

**CORE** 06.04.21 **REPORT**

**COST**

**01**

- ⊖ scrap
- ⊕ iron ore
- ⊖ energy
- ⊖ zinc
- ⊖ coking coal

**SUPPLY**

**03**

- ⊖ lead times
- ⊕ production
- ⊖ imports
- ⊖ inventories

**DEMAND**

**04**

- ⊕ automotive
- ⊕ construction
- ⊖ appliance
- ⊕ manufacturing
- ⊖ agriculture
- ⊖ durable goods

**ECONOMIC**

**08**

- ⊕ employment
- ⊖ inflation
- ⊖ confidence
- ⊖ retail sales

## SPOT IRON ORE<sup>1</sup>

Spot iron ore pricing spiked this week after dropping the previous two weeks.

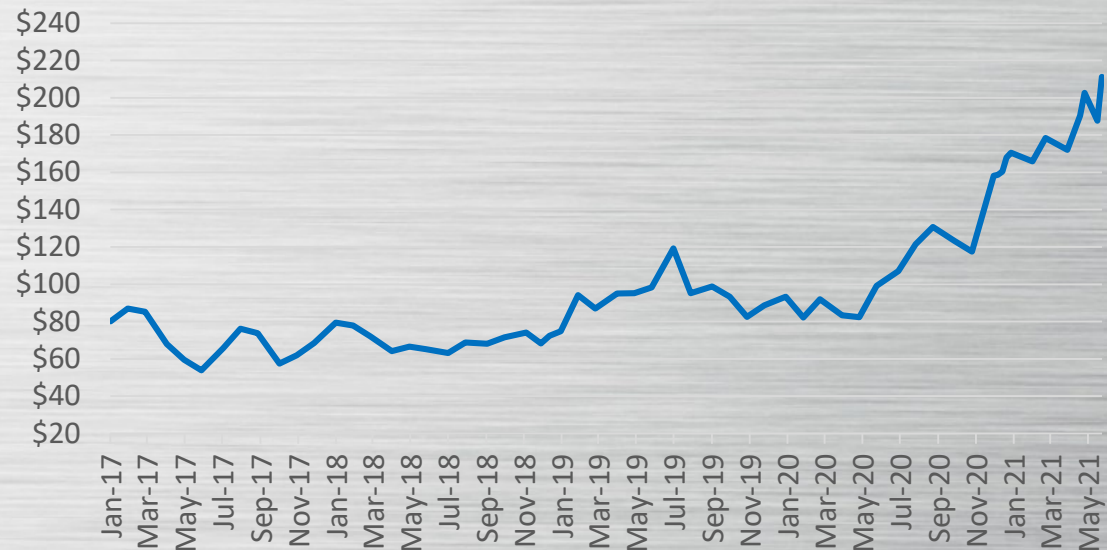
Spot iron ore pricing ended the week at \$211.20/mt, down from \$187.65/mt a week ago.

- This is near the all-time record high of \$233.10/mt seen a few weeks ago.
- Strong steel demand and record high mill margins continue to put pressure on iron ore.

Iron ore prices recovered sharply even after China warned they would intervene in commodity prices coming into the country.

- Beijing said the skyrocketing iron ore prices are putting China's economic recovery from the pandemic at risk, with companies and everyday citizens bearing the cost.

## IRON ORE COST



# COST

## WEEKLY ZINC PRICING<sup>2</sup>



## ZINC

Zinc pricing decreased this week after climbing the previous three weeks.

Zinc pricing ended the week at \$2,980/mt (\$1.352/lb), down from \$3,039.50/mt (\$1.374/lb) previously.

- Zinc price briefly touched \$1.39/lb earlier in the week, nearing the high last seen in June 2018.

Global zinc inventory decreased again this week as demand continues to outpace supply, now down four consecutive weeks.

- LME warehouse inventory decreased slightly to 274,550 metric tons, from 284,250 metric tons previously.
- Shanghai warehouse inventory slid as well, sliding from 75,219 metric tons to 72,103 metric tons.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>3</sup>

Domestic raw steel production climbed significantly last week, setting a new pandemic-era high.

U.S. mills produced an estimated 1,836k tons at an 81.5% utilization rate; this is up from 1,793k tons and a 79.0% rate previously.

