

CORE 12.03.21 **REPORT**

COST

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- ⬇ iron ore
- ⊖ energy
- ⬇ zinc
- ⬆ coking coal

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

DEMAND

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- ⬇ automotive
- ⬆ construction
- ⊖ appliance
- ⬆ manufacturing
- ⊖ agriculture
- ⊖ durable goods

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- ⬇ employment
- ⬇ confidence
- ⊖ retail sales
- ⊖ inflation

SPOT IRON ORE¹

After rebounding last week, spot iron ore price dipped again this week, now down six out of the last seven weeks.

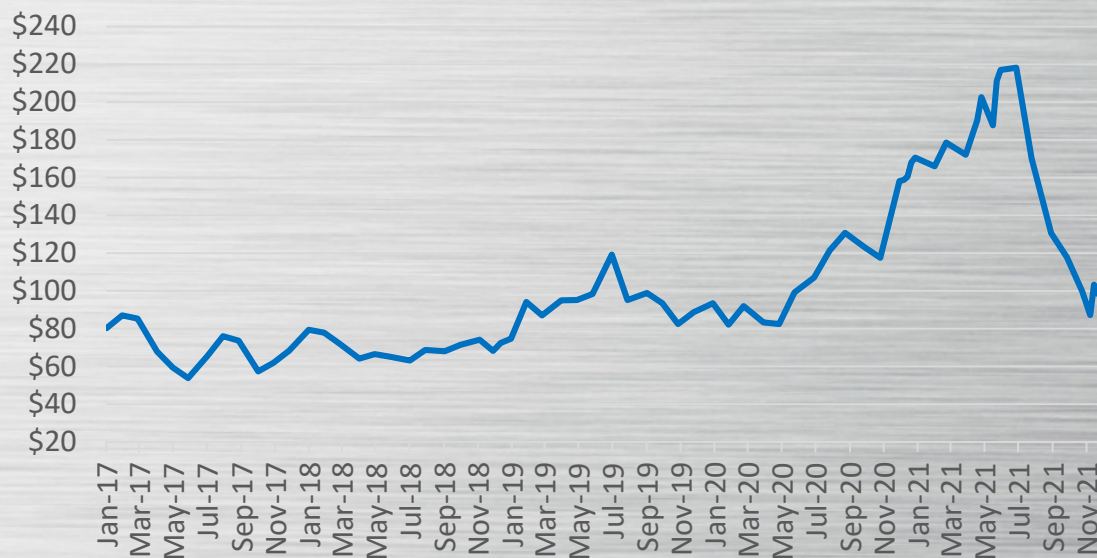
Spot iron ore pricing ended the week at \$98.35/mt, down from \$103.30/mt a week ago.

- Iron ore pricing remains near a six-month low.

China continues to limit steel production and restrictions are planned to extend into the first quarter.

- There has been a major effort by China to ensure there's minimal smog for the Winter Olympics, cutting their steel output to its lowest level since 2017.

IRON ORE COST



COST

WEEKLY ZINC PRICING²



ZINC

After climbing the entire week of Thanksgiving, zinc pricing dropped again, now down six out of the last seven weeks.

Zinc pricing ended the week at \$3,324/mt (\$1.508/lb), down from \$3,430/mt (\$1.556lb) previously.

