S&P Global
Market Intelligence

Pricing and Purchasing

Strategic Planning in a Time of Uncertainty

Known, Unknowns, and Knowns That Aren't Really Knowns

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Macro and Supply Chain Overview

The Bottom Line

- Uncertainty reigns, but there are guidelines nonetheless
  - The war is over. Unless it isn't.
  - Tariffs are known. Unless they aren't. And even if they are, they aren't.

- Fundamentals point to relapsing commodities, but rising intermediate goods and construction costs.

- Construction and durable goods were expected to fall in the Big 3 before the war. Now we fall more, and the strong ones – India and ASEAN – barely grow

- Capacity is ample but protectionism artificially – and quite effectively – constrains supply

Budgets for 2027 – in our base case

- Commodities lower than now, higher than 2025
  - That is, falling from a high peak
- Machinery and fabrications - rising through end of 2026, less decline in 2027
  - So a higher budget for remainder of 2026, and for 2027
- Wages
  - Most pressure through end of year, but continued above-average demands in 2027
  - Aggressiveness will depend on inflation, and on jobs situation

Knowns and unknowns

- Tariffs
  - Known that they are in place. Known that some will expire. Unknown if replacements will be approved
  - Known that courts will review, Unknown how they will rule
  - Unknown unknown – will the Administration will suddenly pick a new target product or country
  - Examples: Section 122, copper, downstream, USMCA
    - Going to throw CBAM in here too
- War
  - Known that a Memorandum of Understanding is in place. That neither side is really following.
  - Unknown if situation will escalation or de-escalate
  - Know at least a framework for consequences of each choice
- Policy
  - Unknown if inflation is transitory or becomes embedded
  - Unknown path of interest rates. Known impacts of choices. Sorta
  - Unknown defense spending and other budget policies

Growth forecasts: February on left, June on right

February forecast, Real GDP (% change)

Region	2025	2026	2027	2028
World	2.9	2.9	2.8	2.7
United States	2.2	2.7	2.0	1.7
Canada	1.6	1.3	1.9	2.0
Brazil	2.6	1.8	2.6	3.4
Eurozone	1.5	1.2	1.4	1.5
United Kingdom	1.3	0.8	1.5	1.6
Russia	1.0	0.9	1.6	2.0
Mainland China	5.0	4.6	4.5	4.4
Japan	1.1	1.0	0.9	0.9
India*	7.3	6.8	6.7	6.5

Data compiled Feb. 18, 2026.
*Fiscal year starting April 1, 2023.
Source: S&P Global Market Intelligence.

June forecast, Real GDP (% change)

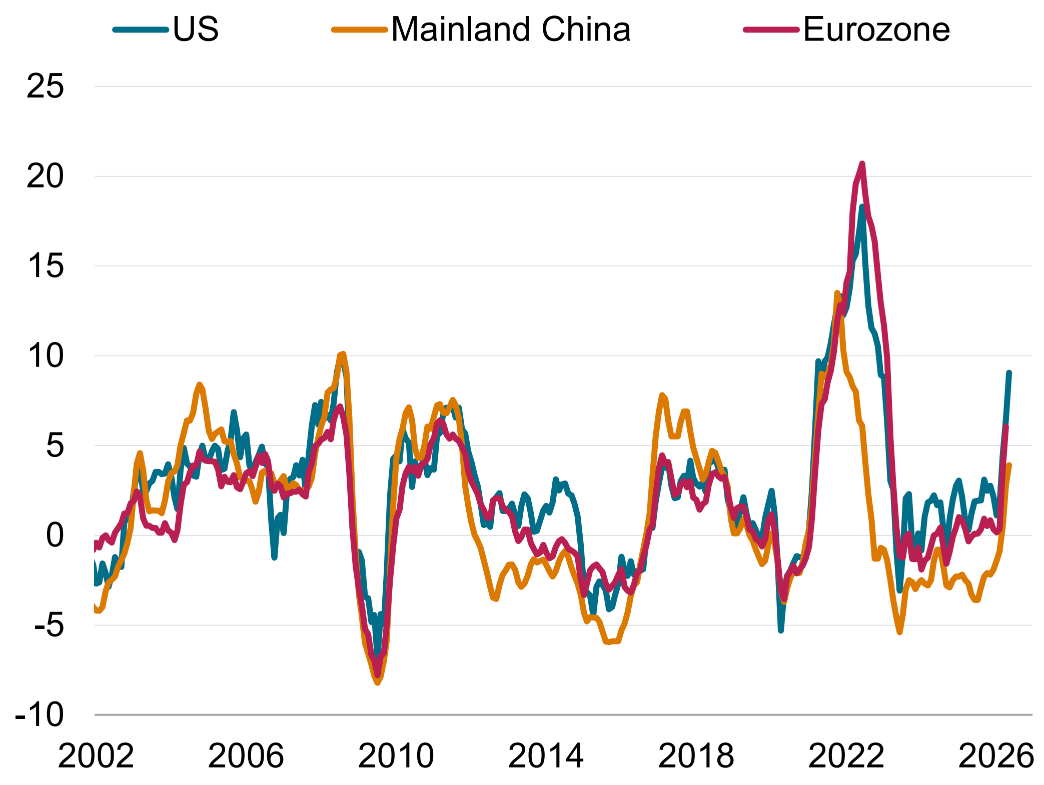
Region	2025	2026	2027	2028
World	2.9	**2.2**	2.7	2.9
United States	2.1	**2.1**	2.1	**2.4**
Canada	1.9	**0.7**	2.1	2.2
Brazil	2.6	1.6	2.3	3.3
Eurozone	1.5	**0.2**	0.9	1.5
United Kingdom	1.4	0.6	0.8	1.6
Russia	1.0	1.1	1.7	2.0
Mainland China	4.9	4.5	4.4	4.4
Japan	1.1	0.6	0.8	0.9
India*	7.7	5.7	6.3	7.0

Data compiled June 15, 2026.
* Fiscal year.
Source: S&P Global Market Intelligence.

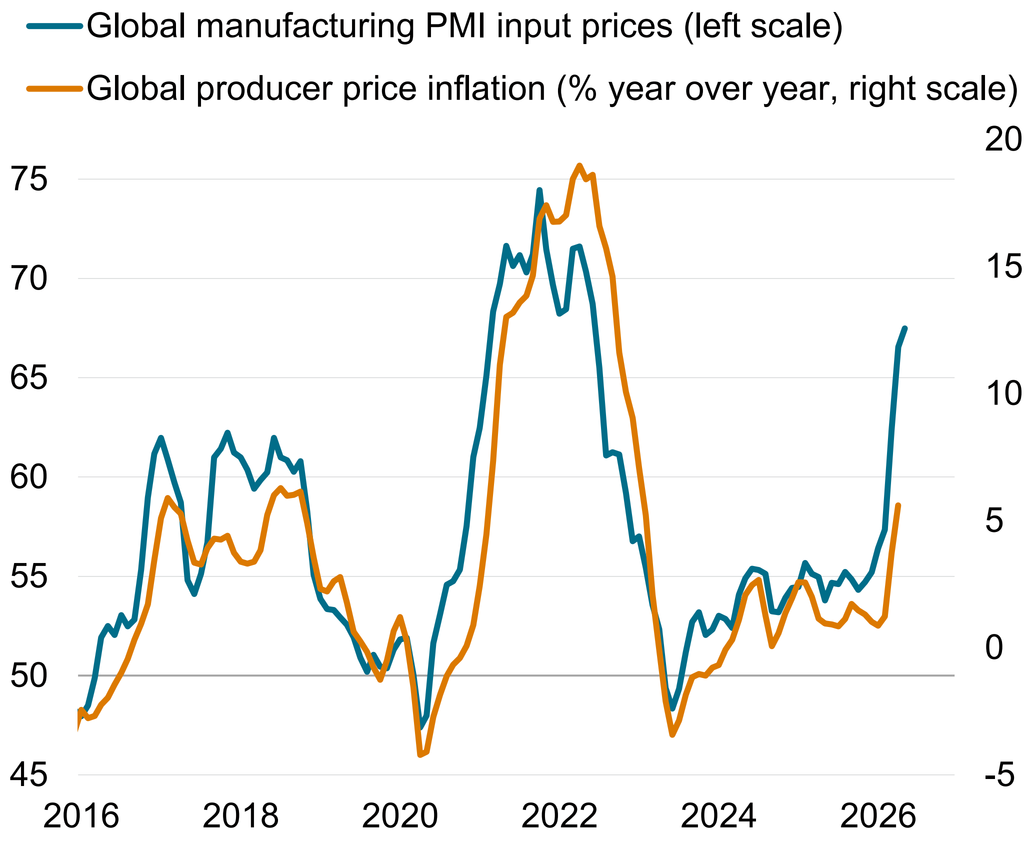
Pipeline price pressures for goods

Producer price inflation rates have risen markedly

Monthly, % year over year



Pricing surveys point to further increases



Data compiled May 2026.

Source: S&P Global Market Intelligence.

