



Applied Value Quarterly Steel Report

Q2 2025 Report

April 2025

Applied Value
Empire State Building
350 Fifth Ave. Suite 6920
New York, NY 10118
Phone: +1 646 336 4971

www.appliedvaluegroup.com

Applied Value is a management consulting & investment firm with deep expertise in supporting clients throughout the steel industry.

Applied Value Group



Steel Sourcing Strategies

Experience with dozens of major steel consumers...

Game Changers

Technical Savings

Risk Management

Manage Component Costs

Value Chain Optimization

Fact-based Negotiations

Control of Data

...across multiple industries from 10k-10M MT volumes

Tools & Data Analytics

Global Offices:

New York

Miami

Stockholm

Shanghai



Sourcing Value is advanced Source-to-Contract software, designed to facilitate strategy execution and savings (6-10%) faster for all Raw Materials.

SOURCING VALUE'S 3 CORE MODULES OF FUNCTIONALITY

1

CATEGORY MANAGEMENT

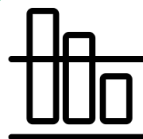
- ✓ Part-Level Price and Spend Calculations
- ✓ Budget Forecast and Actuals
- ✓ Raw Material to Finished Part Mapping
- ✓ Index Price Adjustment Modelling
- ✓ Scrap Recovery Mechanism Modelling
- ✓ Market Impact Analysis



2

RFQ & FACT-BASED NEGOTIATIONS

- ✓ Matrix Style RFQ Template
- ✓ Granular Benchmark Database
- ✓ Instant Supplier Quote Analytics
- ✓ Integrated Market Intelligence
- ✓ Constraint-Bound Scenario Analysis
- ✓ Supplier Qualifications



3

STRATEGIC INITIATIVES

- ✓ Value Analysis & Value Engineering
- ✓ Managed Buy Programs
- ✓ Purchase Cost to Sales Price Alignment
- ✓ Complete Value Chain Optimization
- ✓ Supply Chain Sustainability
- ✓ Risk Mitigation



Reach out to Alex.Curiel@appliedvalue.com to schedule a demo



Report Date: Quarterly Steel Report

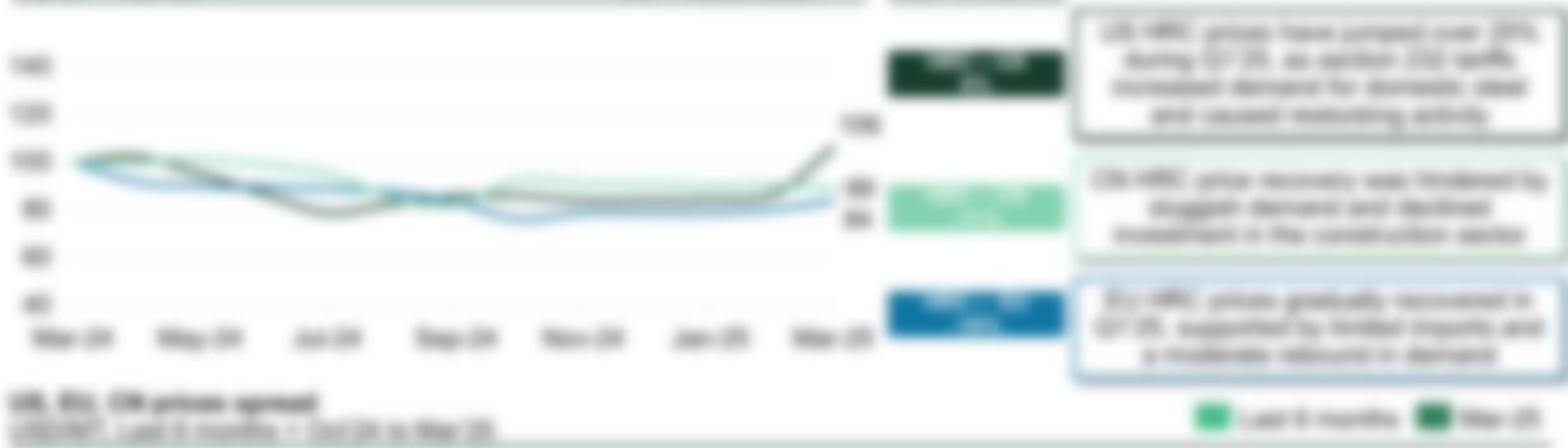
EU and China HRC prices declined by 16% and 11%, respectively, while US HRC prices increased by 6% in the LTM.

