

## **BOOMING DEMAND IS DRIVING PRICES TO NEW HEIGHTS**

Despite reaching post-pandemic production highs, growing demand is causing mill lead times to remain elevated. This continues to push raw material pricing even higher than during the Great Recession.

### **INPUT COSTS**

After a flat reading in April, the early indication is for prime scrap pricing to see a slight uptick in May.

- May prime scrap pricing is poised to climb \$10/gt, setting a new post-Great Recession high.

The continued push higher of finished steel prices around the globe helped to push spot iron ore pricing.

- Spot iron ore ended last week at \$185/mt, the highest level in a decade.
- Pricing has been flat to start the new week as China is celebrating their weeklong Labor Day holiday.

Zinc pricing continues the steady push higher, now closing above \$1.30/lb for six straight days.

- Much like every material, the current supply/demand imbalance is poised to push prices even higher from here.

### **SUPPLY**

Domestic raw steel production continued to push higher last week, reaching a fresh post-pandemic high.

- U.S. steelmakers produced 1.88 million tons at a 78.7% utilization rate.
- Year-to-date production is now 4.0% above the total from the same period last year.

Domestic coated lead times remain elevated as mills struggle to meet strong demand.

- Coated lead times range from 11-18 weeks, with an average of just under 14 weeks (Sept).

According to the SIMA import license data, April imports increased 9.7% m/m on a per/day basis to over 2.2 million tons.

- Excluding Brazilian slabs, imports were actually down 1.2%, compared to March, on a per/day basis.

## DEMAND

Total U.S. construction spending increased slightly in March, climbing to SAAR of \$1.513 trillion.

- The strong boost in residential construction spending (up 1.7% m/m), helped to overcome the continued slowing of non-residential construction (down 0.9% m/m) spending.

The April ISM Manufacturing Index continued to show strong growth from the manufacturing sector.

- The April ISM MFG Index came in at 60.7, well above the 50.0 growth breakeven point.
  - Continued growth from the New Orders, Production, and Order Backlog components helped lead the overall index higher.

April U.S. light vehicle sales had their strongest monthly sales pace (18.51 million) since July 2005.

- The continued increase in demand will only put further pressure on dealer inventories as producers continue to struggle through parts and material shortages.

## PRICE

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



Hot rolled coil futures pricing continues to push higher with the current forward curve moving higher through October.

- The current three month contract (July \$1571) is at the highest level we have seen in the cycle.
- The forward curve shows pricing above \$1400 through November and above \$1200 through Q1 2022.

## ECONOMIC

Q1 2021 GDP increased sharply on an annualized rate, climbing 6.4%.

- The sharp increase was driven higher mostly by personal consumption, which grew 10.7%, the second fastest pace since the 1960's.