

DEMAND REMAINS STRONG DESPITE DIPS IN SUPPLY

Domestic production slipped for the second consecutive week as U.S. steelmakers produced 1.810 million tons at an 81.9% utilization rate. This was the lowest weekly output in tons since mid-May. Additionally, December import licenses are down compared to November. Inventories are being impacted by weak production and high demand as seen in dealerships across the country. Current light vehicle inventory equates to 25 days of supply which is well below “normal” levels.

INPUT COSTS

Zinc pricing slipped to start the week; however, it remains above both the 100 dma.

- Zinc pricing remained near \$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 has rebounded this week, climbing to \$108.55/dmt.

- Spot iron ore pricing is up 8.4% w/w and is up 15.7% m/m.

Pacific basin met coal pricing saw an increase this week on a pickup in demand from China and weather related issues globally.

- Pricing rebounded to \$339/mt, from the lowest level since early-September.
 - Pricing is up 15.7% m/m and up +212% since the beginning of May.

After climbing \$20/gt in November, Chicago #1 busheling pricing held steady (\$580/gt) to finish the year out in December.

- Shredded pricing in the region was flat as well, holding at \$540/gt.
- For 2021, Chicago #1 busheling pricing averaged \$565/gt, up from the \$300/gt average for 2020 and the highest yearly in history.

SUPPLY

After slight increases the previous two weeks, domestic raw steel production slipped for the second consecutive week last week.

- U.S. steelmakers produced 1.810 million tons at an 81.9% utilization rate.
 - This was the lowest weekly output (in tons) since mid-May.
- Year-to-date production is 19.6% above the total from the same period last year but is still 5.4% below the same timeframe in 2019.

Based on preliminary import license data during the first six days of December, the daily average of imports are down 35.6% compared to the pace in November.

- Excluding Brazilian slabs, the daily average in December is up 38% from November.

DEMAND

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.

ECONOMY

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.