

CORE 07.30.21 **REPORT**

COST

01

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

SUPPLY

03

- ⊖ lead times
- ▲ production
- ▲ imports
- ⊖ inventories

DEMAND

05

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

ECONOMIC

07

- ▲ employment
- ▲ confidence
- ▲ GDP
- ⊖ inflation

SPOT IRON ORE¹

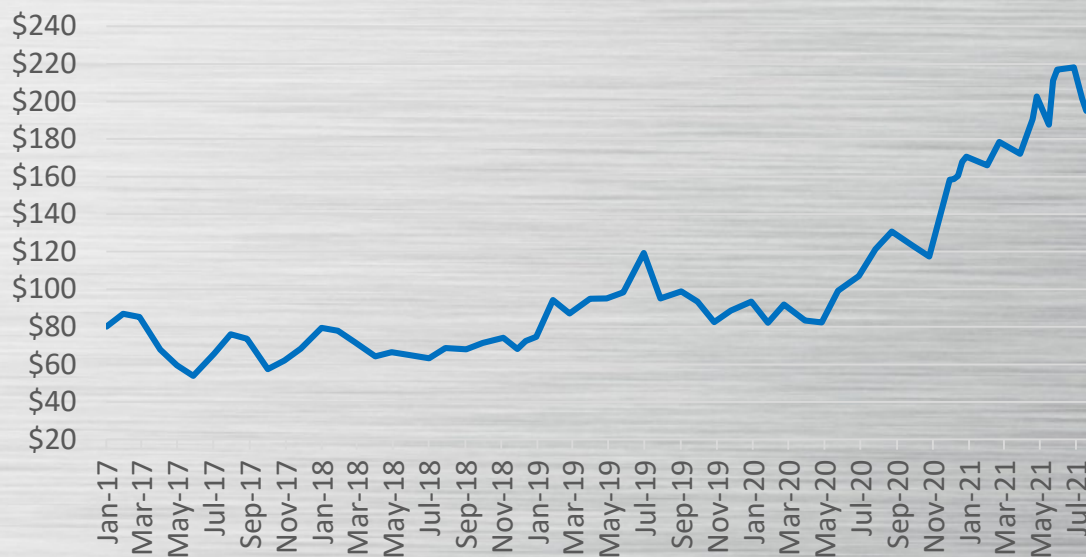
Spot iron ore pricing dropped below \$200/mt this week for the first time since May, as China moves to cut steel output and reduce carbon emissions.

Spot iron ore pricing ended the week at \$195.00/mt, down from \$201.50/mt a week ago.

- This is the lowest reading since late May when it was \$187.65/mt.

The iron ore market remains extremely bullish as demand continues to outpace supply and mills achieve record high steel margins.

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing increased sharply this week, now up five out of the last six weeks.

Zinc pricing ended the week at \$3,039/mt (\$1.378/lb), up from \$2,944/mt (\$1.335/lb) previously.

- This is the highest price for zinc since mid-June when it was \$1.380/lb.

Global zinc inventory decreased this week, now down eleven out of the last twelve weeks.

- LME warehouse inventory decreased to 245,125 metric tons, from 248,300 metric tons previously.
- Shanghai warehouse inventory decreased slightly from 36,440 metric tons to 36,224 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION³

Domestic raw steel production climbed for the fifth consecutive week last week, hitting its highest utilization rate in thirteen years.

U.S. mills produced an estimated 1,868k tons at an 84.6% utilization rate; this is up from 1,859k tons and an 84.1% rate previously.

