



34600 Solon Road  
Solon, OH 44139  
United States  
Tel +1.440.248.0100  
Fax +1.440.248.0723  
nVent.com

April 23<sup>rd</sup>, 2021

Dear Valued Partner,

The flood of demand throughout the global economy coupled with weakened supply lines and constrained access to the necessary labor force is triggering severe turbulence in the supply markets causing multiple supplier price increases for materials and prolonged lead times. Based upon the market analysis of respected sources, we project that these impacts will persist over the coming weeks and months as the global state continues to deteriorate. All manufacturers and distributors are facing these market impacts. The following pages provide greater detail on the current global economy as described by reputable sources with experience in reviewing and analyzing market conditions. While we note that predicting the future is an imperfect science, we look to the larger macro-economic trends and indicators to make educated decisions on sourcing and pricing strategies.

**Key Concepts:**

---

- Raw material inflation has taken hold and is unrelenting with iron and scrap steel up 50.8% in the last 12-months. Copper demand is at record highs with resources entering a supply deficit. Copper is nearing \$4.30/lb. a 10-year high.
- Demand is continually increasing as more regions open up due to subsiding COVID-19 transmission, governmental stimulus, and the restart of 2020 projects stalled due to lockdowns.
- Freight and shipping lines continue to be strained due to increased consumer consumption, limited shipping containers, and heightened demand for delivery resources.

At nVent we are undertaking tremendous actions to preserve our availability and strengthen our supply lines as this economic volatility evolves. The pricing actions taken this year assist in offsetting a portion of the inflation we have absorbed along with solidifying our supply chains further in this period of uncertainty. We are committed to providing superior quality products, consistent availability, and exceptional service.

Thank you for your continued partnership with nVent CADDY, ERICO, ERIFLEX, and LENTON,

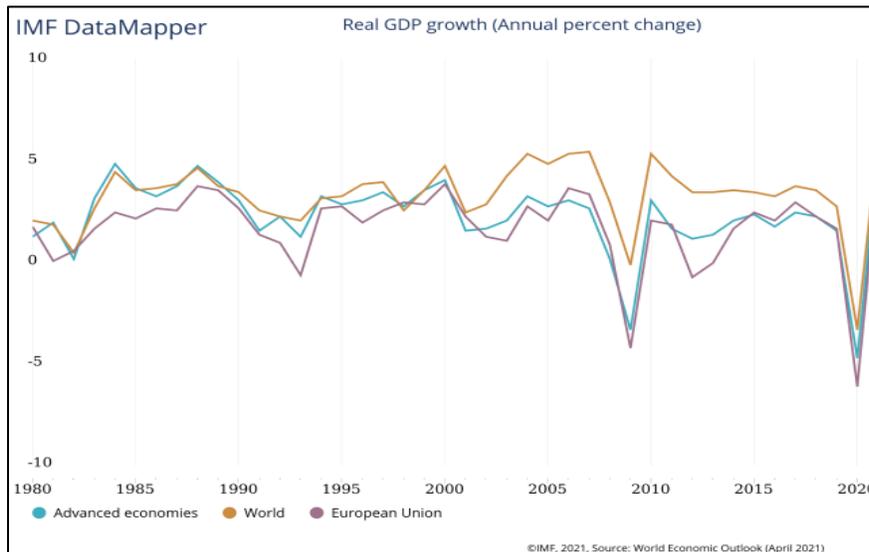
A handwritten signature in black ink that reads "Keith Semrau".

