

**CORE** 10.06.23 **REPORT**

**COST**

**01**

- ⊖ scrap
- ⊖ iron ore
- ⊖ energy
- ⊖ zinc
- ⊕ coking coal

**SUPPLY**

**04**

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

**DEMAND**

**05**

- ⊕ automotive
- ⊕ construction
- ⊖ agriculture
- ⊖ manufacturing
- ⊖ appliance
- ⊕ consumption

**ECONOMIC**

**10**

- ⊕ employment
- ⊖ confidence
- ⊖ GDP
- ⊖ inflation
- ⊖ mill price increase

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

Spot iron ore ticked down slightly for the third consecutive week during China's weeklong holiday hiatus.

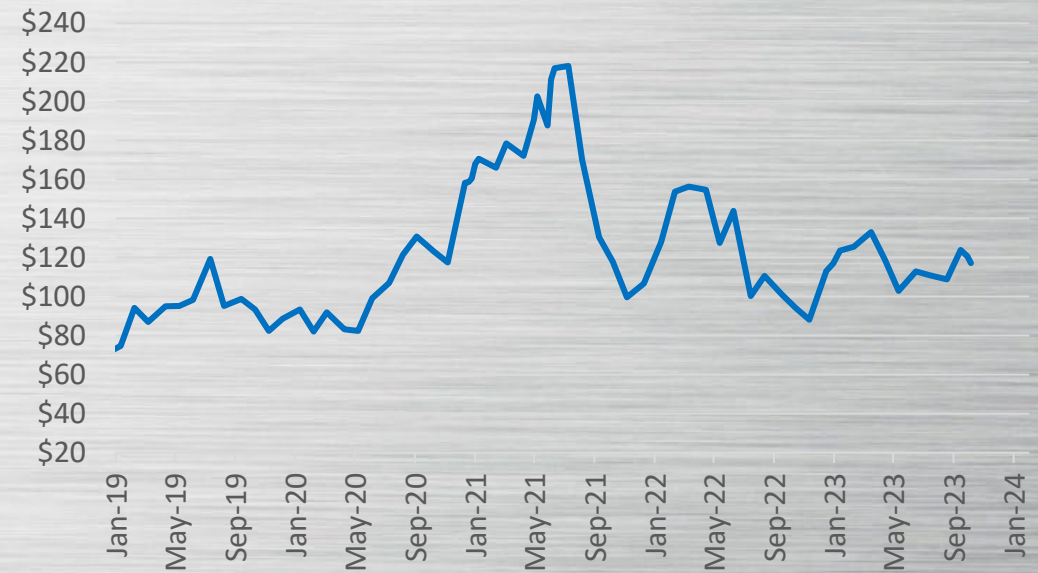
Spot iron ore pricing ended the week at \$117.20/mt, down from \$120.55/mt a week ago.

- Current spot iron ore is still slightly below the 30-day average (\$120/mt) but is above the 90-day average (\$112/mt).

Iron ore demand remained cloudy during the weeklong Chinese fall holiday.

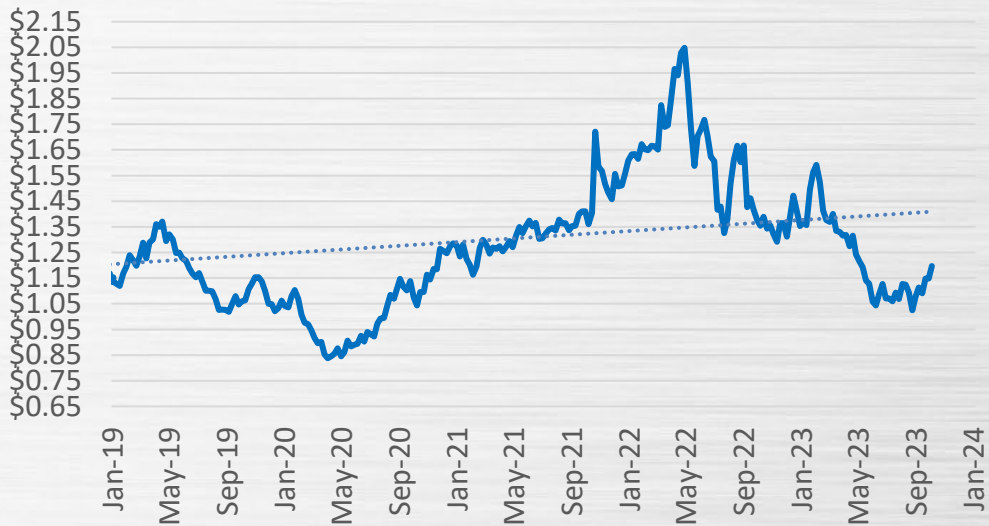
- Post holiday demand in China's residential property sector will determine the direction of iron ore and steel production.

