

**CORE** 03.18.22 **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**

**11**

- ⊕ employment
- ⊕ trucking costs
- ⊖ mill price increase
- ⊕ retail sales

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

After hitting a fresh six-month high last week, spot iron ore retreated this week.

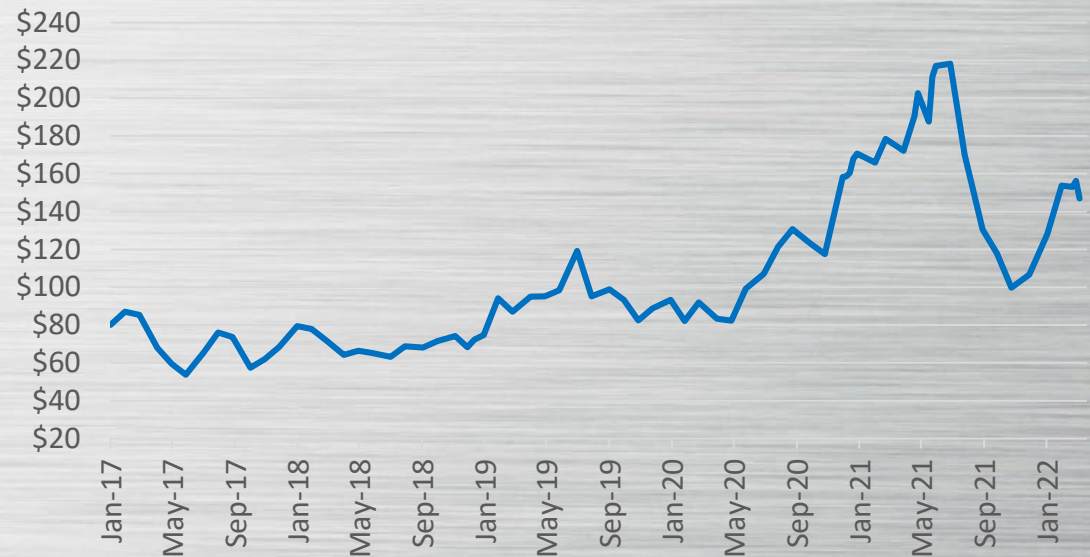
Spot iron ore pricing ended the week at \$146.90/mt, down from \$156.35/mt a week ago.

- Despite the decline, iron ore pricing is still up seven out of the last nine weeks.

European steelmakers are still scrambling to find iron ore to replace lost imports coming from Ukraine and Russia.

- Iron ore exports from Australia and Brazil are increasing; yet, these additions are not enough to offset losses from Ukraine and Russia which account for 8% of global production and 4% of seaborne supply.

## IRON ORE COST



**COST**



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



**ZINC**

After dropping throughout much of last week, zinc pricing continued its upward climb this week.

Zinc pricing ended the week at \$3,850/mt (\$1.746/lb), up from \$3,835/mt (\$1.740lb) previously.

- Power prices in Europe are now about 300% higher compared to the U.S. and continues to disrupt zinc smelters in the region.
- NLMK also announced coating weight extras on March 14<sup>th</sup> effective immediately to go along with Nucor, U.S. Steel and Steel Dynamics’s recent announcements.

Global zinc inventory increased this again week, now up five out of the last six weeks.

- LME warehouse inventory increased after sliding twelve consecutive weeks, climbing from 140,725 metric tons to 143,325 metric tons.
- Shanghai warehouse inventory increased as well, climbing from 173,759 metric tons to 176,507 metric tons.



# COST

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



## COKING COAL

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

Coking coal settled at \$670/mt, up from \$666/mt last week.

- This is the fifth consecutive week of new all-time highs and is up 520% since May 2021.

The SWIFT bank sanction on Russia continues to make an impact, blocking foreign customers from buying key raw materials from Russia, while Australia also deals with rainy season and shipping disruptions.

- India and China are expected to buy large shipments of coking coal from Russia via their yuan and rupee currency to avoid the global banking sanctions.

## SUPPLY



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

Domestic raw steel production decreased last week, now down five out of the last seven weeks.

U.S. mills produced an estimated 1,737k tons at a 79.9% utilization rate; this is down from 1,762k tons and an 80.0% rate previously.

