



MAJESTIC  
STEEL USA

# CORE 02.04.22 REPORT

## COST

01

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

## SUPPLY

04

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

## DEMAND

05

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

## ECONOMIC

10

- ⬆ employment
- ⊖ GDP
- ⊖ retail sales
- ⊖ confidence

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

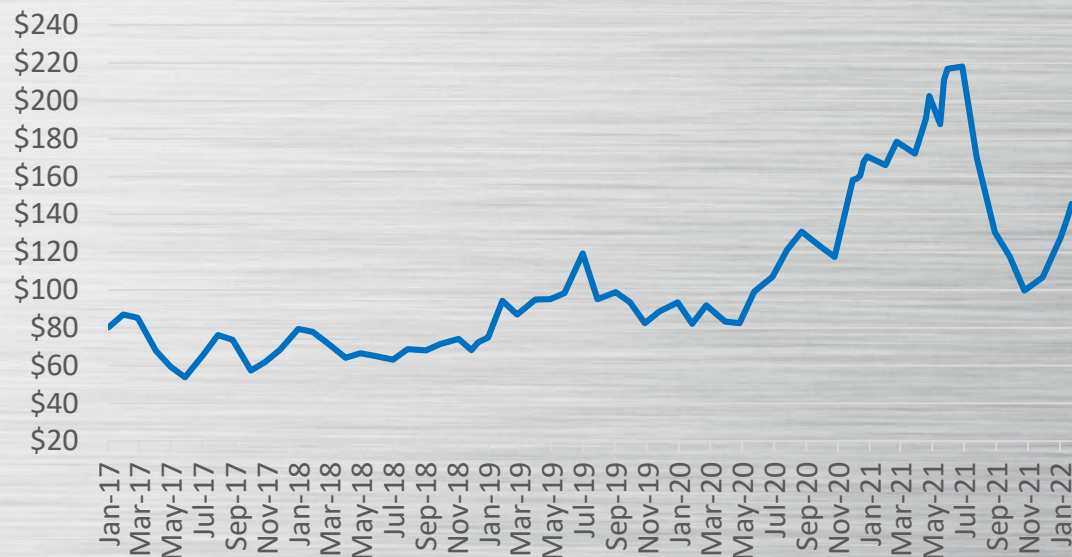
Spot iron ore pricing continued its upward momentum this week, now up for the third consecutive week.

Spot iron ore pricing ended the week at \$145.60/mt, up from \$138.75/mt a week ago.

- This is the highest price since mid-September and up 46% since the bottom seen in November.

Iron ore continues to rally on two main factors: bullish sentiment on post Winter Olympics demand in China and supply disruptions in top exporter Australia.

## IRON ORE COST



## COST

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



## ZINC

Zinc pricing decreased slightly this week, now down for the second consecutive week.

Zinc pricing ended the week at \$3,635/mt (\$1.649/lb), down from \$3,644/mt (\$1.653lb) previously.

Rising energy costs, particularly in Europe, have disrupted production at zinc smelters and limited availability.

- Both Nyrstar and Glencore are placing their smelters under maintenance outages, citing "historically high" European electricity prices which show no signs of dropping.