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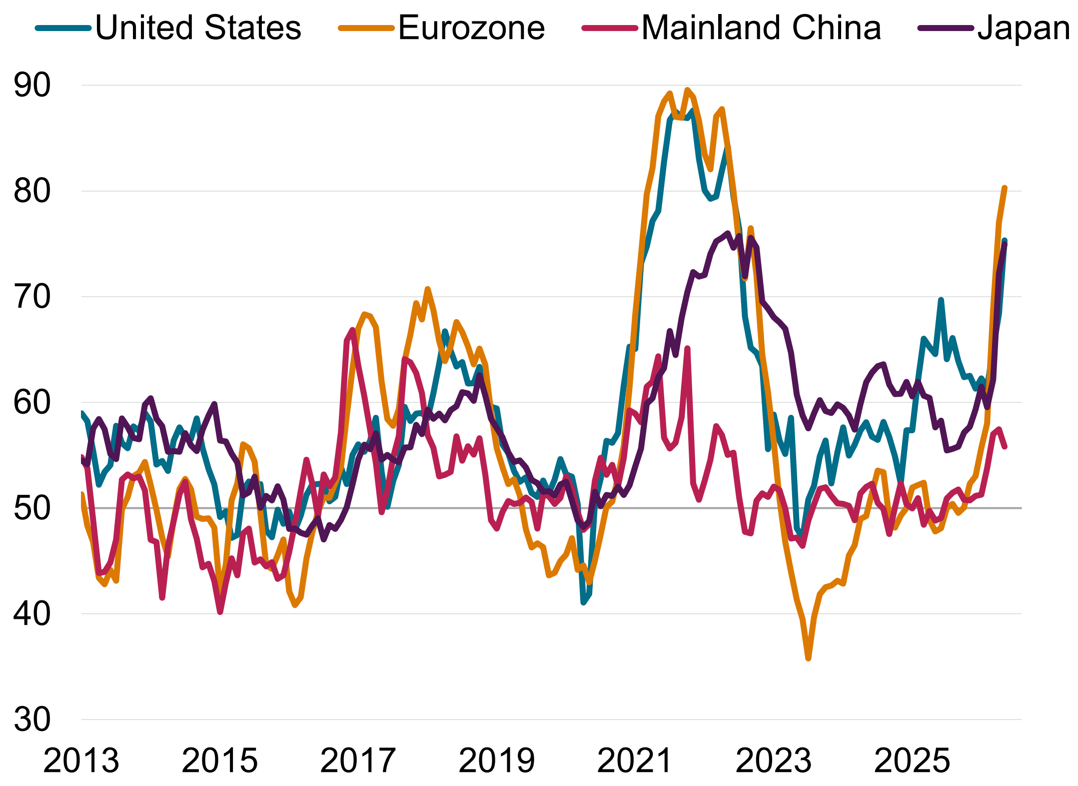
Elevated manufacturing PMI price indexes

Input price indexes nearing 2022 highs in many major economies, mainland China an exception

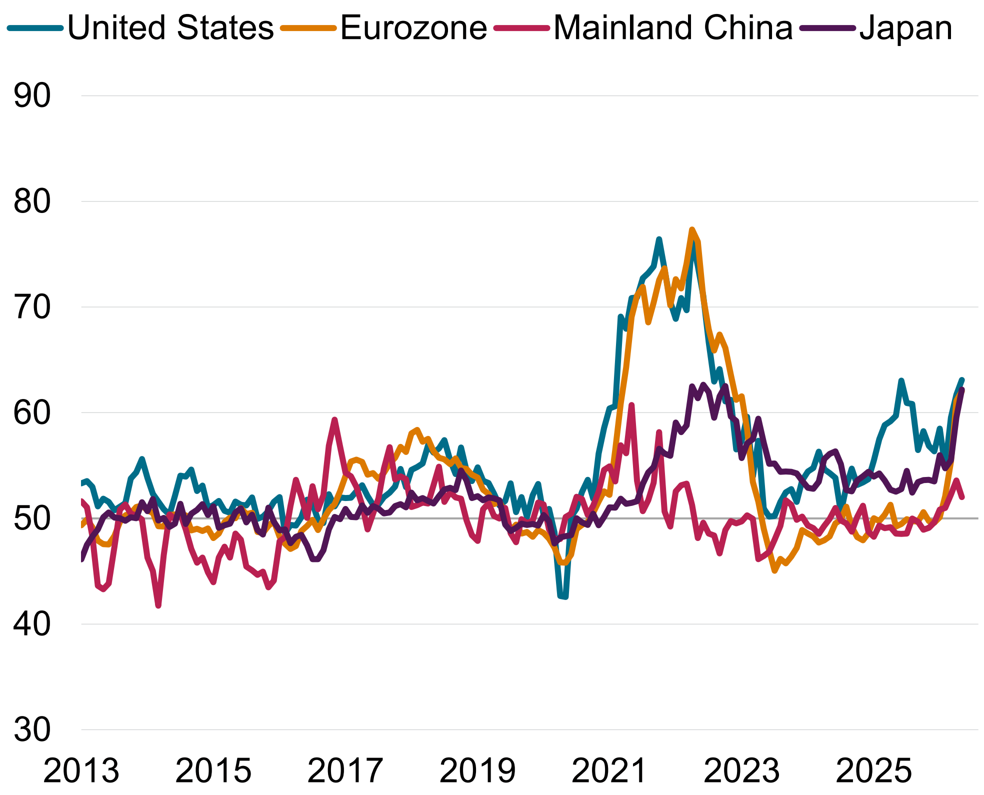
Manufacturing input prices

Index, over 50 signals expansion



Manufacturing output prices

Index, over 50 signals expansion



Data compiled June 3, 2026.

Source: S&P Global Market Intelligence.

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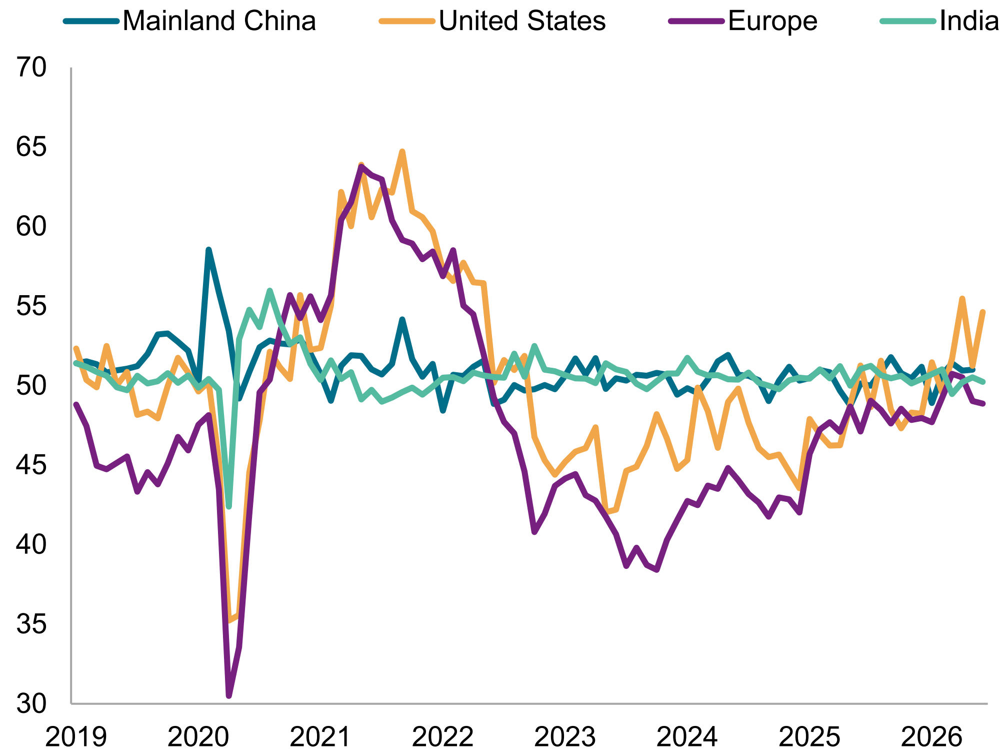
PMI: Longer delivery times in Europe and the US

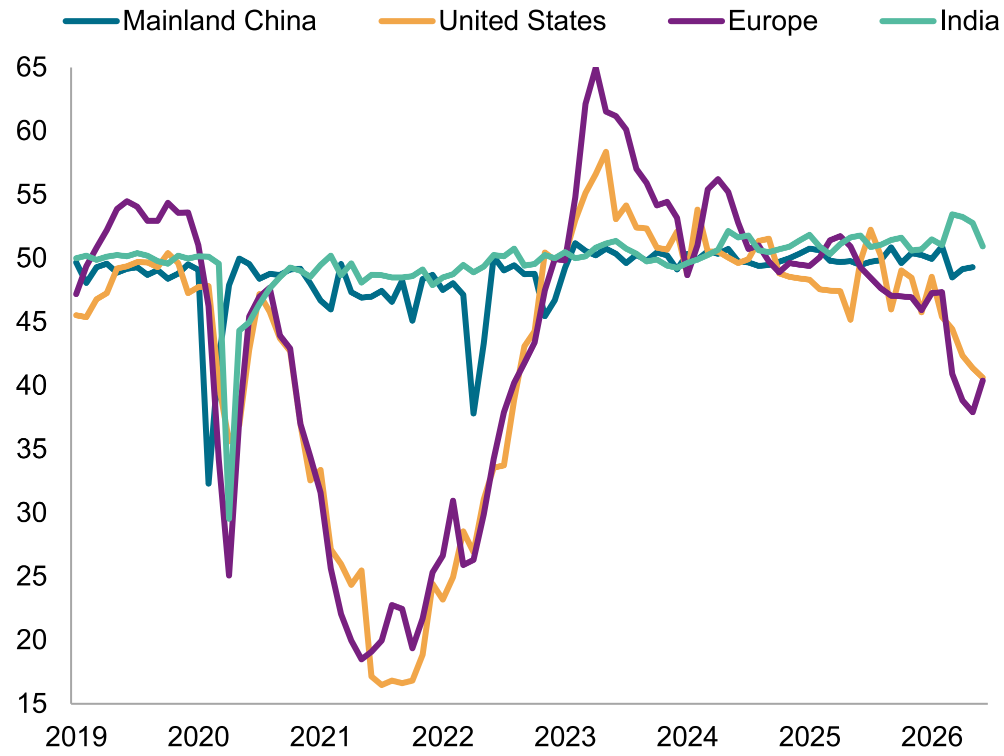
PMI, Manufacturing BACKLOGS by country



Data compiled June 2026.

