

**CORE** 03.19.21 **REPORT**

**COST**

**01**

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

**SUPPLY**

**03**

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

**DEMAND**

**04**

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

**ECONOMIC**

**09**

- ⊕ employment
- ⊕ trucking costs
- ⊖ confidence
- ⊕ retail sales

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

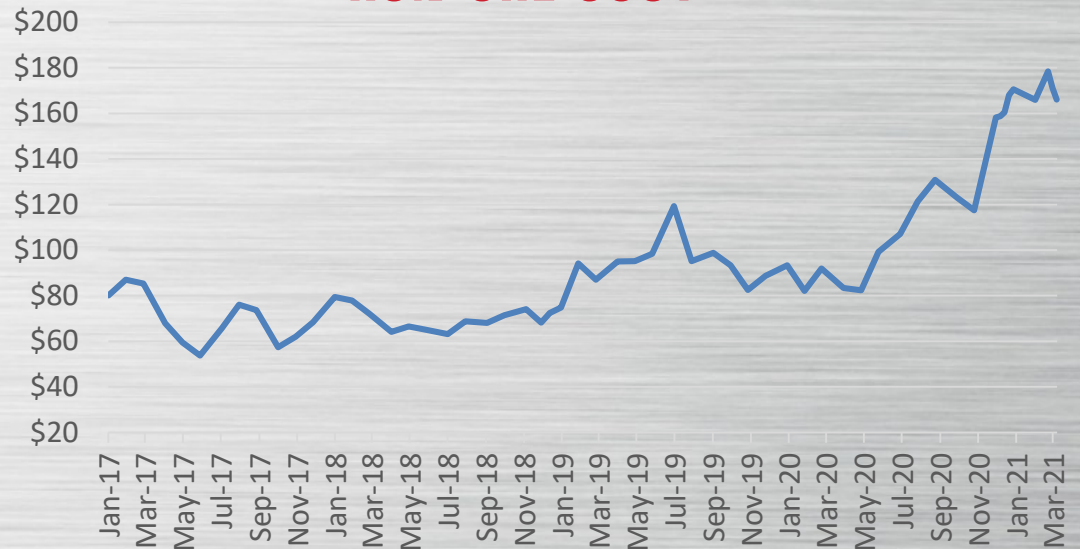
Spot iron ore pricing decreased for the second consecutive week this week.

Spot iron ore pricing ended the week at \$166.00/mt, down from \$171.05/mt a week ago.

Iron ore prices continued to dip globally this week due to the announcement of strong supervision on steel production operations and emission standards in China.

- However, overall sentiment remains bullish as global steel demand continues to recover from COVID-19.

## IRON ORE COST



**COST**

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



**ZINC**

Zinc pricing increased this week, now up for the second consecutive week.

Zinc pricing ended the week at \$2,801.50/mt (\$1.273/lb), up from \$2,784/mt (\$1.263/lb) previously.

- The global zinc surplus is likely to shrink in 2021 as demand growth outpaces any increase in production, supporting prices throughout the year.

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

- LME warehouse inventory decreased slightly to 265,125 metric tons, from 267,175 metric tons previously.
- Shanghai warehouse inventory increased again this week, climbing from 118,305 metric tons to 123,218 metric tons.



## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>3</sup>

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

U.S. mills produced an estimated 1,761k tons at a 77.7% utilization rate; this is up from 1,755k tons and a 77.7% rate previously.

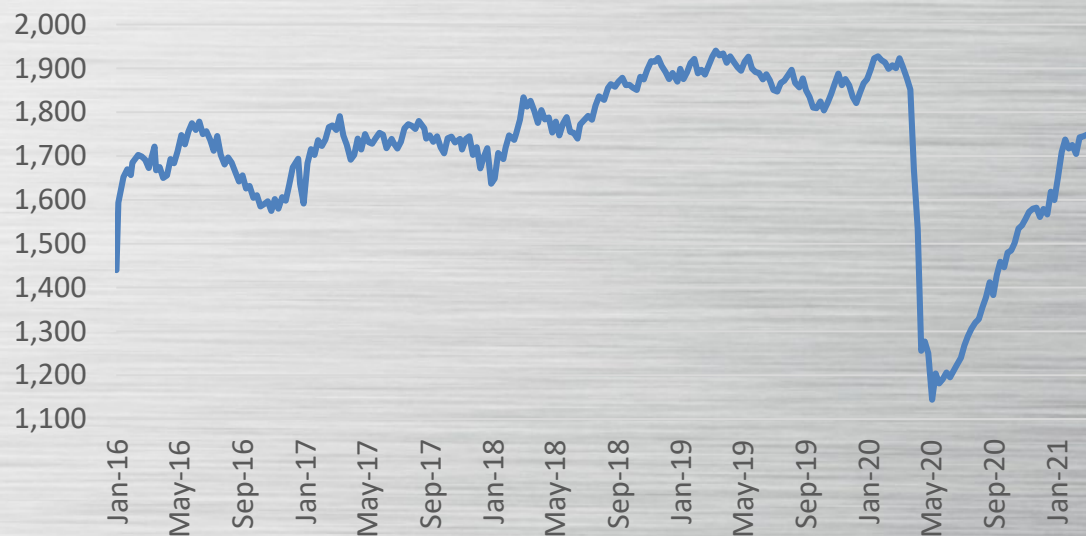
- This once again sets a new pandemic-era high for domestic mill utilization rate and is up 1.1% compared to the same week a year prior.

