

The Metal Perspective

A Ryerson Customer Survey
August 2019



70%

Roughly seven in 10 respondents to **The Metal Perspective** believe business conditions thus far in 2019 have been either stronger or on par with initial expectations. What does that mean for the market as we head into the final few months of 2019? This is one of the questions that Ryerson looked to answer through the second edition of its customer survey.

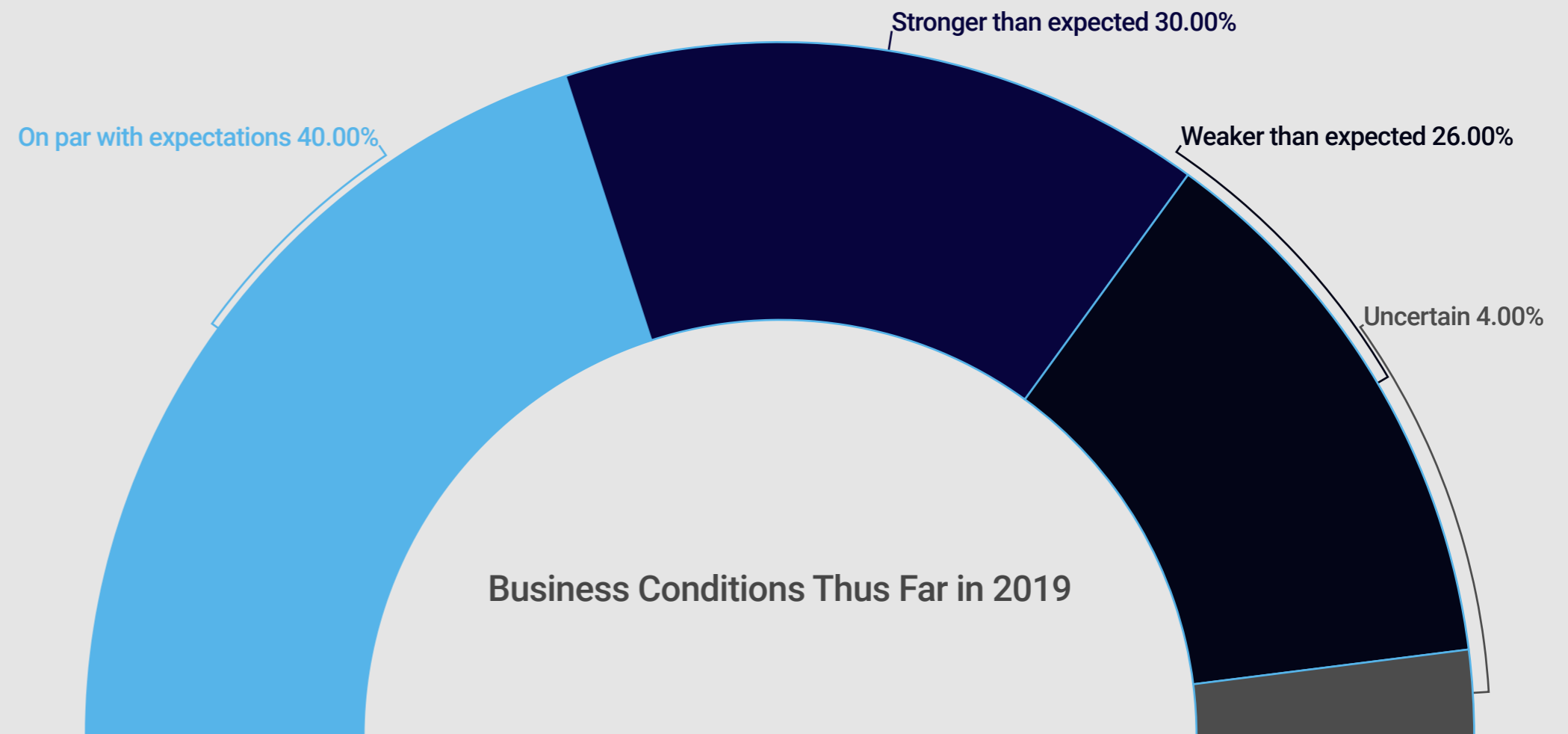
Manufacturers, fabricators, and machine shops, among others, from all regions of the United States and Canada provided their perspectives on the ways in which various market factors are impacting their business. The survey consisted of five questions related to macro-economic and market-specific conditions and was distributed via email June and July 2019.