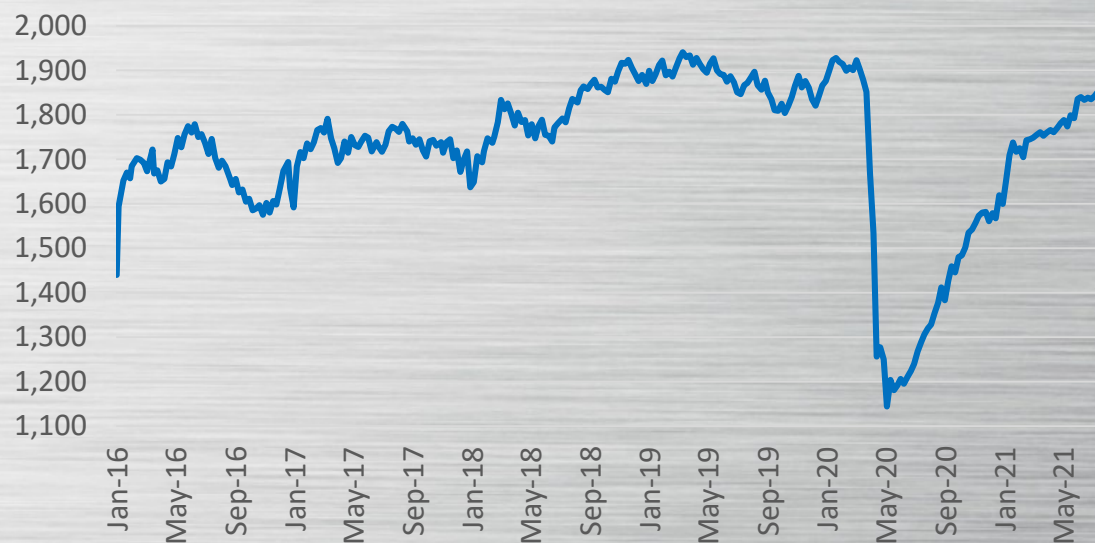
- For reference, an 84.1% utilization rate in October 2008 equated to 2,005k tons produced, roughly 7% more tonnage compared to today.

Production increased in three of the five regions, with the largest increase (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region climbed from 632k tons to 642k tons.

Year-to-date production is now 16.5% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



SUPPLY



CARBON STEEL IMPORT⁴

After a slight decline in May, total carbon steel imports increased again in June.

June carbon steel imports totaled 2.249 million tons, 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 10.5% from May to 676,071 tons.

- While both hot rolled and cold rolled imports increased sharply from May, coated imports were down.
 - Coated flat rolled imports totaled 232,559 tons, down 21.5% from May and at their lowest level since February.

Year-to-date total carbon flat rolled imports are at 3.240 million tons, up 27.8% from the same timeframe last year and up 7.9% from the first six months of 2019.

CARBON FLAT ROLLED IMPORTS



DEMAND



NEW HOME SALES⁵

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 pace, down 6.6% from the 724,000 unit pace in May.

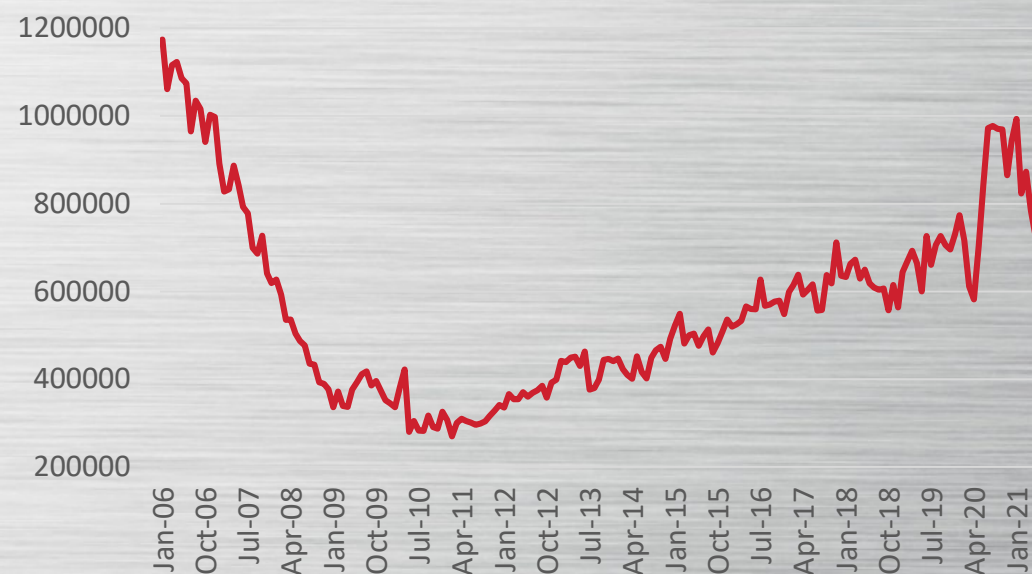
- This was the lowest monthly sales pace, for new homes, since April 2020.

Inventory of unsold new homes increased again in June, now up for the fifth consecutive month.

