Market Insights

JAN 2025 EDITION

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Content

METALS MARKET OVERVIEW

The global metals market is navigating a complex landscape in early 2025, marked by regional shifts, evolving trade policies, and fluctuating demand. **In North America, steel prices are rising, driven by lower interest rates and potential protectionist trade measures. However, the addition of new domestic steel capacity could temper significant price surges.** Mills face market resistance in pushing higher coil prices, with hot rolled coil trading below major producers' published rates. The planned 25% tariffs on U.S. steel imports from Canada further complicate dynamics, with potential reciprocal tariffs threatening supply chain stability.

In Europe, flat steel prices are expected to rise 10-13%, while long steel sees a more modest 3-6% increase, driven by mills improving margins amid low-capacity utilization and reduced imports. East Asia anticipates post-Lunar New Year price hikes supported by seasonal demand and currency stabilization, though demand remains uneven—China forecasts a 1% decline, South Korea a 0.6% dip, while Japan projects 1.7% growth.

Currency fluctuations continue to impact global trade, with a stronger U.S. dollar easing import costs but challenging export competitiveness. The global freight market remains under pressure despite some stabilization following late 2024 disruptions. Lingering port backlogs, rising fuel costs, and geopolitical tensions continue to influence capacity and rates. While container freight rates have eased from pandemic-era highs, volatility persists, especially across key Asian routes. Potential U.S.–Canada tariffs and shifting trade flows could further strain cross-border logistics, while seasonal restocking and fluctuating demand are expected to drive short-term spikes in freight costs.

This edition covers regional steel market forecasts, the impact of potential U.S.–Canada tariffs, currency fluctuation effects on trade, and freight market trends following late 2024 disruptions.

The *Purchasing Price Index*, which is a measure of the average change in the prices paid by the consumers for a market basket of goods and services, **reflected deflationary trends over last couple of months for most regions, however in the current reporting we are sensing some market rebound due to protectionist policies in American Market. [Exhibit 1]**

