

## CONSTRUCTION PROJECTS RELIANT ON STEEL MAY COST MORE, IN THE SHORT TERM

Many steel mills dialed back production due to COVID-19, with some of these mills having over 9.4 million tons of steel making capacity. Currently, they are engaged in planned outages and some unforeseen equipment failures, which are keeping supplies tight. High scrap prices in August and September are still working their way through the marketplace. The result of these actions has been continuing price increases for rebar, steel plate, and structural steel as recently as mid-December.

While forecasted drops in steel prices for 4th quarter 2020 failed to materialize, the underlying factors for the forecast remain in place. According to The Fabricator, citing BofA analysis, more than 10 million tons of new production is planned to come online in the next two years, including a doubling of capacity at Big River Steel in Arkansas, Steel Dynamics' new mill in Texas, Nucor's new plate mill and expansion in Kentucky, and ArcelorMittal's new slab mill in Alabama. Some analysts are concerned that a glut in the market is around the corner, driving steel prices down considerably.

Steel fabricators may question whether backlog is a good thing right now, but the next couple of years look attractive for industries planning projects that require steel plate and structural steel fabrications. Structural steel and steel plate fabricators have reason to be optimistic for 2021 and 2022.

In the interim, the rising cost of raw steel materials from the domestic mills will make pricing for ASME pressure vessels, API shop fabricated storage tanks, rolled and welded (R&W) large diameter pipe, and our full line of quality fabrications volatile until raw materials pricing stabilizes. At Dixie Southern, we are committed to providing our clients high-quality, competitively priced fabricated steel plate products and will continue to monitor the situation in earnest.

### **Sources:**

cnbc.com  
thefabricator.com

