MAJESTIC STEEL USA

CORE REPORT 03.05.21

COST 01

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- energy
- zinc
- coking coal

SUPPLY 03

- lead times
- production
- imports
- inventories

DEMAND 04

- automotive
- construction
- appliance
- manufacturing
- agriculture
- durable goods

ECONOMIC 08

- employment
- GDP
- confidence
- retail sales

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SPOT IRON ORE[1]

Spot iron ore pricing increased this week, now up four out of the last five weeks.

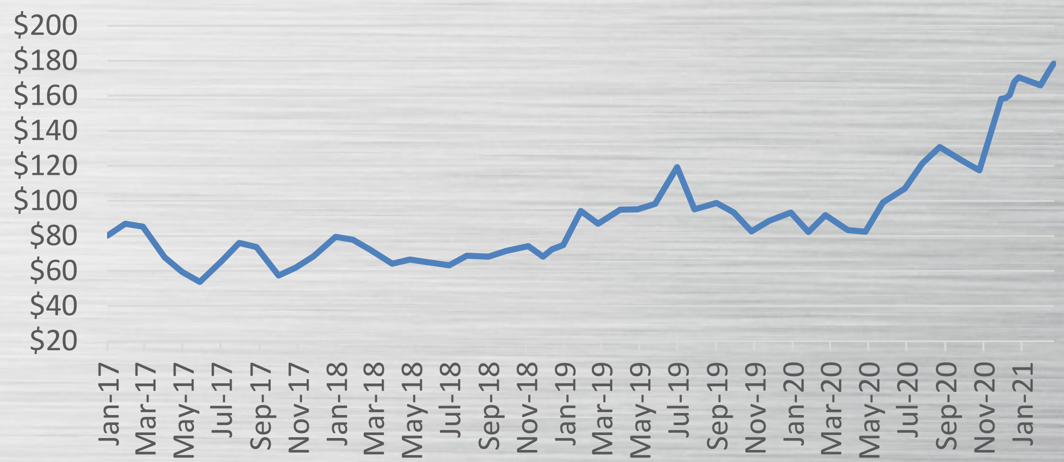
Spot iron ore pricing ended the week at $178.45/mt, up from $174.30/mt a week ago.

- This is now the highest price for iron ore since September 2011 when it was $179.50/mt.

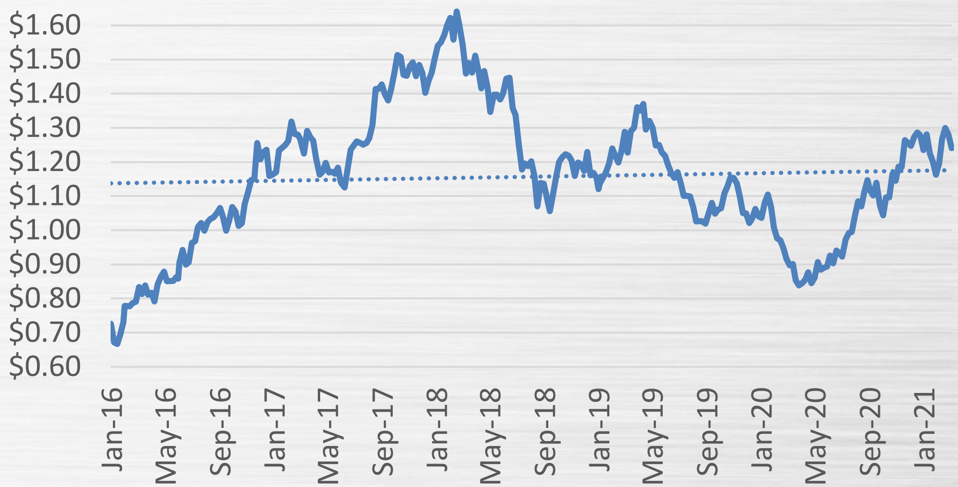
Iron ore prices continue to be supported by healthy mill margins and expectations of a steady rise in demand for steel.

- Brazilian iron ore exports increased by 10.9% in February compared to the year prior, however overall demand continues to outpace supplies.

IRON ORE COST



WEEKLY ZINC PRICING[2]



ZINC

Zinc pricing decreased this week, now down for the second consecutive week.

