

**CORE** 03.04.22 **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
- ⬆ mill price increase
- ⊖ retail sales

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

Spot iron ore continued its upward momentum this week, now up six out of the last seven weeks.

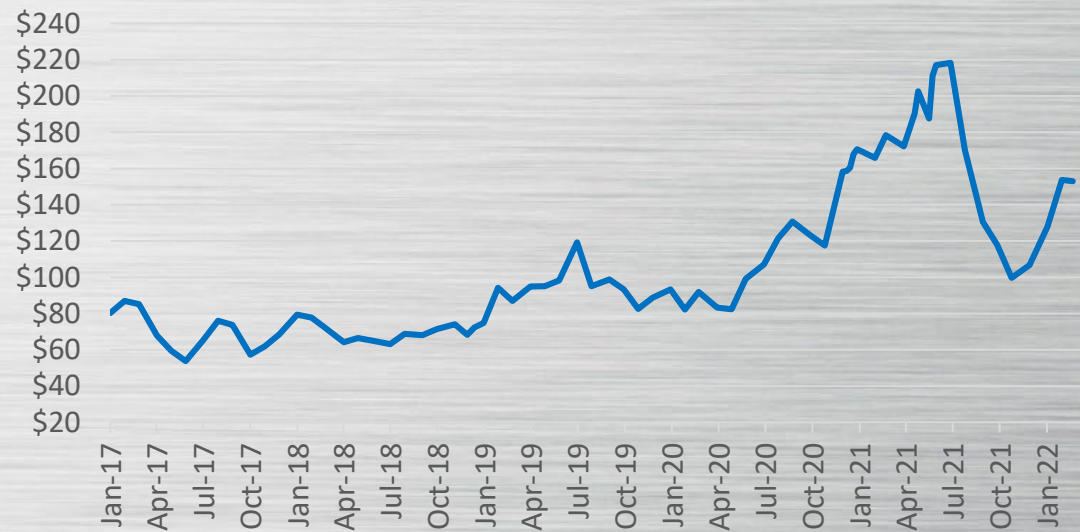
Spot iron ore pricing ended the week at \$153.00/mt, up from \$136.95/mt a week ago.

- Iron ore is up just over 55% since the recent November low and now at the highest point since August 2021.

A prolonged war will severely impact annual iron ore exports totaling almost 70 million metric tons from Russia and Ukraine, tightening the global supply.

- Russia holds the world's third-largest iron ore reserves at roughly 25 billion metric tons.

## IRON ORE COST



# COST



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



## ZINC

Zinc pricing skyrocketed this week to its highest level in over fifteen years.

Zinc pricing ended the week at \$4,024.50/mt (\$1.825/lb), up from \$3,640/mt (\$1.651lb) previously.

- This is the highest price for zinc since January 2007.
- Energy costs have nearly doubled across Europe as Russia invaded Ukraine, disrupting production at large zinc smelters.

Earlier in the week, Nucor announced an increase to their coating extras, the first published increase since September 2020.

Global zinc inventory decreased this week after climbing the previous three weeks.

- LME warehouse inventory slid for the eleventh consecutive week, dropping from 144,400 metric tons to 142,550 metric tons.
- Shanghai warehouse inventory decreased as well, sliding from 172,750 metric tons to 171,675 metric tons.

# COST

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



## COKING COAL

Coking coal pricing skyrocketed again this week to a fresh all-time high.

Coking coal settled at \$559.50/mt, up from \$457.00/mt last week.

- This is up 22% week-over-week and up 413% since May 2021.

Foreign customers buying coking coal from Russia have suspended transactions due to the SWIFT bank sanctions on Russia, causing major supply issues.

- Russia is the second largest coking coal supplier to China and in 2021 China imported 106 million metric tons of coking coal from Russia, accounting for 19% of their total imports.

## SUPPLY



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

Domestic raw steel production continued its downward momentum last week, now down four out of the last five weeks.

U.S. mills produced an estimated 1,755k tons at a 79.7% utilization rate; this is down from 1,764k tons and an 80.1% rate previously.

