



Insulation Solutions Newsletter

Market Updates

The Latest on Aluminum and Steel Tariffs:

On May 31 the US government announced it will impose tariffs of 25% on steel exports and 10% on aluminum imports coming from the EU, Mexico and Canada. The US had originally given these regions an exemption following the initial announcement that it would impose the tariffs in March, in an effort to reach an agreement that adequately addressed US concerns on the state of its domestic steel and aluminum industry. However, all parties involved failed to reach agreement prior to the set deadline of June 1, leading to the imposition of permanent tariffs.

Canada & Mexico Implications:

- As of 2017 the US accounts for over 83% of Canadian steel exports and 100% of its aluminum exports as well as over 74% of Mexican steel exports. Due to both countries steel and aluminum industries dependence on the US, it is believed that it will not be easy for their trade dynamics to shift towards substitute markets with the same level of demand appetite.
- As a result, the new tariffs will negatively impact major steelmakers in both Mexico and Canada and aluminum producers in Canada, which are going to have to bear the brunt of higher costs in the coming months. While rising steel and aluminum prices will incentivize producers in both countries to continue ramping up output - even if at a higher cost - the imposition of tariffs will pose downside risks to production forecasts for both Mexico and Canada ahead.

Canada Response:

- Canada plans to impose tariffs of up to 25% on about \$13bn worth of US exports from 1 July. Goods affected will include some American steel, as well as consumer products such as yogurt, whiskey and coffee.

Mexico Response:

- As 80% of Mexico's exports are US-bound, Mexico's economy ministry has said it will target several US goods in response, including some steel and pipe products, lamps, berries, grapes, apples, cold cuts, pork chops and various cheese products "up to an amount comparable to

the level of damage" linked to the US tariffs.

Europe Implications:

- EU steel producers will remain relatively unscathed from the imposition of steel tariffs due to their low exposure to the US market. As an example, the US accounts for less than 7% of steel exports from UK, approximately 4% for Germany and less than 3% for France.

Europe Response:

- The European commission is consulting with member state diplomats before announcing the goods that will be targeted however the final decision is expected within weeks. Under WTO rules, EU retaliatory measures cannot come into force until 20 June at the earliest, but the list may take a little longer to go through the EU law-making process. Goods being evaluated include everything from corn and tobacco, clothing, bourbon, motorcycles, motor boats and various forms of steel.

Our Thoughts on the Impact:

Removing the tariff exemption from Canada and Mexico this soon was a little surprising. Either way, as we might expect, Canada and Mexico are not taking this lightly. Their response is probably more political because when you look at this from a supply/demand perspective, it will be impractical for the US to replace this volume of supply from within the US. Add to this the convenience of these sources and it seems unlikely that either country will lose business/volume.

Furthermore when we look at this from a US price/supply perspective, the US suppliers have effectively raised their Fab charges (cost to roll out the raw ingots into coils) and Midwest Premium charges (basically a charge for shipping the finished coils within the U.S.), so their prices have increased by 10% and 25% respectively. In the end, the tariff really hasn't changed the global competitive landscape. All they have done is raise the price of these materials in the US market.

As for ITWIS, our most recent price increase was focused on covering the tariff expense and we do not purchase raw materials from Canada or Mexico so this will not directly impact our costs. I'd also ask you to note that our aluminum prices increased by less than 10% and our stainless products were less than 25%, both were driven by the actual tariff expense which is based on our raw material cost and our mix of global supply, not the end sale price of the product.

That said, the tariffs have put a lot of volatility into the global aluminum and stainless commodity markets and it is difficult to assess how the markets will settle into these tariffs. In theory, they could settle back into more normal seasonal prices (based on supply and demand) but there is also a chance that the market will look at this as an opportunity to raise prices. If raw material costs do increase, we will need to look at another price increase.

In conclusion, if the intent of the tariff was to make it more cost effective to buy more Aluminum and Stainless from US suppliers, it didn't work because the non-US suppliers are just passing this expense on to their US customers and the US suppliers have raised their prices accordingly. In the end, all the tariffs are doing is raising the price globally. Ultimately, the US market (businesses/consumers) will pay this price.

Add to this the G7 meetings and only time will tell how this works out.

We will stay tuned.....

* Source: IHS, BMI, IIR, Petrochemical-Update

Thanks for the interest in the ITWIS Customer Portal!

A few weeks ago, we promoted our Customer Portal in our newsletter, and the response was very positive. Thank you to those new activations, and we hope you find this as a positive avenue to securely access your branch's transactions with ITW Insulation Systems. It's never too late to get an activation, just click here: itwinsulation.com/request-id. All inquiries will be verified with your branch management, before access is granted.



Did You Know?

We have a new Controller!

We are pleased to announce, Carla DeLuca is the new controller for ITW Insulation Systems. Carla has been part of the ITW family for roughly 20 years, mostly recently with ITW Global Brands here in Houston. Carla can be reached at cdeluca@itwinsulation.com or at 713-691-7002 ext 123. Please join us by welcoming her aboard!



News and Upcoming Events:

July 4th Closure

ITWIS will be closed on Wednesday,
July 4th in observance of
Independence Day.

Join Our Webinar! Rebroadcasting:

Wednesday, June 27, 2018
11:00 am CST

We wish all a safe and relaxing holiday



Results of our Time-off for Independence Day Poll from the May Newsletter:

- 10% - Will take off Monday & Tuesday
- 30% - Thursday & Friday
- 20% - The Entire Week
- 40% - Just Wednesday

Factors Influencing Surface Condensation On Cold Insulation

Learn about surface condensation control on insulation and contributing factors such as the influence of climatic design conditions and the influence of insulation system components.

- Theory of surface condensation on insulation
- Influence of climatic design conditions
- Influence of insulation system components
- Selecting design conditions & system components
- Common mistakes, tricks, and tips

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Industry Poll

Do you have your own fleet of trucks or depend on freight carriers?

We have a fleet

[Select](#)

Use freight carriers exclusively

[Select](#)

Combination of both

[Select](#)

Have you experienced difficulty scheduling freight carriers?

Yes, most of the time(75-100%)

Select

Occasionally (25-75%)

Select

Rarely (less than 25%)

Select

Not an issue

Select

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