

**CORE** 07.02.21 **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>

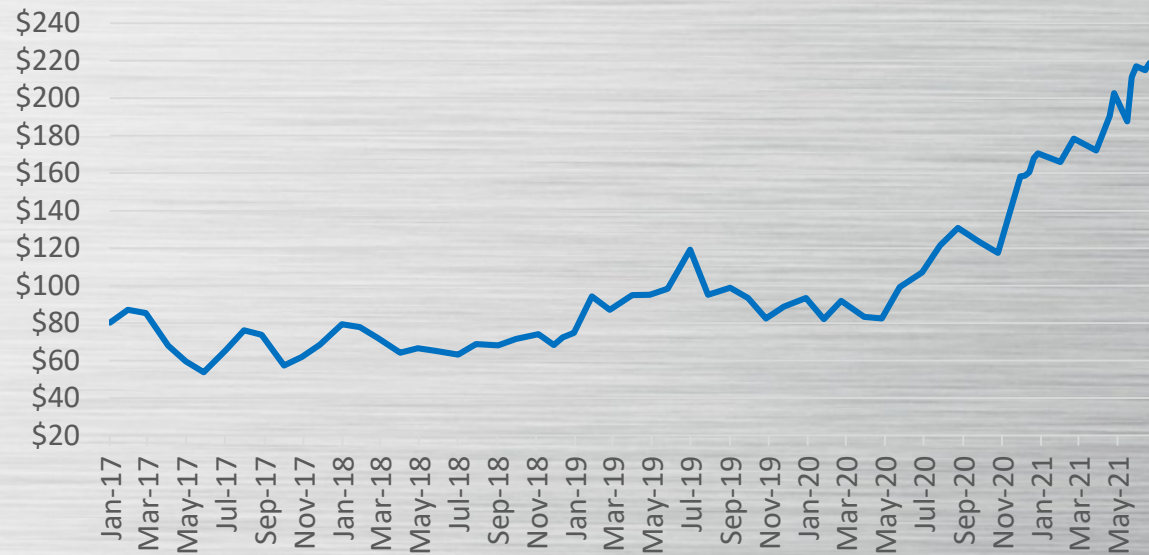
Spot iron ore pricing increased this week, now up four out of the last five weeks.

Spot iron ore pricing ended the week at \$218.80/mt, up from \$214.90/mt a week ago.

- Iron ore prices remain near all-time record highs on steadily increasing demand and record high mill margins.
  - The demand-supply imbalance has led to a year-to-date gain of 39%.

Brazilian iron ore exports climbed 12% year-over-year in June.

## IRON ORE COST



# COST

## ▲ WEEKLY ZINC PRICING<sup>2</sup>



## ZINC

Zinc pricing climbed slightly this week after coming in flat last week.

Zinc pricing ended the week at \$2,917/mt (\$1.323/lb), up slightly from \$2,876.50/mt (\$1.305/lb) previously.

- Zinc climbed back over the 50 day-moving-average of \$1.33/lb to start the week.

Global zinc inventory decreased again this week, now down for the eighth consecutive week.

- LME warehouse inventory decreased to 253,075 metric tons, from 257,450 metric tons previously.
- Shanghai warehouse inventory dropped significantly, sliding from 35,314 metric tons to 32,490 metric tons.

## SUPPLY



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

Domestic raw steel production dipped slightly last week after climbing the previous three weeks.

U.S. mills produced an estimated 1,835k tons at an 82.7% utilization rate; this is down from 1,839k tons and an 82.9% rate previously.

