

**CORE** 01.28.22 **REPORT**

**COST**

**01**

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

**SUPPLY**

**04**

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

**DEMAND**

**07**

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

**ECONOMIC**

**09**

- ⬆️ employment
- ⬆️ GDP
- ⬆️ retail sales
- ⬇️ confidence

# SPOT IRON ORE<sup>1</sup>

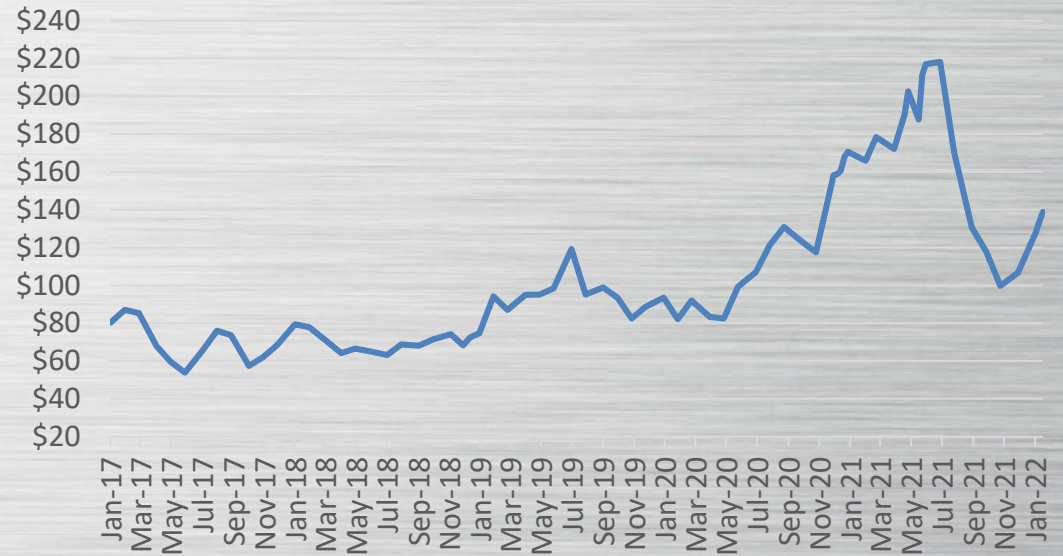
Spot iron ore pricing continued its upward momentum this week, now up three out of the last four weeks.

Spot iron ore pricing ended the week at \$138.75/mt, up from \$133.65/mt a week ago.

- This is the highest price since mid-September and up 17% month-over-month.

The recent storms and flooding in Brazil and the estimated 1.5 million tons of output loss from Vale have disrupted supply and led to the bump in pricing.

## IRON ORE COST



# COST



## WEEKLY ZINC PRICING<sup>2</sup>



## ZINC

Zinc pricing decreased slightly this week but still up five out of the last seven weeks.

Zinc pricing ended the week at \$3,644/mt (\$1.653/lb), down from \$3,686/mt (\$1.672lb) previously.

- Zinc price has remained above \$1.60/lb since mid-December and is nearing the 14-year high of \$1.73/lb seen in October.
- Rising energy costs, particularly in Europe, have disrupted production at zinc smelters and limited availability.
- An estimated 750,000 tons of refined zinc smelting capacity had been suspended across Europe in recent months.