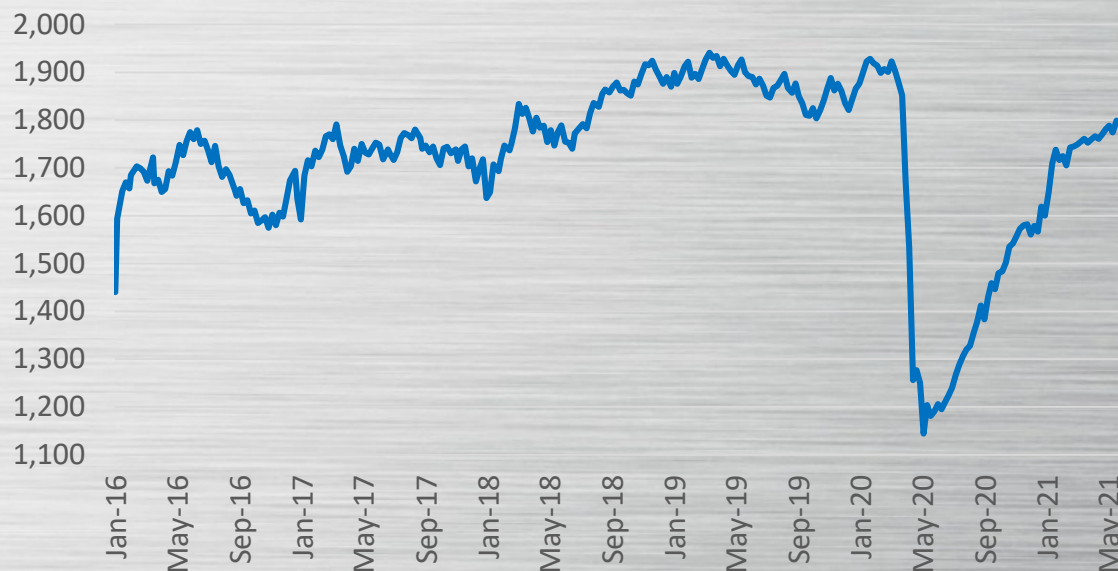
- This is the first time that the utilization rate ended above 80% since March 17, 2020.

Production increased in four of the five regions, with the largest increase (in tons) coming from the Southern region.

- Production from the Southern region spiked from 762k tons to 793k tons.

Year-to-date production is now 7.9% above the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# LIGHT VEHICLE SALES<sup>4</sup>

## U.S. LIGHT VEHICLE SALES

After a slight slowdown in April, U.S. light vehicle sales rebounded in May.

U.S. light vehicle sales totaled 1.578 million units in May, up 2.9% from April and up a sharp 41.0% from 1.119 million units in May 2020.

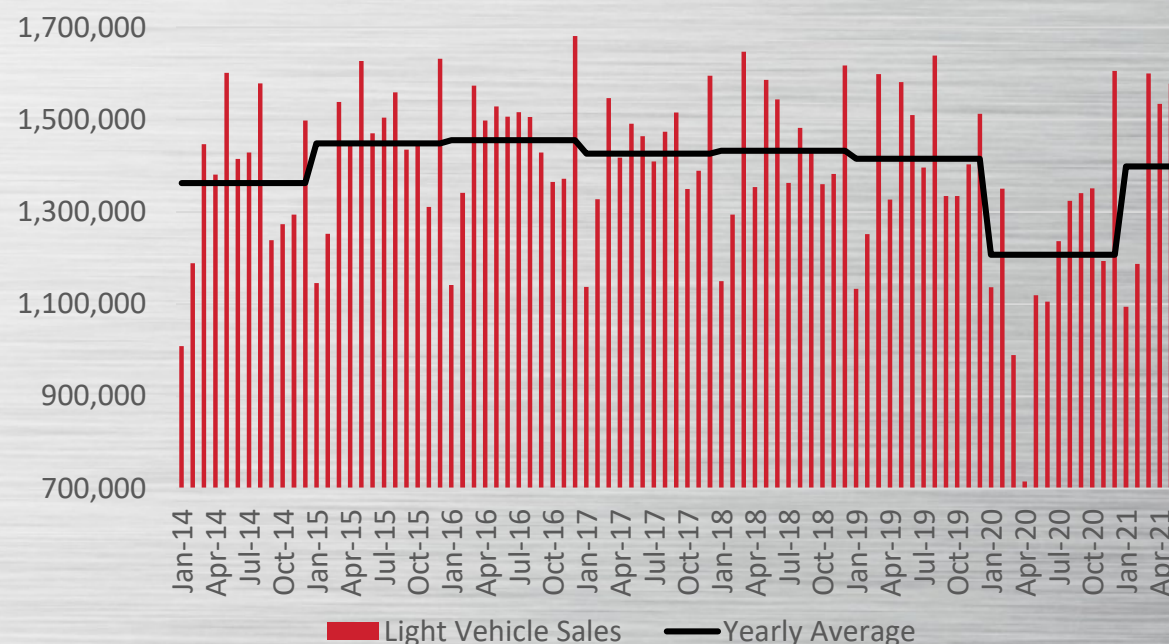
For the second consecutive month, sales of light trucks slipped slightly on a month-over-month basis.

