



## Coronavirus Impact on US Steel Industry & Outlook

Prepared for  
Independent Steel Alliance  
First River LLC, Pittsburgh PA  
May 7, 2020

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### Key messages

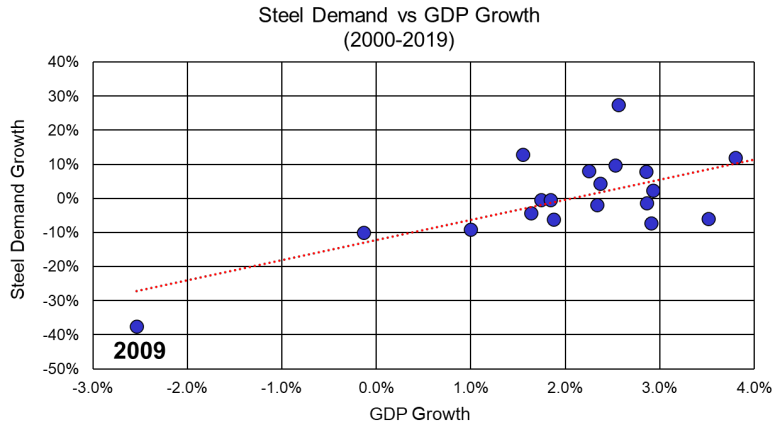
- It's bad, but too much uncertainty to know how bad
- V, U, extended U, L – pick your shape
  - We have no official view yet...
  - But least likely V-shaped recovery
- Steel industry passing through the Great Pandemic is different from the one that passed through the Great Recession
  - More consolidated
  - Better balance sheets
- Consumer in better shape going in – but coming out?
  - Will bigger stimulus make a difference?

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In 2009 financial crisis, GDP fell 2.5% and steel demand fell 37%



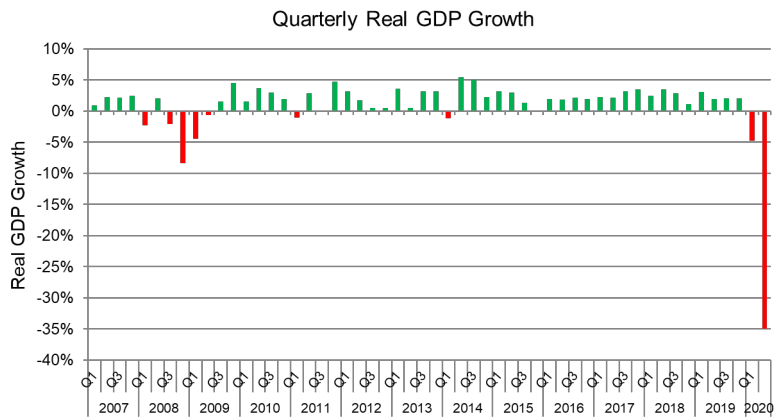
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Source: US BEA, AISI, First River

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Q2 GDP expected to drop by unprecedented 30-40%



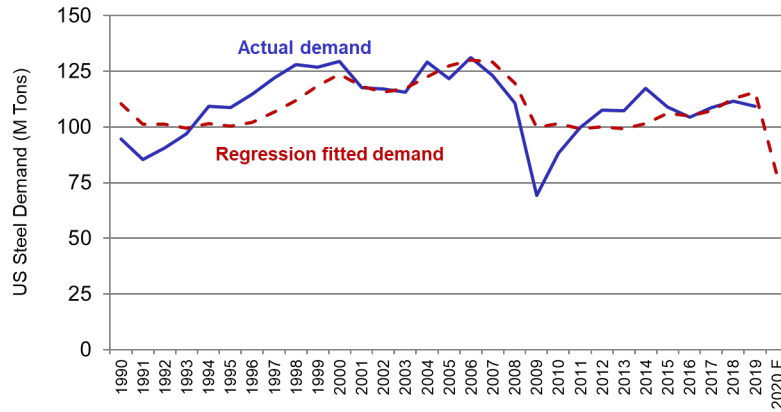
Source: First River Steel Data Room

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If GDP falls 5.5% for the year, steel demand could fall by 30 MT, -28%