Production increased in only two of the five regions, with the largest increase (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region climbed from 609k tons to 627k tons.

Year-to-date production is now 9.5% below the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# LIGHT VEHICLE PRODUCTION<sup>4</sup>

Rolling production outages due to limited key parts and materials helped to push light vehicle production lower in February.

February light vehicle production totaled 747,156 units, down 3.8% from January and down 20.1% from 935,000 units in February 2020.

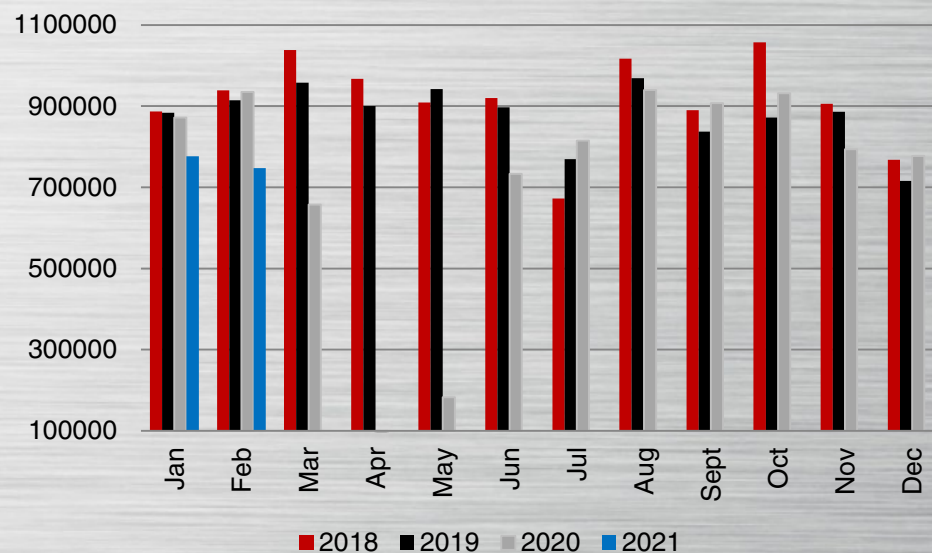
- This was the lowest monthly total since June.
- This was the second consecutive month and the third time in the last four months in which production declined on a year-over-year basis.

Despite both seeing declines, the hardest hit to production came from cars.

- Car production fell 11.4% from January and 36.9% from February 2020.
- Aside from the pandemic impacted April/May of last year, this was the lowest monthly total for car production since February 2009.
  - Light truck production declined as well, sliding 1.8% from January and 14.9% from February 2020.

Light vehicle production will continue to be hammered by the global chip/semiconductor shortage that is expected to last well into Q3.

## U.S. LIGHT VEHICLE PRODUCTION



## DEMAND

# RESIDENTIAL CONSTRUCTION<sup>5</sup>

The combination of rising material costs, limited available workers, and the cold snap that hit the South, all played a factor in the decline in housing starts in February.

February housing starts came in at a 1.421 million unit rate, down 10.3% from January and down 9.3% from a 1.567 million unit rate in February 2020.

