

**CORE** 09.24.21 **REPORT**

**COST**

**01**

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

**SUPPLY**

**04**

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

**DEMAND**

**05**

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

**ECONOMIC**

**10**

- ⊖ employment
- ⊖ inflation
- ⊖ trucking
- ⊖ retail sales

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

Spot iron ore pricing ticked up slightly this week after sliding seven out of the previous eight weeks.

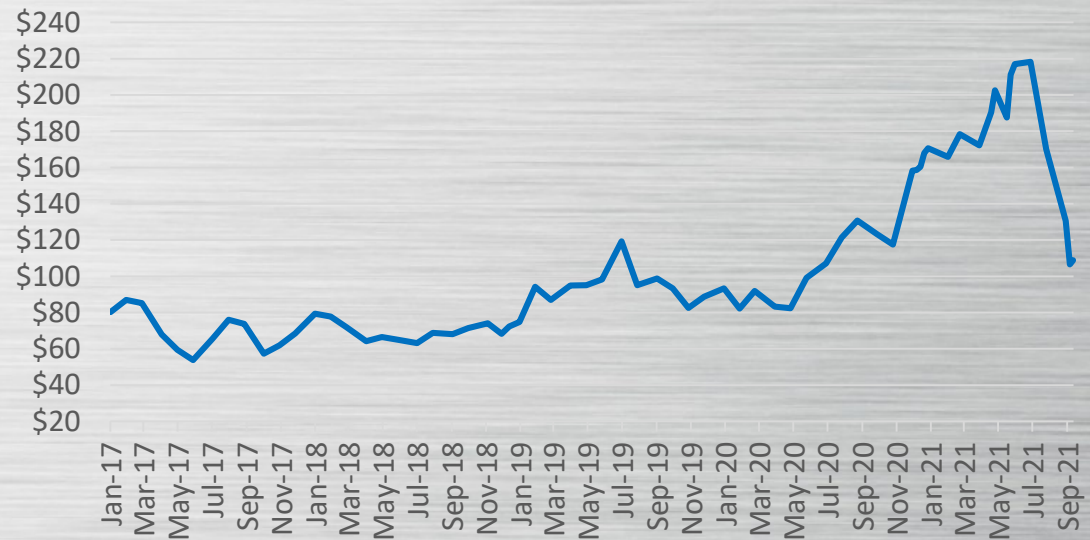
Spot iron ore pricing ended the week at \$108.90/mt, up from \$106.50/mt a week ago.

- This is still down 35% in one month and down over 52% from the all-time high seen in July.

Declining steel production in China, which is now down three consecutive months, has hurt iron ore price of late.

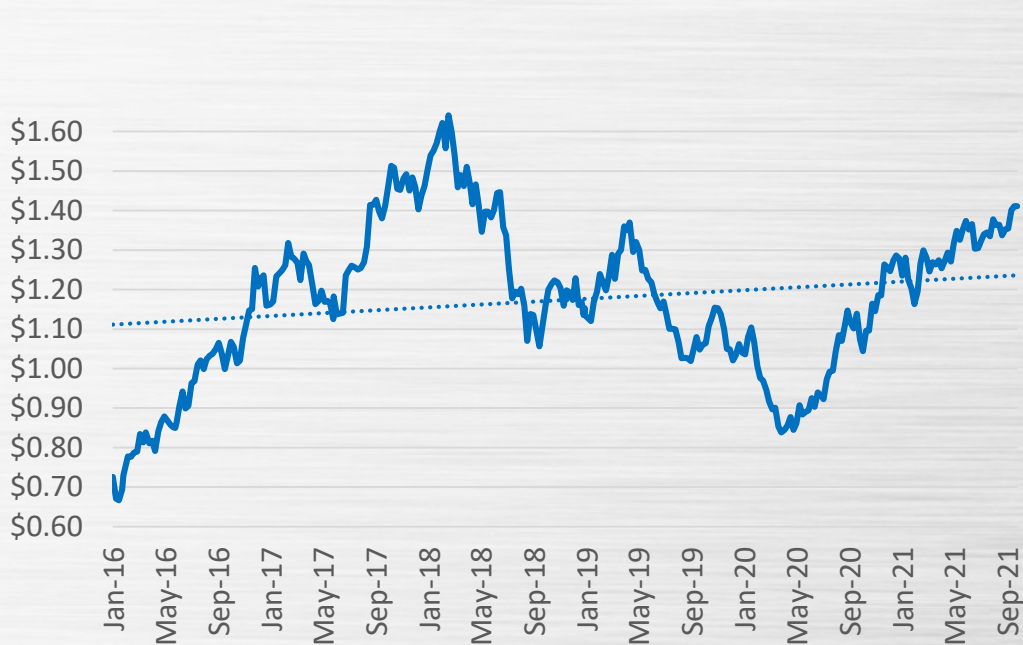
- Steel output in China is now down 13.2% year-over-year.