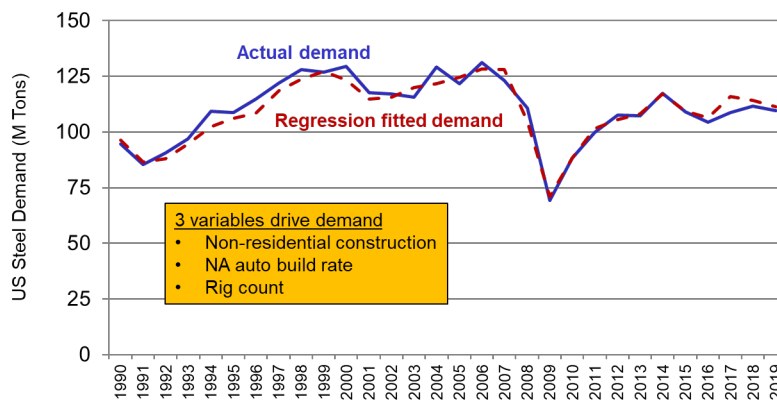
Source: First River

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Three end markets drive steel demand



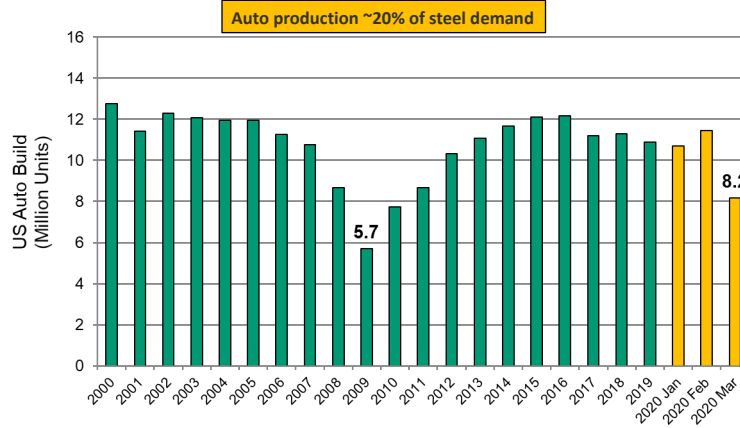
Source: First River

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### US vehicle build fell to 8mm unit rate and will be lower in April and May



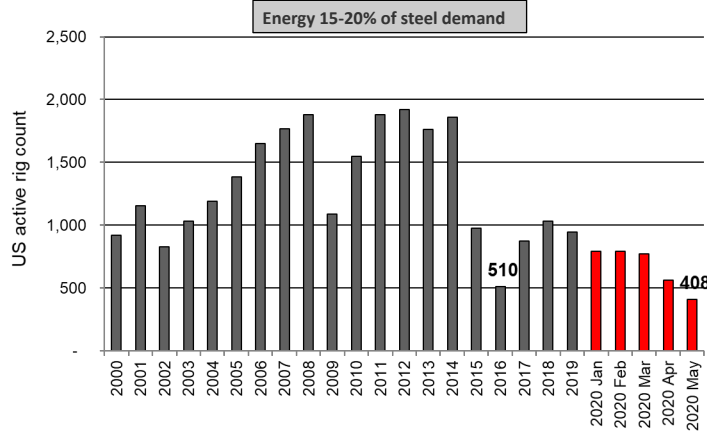
Source: First River Steel Data Room

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### Rig count in May fell below 2016 annual average



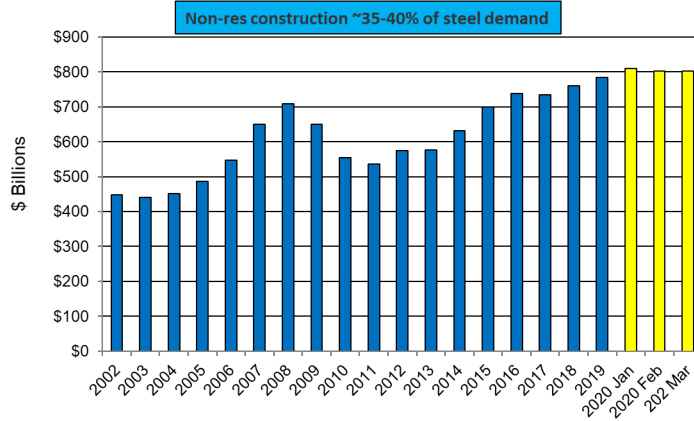
Source: First River Steel Data Room

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## Non-res construction slowdown not evident in the data yet, but you tell me



