

**CORE** 04.01.22 **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**

**08**

- ⬆ employment
- ⬆ income
- ⬆ confidence
- ⬆ GDP

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

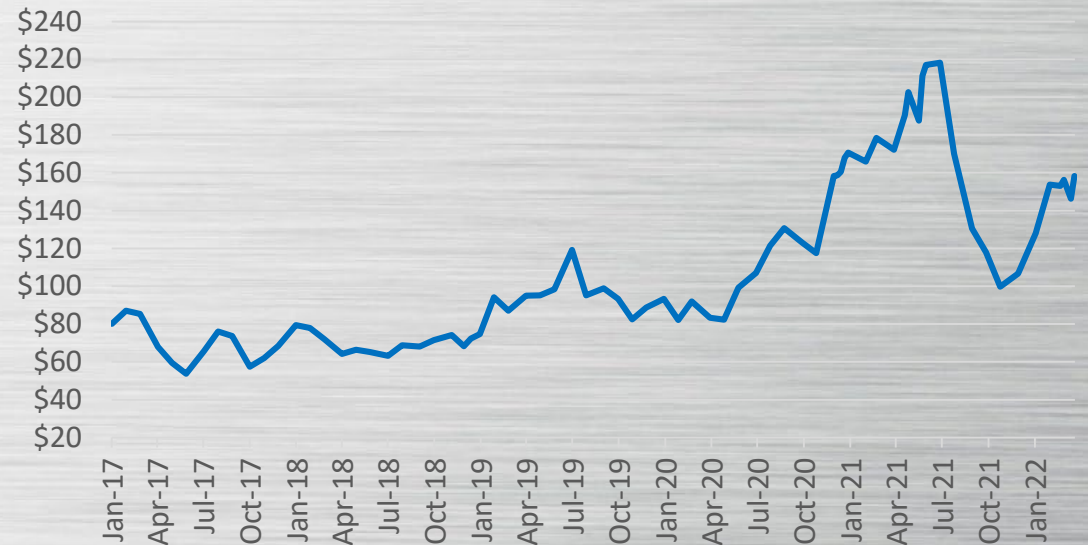
After dropping in back-to-back weeks, spot iron ore rebounded this week, once again nearing the six-month high.

Spot iron ore pricing ended the week at \$158.30/mt, up from \$146.35/mt a week ago.

- Prices fell nearly 10% over the last two weeks due to weakening demand out of China related to new COVID-19 lockdowns.
- However, Beijing vowed to roll out policies to stabilize the economy as soon as possible to counter downward pressure from the COVID-19 surge.

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

## IRON ORE COST



# COST



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



## ZINC

Zinc pricing skyrocketed again this week, setting a new fifteen-year high.

Zinc pricing ended the week at \$4,332/mt (\$1.965/lb), up from \$4,073/mt (\$1.847lb) previously.

- This is nearing \$2.00/lb last seen in November 2006.
- The sudden price spike was driven by Russia's March 31st deadline to cut off natural gas supply to Europe, putting more pressure on energy prices in the region.

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

- LME warehouse inventory decreased for the fourteenth time in the last fifteen weeks, sliding from 142,625 metric tons to 139,950 metric tons.
- Shanghai warehouse inventory slid as well, dropping from 177,826 metric tons to 176,177 metric tons.

# COST

## ▼ COKING COAL<sup>3</sup>



## COKING COAL

Coking coal pricing slid significantly for the second consecutive week after hitting an all-time high two weeks prior.

Coking coal settled at \$480/mt, down from \$539/mt previously.

- This is down 28% from the all-time high seen on March 17th.

Prices continued to soften this week as demand in China dropped due to new COVID-19 outbreaks; however, supply disruptions from Russia and Ukraine still remain, setting a floor on pricing.

- India also announced plans to double their coal imports from Russia, announcing 4.5 million metric tons booked since the war started.

## SUPPLY



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

Domestic raw steel production decreased significantly last week to the lowest weekly output in over a year.

U.S. mills produced an estimated 1,726k tons at a 79.4% utilization rate; this is down from 1,742k tons and an 80.2% rate previously.