## IRON ORE COST



# COST

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



## ZINC

Zinc pricing came in flat this week, with no change week-over-week.

Zinc pricing ended the week at \$3,110/mt (\$1.411/lb), flat from \$3,110/mt (\$1.411lb) previously.

- This remains the highest price for zinc since June of 2018.
  - Supply shortages at key mines across the globe and rising freight costs have helped to boost zinc prices of late.

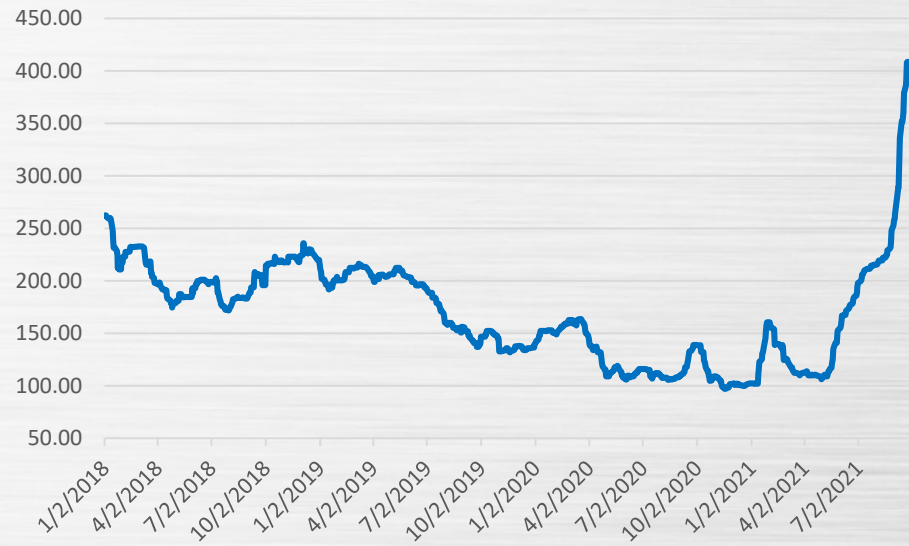
Global zinc inventory decreased again this week, now down six out of last seven weeks.

- LME warehouse inventory dropped to 217,175 metric tons, from 225,575 metric tons previously.
- Shanghai warehouse inventory increased this week, climbing from 50,399 metric tons to 58,395 metric tons.



# COST

## COKING COAL<sup>3</sup>



## COKING COAL

Coking coal price continued its rapid climb this week, hitting an all-time high.

- Coking coal settled at \$402/mt, up from \$379/mt last week.
  - This is up 76.0% month-over-month and up 256% since the beginning of May.
  - Coking coal has now surpassed iron ore to become the most expensive raw material input for steel makers.

The increased tensions between China and Australian importers along with major supply disruptions has helped to push prices higher.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>4</sup>

After hitting the highest utilization rate since October 2008, domestic raw steel production dipped slightly last week.

U.S. mills produced an estimated 1,874k tons at an 84.9% utilization rate; this is down from 1,882k tons and an 85.3% rate previously.