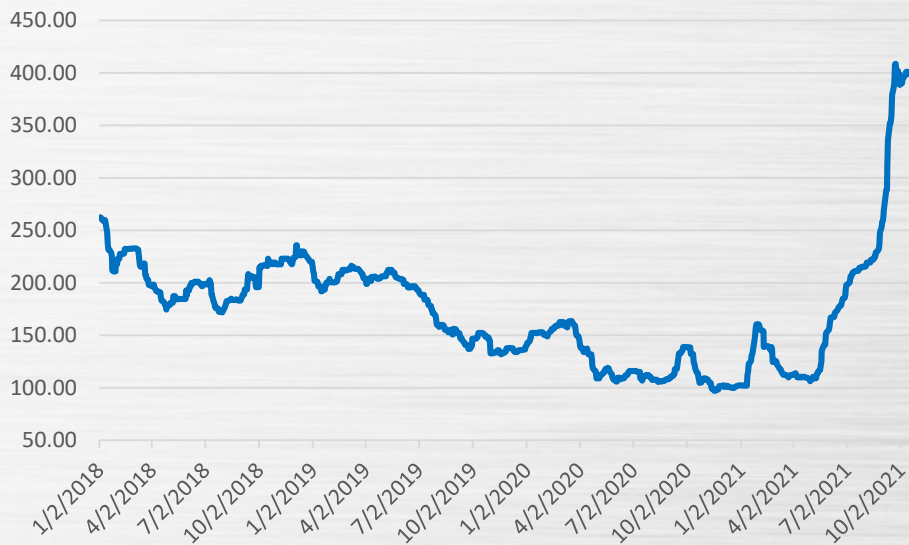
- Zinc still remains well above historical levels, sitting at the highest price since the summer of 2018.
- US Steel also announced that they will be revising their galvanized zinc extras upwards effective January 2nd.
 - This follows announcements from SDI and NLMK USA.

Global zinc inventory decreased for the sixth consecutive week.

- LME warehouse inventory slid to 153,350 metric tons, from 163,275 metric tons previously.
- Shanghai warehouse inventory decreased as well, dropping from 72,197 metric tons to 69,852 metric tons.

COST

COKING COAL³



COKING COAL

After sliding four consecutive weeks, coking coal pricing came in relatively flat this week.

- Coking coal settled at \$317.50/mt, up slightly from \$317.00/mt last week.
 - This is still up over 250% since the beginning of May.

Coking coal prices continue to weaken from record highs posted in October following China’s intervention in the domestic coal mining and trading sector to improve coal supply.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

After climbing two consecutive weeks, domestic raw steel production dipped due to the shortened Thanksgiving holiday week.

U.S. mills produced an estimated 1,837k tons at an 83.2% utilization rate; this is down from 1,861k tons and an 84.2% rate previously.

- This is the lowest weekly tonnage output since late June 2021.

Production dropped in four of the five regions, with the largest decrease (in tons) coming from the Southern region.

- Production from the Southern region slid from 787k to 768k tons

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

WEEKLY DOMESTIC PRODUCTION



SUPPLY

CARBON STEEL IMPORTS⁵

Total carbon steel imports declined slightly in October after a sharp increase in September.

October carbon steel imports totaled 2.228 million tons, down 14.3% from September but up a sharp 93.5% from 1.152 million tons in October 2020.

- October's total was the lowest monthly total since May.

Carbon flat rolled imports continued to increase however, now up for the sixth consecutive month.

- Carbon flat rolled imports totaled 947,453 tons, up 5.8% from September and up 134% from 404,886 tons in October 2020.
- While hot rolled and coated imports continued to climb in October, cold rolled imports slipped slightly.

Year-to-date carbon flat rolled imports are now up 60.9% from the same timeframe last year.

CARBON FLAT ROLLED IMPORTS



DEMAND

LIGHT VEHICLE SALES⁶

After a slight uptick in October, U.S. light vehicle sales regained its downward momentum in November.

November light vehicle sales totaled 1.001 million units, this is down 4.1% from October.