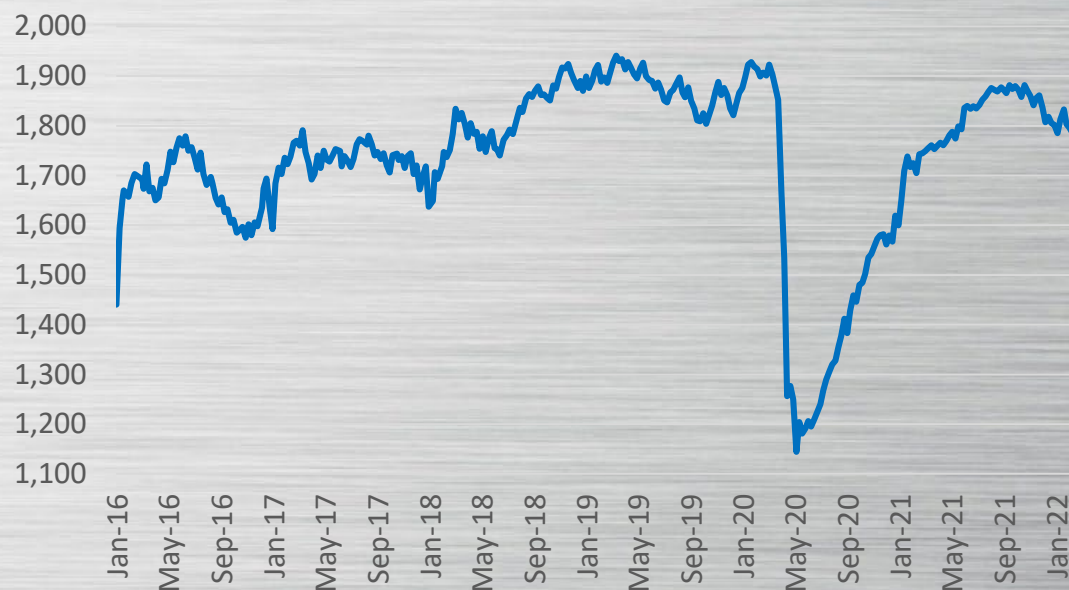
- This is the lowest weekly tonnage output since February 2021.

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

- Production from the Great Lakes region dropped from 594k tons to 578k tons.

Year-to-date production is now up 2.4% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# CONSTRUCTION SPENDING<sup>5</sup>

Total construction spending continued to push higher in February, now up for the twelfth consecutive month.

Total construction spending, on a seasonally adjusted basis, came in at a \$1.704 billion rate.

- This is up 0.5% from January and up 11.2% from a \$1.533 billion rate in February 2021.

A strong 1.1% increase in residential construction spending helped to overcome a slight 0.1% slip in non-residential construction spending.

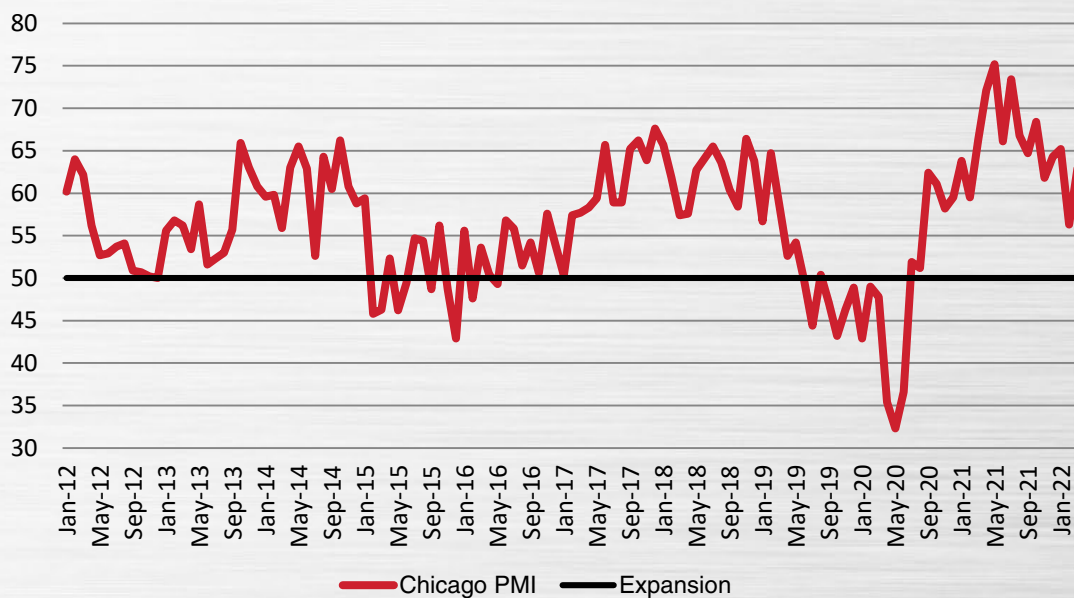
- Non-residential private spending increased however, climbing 0.2% to a \$503.0 billion rate.

