

## **INVENTORIES AT RECORD LOWS AS DEMAND INCREASES**

Domestic raw steel production and inventories are decreasing while carbon steel consumption pushes higher. Demand continues to be driven by manufacturing, residential construction, and other key sectors.

### **INPUT COSTS**

After the sharp jump in March, early expectations are for a quieter April scrap buying week.

- Prime scrap availability remains tight and a continued chip shortage is restraining flows; the limited supply is being offset by lower buying patterns ahead of Q2 maintenance.
- Obsolete and shredded grades declined \$20/gt in April as the export market dried up significantly.

Market sentiment for iron ore is weak because of the ongoing restrictions and inspections on steelmakers in regions outside of the Tangshan region in China.

- With that being said, iron ore prices are still being supported on the strong prices of steel products globally.

### **SUPPLY**

Domestic raw steel production slipped last week, sliding after two consecutive increases.

- US steelmakers produced 1.761 million tons at a 77.6% utilization rate.
- The unexpected issues at Mon Valley played a part in the week-over-week decline in overall domestic production last week.

The improving shipment rate, combined with the slow to arrive material on order, helped to push inventories even lower in March.

- The current flat rolled days of supply (31.4) is at its lowest level since at least January 2000.
- The days of supply is a better indicator for actual supply, as it eliminates the variance of shipping days from month-to-month; for the record the months of supply is at 1.37 months.
  - The 1.37 months of supply is at the lowest level on record (Oct 1977).

January coated service center inventories are at their lowest monthly total (922.5k tons) since October 2013 and is the third lowest monthly total since data first became available in January 2011.

- Current inventory, when combined with the March coated shipment rate, equates to 1.19 months (27.5 days) of supply; fresh all-time lows for both.

## DEMAND

As the country continued to recover from the mass lockdowns in Q2, manufacturing, residential construction, and other key demand sectors continue to improve, helping to boost carbon steel consumption in February.

- Carbon flat rolled consumption came in at a rate of 146.3 thousand tons/day, up from January and was at its highest level since March.
  - February flat rolled consumption was still 9.0% below year-ago levels.
- Carbon flat rolled per/day consumption in February was now up 39% from the recent bottom in May however.

Total MSCI carbon flat rolled shipments increased to 2.519 million tons, up from 2.029 million tons in February and were up 14.7% from 2.196 million tons in March 2020.

- This was the highest monthly shipment total since October 2014.

Coated flat rolled shipments totaled 773.5 thousand tons (33.6 thousand tons/day) in March; this is up from 633.6 thousand tons (31.7 thousand tons/day) in February and is up from 679.9 thousand tons (30.9 thousand tons/day) in March 2020.

## PRICE

Steel pricing continued to set new all-time highs, as the upward momentum continued this week.

- This current upward super-cycle for flat product pricing has now entered its eighth month, with no signs of turning in the near future.

## ECONOMIC

The chair of the Federal Reserve, Jerome Powell, says he is seeing strong growth and job creation and is confident the U.S. economy will surge this year.

- He recently stated that he forecasts the economy could grow as much as 7% this year.
  - This would be the highest annual GDP in 30 years and come off a year where GDP declined by 3.5%.

Consumer prices rose in March for the fourth month in a row and the pace of inflation hit the highest level in two and a half years

- The consumer price index rose 0.6% in March from the previous month and 2.6% from a year ago.
- A surge in gasoline prices accounted for about half the gain amid signs of an accelerating economic recovery.