Source: S&P Global Market Intelligence.

PMI, Manufacturing DELIVERY TIME improvement



Data compiled June 2026.

Source: S&P Global Market Intelligence.

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Tariffs – a known unknown, unless it's known, in which case it still might change

What has changed:

- On February 20, the Supreme Court overturned IEEPA country-specific tariffs
- On February 24, the administration enacted a global 10% tariff using section 122 of the Trade Act of 1974 for 150 days (**July 24**)
- On April 9, the administration removed content-based tariffs on steel aluminum and copper and transitioned to two new lists of goods subject to 50% and 25% tariffs
- On April 9, the administration enacted tariffs on pharmaceuticals

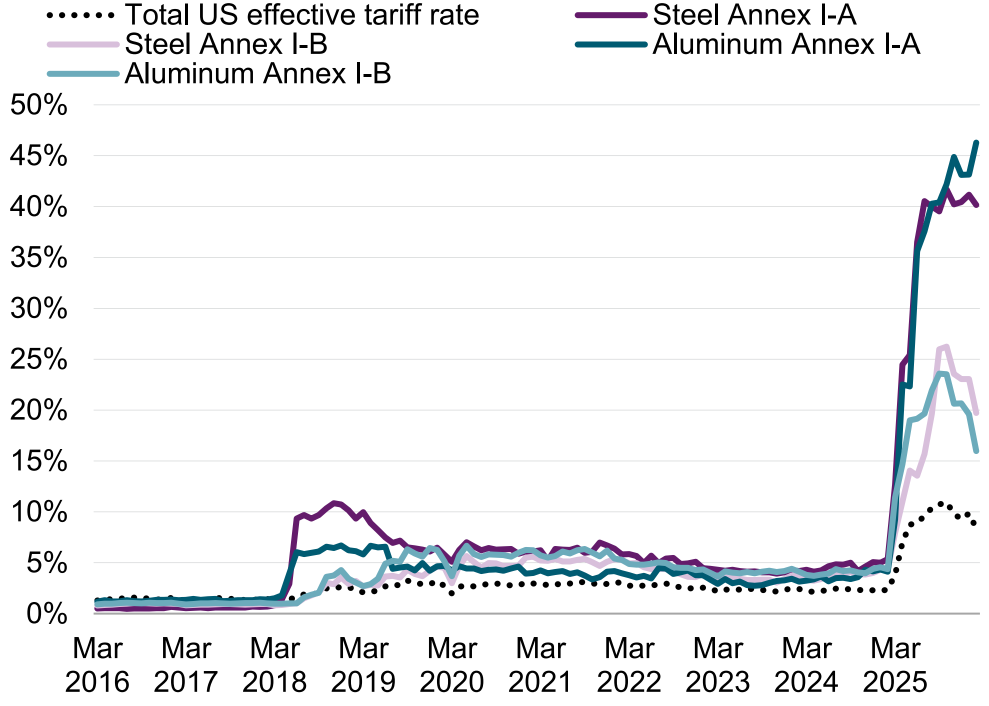
What is still in effect:

- Section 232 tariffs are also in effect for select HTS codes for autos, auto parts, heavy trucks, lumber, and semiconductors

What to watch:

- Look out for new Section 301 and 232 announcements before Section 122 tariffs expire in July
- USMCA re-negotiation begins in July
- Announcement (potential) of Section 232 on copper

US effective tariff rate
(estimated duties collected as a share of import value)



As of April 17, 2026.
Source: S&P Global Market Intelligence.

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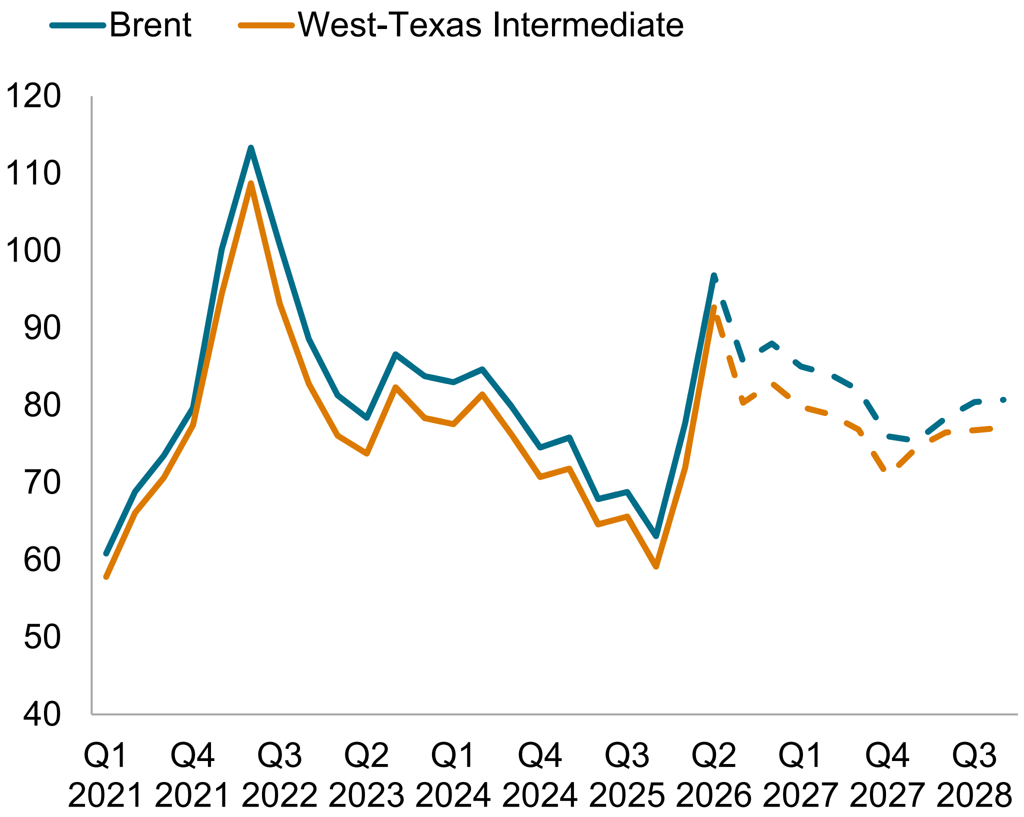
Peace would decrease prices, but risks abound.

Crude Oil ($/Barrel)



Data compiled July 2026.

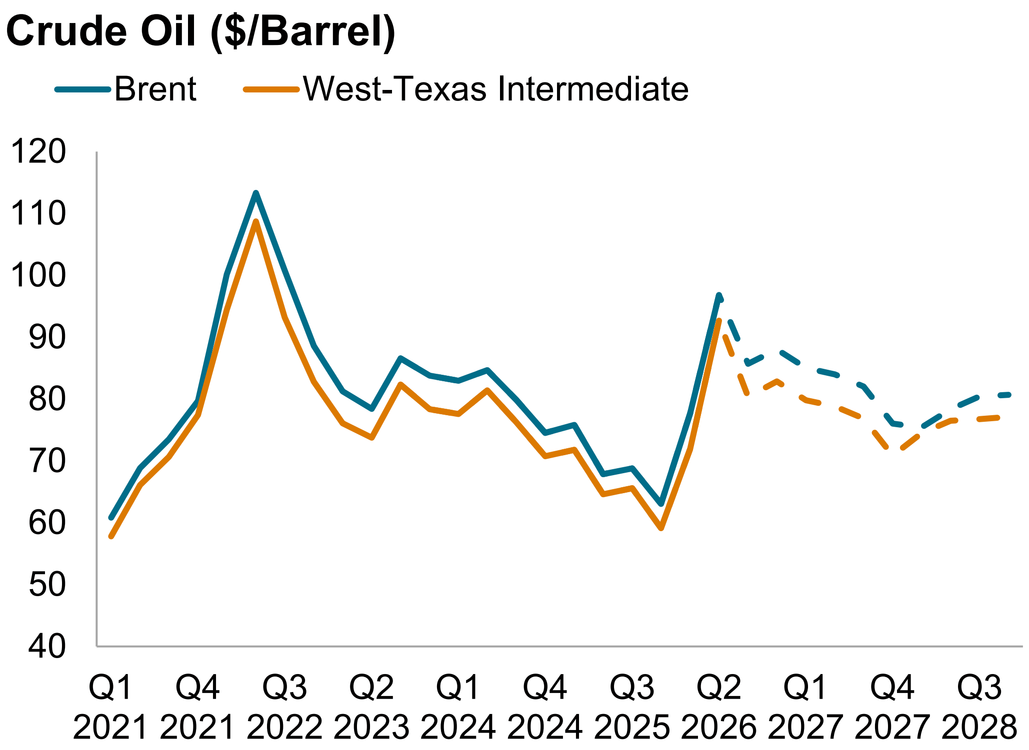
Source: S&P Global Market Intelligence.

- Oil prices have come down and will increase only modestly, unless war resumes. Crude will average $86/barrel in the third quarter of 2026 and $88/barrel in the fourth quarter.
- Prices will decline over 2027 as inventories are restocked and supplies rebalance owing to the Strait of Hormuz being open.
- Recent tit-for-tat strikes by the US and Iran risk a re-escalation of the conflict. Iran said over the weekend that the Strait is closed, though prices do not fully reflect this yet. De-escalation is still possible.
  - Announcements by the US that they intend to blockade the Strait makes de-escalation less likely.
- Even if traffic continues to transit the Strait, summer demand, a resumption of mainland Chinese buying, and restocking of inventories will send prices higher – above $80/barrel – over the third quarter.