Residential construction spending accounted for 50.5% of all spending, the highest percentage since March 2021.

## TOTAL CONSTRUCTION SPENDING (SAAR)



## DEMAND


**CHICAGO PMI<sup>6</sup>**


## CHICAGO PMI

After slowing in February, growth from the manufacturing sector in the Chicagoland region increased in March.

The March Chicago Purchasing Managers Index came in at 62.9, up from 56.3 in February but still below levels from last year.

- Any reading over 50 indicates an expansion of activity, while any reading below 50 denotes a contraction.

The order backlogs and inventory components helped to push the overall index higher.

# ISM MANUFACTURING INDEX<sup>7</sup>

Despite slowing slightly in March, activity from the manufacturing sector continued to grow in March.

The March ISM Manufacturing Index came in at 57.1, a slight slowdown from the 58.6 reading in February but remaining well above 50.0.

- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

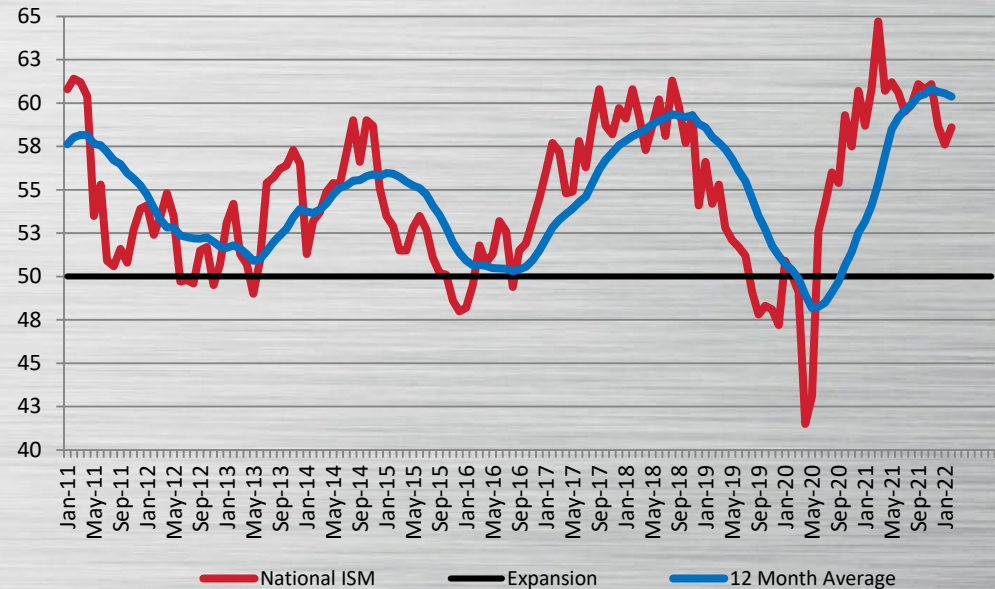
The overall slowing in March was driven, in large part, by the 7.9 point decline from the new order component.

- While the new order component declined 7.9 points and the production component declined 4.0 points, both remained over 50 at 53.8 and 54.5, respectively.

Unsurprisingly, the prices component saw the largest increase, climbing 11.5 points to 87.1 in March.

- Employment and inventories both saw increases in March as well.

## ISM MANUFACTURING INDEX





# WEEKLY INITIAL JOBLESS CLAIMS<sup>8</sup>

After hitting a fifty-two year low, weekly initial jobless claims increased slightly last week.

The Department of Labor's Weekly Initial Jobless Claims report came in at 202,000 claims, up from 188,000 claims previously.

