



E.B. Horsman & Son

The Electrical Distributor of Choice!

May 28, 2021

Our team would like to share details regarding significant impacts, pricing volatility, and other market trends that continue to cause supply chain challenges.

We anticipate this next quarter could be the most challenging from a supply chain perspective. Large order backlogs, strong demand, raw material constraints, continued production challenges, and freight capacity issues are all resulting in extended lead times and supply chain uncertainty.

Many suppliers have moved to an allocation strategy due to significant order backlogs. Several suppliers continue to bring on additional capacity and create redundancies in their supply chains. This will help mitigate long-term risk but is providing minimal short term relief. We continue to work with our supplier partners on these issues as well as look at alternate sources to mitigate risks.

The following product categories have extended lead times:

- Building wire
- Circuit breakers
- Loadcenters and panels
- PVC conduit
- EMT fittings
- Steel strut and fittings
- Wiring devices
- PVC and weatherproof boxes
- Power and indicator fuses
- Meter sockets and hubs
- Cable ties
- Electrical tape

MicroChips / Semiconductors

- The massive growth and underestimated demand for microchips for everything from Automobiles to Electronic devices to Lighting have created a capacity issue that is being felt by all industries globally. There are very few industries immune to this issue. We are booking release orders and forecasting whenever possible to hedge against lead time extensions.

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 Data Communications
 Lighting Solutions
 Process Instrumentation

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Commodity pricing remains highly volatile and as result we are continuing to see record numbers of price increases from our suppliers. We expect most categories to see continued price increases through the summer and fall. Some vendors have changed their terms to 'time of shipment' vs. 'time of order' which creates additional pricing and supply chain challenges as well as complexities for project management.

- Copper pricing is at the highest levels in over a decade and close to the all-time record. May pricing remains 9% higher than prior month, 23% higher than previous quarter and 60% higher than May 2019.
- Steel pricing remains at record highs and double the 10-year average. Hot Rolled Coil (HRC) steel — a good benchmark for the steel industry — is 220% higher than 2020 prices and 131% higher than 2019.
- Pricing for aluminum wire and conduit is on the rise due to increasing demand based on rising costs of copper and steel driving increased consumption of the metal. Aluminum is at a three-year high and up nearly 25% since the beginning of 2021 and up 34% from 2019 levels prior to the pandemic.
- PVC pricing remains volatile with resin shortages and three of four major resin suppliers still enacting force majeure and allocation. PVC pipe pricing is now over 280% higher year over year. Most pipe and fittings suppliers have announced additional increases for the second quarter.

We continue to increase inventory levels where possible on constrained categories, have added safety stock to protect our best customers and are maintaining a strong position on items in core markets. We are booking release orders and forecasting whenever possible to hedge against lead time extensions. We also continue to justify and verify that all pricing increases align with current market pressures and mitigate pricing impacts to our customers where possible.

We are staying in close contact with major third-party freight carriers and there continues to be many challenges. Ocean freight constraints out of Asia remain a significant issue for the supply chain. The small parcel, LTL (less-than-truckload) and FTL (full truckload) markets continue to have challenges with driver shortages and strong demand for consumer goods.

The information in this communication is subject to change without notice. If you have any additional supply chain questions, please reach out to your EBH Account Manager for additional information.

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