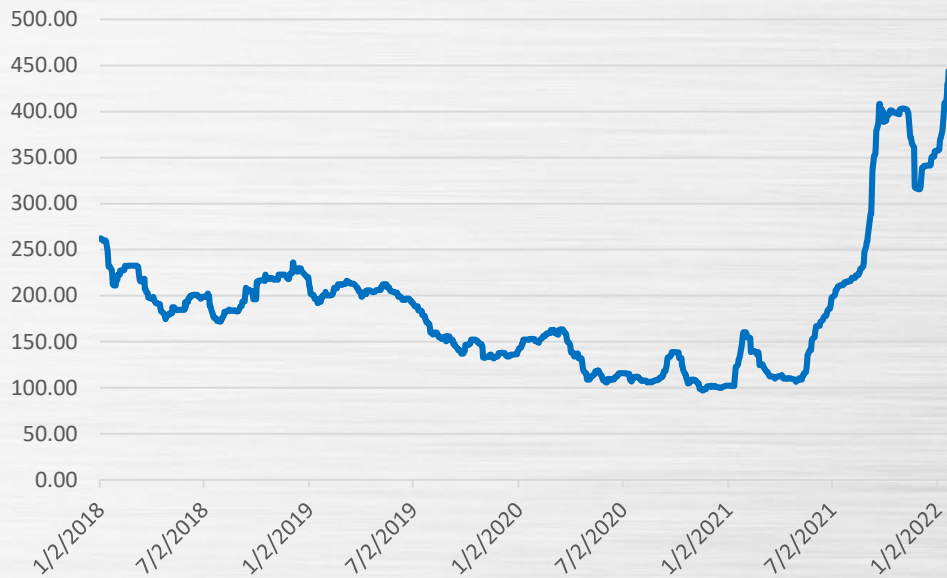
Global zinc inventory increased after sliding the previous two weeks.

- LME warehouse inventory slid for the sixth consecutive week, dropping from 167,650 metric tons to 155,400 metric tons.
- Shanghai warehouse inventory increased significantly, climbing from 75,172 metric tons to 92,333 metric tons.



# COST

## COKING COAL<sup>3</sup>



## COKING COAL

After skyrocketing to an all-time high last week, coking coal pricing increased again slightly, now up nine consecutive weeks.

Coking coal settled at \$444.50/mt, up from \$444/mt last week.

- This is up 30% month-over-month and 237% year-over-year.

Several factors have led to the sharp price increase including, severe storms in Australia, Indonesia's recent ban on coal exports, and China's continuation of the Australian coal import ban.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>4</sup>

After increasing sharply the first three weeks of the new year, domestic raw steel production dropped last week.

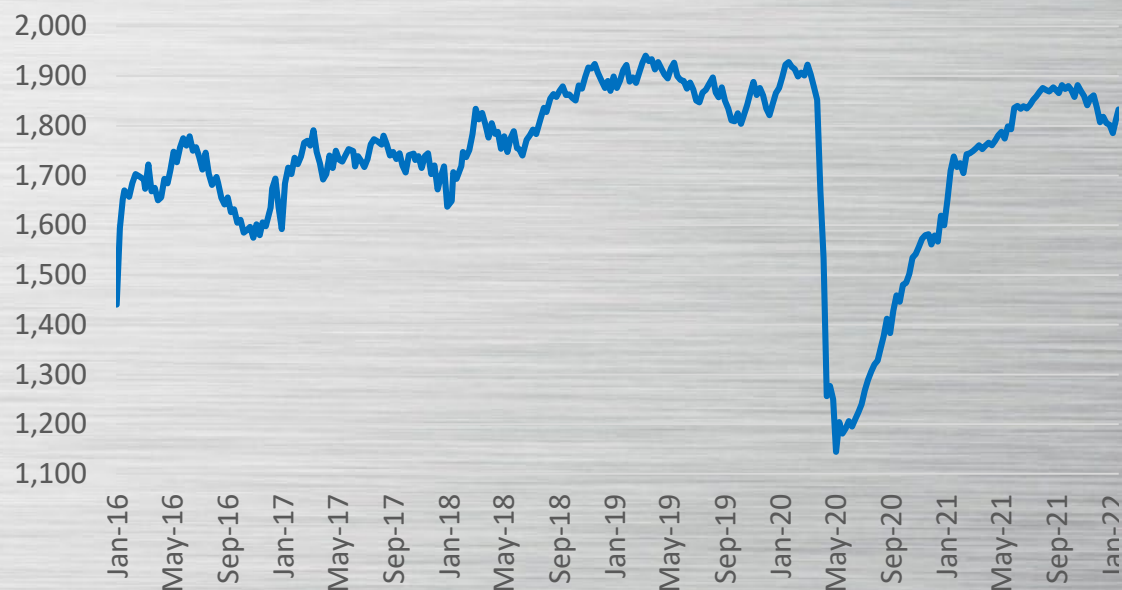
U.S. mills produced an estimated 1,803k tons at an 81.9% utilization rate; this is down from 1,833k tons and an 83.2% rate previously.

