

**CORE** 05.13.22 **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**

**07**

- ⊕ employment
- ⊕ inflation
- ⊕ trucking
- ⊖ GDP

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

After increasing slightly last week, spot iron ore pricing continued its slide, now down five out of the last six weeks.

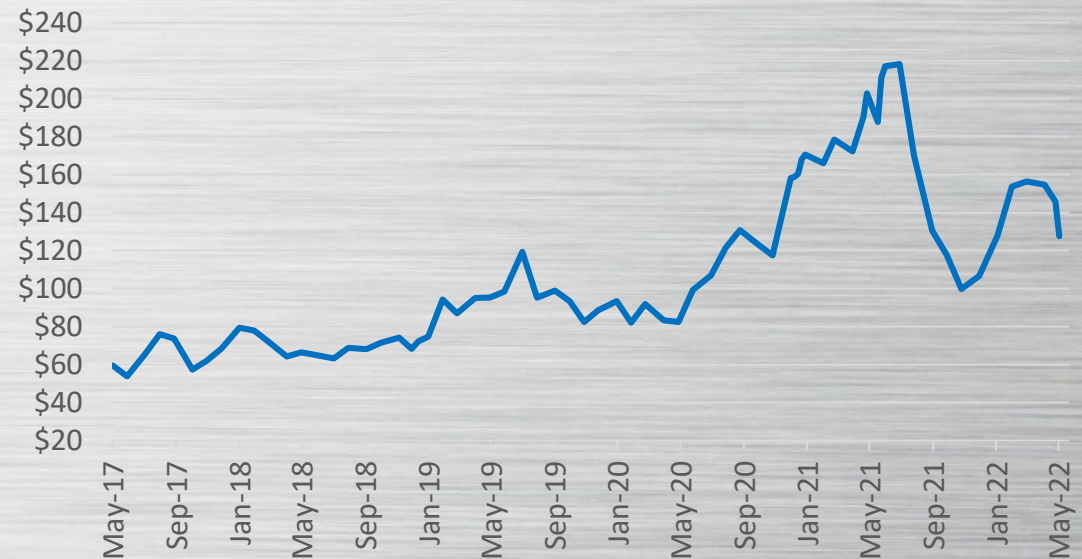
Spot iron ore pricing ended the week at \$127.80/mt, down significantly from \$145.80/mt a week ago.

- Spot iron ore pricing is now down 15% month-over-month and 44% below prior year levels.

Iron ore outlook continues to soften amid fears of rising COVID-19 cases in China.

- Spot prices are heading towards bear territory having fallen almost 20% from 2022 highs of \$162/ton hit in the aftermath of the Russian invasion of Ukraine.
  - However, blast furnace production in China is expected to ramp up quickly once lockdowns are over.

## IRON ORE COST



# COST



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



## ZINC

Zinc pricing slid significantly for the third consecutive week.

Zinc pricing ended the week at \$3,500/mt (\$1.588/lb), down from \$3,829/mt (\$1.737/lb) previously.

- The rising energy costs and supply tightness in Europe remains; however, U.S. demand continues to weaken on cautious economic outlook.
- Rising interest rates, inflation, and the strengthening U.S. dollar has led to softening in commodity prices.

Global zinc inventory decreased this week, now down six out of the last seven weeks.

- LME warehouse inventory dropped from 94,375 metric tons to 86,550 metric tons.
- Shanghai warehouse inventory decreased as well, sliding from 172,622 metric tons to 167,066 metric tons.

# COST

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



## COKING COAL

After dipping last week, coking coal pricing slid slightly again this week.

Coking coal settled at \$515.25/mt, down slightly from \$516.75/mt previously.

- Coking coal is still up nearly 35% in the last month.

While most countries have completely shunned Russian coal imports, China's imports of Russian coal hit a record in April, driven by steep discounts and increased availability of bank credit for Chinese buyers.

