and service, and a reputation of fairness with their employees.

The past 25 years have brought tremendous success and growth to LMS, but the original values that led to the founders' early success remain the same. With the values of the Co-Founders firmly in place, LMS looks forward to another 25 years of success ahead.