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

- Production from the Southern region dropped from 742k tons to 720k tons.

Year-to-date production is now up 6.1% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## SUPPLY

# GLOBAL STEEL PRODUCTION<sup>5</sup>

Global steel production increased in December, on a tons/day basis, now climbing for the second consecutive month.

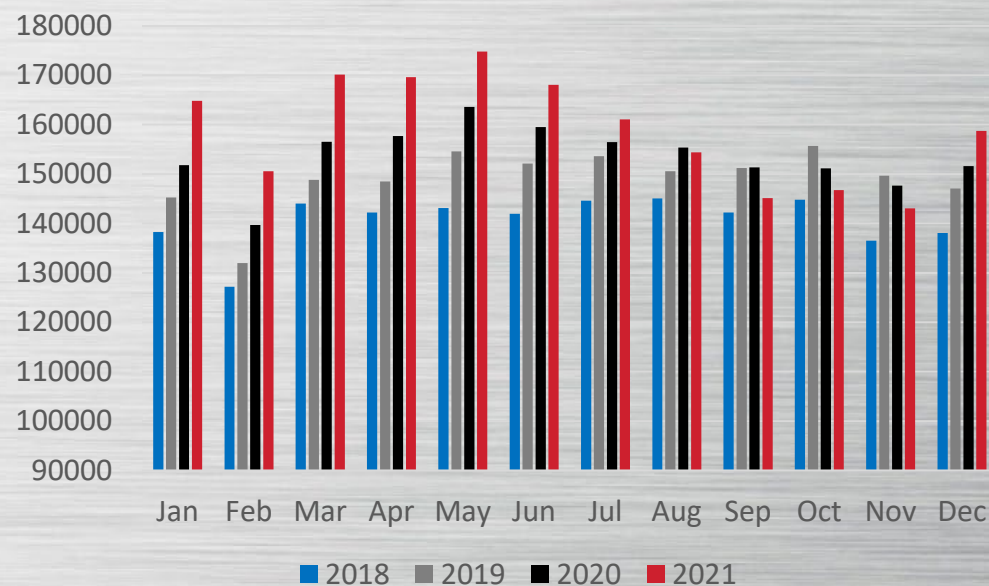
- Global steel production averaged 5.121 million tons/day, up 7.4% from November but still down 2.2% from an average of 5.239 million tons/day in December 2020.
- Global production has now declined on a year-over-year basis for five consecutive months.

The increase in month-over-month production mainly came from China, which climbed 20.3% from November to an average of 2.780 million tons/day.

- The rest of the world averaged 2.340 million tons/day, down 4.8% from November and the first month-over-month decline since August.

Total global tons produced averaged 5.226 million tons/day in 2021, up 4.6% from 4.994 million tons/day in 2020.

## GLOBAL STEEL PRODUCTION (MT)





## SUPPLY



# CARBON STEEL IMPORTS<sup>6</sup>

After climbing to pre-Section 232 highs in November, total carbon steel imports slowed slightly in December.