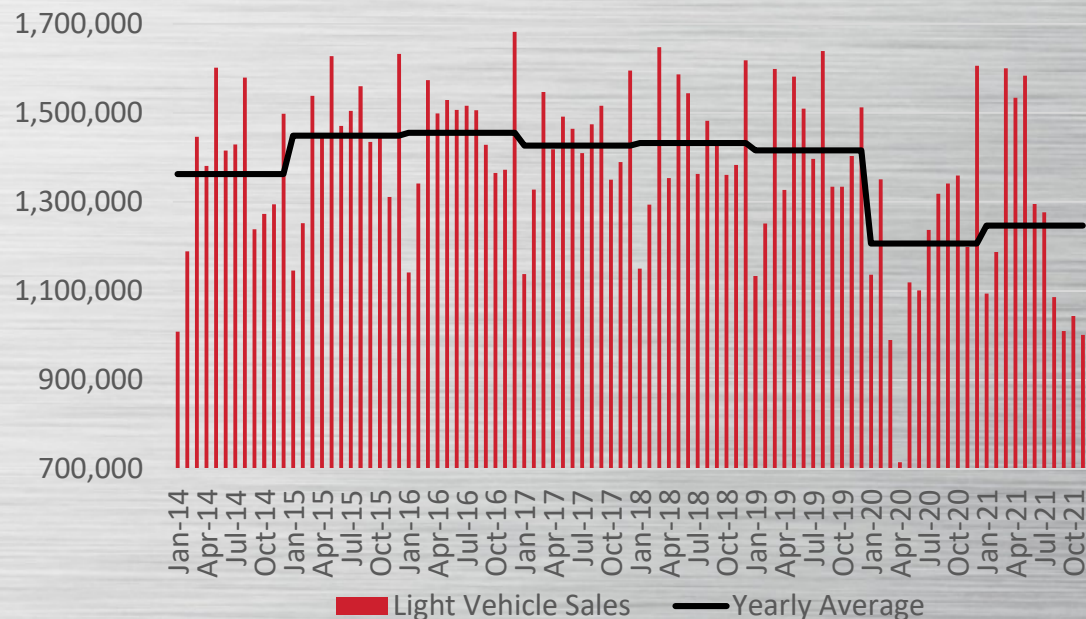
- Light vehicle sales have now declined in five of the last six months and had their lowest monthly total since March 2020.
- Sales were down sharply on a year-over-year basis as well, sliding 16.5% from 1.199 million units sold in November 2020.

Sales of both cars and light trucks declined on a month-over-month basis in November, sliding 3.6% and 1.3%, respectively.

Despite the recent declines, year-to-date sales are still up 6.6% from the same timeframe last year.

Limited dealer inventories, combined with rising prices, are helping to push U.S. sales lower of late.

U.S. LIGHT VEHICLE SALES



▼ LIGHT VEHICLE INVENTORY⁷

Inventories of light vehicles at U.S. dealers continues to be negatively impacted by weak production totals and strong demand.

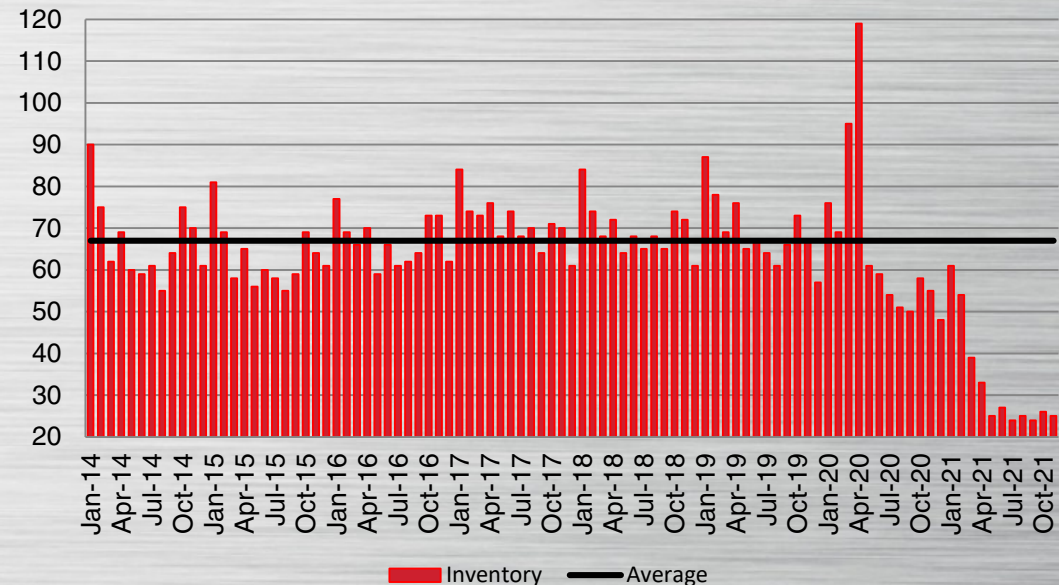
November light vehicle inventory totaled 1.046 million units, up slightly from 1.017 million units in October but still down sharply from 2.876 million units at the end of last November.