- May light truck sales totaled 899,198 units, down 0.9% from 906,942 units in April.

While light truck sales slipped slightly in May, car sales picked up after an April slowdown.

- May car sales totaled 276,805 units, up 9.2% from 181,482 units in May 2020.

Year-to-date light vehicle sales are now up 31.7% from the same time last year and up 1.5% from the same timeframe in 2019.



# ▼ LIGHT VEHICLE INVENTORY<sup>5</sup>

The U.S. light vehicle inventory situation has hit mission critical in May as light vehicle inventory declined sharply once again.

May light vehicle inventory came in at 1.510 million units, down 23.5% from April and down 42.1% from 2.606 million units in May 2020.

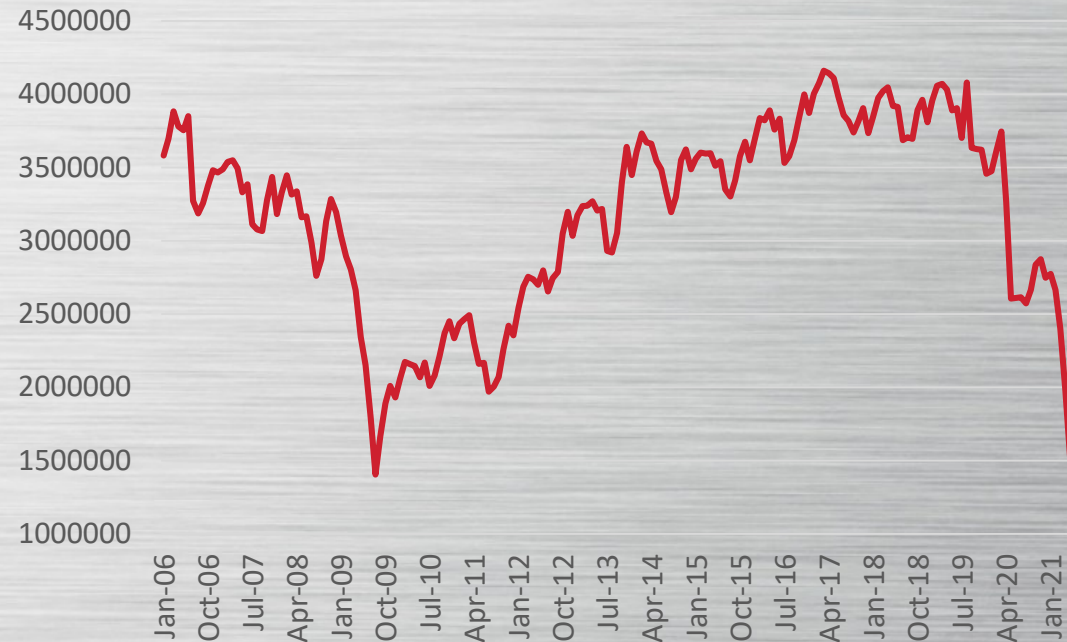
- This is the lowest monthly light vehicle inventory total since August 2009.

Inventory of both cars and light trucks declined sharply once again in May, as light truck inventory was below 1.0 million units for the first time since August 2010.

Current inventory, when combined with May's sales pace, equates to 25 days of supply.