Among the highlights:

- Most respondents believed business conditions for the remainder of 2019 will either be stronger or unchanged.
- Those anticipating a weaker than expected end to the year attribute the decline to rising business costs and a lack of skilled workers.
- Tariffs have increased the cost of doing business for more than 50 percent of respondents and caused price uncertainty for 43 percent.

On the pages that follow we look at some trends that appear to be shaping the remainder of 2019 and the ways in which customers could be planning ahead for 2020.

To gain a deeper understanding of how market factors impact business today, Ryerson surveyed customers on macro-economic and market-specific conditions.



A Take on Tariffs

Tariffs continue to play a major role in the market. In the previous survey, roughly 55 percent of respondents believed that tariffs would have a big impact on their business headed into 2019. At the time, the anticipated impacts listed by respondents ranged from an inability to obtain cost-efficient material (69 percent) to longer lead times to their customers (28 percent).

Thus far in 2019, some of those concerns have become a reality.

When asked about what impacts that tariffs have had on their business thus far in 2019, the top responses were increased costs (52 percent), price uncertainty (43 percent), and delayed supplier deliveries (16 percent).

Other impacts cited by respondents included an inability to quote jobs in a timely manner, overall project delays, and in some cases the loss of customers due to increased costs.

Not all respondents were affected. However, as 21 percent said that tariffs had not had an impact, while another 16 percent were uncertain of the particular impact.

Top-3 Tariff Impacts



16%

● Increased costs ● Price uncertainty ● Delayed supplier deliveries

21%

Tariffs have had no impact on my business in 2019.