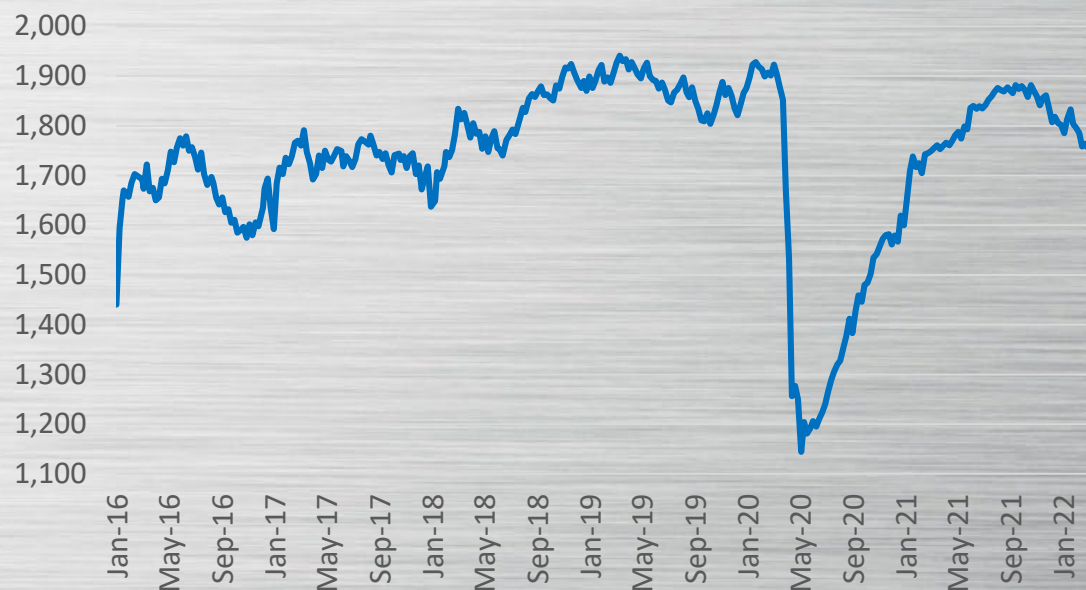
- This is the lowest overall tonnage output since February 2021 when it was 1,705k tons.

Production slid in three of the five regions, with the largest decrease (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region dropped from 608k tons to 579k tons.

Year-to-date production is now up 3.1% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

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

Despite the continued supply chain issues, U.S. light vehicle production increased for the second consecutive month in February.

February light vehicle production totaled 735,670 units, up 1.4% from January but still down 2.5% compared to year ago levels.

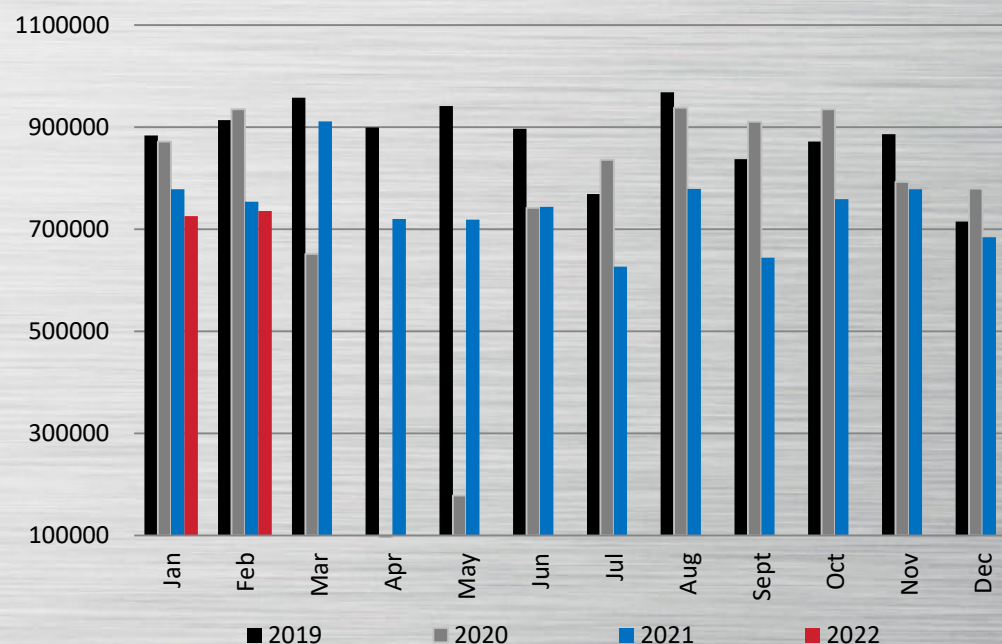
- This is the eighth consecutive month in which production has declined on a year-over-year basis.