Zinc pricing ended the week at $2,734.50/mt ($1.240/lb), down from $2,821/mt ($1.280/lb) previously.

- After posting a new annual high in the week of February 26th, zinc has steadily dropped, however overall outlook remains bullish due to recovering global economies.

Global zinc inventory climbed again this week, now up for the sixth consecutive week.

- LME warehouse inventory decreased slightly to 268,775 metric tons, from 269,775 metric tons previously.
- Shanghai warehouse inventory increased again this week, climbing from 114,984 metric tons to 118,305 metric tons.

WEEKLY DOMESTIC STEEL PRODUCTION[3]

Domestic raw steel production increased slightly last week, now up for the third consecutive week.

U.S. mills produced an estimated 1,749k tons at a 77.2% utilization rate; this is up from 1,745k tons and a 77.0% rate previously.

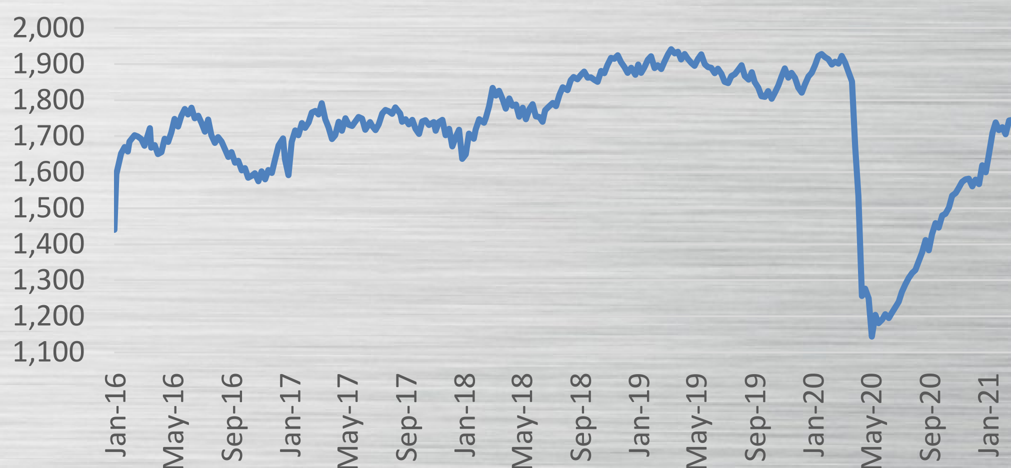
- This is the highest utilization rate since the pandemic started in March of 2020.

Production increased in three of the five regions, with the largest increase (in tons) coming from the Southern region.

- Production from the Southern region climbed from 700k tons to 715k tons.

Year-to-date production is now 10.0% below the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



LIGHT VEHICLE SALES[4]

A late month surge in demand helped to push total February light vehicle sales higher compared to January.

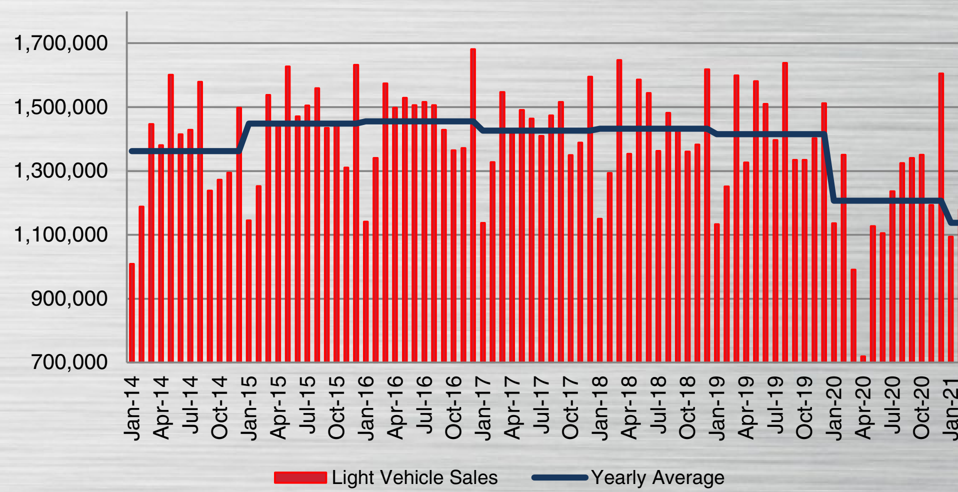
February light vehicle sales totaled 1.181 million units, up 7.9% from January but down 12.6% from February 2021.