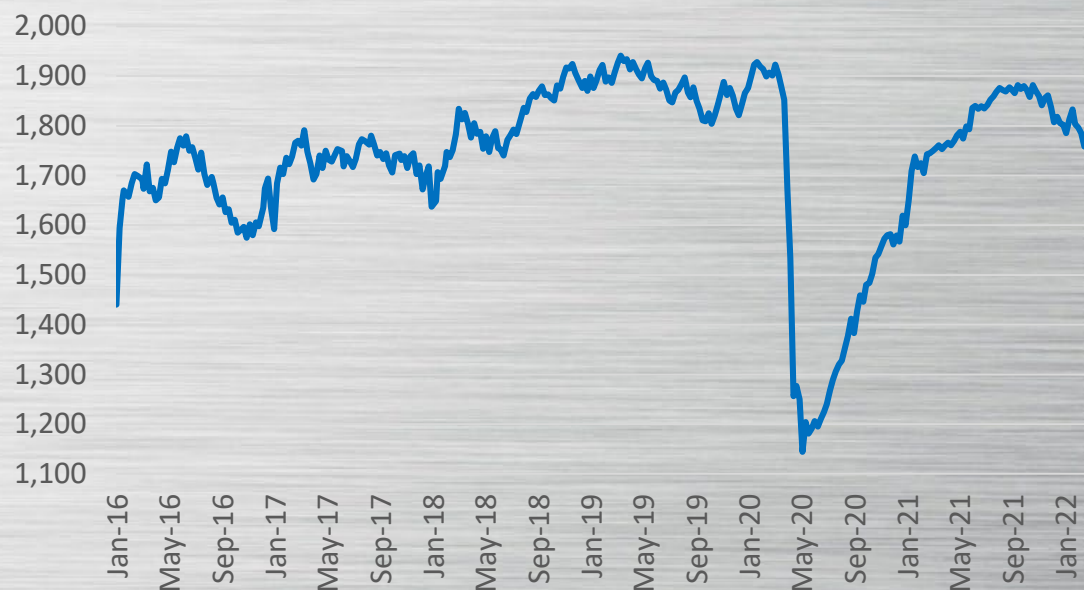
- This is the lowest weekly tonnage output since March 2021 when it was 1,753k tons.

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

- Production from the Midwest region slid from 192k tons to 186k tons.

Year-to-date production is now up 3.9% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# LIGHT VEHICLE SALES<sup>5</sup>

After sliding to a twenty-month low in January, light vehicle sales increased slightly in February.

U.S. light vehicle sales totaled 1.053 million units in February, up 6.2% from January.

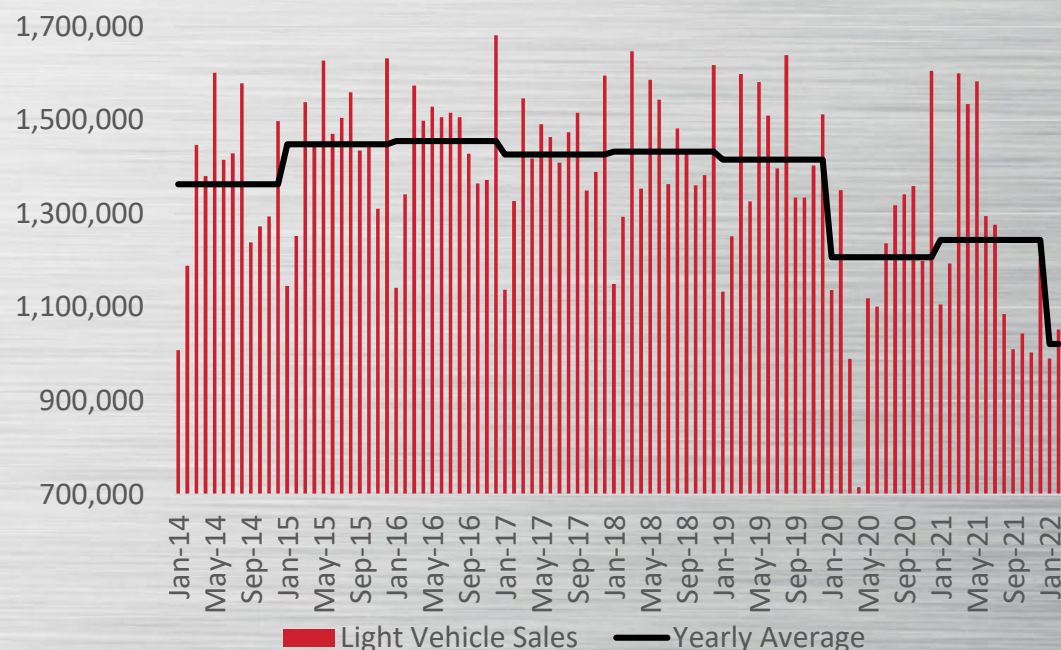
- Total sales continued to slide on a year-over-year basis however, declining 11.8% from 1.194 million units in February 2021.
  - This was the seventh consecutive month in which sales saw a double-digit percentage decline.