Energy

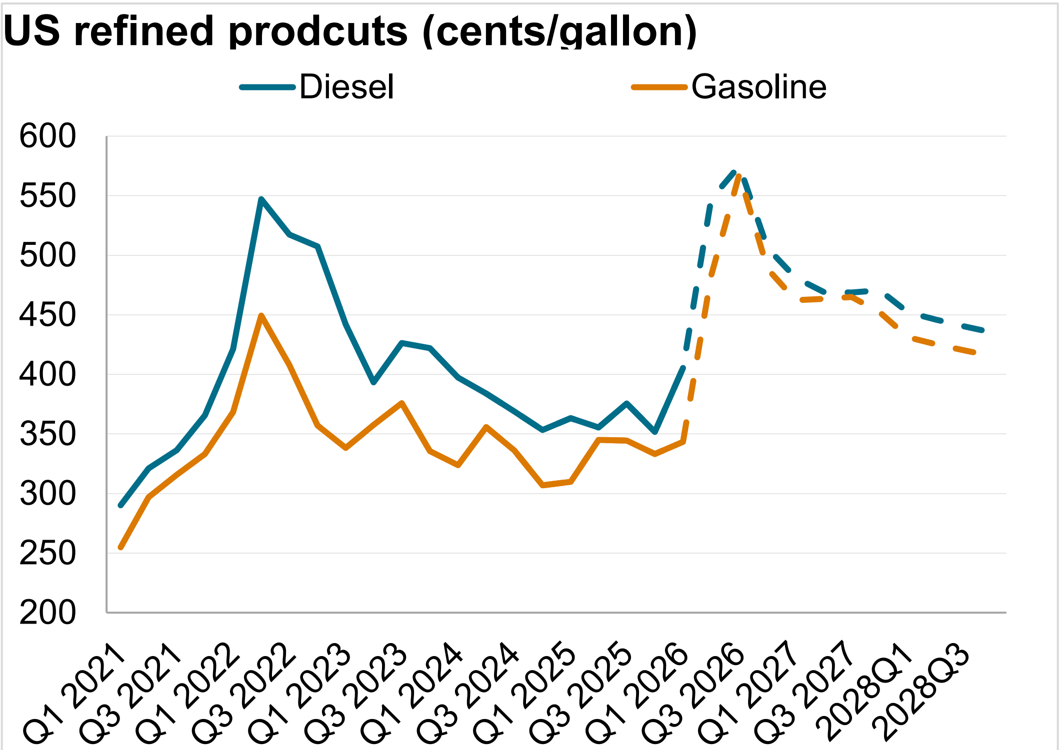
Oil had weak fundamentals but extreme war risk

Feedstock



Data compiled July 2026.
Source: S&P Global Market Intelligence.

Drives the things you actually buy



Data compiled June 2026.
Source: S&P Global Market Intelligence.

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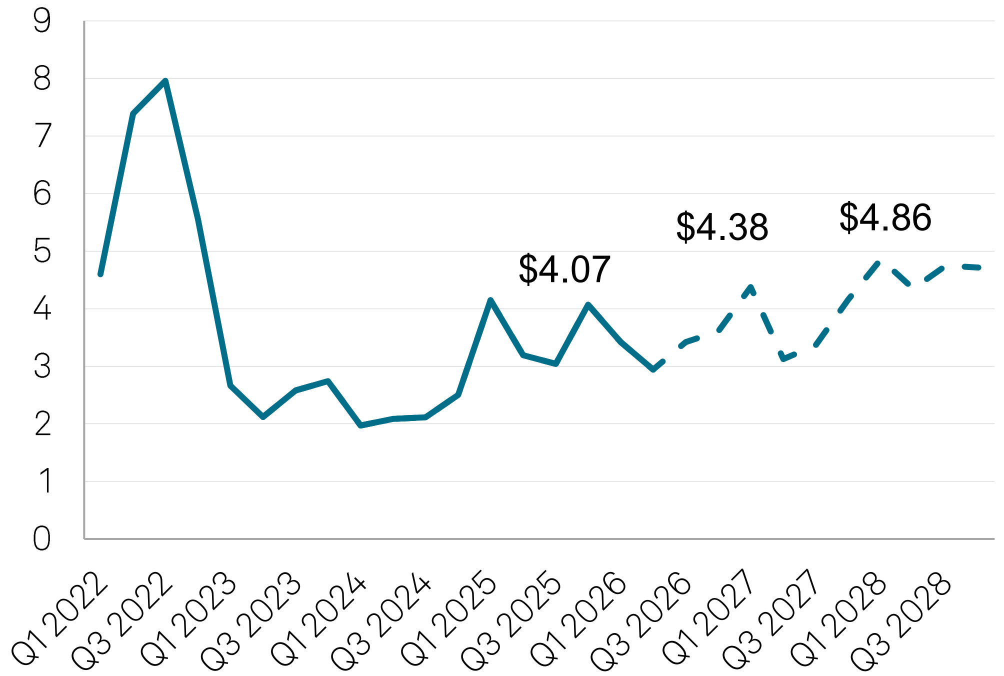
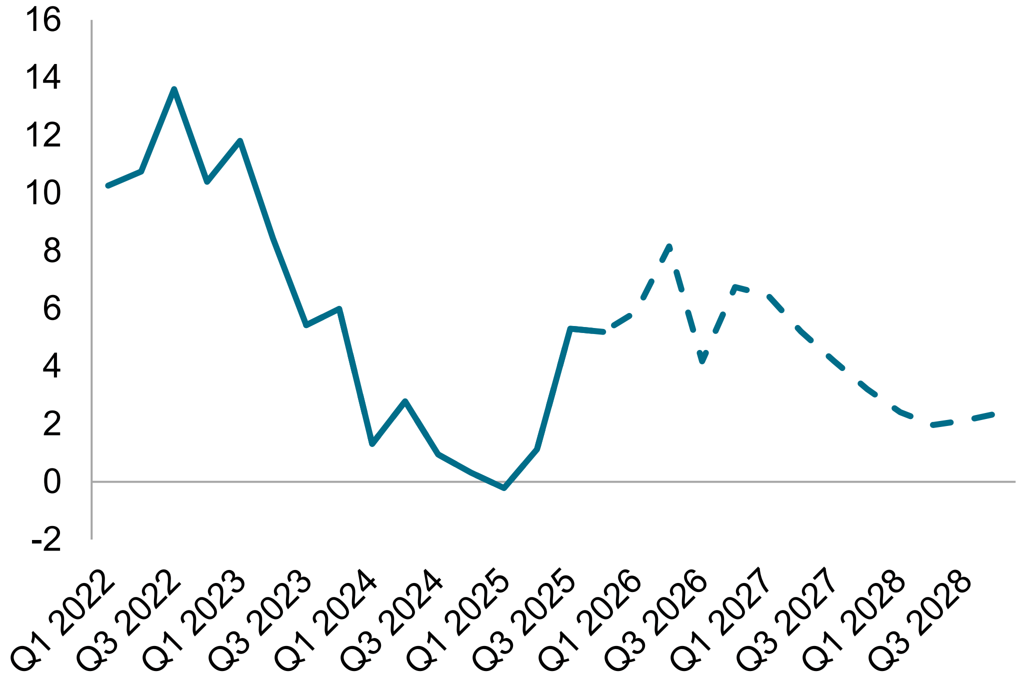
Natural Gas and Electricity trend upwards

US natural gas ($/MMBTu)



Data compiled June 2026.
Source: S&P Global Market Intelligence,

US Industrial Electric Power (%change year-ago)



Data compiled May 2026
Source: S&P Global Market Intelligence.

Steel

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Steel Overview

The war is the story with regional impact varying

- Prices vary around the world but most initially over-reacted to war
  - First move was up, but most regions are now slipping while USA continues to rise
- Supply is sufficient. Costs are higher but production faces no direct impact
  - Watch out for shipping costs and impact on trade flow as fuel costs rise
- Demand is under threat
  - Some weakness already and will grow exponentially worse the longer the war goes on