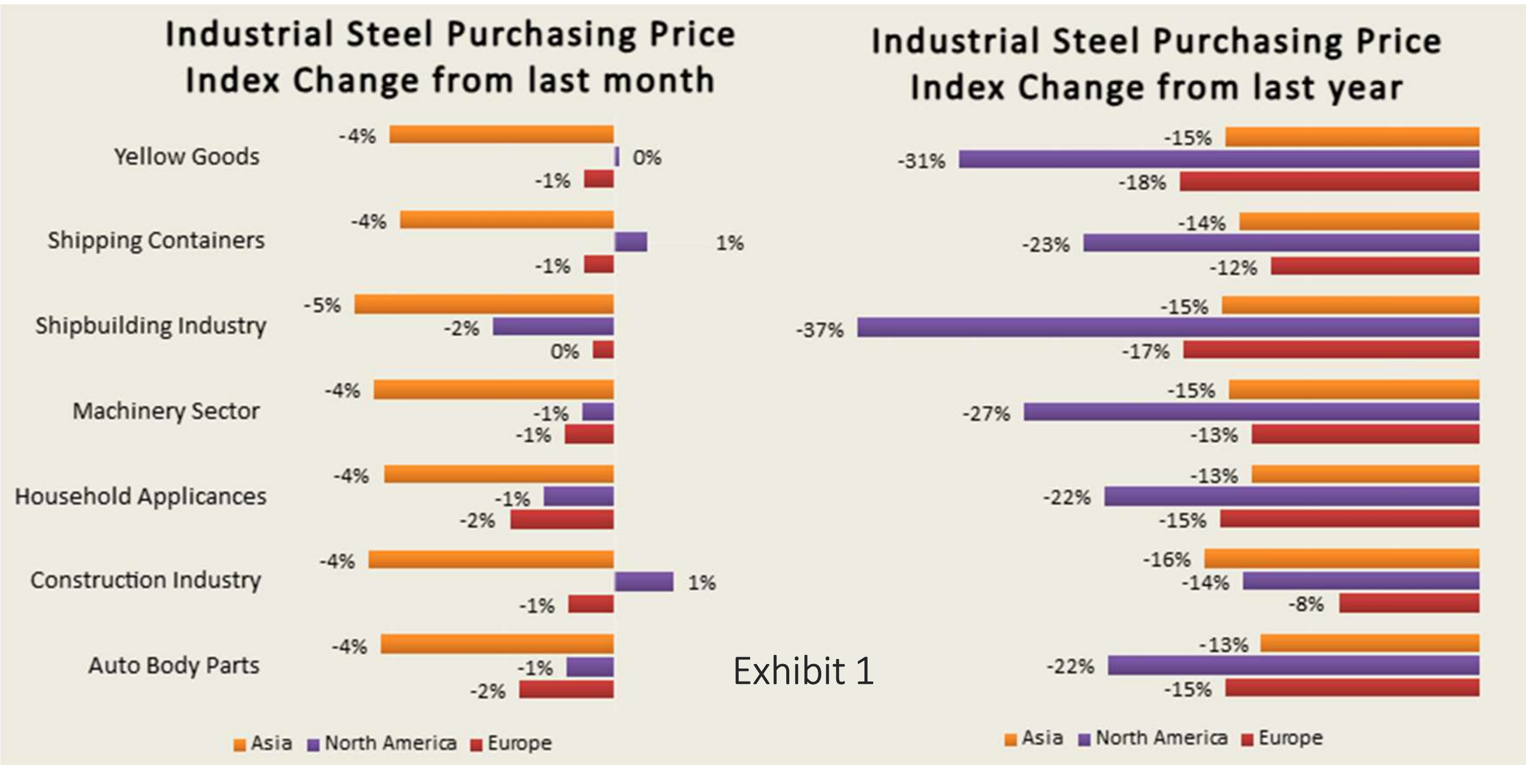


Exhibit 1

METALS MARKET OVERVIEW

Exhibit 2

Base Metal- Click on the links below for each index	% Change prior 5 Years, same	% Change prior 3 Years, same period	% Chg. V from last year, same period	% Chg from prior month
Steel Coil Hot Rolled	18.96%	-41.68%	-32.93%	-0.81%
304 Stainless	34.50%	-20.61%	-5.10%	-1.81%
Wire Rod - Cold Heading	63.16%	-17.33%	-7.46%	0.00%
Scrap-#1 Busheling Chicago	33.33%	-23.08%	-21.57%	5.26%
Steel Coil - Cold Rolled	20.00%	-48.90%	-29.01%	4.49%
Nylon PA66	-21.18%	-36.76%	6.67%	0.00%
China Steel C1022	39.53%	-5.76%	-4.00%	0.00%
Plastic products - PPI -WPU072	31.79%	5.28%	0.74%	0.18%
Special Quality Steel Bar 4100	53.36%	-16.56%	-12.67%	1.55%
Rubber	-16.55%	-34.38%	-8.27%	-4.99%
Nickel	18.62%	-33.89%	-6.43%	-0.38%
Copper	69.13%	-1.30%	9.21%	6.92%
HR Plate US	19.35%	-55.54%	-42.01%	-2.43%
Aluminum	26.31%	-13.29%	18.95%	-4.04%
316L Stainless Steel	51.07%	-12.68%	0.92%	-1.70%

- Prices showing a significant drop over the prior 3-year-old price point, but they are still much higher than the pre-covid era, in most cases.
- 2022 was the peak for metals market (historical peak in many cases), hence benchmarking against 3-year-old timeline, that is 2022, may not capture the full picture, especially when the inventory levels were high at that time, and thus show an artificial deflation.

Exhibit 3

Base Metal- Click on the links below for each index	% Change prior 5 Years, same period	% Change prior 3 Years, same period	% Chg. V from last year, same period	% Chg from prior month
American Unit Labor Costs	18.39%	10.79%	1.46%	0.00%
Average Wages - Taiwan	10.56%	5.21%	3.04%	0.39%
Average Wages - Vietnam	17.81%	15.07%	6.33%	0.00%
Heat Treating	49.41%	38.84%	9.03%	0.00%
Electroplating	21.58%	16.10%	-0.60%	0.00%
Metal Plating and Polishing	20.05%	15.09%	-0.54%	0.00%

- Labor and Secondary costs, which also translates to general inflation has also increased over the course of 5 years as well as during the 3-year and 1-year timelines

METALS MARKET OVERVIEW

Flat Products:

- North American steel manufacturers faced resistance in their attempts to raise coil prices in January. In the U.S., market participants are buying hot rolled coil well below the published rates of Cleveland-Cliffs (USD 800 per short ton) and Nucor (USD 760 per short ton). A recent price increase for tubular products also failed to gain market support.
- Mills and distributors on both sides of the border are preparing for the potential 25% tariffs on U.S. steel imports from Canada, with reciprocal tariffs on U.S. exports to Canada. Some North American steel participants are already reducing cross-border trade in anticipation of these measures.
- Declining imports and rising energy costs are supporting efforts to raise coil prices in Northern Europe. Mills increased offers by EUR 30-40 in January, but limited spot sales led to smaller gains of around EUR 10 per tonne. Concerns over antidumping duties and potential import restrictions, especially on galvanized material from Vietnam, are also driving price increases in Spain and Italy.
- Coil prices declined in China and Taiwan this month, with value-added coil prices also falling in South Korea. Across East Asia, market participants are destocking ahead of the Chinese New Year on January 29, further pressuring prices during an already slow seasonal period. Sentiment remains weak, driven in part by concerns over potential U.S. tariffs on Asian imports under President Trump, which could dampen regional steel demand.

Long Products:

- North American rebar and wire rod producers secured higher transaction prices in January, driven by rising scrap values and limited wire rod supply. Mill delivery lead times have extended, partly due to production stoppages at Liberty Steel's plants in Illinois and South Carolina, along with capacity cuts at Nucor's Connecticut facility. Rebar followed a similar trend, with Nucor's price increases seeing partial success.
- Wire rod demand saw a slight uptick in Northern Europe in early January, driven by some stock replenishment. However, short delivery lead times persist, and prices for high-carbon and cold-heading grades remain under pressure.
- Rebar and wire rod prices fell across East Asia amid weak construction demand. Despite discounts, order activity remained low as distributors cleared inventories before the Chinese New Year. Mills are cautious about further cuts due to tight margins, while competition from Chinese suppliers adds pressure. A recovery in key sectors is hoped for by late Q1 2025.