- New home inventory totaled 358,000 units, the highest monthly total since November 2008.
- The current inventory, when combined with the June sales pace, equates to 5.9 months of supply, slightly above the five-year average.

After hitting a record high in May, the median sales price slipped slightly in June, sliding to \$361,800.

NEW HOME SALES (SAAR)



DEMAND

DURABLE GOODS⁶

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

- The increase in June follows a 3.2% increase in May and new orders have now increased in thirteen of the last fourteen months.
 - Excluding the volatile transportation component, new orders increased 0.3%.

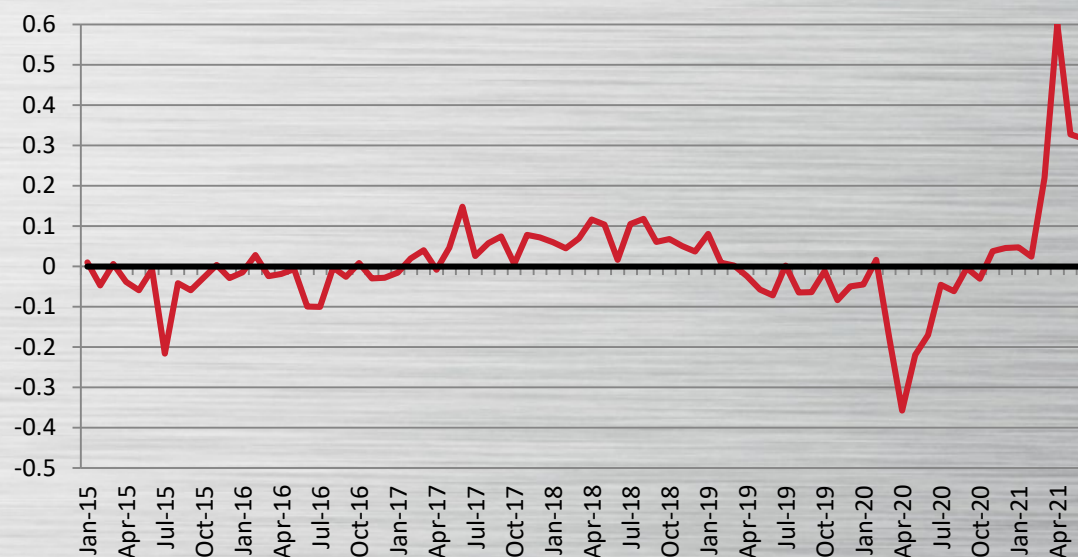
New orders for fabricated metal products slipped for the second consecutive month, sliding 0.8% in June after a 2.0% decline in May.

- Primary metal new orders increased again however, climbing 0.4% from May.

Unfilled orders for manufactured durable goods increased again in June, 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 also the strong demand.

ACTUAL NEW ORDERS Y/Y % CHANGE



WEEKLY INITIAL JOBLESS CLAIMS⁷

Weekly initial jobless claims fell last week after hitting a two-month high in the prior week.

The Department of Labor's Weekly Initial Jobless Claims report came in at 400,000 claims, down from 424,000 claims previously.

- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 394,500, from 387,250 claims previously.