Sales of both cars and light trucks improved in February, climbing 8.5% and 4.5%, respectively.

- Despite the pick up in domestic sales, total February sales remained well below the average from 2021.

Despite the increase in February, year-to-date light vehicle sales remain 11.2% below year-ago levels.

## U.S. LIGHT VEHICLE SALES



## DEMAND

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

Total U.S. light vehicle inventory continued to slide in February, declining for the second consecutive month.

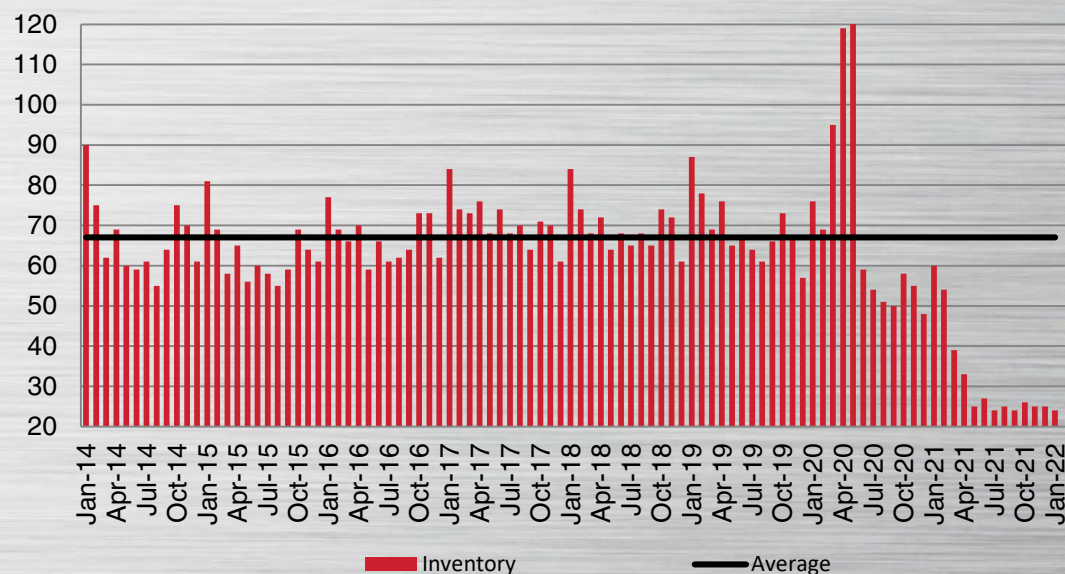
U.S. light vehicle inventory totaled 1.066 million units, down 0.3% from January and down a sharp 60.0% from 2.665 million units in February 2021.

- The drop in inventory in February came from a big drop in import vehicles.
- Inventory of both cars and light trucks produced domestically increased.

Current inventory, when combined with February's sales pace, equates to 24 days of supply.

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

## U.S. LIGHT VEHICLE DAYS OF SUPPLY



## DEMAND

# CONSTRUCTION SPENDING<sup>7</sup>

Total construction spending continued to climb in January as both non-residential and residential spending increased on a seasonally adjusted basis.