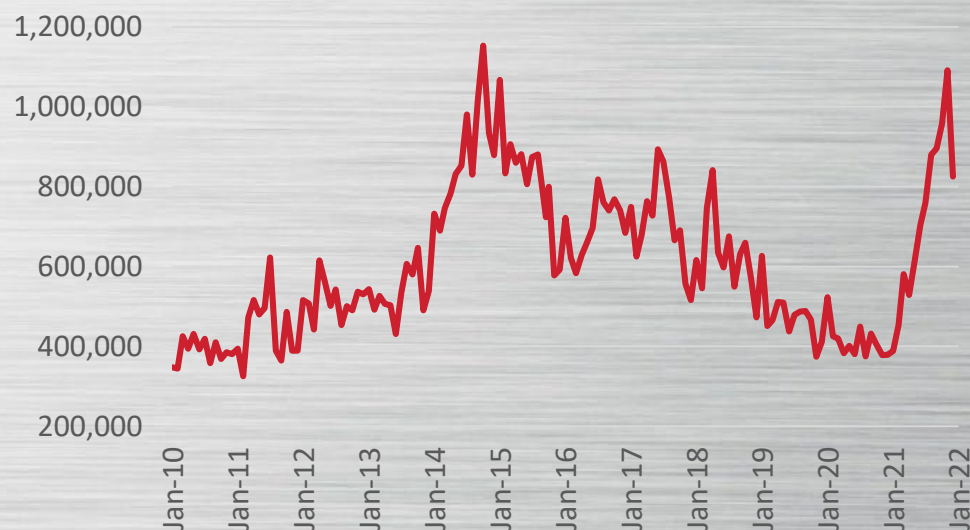
- December carbon steel imports totaled 2.253 million tons, down 12.9% from November but still up 102.4% from December 2020.

Carbon flat rolled imports slowed as well, sliding 24.4% from November to 825,402 tons.

- This was the lowest monthly total since July.
- All three flat rolled products declined on a month-over-month basis, with the largest decline coming from hot rolled imports, which declined 41.0%.
  - Cold rolled and coated sheet imports declined 32.7% and 3.8%, respectively.

Total 2021 flat rolled imports totaled 8.677 million tons, up 75.2% from 2020 and the highest annual total since 2015.

## CARBON FLAT ROLLED IMPORTS



## DEMAND

# NEW HOME SALES<sup>7</sup>

Sales of new homes increased for the second consecutive month in December, climbing to its highest seasonally adjusted rate since March.

- New home sales came in at a 811,000 unit rate in December, up 11.9% from November but down 14.0% from the 943,000 unit rate in December 2020.

While sales increased, the number of new homes for sale continued to climb as well, increasing to 408,000 units at the end of December.

- The current inventory, when combined with December's shipment rate, equates to 7.2 months of supply; the highest level since December 2018.

For 2021, actual new home sales totaled 763,000 units, down 7.1% from the 821,000 units sold in 2020.

## NEW HOME SALES





## DEMAND

# DURABLE GOODS<sup>8</sup>

New orders for manufactured durable goods slipped in December after climbing the previous two months.

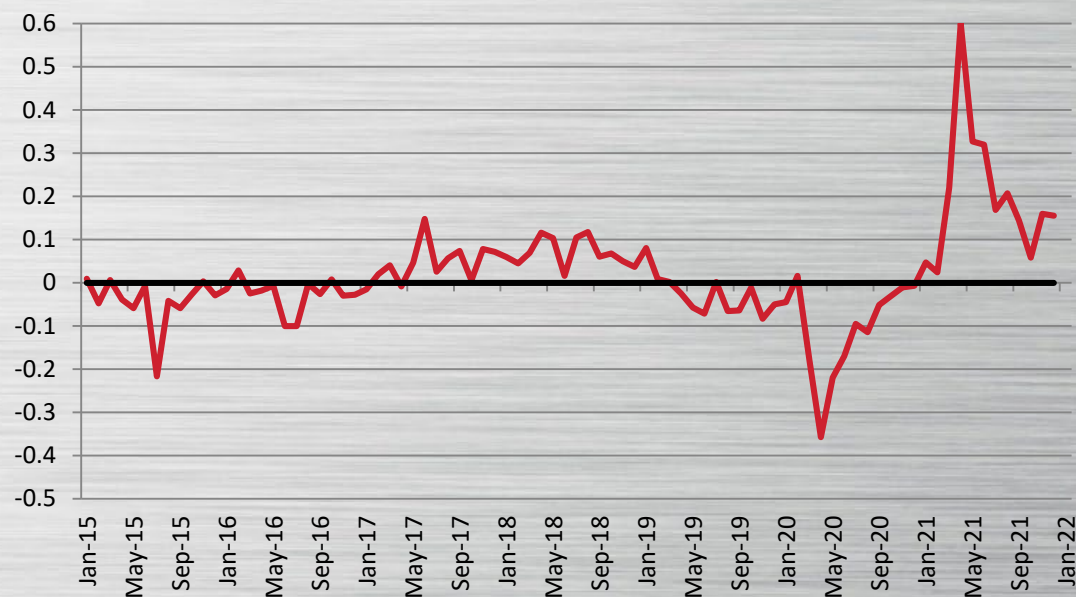
- New orders came in at a \$267.6 billion rate, down 0.9% from November.
- Excluding the volatile transportation segment, new orders saw a slight increase, climbing 0.4% from November.