US flavor

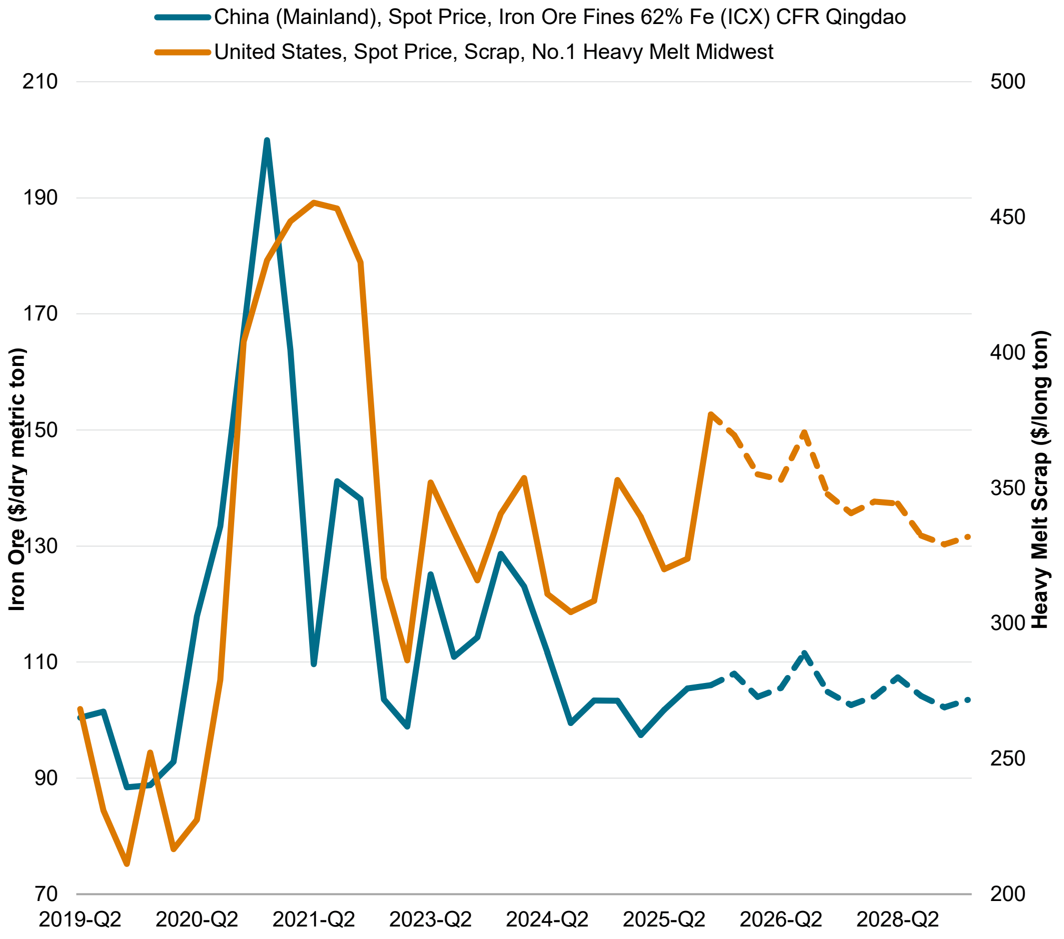
- US has the highest prices of any significant economy, by far
- Protectionism is the main reason
- Logistics are a real but perhaps over-stated adder
- Even with a 50% tariff, most Asia prices are significantly lower than USA
  - But not Canada, Mexico, Brazil, or Europe
- Prices fall – or not – as US buyers turn to imports

Steel raw materials to stay elevated in Q2, but declines inevitable in Q3-2026

- Advice is to “buy as needed” **Heavy Melt Scrap** during Q3 in the US as domestic conditions remain relatively supportive
  - This is underpinned by high mill utilization rates of 81% in May and steady internal demand.
  - In Asia, seasonal factors in Q3—most notably the monsoon period—are expected to constrain construction activity, thereby reducing scrap import demand from key steel-producing economies.
  - Prices will fluctuate in the $353-355/long ton range through the H2-2026.

- Advice for **iron ore** is to "buy as needed," since prices will move in a range of $105-104/dmt CFR mainland China in H2-2026.
  - We forecast prices to exhibit range bound movement as demand remains weak and supply is ample.
  - Prices in June have already touched $100/dmt as weak Chinese steel demand and rising metallurgical coke costs squeezed mill margins, forcing steelmakers to cut back purchases and hold inventory positions.

Iron Ore and Ferrous Scrap price forecasts (2026-2028)



Data compiled June 2026
Forecasts based on June CPW.
Source: S&P Global Market Intelligence.

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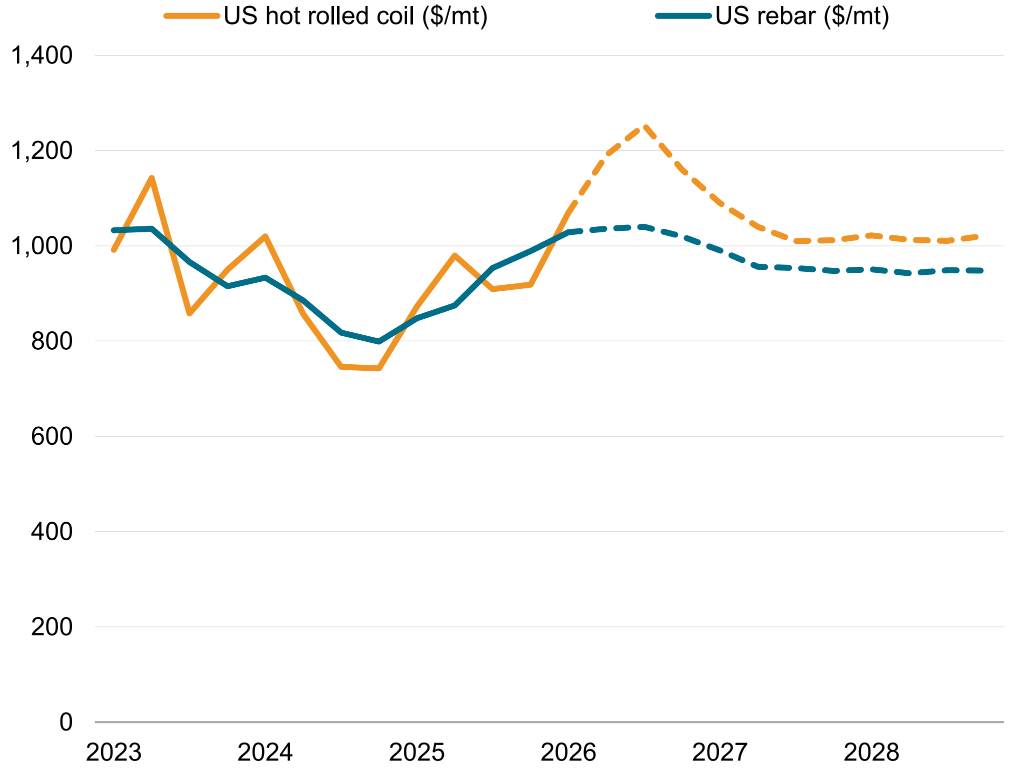
Americas carbon steel

- **Prices are expected to remain strong across the third quarter then start sliding in Q4 and continue through 2027**
  - But this is **explicitly** predicated on rising imports of much lower priced steel
  - Risk therefore is that prices stay flat at these high levels
- **Demand weakness – unlike 2021 – will put a ceiling on prices**
  - Buyers are facing difficulty passing through input costs but cannot eat them indefinitely.
- **Supply is sufficient but lead times are stretched**
  - Maintenance outages lasted longer than expected but should end soon – if mills really want them to
  - If buyers do take advantage of competitive imports then supply will improve greatly by the end of the year. *If*.

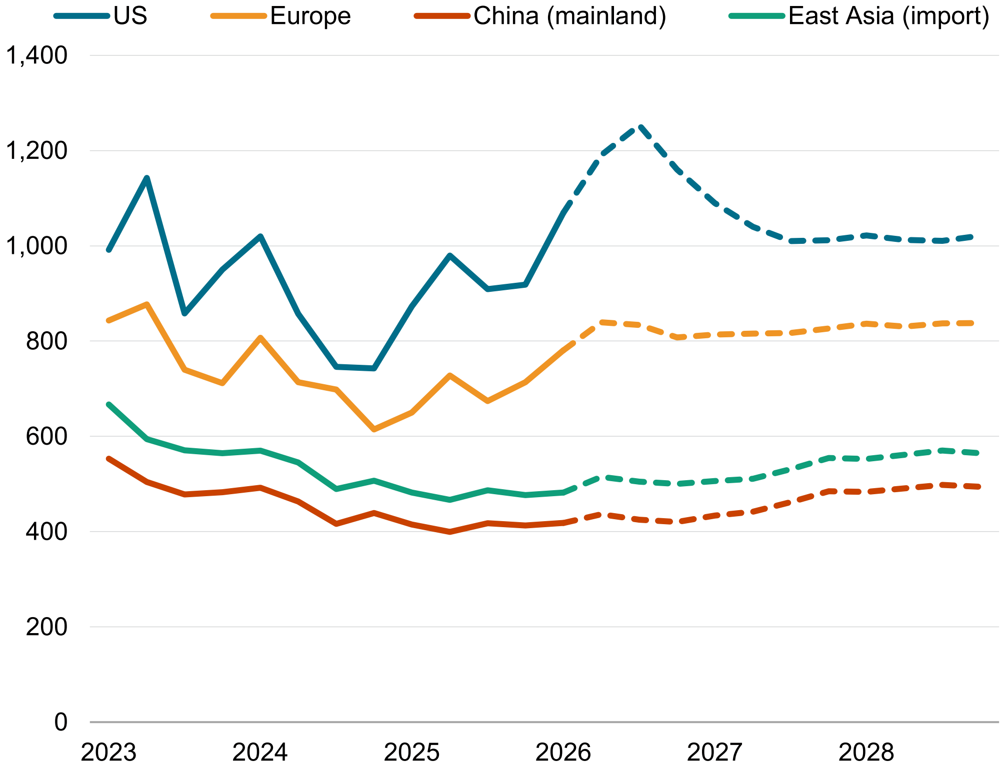
US rebar and hot rolled coil forecast comparison, US dollars per ton



Data compiled Jul. 14, 2026.
Source: S&P Global Market Intelligence.