## IRON ORE COST



# COST

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



## ZINC

Zinc pricing dropped significantly after seeing a surge last week prior to China’s Golden Week holiday.

Zinc pricing ended the week at \$2,472/mt (\$1.121/lb), down from \$2,640/mt (\$1.197/lb) last week.

- The drop this week wiped out the 5% increase from last week.

Global zinc inventory decreased again this week, now down for the fifth consecutive week.

- LME warehouse inventory decreased from 105,375 metric tons to 95,975 metric tons.
- Shanghai warehouse inventory came in flat due to the Golden Week holiday, remaining at 32,129 metric tons.

# COST

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



## COKING COAL

Coking coal continued its sharp upward push this week, climbing for the tenth consecutive week.

Coking coal ended the week at \$358.25/mt, up sharply from \$333.00/mt last week.

- This is now the highest price for coking coal since early-February.

Indian steel companies plan to raise prices of steel due to rising import costs of coking coal, especially from major producer Australia.

- Australian coking coal has jumped this year due to maintenance outages, lower-than-usual supplies from Queensland, and a slower train network.

## SUPPLY



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

Domestic raw steel production ticked down last week after climbing the previous two weeks.

U.S. mills produced an estimated 1,722k tons at a 75.7% utilization rate; this is down from 1,735k tons and a 76.3% rate previously.

Production decreased in three out of the five regions, with the largest drop (in tons) coming from the Midwest region.

- Production from the Midwest region slipped from 220k tons to 206k tons.

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

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

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

Despite the ongoing strike at the "Big 3" auto producers, U.S. light vehicle sales increased in September.

September light vehicle sales totaled 1.332 million units, up slightly from August and up 18.5% from 1.124 million units in September 2022.

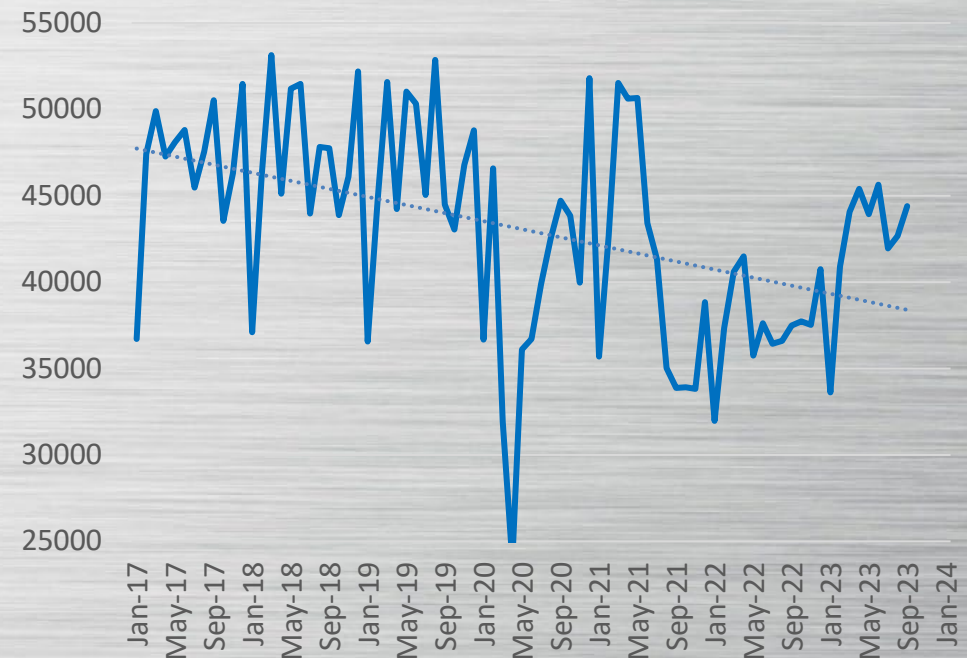
- On a daily basis, U.S. sales totaled 44,398 units/day, the highest level in two months.