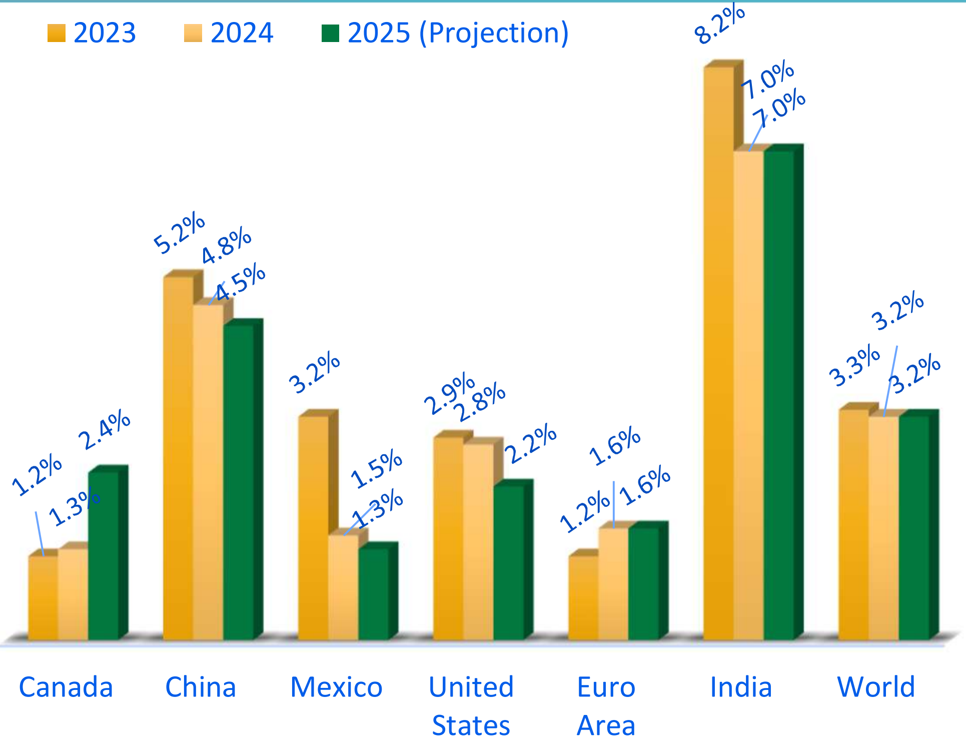
Exhibit 4

GDP Growth Projection - IMF (% Changes)

The GDP projections indicate a slight deceleration in growth for China and the United States from 2024 to 2025, while Canada, Mexico, the Euro Area, India, and the global economy are expected to experience modest growth acceleration during the same period.

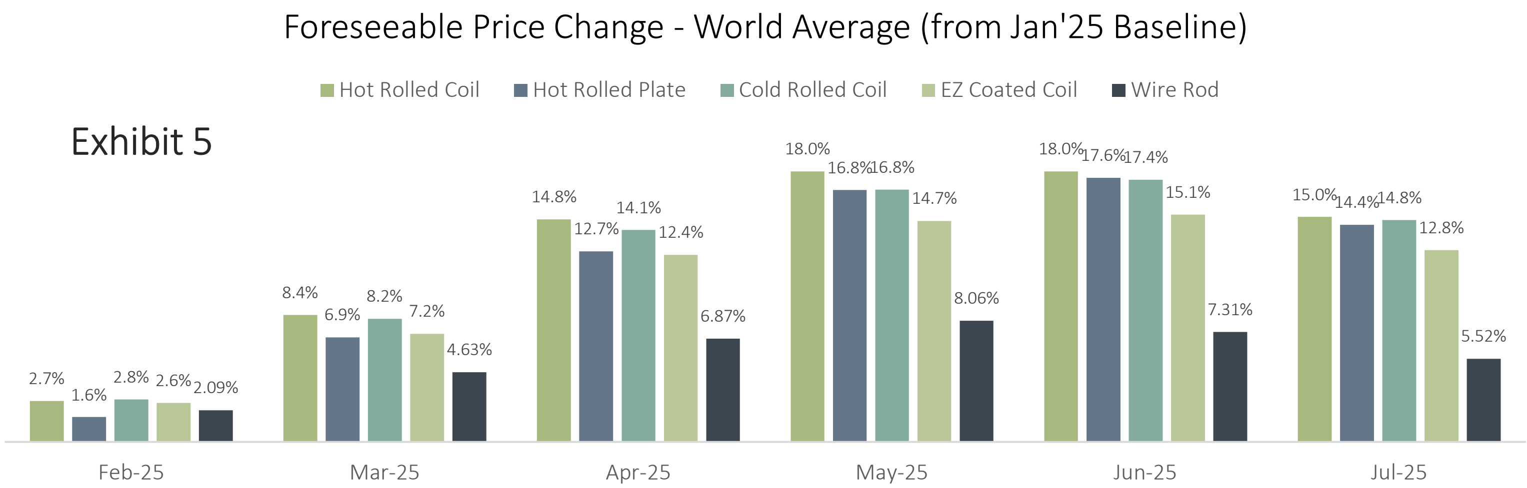
Key industries poised for significant expansion in 2025:

- AI & Semiconductors
- Cybersecurity
- Renewable Energy
- Financial Services & E-Commerce
- Aerospace



NEAR TERM FORECAST

Exhibit 5



[Exhibit5] In Europe, flat product prices are projected to increase by 10-13% in the first half of 2025, while long steel product prices are expected to rise by 3-6%. Mills will push for higher prices due to narrow profit margins. Low-capacity utilization and a drop in import volumes are expected to further support these price increases.

Steel prices in East Asia are expected to rise in the first half of 2025, driven by a rebound in market activity after the Lunar New Year, seasonal demand increases, and the stabilization of local currencies. Long steel prices are also set to increase as mills push for higher prices to address low margins. However, steel demand is projected to decline further, with China's demand dropping by 1% in 2025, South Korea seeing a slight 0.6% decrease, and Japan experiencing a 1.7% increase.

[Exhibit 6] In North America, average steel prices are expected to rise in the first half of 2025, supported by lower interest rates and potential protectionist trade policies. However, new domestic steel capacity may limit the full extent of the price rebound.

Despite efforts by North American manufacturers to raise coil prices in January, they faced significant resistance. In the U.S., market participants are purchasing hot rolled coil well below the prices published by Cleveland-Cliffs and Nucor, and a recent price increase for tubular products has not gained market support.

Mills and distributors are preparing for the potential implementation of 25% tariffs on U.S. steel imports from Canada, with reciprocal tariffs likely on U.S. exports to Canada. Some North American steel players are already taking steps to reduce cross-border trade in anticipation of these measures.