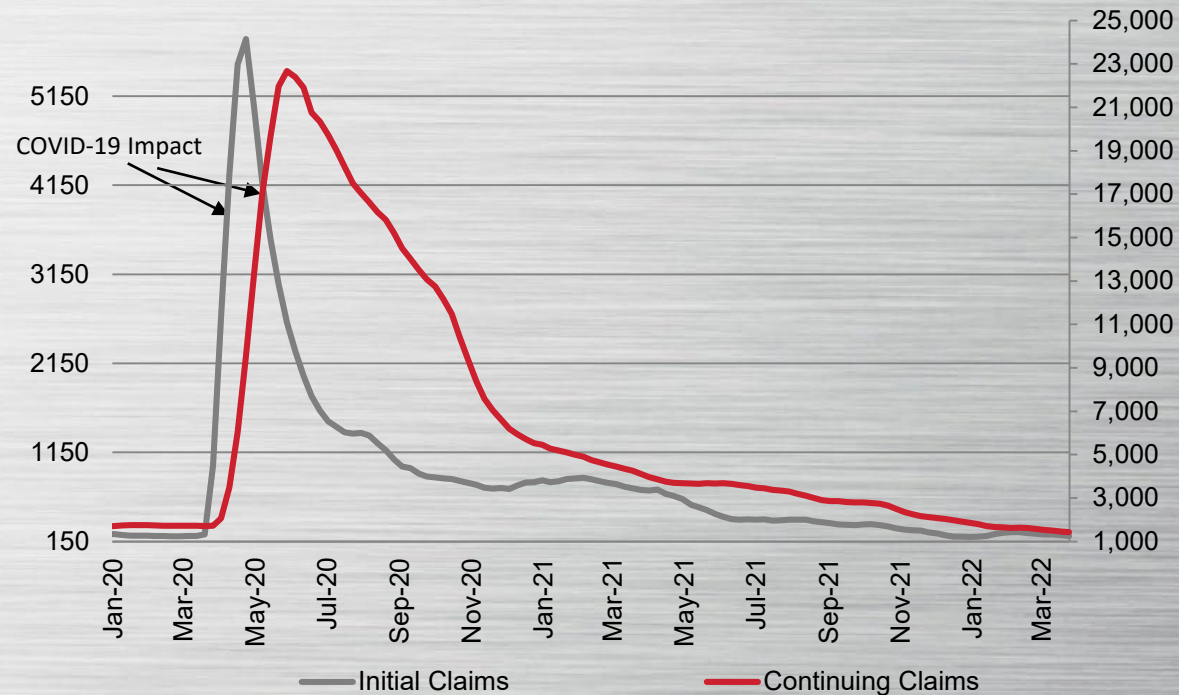
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 208,500, from 212,000 claims previously.

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

- Continuing claims slid to 1.307 million from 1.342 million previously.

Private payrolls increased by 455,000 over the past month, marking a fourth consecutive month of private sector employment growth above 400,000.

## WEEKLY INITIAL JOBLESS CLAIMS



## ECONOMIC

# EMPLOYMENT SITUATION<sup>9</sup>

The labor market remained strong in March, as the U.S. added at least 400,000 jobs for the fourth consecutive month.

The U.S. added 431,000 jobs, on a seasonally adjusted basis, in March, down from 750,000 jobs in February but still robust.

- For Q1 2022, the U.S. added 1.685 million jobs.

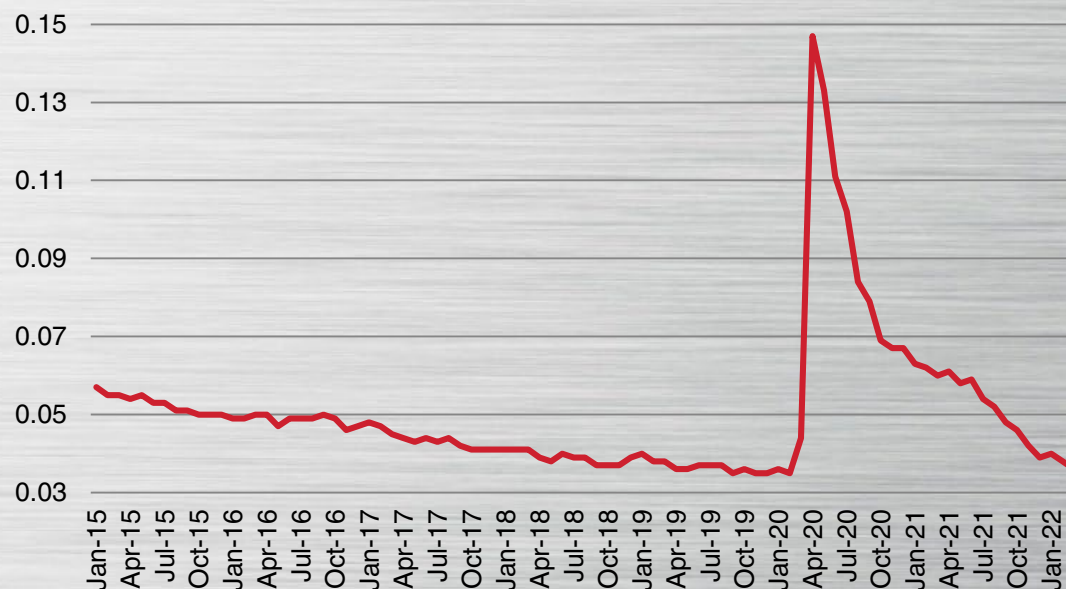
The private sector, which accounts for roughly 70% of employment, saw an increase of 426,000 jobs in March.