While both cars and light truck production increased on a month-over-month basis, it was the sharp decline in car production that pushed the year-over-year total lower.

- While light truck production was up 0.7% compared to last February, car production was down a sharp 15.9%.

Year-to-date production is down 4.6% compared to the first two months last year.

## U.S. LIGHT VEHICLE PRODUCTION





## DEMAND

# HOUSING MARKET INDEX<sup>6</sup>

## HOUSING MARKET INDEX

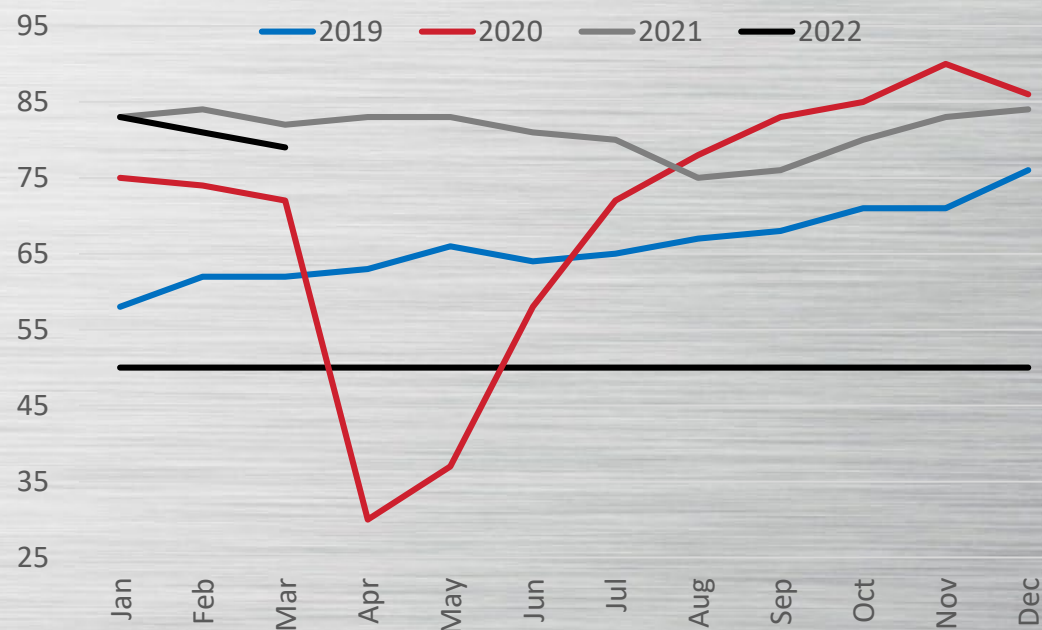
Confidence among U.S. homebuilders slowed in March as building material prices increase, mortgage rates are on the rise, and home prices continue to push higher.

The March Housing Market Index came in at 79, down slightly from 81 in February and is below the 82 reading in March 2021.

- Any reading over 50 indicates increased optimism from U.S. homebuilders, while any reading below 50 denotes pessimism.

While optimism from the present situation and next six months components slowed slightly, builders saw an increase in traffic in March.

- The traffic component increased to 67 from 65 in February and ended a string of two consecutive monthly declines.



# HOUSING STARTS & PERMITS<sup>7</sup>

## NEW HOUSING STARTS (SAAR)

After slipping in January, new housing starts increased in February, hitting a fresh fifteen-year high.