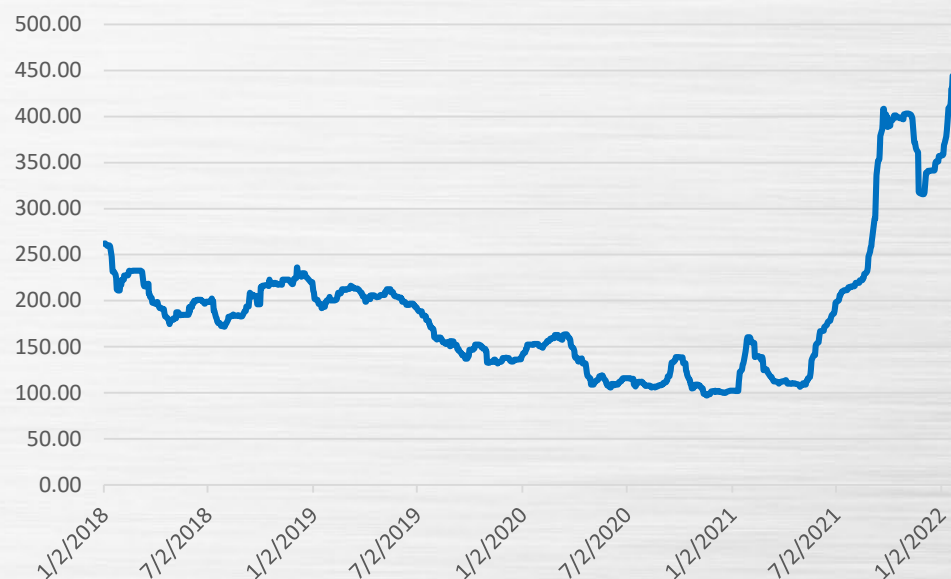
LME warehouse inventory slid for the seventh consecutive week, dropping from 155,400 metric tons to 154,950 metric tons.



## COST



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



## COKING COAL

After hitting another all-time high last week, coking coal pricing increased again slightly, now up ten consecutive weeks.

Coking coal settled at \$444.75/mt, up from \$444.50/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.

- China is also expected to return to the coking coal market strong after the Lunar New Year celebrations end in mid-February.

## SUPPLY



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

Domestic raw steel production dropped again last week, now down for the second consecutive week.

U.S. mills produced an estimated 1,796k tons at an 81.6% utilization rate; this is down from 1,803k tons and an 81.9% rate previously.

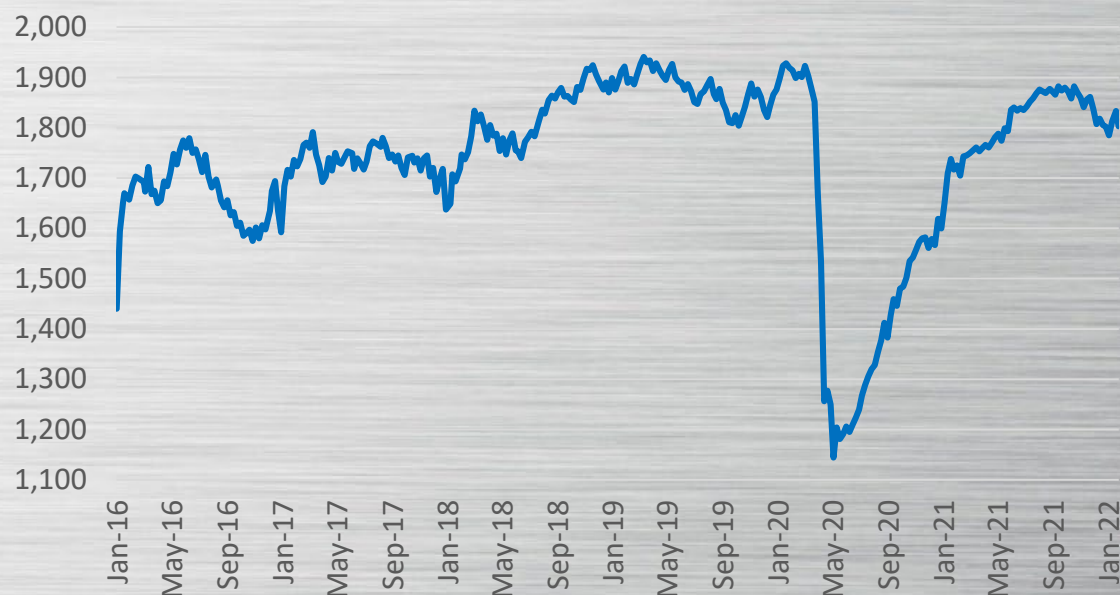
- This is the lowest weekly tonnage output since May 2021.