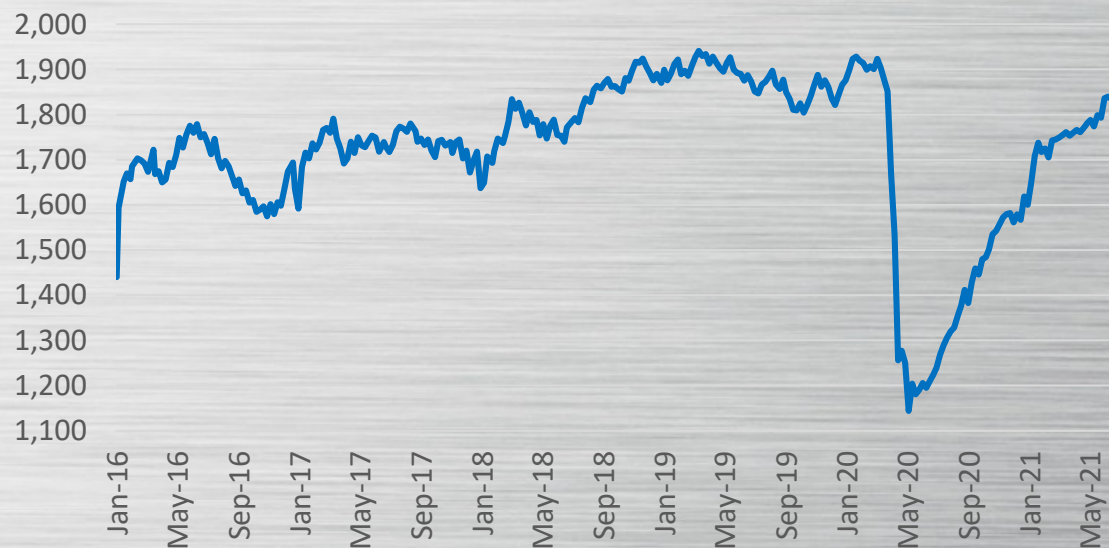
- The utilization rate has now held over 82% for four straight weeks.

Production increased in three of the five regions, but was offset by a large decrease from the Northeast region.

- Production from the Northeast region dropped from 151k tons to 136k tons.

Despite the drop, year-to-date production is now 13% above the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



# DEMAND

## ▼ LIGHT VEHICLE SALES<sup>4</sup>

U.S. light vehicle sales slipped in June, now down for the second time in the last three months.

U.S. light vehicle sales totaled 1.297 million units in June, down 18.1% from May but still up 17.8% from 1.101 million units in June 2020.

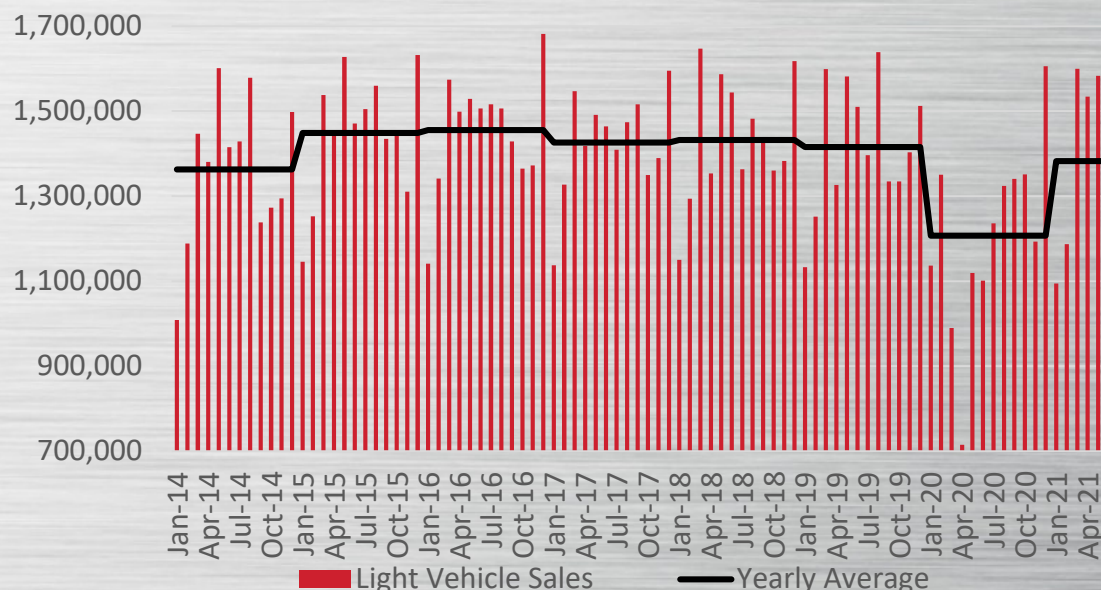
Sales declined for both cars and light trucks, with car sales continuing to slide the most.

