

# CORE REPORT

02.16.24

## COST

01

- ▼ scrap
- ▲ iron ore
- ▬ energy
- ▲ zinc
- ▼ coking coal

## SUPPLY

05

- ▬ lead times
- ▲ production
- ▬ imports
- ▬ inventories

## DEMAND

06

- ▬ automotive
- ▬ construction
- ▲ appliance
- ▼ manufacturing
- ▼ agriculture
- ▬ durable goods

## ECONOMIC

12

- ▲ employment
- ▬ outlook
- ▲ inflation
- ▼ retail sales

 **SCRAP<sup>1</sup>**

After a flat settlement in January, scrap buying slowed in February amid lower finished steel prices and shorter lead times.

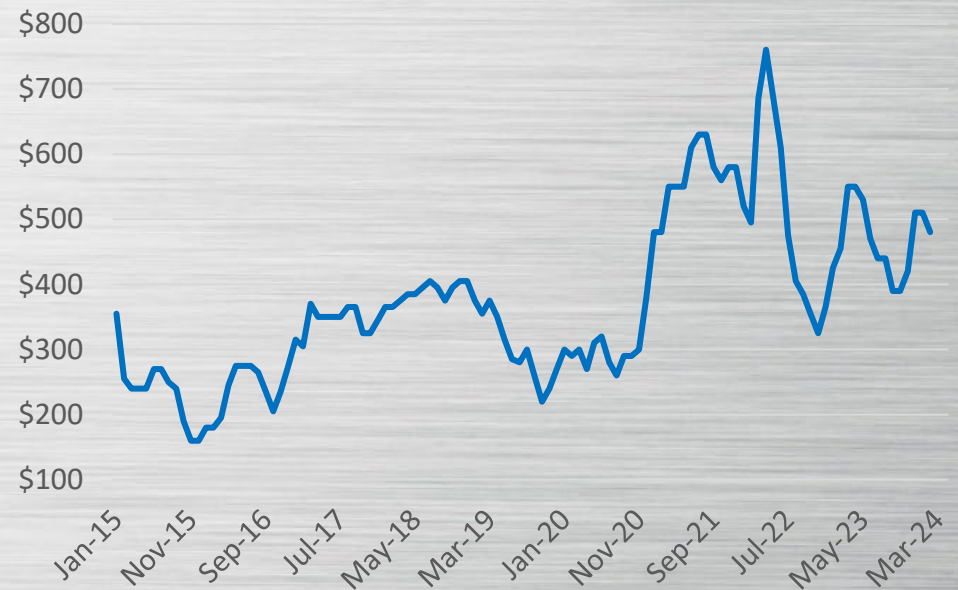
Prime scrap settled at \$480/gt, down \$30/gt from \$510/gt in January.

- Despite the pull back in February, Chicago prime scrap remains above the 2023 average (\$464/gt) and the five-year average of \$436/gt.

Scrap dealers were met with canceled orders and limited demand, that suppressed February's scrap market.

- Shredded scrap pricing held up better, slipping only \$10/gt to settle at \$455/gt.

**PRIME SCRAP**



# COST

## SPOT IRON ORE<sup>2</sup>

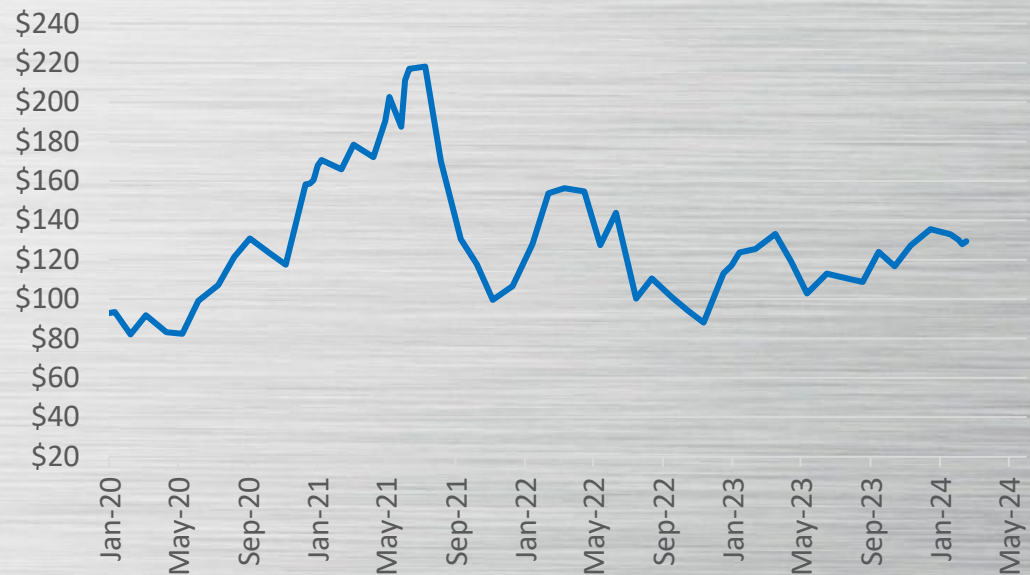
Spot iron ore reversed course this week after slipping the previous two weeks.