Index of Hot-rolled Coil Costs

Mar 25 - Mar 26

LTM: March 2025

Last 12 Months



















US, EU, CH prices spread

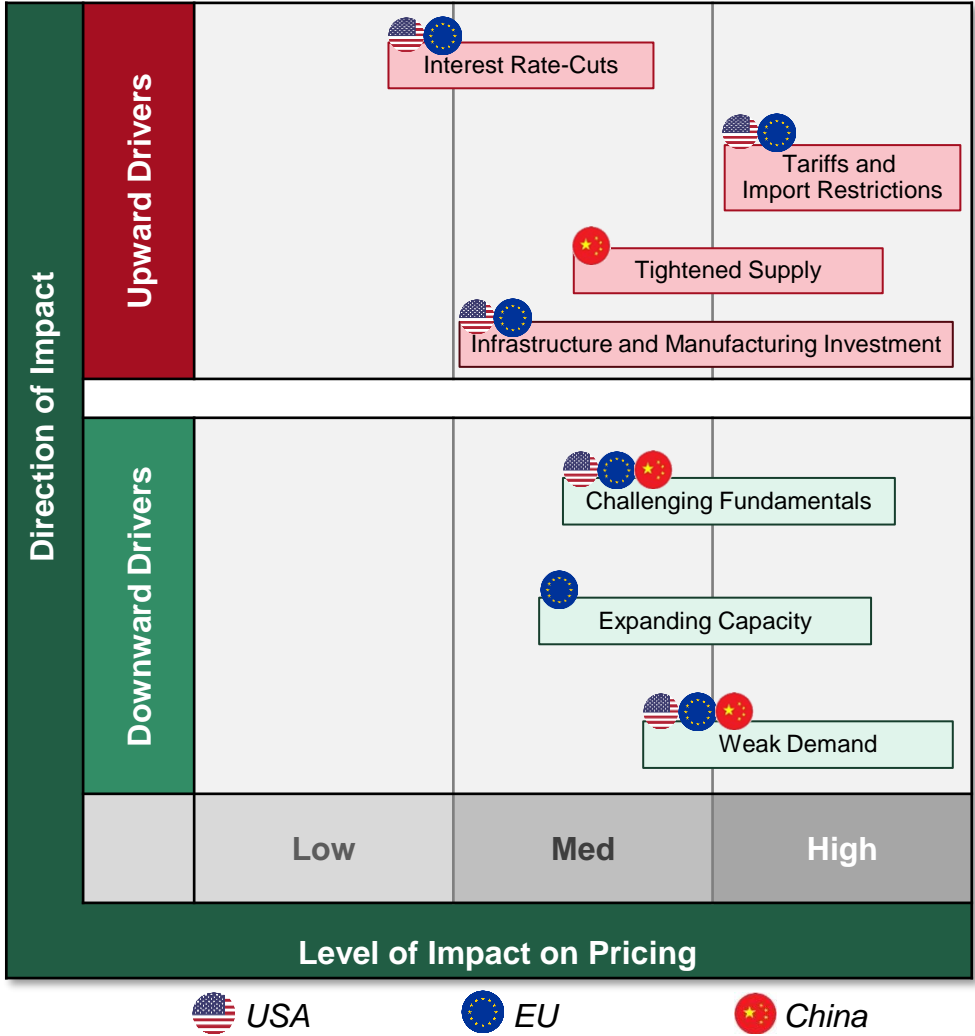
Q1'26, Last 12 months - Jan 25 to Mar 26



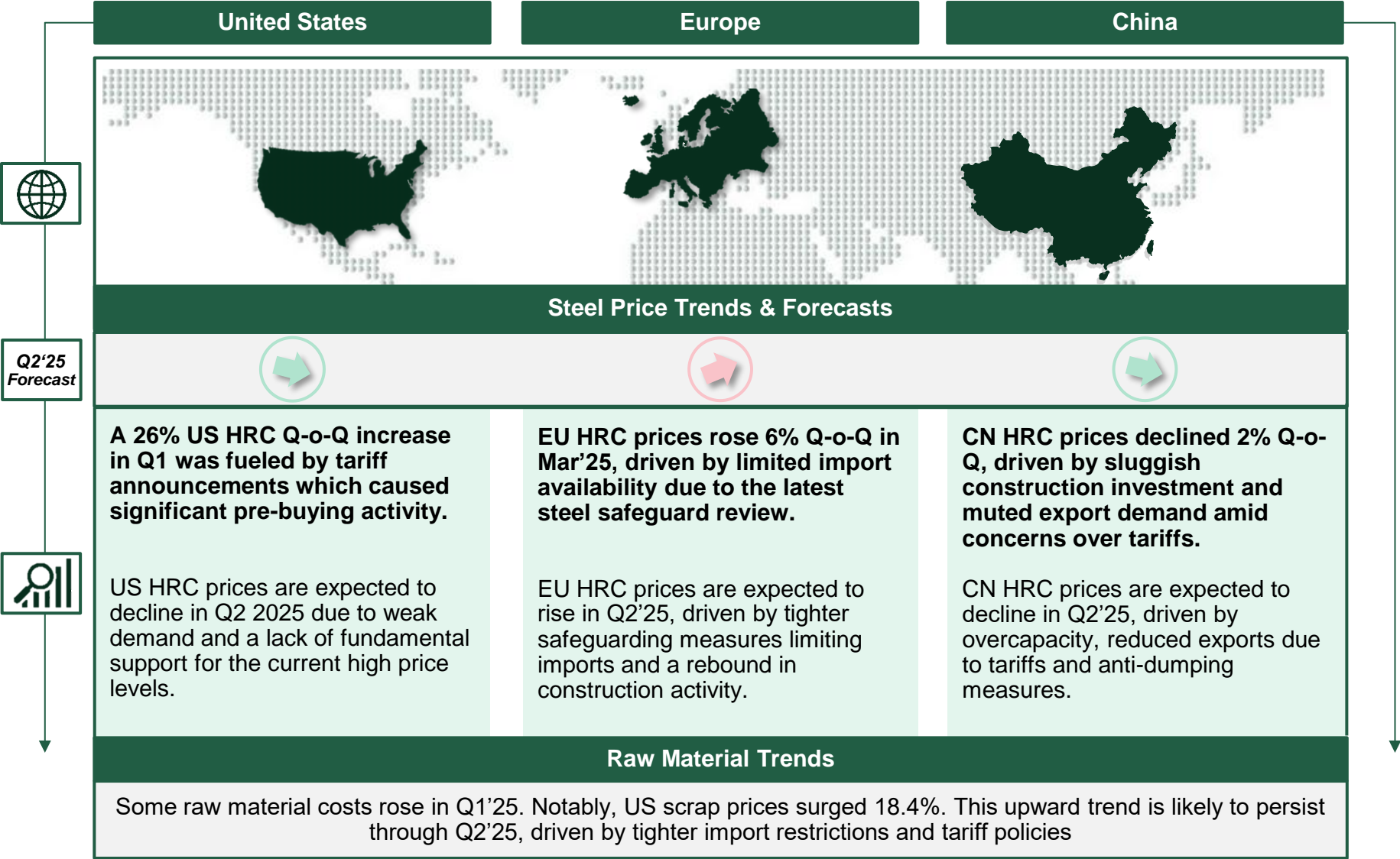
Global Steel Price & Trend Summary:

Commodity		Latest Approx. Price	Last 3 Months	Trend (3 Months Forward)	
	Flat	US	~\$963/MT	+26.3%	
		EU	~€595/MT	+6.3%	
		CN	~\$469/MT	-1.7%	
	SS	US	~\$3,588/MT	-5.1%	
		EU	~\$2,697/MT	-5.3%	
		CN	~\$1,786/MT	-4.6%	
	Plate	US	~\$1,168/MT	+26.2%	
		EU	~\$718/MT	+1.6%	
		CN	~\$476/MT	-1.8%	
	Bar	US	~\$1,207/MT	+1.9%	
		EU	~\$684/MT	-3.0%	
		CN	~\$448/MT	-4.4%	

Major Market Drivers



Prices for US and CN HRC are projected to decrease in Q2'25, while EU HRC prices are expected to increase.



US producers maintain a modest margin relative to production costs, while EU producers are operating with very slim margins.

US Production Cost vs. Market Pricing

Sept 20 - Feb 25, 2025*



EU Production Cost vs. Market Pricing

Sept 20 - Feb 25, 2025*



Report: Value Quarterly Steel Report

As global HRC prices stall while US prices surge on tariff announcements, major importers may face significant impact.

US Top 5 Steel Importing Countries, 2023, HRC

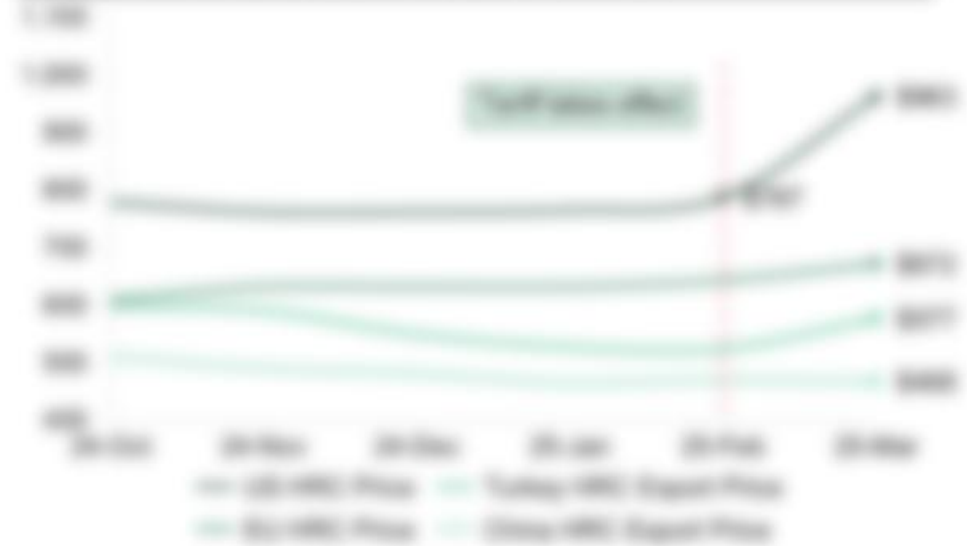
US Top Import Volume: 50%
US Top Import Volume: 50%



Tariff Impact

In April 2023, President Trump announced 25% tariffs on steel and aluminum under Section 232, eliminating exemptions for countries including Argentina, Australia, Brazil, Canada, Japan, Mexico, South Korea, the EU, Ukraine, and the UK.

Global HRC Price, 2022Q1, 2023Q1 - 2023Q2



- Tariff Announcement Driving Price Surge:** Tariff announcement and related decisions in Canada and Mexico have helped market stability, driving US steel prices up by 25.0% in Q2'23. Prices are expected to move higher.
- Weak Demand, Strong Supply:** Quarterly reports showed US price, demand reports were flat to soft construction and manufacturing sector coupled with increased federal stimulus. Meanwhile, the demand reports and allocation levels below 80% suggest supply is not constrained.
- Global Price Surge May Alter Buying Behavior:** The announcement of a general 25% tariff have caused significant increases in US HRC and US LCR price spreads.