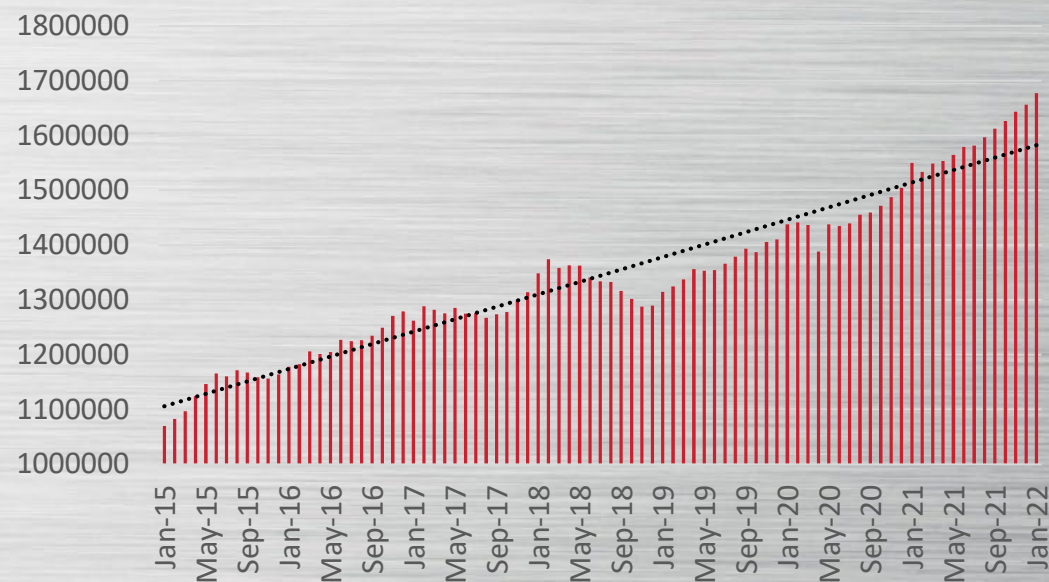
Total construction spending came in at a \$1.677 trillion rate in January, up 1.3% from December and up 8.2% from a \$1.550 trillion rate in January 2021.

- This was the eleventh consecutive month in which construction spending increased on a month-over-month basis.

For the second consecutive month, the ratio of non-residential to residential spending remained at 50:50 of the total.

- This has changed drastically as just three years ago it was 60:40 non-residential to residential.

## TOTAL CONSTRUCTION SPENDING (SAAR)





## DEMAND



Business activity around the manufacturing sector in the Chicagoland area slowed in February after showing stronger growth the previous two months.

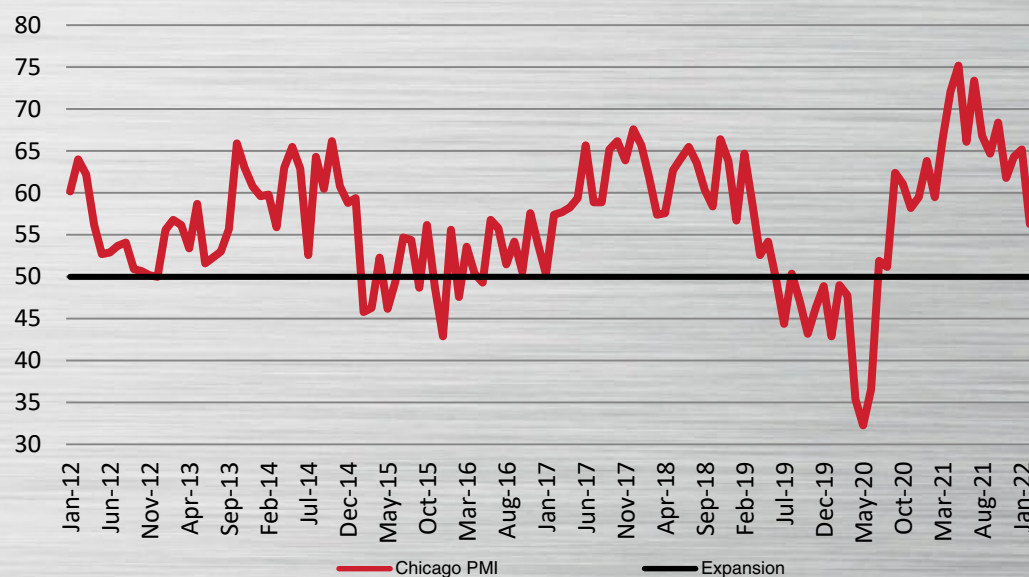
The February Chicago PMI came in at 56.3, down from 65.2 in January and is at its lowest level since August 2020.