Spot iron ore pricing ended the week at \$129.35/mt, up from \$127.90/mt a week ago.

- Despite the slight bump in pricing, iron ore remains at the lowest level since November.

The iron ore market has held relatively calm this week while China is in its Lunar New Year holiday break.

## IRON ORE COST



# COST



## WEEKLY ZINC PRICING<sup>3</sup>



## ZINC

Zinc pricing increased slightly this week after slipping the previous three weeks.

Zinc pricing ended the week at \$2,341/mt (\$1.062/lb), up from \$2,321/mt (\$1.053lb) previously.

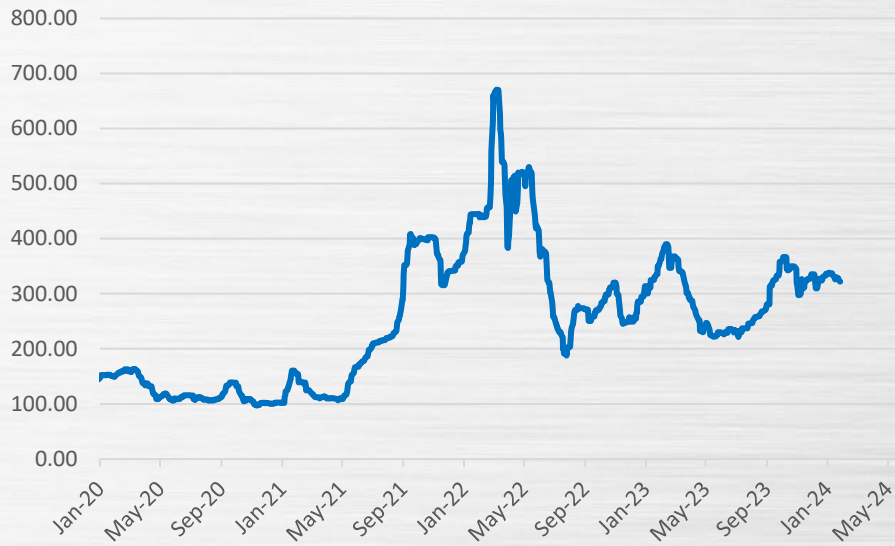
- Zinc briefly touched \$1.036/lb earlier in the week, the lowest price since August 2023.

Global zinc inventory increased for the third consecutive week.

- LME warehouse inventory increased sharply, climbing from 216,675 metric tons to 259,825 metric tons.
  - This is highest LME warehouse level since June 2021.
- Shanghai warehouse inventory came in flat due to Lunar New Year break, remaining at 33,593 metric tons.

# COST

## COKING COAL<sup>4</sup>



## COKING COAL

Coking coal pricing continued its recent slide, although at a slower rate, dropping for the fifth consecutive week.

Coking coal settled at \$315.00/mt, down slightly from \$315.50/mt last week.

- This remains the lowest level since December.

Much like iron ore, the coking coal market held steady this week due to Chinese Lunar New Year holiday.

Despite improving global supply, Australian mining companies are still facing various production and logistical challenges.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>5</sup>

Domestic raw steel production increased for the second consecutive week after sliding the prior three weeks.

U.S. mills produced an estimated 1,710k tons at a 77% utilization rate; this is up from 1,702k tons and a 76.6% rate previously.