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Q2 2025

Market Conditions by Region

Steel Production Costs

Major Steel Mill Company Performance



Applied Value Quarterly Steel Report

In Q1'25, US HRC and coated steel prices rose by 26% and 25%, reaching \$963/MT and \$1,213/MT, respectively.



- In May 25, US HRC prices surged 26% to \$963/MT, while coated steel prices rose 25% to \$1,213/MT, driven primarily by oil price hikes and market buying activity and soft inventory.
- US HRC prices surged 15% to \$850/MT in Q1'25, due to tight supply and regional trade imbalances, along with new 25% tariffs on steel and aluminum imports, which disrupted supply chains and increased reliance on domestic steel sources.
- US manufacturing PMI rose to 50.1 in May 25, despite a slight improvement, it was the weakest reported this year, with production down after February's soft steel usage.
- US oil capacity utilization declined in May 25, with crude production down in the Houston and Longhorn regions. However, utilization rebounded, previous levels in Q1'25.
- The US China HRC spread widened to \$200/MT in Q1'25, driven by a surge in oil prices while China's HRC prices remained stable.



The US HRC futures curve remains stable with contracts hovering around -\$850MT for 2025.

US Hot Rolled Historical Prices, Contract Volumes, and Futures CME Pricing

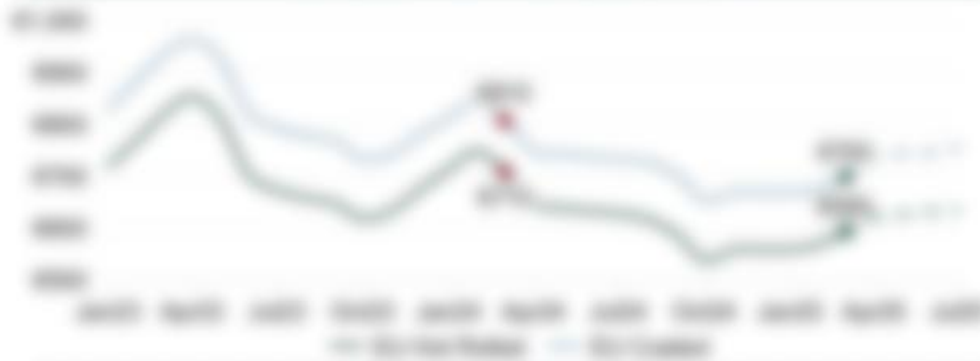


- The downward trend in the CME HRC futures curve indicates that, although recent US HRC prices suggest a 20% report uplift, market participants expect a steep decline in the coming months. This reflects the belief that current price strength is not rooted in sustained demand but rather in temporary trade policy impacts and short-term inventory reactions.
- Trading volume for HRC futures edged up by 7% from 14.7 MT in March to 15.6 MT in April. An increase in CME HRC futures trading volume ahead of April implementation suggests that market participants are actively hedging against anticipated price volatility, positioning themselves to manage potential risks and capitalize on expected market shifts resulting from the new trade policies.



EU HRC and Coated prices have continued to increase since Q4'24, landing at €595/MT and €700/MT, respectively, in Q1'25.

European HRC Price



- In Q1'25, driven by reduced imports and a modest production surge, EU HRC and coated steel prices rose 1% and 1%, to €595/MT and €700/MT, respectively. Prices are expected to increase further as mills push for Q1'25 export sales to Q2'25.
- Crude steel production recently declined, led by Germany's 10.7% cut in May. Market growth is forecasted for 2025 as end user demand remains slightly positively, but restrained, such as the EU's expansion of steel import safeguards are expected to support suppliers by finding new end markets.
- EU crude steel sales to markets rose to 1.21 MT, ending at 1.19 MT, driven by exports rising from 1.18 MT and strong domestic usage demand in Turkey.
- In Q1'25, the economic manufacturing sector continued to contribute, but the PMI rose to a new year high of 47.7, indicating the wider European price index 2025. Export needs declined as factories in new orders cooled, and firms reduced purchasing and inventory stock aggressively.
- In Q1'25, the EU China HRC price spread rose 10% to €110/MT in February, driven by rising EU HRC prices while Chinese prices remained largely stable compared to the previous quarter.

European Coated Price



EU Industrial Crude Steel Production



EU Steel Manufacturing PMI



EU vs. China Price Spread



● Previous High Price ● Low Price ● Increase in Steel Price

In Mar '25, CN HRC fell to \$468/MT while coated prices rose to \$582/MT.

China Top News (2024-25)



- In Mar '25, Chinese HRC prices fell 4% to \$468/MT, while coated steel rose 4% to \$582/MT. Declines were driven by a slower than expected upstream demand recovery, and increased construction sector concerns, with the latter highlighted in infrastructure and property steel. HRC's T+127 traded prices rose with appreciation of crude steel export rate, though export activity remained subdued due to trade tensions and pricing uncertainty.
- Chinese scrap steel prices have declined by 4% to \$210/MT since Jan'25, driven by weak downstream demand and idle melting furnaces.
- Crude steel production fell by 1% to 2.1m TPA in Feb'25, as Chinese planned output rate offset a mild increase driven industry regulation and restructuring.
- Chinese rolled steel exports dropped sharply, falling 10% to 0.2m TPA in Feb, including hotrolled, sheet/pile, coil/pipe, tin-plated, and galvanized. Exports were impacted with dropping orders in early 2025, affecting around 1 million metric tons of annual Chinese steel exports.
- In Jan '25, the US Chinese HRC price spread ranged to \$100/MT, while the US China spread had shrunk to \$70/MT.