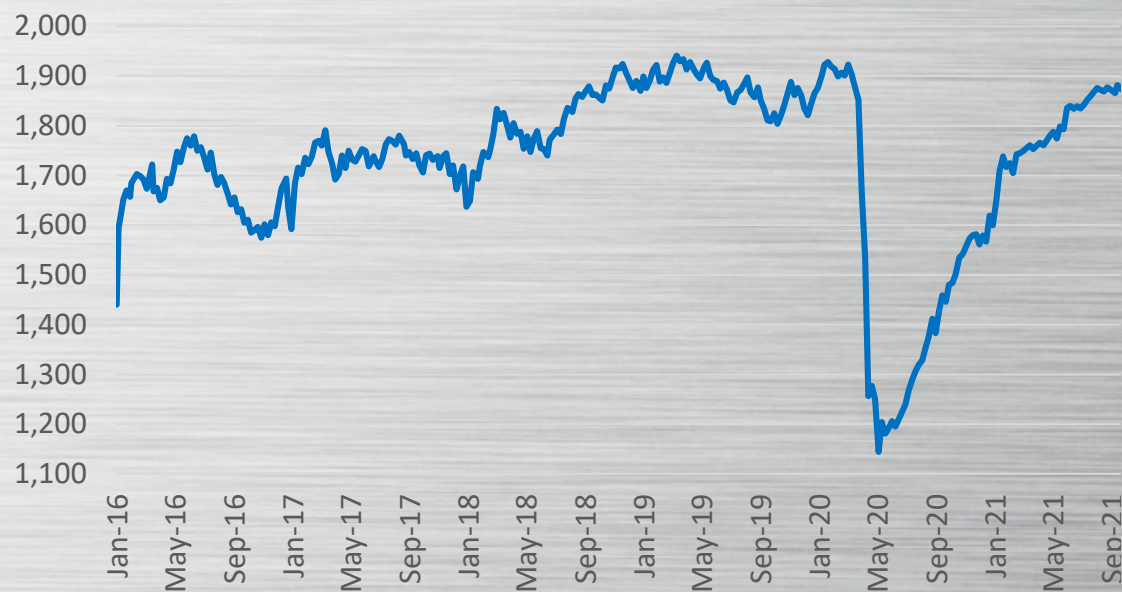
- For reference, an 84.6% utilization rate in October 2008 equated to 2,015k tons produced, roughly 7% less overall tons.

Production increased slightly in three of the five regions, but was offset by a larger decrease in the Southern region.

- Production from the Southern region climbed from 786k to 776k tons.

Year-to-date production is now 20.1% above the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# ▲ LIGHT VEHICLE PRODUCTION<sup>5</sup>

After hitting a fourteen month low in July, domestic light vehicle production bounced back slightly in August.

U.S. light vehicle production totaled 785,703 units in August, up 25.4% from July.

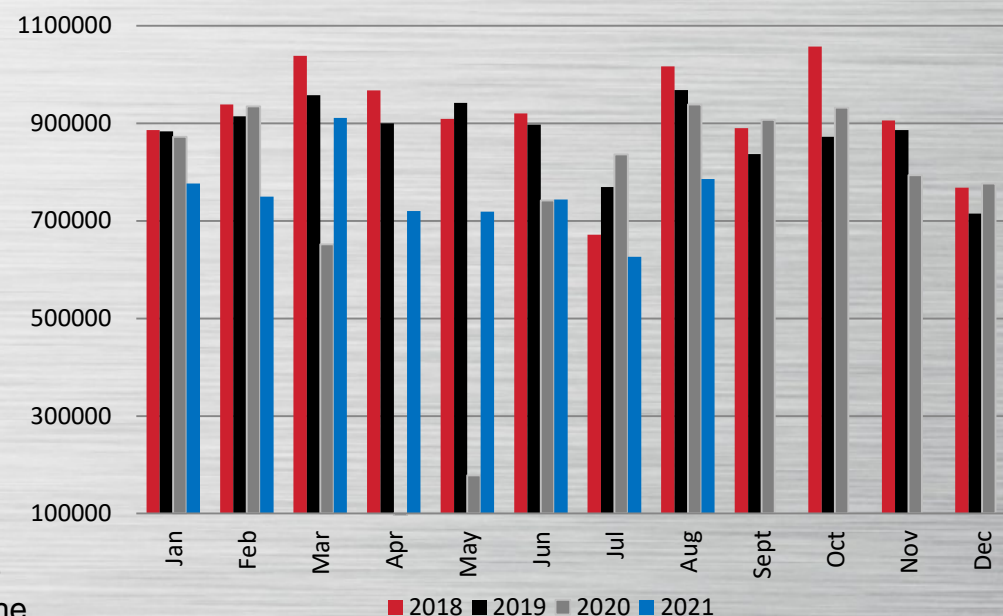
- Production continued to lag behind year-ago levels however, sliding 16.3% from 938,569 units in August 2020.