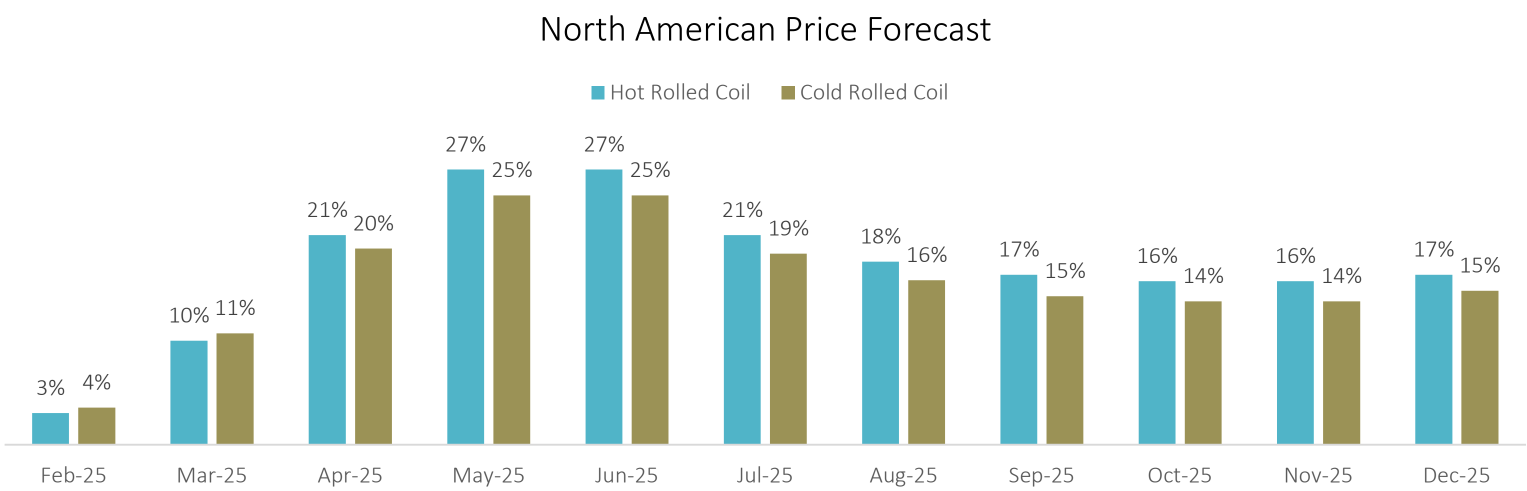
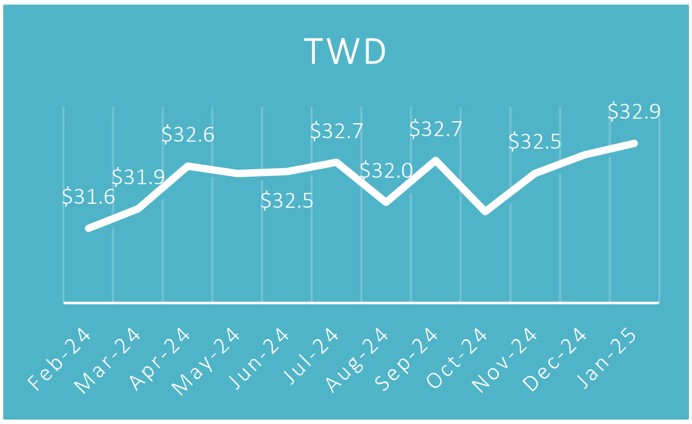


Exhibit 6

CURRENCY OVERVIEW

Most key currencies have stayed within +/-2% band in the last month showing a stable greenback. However, looking at the longer horizon in the past 12 months, USD has strengthened about 1.6% against Chinese Yuan, 4.25% against Euro, 8.1% against Canadian dollar and 20% against Mexican Peso, while weakened 5.1% % against Thai Bhat.

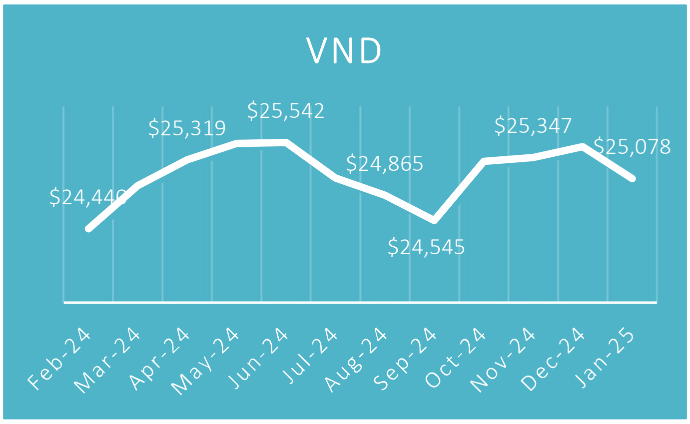
Due to a strong USD, currency has been a cushion to some extent in negotiating with our international suppliers, however, the impact of currency increase has been much smaller compared to other increases.