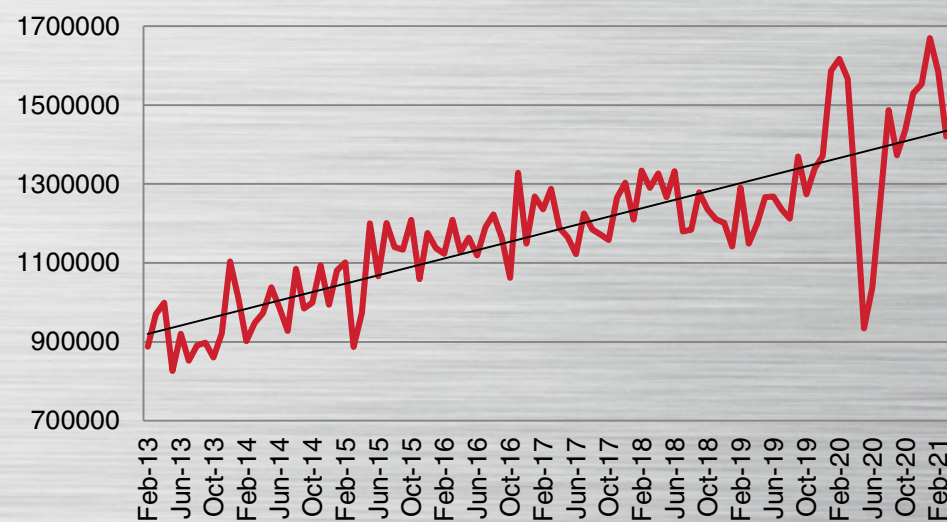
- This was the first year-over-year decline seen in starts since May.

Year-to-date actual starts are now down 5.8% from the same timeframe last year but are up 26.8% from the first two months of 2019.

Housing permits, an indicator of future construction, saw a similar month-over-month decline in February.

- February permits came in at a 1.682 million unit rate, down 10.8% from January, but up 17.0% from a 1.438 million unit rate in February 2020.
- Housing permits have now seen at least a 17.0%, year-over-year increase, in each of the past three months.

## NEW HOUSING STARTS (SAAR)

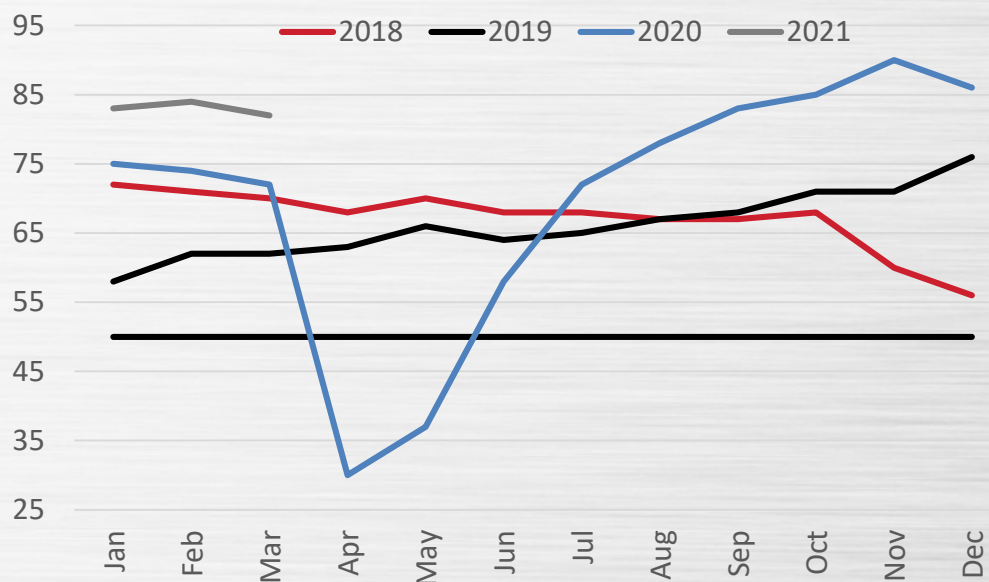




## DEMAND



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



## HOUSING MARKET INDEX

Confidence among US homebuilders remained very high in March.

The March Housing Market Index came in at 82, down slightly from 84 in February but well above the 72 level from March 2019.

- Any reading over 50 indicates that homebuilders see a strong sales environment.

All three components remained well above the key 50 level as well in March.

- The index measuring the current outlook remains the strongest, coming in at 87.
- The next six months and traffic components came in at 83 and 72, respectively.

Regionally, the index came in the strongest (88) in the West and Northeast (86).

# DEMAND

## INDUSTRIAL PRODUCTION/CAPACITY UTILIZATION<sup>7</sup>



## INDUSTRIAL PRODUCTION MOMENTUM

After climbing to a post-pandemic high in January, the Industrial Production Index declined in February.

- The severe winter weather in the south region of the country mid-month accounted for the bulk of the declines in output in February.
  - The sharpest declines came from the energy sector.

The capacity utilization rate slipped as well, sliding to 73.8%, down from 75.5% in January and was at its lowest level since October.

The Industrial Production Index for the manufacturing of durable goods saw a decline as well in February, sliding 2.5% from January.