Production of both cars and light trucks picked up in August, climbing 17.3% and 27.1%, respectively, from July.

- This was the highest monthly total, 654,444 units, for light truck production since March.

Year-to-date light vehicle production is still up 16.9% from the same timeframe last year, but is 16.3% below the level from the same period in 2019.

## U.S. LIGHT VEHICLE PRODUCTION





# HOUSING MARKET INDEX<sup>6</sup>

After slowing slightly the previous three months, confidence among U.S. homebuilders increased in September.

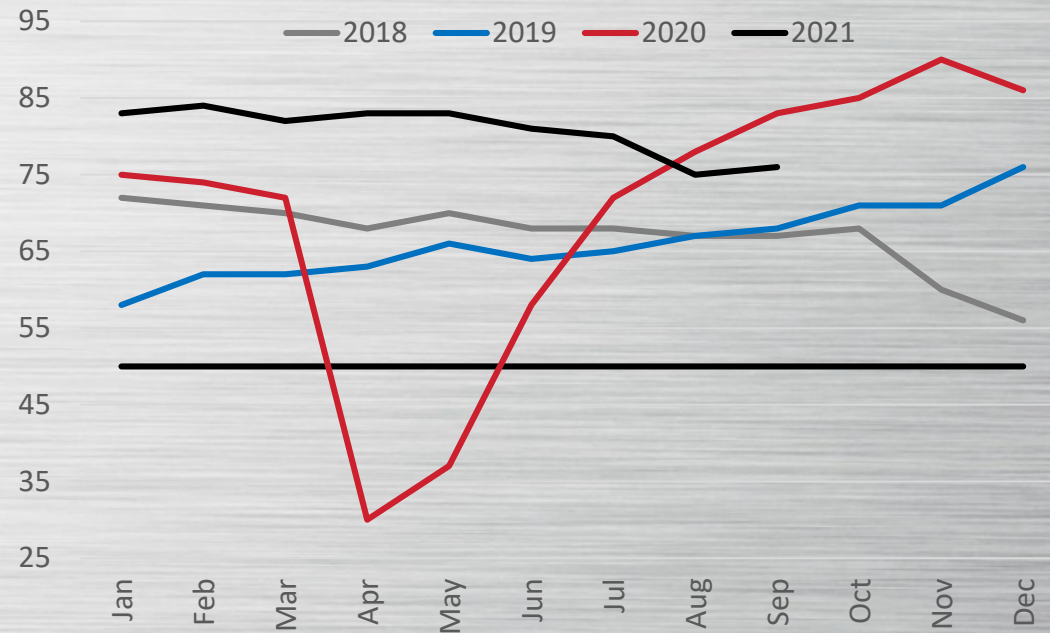
The September Housing Market Index came in at 76, up from 75 in August but slightly below the 83 reading from September 2020.

- Any reading over 50 indicates a growth in confidence, while any reading below 50 denotes a growth in pessimism.

While both the Present Situation and Traffic components increased, the Next Six Months component remained flat.

Despite the slight increase in confidence, uncertainty around labor, supply chains, and inflation continue to keep homebuilders up at night.

## HOUSING MARKET INDEX



# RESIDENTIAL CONSTRUCTION<sup>7</sup>

## NEW HOUSING STARTS (SAAR)

After sliding in July, new residential construction regained its upward momentum in August.

