



is a leading steel information service in Englewood Cliffs, N.J., USA

WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.



Authors

Peter Marcus (left) managing partner, World Steel Dynamics
 pmarcus@worldsteeldynamics.com
 +1.201.503.0902

John Villa (right) research strategist, World Steel Dynamics
 jvilla@worldsteeldynamics.com
 +1.201.503.0911

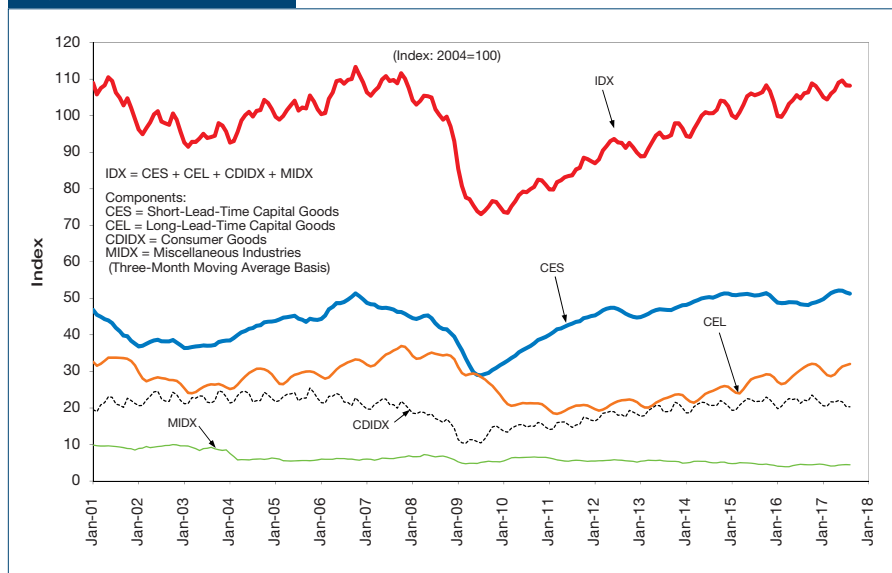
Weighted Index of Activity (IDX) up moderately for 15 U.S. steel-consuming industries

After rising 3.9% in 2015, but only 0.7% in 2016, WSD's IDX is up an average of 3.6% for the first eight months of 2017. This rise is composed of a 6.1% increase for the capital equipment short-lead-time (CES) component of the overall index; a 5.4% rise for the capital equipment long-lead-time (CEL) component; and a 3.7% drop in the consumer goods (CDIDX) component.

Looking ahead the next few years, a surge in capital spending in the United States (perhaps reflecting a sizable investment credit on capital outlays by businesses) seems to be essential if U.S. steel demand is to rise significantly given the following: (a) many U.S. municipalities

have high debt and sizable entitlement obligations for retiree pension and medical costs — both of which limit their ability to engage in the financing of sizable infrastructure projects; (b) there's been about a 50% decline in U.S. retail commercial construction as internet shopping takes away market share from shopping at brick-and-mortar operations; (c) surging oil and gas drilling, which has significantly driven up steel demand, may now be approaching a peak; (d) U.S. automotive output may also be close to peak; and (e) publicly funded non-residential construction has recently fallen to a 10-year low.

Figure 1



Components of WSD Index of Steel Activity (USA).

Table 1

Components of IDX (2004=100) as of August 2017 and 2016

Indicator	Index figure		Weighted index		Year-on-year % change	Share of index	Share of index	Year-on-year first-eight-months % change
	August 2017	August 2016	August 2017	August 2016	August		August 2017	
CES: Short-lead-time capital goods								
Oil and gas well drilling	69.0	37.1	2.07	1.11	85.8	3.0	1.9	—
Railroad rail and miscellaneous	147.5	143.9	4.43	4.32	2.5	3.0	4.0	—
Business equipment	166.5	163.4	8.32	8.17	1.9	5.0	7.5	—
Trucks (not seas. adj.)	72.3	62.5	5.06	4.38	15.6	7.0	4.6	—
Fabricated metals	121.5	117.6	14.58	14.11	3.3	12.0	13.1	—
Non-electrical machinery	140.7	134.9	16.88	16.19	4.3	12.0	15.2	—
Total	—	—	51.34	48.28	6.3	42.0	46.2	6.1
CEL: Long-lead-time capital goods								
Ships and boats construction	103.0	96.4	1.03	0.96	6.8	1.0	0.9	—
Electrical equipment	132.2	133.4	6.61	6.67	(0.9)	5.0	6.0	—
Non-residential construction (NSA)	110.6	105.6	25.44	24.28	4.8	23.0	22.9	—
Total	—	—	33.08	31.92	3.6	29.0	29.8	5.2
CDIDX: Consumer goods								
Residential housing (not seas. adj.)	68.1	62.0	2.04	1.86	9.8	3.0	1.8	—
Household appliance	97.5	95.6	3.90	3.83	1.9	4.0	3.5	—
Automobiles (not seas. adj.)	101.0	116.4	16.16	18.63	(13.3)	16.0	14.6	—
Total	—	—	22.10	24.32	(9.1)	23.0	19.9	(3.8)
MIDX: Miscellaneous industries								
Defense and space equipment	130.4	128.9	1.30	1.29	1.2	1.0	1.2	—
Farm equipment	84.6	67.9	1.69	1.36	24.5	2.0	1.5	—
Metal cans	51.0	57.7	1.53	1.73	(11.5)	3.0	1.4	—
Total	—	—	4.53	4.38	3.4	6.0	4.1	2.4
Total	—	—	111.05	108.89	2.0	100.0	100.0	3.6

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