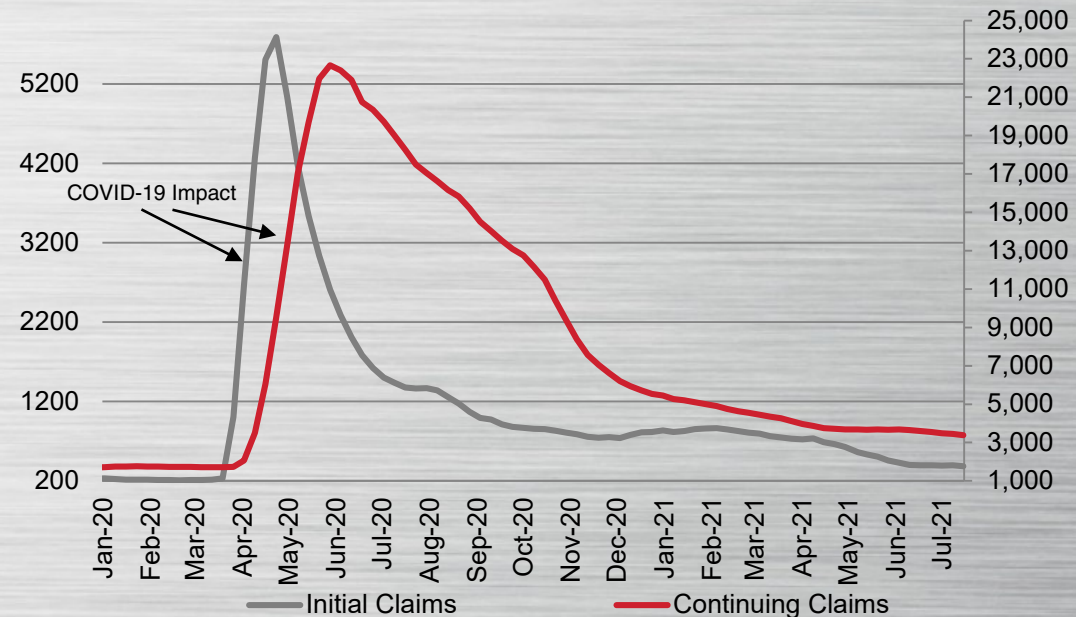
Continuing claims, or claims lasting longer than one week, increased slightly after dropping the previous three weeks.

- Continuing claims climbed to 3.269 million, up from 3.262 million previously.

At the state level, new claims fell sharply in Pennsylvania, Texas, and Kentucky.

- The only state to post a large increase was California.

WEEKLY INITIAL JOBLESS CLAIMS



 **CONSUMER CONFIDENCE⁸**

The Conference Board Consumer Confidence Index continued to climb in June, now up for the fifth consecutive month.

The Index increased to 127.3, up from 120.0 in May.

- Both the Present Situation Index and Expectations Index continued to push higher as well in June.
 - The Present Situation Index came in at 157.7, up from 148.7 previously.
 - The Expectations Index (a short-term outlook) improved from 100.9 last month to 107.0.

The increase in consumer confidence in June pushed the index to its highest level since the onset of the pandemic in March 2020.

- The proportion of consumers planning to purchase homes, cars, and major appliances all rose, a signal that spending will continue to support economic growth.

PERSONAL INCOME & OUTLAYS⁹

Total personal income increased in June, climbing 0.1% to \$120.414 trillion.

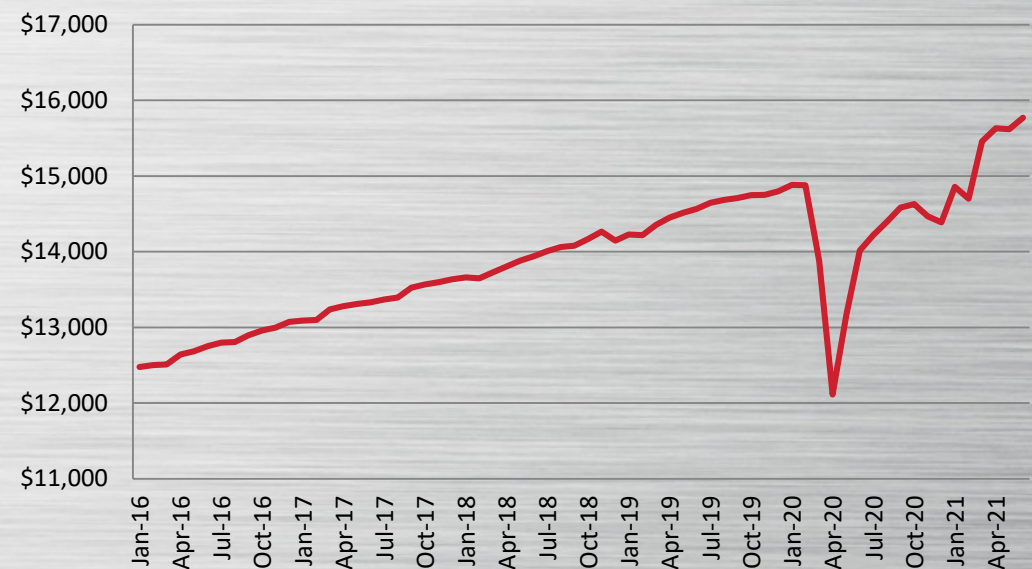
- Total income was boosted by increased wages and salaries, which climbed to \$10.140 trillion.