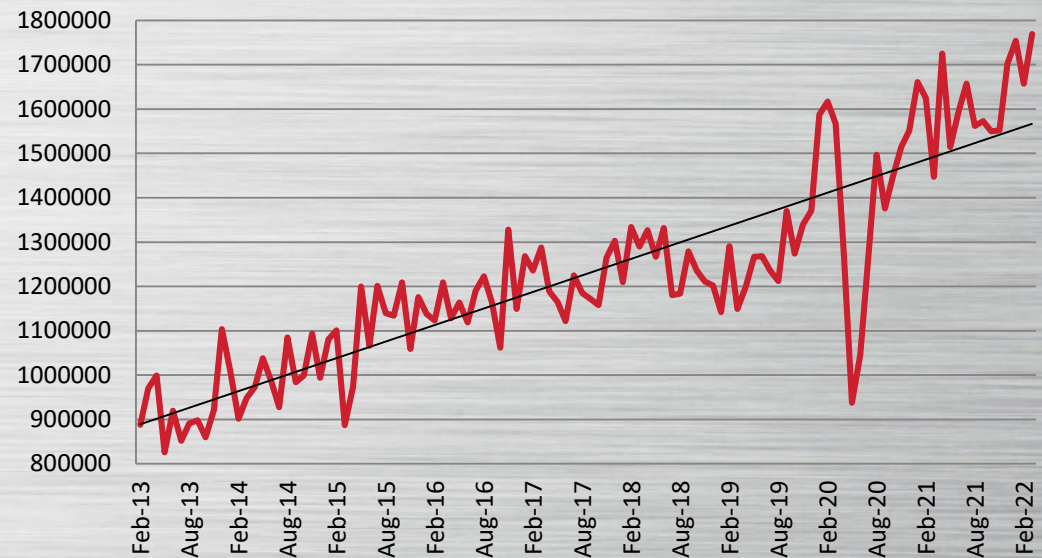
February housing starts came in at a 1.769 million unit rate, up 6.8% from January and up a sharp 22.3% from a 1.447 million unit rate in February 2021.

- New housing starts are now up for the fourth time in the last five weeks.
- Starts from both single-family and multi-family units helped push the total higher.
  - Multi-family starts accounted for 31.3% of all starts, tying the highest percentage since Q1 2020.

Permits, an indicator of future construction, slipped slightly in February, sliding 1.9% to a 1.859 million unit rate.

- Despite the month-over-month decline, permits were up 7.7% from February 2021.

The number of homes currently under construction was the most since 1973; mainly due to construction delays.





# EXISTING HOME SALES<sup>8</sup>

After climbing in January, sales of existing homes slowed in February.

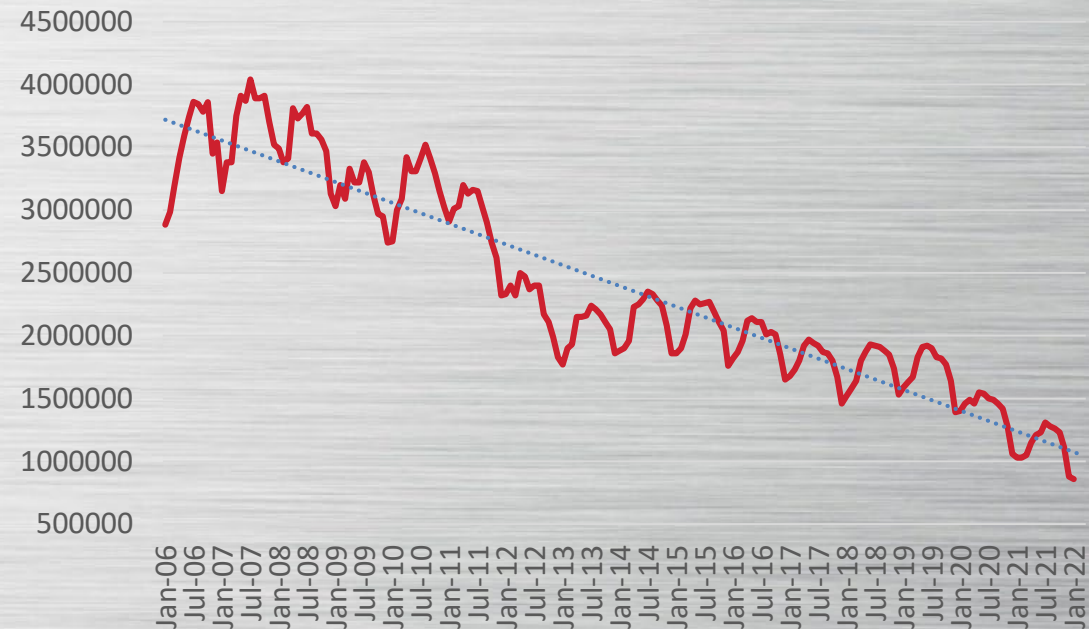
- February existing home sales came in at a 6.020 million unit rate, down 7.2% from February and down 2.4% from a 6.170 million unit rate in February 2021.

While the sales pace slowed in February, the amount of inventory for sales improved slightly but remained at very lean levels.

- The inventory of unsold existing homes totaled 870,000 units, up from 850,000 units in January but well below the three-year average of 1.450 million units.
- Current inventory, when combined with February's sales pace, equates to 1.7 months of supply.

Near record high prices, limited inventory, and rising interest rates, all played a roll in the recent slowdown of sales.