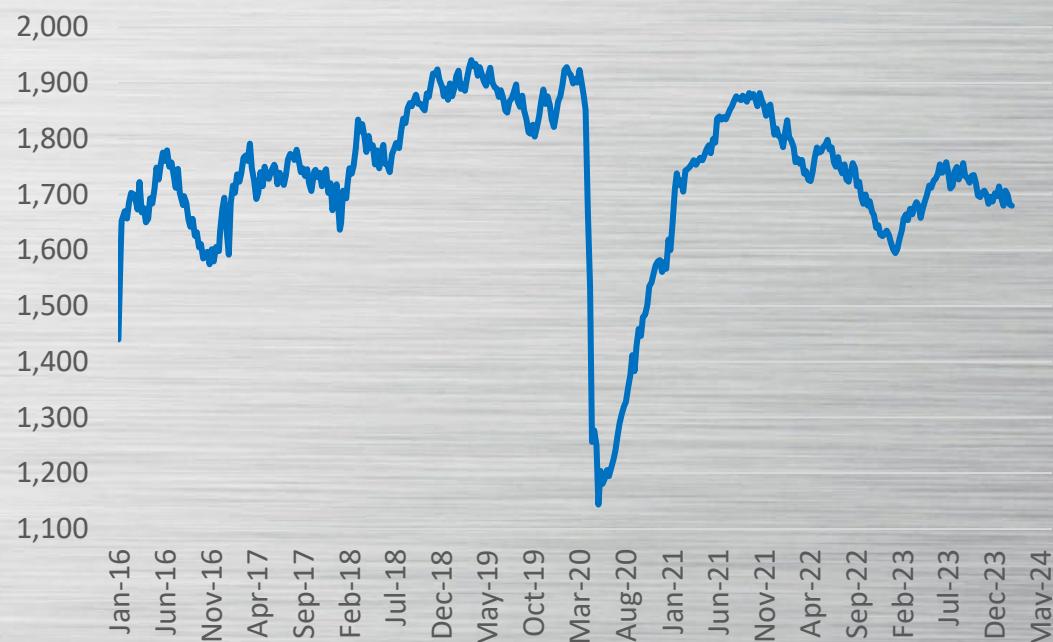
- This is the highest weekly tonnage output since mid-December and the highest run-rate since August.

Production decreased in three of the five regions but was offset by a large increase in the Southern region.

- Production from the Southern region spiked from 746k tons to 759k tons.

Year-to-date production is now up 4.2% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



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

## HOUSING MARKET INDEX

Sentiment from U.S. homebuilders improved in February, now up for the third consecutive month.

The February Housing Market Index came in at 48, up from 44 in January and up from 42 in February 2022.

- Despite the improvement, the HMI has now been below 50 for six straight months.
  - Any reading below 50 indicates pessimism, while a reading above 50 shows optimism.

Within the overall HMI, the present situation and next six months components continued to grow stronger, climbing to 52 and 60, respectively.

- The traffic component remained in pessimism, coming in at 33, up from 29 previously.
- Despite remaining in pessimism, the traffic component was at its highest level since August.



# RESIDENTIAL CONSTRUCTION<sup>7</sup>

## NEW HOUSING STARTS (SAAR)

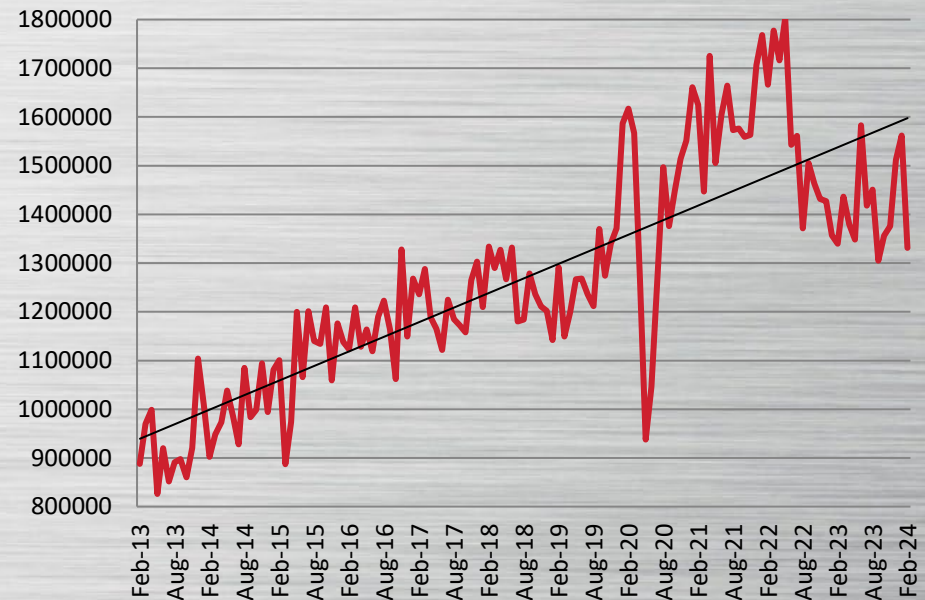
New residential construction dropped sharply in January after seeing a steady increase throughout Q4.