Sales of both domestically produced cars and light trucks increased in September, climbing 3.0% and 0.5%, respectively.

Sales in September were boosted by higher fleet sales, better new-vehicle availability, improved incentive programs, and pent-up demand.

Year-to-date light vehicle sales are now 14.1% above the total from the same timeframe last year.

## DAILY U.S. LIGHT VEHICLE SALES PAGE



## DEMAND

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

Inventory of light vehicles at the end of September increased for the second consecutive month.

September light vehicle inventory totaled 2.063 million units, up 7.1% from August and up 44.8% from 1.424 million units in September 2022.

- Inventory has now seen year-over-year increases, of at least 40%, in thirteen consecutive months.

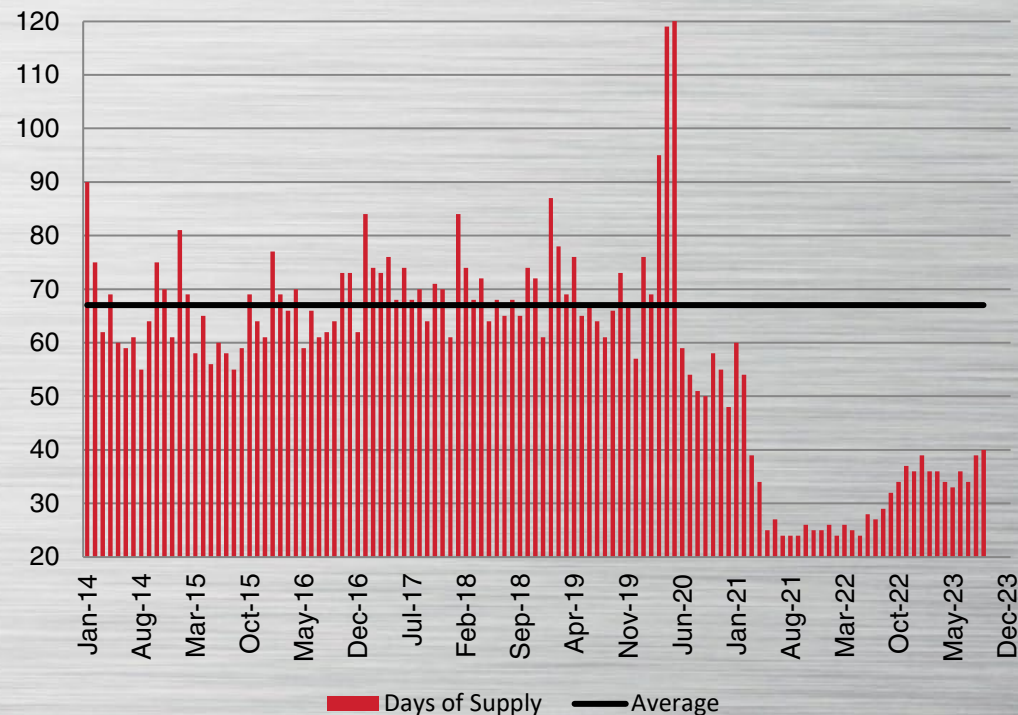
Inventory of both cars and light trucks increased in September, climbing 12.8% and 5.9%, respectively, from August.