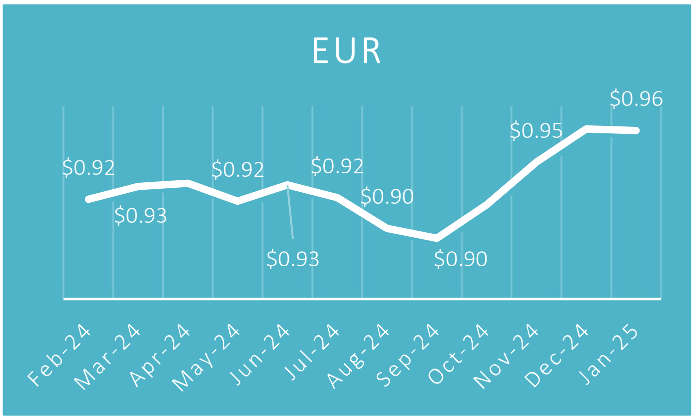


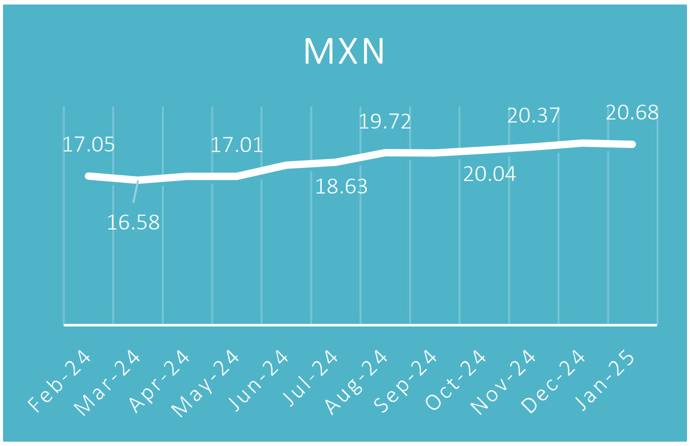
The trailing 12 months record show that the USD has strengthened/weakened by:

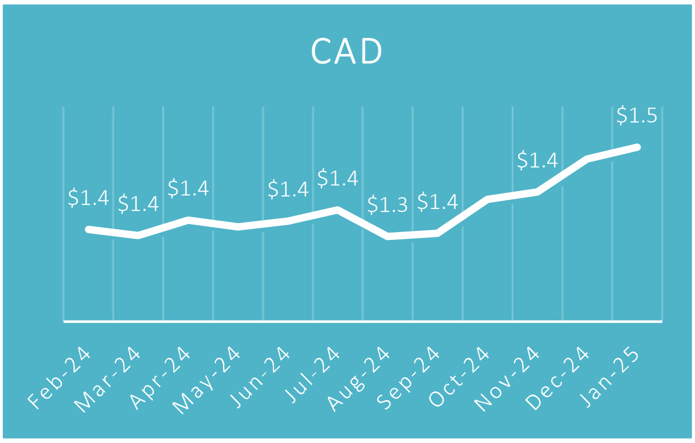
1. -5.11% against Thai Bhat
2. 20% against Mexican Peso
3. 8.1% against Canadian dollar
4. 9.2% against South Korean Won
5. 1.62% against Chinese Yuan
6. 4.25% against Euro
7. 4.18% against Indian Rupees