Keith Semrau,  
Director of Sales Operations



## Global Economic Indicators

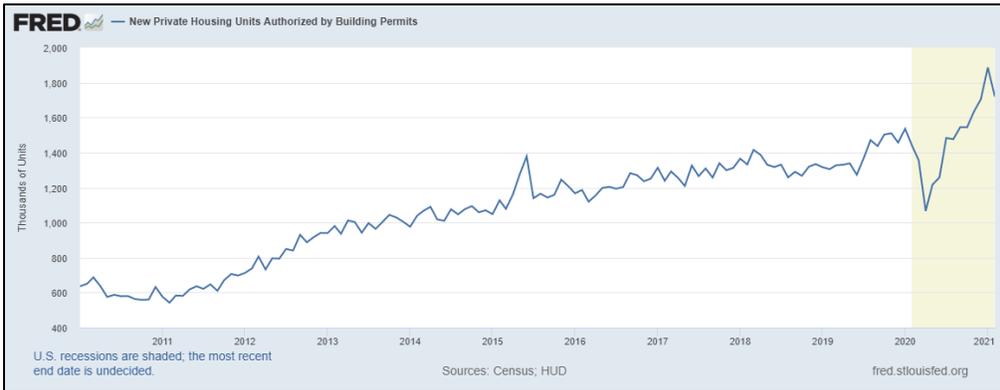
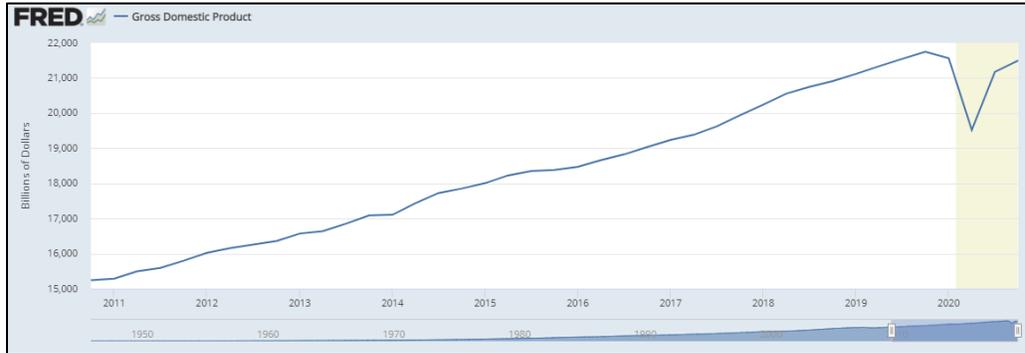
The Economic Outlook for 2021 projects strong global GDP growth of 6.4% in 2021. Following the steep economic decay in 2020 brought on by the COVID-19 Pandemic, the economy has proven to be resilient with a V-shaped recovery. The recovery has brought soaring sales of consumer goods including appliances and electronics along with record spending on new home construction, renovations, and commercial construction. Recent Data from China boosted the outlook for the global economic recovery, with the country reporting that its March exports in dollars grew 30.6% year-over-year, while import growth surged 38.1%, outpacing expectations of a rise nearer 24%. China's Q1-2021 GDP growth was 18.3% versus early estimates of 8.9%.



The European Union is estimated to have a strong second half of the year getting back to pre-COVID-19 growth which will be helped by vaccine rollouts, additional fiscal policy changes, and pandemic emergency funding programs.

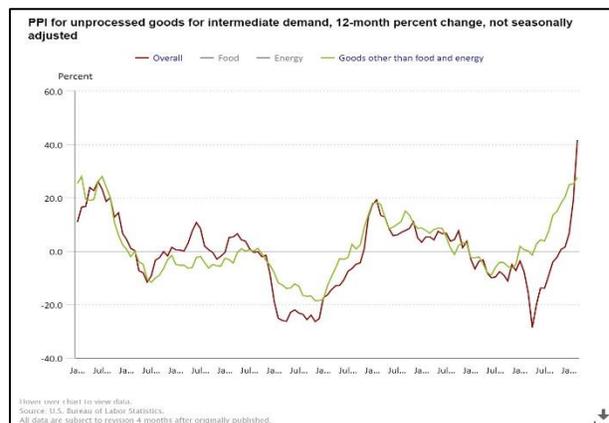
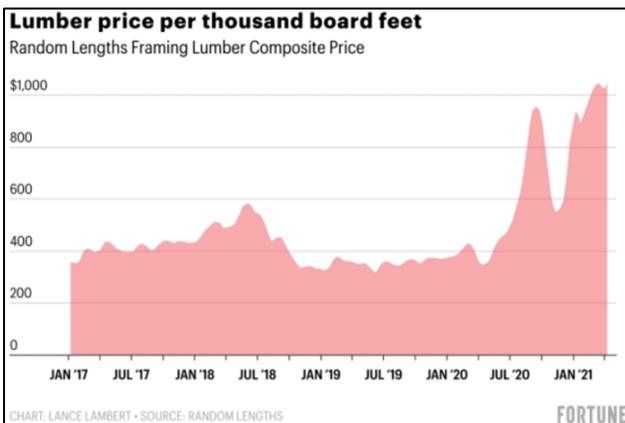
Goldman Sachs Economists estimate GDP growth for the U.S. Economy will be 11% in Q2-2021, ending at 8% full year 2021. The U.S. GDP has not grown 8% in one-year since 1951. The mix of low interest rates, COVID-10 stimulus, and the pending robust infrastructure investment plan of the new administration are contributing to the growth of the region. Total U.S. construction spending for January and February was up 4.9% versus 2020 (which was also pre-COVID lockdown). Residential construction is up a tremendous 21.1% versus prior year drawing high demand for raw materials and labor employment.