January housing starts came in at a 1.331 million unit rate, down 14.8% from December and down 0.7% from January 2023.

- New housing starts are now at their lowest annual rate since August.
- The sharp drop in January starts came from multi-family starts, which were at their lowest level since May 2020.

New permits, a leading indicator for new construction, slipped as well, sliding to a 1.470 million unit rate.

- This is down 1.5% from December but were up 8.6% from the 1.354 million unit rate in January 2023.
  - This is the third consecutive month in which permits were up on a year-over-year basis.





# DEMAND

## HVAC EQUIPMENT SHIPMENTS<sup>8</sup>

After sliding the previous three months, shipments of HVAC equipment increased slightly in December.

December HVAC equipment shipments totaled 1.458 million units, up 0.9% from November.

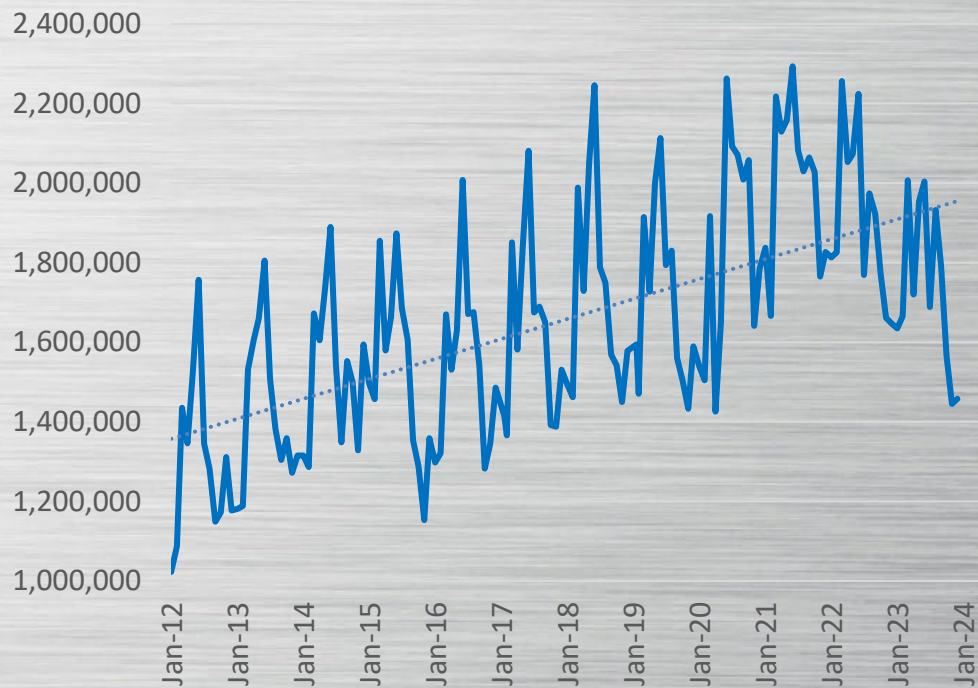
- Shipments declined on a year-over-year basis however, sliding 11.5% from last December.
  - This was the twenty-first consecutive month with a year-over-year decline.

Looking on a year-over-year basis, declines in shipments of furnaces and A/C & heat pumps overcame an increase in water heater shipments.

For the full year 2023, HVAC equipment shipments totaled 20.865 million units, down 9.3% compared to 2022.

- This was the lowest annual total since 2019.

## HVAC EQUIPMENT SHIPMENTS



## DEMAND

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

Business activity in the New York region was slightly lower in February.

The February Empire Manufacturing Index improved sharply, climbing to -2.4 from the post-pandemic low of -43.7 in January.