- The twelve-month average slipped to 66.7, however down only slightly from the recent record high of 67.0 in January.
- Any reading over 50 indicates growth in activity, while any reading below 50 denotes contraction.

All five of the main components declined, with new orders and supplier deliveries seeing the largest decline.

- New orders slowed to a twenty-month low of 53.0, down from 64.2 previously.
- The order backlog component was virtually flat, remaining one of the strongest components at 61.8.

## CHICAGO PMI



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

Economic activity in the manufacturing sector continued to grow, at a faster rate, in February.

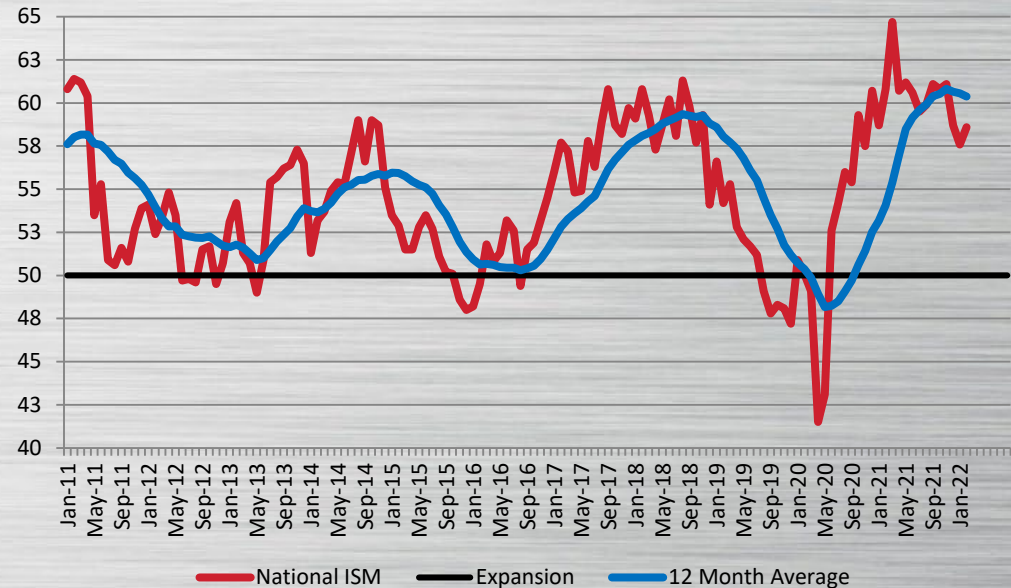
The February ISM Manufacturing Index came in at 58.6, up slightly from 57.6 in January.

- The index has now been above 50.0 for twenty-one consecutive months.
  - Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

The largest increases in February came from the new orders and backlog of orders components.

- The new orders component increased to 61.7, up nearly 4.0 points from January.
  - The boost in new orders came from strong expansion of new export orders.
- The backlog of orders component increased sharply, climbing 8.6 points to a historically high level of 65.0.

## ISM MANUFACTURING INDEX



**ECONOMIC**

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

Weekly initial jobless claims dropped last week, now down five out of the last six weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 215,000 claims, down from 233,000 claims previously.

