

Market News in Steel Fabrication

If you are in the steel industry, whether it be supply chain, fabricator or consumer, you're probably aware that steel prices have been on the rise since late 2020.

Steel costs are now reaching an all-time high, impacting everyone who is buying or selling steel products, including steel cable support systems.

For more than 30 years, EzyStrut has been providing fabricated steel products to electrical, plumbing and mechanical contractors throughout Australia and New Zealand. We have endured price fluctuations and material shortages in the past, and we know that communication is critical for our customers to understand why prices are changing and how this affects you.

Why have steel prices increased so rapidly since late 2020?

Steel prices are driven by global market conditions, mostly supply and demand. While Australia is self sufficient with iron ore mining, the country does not have the capacity to mill all profiles for domestic use. Some of the largest steel mills are in countries that have been severely affected by COVID-19, resulting in lengthy closures.

Mid 2020

The demand for steel was stable with Job Keeper and Job Seeker playing a part in allowing some businesses to shut down as necessary to keep people safe.

Late 2020

The Australian government announces the roadmap out of COVID-19, hedged on a strong construction pipeline aimed at getting people back to work.

Early 2021

The construction industry is in full swing, Australia has managed to contain any major outbreaks of COVID-19 domestically, the local demand for steel is now high, domestic mills are picking up on a shortfall of supply from some international mills as their countries continue to struggle to contain COVID-19 outbreaks.

Mid 2021

Global demand for steel is high. As economies reopen, their services are now in high demand. Domestic steel mills begin to increase pricing in line with import prices.

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Steel Price Increase Timeline

Normal steel price fluctuations are on average +/- 5% over twelve months. From the second half of 2020, we have seen steel prices increase significantly, and they have only continued to do so. Here is a breakdown of the steel price rises since July 2020.

December 2020	+5% from July 2020
March 2021	+10% from December 2020
March 2021	EzyStrut announces 15% price rise on finished goods effective April 1st, 2021
April 2021	+10% from March 2021
June 2021	+5% from April 2021
July 2021	EzyStrut announces 15% price rise on finished goods effective August 1st, 2021
July 2021	+5% from June 2021 (<i>expected</i>)
August 2021	+5% from July 2021 (<i>expected</i>)
September 2021	+10% from August 2021 (<i>expected</i>)

Current market trends show it is unlikely prices will be going down in the short term.

What does this steel shortage and price rise mean for manufacturers and consumers?

In basic terms it means Australian steel distributors have a higher demand versus supply capacity. At times like these, the supply chain can impose restrictions on purchase quantity, increase purchase pricing to meet market rates or refuse to supply customers who do not have a stable trading history with the supplier.

EzyStrut are fortunate to be a local consumer and manufacturer, with almost all our raw materials milled domestically. Our relationships in the steel industry have enabled us to offer our customers supply continuity and early price rise guidance.

Consumer considerations

In recent times, it has become a requirement to add provisions to our market pricing offers including:

- ▶ Rise & Fall Clauses to long term supply contracts and design bids.
- ▶ Reduced validity on fixed price quotes.
- ▶ Long term forecasting on large projects.

We ask that our customers and end users be upfront about the state of Australian steel market, please ensure that your clients are aware of:

- ▶ Current price rise implications.
- ▶ Fixed price limitations.
- ▶ Extended lead times.
- ▶ Forecasting requirements.
- ▶ Provision for future price rises.

It is evident that supply shortages and price rises are not limited to the steel industry, and we expect that our customers are learning to deal with similar issues with other building products. We trust that communication will allow our customers to play a successful role in ensuring profitable delivery of current and future projects.

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