- Car sales slipped 21.4% from May, while light truck sales were down 15.6%.

Despite the recent decline, year-to-date light vehicle sales remain 29.4% above last year's level and virtually flat from the first half of 2019.

The continued issues at the production facilities are depleting dealer inventory, which in turn is hurting sales.

## U.S. LIGHT VEHICLE SALES



## DEMAND

# CONSTRUCTION SPENDING<sup>5</sup>

After slight increases the previous two months, total construction spending, adjusted for seasonality, slipped slightly in May.

Total construction spending came in at a \$1.545 trillion rate in May, down 0.3% from a \$1.549 trillion rate in April.

- Total spending continued to climb on a year-over-year basis, coming in 7.5% above the \$1.438 trillion rate in May 2020.

Residential construction spending continued to climb in May, now up for the third consecutive month.

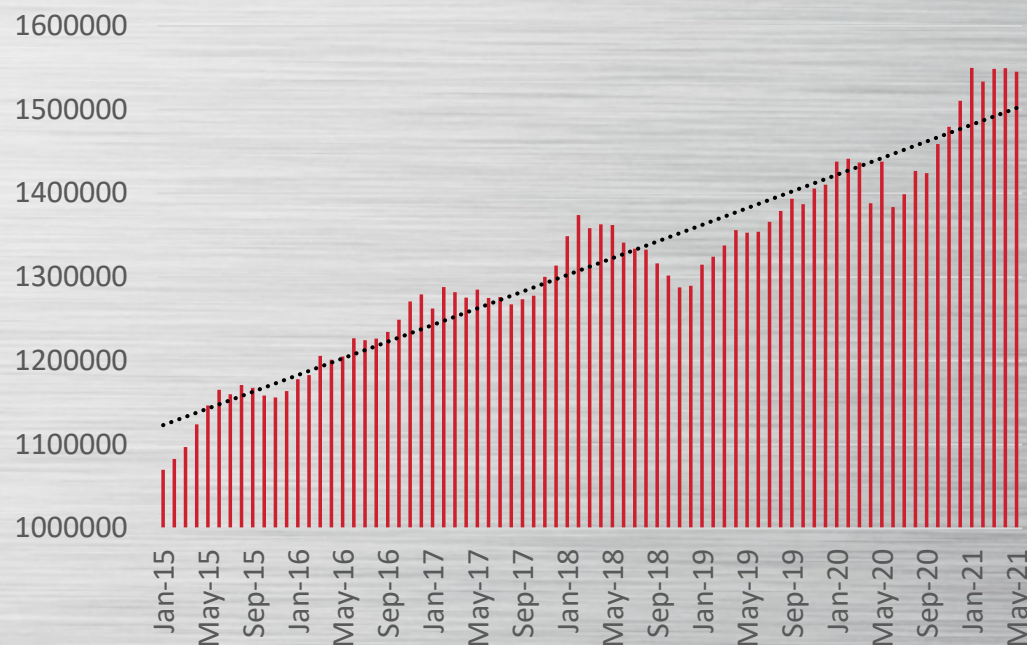
- Residential construction spending came in at a \$760.7 billion rate, up 0.2% from April and up \$28.2% from a \$593.2 billion rate in May 2020.

Non-residential spending slipped again in May, now down for the fourth consecutive month and for the fifth time in the last six months.

- Non-residential spending came in at a \$784.5 billion rate, down 0.7% from April and down 7.1% from May 2020.

The current ratio of residential to non-residential spending is at its tightest level (49.2% to 50.8%) since November 2006.