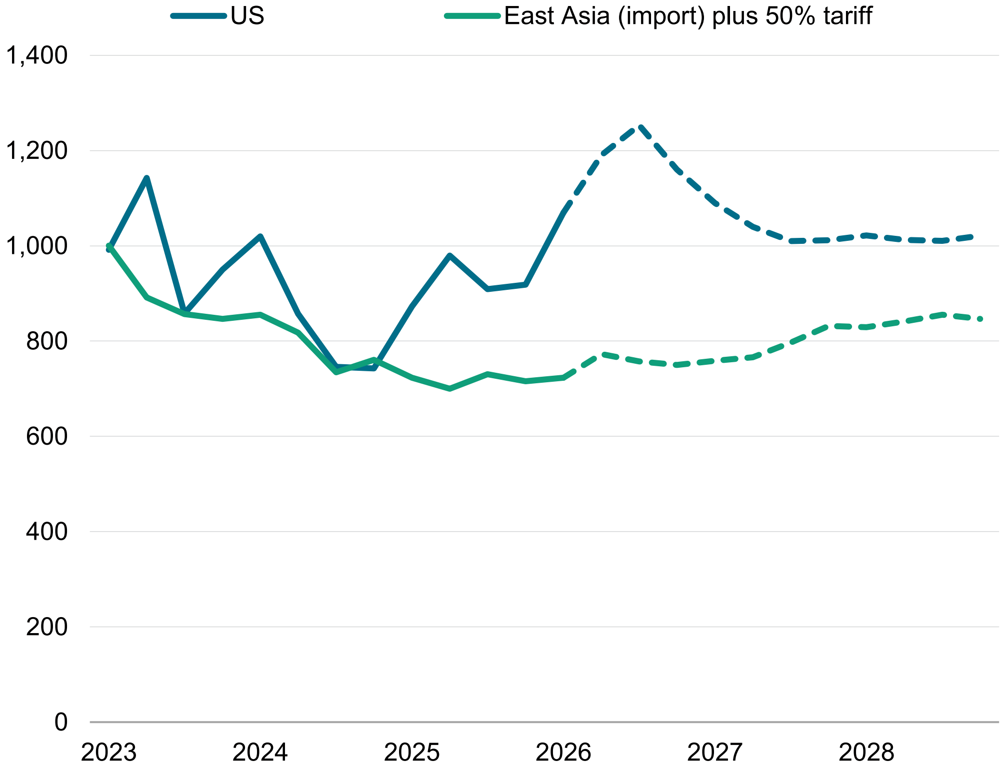
If you add 50% tariff, East Asia is still a bargain.

Hot-rolled sheet prices, US dollars per ton



Data compiled Jul. 14, 2026.
Source: S&P Global Market Intelligence.

Tariff impact: Hot-rolled sheet prices, US dollars per ton



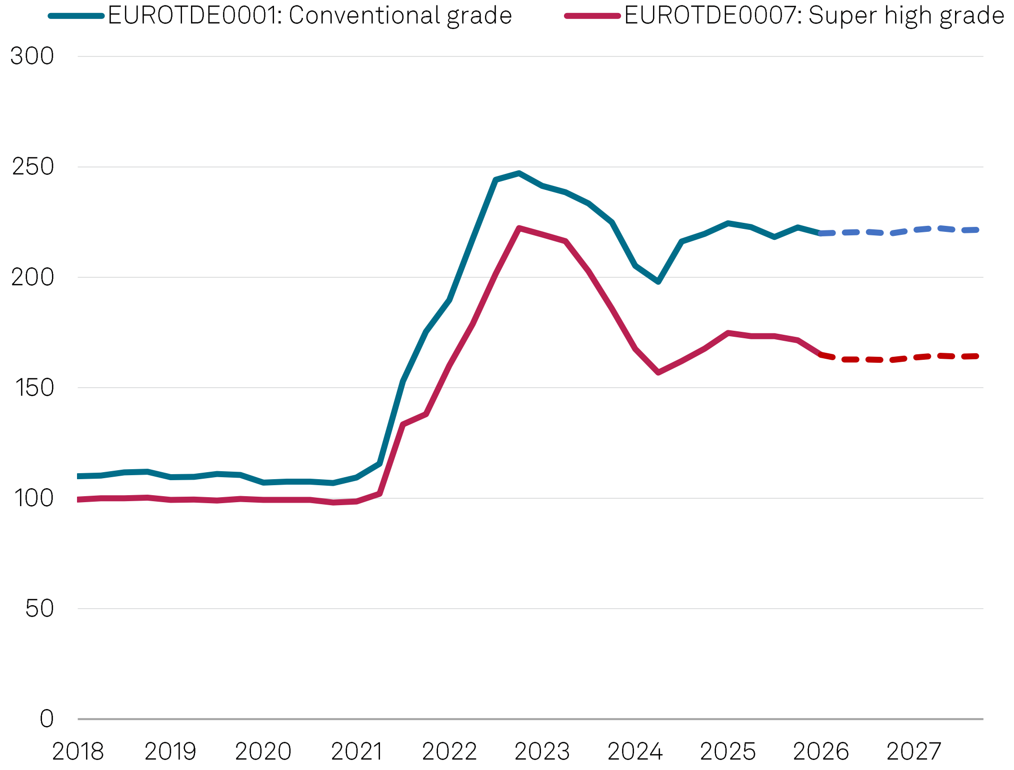
Data compiled Jul. 14, 2026.
Source: S&P Global Market Intelligence.

Electrical steel – little change but protectionism in Europe is on the watch

- Demand will exceed global capacity for years
- Capacity additions will come but only enough to keep pace
  - NOES in USA: Calvert and Big River but ground not yet broken
  - GOES from Big River – 2028 at earliest (new information)
- United States very disadvantaged by tariffs, AD/CVD
  - Mexico is trending toward US restrictions, hurting electrical machinery companies that relocated
- Europe and Asia are better positioned but still pressured for supply
  - **Europe investigating anti-dumping on electrical steel**

- Motor lam (not shown) is **not** under particular pressure

Buyer price index, April 2017 = 100

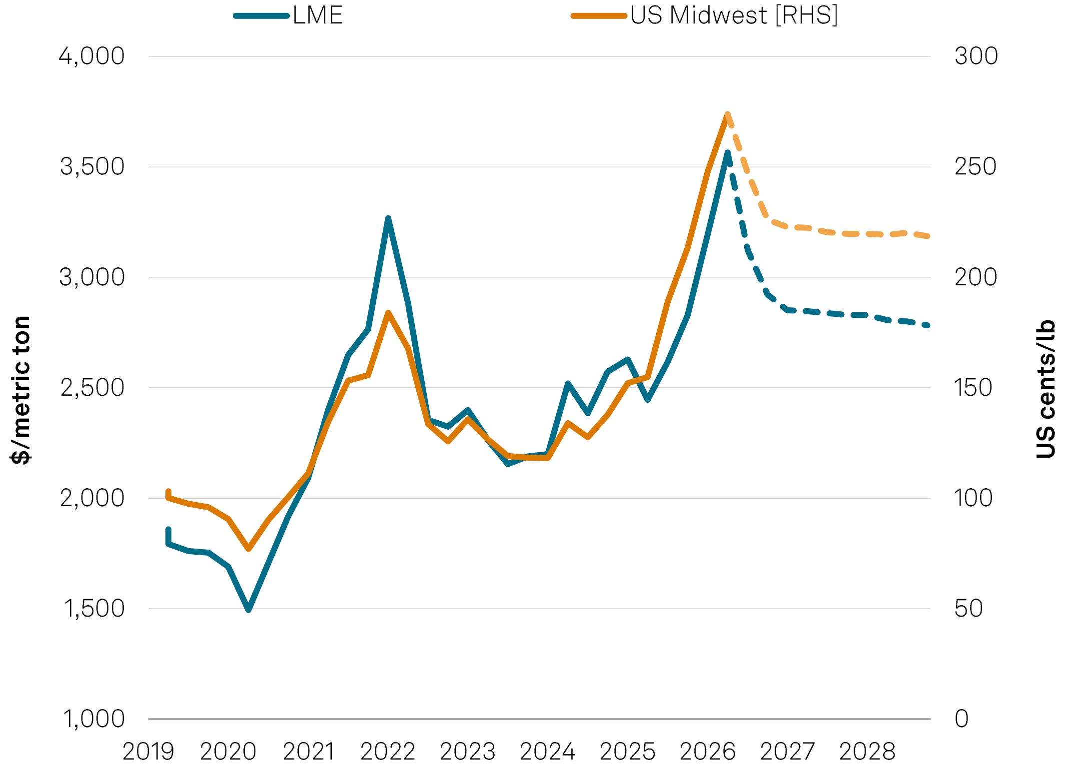


Data compiled June 3, 2026
Source: S&P Global Market Intelligence.

Aluminum and Copper

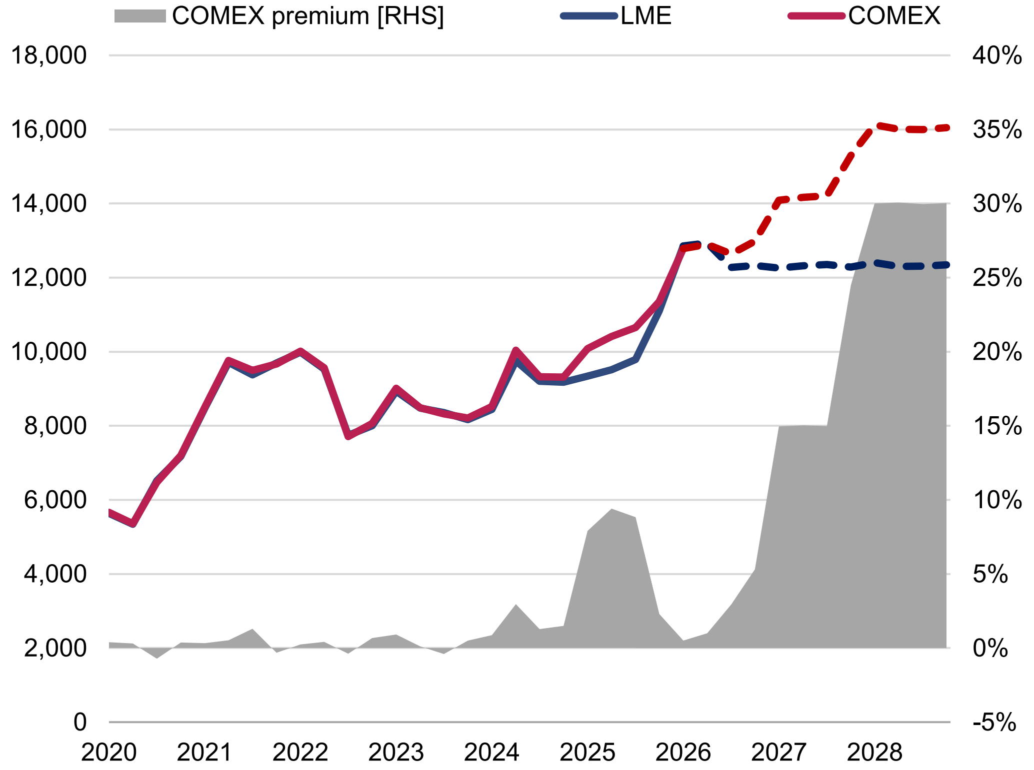
Cessation of hostilities saw prices of aluminum and copper fall – with a sharper-than-expected price drop in aluminum

Aluminum price forecasts



As of July 2026.
Source: S&P Global Market Intelligence.

