



Cleveland Steel Container

Important Update - March 8, 2018

- [Steel Update - Tariffs/Section 232](#)
- [PMI \(Purchasing Managers Index\)](#)
- [Steel Tariff Articles](#)

(Click to Watch the Video)



Chairman, CEO and president of Nucor John Ferriola and U.S. Steel CEO Dave Burritt flank U.S. President Donald Trump as he announces that the United States will impose tariffs of 25 percent on steel imports and 10 percent on imported aluminum during a meeting at the White House in Washington, U.S., March 1, 2018. REUTERS/Kevin Lamarque

On March 1, President Trump purposed to implement a 25% tariff on steel imports and 10% on aluminum imports. The tariffs fall under the guise of protecting national security or section 232. Many customers are asking us what will the impact of the tariffs mean to them in regards to steel pail pricing and supply.

First of all, we buy our steel on a contract. We hardly ever buy steel on the spot market. By having a contract, the supply of steel is locked-in. Our steel pricing and price change mechanism are based on an index for cold roll steel. Our pricing is reviewed and changed quarterly based on the price difference between the current quarter and the previous quarter. When the price change is relatively small, what we commonly refer to as "no blood", we do not implement a market/customer price adjustment, up or down.

Our last market/customer price adjustment based on the price of steel was in Q2-2017. Since then, we received the following minor quarterly steel price adjustments that we did not pass along to you.

- Q3-2017: **increase**
- Q4-2017: **decrease**
- Q1-2018: **increase**
- Q2-2018: **increase**

The totality of the above steel price adjustments equal an overall cost increase of our metal buy for the next three months. However, in staying true to our philosophy of not making small "no blood" market/customer price adjustments, **CSC will not be announcing a price increase for Q2-2018.**



As you can see in the above graph, steel prices have been increasing even before the news regarding the tariffs. Now with the upward movement and tariffs, steel pricing will continue to increase. **At this point, every single indicator points to a significant steel price increase for Q3-2018.**

While your first impulse may be to order more pails than you need to beat the increase, please remember that we do not carry enough steel for **excessive** additional orders above and beyond your forecast. The lead-time for steel is about 3-months and it is almost impossible to react quickly to a steel shortage in that time frame.

Below is a meaningful graph from ISM® report on business for February. One of the key metrics that we look at is the **PMI (Purchasing Managers Index)**. The PMI is a good economic indicator because it is derived from five key manufacturing factors: new orders, production, inventory levels, supplier deliveries and employment. A PMI number of more than 50 represents a growing economy. February's number was **60.8%**. The highest it has been since May of 2004.

ISM® REPORT ON BUSINESS®
MANUFACTURING
 FEBRUARY 2018
 Analysis by **Timothy R. Fiore, CPSM, C.P.M.**, Chair of the Institute for Supply Management® Manufacturing Business Survey Committee

Economic activity in the manufacturing sector expanded in February, and the overall economy grew for the 106th consecutive month, say the nation's supply executives in the latest Manufacturing ISM® Report On Business®.

The February PMI® registered 60.8 percent. The New Orders Index registered 64.2 percent, a decrease of 1.2 percentage points from the January reading of 65.4 percent. The Prices Index registered 74.2 percent in February, a 1.5 percentage point increase from the January reading of 72.7 percent, indicating higher raw materials prices for the 24th consecutive month. Comments from the panel reflect expanding business conditions, with new orders and production maintaining high levels of expansion; employment expanding at a faster rate to support production; order backlogs expanding at a faster

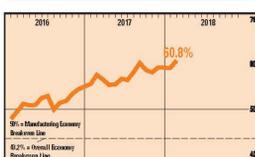
PMI® @ 60.8%

rate; and export orders and imports continuing to grow faster in February. Price increases occurred across most industry sectors. Capital expenditure lead times improved by five days while production material supplier lead-times extended four days during the month of February. Of the 18 manufacturing industries, 15 reported growth in February in the following order: Printing & Related Support Activities; Primary Metals; Machinery; Computer & Electronic Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Fabricated Metal Products; Chemical Products; Transportation Equipment; Textile Mills; Miscellaneous Manufacturing; Paper Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.

MANUFACTURING AT A GLANCE

Index	Feb Index	Jan Index	% Point Change	Direction	Rate of Change	Trend* (months)
PMI®	60.8	59.1	+1.7	Growing	Faster	18
New Orders	64.2	65.4	-1.2	Growing	Slower	28
Production	62.0	64.5	-2.5	Growing	Faster	18
Employment	59.7	54.2	+5.5	Growing	Faster	17
Supplier Deliveries	61.1	59.1	+2.0	Slowing	Faster	17
Inventories	56.7	52.3	+4.4	Growing	Faster	2
Customers' Inventories	43.7	45.6	-1.9	Too Low	Faster	17
Prices	74.2	72.7	+1.5	Increasing	Faster	24
Backlog of Orders	59.8	56.2	+3.6	Growing	Faster	13
New Export Orders	62.8	59.8	+3.0	Growing	Faster	24
Imports	60.5	58.4	+2.1	Growing	Faster	13
OVERALL ECONOMY				Growing	Faster	106
Manufacturing Sector				Growing	Faster	18

*Number of months moving in current direction. Manufacturing ISM® Report On Business® data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries indexes.



PMI®
Manufacturing expanded in February as the PMI® registered 60.8 percent, an increase of 1.7 percentage points from the January reading of 59.1 percent. This indicates growth in manufacturing for the 18th consecutive month at strong levels, led by continued expansion in new orders, production activity, employment and inventories with suppliers continuing to struggle delivering to demand. The PMI at 60.8 percent is the highest level of expansion since May 2004, when it reached 61.4 percent.

COMMODITIES REPORTED

Commodities Up in Price: Aluminum (16); Caustic Soda (8); Copper (4); Corrugate (17); Crude Oil (2); Diesel; Freight; Nickel (2); Memory; Packaging Materials; PET Bottles; Phosphoric Acid; Pigments; Polyethylene (2); Polyurethane (2); PVC Resin; Resin Based Products; Steel — Cold Rolled (2); Steel — Fabricated & Machined Parts; Steel — Galvanized (2); Steel — Hot Rolled (15); Steel — SBQ & Alloy Bars; Steel — Scrap (9); Steel — Stainless (3); Sulfuric Acid (2); Titanium Dioxide (5); and Vitamins (2).

Commodities Down in Price: None.

Commodities in Short Supply: Capacitors (8); Freight; Resistors (4); Skilled Labor; and Titanium Dioxide (4).

Note: The number of consecutive months the commodity is listed is indicated after each item. *Reported as both up and down in price.

At Cleveland Steel Container our first priority is to "make good pails and deliver them on-time". We will continue to keep you updated as more information develops regarding the tariffs. If you have any questions please reach out to your CSC Sales Manager or you may contact me. I have provided links for several different news articles regarding the tariffs for your viewing.

- [Trump holds firm on steel tariffs \(Video\)](#)
- [House Speaker Ryan Breaks With Trump Over Steel Tariffs](#)
- [Trump to Impose Steep Aluminum and Steel Tariffs](#)

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