U.S. GDP is currently back to pre-COVID levels forming a V-shaped trend mimicking the rest of the worlds GDP output over the same term.



Building permits authorized in the U.S. are at 11 year highs with no sign of slowing as new housing demand remains strong.

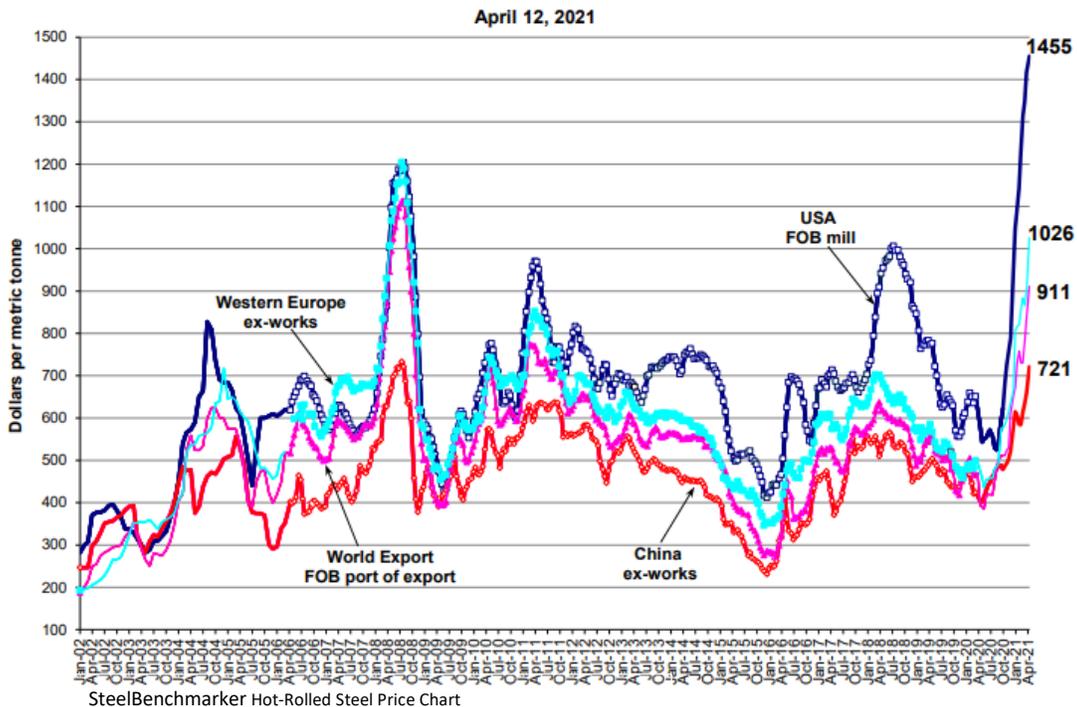
The pent up demand for new construction, remodels, and consumer goods is causing vast shortages in all industries including transportation, raw materials, and labor resources. Lumber prices are currently at record highs having jumped 193% from a year ago. The Producer Price Index for iron and scrap steel shows an increase of 50.8% in the last 12 months, including a 25.8% jump from November to December, followed by another 20.6% from December to January.