- Car inventory (216,589 units) is back to levels last seen in May 2021.

The current light vehicle inventory, when combined with September's sales pace, equates to 40 days of supply, up from 39 days in August.

- This is the highest days of supply reading since February 2021.

## U.S. LIGHT VEHICLE DAYS OF SUPPLY



# CONSTRUCTION SPENDING<sup>7</sup>

Total construction spending continued to climb in August, now up for the eight consecutive month.

Total spending came in at a \$1.983 trillion rate in August, up 0.5% from July and up 7.4% from the \$1.847 trillion rate in August 2022.

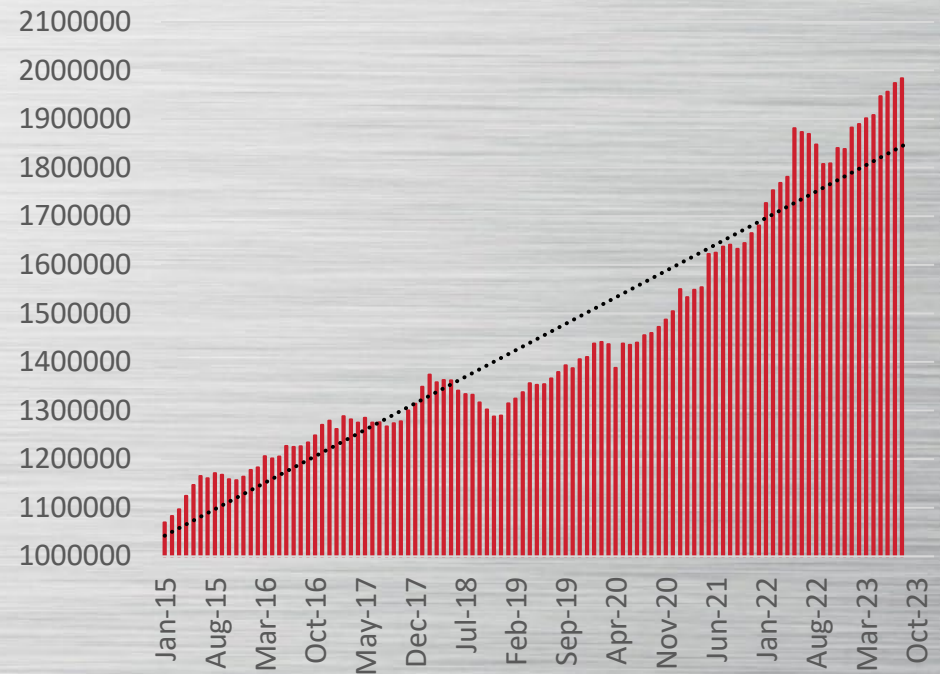
- This is the largest year-over-year increase in total spending since March.

Spending increased for both non-residential and residential projects in August, seeing month-over-month increases of 0.4% and 0.6%, respectively.

- While non-residential spending has increased for eight straight months, the increase in residential spending marked five consecutive months.
  - Residential spending continued to decline on a year-over-year basis however, sliding 3.0% compared to last August.

Non-residential spending accounts for 55.1% of total spending in August, its lowest percentage since March.

## TOTAL CONSTRUCTION SPENDING (SAAR)





# ISM MANUFACTURING INDEX<sup>8</sup>

Economic activity from the manufacturing sector slipped in September, now down for the eleventh consecutive month.

The ISM Manufacturing PMI came in at 49.0, improving from 47.6 in August but still in contraction.