China Scrap Steel Price



Unrolled Crude Steel Production



Unrolled Crude Steel Exports



Spread between US & CN HRC



● Chinese HRC Price ● US HRC Price ● Spread between US & CN HRC



Easing interest rates, import restrictions, infrastructure investments, and tightened supply are expected to support global steel prices.

Upward Market Drivers



Interest Rate-Cut Prospects

- › **US:** The Federal Reserve kept interest rates unchanged at 4.25–4.50% in March 2025, reaffirming its projection of two rate cuts this year amid rising tariff-related inflation uncertainty and downgraded economic outlook. While global central banks move toward broader monetary easing, the Fed announced a slower pace of balance sheet runoff starting April to enhance market liquidity.
- › **EU:** On March 6, 2025, the ECB cut its key interest rates by 25 basis points to 2.5%, signaling a shift towards a less restrictive policy amid easing inflation and weak growth. It also revised down its economic forecasts and emphasized a cautious, data-driven approach—leaving room for further cuts while hinting at a possible pause later this year.



Tariffs and Import Restrictions

- › **US: Section 232 Tariffs:** Initiated in 2018 and expanded in February 2025, these US tariffs impose a 25% duty on imported steel and aluminum. Initially targeting specific countries, the 2025 expansion removed exemptions, affecting all nations, including Argentina, Australia, Brazil, Canada, the European Union, Japan, Mexico, South Korea, Ukraine, and the United Kingdom. **Reciprocal Tariffs:** Announced on April 2, 2025, these measures introduced tariffs on US imports, especially those from China.
- › **EU:** In March 2025, the EU tightened steel safeguard measures by reducing quota growth from 1% to 0.1%, removing carry-over for some products, and capping individual country access to shared quotas—mainly affecting hot rolled coil imports. Quotas reallocated from Russia and Belarus were also cut. These steps aim to protect EU producers and support green steel investment. A new post-2026 protection system is planned, and a safeguard probe into steel imports is under consideration.



Infrastructure and Manufacturing Investment

- › **US:** Several major automakers are set to invest heavily in US manufacturing starting in 2025. These include Hyundai (\$21 billion) for auto and steel plants, Ford (\$5.6 billion) for its BlueOval City EV complex, Toyota (\$13.9 billion by 2030) for a battery plant in North Carolina, GM with expanded truck production and facility upgrades, and Stellantis (over \$5 billion) for new pickup and EV-related manufacturing across multiple states.
- › **EU:** The EU Commission announced in April 2025 that it has allocated nearly €1.25 billion in its largest-ever funding round under the Connecting Europe Facility to support 41 cross-border energy infrastructure projects, with a strong emphasis on offshore electricity, hydrogen, and CO₂ networks.



Tightened Supply

- › **CN:** The National Development and Reform Commission (NDRC) of China has signaled plans to cut steel production as part of a broader effort to restructure its steel industry. While no specific figures were released, expectations suggest a potential reduction of up to 50 million tons annually.



Although supportive factors exist, steel prices are likely to remain under pressure amid weak demand and persistent economic uncertainty.

Downward Market Drivers



Challenging Fundamentals

- › **US:** In March 2025, the US CPI rose by 2.4% Y-o-Y, below the anticipated 2.6% and down from February's 2.8%. The core CPI, which excludes volatile food and energy prices, increased by 2.8%. Trump's reciprocal tariffs could lower long-run US GDP by 1.6% and raise inflation.
- › **EU:** The eurozone enters 2025 on fragile footing, with GDP growth downgraded to 0.9% from 1.2% amid rising uncertainty over US trade policy. While direct trade impacts may lower GDP by 0.1%, broader uncertainty is expected to cut growth by an additional 0.4% through 2026 by dampening business confidence and investment.
- › **CN:** Despite a stronger-than-expected start to 2025, China's economic fundamentals remain weak. Property investment fell 9.8% Y-o-Y, foreign investment dropped 13.4% in January, imports contracted by 7.3%, and private investment stagnated—reflecting subdued domestic demand, continued pressure on the real estate sector, and growing external uncertainties.



Expanding Capacity

- › **EU:** The EU's new steel capacity plans in Q1'25 prioritized green transformation, with Germany's Salzgitter AG launching a 1.9 MMT/year hydrogen DRI-based flat steel project and Finland's Blastr Green Steel planning a 2.5 MMT/year zero-emission facility, reinforcing the region's push for carbon-neutral steel production.