While inventory of light trucks increased slightly in November, car inventory declined after a slight uptick in October.

Current light vehicle inventory, when combined with November's sales pace, equates to 25 days of supply.

- This is down from 26 days of supply in October and remains well below the "normal" level of 65 days of supply.

U.S. LIGHT VEHICLE DAYS OF SUPPLY



CONSTRUCTION SPENDING⁸

After a slight decline in September, total construction spending increased once again in October.

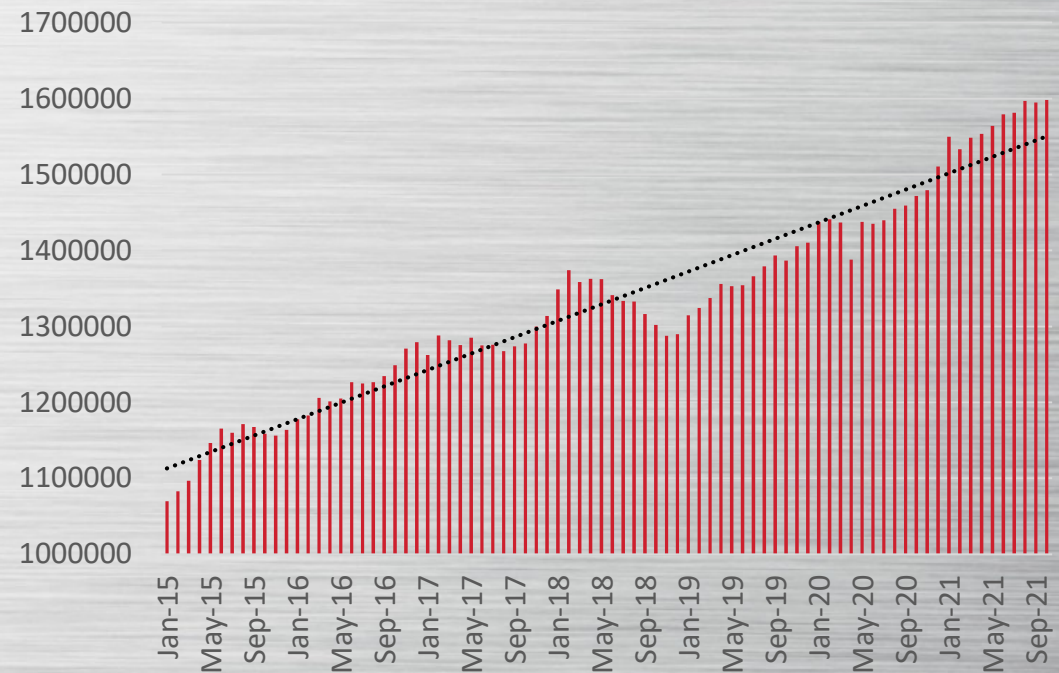
October total construction spending came in at a \$1.598 trillion rate, up 0.2% from September and up a sharp 8.6% from a \$1.472 trillion rate in October 2020.

- This is a new all-time high adjusted rate for spending.

Spending increased for both non-residential and residential projects in October, with the larger increase coming from the non-residential side.

- Private non-residential spending increased to a \$470.3 billion rate, up 0.2% from September and up 3.1% from a \$456.0 billion rate in October 2020.
 - This was the largest year-over-year increase since March 2020.

TOTAL CONSTRUCTION SPENDING (SAAR)



DEMAND

CHICAGO PMI⁹

According to the Chicago Business Barometer, manufacturing activity slowed slightly in November.