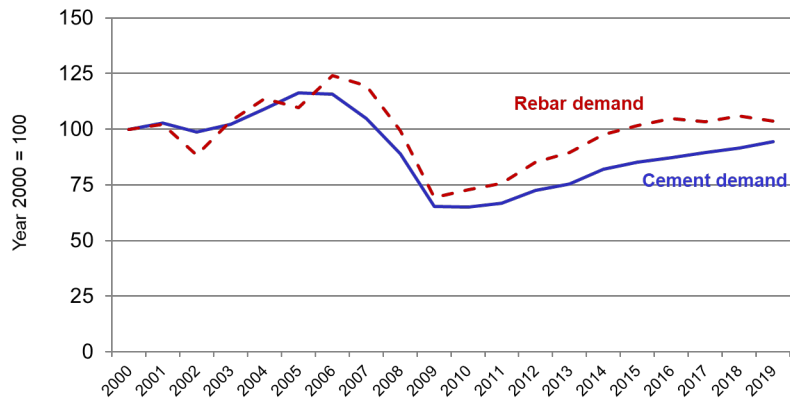
Source: First River Steel Data Room

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## Rebar demand follows cement consumption



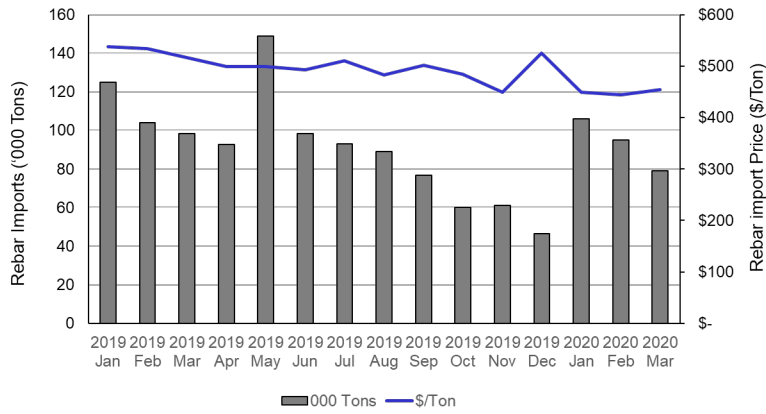
Source: First River, PCA

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## Rebar import volume has fallen off slightly, but prices are stable



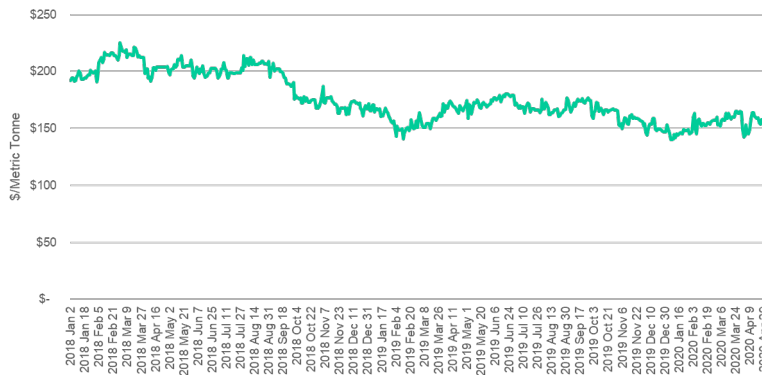
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Source: First River Steel Data Room

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## Rebar vs Scrap spread LME Futures closing price, daily, 1/2018-5/2020