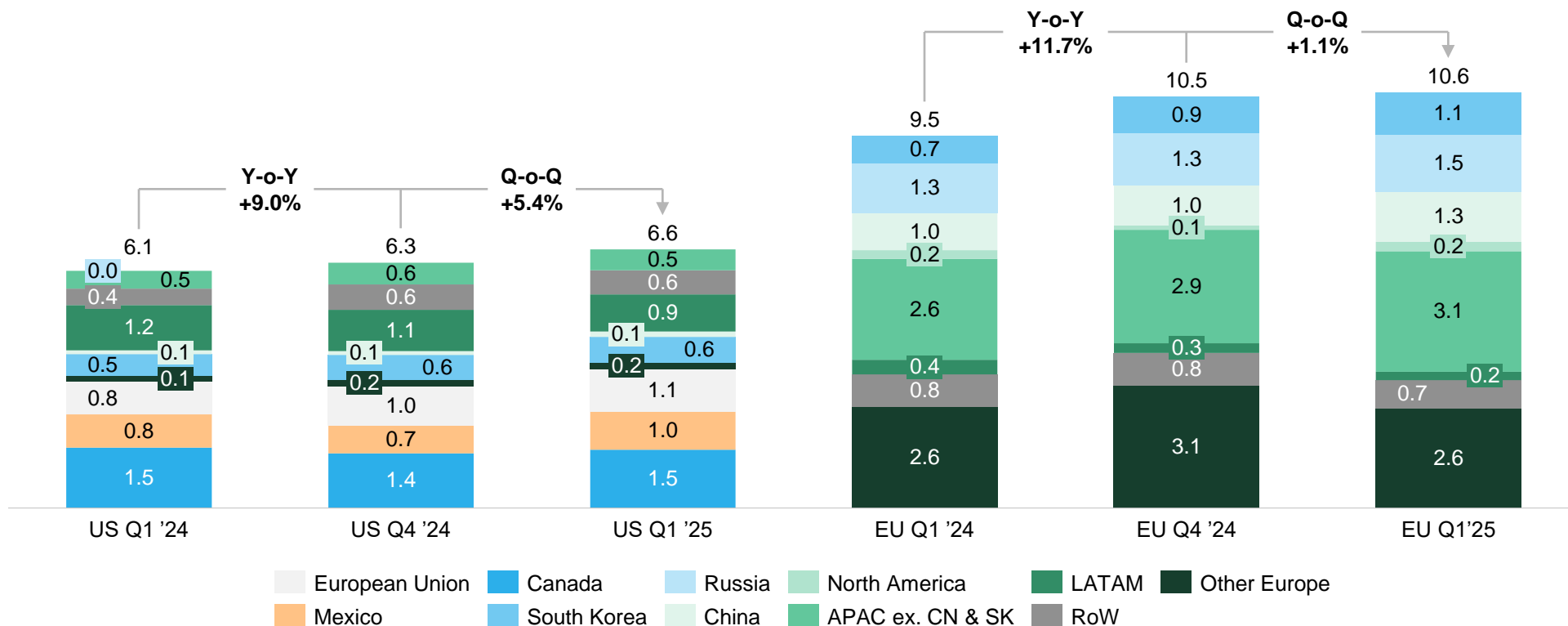
Weak Demand

- › **US:** Consumer demand for new vehicles in the US remains weak due to persistently high prices and elevated auto loan interest rates (8–9%). As a result, many buyers are holding onto their vehicles longer, with the average vehicle age reaching a record 12.6 years. Additionally, the shortage of affordable models under \$30,000 is pushing more consumers toward the used car market, further dampening new vehicle sales.
- › **EU:** In February 2025, Europe's new passenger car market continued to show signs of weakness, with registrations falling by 2.5% Y-o-Y to 966,300 units, compared to 988,116 in February 2024. This marked a deeper contraction than January and brought total year-to-date sales down by 2% to 1.96 million units across the EU, UK, and EFTA. The decline was driven by slower sales in major markets such as Germany, Italy, Belgium, the Netherlands, Switzerland, and Ireland, highlighting ongoing consumer uncertainty and lack of momentum in the region's automotive recovery.
- › **CN:** China's property market remained under pressure in February 2025, with new home prices down 4.8% Y-o-Y, property investment falling 9.8%, sales declining 5.1%, and new construction starts plunging 29.6%. Government stimulus measures struggled to counter deep-rooted structural challenges such as high inventory, stagnant income growth, and demographic shifts—prompting analysts to forecast a slow, L-shaped recovery.



EU imports remained flat, while US imports rose by 5.4% Q-o-Q as major importers rushed to secure shipments ahead of tariff implementation.

US and EU Imports – All Steel Products (US) / Iron and Steel (EU), MMT



- › In Q1'25, US imports rose by 5% Q-o-Q, with imports from the EU, Mexico, and Canada increasing by 7%, 37%, and 7%, respectively. Manufacturers sought to secure imported steel products ahead of the 25% tariffs announced by President Trump, which took effect in Mar'25.
- › In Q1'25, EU steel imports remained relatively flat, rising just 1% Q-o-Q. Imports from other European countries declined by 18%, while imports from APAC, China, Russia, and South Korea increased. To shield EU producers from unfair global competition and mounting overcapacity, the European Commission announced a 15% reduction in steel import quotas starting Apr'25, alongside stricter origin rules and upcoming safeguard reforms.

Note: Due to data availability, there is a one-quarter lag for EU import data and one-month lag for US import data. E.g., EU Q1'24 corresponds to calendar Q4'24, US Q1'25 represents data from Dec'24 to Feb'25

Source: AV Analysis



Applied Value Quarterly Steel Report

Q2 2025

Market Conditions by Region

Steel Production Costs

Major Steel Mill Company Performance



Pig iron fell 10% to \$416/MT, while US scrap increased 18% to \$443/MT.