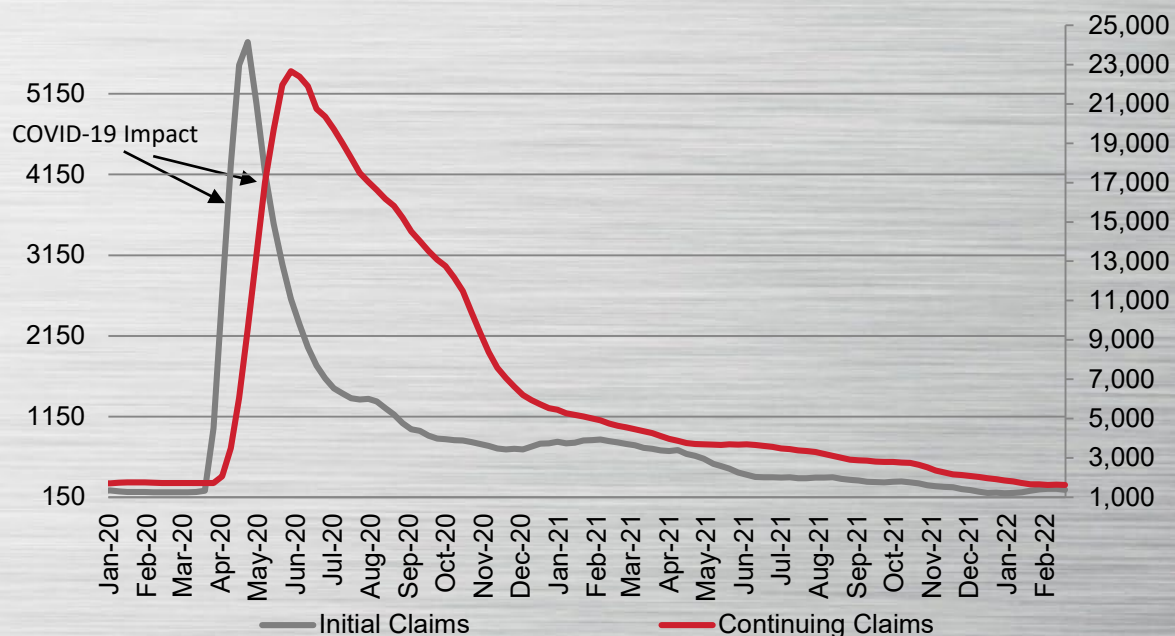
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 230,500, from 236,500 claims previously.

Continuing claims, or claims lasting longer than one week, increased slightly after sliding the previous four weeks.

- Continuing claims rose to 1.476 million, from 1.474 million previously.

At the state level, Missouri and New York had the largest decrease in claims with 6,949 and 3,037 claims respectively.

**WEEKLY INITIAL JOBLESS CLAIMS**



**ECONOMIC**

**EMPLOYMENT SITUATION<sup>11</sup>**

The U.S. continued to see robust job additions in February after stronger than anticipated additions in December and January.

The U.S. added 678,000 jobs, on an adjusted basis, in February, up from the 481,000 added in January.

- This was the highest monthly addition since July.

The private sector, which accounts for roughly 70% of the workforce, added 654,000 jobs.

The construction sector saw a boost of 60,000 jobs, after 13,000 jobs were added in January.

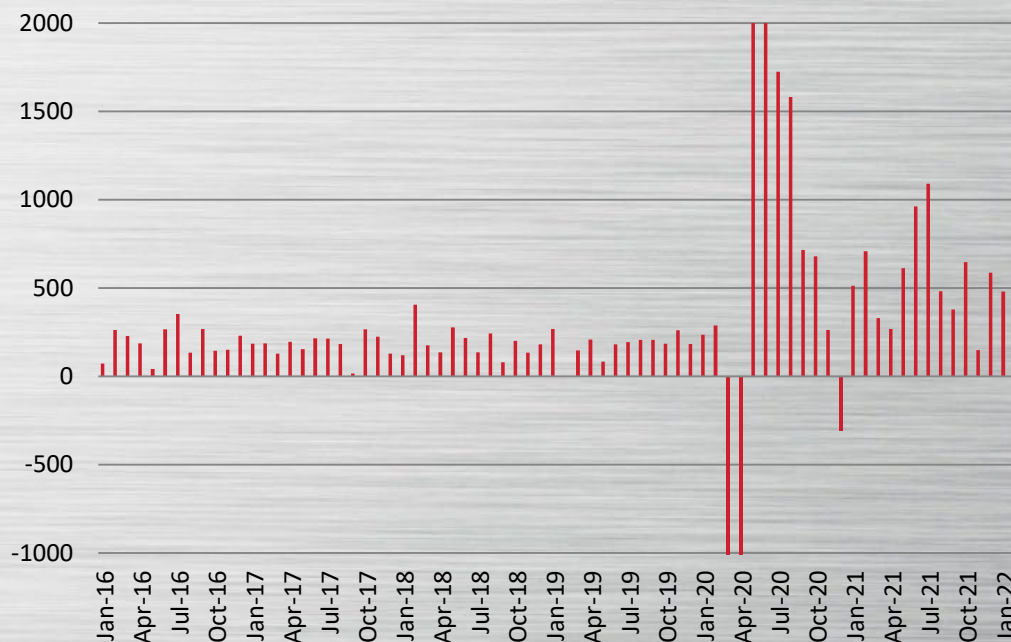
- Building construction employment increased by 8,900 jobs.