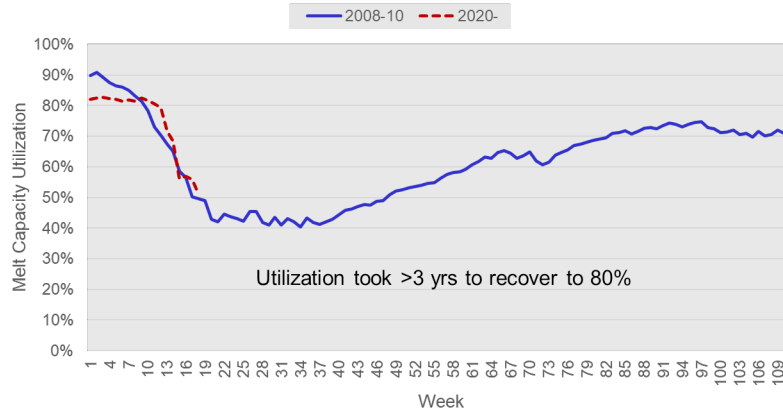
Source: First River Steel Data Room

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### Comparative melt utilization Weekly, Aug Yr 1 to Sept Yr 3, except 2020 - January



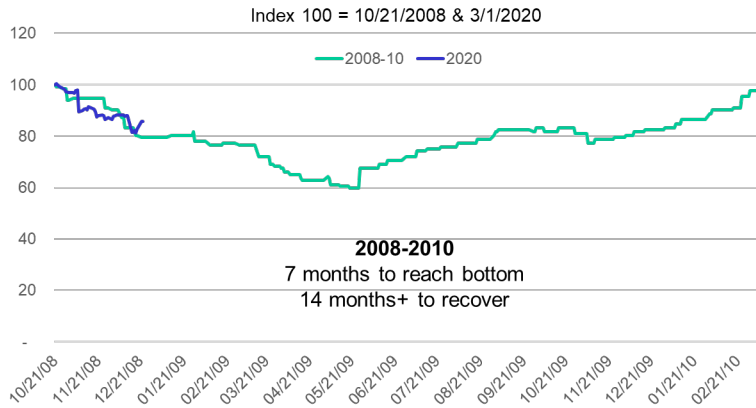
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Source: AISI, First River Steel Data Room

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### Daily price comparison CRU Midwest HRC Daily settlement price



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Source: FactSet

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## Estimated Idlings & Net Capacity

May 2020

>50% BF idled; ~5% of EAFs; >15% of all US Steelmaking Capacity

MT, Est.	BF/EAF Idled	BF Available	Implied Steel Cap
US Steel	6.0	4.0	5.0
ArcelorMittal	5.1	6.5	8.1
AK Steel	1.8	2.0	2.5
<b>Total Integrated</b>	<b>12.9</b>	<b>12.5</b>	<b>15.6</b>
EAFs	4.0	-	73.0
<b>TOTAL</b>			<b>88.6</b>

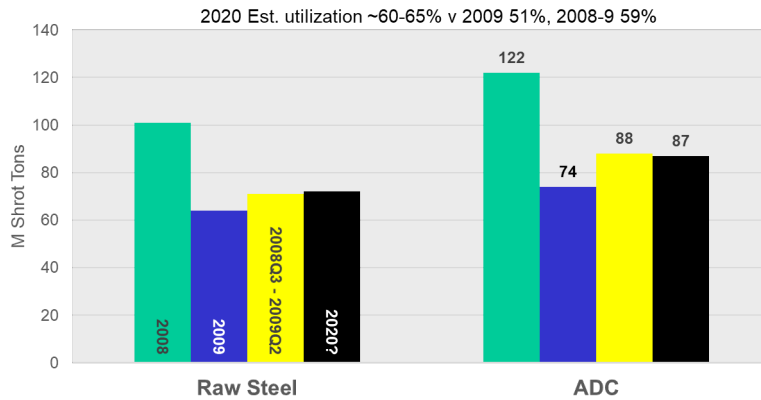
Source: First River

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## What 2020 might look like...



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[jamesm@first-river.com](mailto:jamesm@first-river.com)  
[tonytac@first-river.com](mailto:tonytac@first-river.com)

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