- A record 1.37 million tonnes of seaborne Russian coking coal arrived in China in April.
  - That compares with 922,673 tonnes in March and just under 750,000 tonnes in April 2021.

## SUPPLY



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

Domestic raw steel production increased slightly last week, now up four out of the last five weeks.

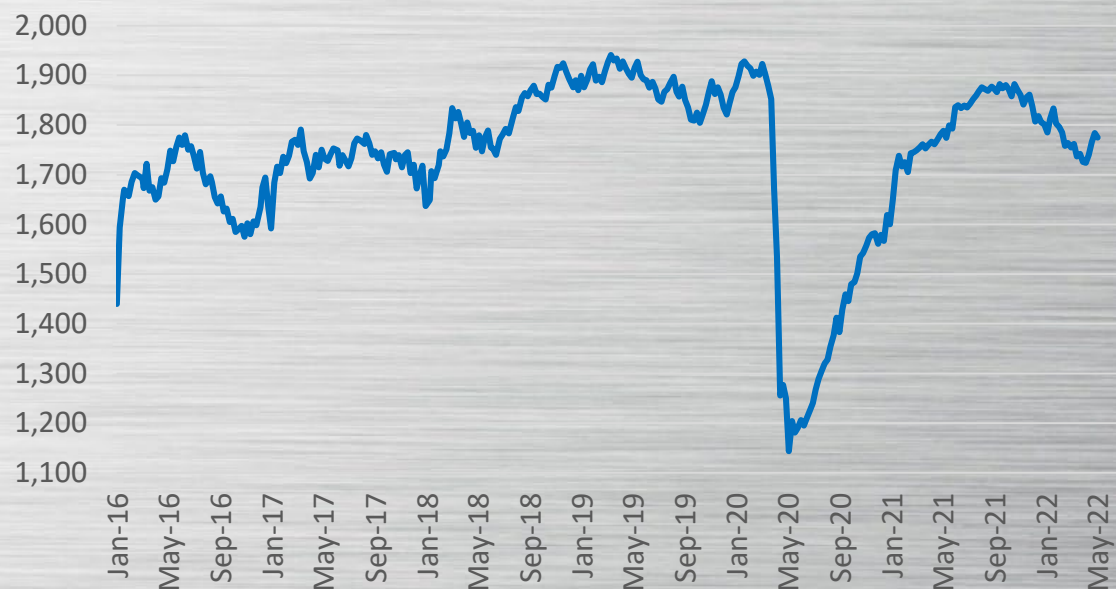
U.S. mills produced an estimated 1,777k tons at an 81.4% utilization rate; this is up from 1,775k tons and an 81.3% rate previously.

Production slid in three of the five regions, but was offset by a large increase coming from the Southern region.

- Production from the Southern region spiked from 754k tons to 772k tons.

Despite the increase, year-to-date production is now up only 1.3% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# HEATING & COOLING EQUIPMENT<sup>5</sup>

## HVAC EQUIPMENT SHIPMENTS

Shipments of HVAC equipment increased sharply in March, after a slight increase in February.