The graph shows a steady increase in the U.S. population aged 65 and older from 1980 to 2020. The population starts at approximately 20 million in 1980, rises to about 35 million by 1990, dips slightly, then rises again to about 50 million by 2000. From 2000 to 2020, the population grows more rapidly, reaching over 70 million. A red dot marks the year 2010, and a dashed line indicates the projected growth from 2010 to 2020.

In Q1'25, iron ore saw a 9% Q-o-Q increase, while coking coal and zinc decreased by 15% and 7% Q-o-Q, respectively.

Iron Ore
USD/MT, Nov 20, Feb 25



Coking Coal
USD/MT, Nov 20, Feb 25



Zinc
USD/MT, Nov 20, Feb 25



Commodity - Producer Price Index
Nov 20, Feb 25



Producer (red dot)
Consumer (green dot)

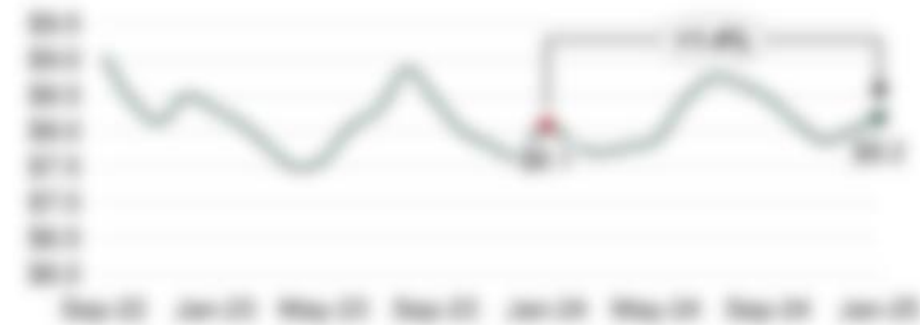


Report Title: Quarterly Gas Report

Utility costs rose sharply as US and EU natural gas surged 143% and 84% Y-o-Y, respectively.

Electricity US

US (MWh), Nov 20, Jan 21

**Electricity Europe**

Europe (MWh), Nov 20, Jan 21

**Natural Gas US**

US (MMBtu), Nov 20, Jan 21

**Natural Gas Germany**

Europe (MMBtu), Nov 20, Jan 21



● Previous Year (2020)
● 2021



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Q2 2025

Market Conditions by Region

Steel Production Costs

Major Steel Mill Company Performance



Steel mill stocks have lagged major indices since May '24, showed signs of bottoming in Jan '25, but fell sharply in Apr '24 after tariff announcements.

Stock Market Movement Feb '22 - Dec '24



Best Performers

(PFE)