Goods producing sector employment increased by 60,000 jobs in March, with construction and manufacturing accounting for 19,000 and 38,000, respectively.

- Within construction, building construction employment was flat month-over-month, as residential building employment slipped and non-residential building employment ticked higher.

The overall unemployment rate slipped to 3.6% in March, down from 3.8% in February and is back to pre-pandemic levels.

## UNEMPLOYMENT RATE



## ECONOMIC

# PERSONAL INCOME & OUTLAYS<sup>10</sup>

Personal income increased \$101.5 billion in February, up 0.5% from January.

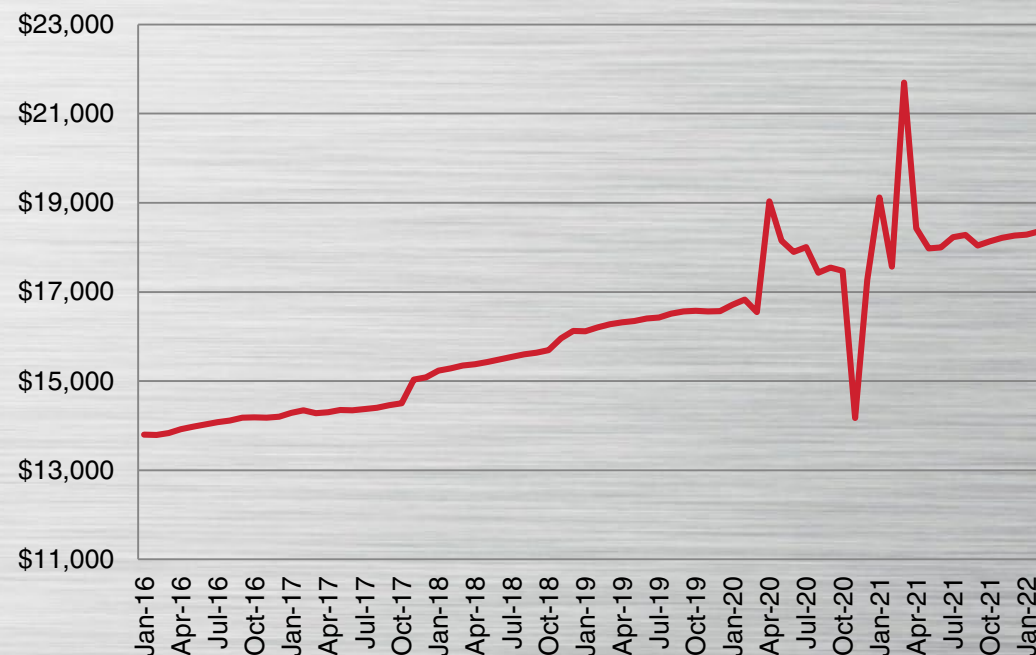
- The increase in income came mainly from increased compensation that was partly offset by a decline in government social benefits.

While total income increased 0.5% in February, total disposable income increased 0.4% to \$18.36 trillion.

The increases in wages and disposable income helped to push total personal spending higher as well.

- Total personal consumption increased \$34.9 billion or 0.2% in February.
- The increase in personal spending solely came from increases in spending on services as spending on durable goods declined by \$58.9 billion.

## DISPOSABLE INCOME





# CONSUMER CONFIDENCE<sup>11</sup>

After slipping recently, confidence among U.S. consumers increased in March.