- This is down from 33 days in April and well below the historically balanced level of 65 days.

## U.S. LIGHT VEHICLE INVENTORY



## DEMAND

# CONSTRUCTION SPENDING<sup>6</sup>

Total construction spending increased again in April, climbing for the second consecutive month.

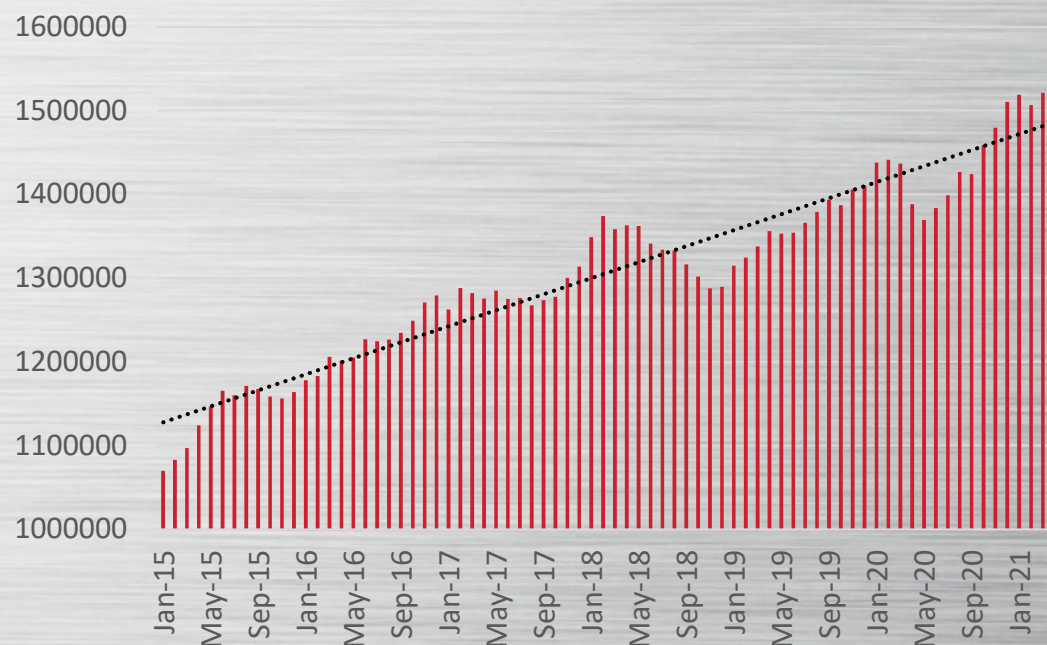
Total construction spending increased to a \$1.524 trillion rate, up 0.2% from a \$1.521 trillion rate in March.

A continued boost in residential construction spending helped to make up for a continued slowdown in non-residential construction.

- Residential construction came in at a \$738.0 billion rate, up 1.0% from March and up 29.5% from a \$569.9 billion rate in April 2020.
- Non-residential construction spending came in at a \$786.2 billion rate, down 0.5% from March and down 3.9% from a \$818.0 billion rate in April 2020.