New orders for primary metal products increased 2.0%, while fabricated metal product new orders increased 1.5%.

Inventory of manufactured durable goods increased in December, climbing 0.7% to a \$473.6 billion rate.

- Inventories are now up for eleven consecutive months.

## DURABLE GOODS NEW ORDERS Y/Y CHANGE



# ECONOMIC

## WEEKLY INITIAL JOBLESS CLAIMS<sup>9</sup>

Weekly initial jobless claims ticked lower for the first time in four weeks after notching a three-month high in the previous reading, suggesting some of the COVID-related disruptions are easing.

The Department of Labor's Weekly Initial Jobless Claims report came in at 260,000 claims, down from 290,000 claims previously.

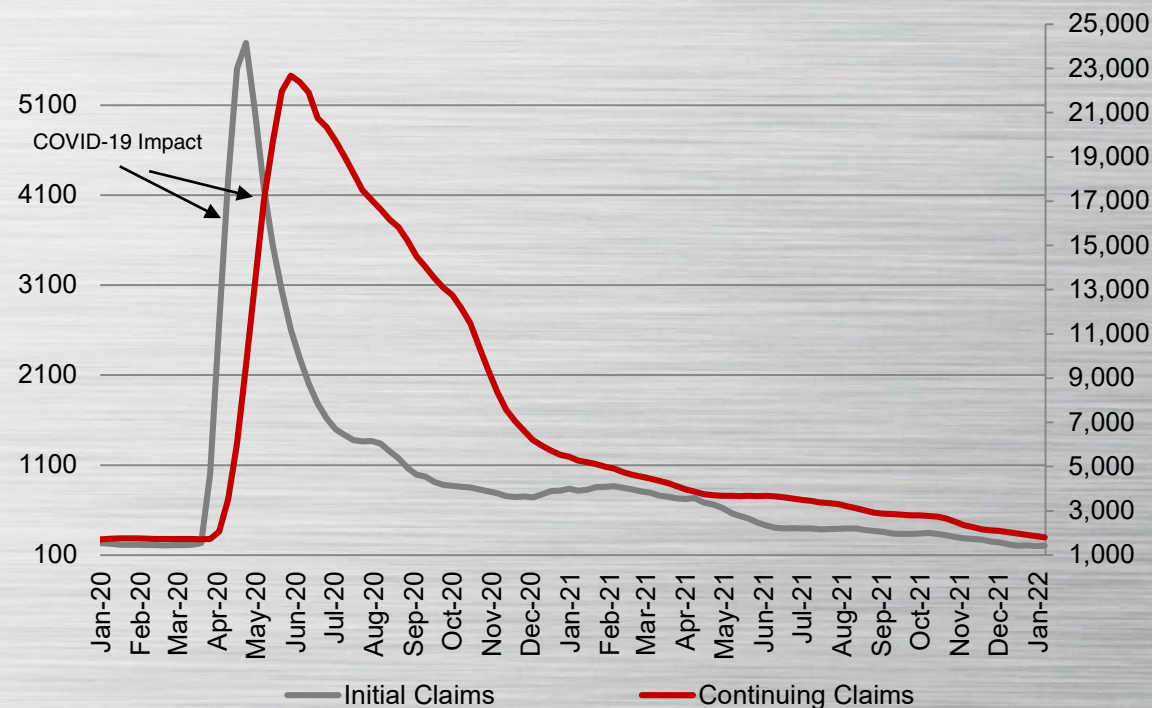
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 247,000, from 232,000 claims previously.

