

## **\$1 TRILLION INFRASTRUCTURE BILL SET TO IMPACT DEMAND**

The House passed a historic infrastructure bill that is intended to improve the nation's roads, broadband, and other public works. Leaders in the steel industry expect that for every \$100 billion of new investment steel demand will increase between 4mt-6mt. This would mean that the infrastructure bill would directly increase steel consumption by 3.5% to 4.5% per year over the next five years.

## **INPUT COSTS**

Zinc pricing slipped sharply this week, down from the fourteen year high seen a couple of weeks ago.

- Zinc pricing slipped to \$1.48/lb this week, as longer-term forecasts expect pricing to return to the recent \$1.40/lb-\$1.45/lb average from the last 30 days.

Spot iron ore pricing slipped this week, sliding to \$94/dmt.

- The recent slide has pushed prices down 25% m/m and down 43% since the beginning of the year.

Pacific basin met coal pricing saw a slight bump this week after a slight downtick last week.

- Pricing slipped to \$402/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, increased 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

After the up and down movement for domestic raw steel production, the recent downward trend continued last week as total production slipped. Now down for the third consecutive week and hitting its lowest weekly total since June.

- U.S. steelmakers produced 1.841 million tons at an 83.4% 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 20.1% 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 November is up 32% compared to October.

- Ex. Brazilian slabs imports were up 38% from October on a daily average basis.

U.S. service center inventory of flat rolled products increased again in October, now up for the sixth consecutive month.

- Flat rolled inventory totaled 4.213 million tons (sixteen month high), which equates to 2.05 months of supply.
  - This is up from 4.130 million tons and 1.99 months of supply in September.
- Coated flat rolled inventory increased as well, climbing to 1.060 million tons.
  - This is up from 1.007 million tons in September and is at the highest level since September 2020.
  - October's inventory, when combined with October's shipments, equates to 1.62 months of supply.
- While inventory continued to increase, the on order tonnage continued to slide, now down to its lowest level (1.148 million tons) since last October.

## DEMAND

After months of negotiations, the House passed a historic \$1 trillion infrastructure package intended to improve the nation's roads, broadband, and other public works.

- AISI estimates every \$100 billion of new investment in infrastructure could increase steel demand by as much as 5mt, while the Steel Manufacturers Association estimates every \$100 billion of investment can increase steel demand by 4mt-6mt.
- These estimates imply steel consumption increases of 3.5%-4.5% per year over five years stemming from the infrastructure-spending bill.
- In addition, the new bill introduces more stringent Buy America requirements and closes loopholes in previous requirements.

U.S. service center shipments of flat rolled products slipped on both a month-over-month and year-over-year basis, sliding 0.7% and 3.5%, respectively.

- Shipments came in at a 98.0 thousand tons/day rate, the second lowest (July) rate of the year.
- Shipments of coated flat rolled products ticked up slightly however, climbing 0.5% from September.
  - Coated flat rolled shipments have been virtually flat for three consecutive months, averaging a rate of 31.2 thousand tons/day over that time.

## PRICE

Domestic flat rolled pricing remained mixed once again this week as hot-rolled pricing dropped sharply, while cold rolled and hot-dipped galvanized pricing were relatively 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 nearly \$17.00/cwt is an all-time high and remains well above the long run average of \$10.00/cwt.
  - It is expected to return to that long-run average as pricing moderates after this long upward cycle.

Foreign pricing declined once again this week, down 6.7% from last week but still up 20% YTD.

- The Platts index FOB China came in at \$807/mt (\$36.60/cwt).

## ECONOMY

The U.S. continued to add jobs in October, now adding jobs for the tenth consecutive month.

- The U.S. added 531,000 jobs in October, up from 312,000 jobs added in September but down from the 680,000 jobs added in October 2020.
  - For 2021, the U.S. has now added 5.82 million jobs.
- The construction sector added 44,000 jobs in October, while the manufacturing sector saw employment increase by 60,000 jobs.
  - 5,800 of the jobs added for sector came from fabricated metal product manufacturing.

Prices paid by consumers continued to climb in October, climbing by its fast annual rate since November 1990.

- The October CPI showed prices increased 0.9% in October on a monthly basis and a sharp 6.2% compared to October 2020.
  - This is up from the 5.4% annual growth seen in September.
- Excluding the volatile food and energy sectors, prices were up 0.62% from September and up 4.6% from October 2020.
  - This was the largest year-over-year growth for the CORE-CPI since August 1991.