ECONOMIC INDICATORS CONTINUE TO SUPPORT GROWTH

The current supply and demand imbalance continues to challenge availability for input materials, finished products, and logistic components. However, consumer confidence remains strong. Consumers are planning for major purchases of homes, cars, or appliances; signaling support for economic growth. While indicators for industrial production are also showing strong signs of growth over the next 9-12 months.

INPUT COSTS

After a $20/gt increase in July, Chicago #1 busheling scrap pricing is expected to be flat in July.

- The easing of supply combined with the decline in alternative (pig iron) pricing has kept prime scrap pricing from climbing even higher over the last month.

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

- Zinc pricing held around $1.33/lb this week and longer-term forecasts expect pricing to return to the recent $1.33/lb-$1.34/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 mid-May 2019.

- Pricing increased to $215/mt; up 17.9% m/m and up 92.0% y/y.
- Increasing demand from India, easing of China/Australia export ban, and higher finished steel pricing have all helped push pricing higher.

SUPPLY

Domestic raw steel production increased last week, climbing to its highest utilization rate since October 2008.

- U.S. steelmakers produced 1.870 million tons at an 84.6% utilization rate.
    - For reference, an 84.6% utilization rate in October 2008 equated to 2.015 million tons produced.
    - The same utilization rate today produces ~7% less tonnage.
- Year-to-date production is 18.4% above the total from the same period last year but is still 6.5% below the same timeframe in 2019.

SUPPLY

Global steel production slowed for the second consecutive month in June, as per/day steel production declined to its lowest level since March.

- Global steel production came in at a 5.597 million mt/day pace, down 0.7% from May but still up 11.6% from the 5.014 million mt/day pace in June 2021.
- Chinese production was down 2.5%, on a m/m basis, in June after the government continues to push for less production to help with decarbonisation efforts.
- U.S. production was virtually flat from May and has been relatively flat for the second consecutive month.

Preliminary June carbon steel imports totaled 2.249 million tons; this was up 12.6% from May and double the 1.100 million ton level from June 2020.

- Carbon flat rolled imports increased sharply as well, climbing 10% from May to 676,000 tons.
  - While both hot rolled and cold rolled sheet imports increased sharply from May, coated imports were down on an m/m basis.
  - Coated flat rolled imports totaled 232,559 tons, down 21.5% from May and were at their lowest level since February.

July import licenses continue to show a slight slowing of steel import activity compared to June.

- The daily average import level for the first 25 days of July was down 5.1% from June.
  - Ex. Brazilian slab imports are down 12.9% from June's pace.

DEMAND

Sales of new homes continued to slide in June, now down for the third consecutive month and for the fourth time in the last five months.

- Sales came in at a 676,000 unit annual pace, down 6.6% from May, and were at the lowest monthly sales pace since April 2020.
- Inventory of unsold new homes increased for the fifth consecutive month and are now at their highest level since November 2008.
  - The current inventory, combined with June's sales pace, equates to 5.9 months of supply; slightly above the five-year average.

New orders for manufactured durable goods increased in June, climbing 0.8% to a $257.6 billion rate.

- The increase in June followed a 3.2% increase in May as new orders have now increased in thirteen of the last fourteen months.
- Unfilled orders for manufactured durable goods increased as well, climbing 0.9% to a $1.223 trillion rate.
  - Unfilled orders have climbed for five consecutive months, pointing to both the difficulty in logistics but all the strong demand.

PRICE

Steel pricing continued to set new all-time highs, as both cold rolled and base galvanized pricing remained over the $2,000/t ($100/cwt) level.

- This current upward super-cycle for flat product pricing has now entered its twelfth month, with no signs of turning in the near future.
    - There are indications that there is potential for the rally to gain momentum as automotive and oil & gas end-related demand are both expected to improve near-term.

Foreign pricing rebounded slightly this week despite the CCP's continued effort 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 increased slightly this week to $931/mt ($42.30/cwt).
- Chinese HRC pricing are up 2.1% from last week and up 37.5% YTD.

ECONOMY

Consumer confidence continued to climb in June, now up for the fifth consecutive month.

- Both the Present Situation and Expectations Indices pushed higher as well in June.
    - The proportion of consumers planning to purchase homes, cars, and major appliances all increased, signaling that spending will continue to support economic growth.

The July Chemical Activity Barometer continued to show strong growth in activity.

- The July CAB came in at 131.02, up from 130.85 in June and up sharply from 115.37 in July 2020.
    - The Diffusion Index, which measures the percentage of positive indicators over all of the indicators, increased to 88% from 82% previously.
- The CAB is a strong leading indicator for Industrial Production 9-12 months into the future.