## Steel

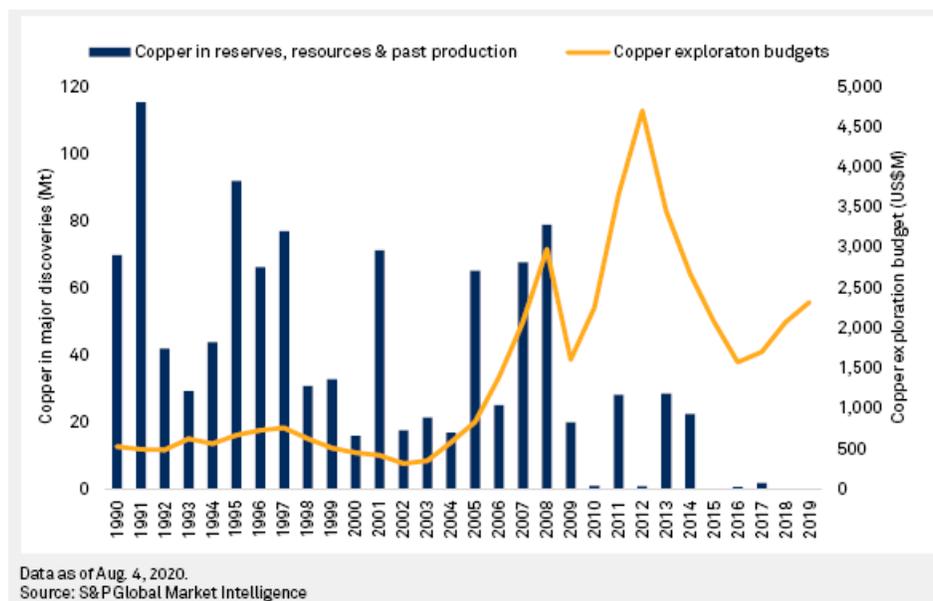
Unfilled orders for steel in the last quarter are at the highest level in five years, while inventories are near a 3 ½-year low, according to the U.S. Census Bureau. The benchmark price for hot-rolled steel recently hit \$1,176/ton, the highest level in the last 13 years. Last month steel producer Steel Dynamics advised that it was unable to get enough flat-roll sheets for even its own internal operations.

Steel demand is currently up 5.8% worldwide including up 7.6% in North America, 10.2% in the European Union, and 4.7% in Asia/Oceania as reported by the World Steel Association. Mr. Al Remeithi, Chairman of the World Steel Economics Committee, said, “despite the disastrous impact of the pandemic on lives and livelihoods, the global steel industry was fortunate enough to end 2020 with only a minor contraction in steel demand. This was due to a surprisingly robust recovery in China, with growth of 9.1%. In the rest of the world, steel demand contracted by 10.0%. In the coming years, steel demand will recover firmly, both in the developed and developing economies, supported by pent-up demand and governments’ recovery programmes.”

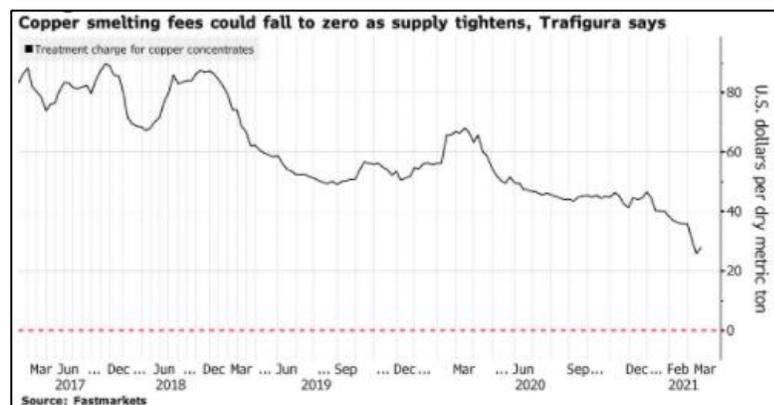


## Copper

Copper demand is currently at record highs while production and resources continue to decline. Copper is anticipated to shift into a supply deficit in the second half of the year, ending 2021 in a minor surplus, Reuters reported. Reuters also reported supply deficits in 2022 and 2023. Copper inventories in London Metal Exchange registered warehouses as of Feb. 19 were trading at 75,700 tonnes, close to a 15-year low of 75,550 tonnes in September 2020. In Europe, copper demand has grown at nearly 5% year-on-year over the first quarter, a turnaround from the depressed industrial growth rates seen for much of the past decade.