Despite disposable income slipping slightly, total personal consumption expenditures (spending) increased 1.0% to \$15.772 trillion.

- The increase in spending reflected increases in both spending for goods and services.
 - Within goods, an increase in nondurable goods was partly offset by a decrease in durable goods.
 - The boost in spending on services mainly came from good services and accommodations.

The personal savings rate slipped to \$1.697 billion, down from \$1.858 billion previously.

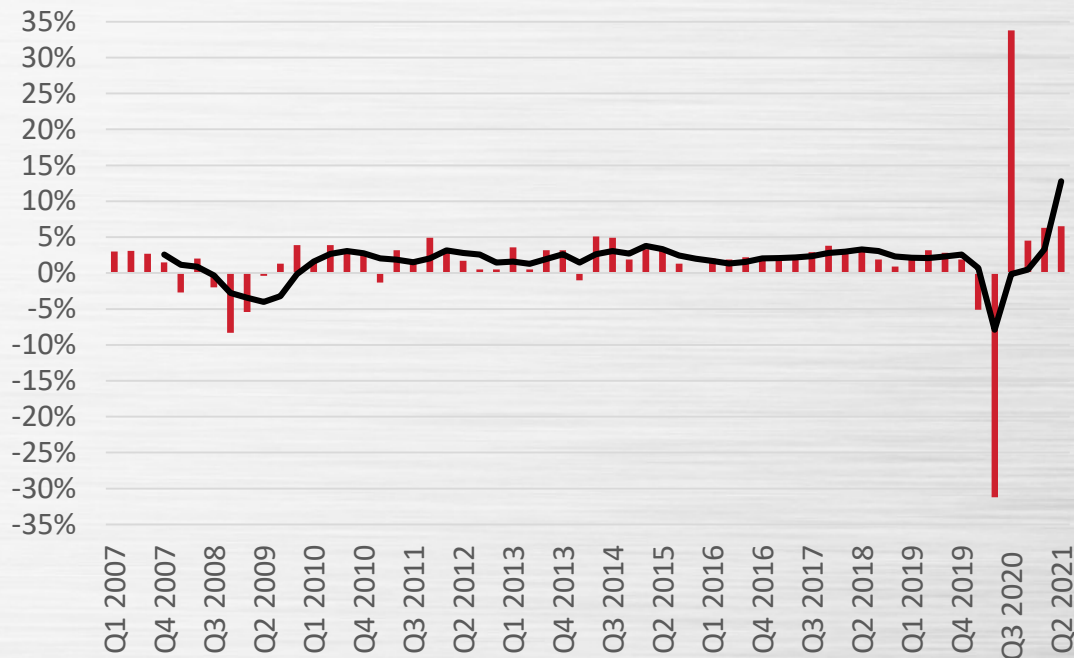
PERSONAL CONSUMPTION EXPENDITURES



ECONOMIC



GROSS DOMESTIC PRODUCT¹⁰



GROSS DOMESTIC PRODUCT

The U.S. economy continued its strong growth in the second quarter, climbing at an annual rate of 6.5%.

- This "advanced" estimate was up from the final Q1 2021 growth rate of 6.3%.

The increase in GDP in Q2 reflected increases in personal spending, nonresidential investment, exports, and state and local government spending.

- These increases were partly offset by declines in inventory investment, residential investment, and federal government spending.
 - Imports, which are a subtraction to GDP, increased in Q2.
- The continued decline in inventories will further stress supply chains through the back half of the year, making inventory replenishment a strong source of demand.

Real GDP is now above its pre-pandemic level, but is still slightly below its long-term trend.

SOURCES

- 1 Platts, Spot Iron Ore: July 29, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: July 30, 2021.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: July 30, 2021.
American Iron & Steel Institute, Weekly Domestic Steel Production: July 27, 2021.
- 4 U.S. Census Bureau, Carbon Steel Imports: June 2021.
- 5 U.S. Census Bureau, New Home Sales: June 2021.
- 6 U.S. Census Bureau, Durable Goods: June 2021.
- 7 Department of Labor, Weekly Initial Jobless Claims: July 29, 2021.
- 8 Conference Board, Consumer Confidence: June 2021.
- 9 Bureau of Economic Analysis, Personal Income and Outlays, June 2021.
- 10 Bureau of Economic Analysis, Advanced GDP: Q2 2021.

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