

MANUFACTURING EXPANSION SIGNALS GROWTH FOR 2022

Consumer confidence slipped in November due to concerns over rising prices and new COVID variants. Despite this, the manufacturing sector is showing strong signs of growth. Total construction spending came in at an all-time high with the largest year-over-year increase since March 2020. Additionally, the ISM Manufacturing Index increased for the 18th consecutive month; indicating strong sector expansion and overall economic growth.

INPUT COSTS

Zinc pricing held steady this week, remaining above both the 50 dma and 100 dma.

- Zinc pricing remained over \$1.50/lb this week; however, longer-term forecasts expect pricing to return to the recent \$1.40/lb-\$1.45/lb average from the last 100 days.

Spot iron ore pricing rebounded slightly this week, sliding to \$100.10/dmt.

- Spot iron ore pricing is up 1.0% w/w but is still down 3.1% m/m.

Pacific basin met coal pricing saw a continued decline this week on weaker demand from China.

- Pricing slipped to \$316/mt, the lowest level since early-September; however, it is still up +192% since the beginning of May.

After early indications show a continued strong scrap pricing environment when it comes to the December buy, expectations have been subdued slightly.

- The market is currently expecting both shredded and prime scrap prices to hold steady in December.

Natural gas pricing has declined to its lowest level in more than two months as warmer-than-expected winter forecasts sent pricing sliding.

- Natural gas pricing has now declined about 16% for the month, making it the largest monthly decline in pricing since December 2018.
- Storage levels in line with averages, relatively warmer weather currently, and a milder temperature forecast all helped to push pricing lower.

SUPPLY

After slight increases the previous two weeks, domestic raw steel production slipped during the shortened holiday week.

- U.S. steelmakers produced 1.621 million tons at an 83.2% 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 19.7% above the total from the same period last year but is still 5.4% below the same timeframe in 2019.

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

The U.S. Department of Commerce released details around the latest revised Section 232 agreement with the EU, setting the total at 3.3 mt annually.

- The countries granted the largest quotas include:
 - Germany at 1.2mt
 - Netherlands at 540kt
 - Italy at 362kt
 - France at 270kt
- Among specific products: Plate (416kt), HRC (261kt), CRC (229kt), and OCTG (213kt).

DEMAND

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

- 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.

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 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.

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

ECONOMY

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 affecting confidence in November.