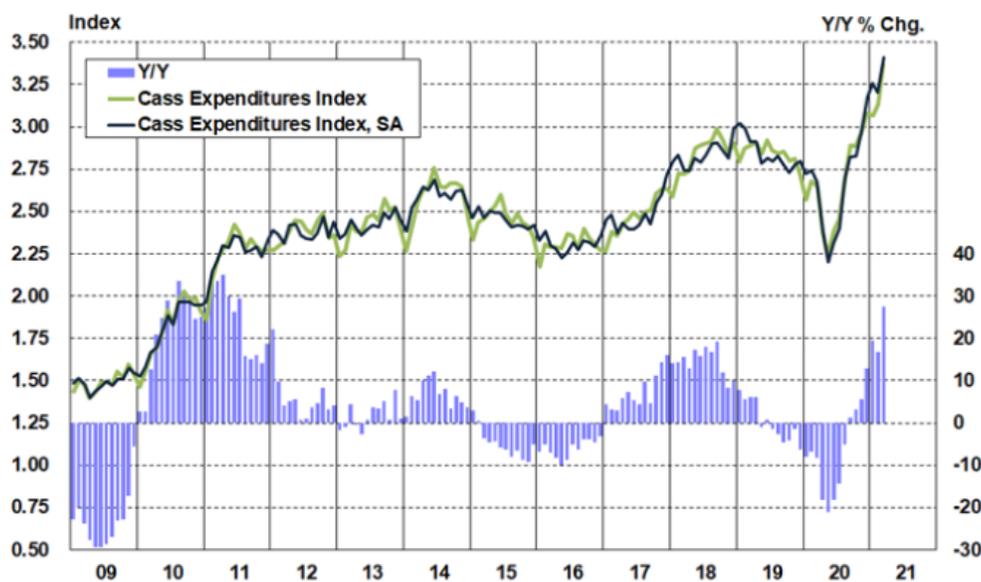


Copper's tight supply dynamics and increasing world demand set it apart from other metals. Copper smelters are facing margin declines due to the low supply. Smelter margins are forecasted to hit breakeven or negative levels as increasing application of green policies are implemented globally and supply remains low. This could cause additional supply issues as it becomes unprofitable to refine minerals eventually leading to the shuttering of smelters.



## Freight

Retailers and Manufacturers spend on shipping and transportation to customers soared by 19.5% compared to January last year. This is the steepest year-over-year increase since 2011, and surpassed the surge in September 2018, according to the Cass Freight Index of Expenditures.



Source: Cass Information Systems, Inc., ACT Research Co., LLC. Copyright 2021

The higher freight rates in January and February include trucking spot rates and contract rates. According to DAT Freight & Analysis, the average national contract rate for van-type trailers in January jumped by 26% from a year ago to \$2.40 a mile. One of the factors in the freight increases is the increase in Diesel retail prices which started to rise late last year. In the week of February 15, the national average retail price for No. 2 diesel rose to \$2.88 per gallon, according to the EIA, up 20% from November 2020.

International Shipping is also escalating quickly. Fees to ship containers from major Asian exporters have more than doubled in the past 12 months, according to data from S&P Global Platts. Importers now have to pay around \$6,000 to ship a standard 40-foot long container from China, Korea and Taiwan to an East Coast port, compared to \$2,500 at the start of last year. Meanwhile a global shortage of shipping containers is driving a surge in import and export costs that is hitting businesses and threatens significant cost increases on customers throughout the world. This has led to a 165% increase in prices over the past year. Further, between early January 2021 and February 5, shipping container prices rose 63% on the Freightos Baltic Index, which tracks global prices.



34600 Solon Road  
Solon, OH 44139  
United States  
Tel +1.440.248.0100  
Fax +1.440.248.0723  
nVent.com

## General disclaimer and copyright

---

This report has been prepared and issued by nVent. All information used in the report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the report author at the time of publication. Forward-looking information or statements in this report are based on assumptions and forecasts, and therefore involve known and unknown risks, uncertainties and other factors may cause the subject matter to be materially different from current expectations. The information provided should not be construed in any manner as, personalized advice. The information provided by us should not be construed as a solicitation to effect, or attempt to effect, any transaction in a security.

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS** This document contains statements that we believe to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact are forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "forecasts," "should," "would," "positioned," "strategy," "future," "are confident," or words, phrases or terms of similar substance or the negative thereof, are forward-looking statements. All projections in this report are also forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include the adverse effects on our business operations or financial results, including due to the impact of the COVID-19 pandemic and potential impairment of goodwill and trade names; overall global economic and business conditions impacting our business; the ability to achieve the benefits of our restructuring plans; the ability to successfully identify, finance, complete and integrate acquisitions; competition and pricing pressures in the markets we serve, including the impacts of tariffs; the strength of housing and related markets; volatility in currency exchange rates and commodity prices; inability to generate savings from excellence in operations initiatives consisting of lean enterprise, supply management and cash flow practices; increased risks associated with operating foreign businesses; the ability to deliver backlog and win future project work; failure of markets to accept new product introductions and enhancements; the impact of changes in laws and regulations, including those that limit U.S. tax benefits; the outcome of litigation and governmental proceedings; and the ability to achieve our long-term strategic operating goals. Additional information concerning these and other factors is contained in our filings with the Securities and Exchange Commission, including nVent's Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. All forward-looking statements speak only as of the date of this report. nVent Electric plc assumes no obligation, and disclaims any obligation, to update the information contained in this report.