While durable good manufacturing saw an increase of 20,000 jobs in February, fabricated metal production accounted for over half of that increase.

- Fabricated metal production employment increased by 10,500 jobs.

After a slight uptick in January, the unemployment rate declined to 3.8%, the lowest level since February 2020.

**MONTHLY JOBS ADDED**



 **MILL PRICE INCREASE<sup>12</sup>**

Based on a stronger inflow of new orders, U.S. domestic mills announced price increases of carbon hot rolled, cold rolled and coated steel products.

- Cleveland-Cliffs led the way, starting off the week with a \$50/ton (\$2.50/cwt) increase for all April orders of flat rolled products.

Nucor and Nucor-owned CSI quickly followed with similar \$50/ton increases of their own.

## SOURCES

- 1 Platts, Spot Iron Ore: March 3, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: March 4, 2022.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: March 4, 2022.
- 3 Platts, Coking Coal Price: March 4, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: March 1, 2022.
- 5 WardsAuto, U.S. Light Vehicle Sales: February 2022.
- 6 WardsAuto, U.S. Light Vehicle Inventory: February 2022.
- 7 U.S. Census Bureau, Total Construction Spending: January 2022.
- 8 Institute for Supply Management, Chicago PMI: February 2022.
- 9 Institute for Supply Managers, ISM Manufacturing Index: February 2022.
- 10 Department of Labor, Weekly Initial Jobless Claims: March 3, 2022.
- 11 US Census Bureau, Employment Situation: February 2022
- 12 Mill Price Increase Announcement Memo. Week Ending March 3, 2022.

**Disclaimer:** The material, information and analyses included herein (the "Content") may include certain statements, estimates and projections prepared with respect to, among other things, historical data and anticipated performance. Such Content may reflect various assumptions by Majestic Steel USA, Inc. ("Majestic Steel") concerning anticipated results that are inherently subject to significant economic, competitive and other uncertainties and contingencies and have been included for illustrative purposes. Content is provided to you on an "AS IS" basis and, Majestic Steel, together with its third party providers, do not make any representations or warranties as to the Content and, to the fullest extent allowed by law, exclude all implied warranties (including, but not limited to, warranties of merchantability, title and fitness for a particular purpose) regarding (i) the suitability of the Content; (ii) the accuracy, availability, reliability, currentness, completeness or timeliness of the Content; and (iii) the results obtained from accessing and using the Content. Due to the electronic nature of the Content, there is a risk that the Content may have been modified and/or contains inaccuracies or typographical errors. As such, Majestic Steel does not represent or warrant that the Content is error-free or that any defects will be corrected. The Content herein is for informational purposes only and under no circumstances should it be (a) relied upon as advice or recommendations for any particular business or activity, or (b) construed as an offer to sell or a solicitation to buy any future contract, material, option, security or derivative including foreign exchange. All Content, graphics and trademarks incorporated in or forming a part of this report are owned by Majestic Steel USA, Inc. or its third party providers. All rights are reserved. In no event shall Majestic Steel or any third party provider or any of their respective affiliates, officers, directors, employees, agents or licensors be liable to you or to anyone else for any direct, special, incidental, indirect, punitive, consequential damages or any other loss or injury caused in whole or in part by contingencies beyond their control or any negligence, including any gross negligence, in procuring, providing, compiling, interpreting, editing, writing, reporting, transmitting or delivering the Content. Modification of the Content without the prior written consent of Majestic Steel is strictly prohibited.

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 grey American flag with a field of coins in the upper left corner.

**M MSUSA**

THANK

YOU

SUBSCRIBE HERE