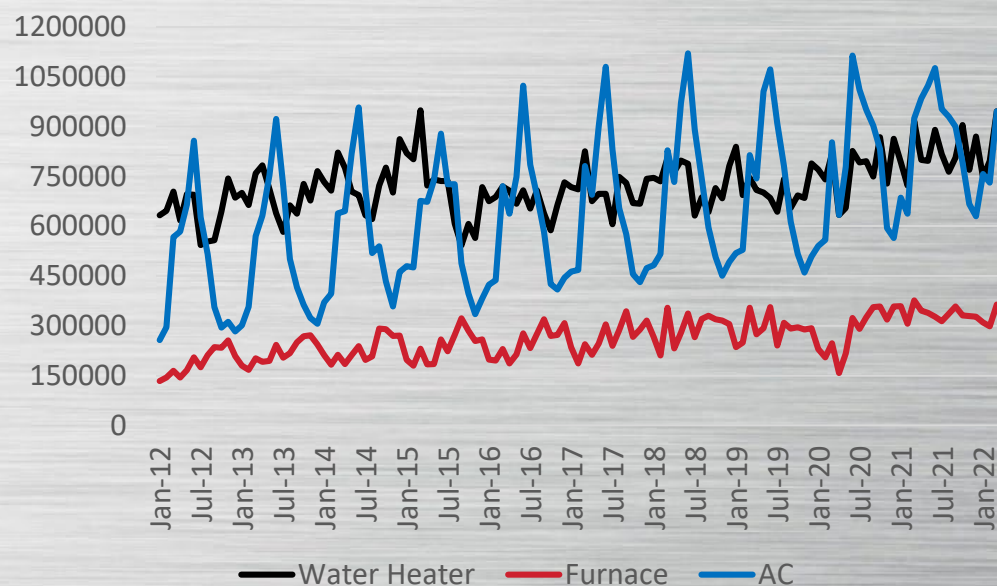
March HVAC equipment shipments totaled 2.256 million units, up 23.5% from February and up 1.7% from 2.217 million units in March 2021.

- Shipments have now increased, on a year-over-year basis, in four of the last five months.

Looking on a year-over-year basis, to help smooth seasonality, shipments of water heaters and A/C & heat pumps increased, climbing 3.2% and 2.3%, respectively.

- These increases were more than enough to overcome the 3.2% decline in furnace shipments.

Year-to-date shipments are now up 3.0% compared to the same timeframe last year.



# TRACTOR & COMBINE SHIPMENTS<sup>6</sup>

## TRACTOR AND COMBINE SHIPMENTS

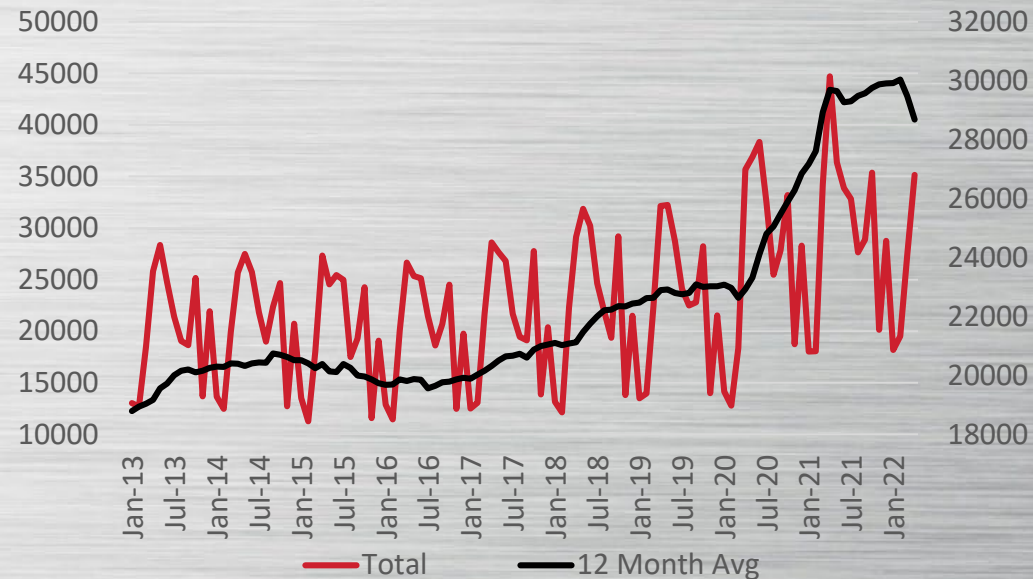
North American (U.S. and Canada) shipments of tractors and combines continued to slow in April, now down for the second consecutive month.

Shipments totaled 35,148 units in April, up from March but down sharply from April 2021.

- Shipments declined 21.4% from last April, after seeing a 19.9% year-over-year decline in March.
- The two consecutive year-over-year declines came after eight consecutive increases.