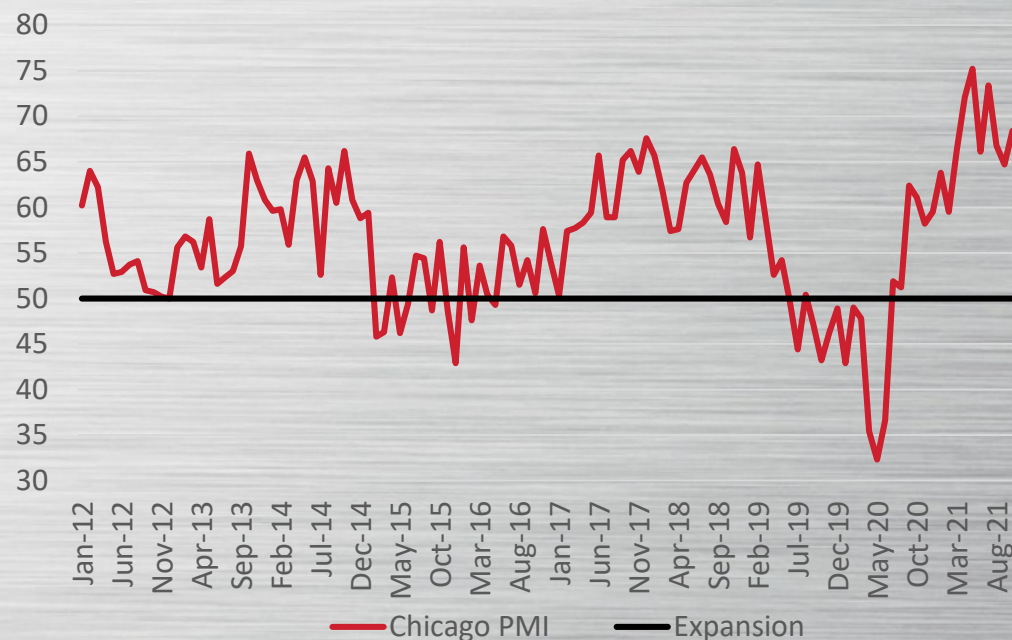
The November Chicago PMI came in at 61.8, down from 68.4 in October and is at its lowest level since February.

- Any reading over 50 indicates expansion, while any reading below 50 denotes contraction.
- Despite the sizeable slowdown in November, the index remains above year-ago levels.

A slowdown in new orders combined with a sharp decline in order backlogs helped to push the index lower.

- These declines helped to offset increases in the inventories and production components.
- This was the first increase after three consecutive monthly declines for the production component.

CHICAGO PMI



DEMAND

ISM MANUFACTURING INDEX¹⁰

Economic activity from the manufacturing sector continued to grow in November, marking its eighteenth consecutive month of growth.

The ISM Manufacturing Index came in at 61.1, up from 60.8 in October and up from 57.5 in November 2020.

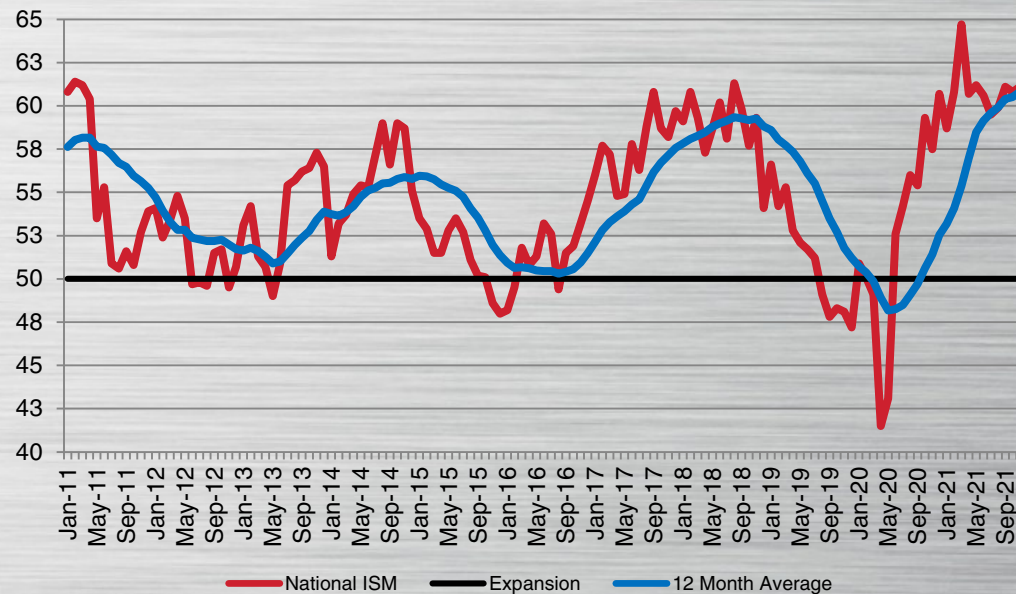
- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

The production component had the largest growth in November, climbing 2.2 points to 61.5.