- The durable good manufacturing index was down 4.0% from February 2020, the sharpest year-over-year decline since September.

As reopening continues to increase around the country and Spring weather thaws most of the country out, it is expected that the Industrial production index will regain its upward momentum in March.



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

Business activity in the New York region continued to expand in March and has now grown in nine consecutive months.

The March Empire Manufacturing Index came in at 17.4, up over 5.0 from 12.1 in February.

- The two-month average, smoothing out volatility, came in at 14.8, the highest level since December 2018.
- Any reading over 0.0 indicates a growth in activity from the manufacturing sector, while any reading below 0.0 denotes contraction.

Despite a slight slowdown in new order growth, sharp increases in shipments and delivery time, helped to push the overall index higher.

- Unfilled orders continue to expand in March, climbing to 4.0 from 2.6 previously.

## EMPIRE MANUFACTURING INDEX (2mma)



# WEEKLY INITIAL JOBLESS CLAIMS<sup>9</sup>

Weekly initial jobless claims increased last week, now up two out of the last five weeks.

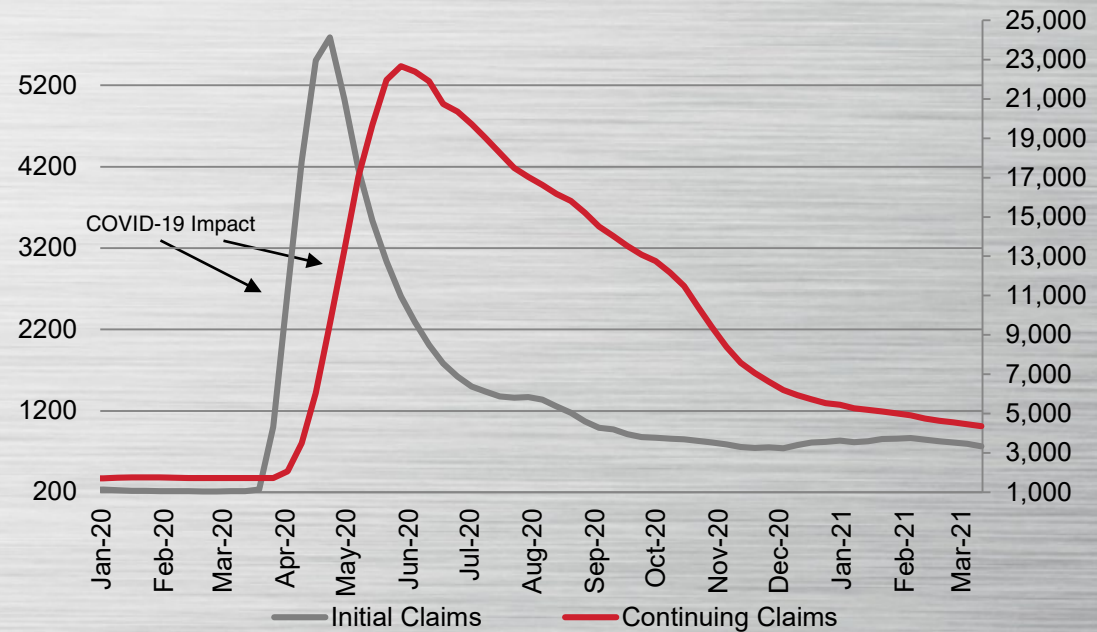
The Department of Labor's Weekly Initial Jobless Claims report came in at 770,000 claims, up from 725,000 claims previously.

- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 746,250, from 764,000 claims previously.

Continuing claims, or claims lasting longer than one week, dropped to another pandemic-era low, now down for the ninth consecutive week.

- Continuing claims decreased to 4.144 million, down from 4.337 million previously.

## WEEKLY INITIAL JOBLESS CLAIMS





## TRUCKING COSTS<sup>10</sup>

While the trucking industry has been hampered by tight availability (drivers and trucks), rising fuel costs, and bad weather; rising freight rates are now pushing the total cost even higher.