- The two-month average declined at slightly lower rate of -23.1, down from -29.1 previously.
  - Any reading below 0.0 shows contraction, while any reading above 0.0 shows expansion.

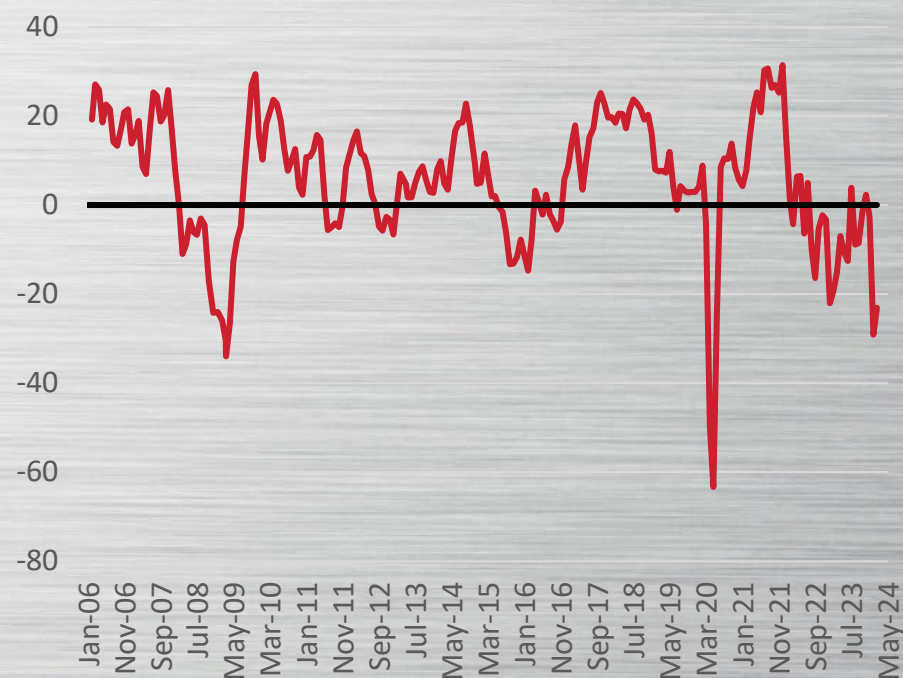
Within the index, the new order component declined, while the shipment component inched higher.

- While showing improvement, the unfilled order component continued to decline, coming in at -9.6 from -24.2 previously.

The expectation of activity over the next six months grew, climbing to 21.5 in February.

- The capital spending index was essentially flat at 11.7, suggesting capital spending plans remained somewhat subdued.

## EMPIRE MANUFACTURING INDEX



## DEMAND

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

The Industrial Production Index slipped slightly in January after seeing a flat reading in December.

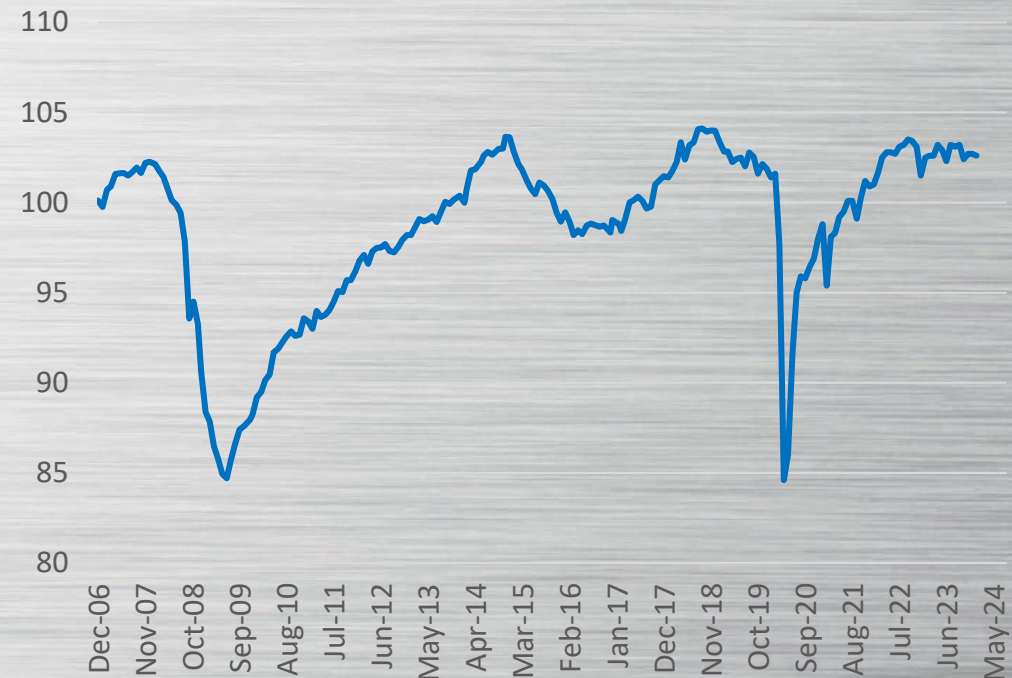
The January Industrial Production Index came in at 102.6, down slightly from 102.7 in December.