Production dropped in only two of the five regions, with the largest decrease (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region dropped from 634k tons to 624k tons.

Year-to-date production is now up 5.75% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



# ▼ LIGHT VEHICLE SALES<sup>5</sup>

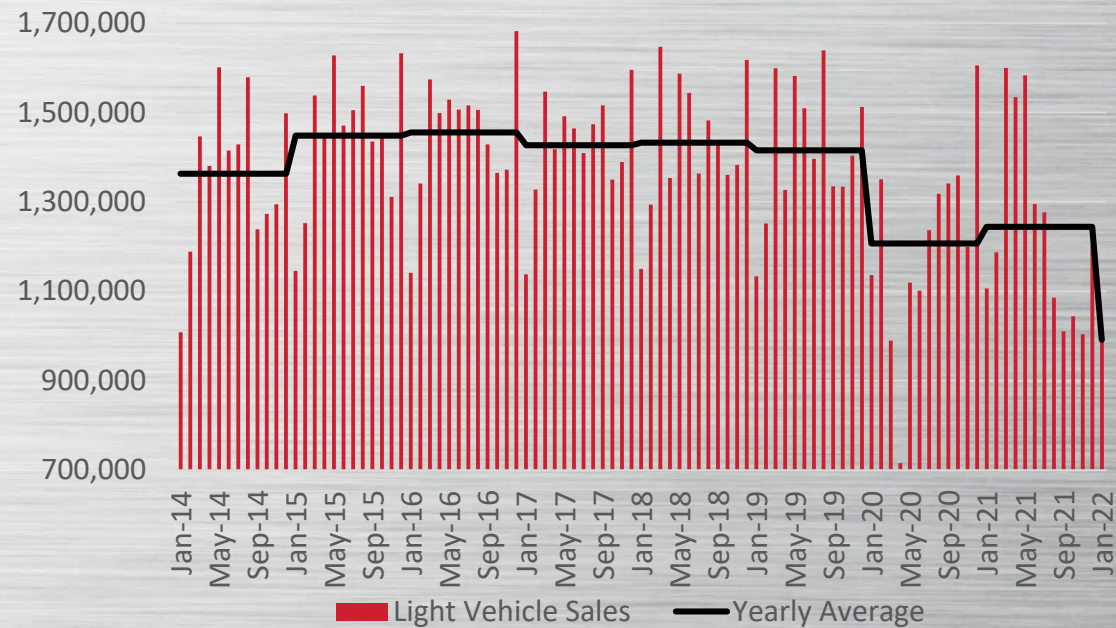
The combination of limited inventory and a fresh wave of COVID infections helped to slow sales in January.

U.S. light vehicle sales totaled 991,156 units in January, down 17.7% from December and down 10.4% from 1.106 million units sold in January 2020.

- This was the lowest monthly sales total since April 2020, the peak of the nationwide, COVID shutdowns.
- This is the sixth consecutive month in which sales have declined by at least 10% on a year-over-year basis.

Sales of both cars and light trucks declined in January, sliding 18.8% and 20.2%, respectively, on a month-over-month basis.

## U.S. LIGHT VEHICLE SALES





# ▼ LIGHT VEHICLE INVENTORY<sup>6</sup>

After seeing improvements over the previous four months, U.S. light vehicle inventory declined in January.

January light vehicle inventory totaled 1.069 million units, down 4.9% from December and down a sharp 61.5% from January 2020.