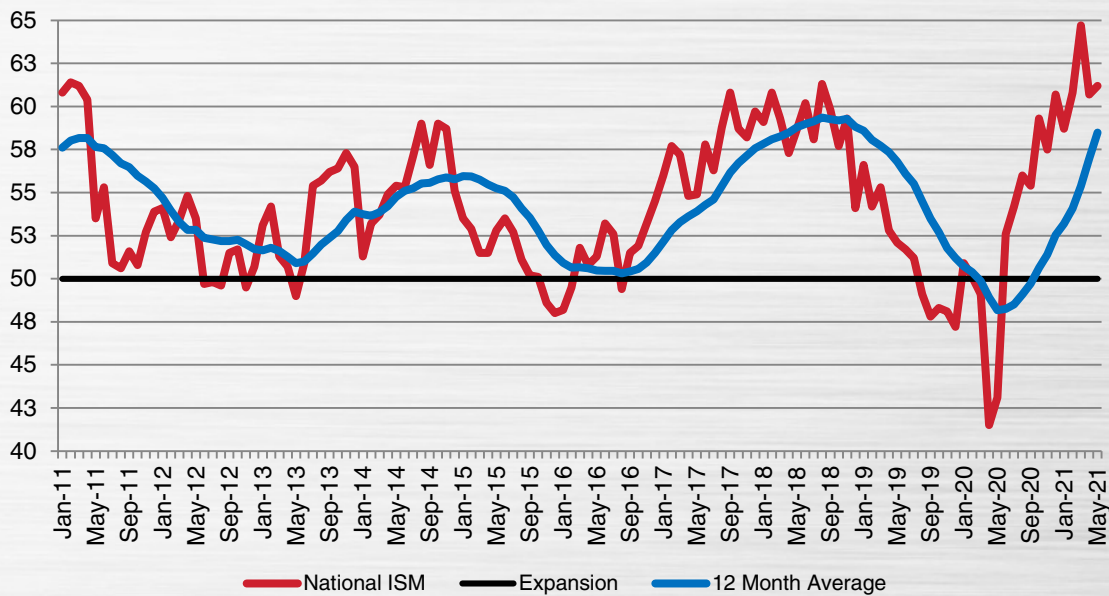
Residential spending now accounts for 48.4% of total spending, its highest percentage since December 2006.

## TOTAL CONSTRUCTION SPENDING (SAAR)



# DEMAND

## ISM MANUFACTURING INDEX<sup>7</sup>



## ISM MANUFACTURING INDEX

Economic activity continued to grow in the manufacturing sector, now climbing for the twelfth consecutive month.

The ISM manufacturing index came in at 61.2, up from 60.7 in April and up from 43.1 in May 2020.

- The three-month average is now up to 62.2, the highest level in nearly two decades.
- Any reading over 50 indicates expansion, while any reading below 50 denotes contraction.

The New Order component increased again in May, climbing to 67.0, up 2.37 points from 64.3 in April.

- The Backlog of Orders component increased to 70.6, up 2.4 from April.



# WEEKLY INITIAL JOBLESS CLAIMS<sup>8</sup>

Weekly initial jobless claims decreased for the eighth consecutive week last week, hitting another pandemic-era low.

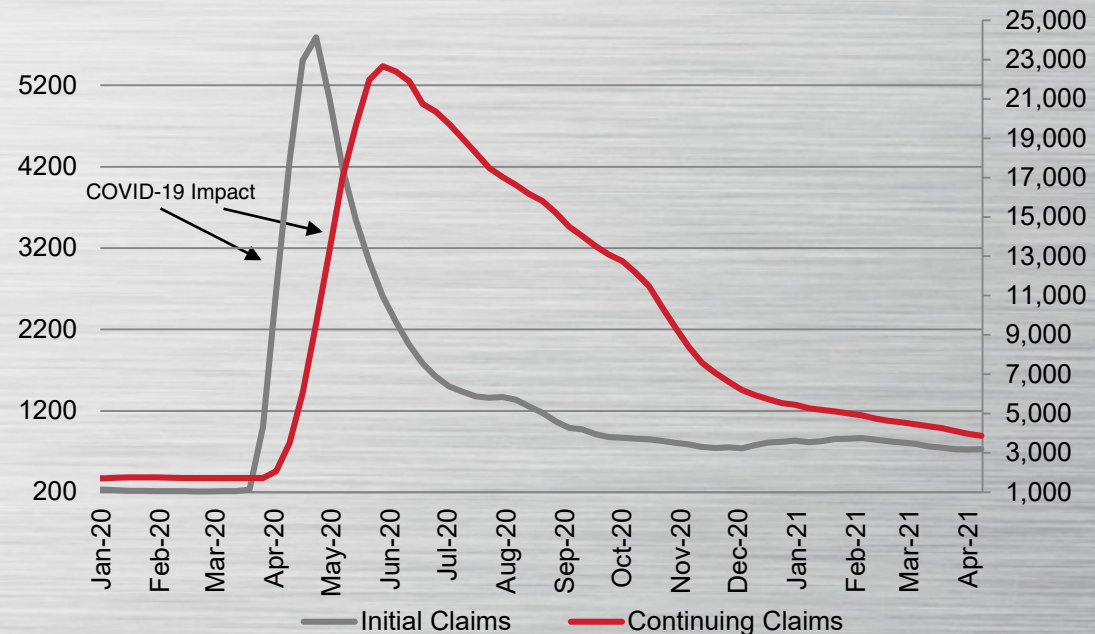
The Department of Labor's Weekly Initial Jobless Claims report came in at 385,000 claims, down from 405,000 claims previously.