## CONSTRUCTION SPENDING (SAAR)



## DEMAND



# CHICAGO PMI<sup>6</sup>

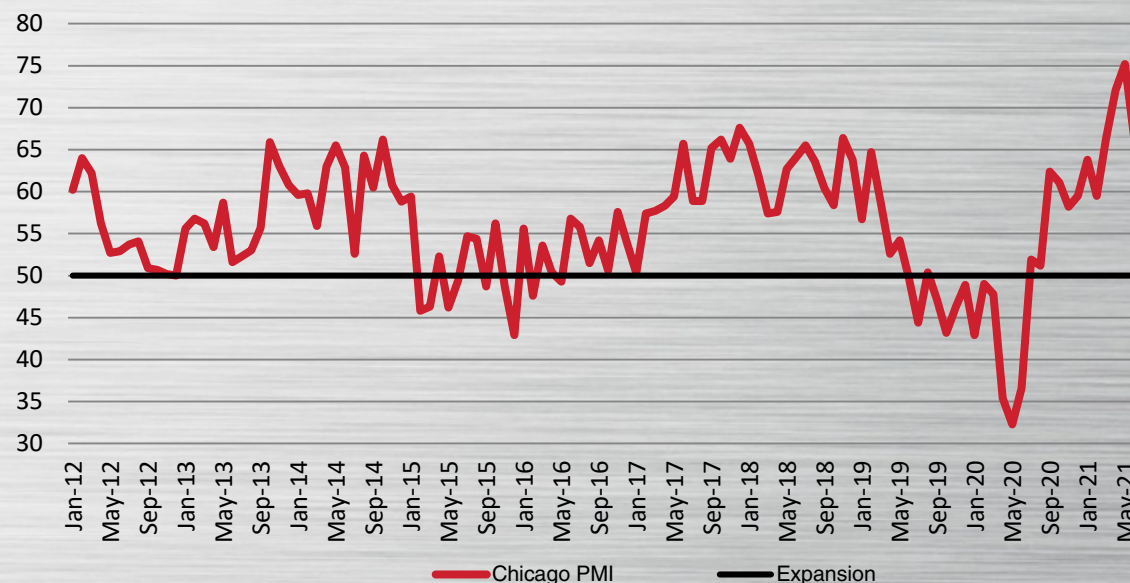
Growth in manufacturing around the Chicago region slowed in June but remained in expansion for the twelfth consecutive month.

The Chicago PMI came in at 66.1 in June, down from 75.2 in May but up sharply from 32.3 in May 2020.

- This was the slowest growth in four months.
- Despite the slowdown in June, the index surged nearly 8.0 points for the quarter, the strongest quarterly growth since Q4 1973.

Both the order backlog and new order components declines in June but showed significant growth during the quarter.

## CHICAGO PMI



## DEMAND

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

Economic activity in the manufacturing sector continued to grow in June, now up for the thirteenth consecutive month.

The ISM National Manufacturing Index came in at 60.6, down slightly from 61.2 in May but up sharply from 52.6 in June 2020.

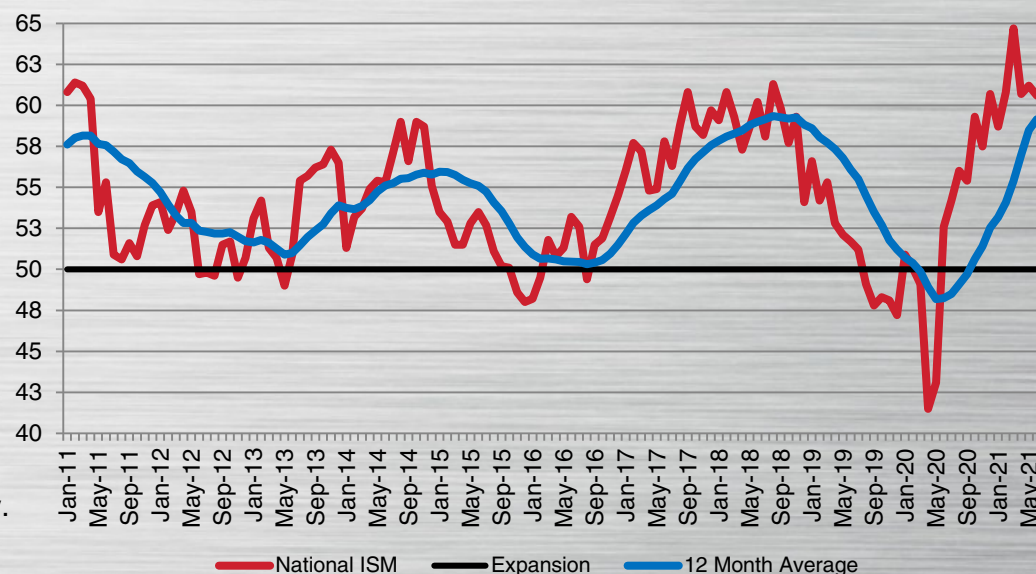
- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