Copper exchange price forecasts ($/metric ton, %)



As of July 2026.
Sources: LME, CME, S&P Global Market Intelligence

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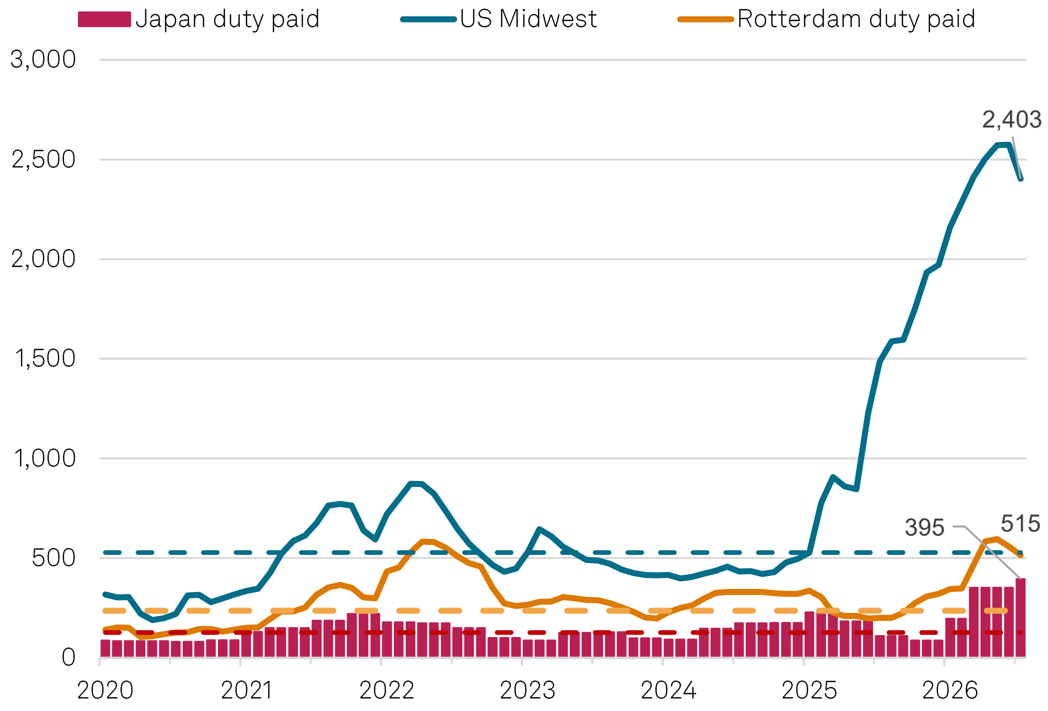
Higher premiums reflect tight supply and reduced supply base

Aluminum P1020 regional price premiums ($/metric ton)

2017-2025 averages shown dotted



As of July 7, 2026
Note: Japanese premium set quarterly, others daily.
Sources: Argus Media, S&P Global Market Intelligence

- GCC supplied 8.3% of global aluminum in 2025 – shipments have fallen since start of conflict

GCC aluminum production as share of global (%)

Source: Aluminium Association, S&P Global Market Intelligence.

- A fifth of US and Europe imports are from GCC
- Premium typically is logistics costs and tariffs…
- …But elevated on restricted supply options, conflict risk and uncertainties around US tariffs
  - – US premiums, 73% of LME spot price, include uplift to cover changes in tariffs, higher costs and restricted supply
  - – European premiums, 16% of LME spot price, include CBAM uplift –1-2% of premium in 2026-2027
- Targeted benefits from tariffs changes – reduced US metal content and lower tariffs for specific category
  - – Domestic and imported aluminum prices are closely aligned

CBAM: Carbon Border Adjustment Mechanism is a European Commission carbon border tax on aluminum, steel and 6 other emissions-heavy industries that was first implemented from January 2026

Buyer notes on Copper and Aluminum

- Copper – tariffs are coming. Unless they aren't. But the risk is 50% or more so build it into your budget
  - 15% assumed on January 1, 2027
  - 30% assumed on January 1, 2028   (15% plus 15%)
  - Not in the price right now, so if you do options this may be an excellent time
- Aluminum supply (not just price) is vulnerable to trade actions
  - USA cannot make enough aluminum to clear the market
  - USA insults Canada, so Canada would just as soon sell to Europe and not deal with tariffs/quotas
  - Global supply is going to be tight(ish). USA is last in line

- Data centers do use a lot of copper. But miniscule compared to construction and manufacturing.

- Copper will be in deficit in the future, but that is a 2028-2035 story, not a 2027 story

Chemicals

Middle East war leaves global chemical prices elevated

Global prices elevated, but escalation rates have peaked

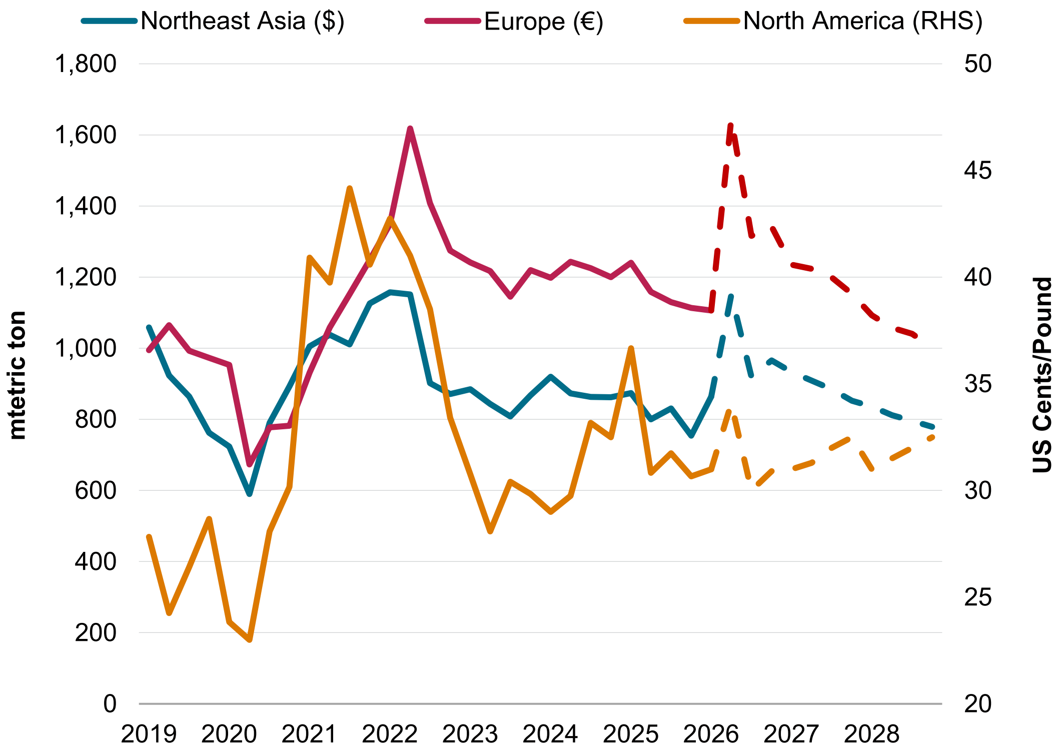
- June forecast still points to significantly elevated chemical and resin prices through summer 2026.
- Near-term pricing has been revised lower, but levels remain historically high.
- Gradual price declines are expected by Q4 2026 and are expected to be gradual.
- Market direction remains highly dependent on the Middle East conflict
- Buyer conditions have improved modestly from the March-April spike, but upside risk remains if crude oil and feedstock costs rebound.

Ethylene: Outlook Shifts Lower as Supply Risks Ease

- **Broad downward movement:** Peak was in Q2, i.e. behind us.
  - April prices should *not* be the basis of 26H2 contracts
  - USA is natural gas self-sufficient so little move in ethylene. High oil did drive up propylene
- **Main drivers:**
  - Lower crude oil and feedstock assumptions
  - Improving trade flows through the Strait of Hormuz
  - Weaker spot activity
  - Fading war-related demand
- **Regional impact:**
  - North America faces weaker export demand
  - Europe is catching up with softer spot markets
  - Asia is benefiting from improved supply availability as trade routes normalise.
- **Key risk:** Upside risk remains significant if the Middle East ceasefire weakens or renewed disruption affects traffic through the Strait of Hormuz.