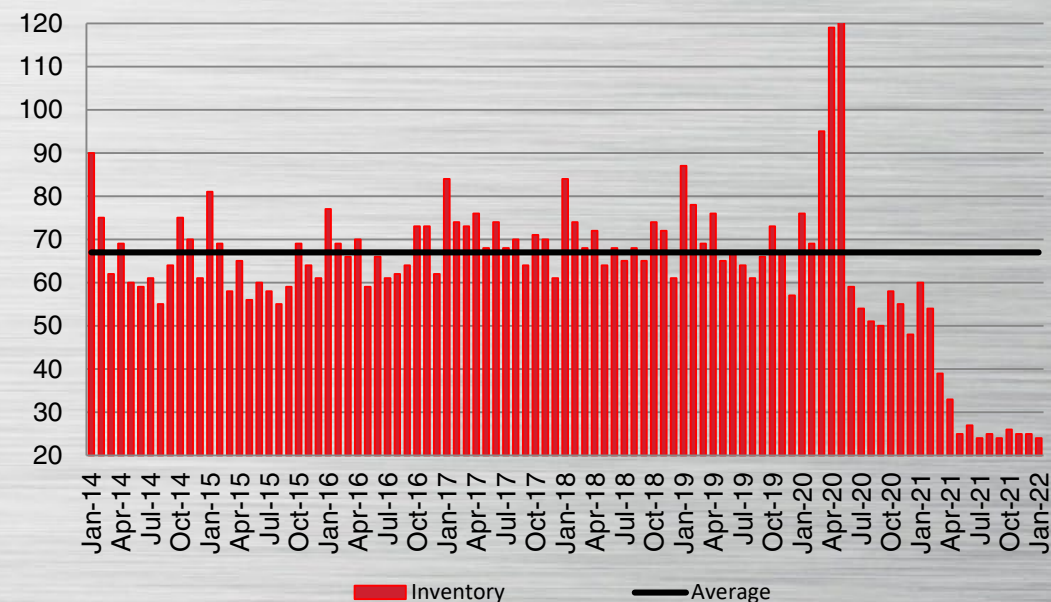
- This is the twenty-first consecutive month in which inventory has declined by at least 20% on a year-over-year basis.

Inventory of both cars and light trucks decline in January, with car inventory coming in at its lowest level since September.

Current light vehicle inventory, when combined with January's sales rate, equates to 24 days of supply.

- This is down from 25 days of supply in December and remains well below the 65 day ideal level.

## U.S. LIGHT VEHICLE DAYS OF SUPPLY



# CONSTRUCTION SPENDING<sup>7</sup>

Total construction spending continued to climb on a seasonally adjusted basis in December, now up for the tenth consecutive month.

Construction spending came in at a \$1.639 trillion rate in December, up 0.2% from November and up 9.0% from a \$1.504 trillion rate in December 2020.

- Construction spending continues to set new all-time highs each month.

While non-residential construction slipped on a month-over-month basis (-0.7%), the 1.1% increase in residential spending was more than enough to overcome the non-residential decline.

- Residential construction was up 14.7% on a year-over-year basis to a \$819.1 billion rate.
- This marks the twentieth consecutive month in which spending has seen at least a 10% increase compared to the year prior.

## CONSTRUCTION SPENDING (SAAR)





# CHICAGO PMI<sup>8</sup>

Manufacturing activity in the Chicago area continued to increase in January, now showing expansion for the nineteenth consecutive month.