While the new orders component slipped slightly, sliding to 66.0, the production component continued to climb higher.

- The production component came in at 60.8, up from 58.5 in May.

While the backlog of orders slowed from the previous month, they continued to grow, indicating prolonged growth for the sector.

## ISM MANUFACTURING INDEX





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

Weekly initial jobless claims dropped again last week, now down eight out of the last nine weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 364,000 claims, down from 415,000 claims previously.

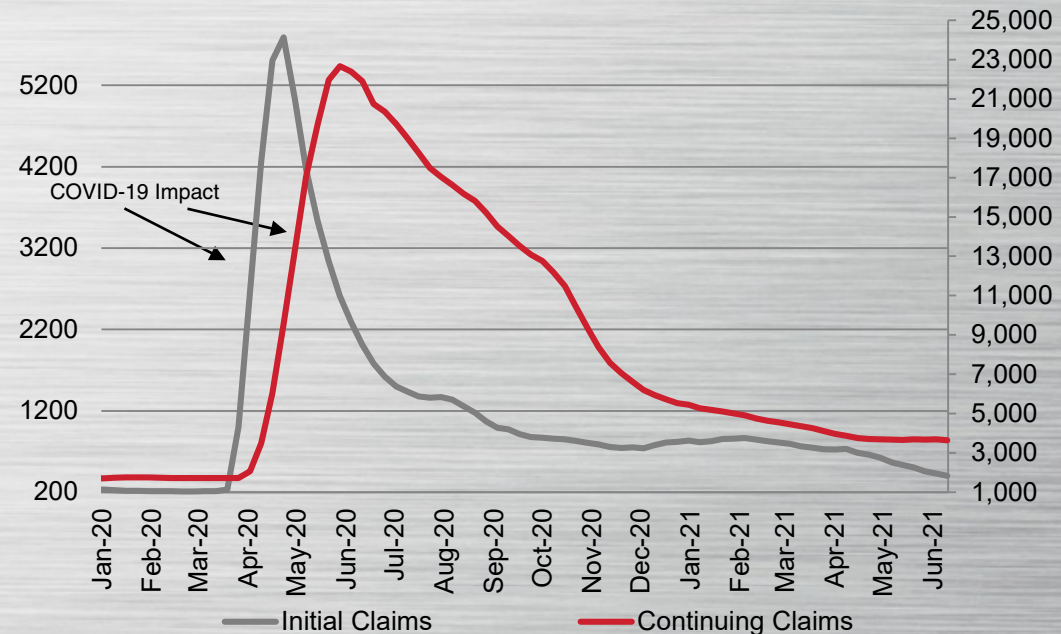
- This is a new pandemic-era low and the least amount of weekly claims since March 2020.
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 393,000, from 398,250 claims previously.

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

- Continuing claims increased to 3.469 million, up from 3.413 million previously.

At the state level, Pennsylvania saw the largest decline with 18,031, followed by Kentucky (8,034) and California (6,882).

## WEEKLY INITIAL JOBLESS CLAIMS



**ECONOMIC**

**EMPLOYMENT SITUATION<sup>9</sup>**

After an underwhelming report the previous two months, the US employment situation took a step forward in June. The US added 850,000 jobs, on an adjusted basis, in June, up from the 583,000 jobs added in May.