Continuing claims, or claims lasting longer than one week, increased for the second consecutive week.

- Continuing claims rose to 1.675 million, up from 1.624 million previously.

At the state level, New York, Missouri, and Washington had the largest decrease in claims with 13,845, 7,098, and 6,016 claims respectively.

## WEEKLY INITIAL JOBLESS CLAIMS



## ECONOMIC

# GROSS DOMESTIC PRODUCT<sup>10</sup>

After seeing slowing growth in Q3, the U.S. economy grew at a much faster rate in Q4.

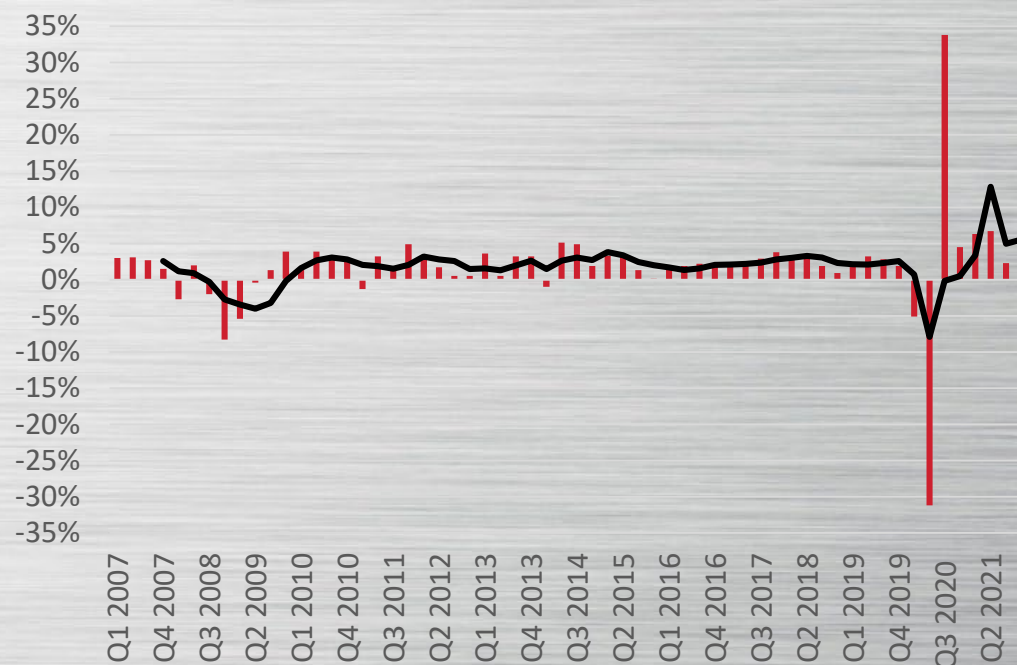
- The initial Q4 2021 Gross Domestic Product (GDP) estimate showed growth at a 6.9% rate.
  - This is up from the final Q3 growth rate of 2.3%.

For the full year 2021, the economy grew at a strong 5.7% rate, up sharply from the 3.4% decline in 2020.

- For reference, 2021 was the highest annual growth since 1984 while 2020 was the largest decline since World War 2.

The increase in GDP came from increases in inventory investment, exports, personal spending, and nonresidential investment.

- These increases were partly offset by declines in both federal and state/local government spending.
- Imports, which are a subtraction in the calculation, increased.





**ECONOMIC**

**PERSONAL INCOMES & OUTLAYS<sup>11</sup>**

**DISPOSABLE INCOME**

Personal income increased again in December, climbing 0.3% from November.