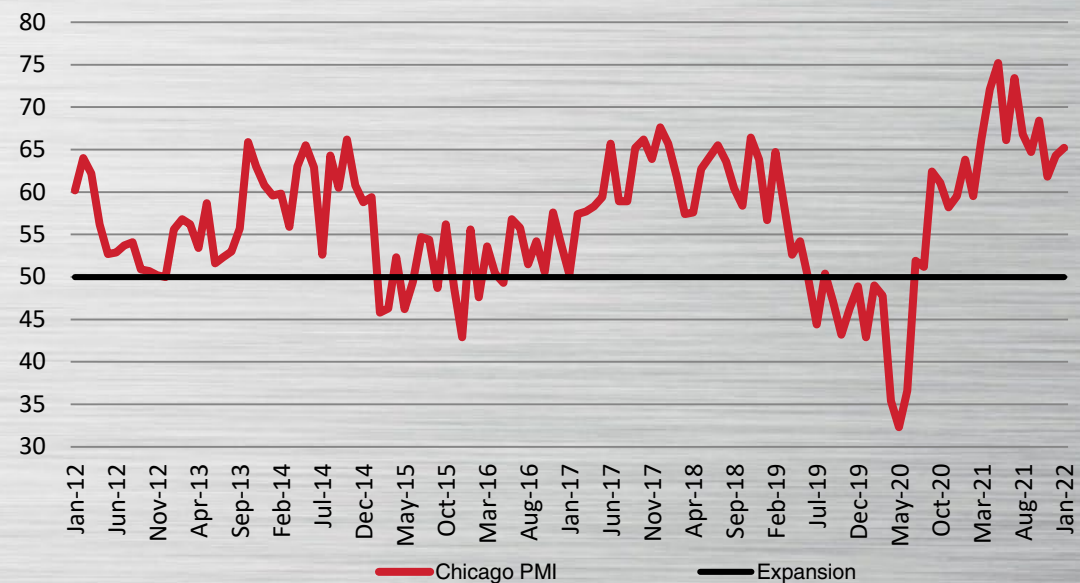
The Chicago PMI came in at 65.2 in January, up from a revised 64.3 in December and is at its highest level since October.

- Any reading over 50.0 indicates an expansion in activity, while any reading below 50.0 indicates a decline in activity.

Of the five main components, order backlogs, employment, and supplier deliveries all increased.

- The production and new orders components slipped however, sliding 2.4 and 1.3 points, respectively.
- Labor issues and material shortages continue to reduce production capacities.

## CHICAGO PMI



# ISM MANUFACTURING INDEX<sup>9</sup>

Economic activity from the manufacturing sector continued to grow in January, now climbing for the twentieth consecutive month.

The ISM Manufacturing Index came in at 57.6, down from a 58.7 reading in both December and last January.

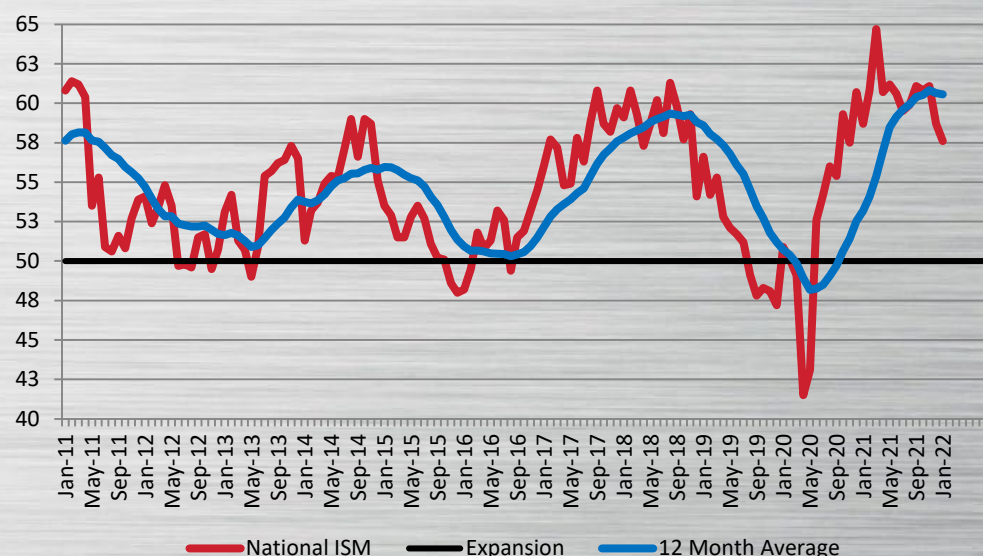
- Any reading above 50.0 indicates an expansion in activity, while any reading below 50.0 denotes a contraction.

