

## IMPORTS RISE AS GLOBAL STEEL PRODUCTION DECLINES

Total carbon steel imports continued to climb reaching their highest monthly total since April 2018. Month-over-month imports are up 13.9% and year-over-year they're up 144.9%. The total tons imported through September are already more than the tons imported through 2019 and 2020 combined. Despite the increasing need for global steel supply, production continues to slide for the fifth consecutive month. The production levels are reaching record lows, as seen by major producers like China.

## INPUT COSTS

Zinc pricing slipped this week, down slightly from the fourteen year high seen last week.

- Zinc pricing slipped to \$1.57/lb this week; however, longer-term forecasts expect pricing to return to the recent \$1.40/lb-\$1.45/lb average from the last 30 days.
  - Surging power costs around the world led to cutbacks of output at Nyrstar.
  - Further supply disruptions due to wildfires in British Columbia also helped to push pricing higher.

Spot iron ore pricing slipped this week, sliding to \$123/dmt.

- Despite the recent slide, this is up 3.5% m/m but still down 25.4% since the beginning of the year.

Pacific basin met coal pricing resumed its downward momentum after a slight uptick last week.

- Pricing slipped to \$399/mt; however, it is still up +270% 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.

U.S. imported pig iron prices continued to climb last week, increasing 1.9% from last week to \$550/mt.

- Import pricing is now up 0.9% from last month and up 44.8% from this time last year.
- Increasing pig iron pricing is allowing domestic prime scrap pricing to find a floor after two consecutive monthly declines.

## SUPPLY

The recent up and down movement for domestic raw steel production continued last week as total production slipped.

- U.S. steelmakers produced 1.870 million tons at an 84.7% 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 20.3% 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 October is down 20.5% compared to the first 25 days of September.

- Ex. Brazilian slabs imports were down 16.1% from September on a daily average basis.

Total carbon steel imports continued to climb in September, hitting their highest monthly total since April 2018.

- Carbon steel imports totaled 2.538 million tons in September, up 13.9% from August and up a sharp 144.9% from September 2020.
- Total carbon flat rolled imports came in at 894,037 tons, up 1.67% from August and more than double the 431,958 tons in September 2020.
  - While coated imports declined 13.9% from August both hot rolled and cold rolled imports were up sharply, climbing 12.5% and 16.9%, respectively.
- The 5.800 million tons of imported flat rolled through September already exceeds the full year totals from both 2019 and 2020.

Global steel production continued to decline in September now down, on a tons/day basis, for the fifth consecutive month.

- Global steel production came in at a rate of 4.814 million tons/day in September, down 3.3% from a 4.980 million tons/day rate in August.
  - Production was down on a year-over-year basis as well, sliding 8.9% from a 5.287 million tons/day rate in September 2020.
- Production continued to decline in China, sliding 8.4% to a 2.458 million tons/day rate.
  - This was the lowest monthly output for China since December 2018.

## DEMAND

Activity at the architectural firm level continued to expand in September.

- The September Architectural Billings Index increased to 56.6, up from 55.6 in August.
  - This is the highest reading since June and the eighth consecutive month with a reading over 50.
  - Any reading over 50 indicates expansion.

After slipping in August, new home sales rebounded in September, climbing to its highest seasonally adjusted rate since March.

- September new home sales came in at an 800,000-unit rate, up 14.0% from August but down 17.6% from September 2020.
  - Sales have now declined on a year-over-year basis for four consecutive months.
- Inventory of unsold new homes increased for the eighth consecutive month in September, climbing to 383,000 units.

New orders for durable goods in September slipped slightly, sliding 0.4% to a \$261.3 billion rate.

- This was the first decline after four consecutive monthly increases.
  - Excluding the volatile transportation segment, new orders increased 0.4%.

New orders for fabricated metal products increased as well, climbing 0.7% from August and are up 21.6% from September 2020.

## PRICE

While both hot rolled and cold rolled pricing saw declines this week, hot-dipped galvanized pricing remained virtually flat.

- Market participants noted that while the bottom end of the pricing range increased slightly, the top end of the range slipped.
- The current HRC: HDG spread of \$15.25/cwt is an all-time high and remains well above the long run average of \$10.00.
  - It is expected to return to that long-run average as pricing moderates after this long upward cycle.

Foreign pricing declined slightly this week, down 0.5% from last week but still up 36.3% YTD.

- The Platts index FOB China came in at \$919/mt (\$41.69/cwt).

## ECONOMY

The Chicago Fed's National Activity Index slipped into negative territory in September.

- The CFNAI came in at -0.13, down from a revised 0.05 in August.
  - The three-month average increased slightly however, climbing to 0.22 from 0.20 in August.

After sliding the previous three months, the Conference Board's reading of consumer confidence improved in October.

- The October consumer confidence index increased to 113.8, up from a revised 109.8 previously.
  - Despite the uptick in October, the index remains well below its recent peak of 128.9 seen in June.

The present situation index increased to 147.4 from 144.3 in September.

- The expectations index, based on a short-term outlook, increased from 86.7 last month to 91.3.