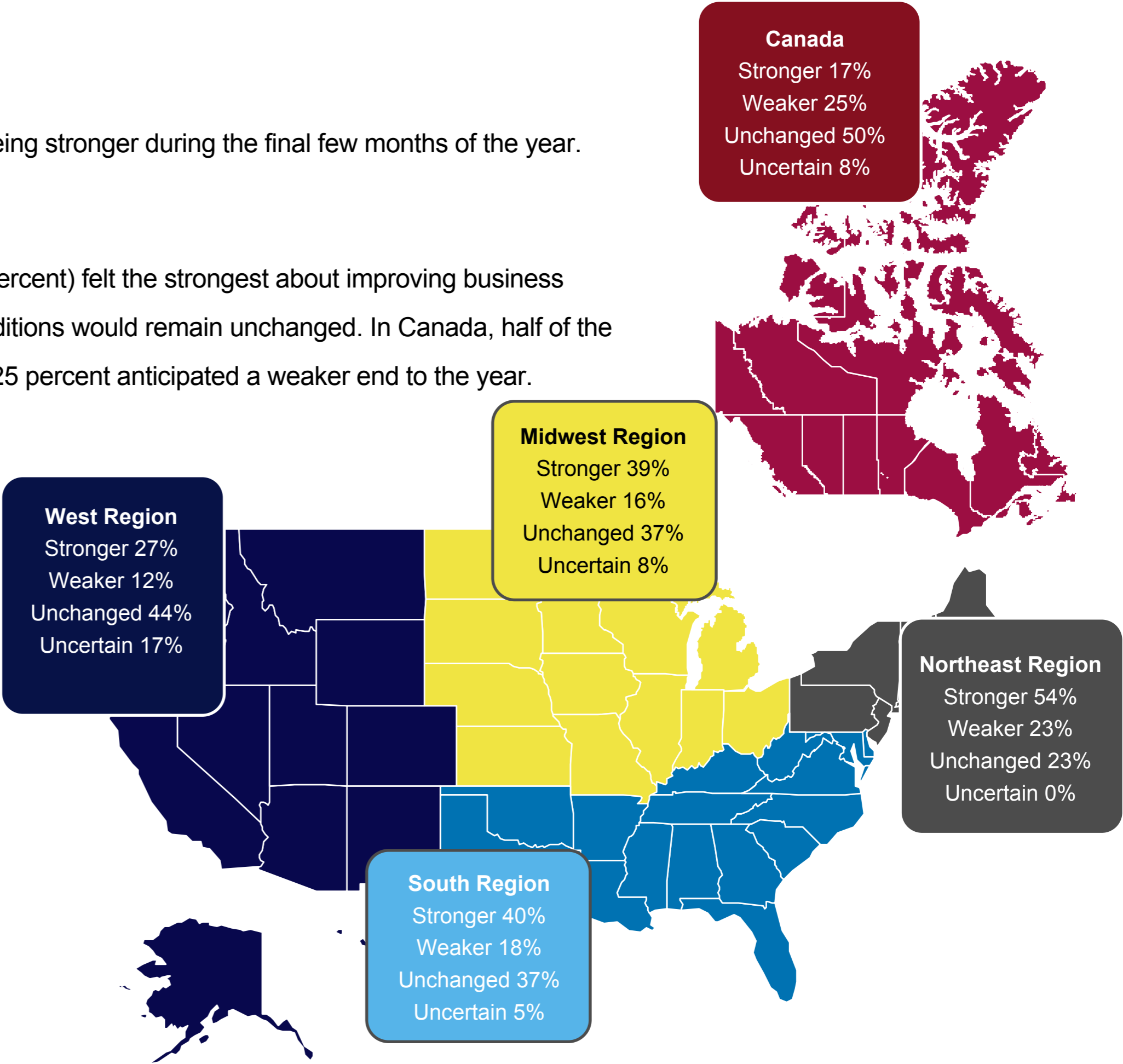