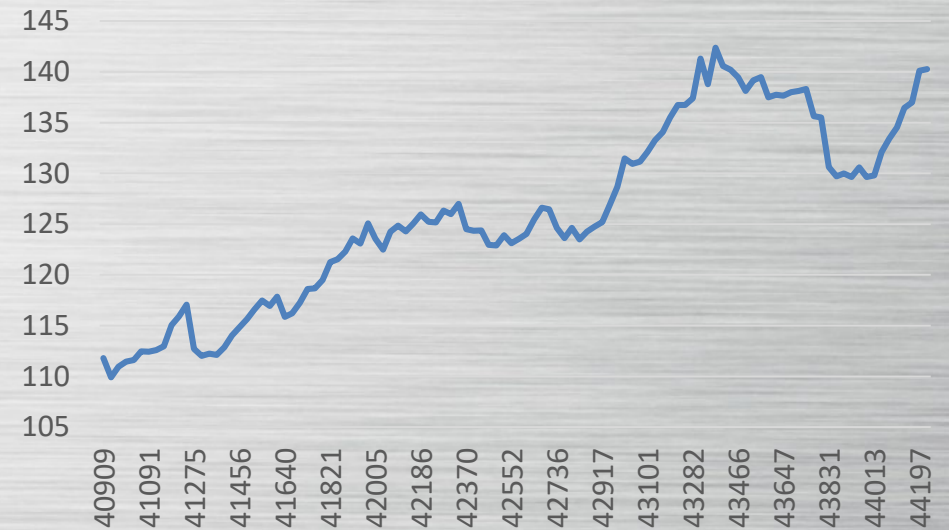
The Cass Information Systems February Linehaul Index showed freight rates continuing to climb.

- The February Linehaul Index came in at 140.25, up 7.3% from January and up 8.1% from February 2020.

The Linehaul Index measures the market fluctuations in per-mile truckload pricing.

- The index isolates the linehaul component costs from other components like fuel and accessories.

## LINEHAUL INDEX





# ECONOMIC



## RETAIL SALES<sup>11</sup>

After a stimulus infused jump in January, retail sales slipped slightly in February.

February retail sales came in at a \$561.7 billion rate, down 3.0% from January but up 6.3% from a \$528.5 billion rate in February 2020.

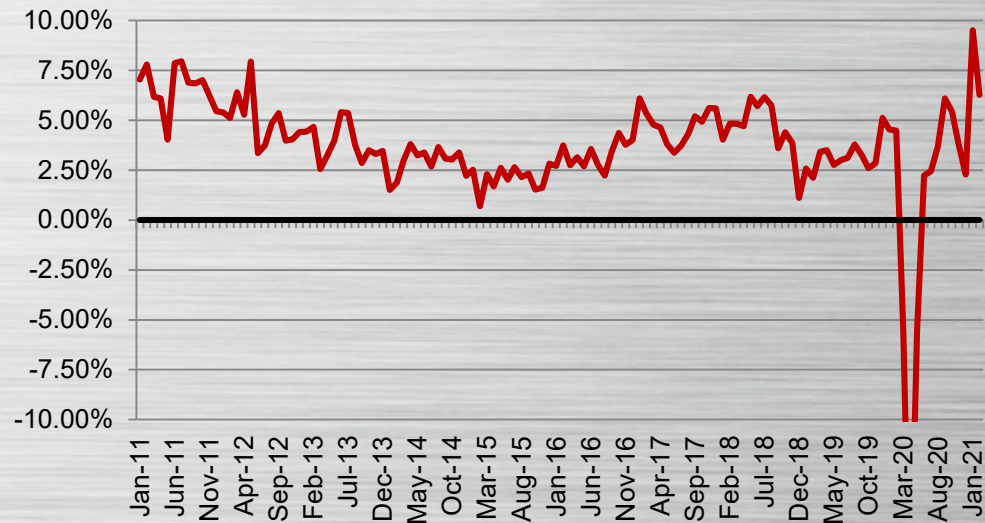
- This was the ninth consecutive month in which sales were up on a year-over-year basis.

The largest declines in February came from motor vehicle dealers (lack of inventory), furniture stores, and sporting goods stores.

- These declines were only partly offset by increases from gas stations and grocery stores.

The dip is expected to be short lived as the third round of stimulus sends another jolt through the economy and boosts spending in March/April.

## RETAIL SALES Y/Y %



## SOURCES

- 1 Platts, Spot Iron Ore: March 18, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: March 19, 2021.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: March 19, 2021.
- 3 American Iron & Steel Institute, Weekly Domestic Steel Production: March 16, 2021.
- 4 WardsAuto: U.S. Light Vehicle Production, February 2021.
- 5 Census Bureau, New Residential Construction: February 2021.
- 6 National Association of Homebuilders, Housing Market Index: March 2021.
- 7 The Federal Reserve, Industrial Production/Capacity Utilization: February 2021.
- 8 NY Fed, Empire Manufacturing Index: March 2021.
- 9 Department of Labor, Weekly Initial Jobless Claims: March 18, 2021.
- 10 Cass Information Systems, Linehaul Index: February 2021
- 11 US Census Bureau, Retail Sales: February 2021.

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

**M MSUSA**

THANK

YOU

SUBSCRIBE HERE