- Within the overall index, the manufacturing output declined 0.5% from December.
  - Winter weather throughout the country in January contributed to the decline.
- The index for durable good manufacturing increased slightly, climbing 0.1%.
  - The increase was helped by increases in electrical equipment, appliances, and component manufacturing.

The Capacity Utilization Rate slipped to 78.5%, down from 78.7% in December and 79.6% in January 2023.

- This was the lowest monthly rate since September 2021.

## INDUSTRIAL PRODUCTION INDEX



# TRACTOR & COMBINE SHIPMENTS<sup>11</sup>

## TRACTOR AND COMBINE SHIPMENTS

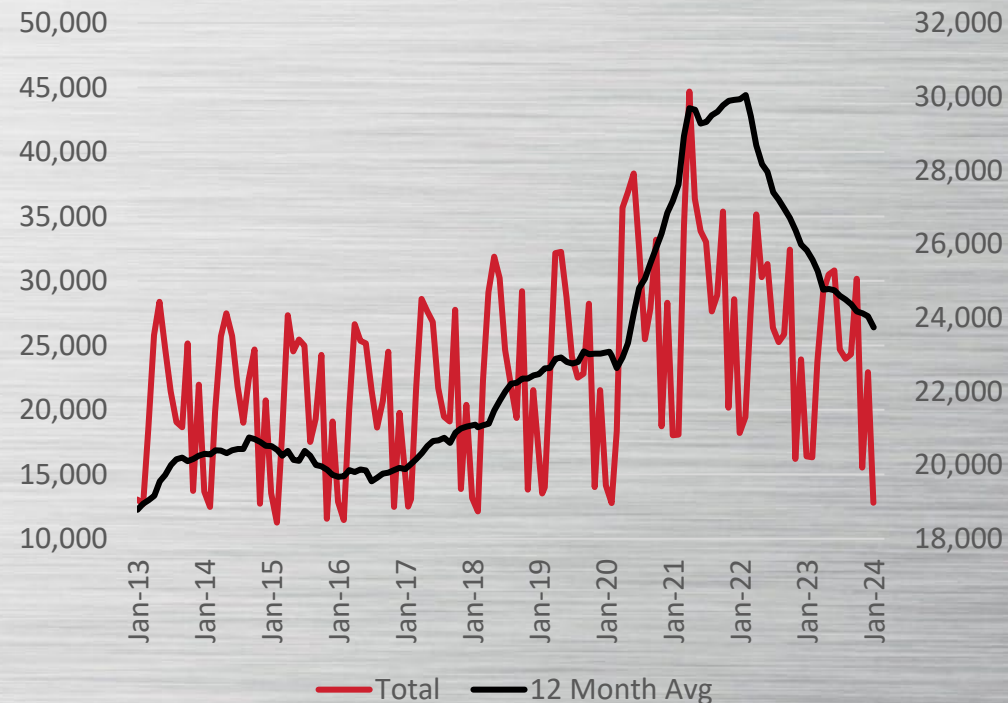
Shipments of North American (Canada and USA) tractors and combines continued to slide in January.

January shipments of tractors and combines totaled 12,787 units, down 44.2% from December and down 22.0% from January 2023.

- Total shipments have now declined, compared to the same month from the prior year, in twenty-two of the last twenty-three months.

Shipments of both tractors and combines declined, on a year-over-year basis, in January, sliding 22.6% and 6.4%, respectively.

- Tractor shipments totaled 12,212 units, the lowest monthly total (for any month) since February 2018.



## WEEKLY INITIAL JOBLESS CLAIMS<sup>12</sup>

The number of Americans filing new claims for unemployment benefits fell again last week, pointing to underlying labor market strength.