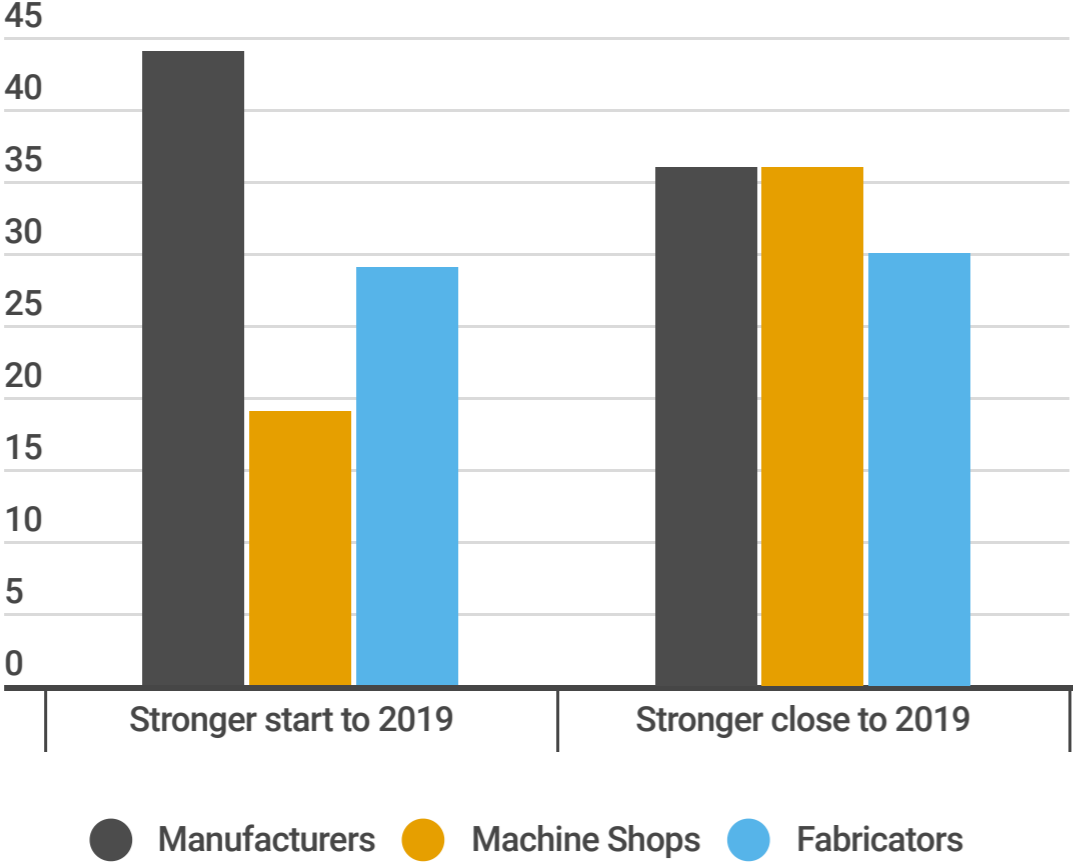
Regional Review