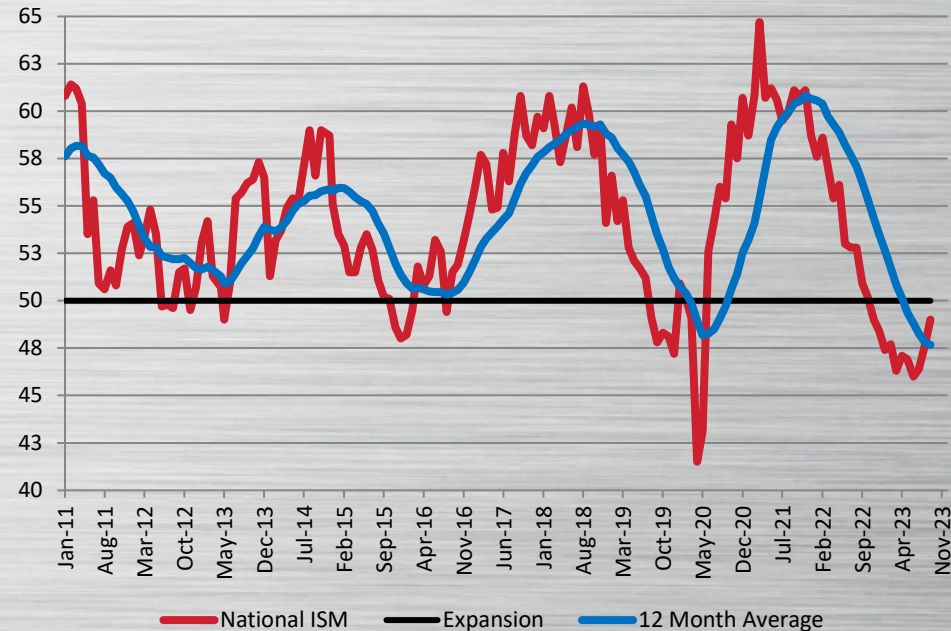
- Despite remaining in contraction, this was the highest reading since last November.
- Any reading below 50 shows contraction, while any reading above 50 shows expansion.

The production and new order components saw some the largest improvements in September, with the production component back in the expansion territory.

- The new order and production components improved to 49.2 and 52.5, respectively.

The backlog of orders component weakened further, slipping to 42.4 from 44.1, previously.

## ISM MANUFACTURING INDEX



# CARBON STEEL CONSUMPTION<sup>9</sup>

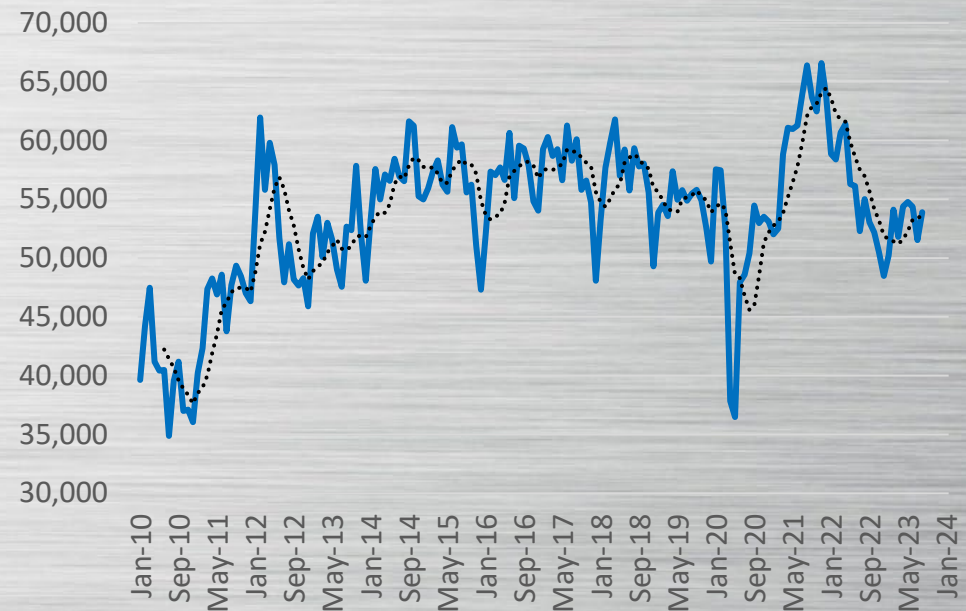
Despite a drop in imports and increase in exports, total carbon steel consumption pushed higher in August.

