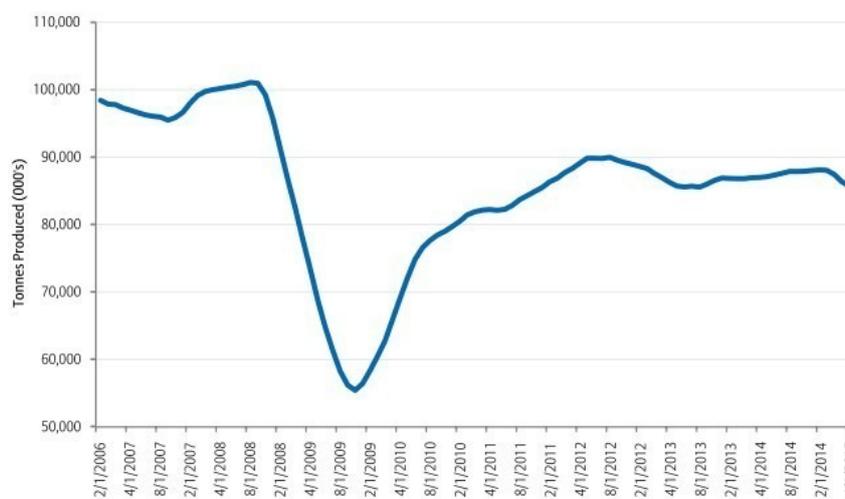


Euler Hermes U.S. Steel Industry Outlook: Global overcapacity causes major headwinds

BALTIMORE, Md. – 23 JULY 2015 – Long considered a bellwether of American manufacturing and the greater economy, the U.S. steel industry will face three major headwinds – falling prices, oversupply and foreign steel dumping – in 2015's second half, according to [Euler Hermes](#), the world leader in trade credit insurance. In its newly released [Steel Industry Outlook](#), Euler Hermes expects 2015 steel prices to decline by 18% and annual production to decrease 3%-4%, primarily due to global overcapacity.

U.S. Annual Steel Production



Sources: World Steel Association, Euler Hermes

“The U.S. steel industry plays a major role in pricing for the construction, energy, automotive, consumer appliance, railroad and heavy machinery sectors,” said Mike Wilson, Euler Hermes’ steel industry credit analyst manager. “The steel industry has slowly recovered since the 2008 recession, but production is still short of pre-crisis levels.”

The drop in both the oil price and drilling rig count has drastically decreased demand for tubular products and for flat-rolled products that create tubular products. Additionally in Q1, capacity utilization fell below the 70% threshold. The U.S. dollar’s strength drove an unprecedented level of steel imports during the same period, equal to about one-third of steel sold in the U.S.

Corporate consolidations and insolvency increases are likely, due to the industry’s falling prices and annual production decreases. A number of North America’s primary producers will weather the downturn through fully vertical integration and variable cost structures. Conversely, smaller players that lack vertical integration and have fixed cost structures may become potential acquisition targets for big names looking to gain additional production capacity and market share.

Construction, machinery and equipment, and automotive companies should enjoy the benefits of lower-priced material for at least the next six to 12 months. However, companies with buyers in the steel producing and services sectors should exercise caution when extending credit to these buyers due to increased uncertainty, according to Euler Hermes.

Read more in Euler Hermes’ [Steel Industry Outlook](#).

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