The Department of Labor's Weekly Initial Jobless Claims report came in at 212,000 claims, down from 220,000 claims previously.

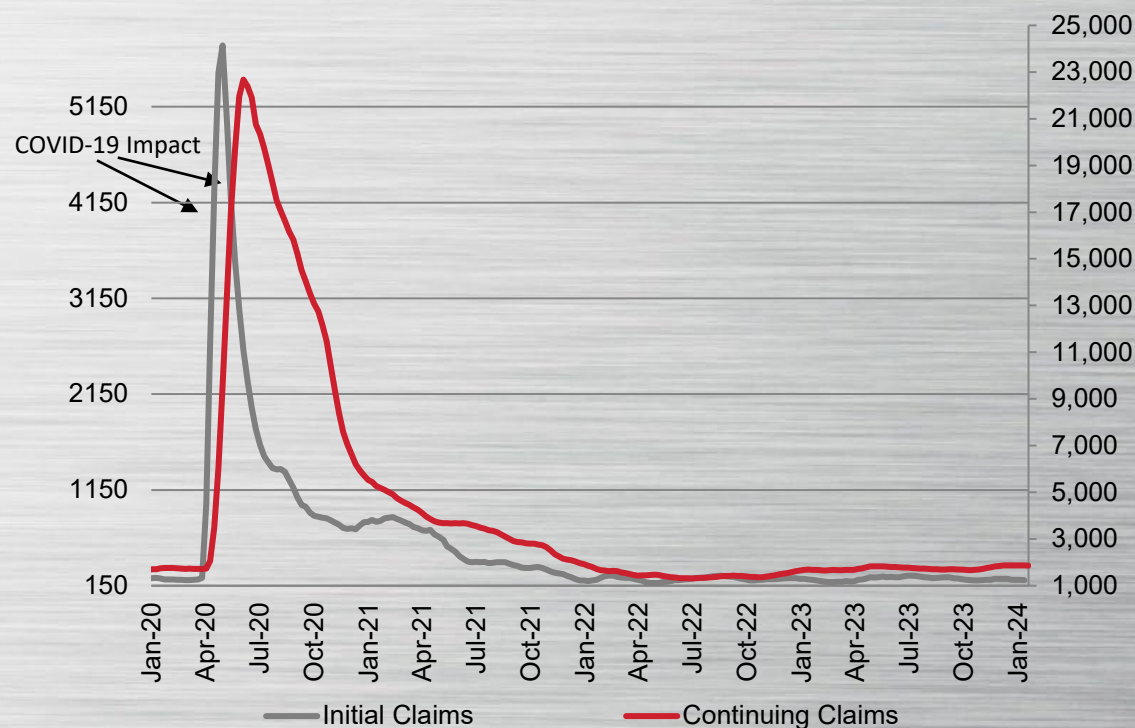
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, rose to 218,500.

Continuing claims, or claims lasting longer than one week, increased to the highest level since November.

- Continuing claims came in at 1.895 million claims, up from 1.865 million claims previously.

While layoff announcements have ticked up since January, the labor market overall is characterized by historically low unemployment.

## WEEKLY INITIAL JOBLESS CLAIMS



# CONSUMER PRICE INDEX<sup>13</sup>

Prices paid by consumers in January increased at their lowest annual rate since June.