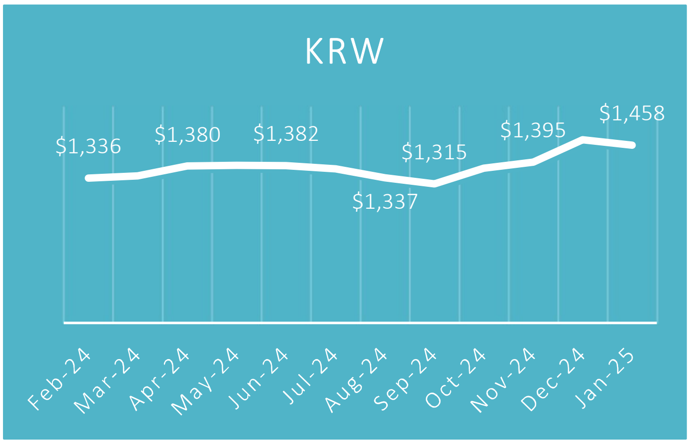
Exhibit 7

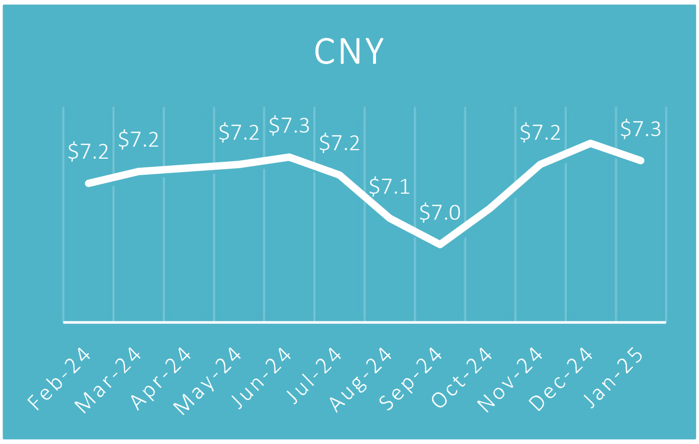












Freight Update

Platts Containers update

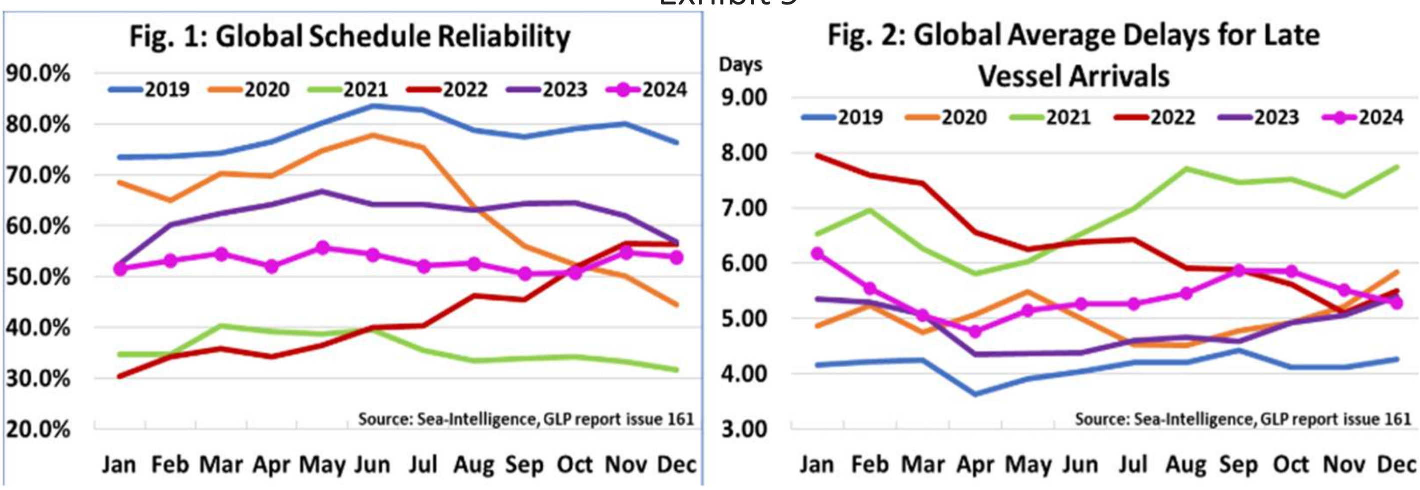
- The global container market declined in January amid alliance shifts, policy changes, and disruption resolutions, defying historical trends of rising freight rates before the Chinese Lunar New Year. On Jan. 31, the Platts Container Index (PCI) fell 23% month-over-month to $3,749.5 per FEU. Meanwhile, China's manufacturing sector saw modest growth for the fourth straight month, as per S&P Global PMI.
- The index dropped 0.4 points from December to 50.1 in January, slightly above neutral. Chinese manufacturers grew more optimistic amid stronger demand and policy support, but trade concerns and U.S. tariff threats kept sentiment below average, the PMI report noted.
- The North American market saw significant shifts as the resolution of the International Longshoremen's Association (ILA) labor strike on both coasts drove freight rates downward. Meanwhile, the inauguration of the new U.S. president introduced a more protectionist trade stance, increasing market uncertainty. The ILA and the U.S. Maritime Alliance reached a tentative agreement on January 8, following the resumption of negotiations on January 7.

Exhibit 8

Ocean Freight Schedule Reliability

As per Sea-Intelligence In December 2024, global schedule reliability declined by 0.9 percentage points month-over-month (M/M) to 53.8%. Throughout the year, reliability has generally fluctuated between 50% and 55%. Year-over-year (Y/Y), schedule reliability in December was 3.0 percentage points lower.
The average delay for late vessel arrivals improved, decreasing by 0.23 days M/M to 5.28 days—the shortest delay recorded since July 2024. Compared to the previous year, the December figure was 0.12 days lower.

Exhibit 9



Source : https://www.sea-intelligence.com/

Freight Update

Road Freight Update

Tariffs May Boost Trucking Demand:

The freight market remains in a prolonged recession, with uncertainty about when a rebound will occur. However, late 2024 signs, such as service failures and rising tender rejections, suggest a gradual market shift.

Freightwaves reports that President-elect Donald Trump plans to escalate tariffs on Chinese imports, aiming to boost U.S. manufacturing in key industries. Past trade agreements encouraged shifting production from China to Mexico, increasing trucking demand as manufacturing growth drives freight needs.

However, tariffs could also fuel inflation, potentially leading the Federal Reserve to raise rates. While mortgage rates may ease this year, economic shifts in 2025 could alter forecasts. A slowing economy may push rates down, while rising inflation could drive them higher.

Air Freight Update

International Air Freight Market Update, Delays, Cost Increases, and Forecast for 2025

The Freightos Air Index indicates that air cargo rates on transpacific and transatlantic routes are declining as the peak season winds down. However, prices for shipments between China and Europe remained elevated last week, reaching nearly $5.00 per kilogram.

Experts predict that demand and rates may stay high into the new year as shippers rush to bring goods into the U.S. before potential tariff changes take effect. This anticipation is driving early imports as businesses try to avoid increased costs and supply chain disruptions.

Additionally, potential revisions to de minimis rules could significantly impact air freight, especially for e-commerce and fast fashion companies. These businesses may face new fees and more complex, time-consuming customs procedures, adding to their operational challenges
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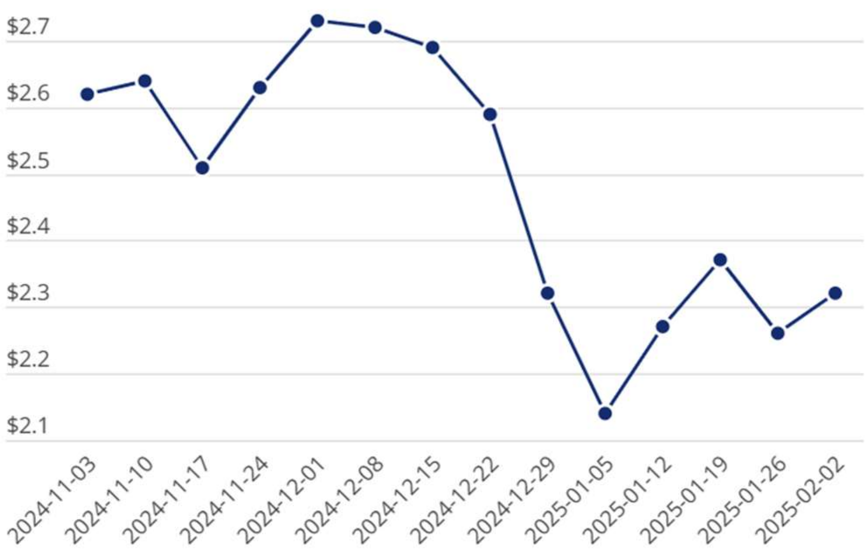
Exhibit 10