Sales of both light trucks and cars increased over January's level, climbing 8.4% and 4.7%, respectively.

Through February, year-to-date light vehicle sales are now down 8.5% compared to the same timeframe last year.

- The slowdown in sales can be attributed to the recent production issues.
- The slowdown in production, due to the chip shortage, has exasperated an already tight dealer inventory position; which has made some makes and models nearly impossible to find.

U.S. LIGHT VEHICLE SALES



LIGHT VEHICLE INVENTORY[5]

The disruptions in light vehicle production, combined with a recovering demand situation, continue to stress inventories on dealers floors.

US light vehicle inventory declined to 2.664 million units in February.

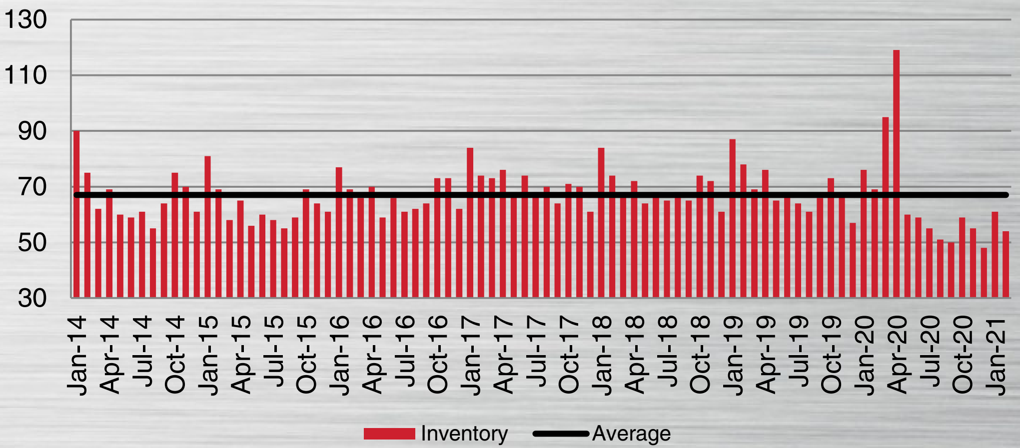
- This is down 4.0% from January and down a sharp 26.2% from 3.609 million units in February 2020.
- Light vehicle inventory levels have now declined, on a year-over-year basis, for eighteen consecutive months.

Inventories of both cars and light trucks continued to slide in February, sliding 19.7% and 32.3%, respectively.

The current inventory, when combined with February's shipment level, equates to 54 days of supply.

- This is down from 61 days in January, 59 days in February 2020, and is well below the historical average of 65 days.

U.S. LIGHT VEHICLE INVENTORY



CONSTRUCTION SPENDING[6]

Total construction spending continued to increase, on a seasonally adjusted basis, in January.

Total construction spending came in at a $1.521 trillion rate in January, up 1.7% from December and up 5.8% from a $1.438 trillion rate in January 2020.

- Total construction spending has now increased in four consecutive months.

The increase in overall spending was once again boosted by a sharp increase in residential construction spending.