Looking to the remainder of 2019, roughly 35 percent anticipated conditions being stronger during the final few months of the year. Another 36 percent anticipated conditions remaining unchanged.

Regionally, the Northeast (54 percent), Midwest (39 percent), and South (40 percent) felt the strongest about improving business conditions. The majority of respondents in the West (44 percent) believed conditions would remain unchanged. In Canada, half of the respondents anticipated business conditions would remain unchanged, while 25 percent anticipated a weaker end to the year.

Some interesting insights emerge when you break out the responses by company type.

This chart compares those feeling stronger about the end of 2019 vs. the start of 2019.



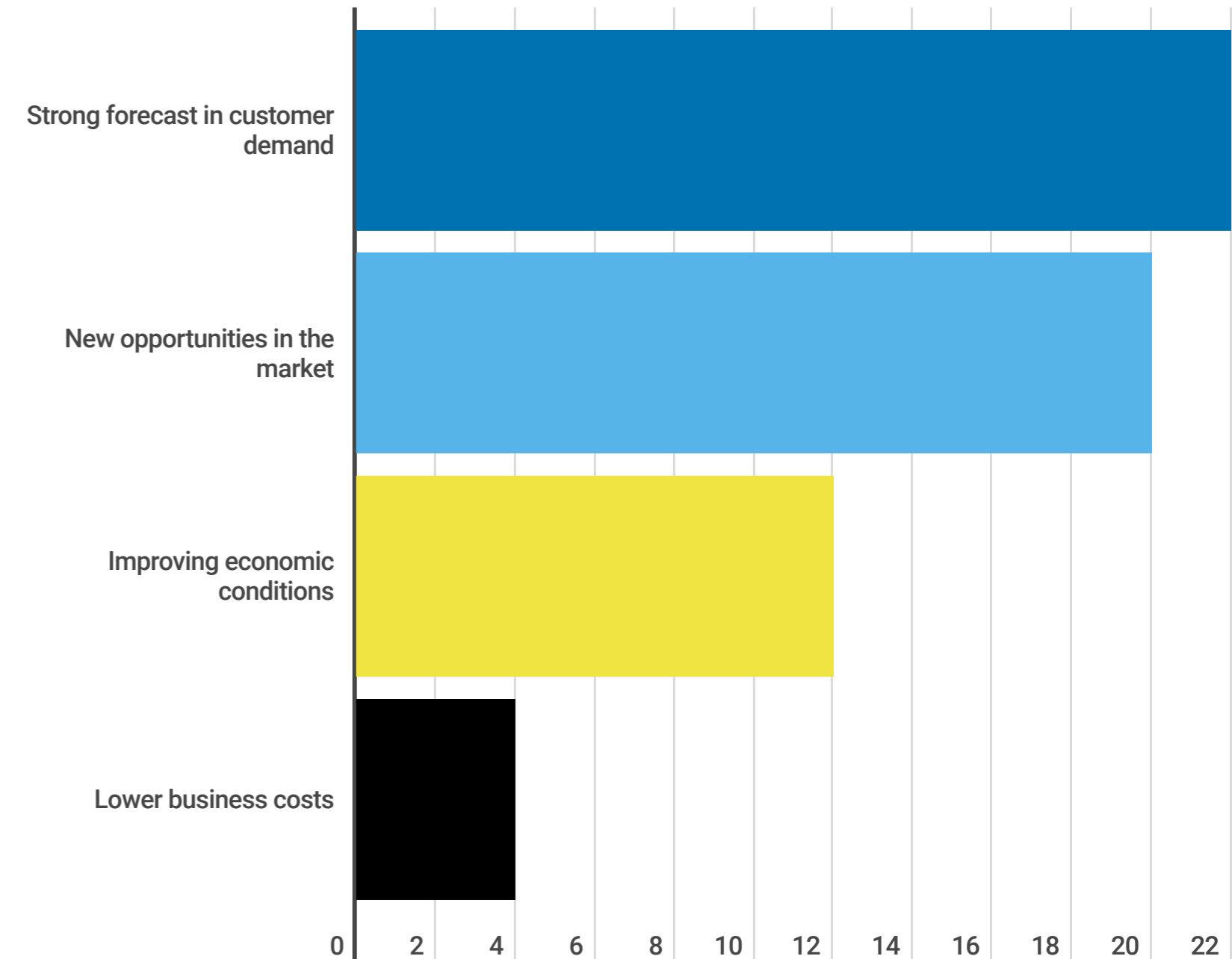
Great Expectations

Those that believed the remainder of 2019 would be stronger than initially anticipated based their expectations on business growth with both new and existing customers. Roughly 22 percent pointed to a strong forecast for customer demand, meaning that they anticipate more opportunity with existing customers. Many were also encouraged at the prospect of new opportunities emerging in the market (roughly 20 percent).

Some of this optimism could align with the idea of improving economic conditions. Heading into 2019, roughly 25 percent of respondents cited that broader economic conditions were among the biggest challenges facing their business. Two data points from this survey demonstrated that the economy is becoming less of a concern for respondents:

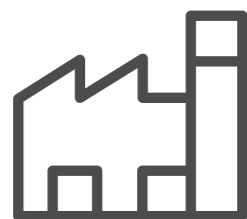
- Roughly 12 percent of respondents that anticipated the remainder of 2019 to be stronger than expected pointed to improving economic conditions as one factor.
- Only 6 percent of respondents that anticipated the remainder of 2019 to be weaker/unchanged than expected cited economic conditions as a contributing factor (see next page).

Points of Optimism



Multiple responses applied.

Anticipating a Strong Finish



36%



30%



36%

A Cautious Close

Similar to the way in which customer demand led some to expect a strong end to 2019, those that anticipated a weaker/unchanged finish to the year point to decreased demand on this front. In fact, weaker forecast in customer demand was the top reason cited (33 percent), followed by rising business costs (21 percent).