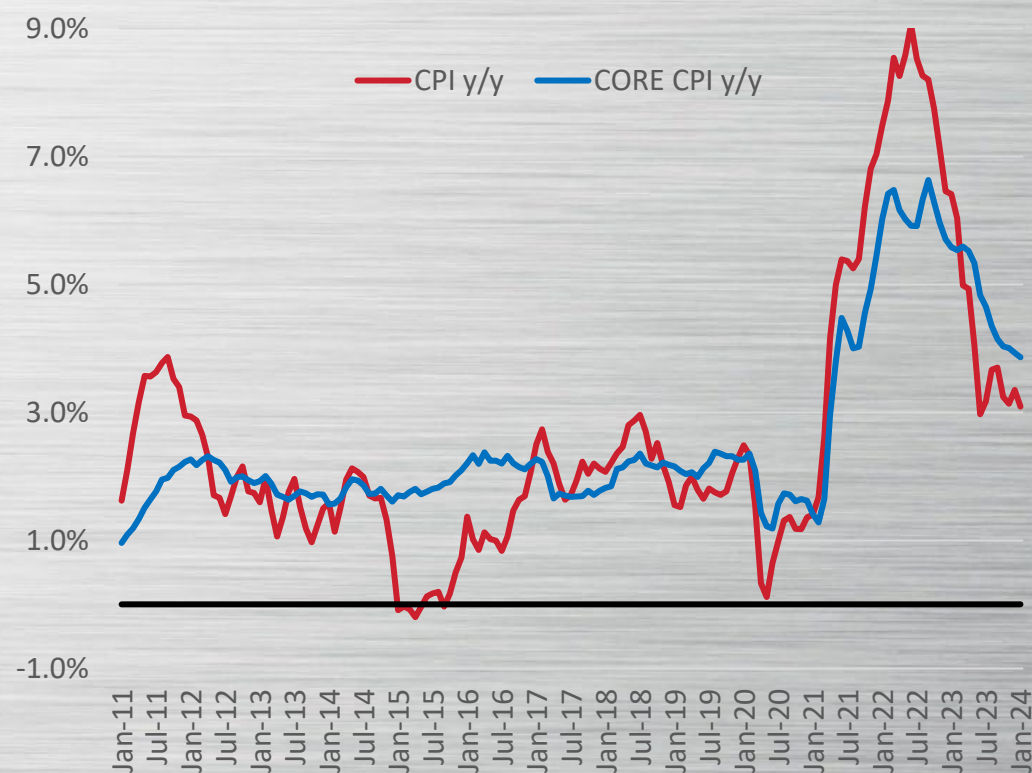
The January Consumer Price Index increased 0.54% from December and were up 3.09% compared to January 2023.

- While prices paid for food increased 0.4%, on a y/y basis, prices for energy declined 0.9%.

Prices paid for all goods, excluding food and energy increased 0.55% from December and were up 3.86% compared to January 2023.

- This was the lowest, year-over-year increase, since May 2021.
- While prices for shelter (+6.0%) made up the majority of the y/y increase, prices also increased for motor vehicle insurance (+20.6%), personal care (+5.3%), and recreation (+2.8%).
- The index for used cars and trucks (-3.4%) and the index for apparel (-0.7%) were among those that declined compared to last year.

## CONSUMER PRICE INDEX



## RETAIL SALES<sup>14</sup>

The advanced estimate for January retail sales showed the first month-over-month decline in sales since October.

- January retail sales came in at a \$700.3 billion rate, down 0.8% from December but up 0.6% from January 2023.
  - This was the lowest year-over-year increase in sales since May 2020.
- Total sales, excluding gas station sales, saw a similar 0.8% decline from December.

On a month-over-month basis, the largest declines in sales came from motor vehicle dealers, building material & garden stores, gas stations, and health & personal stores.

- These declines were partly offset by increases in sales from furniture stores, grocery stores, and department stores.

## RETAIL SALES (SAAR)



## SOURCES

- 1 Prime Scrap, Market Conversations: Week ending February 16, 2024.
- 2 Platts, Spot Iron Ore: February 16, 2024.
- 3 London Metal Exchange, Weekly Zinc Price and Inventory Report: February 16, 2024.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: February 16, 2024.
- 4 Platts, Coking Coal Price: February 16, 2024.
- 5 American Iron & Steel Institute, Weekly Domestic Steel Production: February 13, 2024.
- 6 National Association of Homebuilders, Housing Market Index: February 2024.
- 7 U.S. Census Bureau, New Residential Construction: January 2024.
- 8 A/C Heating & Refrigeration Institute, HVAC Equipment Shipments: December 2023.
- 9 NY Federal Reserve, Empire Manufacturing Index: February 2024.
- 10 Federal Reserve, Industrial Production/Capacity Utilization: January 2024.
- 11 Association of Equipment Manufacturers, Tractor and Combine Shipments: January 2024.
- 12 Department of Labor, Weekly Initial Jobless Claims: February 15, 2024.
- 13 Bureau of Labor Statistics, Consumer Price Index: January 2024.
- 14 U.S. Census Bureau, Retail Sales: January 2024.

**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, textured American flag with stars and stripes, where the stars are represented by faint, embossed coin-like patterns.

**M** MSUSA

THANK

YOU

SUBSCRIBE HERE