Plastics feedstocks are past peak

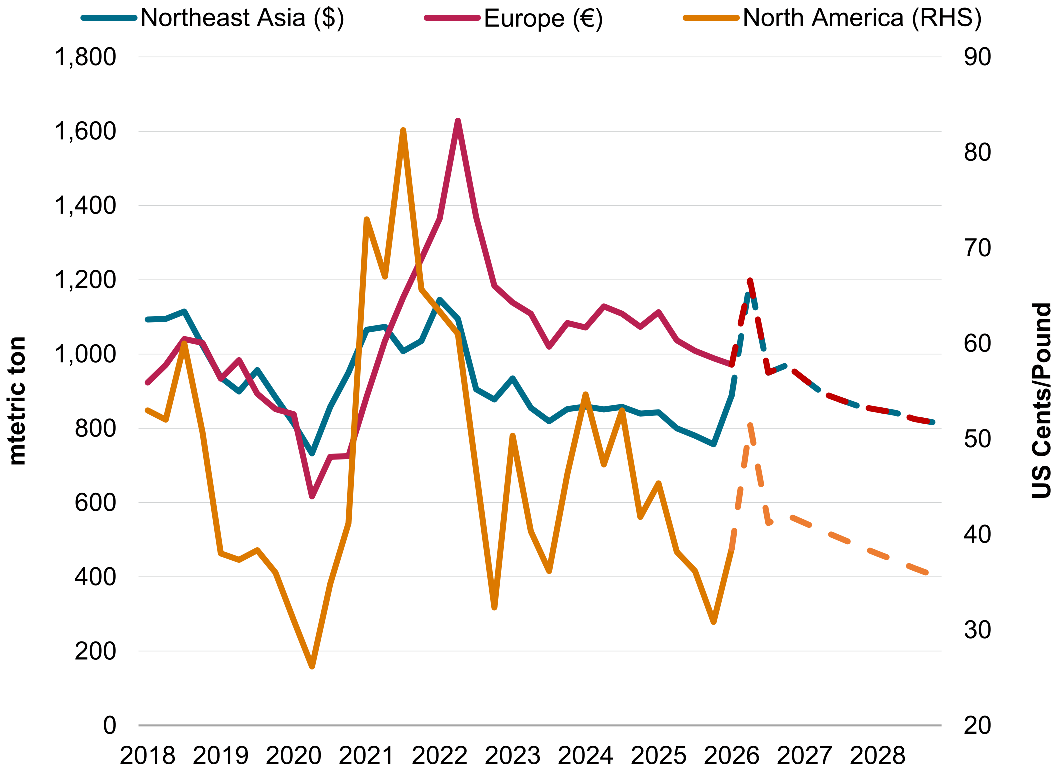
Global Ethylene Prices



As of Jul. 13, 2026.

Source: S&P Global Market Intelligence.

Global Propylene Prices



As of Jul. 13, 2026.

Source: S&P Global Market Intelligence.

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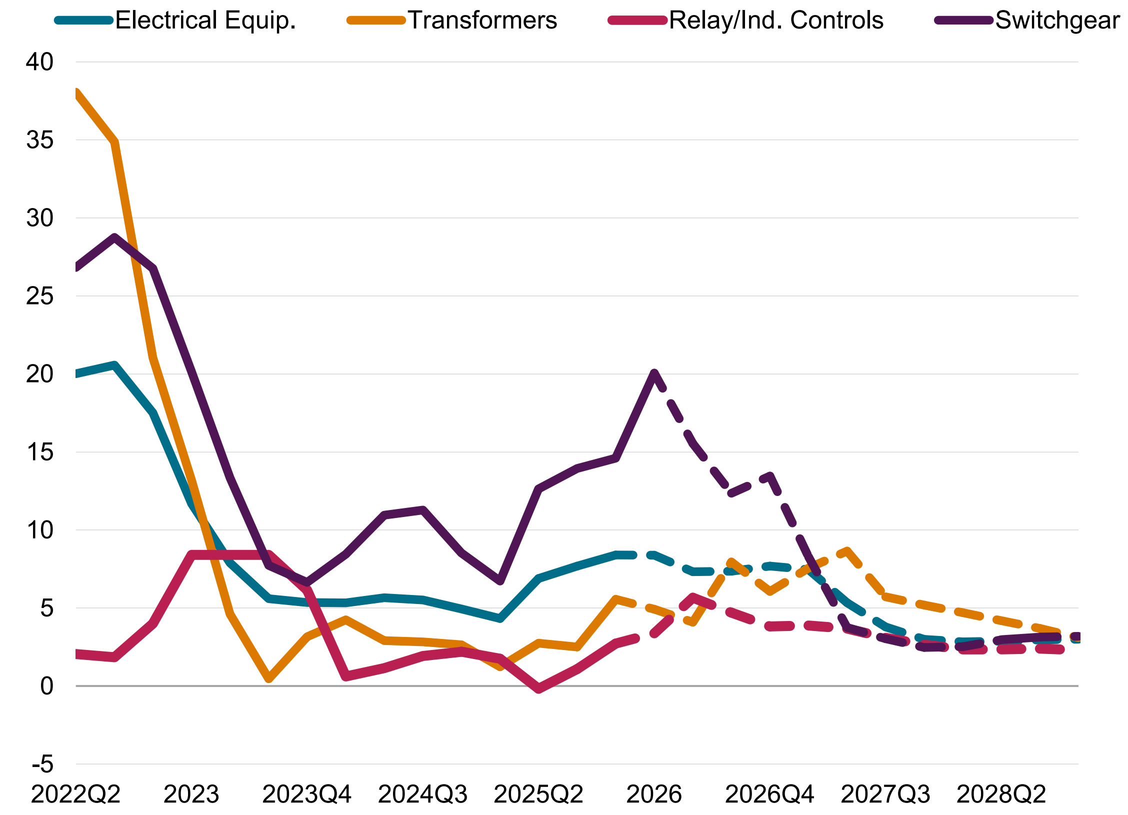
Equipment

Electrical equipment prices are driven by transformers and switchgear

US Electrical Equipment Prices, percent change YOY



Data compiled June 2026.
YOY = year over year.
Source: S&P Global Market Intelligence.

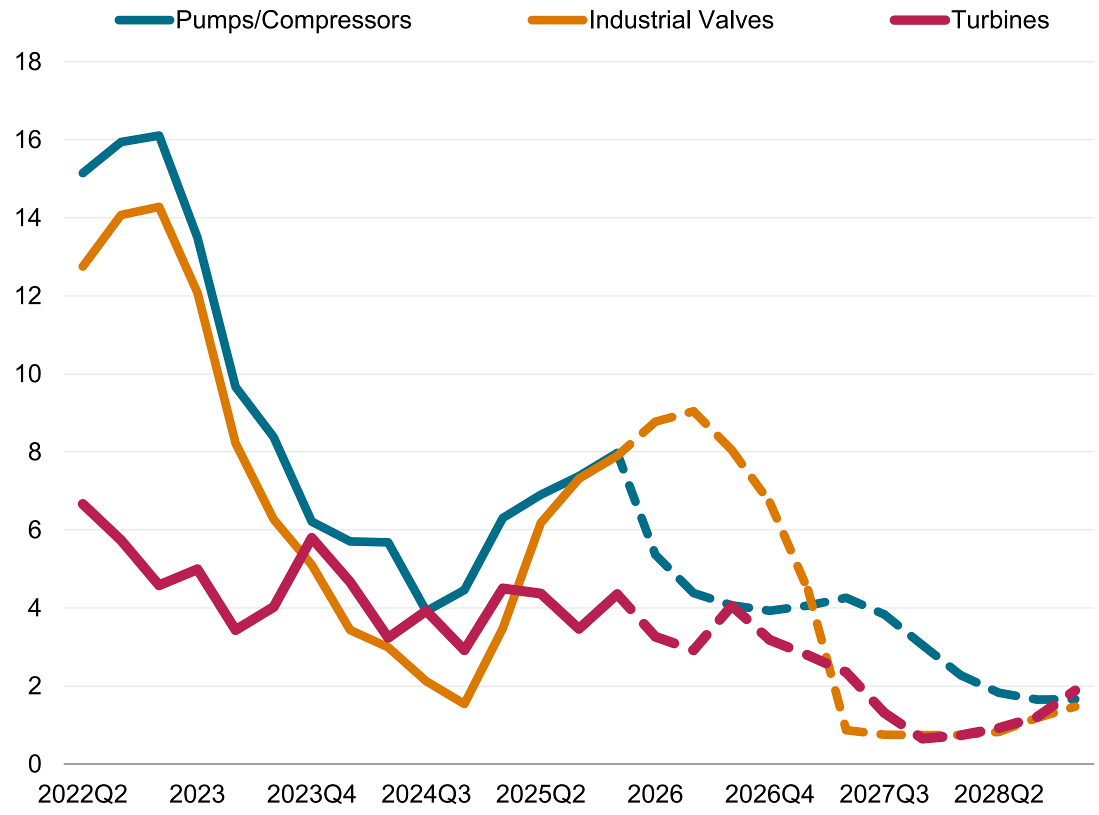
- Our advice for electrical equipment is buy now.
- Categories warranting greater attention: transformers and circuit breakers.

- Electrical steel and copper are lifting transformer and switchgear costs.
- This dynamic will slow, but other supply chain and policy issues remain.

- Demand outpacing supply with unfilled orders still near record levels.
- Data center and renewable energy demand will support high prices.

Non-electrical equipment price outlook bolstered by tariffs and energy in 2026

US Equipment Prices, percent change YOY



Data compiled June 2026.
YOY = year over year.
Source: S&P Global Market Intelligence.

- Pricing momentum finding support from protectionism, shifting focus to energy.
- It is advisable to buy now, with pricing risk pointing towards the upside.

- Machinery and equipment remains generally well-supplied.
- Tariffs and energy price concerns will limit price deceleration .

- Demand remains relatively supportive with new orders still historically high.
- With supply and demand in balance, the focus remains on costs and the lingering effects of war.

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