Slight slowdowns in activity from the new orders and production components helped slow the growth from the overall index.

- The new orders and production components slowed 3.1 and 1.6, respectively, but both remain well into expansion.

The manufacturing sector remains in a strong demand, supply chain constrained environment, but January was the third consecutive month with signs of improvement in labor and supplier delivery performance.

## ISM MANUFACTURING INDEX



## WEEKLY INITIAL JOBLESS CLAIMS<sup>10</sup>

Weekly initial jobless claims ticked lower for the second consecutive week, suggesting some of the Omicron-related disruptions are easing.

The Department of Labor's Weekly Initial Jobless Claims report came in at 238,000 claims, down from 261,000 claims previously.

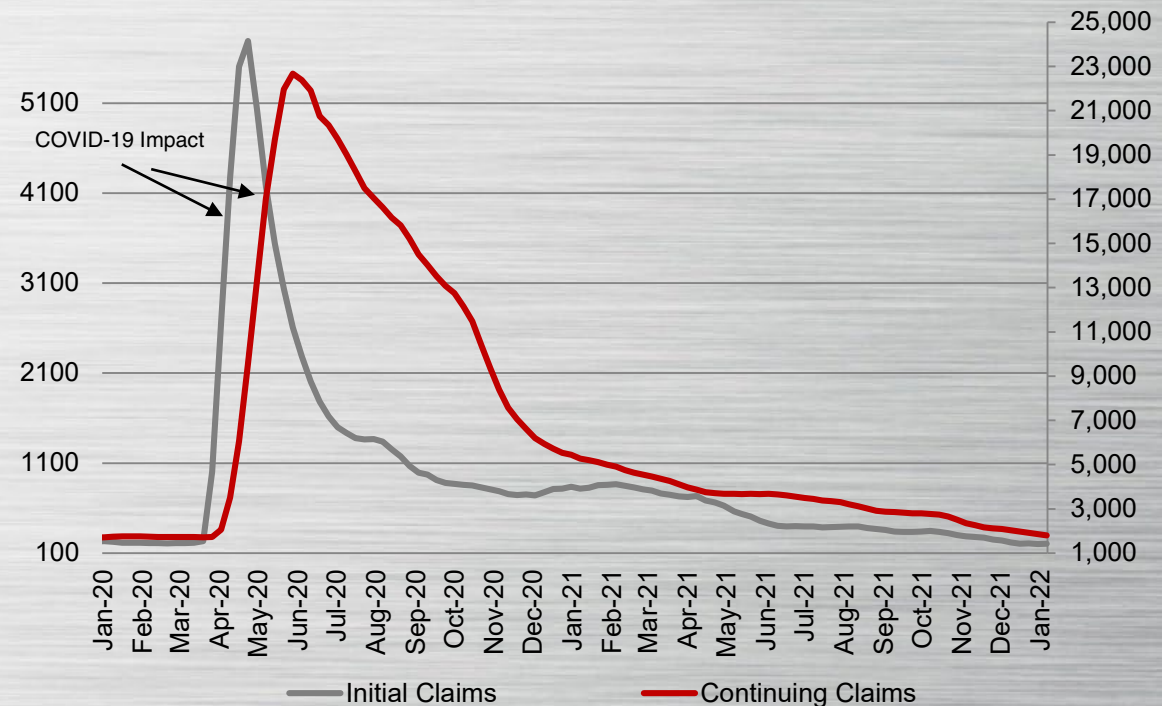
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 255,000, from 247,250 claims previously.

Continuing claims, or claims lasting longer than one week, decreased after climbing the previous two weeks.

- Continuing claims slid to 1.628 million, down from 1.672 million previously.

At the state level, California, Pennsylvania, and New York had the largest decrease in claims with 8,078, 7,967, and 5,722 claims respectively.