- Per/day domestic carbon steel consumption recovered after hitting a four-month low in July, but was lower than year-ago levels for the fifteenth consecutive month.
- Total carbon steel consumption (steel shipments + imports – exports) came in at a per/day rate of 270.1 thousand tons in August, up from 266.0 thousand tons/day in July.

August carbon flat rolled consumption came in at a rate of 144.7 thousand tons/day, up from the 141.7 thousand tons/day rate in July and is up 3.8% from the 139.4 thousand tons/day rate from last August.

- Per/day coated flat rolled consumption rebounded in August, climbing 4.6% to a 53.9 thousand tons/day rate.

## COATED STEEL CONSUMPTION (TONS/DAY)





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

Applications for unemployment benefits inched up moderately last week, now up for the second consecutive week.

The Department of Labor's Weekly Initial Jobless Claims report came in at 207,000 claims, up from 205,000 claims previously.

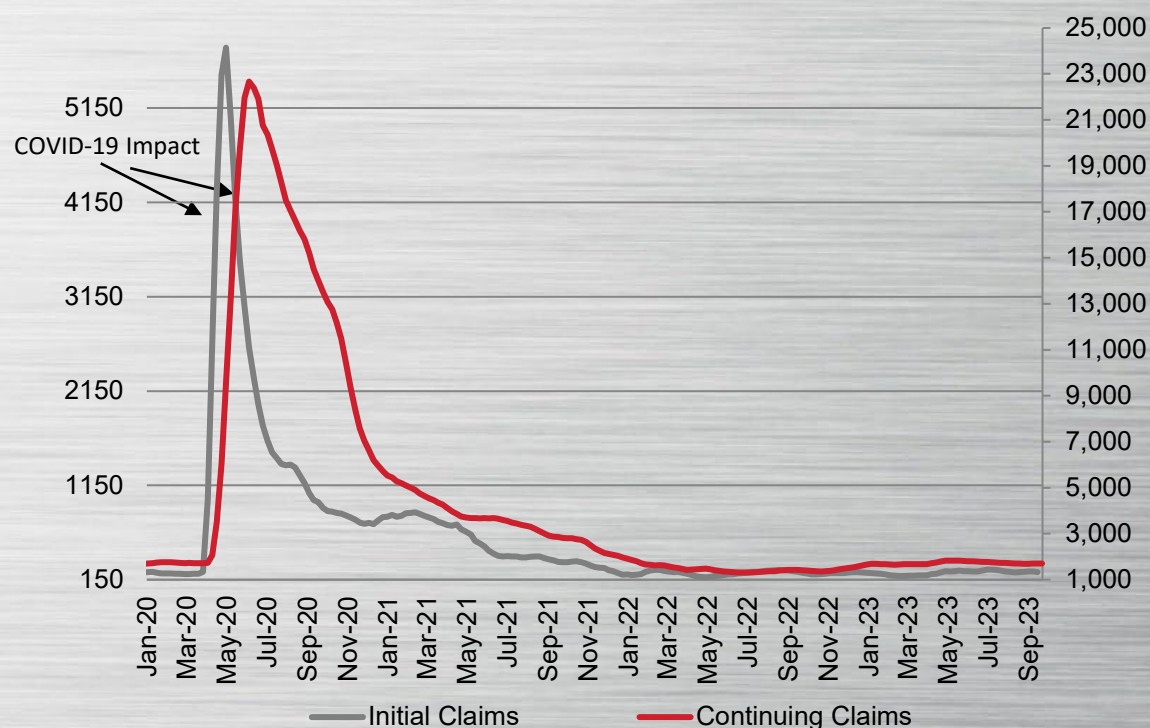
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, dropped to 208,750.