## EXISTING HOMES FOR SALE



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

Business activity in the New York region for March declined for the first time since early on in the pandemic.

The Empire Manufacturing Index came in at -11.8, its lowest level since May 2020.

- Any reading over 0.0 indicates growth, while any reading below 0.0 denotes contraction.

Both the new orders and shipment components declined in March.

- The new order and shipment components declined to -11.2 and -7.4, respectively.

While these two components declined, the unfilled orders component continued to increase, coming in at 13.1.

Despite the decline in March, respondents were generally optimistic about the six-month outlook.

- The index for future business conditions climbed sharply to 36.6 from 28.6 previously.

## EMPIRE MANUFACTURING INDEX (2MMA)



# INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION<sup>10</sup>

Total industrial production increased in February, climbing to 103.6% of the 2017 average.

- This is up 103.0% in January and is up from 96.4% in February 2021.
  - This is the highest production has been since December 2018.
- Manufacturing output increased 1.2% after flat readings the previous two months.

Capacity utilization for the industrial sector increased 0.3% to 77.6%, coming in 1.9% above the long-run average.

- Capacity utilization for manufacturing increased 0.9% in February to 78.0%, 2.5% higher than pre-COVID levels.

## INDUSTRIAL PRODUCTION INDEX





**ECONOMIC**

**WEEKLY INITIAL  
JOBLESS CLAIMS<sup>11</sup>**

Weekly initial jobless claims decreased last week, now down six out of the last eight weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 214,000 claims, down from 229,000 claims previously.

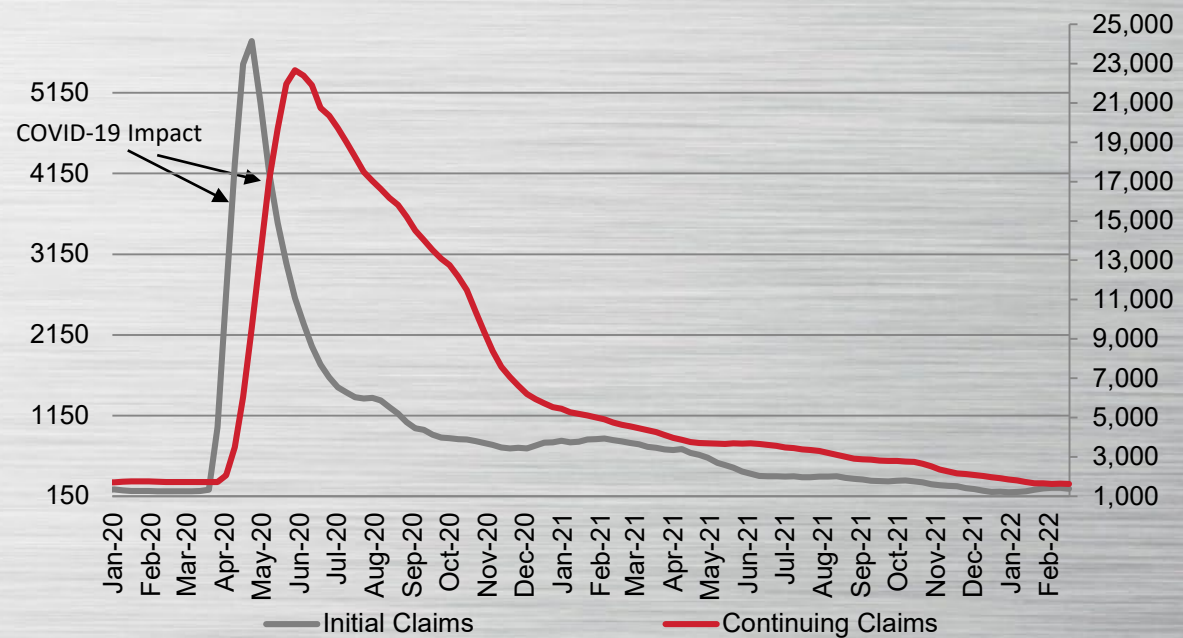
- This is the lowest level of claims since January 1<sup>st</sup>.
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 223,000, from 231,750 claims previously.

Continuing claims, or claims lasting longer than one week, decreased for the sixth time in the last seven weeks.

- Continuing claims slid to 1.419 million from 1.490 million previously.

Despite a strong hiring pace over the past several months, there are nearly five million more jobs than there are available workers.