## WEEKLY INITIAL JOBLESS CLAIMS





## ECONOMIC

# EMPLOYMENT SITUATION<sup>11</sup>

Despite the recent Omicron surge, the January employment report showed strong gains.

The Labor Department reported that nonfarm payrolls in January increased by 467,000 jobs after climbing by 510,000 jobs in December.

- The unemployment rate inched higher however, climbing to 4.0%.

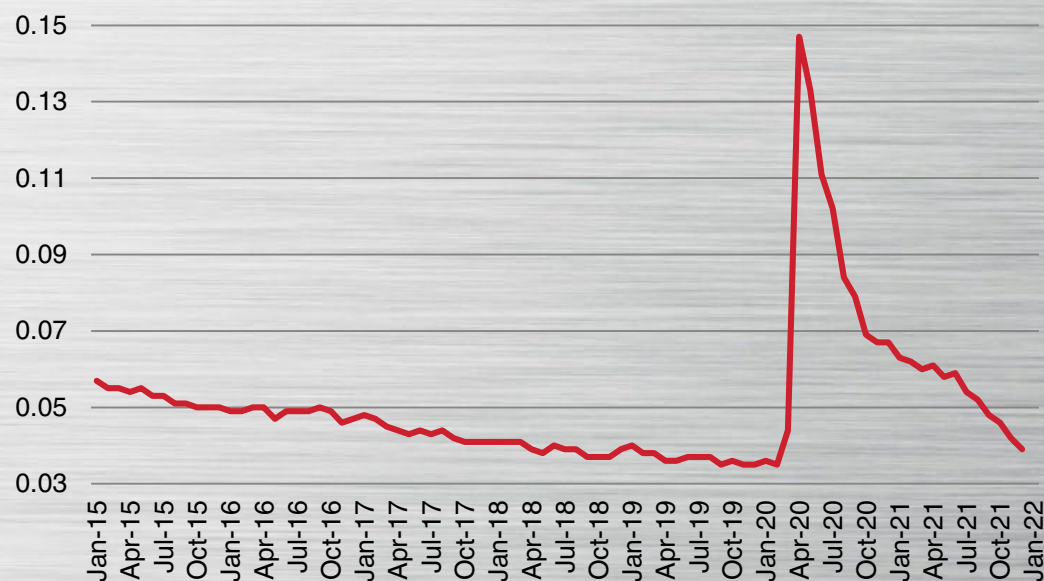
Private employment, which equates for roughly 70% of the workforce, increased by 444,000 jobs in January.

- Government employment increased as well, climbing by 23,000 jobs.

The construction sector saw a slight 5,000 job decline despite an increase of 4,000 building construction jobs.

Manufacturing employment increased by 13,000 jobs, boosted by a 5,000 job increase from fabricated metal product employment.

## UNEMPLOYMENT RATE



## SOURCES

- <sup>1</sup> Platts, Spot Iron Ore: February 3, 2022.
- <sup>2</sup> London Metal Exchange, Weekly Zinc Price and Inventory Report: February 4, 2022.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: February 4, 2022.
- <sup>3</sup> Platts, Coking Coal Price: February 4, 2022.
- <sup>4</sup> American Iron & Steel Institute, Weekly Domestic Steel Production: February 1, 2022.
- <sup>5</sup> WardsAuto, U.S. Light Vehicle Sales: January 2022.
- <sup>6</sup> WardsAuto, U.S. Light Vehicle Inventory: January 2022.
- <sup>7</sup> U.S. Census Bureau, Construction Spending: December 2021.
- <sup>8</sup> Institute for Supply Managers, Chicago PMI: January 2022.
- <sup>9</sup> Institute for Supply Managers, ISM Manufacturing Index: January 2022.
- <sup>10</sup> Department of Labor, Weekly Initial Jobless Claims: February 3, 2022.
- <sup>11</sup> Bureau of Labor Statistics, Employment Situation: January 2022.

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