15.2%

YASA STEEL

15.1%

SSAB

15.0%

Worst Performers

CLIFF BR

-15.1%

US STEEL

-15.0%

AK STEEL

-15.0%

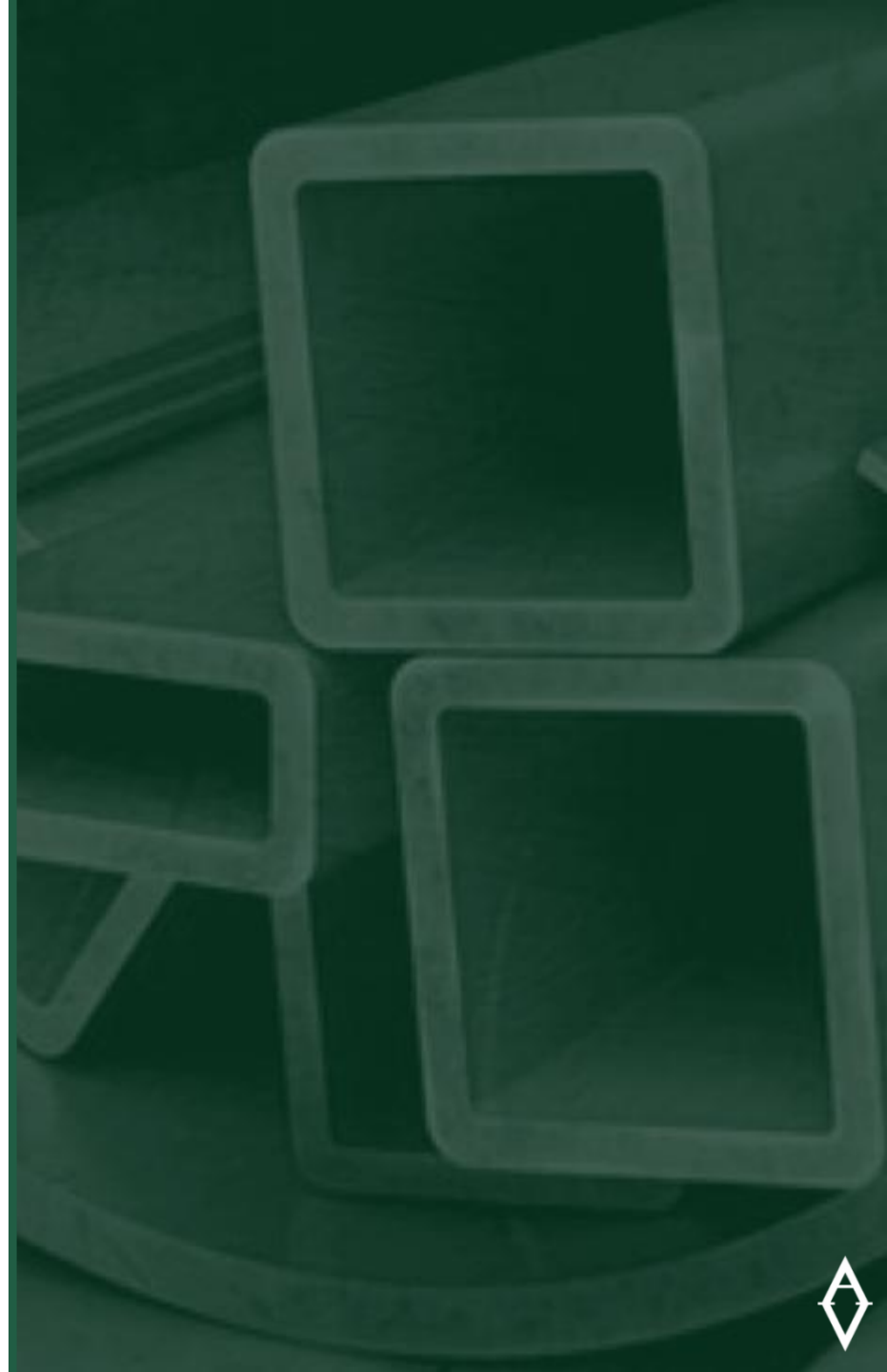


Since 2020, US mills have outperformed other regions and hit LTM EBITDA margins of ~10%; APAC mills' avg. EBITDA margin has dropped to ~5%.



Introduction to Applied Value


Background





Steel Sourcing has been a core competency at Applied Value for over 20 years.


Improvements provided by Applied Value

Process Improvements


Deeper transparency / cost granularity


Robust tools & templates


Improved negotiations process


Reduced risk exposure

Financial Improvements

Cost savings

Increased free cash flow

Reduced gross margin volatility

Improved payment terms

Why Applied Value?

Savings

Over \$1B+ in savings for our clients since 2009, with minimum 3X ROI return on fees (typically 5-10X+)

Expertise

Global experts in raw material categories with over 10MMTs negotiated since 2009 & a comprehensive quarterly steel report

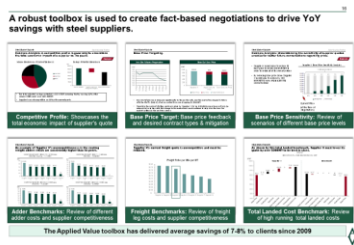
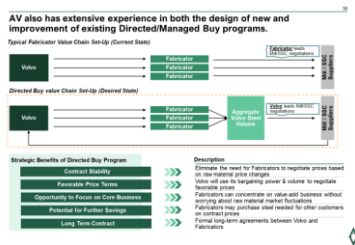
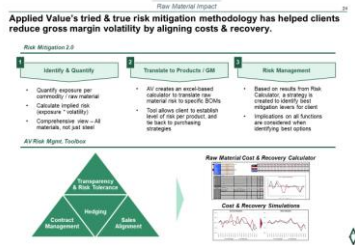
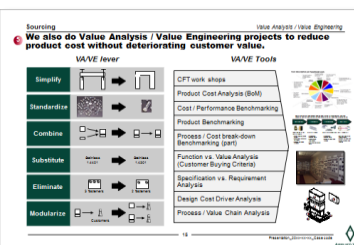
Hands-on approach

Work side by side with teams to execute & drive savings to the bottom-line; we typically don't leave until contracts are signed

AV has helped improve 50+ Fortune 500 companies & saved billions of dollars for its clients



Applied Value has an excellent track record of handling a wide range of projects within steel sourcing.

Sample Project Areas				
	Raw Material Tools & Negotiations	Managed Buy	Risk Management	VAVE / Technical Savings
Summary	Creation of world-class steel tools and execution of negotiations / savings	Taking control of steel value chain to generate savings opportunities	Tools & strategies to mitigate/track risk and understand effects of commodity volatility	Optimization of specs, scrap, etc. to generate & execute on savings ideas
Typical Timeline	~10-12 weeks	~16 weeks	~6-8 weeks	~10-12 weeks
AV Expertise / Value add	<ul style="list-style-type: none"> World-class customized tools based on decades of experience across OEMs & Tier 1s 	<ul style="list-style-type: none"> Functional expertise in setting up dozens of programs 	<ul style="list-style-type: none"> Elaborate risk mgmt. toolbox, executed across a variety of industries 	<ul style="list-style-type: none"> Decades of know-how in building elaborate data-driven models & customized templates
Typical Results	<ul style="list-style-type: none"> 4-8% savings 	<ul style="list-style-type: none"> 5-10% savings 	<ul style="list-style-type: none"> ~3% Gross margin volatility reduction 	<ul style="list-style-type: none"> Prioritized & quantified opportunities 



Eli Kaganov

Manager

Empire State Building
350 Fifth Ave. Suite 6920
New York, NY 10118
USA

+1 978 435 5614
Eli.Kaganov@AppliedValue.com



Alex Curiel

Senior Manager – Raw Materials & Sourcing Value

Empire State Building
350 Fifth Ave. Suite 6920
New York, NY 10118
USA

+1 978 793 7307
Alex.Curiel@AppliedValue.com



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