**WEEKLY INITIAL JOBLESS CLAIMS**



# FREIGHT RATES & SHIPMENTS<sup>12</sup>

## INFERRED FREIGHT RATES

According to the February Cass Information Shipment and Expenditure report, U.S. freight volumes rebounded after a sharp decline in January.

- The shipment component of the Freight Index increased 8.6% from January and was up 3.6% from February 2021.
- The impacts from the Omicron variant, that impacted January's reading, lingered into February, so its expected that March should move even higher.

The expenditures component, which measures the total amount spent on freight, increased a sharp 10.6% in February.

- Higher shipment volumes, combined with higher rates, helped to push the expenditures component higher.

Expenditures divided by shipments produces inferred freight rates, which measures movement in cost per shipment.

- The inferred freight rates continued to climb, up 1.6% from January.

Freight rates are only going to increase sharply from here as diesel is now over \$5.00/gallon.



## ECONOMIC


**RETAIL SALES<sup>13</sup>**

After slipping in December, U.S. retail sales started 2022 off strong by increasing in both January and February.

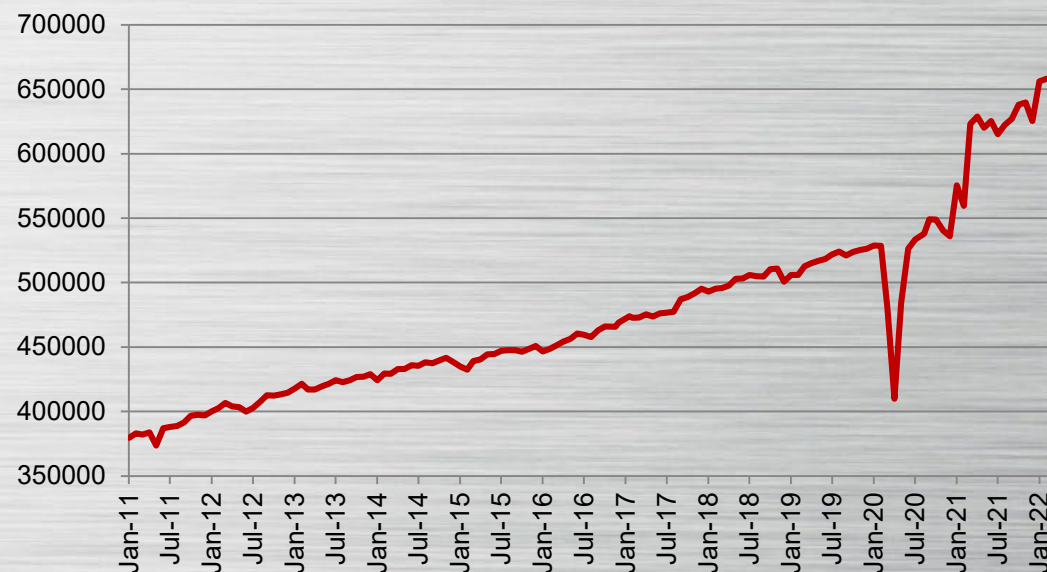
February retail sales came in at a \$658.1 billion rate, up 0.3% from January and up a sharp 17.65 from a \$559.6 billion rate in February 2021.

- However, excluding spending at gas stations, total spending slipped slightly in February.

The largest month-over-month increases in spending came from gas stations, bars and restaurants, sporting good stores, and clothing stores.

- These increases helped to overcome declines seen at online retailers, health and beauty stores, furniture stores, and electronic stores,

## RETAIL SALES (SAAR)





## SOURCES

- 1 Platts, Spot Iron Ore: March 17, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: March 18, 2022.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: March 18, 2022.  
Platts, Coking Coal Price: March 18, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: March 16, 2022.
- 5 WardsAuto, U.S. Light Vehicle Production: February 2022.
- 6 National Association of Homebuilders: Housing Market Index: March 2022.
- 7 U.S. Census Bureau, New Residential Construction: February 2022.
- 8 National Association of Realtors, Existing Home Sales: February 2022.
- 9 New York Fed Reserve, Empire Manufacturing Index: March 2022.
- 10 Federal Reserve, Industrial Production/Capacity Utilization: February 2022.
- 11 Department of Labor, Weekly Initial Jobless Claims: March 10, 2022.
- 12 Cass Information Systems, Freight Index: February 2022.
- 13 U.S. Census Bureau, Retail Sales: February 2022.

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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, textured American flag with stars and stripes, where the stars are represented by faint, embossed circular patterns.

**M MSUSA**

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