The FAX Global represents a weighted average of global air cargo rates

Source : https://www.freightos.com/

Air rates

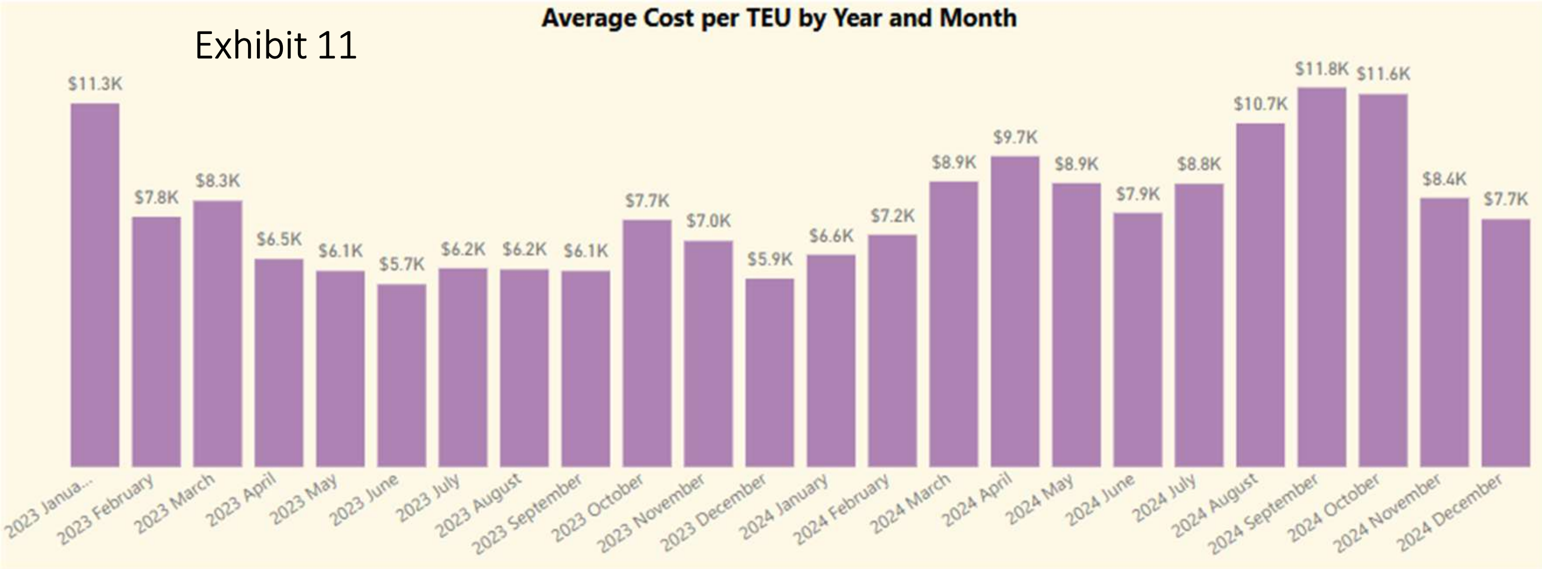
- China – N. America weekly prices decreased 9%.
- China – N. Europe weekly prices fell 1%.
- N. Europe – N. America weekly prices increased 5%.

Business Update

Exhibit 11 presents the Average Cost per TEU (Twenty-foot Equivalent) for FCL (Full-Container Load) and BCN (Buyers Consolidation) shipments for the business. **34% drop in freight has been observed since its 2024 peak in Sept2024. The freight is still 30% higher compared YOY.**

(Note: Both 40' & 20' Container as 1 TEU unit. Previously 40' Container was considered equivalent to 2 TEUs and 20' Container as 1 TEU for calculating Average Cost/TEU)

Exhibit 11



Shipment distribution for Jan 2024 to Dec 2024 showing the most billed shipments are discharged at Los Angeles displacing Savannah from the top position. These includes LCL, FCL, BCN, OBC shipment counts

