

## SUPPLY & DEMAND CONTINUE TO PUSH AGAINST EACH OTHER

Despite the significant drop in U.S. consumer confidence, domestic demand continues to grow. New orders for manufactured goods increased for the 15<sup>th</sup> time in 16 months and unfilled orders are up for the 7<sup>th</sup> consecutive month. Domestic steel production rebounded this week, while global steel production fell, due to Chinese production hitting it's lowest tons/day since March 2020.

### INPUT COSTS

Zinc pricing increased last week to its highest level since June 2018.

- Zinc pricing held around \$1.40/lb this week; however, longer-term forecasts expect pricing to return to the recent \$1.33/lb-\$1.38/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.

Spot iron ore pricing continued to slide this week, now down to \$94/dmt.

- This is down 32.4% m/m and down 42.9% since the beginning of the year.
  - The current pricing level is the lowest since May 2020.

Pacific basin met coal pricing slipped slightly to start off the week after reaching a fresh all-time high recently.

- Pricing slipped to \$402/mt; still up 74.0% m/m and up 271% since the beginning of May.
- Increasing demand from India, easing of China/Australia export ban, and higher finished steel pricing have all helped push pricing higher.

Imported pig iron prices increased last week on greater activity and higher prices internationally, with prices increasing 0.9% w/w to \$535/t.

- Despite the recent pick up in pricing, imported pig iron pricing is down 10.8% from last month but up 38.2% from the same time last year.

## SUPPLY

After slipping last week, U.S. mill capacity utilization rebounded this week.

- U.S. steelmakers produced 1.880 million tons at an 85.2% 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 20.2% above the total from the same period last year but is still 5.4% below the same timeframe in 2019.

Based on preliminary import licenses, the daily average for September (20 days) increased 9.2% from August

- Ex. Brazilian slabs imports were up 2.2% from August on a daily avg. basis.

After climbing to a two-plus year high in July, total carbon steel imports slipped slightly in August.

- Total carbon steel imports totaled 2.226 million tons, down 7.0% from July, but more than double the 1.042 million ton total from August 2020.
  - Total carbon flat rolled imports continued to climb in August, now up for the fourth consecutive month.
- Carbon flat rolled imports totaled 876,874 tons, up 15.5% from July and up 133.7% from August 2020.
- Year-to-date carbon flat rolled imports are now 46.0% above the same timeframe last year and up 23.5% from the first eight months of 2019.

Global steel production, on a tons/day basis, continued to slide in August.

- Global steel production totaled 5.058 million tons/day in August, down 5.6% from July and marked the fourth consecutive monthly decline.
  - Global production was down 0.8% from a 5.098 million tons/day rate in August 2020.
- The continued decline in Chinese production helped to pull the total lower.
  - This was the fourth consecutive monthly decline and pushed Chinese production to its lowest tons/day rate since March 2020.

## DEMAND

New orders for manufactured durable goods increased in August, climbing 1.8% to a \$263.5 billion rate.

- This increase followed a 0.5% increase in July and is now up for the fifteenth time in the last sixteen months.
  - Excluding the volatile transportation component, new orders increased 0.2%.
- Unfilled orders increased again in August, now up for the seventh consecutive month.
  - Unfilled orders increased 1.0% to a \$1.239 trillion rate.



## PRICE

Domestic flat rolled steel pricing continued to remain in a relatively tight range this week.

- Market participants noted that while the bottom end of the pricing range seemed to decline slightly, the top end of the range expanded.
  - This defines the current range-bound pricing environment that the market is currently in.

Foreign pricing was relatively flat this week on speculation that the Chinese government mandate on production cuts would not be enforced as stringently.

- The Platts index FOB China came in at \$926/mt (\$41.96/cwt).
- Chinese HRC pricing is down 0.1% from last week but up 36.8% YTD.

## ECONOMY

Confidence among U.S. consumers dropped sharply in September, sliding to its lowest level since March.

- The Conference Board's Consumer Confidence Index came in at 109.3, down from 115.2 in August.
  - Uncertainty around inflation and the Delta variant have helped slow people's spending of late.
- Consumer confidence is still high by historical levels, enough to support further growth in the near-term, but the Index has now fallen 19.6 points from the recent peak of 128.9 reached in June.