- Year-to-date, the US has now added 3.256 million jobs after losing 9.495 million jobs in 2020.

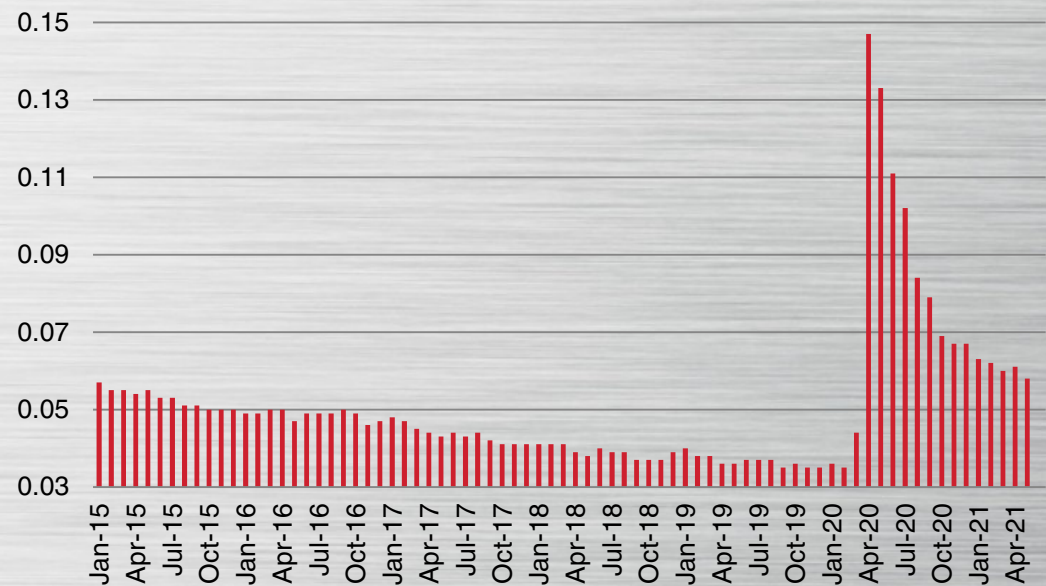
The total construction sector lost 7,000 jobs in June, despite building construction employment increasing by 5,600 jobs.

Manufacturing employment increased by 15,000 jobs in June; this follows gains of 39,000 and 265,000 the previous two months.

- Fabricated metal product manufacturing saw an increase of 5,700 jobs after adding 5,500 jobs in May.

The unemployment rate ticked slightly higher to 5.9% despite the sharp increase in employment as more workers re-enter the workforce as the additional unemployment benefits expire in multiple states.

**UNEMPLOYMENT RATE**



 **CONSUMER CONFIDENCE<sup>10</sup>**

A growing labor market and further reopening's helped to push US consumer confidence to an eighteen month high in June.

According to the Conference Board, US Consumer Confidence increased to 127.3, the highest level since February 2020.

- This is up from 120.0 in May and came in above market expectations.

The Present Situation Index came in at 157.7, up from 148.7 in May.

- The Expectations Index, based on short-term outlook, increased to 107.0, up from 100.9 previously.

A strong consumer confidence level typically equates to further purchases of steel intensive goods, such as cars, homes, and appliances.

## SOURCES

- 1 Platts, Spot Iron Ore: July 1, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: July 2, 2021.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: July 2, 2021.
- 3 American Iron & Steel Institute, Weekly Domestic Steel Production: June 29, 2021.
- 4 WardsAuto, U.S. Light Vehicle Sales: June 2021.
- 5 U.S. Census Bureau, Total Construction Spending: May 2021.
- 6 Institute for Supply Managers, Chicago PMI: June 2021.
- 7 American Institute of Architects, Architecture Billings Index: May 2021.
- 8 Department of Labor, Weekly Initial Jobless Claims: July 1, 2021.
- 9 Bureau of Labor Statistics, Employment Situation: June 2021
- 10 Conference Board, Consumer Confidence: June 2021.

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