RISING INPUT COSTS HELP PUSH PRICING HIGHER

The cost to produce steel climbed this week. Coking coal leaped 7.5% and is up 72.4% year over year due to international demand, global policy, and finished steel pricing. U.S. crude oil pricing pushed higher as OPEC remains deadlocked over immediate production plans. And while U.S. pig iron pricing slipped slightly this week, it's poised to jump with Russia imposing a 15% export tax.

INPUT COSTS

After sliding to its lowest level since April last week, zinc pricing shook off the recent increase in the U.S. dollar to climb higher again this week.

- Zinc pricing climbed to $1.34/lb this week and longer-term forecasts expect pricing to return to the recent $1.35/lb average from the last 30 days.
  - Much like every material, the current supply/demand imbalance is poised to keep pricing from falling too far.

Pacific basin met coal pricing continued to push higher this week, climbing to its highest level since July 2019.

- Pricing increased to $200/mt; up 7.5% w/w and up 72.4% y/y.
- Increasing demand from India, easing of China/Australia export ban, and higher finished steel pricing have all helped push pricing higher.

U.S. pig iron pricing slipped slightly this week, sliding to $647/mt.

- Pricing, however, will be poised to push higher after Russia has instituted a 15% export tax on a wide variety of products/materials, including pig iron.
- Russia is the second largest pig iron exporter to the U.S. behind Brazil.

As OPEC remained in a deadlock over immediate production plans, U.S. crude oil pricing continued to push higher.

- U.S. crude pricing increased to a fresh six-year high this week, climbing to nearly $77/barrel.
  - Crude oil pricing is now up nearly 60% for the year as demand continues to outpace supply/production.

SUPPLY

Domestic raw steel production increased last week, climbing to its highest utilization rate in two years.

- U.S. steelmakers produced 1.842 million tons at an 83.0% utilization rate.
- Year-to-date production is 16% above the total from the same period last year but is still 7.0% below the same timeframe in 2019.

DEMAND

After a slight increase the previous two months, total construction spending on a seasonally adjusted basis slipped in May.

- Total construction spending slipped 0.3% to a $1.545 trillion rate, but was up 7.5% from a $1.438 trillion rate last May.
- Residential construction spending continued to outpace non-residential spending, and now the current ratio of residential to non-residential is at its tightest level (49.2% to 50.8%) since November 2006.

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

- U.S. light vehicle sales totaled 1.297 million units, down 18% from May but up 17.8% from June 2020.
    - Despite the recent decline, YTD sales remain 29.4% above last year's level and virtually flat from H1 2019.

Extended production troubles and solid demand have combined to negatively impact light vehicle supply.

- U.S. light vehicle inventory totaled 1.397 million units in June, down 7.5% from May and down 45.8% from June 2020
    - June set a new record for lowest total inventory in modern history; surpassing the previous low of 1.406 million units in August 2009.
- Total inventory, when combined with June's sales pace, equates to 27 days of supply.
    - This is up slightly from the 25 day level in May but remains well below the historical "ideal" level of 65 days.

PRICE

Steel pricing continued to set new all-time highs, as the upward momentum continued to grow this week.

- This current upward super-cycle for flat product pricing has now entered its eleventh month, with no signs of turning in the near future.

Foreign pricing continued to slide this week as the CCP continues to tighten the screws on the recent price run-up after Asian HRC prices recently hit a 13-year high (July 2008).

- The Platts index FOB China declined slightly this week to $881/mt ($39.96/cwt).

- Chinese HRC pricing is down 0.2% from last week but still up 30.1% YTD.

ECONOMY

The U.S. added 850,000 jobs in June, up from the 583,000 jobs added in May.

- YTD, the U.S. has now added 3.26 million jobs after losing 9.50 million jobs last year.

While the total construction sector lost 7,000 jobs, building construction employment increased by 5,000.

- Manufacturing employment increased by 15,000 jobs in June; within that sector, fabricated metal product manufacturing saw an increase of 5,700 jobs.