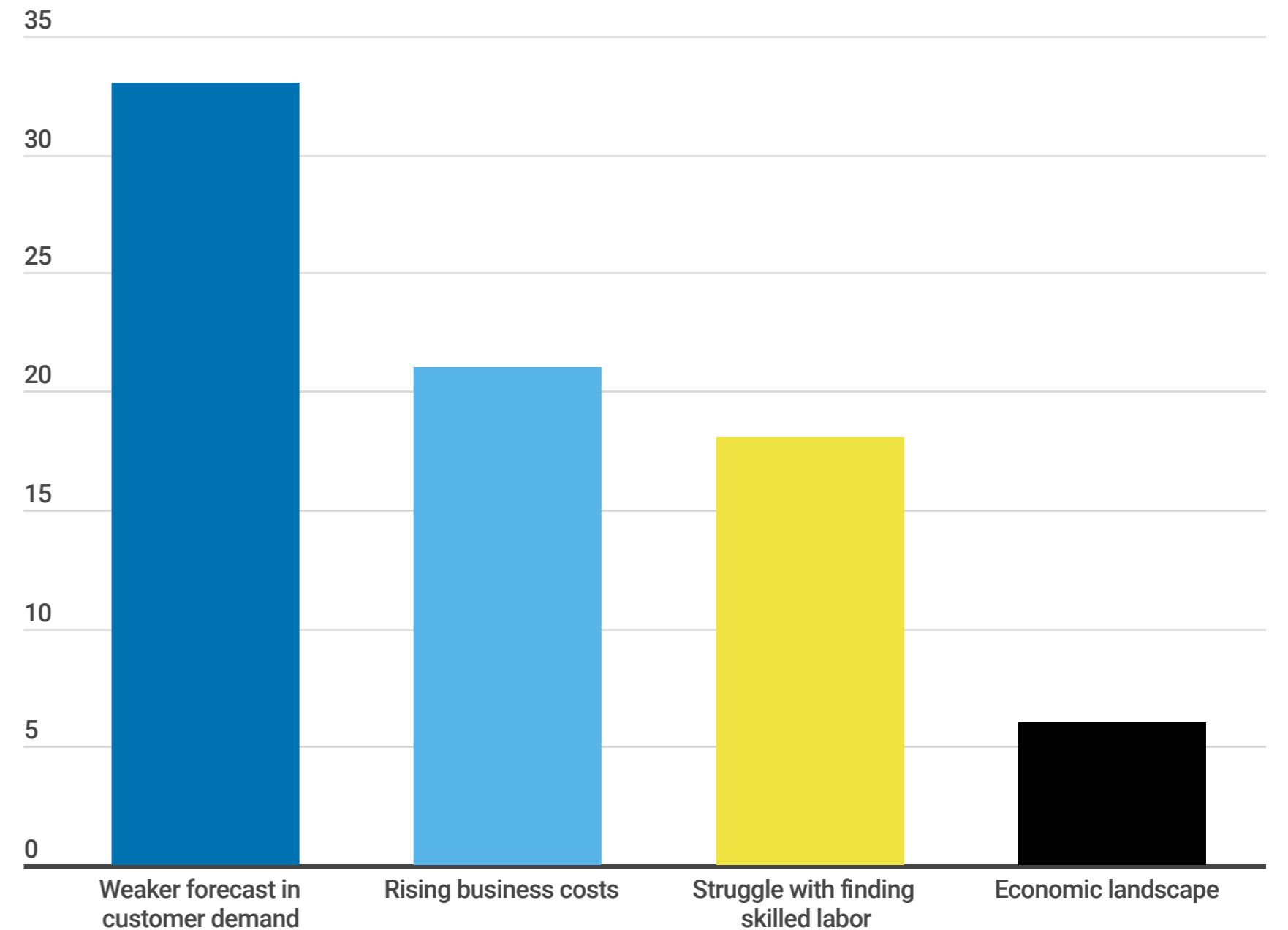
A struggle to find skilled labor remains a challenge for 18 percent of respondents as the U.S. unemployment rate has continued to hold steady at historic lows throughout the year.

Regionally, the struggle with finding skilled labor was highest in the South (29 percent) and the Midwest (15 percent). This aligns with results from the previous survey, in which the Midwest and South experienced the greatest struggles on the labor front, albeit at much higher rates, 67 percent and 60 percent respectively.

In the previous survey, roughly 49 percent of respondents cited **a lack of skilled labor** as one the biggest challenges facing their business headed into 2019. Looking to the final few months of the year, 18 percent continue to struggle on this front.



Causes for Caution



Multiple responses applied.

Information contained in this report is the result of an email customer survey conducted by Ryerson during the summer of 2019 aimed at collecting information related to customer opinions on current market conditions. It is the collated responses of 334 respondents during this period and not the opinion of Ryerson, its employees/officers/directors, or affiliates.

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