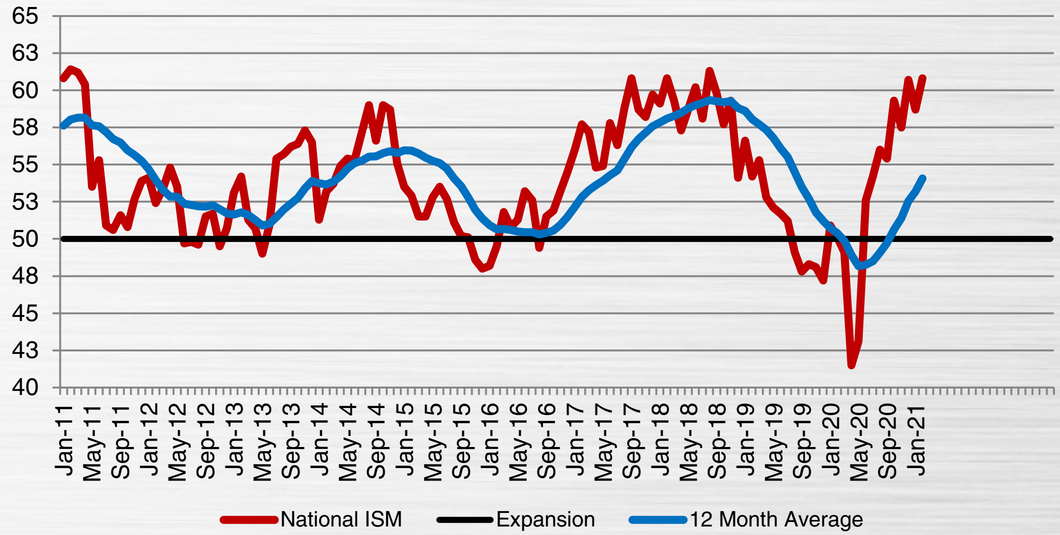
- Residential construction spending increased to a $722.4 billion rate in January; up 2.5% from December and up 21.1% from a $596.7 billion rate in January 2020.
- This was the sixth consecutive month that saw at least a double-digit year-over-year increase in spending.

While climbing slightly on a month-over-month basis, non-residential construction spending slid on a year-over-year basis, now down for the seventh consecutive month.

- Non-residential spending slipped 5.0% from last January to a $799.1 billion rate.

CONSTRUCTION SPENDING (SAAR)

ISM MANUFACTURING INDEX[7]



ISM MANUFACTURING INDEX

After slowing in January, the ISM Manufacturing Index increased in February, climbing to 60.8.

- This is up from 58.7 in January and up from 50.1 in February 2020.
- This is the highest the index has been since August 2018.

Any reading over 50 indicates growth in activity, while any reading below 50 denotes a contraction.

- February marked the ninth consecutive month in expansion.

The New Orders, Production, and Backlog of Orders components all pushed higher in February, with the Backlog of Orders (+4.3) climbing the most.

- The New Orders, Production, and Backlog of Orders components came in at 64.8, 63.2, and 64.0, respectively.
- All three remain well above the key 50.0 level.

The Employment component came in at 54.4; up from January and showing expansion for the third consecutive month.

WEEKLY INITIAL JOBLESS CLAIMS[8]

Weekly initial jobless claims increased last week, however the total was less than expected after winter storms impacted most of the southern U.S.

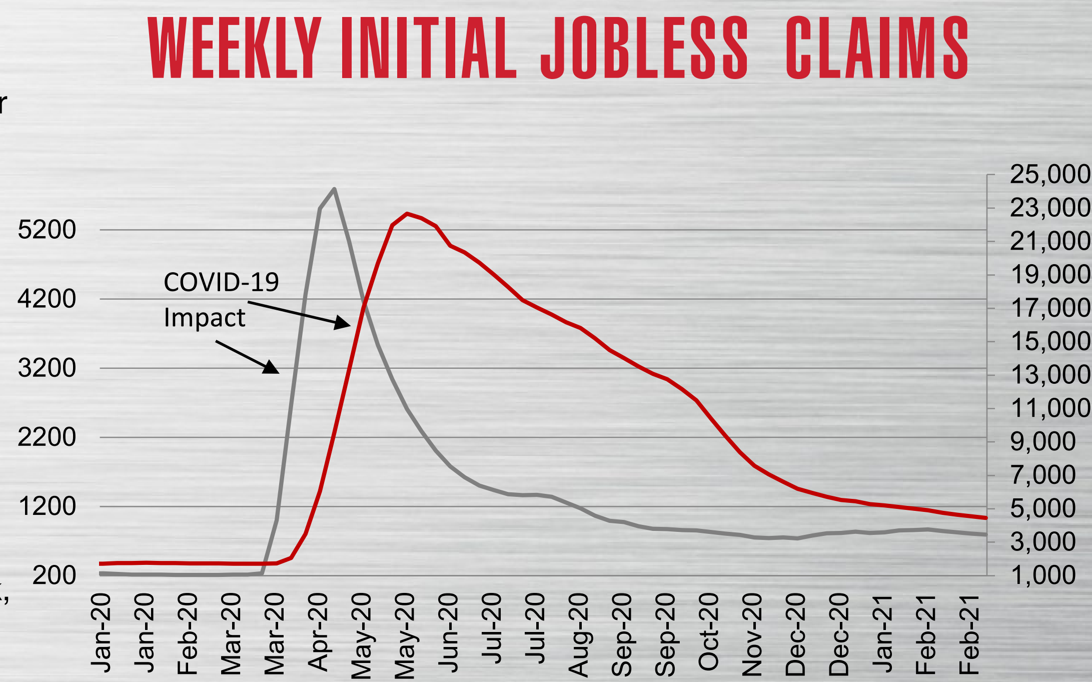
The Department of Labor's Weekly Initial Jobless Claims report came in at 745,000 claims, up from 730,000 claims previously.

- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 792,500, from 809,250 claims previously.

Continuing claims, or claims lasting longer than one week, dropped to another pandemic-era low, now down eleven out of the last twelve weeks.

- Continuing claims decreased to 4.295 million, down from 4.419 million previously.

At the state level, Texas saw the largest spike in claims due to the winter storms, resulting in an increase of 17,769 new filings.



EMPLOYMENT SITUATION[9]

After a sharp drop in December, the US has now added jobs in back-to-back months.

The US added 379,000 jobs in February, the highest monthly increase since November.

- The sharp jump higher in February was above market expectations and above the 166,000 jobs added in January.
- Despite the jump recently, the US is still down 9.5 million jobs from the pre-pandemic peak last February.

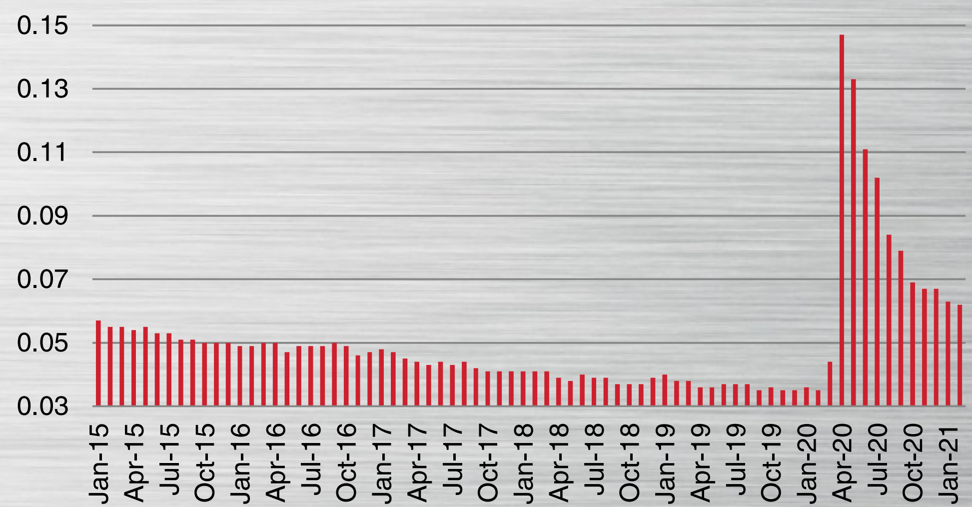
The private sector, which accounts for roughly 70% of all employment, saw a jump of 465,000 jobs in February.

After a flat reading in January, construction employment saw a sharp 61,000 decline in February.

- While overall construction lost 61,000 jobs in February, the construction of buildings saw a 2,000 job increase on the back of the strength from residential construction (+5,300).

The unemployment rate slipped slightly to 6.2%, down from the 14.7% last April but still well above the 3.5% level from February 2020.

UNEMPLOYMENT RATE



SOURCES

[1] Platts, Spot Iron Ore: March 4, 2021.

[2] London Metal Exchange, Weekly Zinc Price and Inventory Report: March 5, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: March 5, 2021.

[3] American Iron & Steel Institute, Weekly Domestic Steel Production: March 2, 2021.

[4] WardsAuto, US Light Vehicle Sales: February 2021.

[5] WardsAuto, US Light Vehicle Inventory: February 2021.

[6] US Census Bureau, Construction Spending: January 2021.

[7] Institute for Supply Managers, ISM Manufacturing Index: February 2021.

[8] Department of Labor, Weekly Initial Jobless Claims: March 4, 2021.

[9] US Census Bureau, Employment Situation: February 2021.

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THANK YOU

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