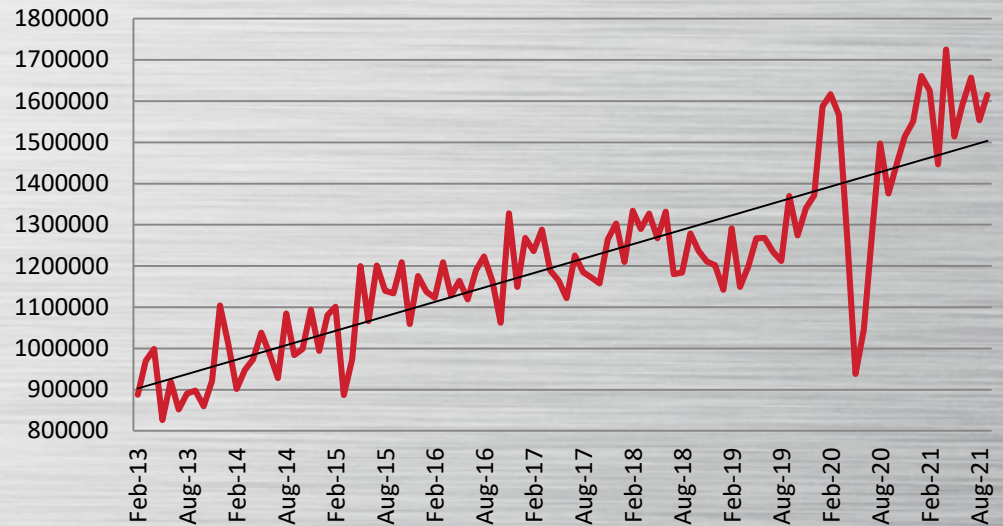
New housing starts came in at a 1.615 million unit rate in August, up 3.9% from July and up 17.4% from a 1.448 million unit rate in August 2020.

- New housing starts have now increased in three of the last four months.

Permits, an indicator of future construction, increased as well, climbing to a 1.728 million unit rate.

- This is up 6.0% from July and up 13.5% from August 2020.

Year-to-date actual housing starts are up 21.5% from the same timeframe in 2020 and up 27.1% from the first eight months of 2019.





# EXISTING HOME SALES<sup>8</sup>

After climbing the previous two months, existing home sales slipped slightly in August.

August existing home sales came in at a 5.880 million unit rate, down 2.0% from a 6.000 million unit rate in July.

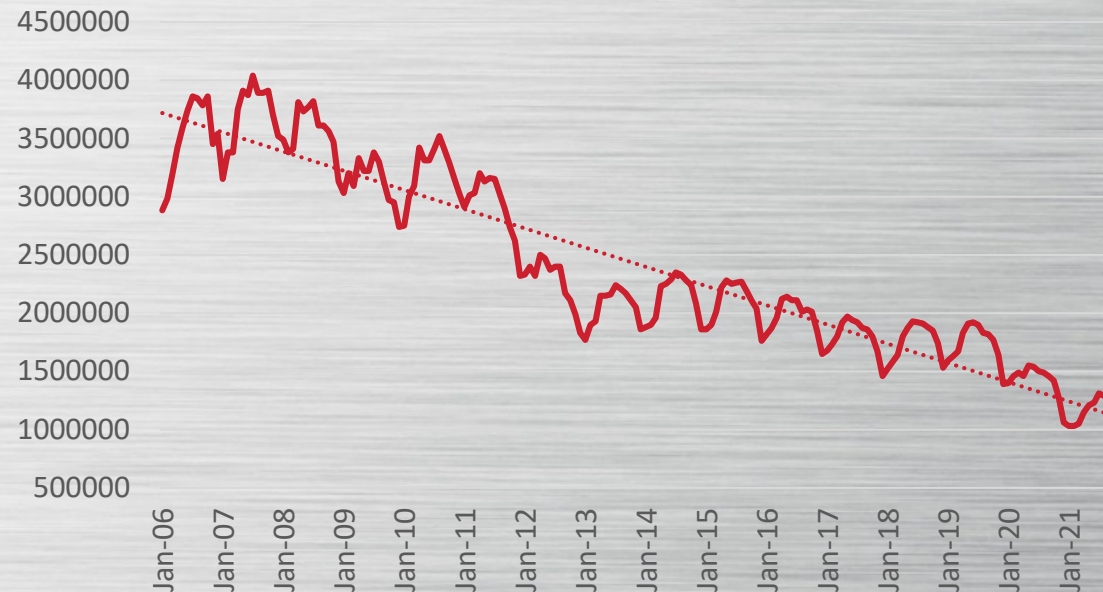
- Sales were down a slight 1.5% from a 5.970 million unit rate in August 2020.

Despite the slight slowdown in sales, the number of existing homes for sale declined for the first time since January.

- The number of homes for sales slipped to 1.290 million units.
- Current inventory, when combined with August's sales pace, equates to 2.6 months of supply.

Year to date actual existing home sales are up 3.2% from the same timeframe last year.