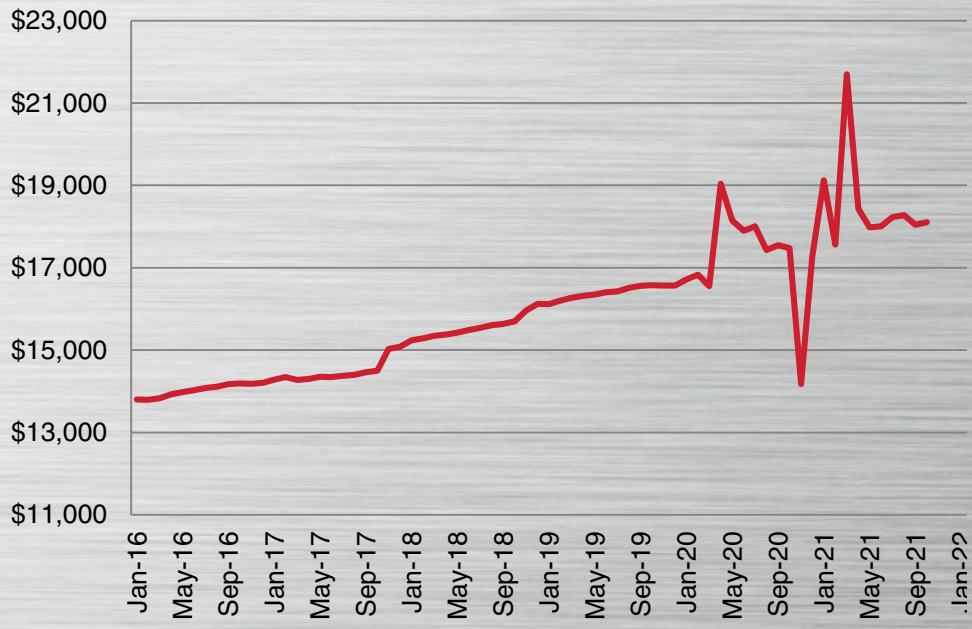
- Disposable income increased as well, climbing 0.2% in December.

The increase in personal income in December primarily reflected an increase in compensation that was offset by a decline in proprietors' income.

- Within proprietors' income, both nonfarm and farm income declined and government social benefits decreased slightly as pandemic-related assistance continues to decline.

While incomes increased, personal spending declined in December, sliding by \$93.5 billion.

- Within outlays, personal spending increased 5.8% compared to December 2020.
  - The recent run up in inflation, mainly from food and energy, helped to push personal spending higher.





# CONSUMER CONFIDENCE<sup>12</sup>

Record high prices, combined with the uncertainty over the recent wave in the pandemic, helped to slow confidence in January after three consecutive monthly increases.

According to The Conference Board, Consumer Confidence slipped slightly in January, coming in at 113.8.

- This is down from 115.2 in December but still well over the baseline number from 1985.

The Present Situation Index improved, while the Expectations Index declined.

- While the Present Situation index increased 3.4 to 148.2 in January, the Expectations Index slipped nearly 5.0 points to 95.4.

## SOURCES

- 1 Platts, Spot Iron Ore: January 27, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: January 28, 2022.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: January 28, 2022.
- 3 Platts, Coking Coal Price: January 28, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: January 25, 2022.
- 5 WorldSteel, Global Steel Production: December 2021.
- 6 U.S. Census Bureau, Carbon Steel Imports: December 2021.
- 7 U.S. Census Bureau, New Home Sales: December 2021.
- 8 U.S. Census Bureau, Durable Goods: December 2021.
- 9 Department of Labor, Weekly Initial Jobless Claims: January 27, 2022.
- 10 Bureau of Labor Statistics, Gross Domestic Product: Q4 2021.
- 11 Bureau of Economic Analysis, Personal Income and Outlays: December 2021.
- 12 Conference Board, Consumer Confidence: January 2022.

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