34600 Solon Road  
Solon, OH 44139  
United States  
Tel +1.440.248.0100  
Fax +1.440.248.0723  
[nVent.com](http://nVent.com)

Exclusion of Liability: To the fullest extent allowed by law, nVent shall bare no liability for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this report.

©2021 nVent. All nVent marks and logos are owned or licensed by nVent Services GmbH or its affiliates. All other trademarks are the property of their respective owners.



34600 Solon Road  
Solon, OH 44139  
United States  
Tel +1.440.248.0100  
Fax +1.440.248.0723  
nVent.com

## Bibliography

---

- Murphy, Kevin. "Rio Tinto's Winu 1st Major Copper Discovery in Past 3 Years." *Accelerating Progress*, 7 Aug. 2020, [www.spglobal.com/marketintelligence/en/news-insights/research/rio-tintos-winu-1st-major-copper-discovery-in-past-3-years](http://www.spglobal.com/marketintelligence/en/news-insights/research/rio-tintos-winu-1st-major-copper-discovery-in-past-3-years).
- Desai, Pratima. "Ex-China Copper Demand Climbs, Moves Centre Stage." *Reuters*, Thomson Reuters, 3 Feb. 2021, [www.reuters.com/article/copper-demand/graphic-ex-china-copper-demand-climbs-moves-centre-stage-idUSL8N2K24FI](http://www.reuters.com/article/copper-demand/graphic-ex-china-copper-demand-climbs-moves-centre-stage-idUSL8N2K24FI).
- U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Private Housing Units Authorized by Building Permits [PERMIT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PERMIT>, April 13, 2021.
- "Producer Price Indexes and Percent Changes for Selected Commodity Groupings of Intermediate Demand by Commodity Type Category." *U.S. Bureau of Labor Statistics*, U.S. Bureau of Labor Statistics, 9 Apr. 2021, [www.bls.gov/news.release/ppi.t05.htm](http://www.bls.gov/news.release/ppi.t05.htm).
- "Real GDP Growth." *International Monetary Fund - Homepage*, [www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/ADVEC/WEOWORLD/EU](http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/ADVEC/WEOWORLD/EU).
- "Gross Domestic Product." *FRED*, 25 Mar. 2021, [fred.stlouisfed.org/series/GDP](http://fred.stlouisfed.org/series/GDP).
- Volkman, Eric. "Goldman Sachs Raises 2021, 2022 GDP Forecasts; Predicts 2024 Rate Hike." *Nasdaq*, [www.nasdaq.com/articles/goldman-sachs-raises-2021-2022-gdp-forecasts-predicts-2024-rate-hike-2021-02-09](http://www.nasdaq.com/articles/goldman-sachs-raises-2021-2022-gdp-forecasts-predicts-2024-rate-hike-2021-02-09).
- Carrick, Alex. "Soaring Lumber & Steel Prices Confirmed by Latest PPI Results." *ConstructConnect, Construction Project Management Software*, 19 Feb. 2021, [www.constructconnect.com/blog/soaring-lumber-steel-prices-confirmed-by-latest-ppi-results](http://www.constructconnect.com/blog/soaring-lumber-steel-prices-confirmed-by-latest-ppi-results).
- Singh, Rajesh Kumar. "U.S. Manufacturers Grapple with Steel Shortages, Soaring Prices." *Reuters*, Thomson Reuters, 23 Feb. 2021, [www.reuters.com/article/us-usa-economy-steel-insight/u-s-manufacturers-grapple-with-steel-shortages-soaring-prices-idUSKBN2AN0YQ](http://www.reuters.com/article/us-usa-economy-steel-insight/u-s-manufacturers-grapple-with-steel-shortages-soaring-prices-idUSKBN2AN0YQ).
- "Worldsteel: Short Range Outlook." Home, [www.worldsteel.org/steel-by-topic/statistics/short-range-outlook.html](http://www.worldsteel.org/steel-by-topic/statistics/short-range-outlook.html).
- "Worldsteel Short Range Outlook April 2021." *Worldsteel*, [www.worldsteel.org/media-centre/press-releases/2021/worldsteel-short-range-outlook-april-2021.html](http://www.worldsteel.org/media-centre/press-releases/2021/worldsteel-short-range-outlook-april-2021.html).