- The new orders component increased as well, climbing to 61.5 from 59.8 previously.
- While slowing slightly, the backlog of orders component continued to remain well in growth territory at 61.9.

The continued growth from the index indicates strong sector expansion and further economic growth as we move into 2022.

INDUSTRIAL PRODUCTION INDEX



ECONOMIC

**WEEKLY INITIAL
JOBLESS CLAIMS¹¹**

After dropping eight consecutive weeks and hitting the lowest level since April 2019, weekly initial jobless claims increased last week.

The Department of Labor's Weekly Initial Jobless Claims report came in at 222,000 claims, up from 194,000 claims previously.

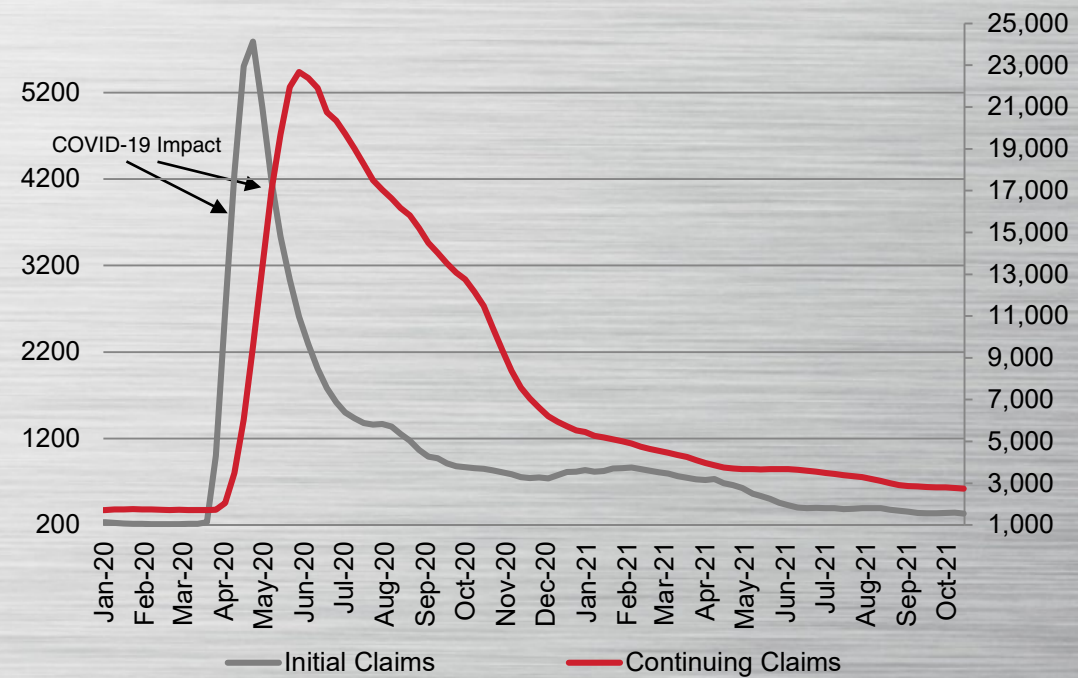
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 238,750, from 251,000 claims previously.

Continuing claims, or claims lasting longer than one week, decreased to the lowest level since March 14, 2020.

- Continuing claims slid to 1.956 million, down from 2.063 million previously.

At the state level, Virginia and Texas combined to see more than 15,000 fewer claims filed for the week.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC

EMPLOYMENT SITUATION¹²

The U.S. continued to add jobs in November, but at the slowest pace since January.

The U.S. added 210,000 jobs in November, down from 546,000 jobs added in October.

Private employment, which accounts for roughly 70% of the workforce, saw an increase of 235,000 jobs.

- Government employment declined, sliding by 25,000 jobs.