Continuing claims, or claims lasting longer than one week, were relatively flat.

- Continuing claims came in at 1.664 million claims, down slightly from 1.665 million claims previously.

Central bank officials worry that continued resiliency in the labor market could put upward pressure on inflation and require additional interest rate hikes.

## WEEKLY INITIAL JOBLESS CLAIMS



**ECONOMIC**



# EMPLOYMENT SITUATION<sup>11</sup>

The U.S. added 336,000 jobs in September, the highest monthly total since January.

The private sector, which accounts for 70% of all employment, added 263,000 jobs in September.

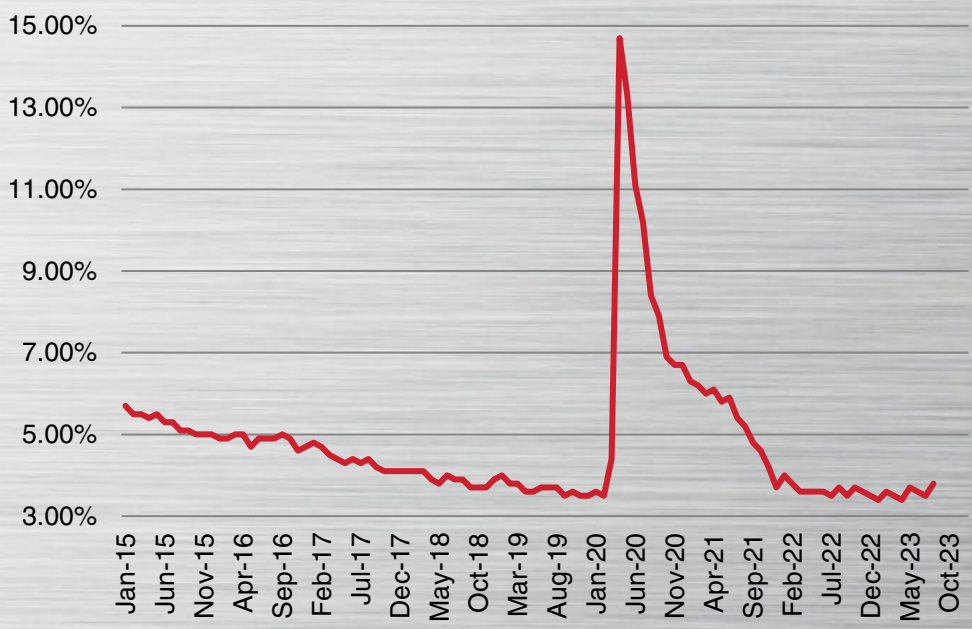
- The government added 73,000 jobs after adding 50,000 jobs in August.

Good producing employment was up by 29,000 from August with 11,000 new jobs coming from construction and 17,000 jobs coming from manufacturing.

- Within manufacturing, fabricated metal product manufacturing added 1,000 jobs while primary metal manufacturing employment slipped by 500 jobs.

The unemployment rate in September was 3.8%, flat from August and holding at its highest level since January 2022.

## UNEMPLOYMENT RATE



## SOURCES

- 1 Platts, Spot Iron Ore: October 6, 2023.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: October 6, 2023.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: October 6, 2023.
- 3 Platts, Coking Coal Price: October 6, 2023.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: October 3, 2023.
- 5 WardsAuto, U.S. Light Vehicle Sales: September 2023.
- 6 WardsAuto, U.S. Light Vehicle Inventory: September 2023.
- 7 U.S. Census Bureau, Construction Spending: August 2023.
- 8 Institute for Supply Management, ISM Manufacturing PMI: September 2023.
- 9 American Iron & Steel Institute, Carbon Steel Consumption: August 2023.
- 10 Department of Labor, Weekly Initial Jobless Claims: October 5, 2023.
- 11 U.S. Census Bureau, Employment Situation: September 2023.

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

**M MSUSA**

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