## EXISTING HOMES FOR SALE



## DEMAND

# ▲ ARCHITECTURE BILLINGS INDEX<sup>9</sup>

## ARCHITECTURE BILLINGS INDEX (3MMA)

Activity at U.S. architecture firms remained strong in September and has now shown expansion for seven consecutive months.

The August Architecture Billings Index came in at 55.6, up from 54.6 in July and up for 40.0 in August 2020

- The three-month average slipped slightly, sliding to 55.8, but remains well above the 50.0.
- Any reading over 50.0 indicated expansion, while a reading below 50 denotes contraction.

All four regions remained in expansion, with the largest growth coming from the West (57.2).

The sector breakdown saw similar growth across the board, with the strongest sector being the commercial/industrial (54.7) sector.



# WEEKLY INITIAL JOBLESS CLAIMS<sup>10</sup>

Weekly initial jobless claims increased for the second consecutive week, after falling to a pandemic-era low just two weeks prior.

The Department of Labor's Weekly Initial Jobless Claims report came in at 351,000 claims, up from 335,000 claims previously.

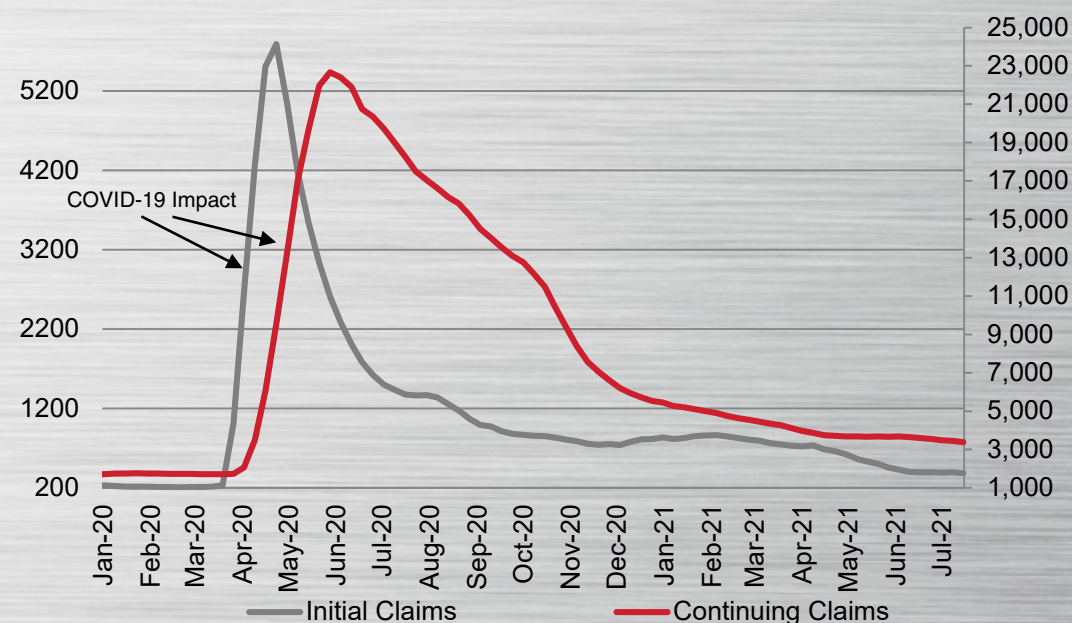
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 335,750, from 336,500 claims previously.

Continuing claims, or claims lasting longer than one week, increased after hitting a pandemic-era low.

- Continuing claims climbed to 2.845 million, up from 2.714 million previously.

At the state level, the largest increase in initial claims came from California (+24,221) and Virginia (+12,879.)

## WEEKLY INITIAL JOBLESS CLAIMS





## SOURCES

- 1 Platts, Spot Iron Ore: September 23, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: September 24, 2021.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: September 24, 2021.
- 3 Platts, Coking Coal Price: September 16, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: September 14, 2021.
- 5 WardsAuto, U.S. Light Vehicle Production: August 2021.
- 6 National Association of Homebuilders, Housing Market Index: September 2021.
- 7 U.S. Census Bureau, New Residential Construction: August 2021.
- 8 National Association of Realtors, Existing Home Sales: August 2021.
- 9 American Institute of Architects, Architecture Billings Index: August 2021.
- 10 Department of Labor, Weekly Initial Jobless Claims: September 23, 2021.

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