- This is the lowest level for initial claims since March 14, 2020 when it was 256,000.
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 428,000, from 558,500 claims previously.

Continuing claims, or claims lasting longer than one week, increased, now alternating up and down movements for the last five weeks.

At the state level, Washington (-8,020), New Jersey (-5,290), and Florida (-4,679) accounted for the largest decline in claims.

## WEEKLY INITIAL JOBLESS CLAIMS



# ECONOMIC

## EMPLOYMENT SITUATION<sup>9</sup>

After a weaker than expected job creation in April, May job creation increased slightly.

The U.S. added 559,000 jobs on a seasonally adjusted rate in May, up from a revised 278,000 jobs added in April.

- Year-to-date, the U.S. has added 2.391 million jobs.

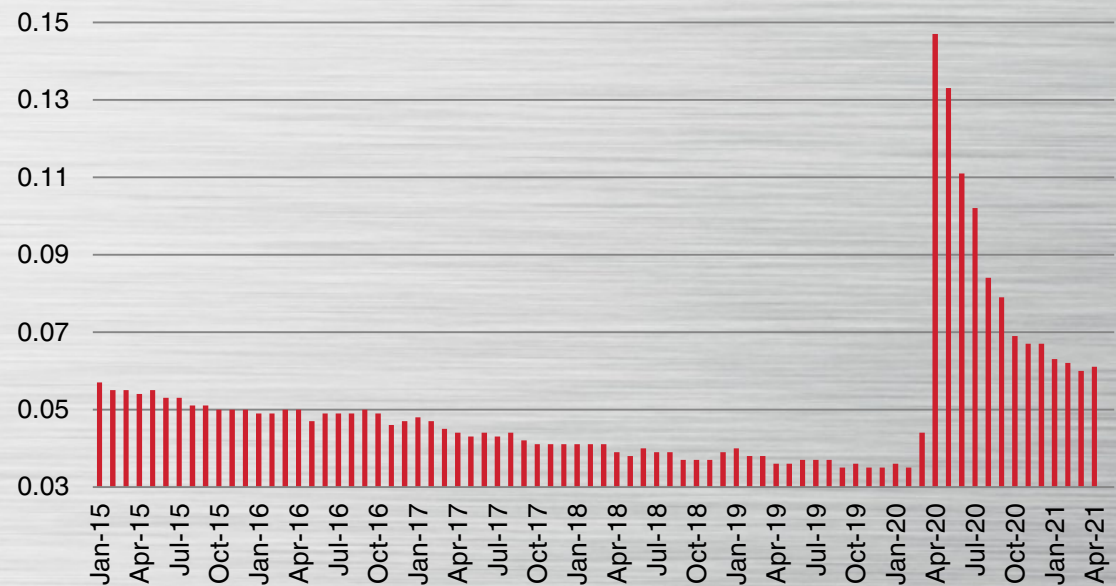
The private sector, which accounts for roughly 70% of employment, saw a 492,000 job increase in May.

- After a decline in April, goods producing employment increased by 3,000 jobs.

Construction sector employment lost 20,000 jobs in May after losing 5,000 jobs in April.

- The sharp decline came from specialty trade contractors as building construction employment increased by 4,900 jobs.

## UNEMPLOYMENT RATE



## SOURCES

- 1 Platts, Spot Iron Ore: June 3, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: June 4, 2021.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: June 4, 2021.
- 3 American Iron & Steel Institute, Weekly Domestic Steel Production: June 1, 2021.
- 4 WardsAuto, U.S. Light Vehicle Sales: May 2021.
- 5 WardsAuto, U.S. Light Vehicle Inventory: May 2021.
- 6 US Cense Bureau, Total Construction Spending: April 2021.
- 7 Institute for Supply Managers, National ISM Manufacturing Index: May 2021.
- 8 Department of Labor, Weekly Initial Jobless Claims: June 3, 2021.
- 9 Bureau of Labor Statistics, Employment Situation: May 2021.

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