March consumer confidence increased to 107.2, the first increase since November.

- While the easing of the delta and omicron variants helped to boost confidence, rising inflation and the war in Ukraine are raising caution flags.

The current measure of how consumers feel about the economy increased to 153.0, up 10.0 points and at the highest level since July.

- However, the gauge that looks ahead six months declined to 76.6.
  - This is down from 80.8 and shows the uncertainty still circling consumers.

## ECONOMIC

# GROSS DOMESTIC PRODUCT<sup>12</sup>

The third and final revision to Q4 GDP showed the economy increased at an annual rate of 6.9%.

- This is down slightly from the 7.0% rate with the second revision, but is up from the final Q3 reading of 2.3% growth.
  - The downward revisions, with the final reading, showed slowing personal spending and exports.

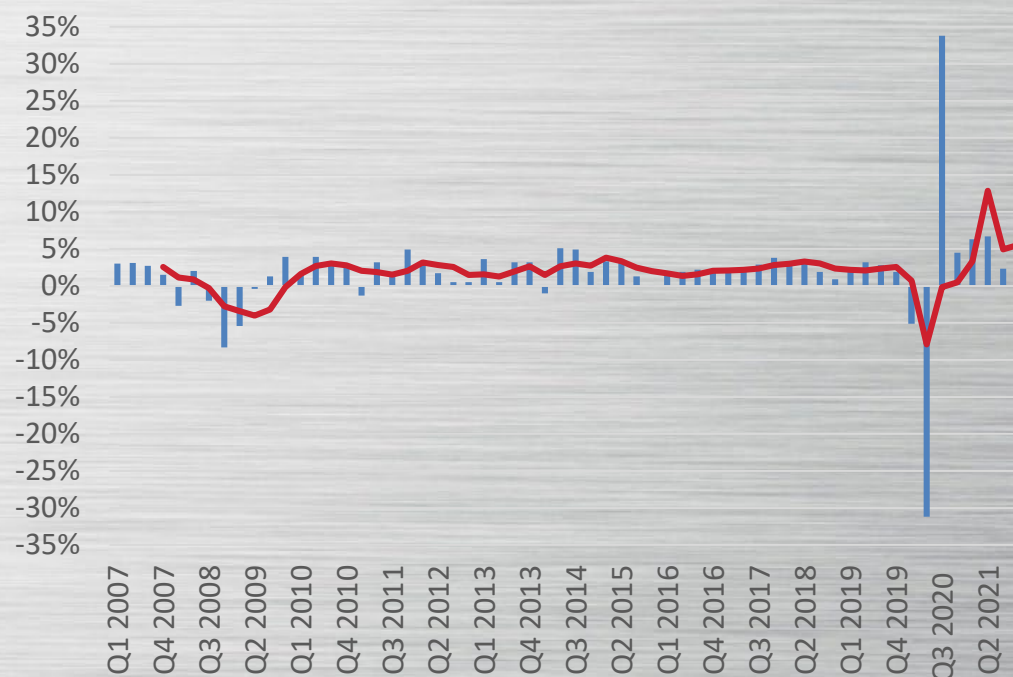
The growth in Q4 primarily came from a sharp increase in inventory investment.

- The increase in inventories accounted for 77% of total growth.

Also helping to push growth higher were increases in exports, residential investment, and consumer spending.

- These increases were partly offset by declines in state and local government spending, and climbing imports.

## GROSS DOMESTIC PRODUCT



## SOURCES

- 1 Platts, Spot Iron Ore: March 31, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: April 1, 2022.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: April 1, 2022.  
Platts, Coking Coal Price: April 1, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: March 29, 2022.
- 5 U.S. Census Bureau, Total Construction Spending: February 2022.
- 6 Institute for Supply Managers, Chicago Purchasing Managers Index: March 2022.
- 7 Institute for Supply Managers, ISM Manufacturing Index: March 2022.
- 8 Department of Labor, Weekly Initial Jobless Claims: March 31, 2022.
- 9 Bureau of Economic Analysis, Employment Situation: March 2022.
- 10 Bureau of Economic Analysis, Personal Income and Outlays, February 2022.
- 11 Conference Board, Consumer Confidence: March 2022.
- 12 Bureau of Economic Analysis, Gross Domestic Product: Q4 2021.

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