Shipments of both tractors and combines declined in April, with the sharper year-over-year decline (-21.6%) coming from tractor shipments.

Year-to-date tractor and shipments are now down 12.8% from the first four months of 2021.



# ECONOMIC

## WEEKLY INITIAL JOBLESS CLAIMS<sup>7</sup>

Weekly initial jobless claims came in relatively flat last week, remaining over the key 200,000 claim level.

The Department of Labor's Weekly Initial Jobless Claims report came in at 203,000 claims, up slightly from 202,000 claims previously.

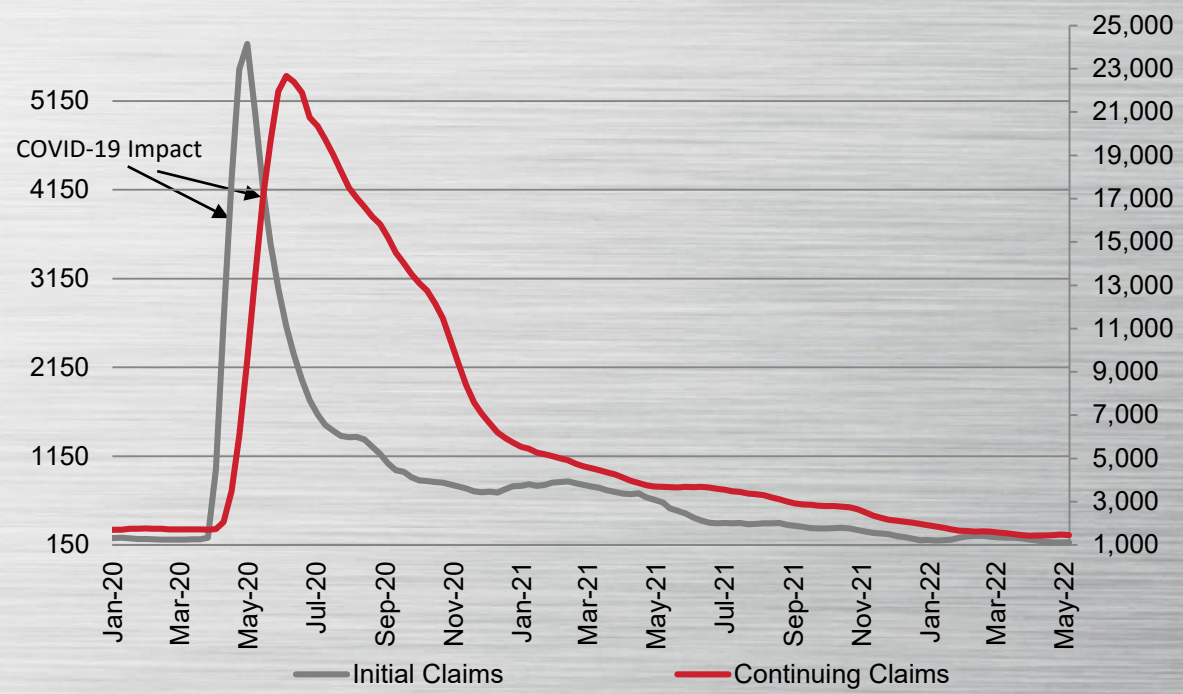
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 192,750, from 188,500 claims previously.

Continuing claims, or claims lasting longer than one week, decreased for the fifth consecutive week and is at the lowest level since January 3, 1970.

- Continuing claims slid to 1.343 million from 1.387 million previously.

The number of people on state unemployment rolls in April was the smallest in more than 52 years.

## WEEKLY INITIAL JOBLESS CLAIMS





## ECONOMIC

# CONSUMER PRICE INDEX<sup>8</sup>

While down slightly from the 40+ year high in March, prices paid by consumers remained elevated in April.

The April consumer price index came in at 289.1, up 8.26% from April of last year.