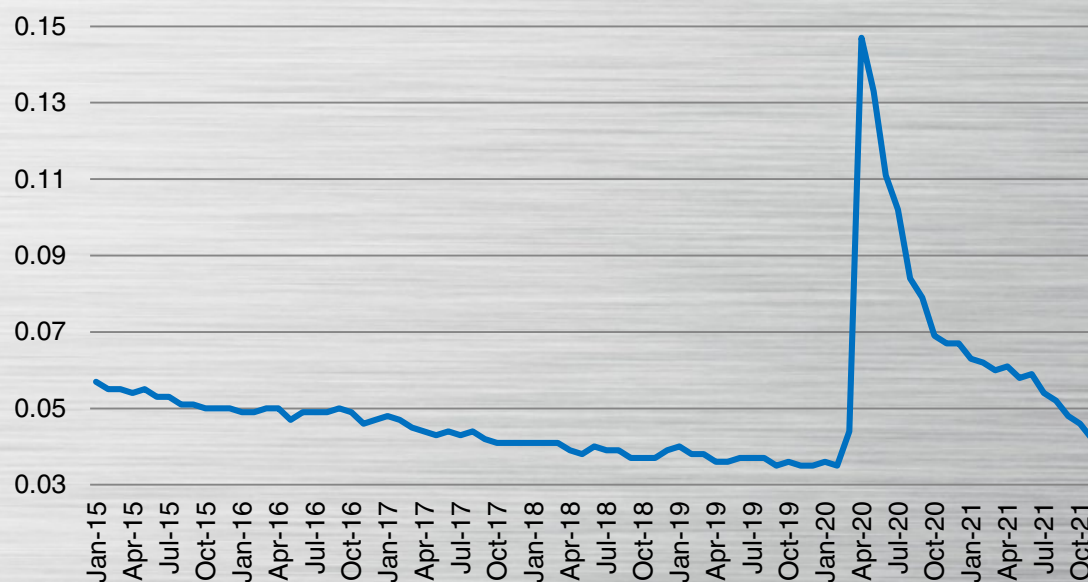
Construction employment saw an increase of 31,000 jobs in November, with 10,000 of those jobs coming from building construction.

Manufacturing saw a similar 31,000 jobs added in November.

- Durable good manufacturing saw an uptick of 15,000 jobs, boosted mainly by the 7,900 jobs added to fabricated metal product manufacturing.

The unemployment rate slipped to 4.2% from 4.6% previously and is at its lowest level since February 2020.

UNEMPLOYMENT RATE



 **CONSUMER CONFIDENCE¹³**

Consumer confidence slipped slightly in November after seeing an increase in October.

The Conference Board's Consumer Confidence Index came in at 109.5, down slightly from 111.6 in October.

- The present situation index fell to 142.5 from 145.5 previously.
- The expectations index, based on short-term outlooks, came in at 87.6.
 - This is down from 89.0 in October.

Concerns about rising prices and to a lesser degree new COVID variants, were primary factors negatively impacting confidence in November.

SOURCES

- 1 Platts, Spot Iron Ore: December 2, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: December 3, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: December 3, 2021.
- 3 Platts, Coking Coal Price: December 3, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: November 30, 2021.
- 5 U.S. Census Bureau, Preliminary Carbon Steel Imports: October 2021.
- 6 WardsAuto, U.S. Light Vehicle Sales: November 2021.
- 7 WardsAuto, U.S. Light Vehicle Inventory: November 2021.
- 8 U.S. Census Bureau, Total Construction Spending: October 2021.
- 9 Institute for Supply Managers, Chicago PMI: November 2021.
- 10 The Federal Reserve, Industrial Production/Capacity Utilization: October 2021.
- 11 Department of Labor, Weekly Initial Jobless Claims: December 2, 2021.
- 12 U.S. Census Bureau, Employment Situation: November 2021.
- 13 Conference Board, Consumer Confidence: November 2021.

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The logo for MSUSA, featuring a stylized red 'M' followed by the text 'MSUSA' in white. The background of the entire image is a dark, textured American flag with stars and stripes, where the stars are represented by faint, embossed circular patterns.

M MSUSA

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