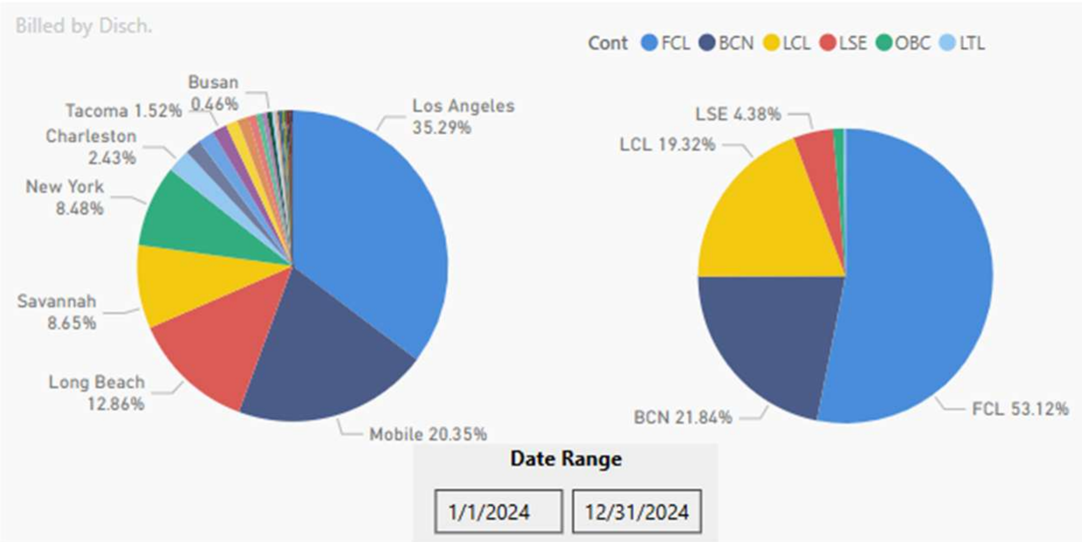
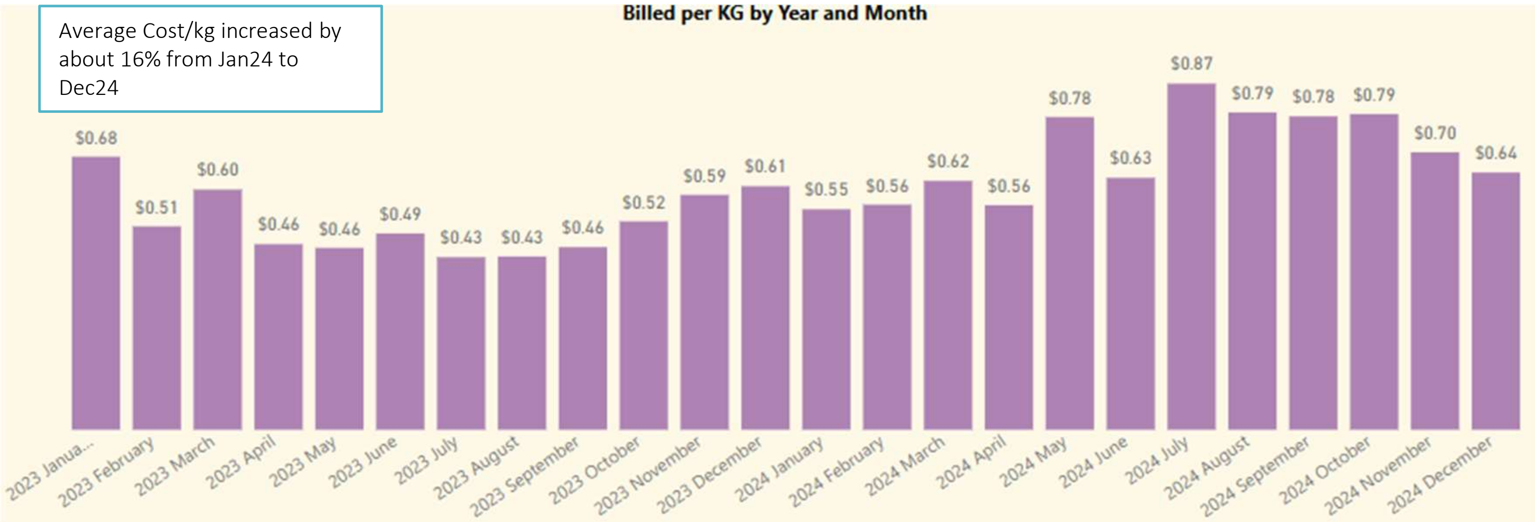


Exhibit 12

Shipment distribution by Shipment Type from Jan 2024 to Dec 2024

Exhibit 13

Average Cost/kg increased by about 16% from Jan24 to Dec24



FROM AROUND THE WORLD

The Big Picture 2025: Supply Chain

The supply chain sector is undergoing significant transformation in 2025, driven by geopolitical developments, climate policies, and technological advancements. As global trade and operations continue to evolve, businesses must navigate emerging challenges and opportunities to stay competitive.

A key challenge is the growing trend of protectionism, which has been on the rise since 2017. By 2025, international trade policies in regions such as the United States and the European Union are expected to tighten further. Countries including the U.S., Canada, Brazil, Turkey, and EU nations have imposed higher import duties on electric vehicles from mainland China. These tariffs are already reshaping global trade dynamics and could lead to increased costs in affected markets.

Climate regulations are also redefining supply chains, particularly in sectors such as steel, aluminum, and construction materials. From 2025 onward, companies operating in the European Union will need to comply with the Carbon Border Adjustment Mechanism (CBAM), which aims to reduce carbon emissions. This policy is expected to influence trade patterns by discouraging high-emission goods while promoting lower-emission alternatives. According to the Asian Development Bank, this shift could lead to trade realignments, with producers of carbon-intensive products redirecting exports away from the EU and cleaner alternatives gaining market share.

Meanwhile, technology continues to play a crucial role in enhancing supply chain efficiency and resilience. Investments in automation and artificial intelligence (AI) are becoming indispensable for optimizing operations and mitigating risks. Recent data indicates that the average number of unique suppliers per company has risen from 80 in 2020 to 116 in 2024, reflecting a move toward supplier diversification. Digital solutions for procurement and inventory management are helping businesses improve responsiveness to disruptions and minimize geographic risks.

Disruptions are nothing new. Last year, labor disputes, natural disasters, and shifting geopolitical dynamics shook supply chains, and similar challenges are expected in 2025. To navigate this turbulence, supply chain managers will prioritize network diversification, tariff mitigation, controlling parcel rate hikes, and investing in technology.

Despite new obstacles, leaders will once again develop resilience and contingency strategies to ensure their companies remain competitive.

US Tariff Exemption Update

Starting February 2025, the US has implemented new trade measures impacting goods from China and Hong Kong. These include:

- **Increased tariffs:** An additional 10% tariff has been placed on various goods.
- **End of duty-free allowance:** The "de minimis" rule, which allowed some low-value goods to enter the US duty-free, has been eliminated for Chinese products.
- **Limits on duty refunds:** Businesses will no longer be able to get refunds on the new tariffs, though refunds on existing, standard duties may still be possible.

China has responded by announcing its own set of retaliatory measures against the US.

Tariffs on goods from Canada and Mexico were initially part of this action but have been temporarily put on hold for 30 days pending further negotiations.

END