- This is down slightly from the 8.54% increase seen in March.

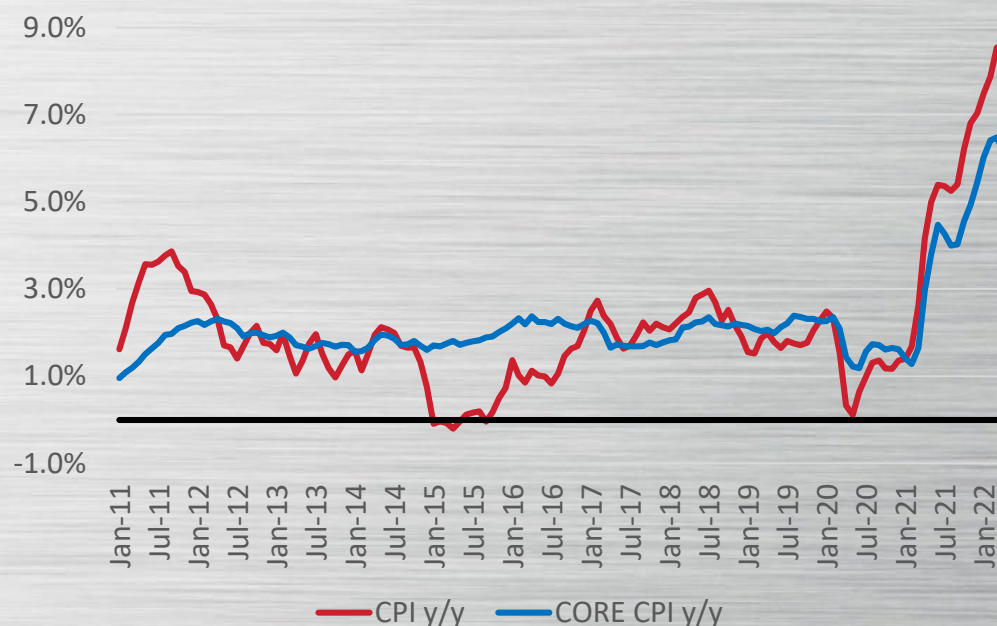
Excluding the volatile food and energy sectors, prices saw a 6.16% increase on a year-over-year basis.

- This was the lowest, year-over-year increase, since January.

The boost in the core-CPI came from airline fares, which saw its largest 1-month increase in history (1963).

- Prices also continued to climb for key things like housing, lodging away from home, and new vehicles.
- However, a few components saw slight declines in pricing in April, including apparel, communication, and used vehicles.
  - Used vehicle prices have now declined for three consecutive months.

## CONSUMER PRICE INDEX



## ECONOMIC

# TRUCKING COSTS<sup>9</sup>

The cost to ship material and products on trucks continues to climb in April as freight rates hit a new all time high.

The Cass Information Systems inferred freight rate increased to 3.85 in April, up from 3.74 in March.

- The freight rates are up sharply, on a year-over-year basis, climbing 31.0% from 2.93 in April 2021.

The inferred freight rates are a simple equation of dividing total shipments by the total cost of those shipments.

- While total shipments slipped slightly in April, the total cost of those shipments increased.

The lingering COVID situation, labor constraints, and limited truck capacity, has negatively impacted pricing recently.

## INFERRED FREIGHT RATES



## SOURCES

- 1 Platts, Spot Iron Ore: May 12, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: May 13, 2022.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: May 13, 2022.  
Platts, Coking Coal Price: May 13, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: May 10, 2022.
- 5 Association of Equipment Manufacturers, Tractor and Combines Shipments: April 2022.
- 6 U.S. Census Bureau, Construction Spending: March 2022.
- 7 Department of Labor, Weekly Initial Jobless Claims: May 5, 2022.
- 8 Bureau of Labor Statistics, Consumer Price Index: April 2022.
- 9 Cass Information Systems, Cass Transportation Index: April 2022.

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