

**CORE** 09.20.24 **REPORT**

**COST**

**01**

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

**SUPPLY**

**04**

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

**DEMAND**

**05**

- ⊕ automotive
- ⊖ construction
- ⊖ appliance
- ⊕ manufacturing
- ⊖ agriculture
- ⊖ consumption

**ECONOMIC**

**12**

- ⊕ employment
- ⊕ retail sales
- ⊖ inflation
- ⊖ trucking costs
- ⊖ income

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

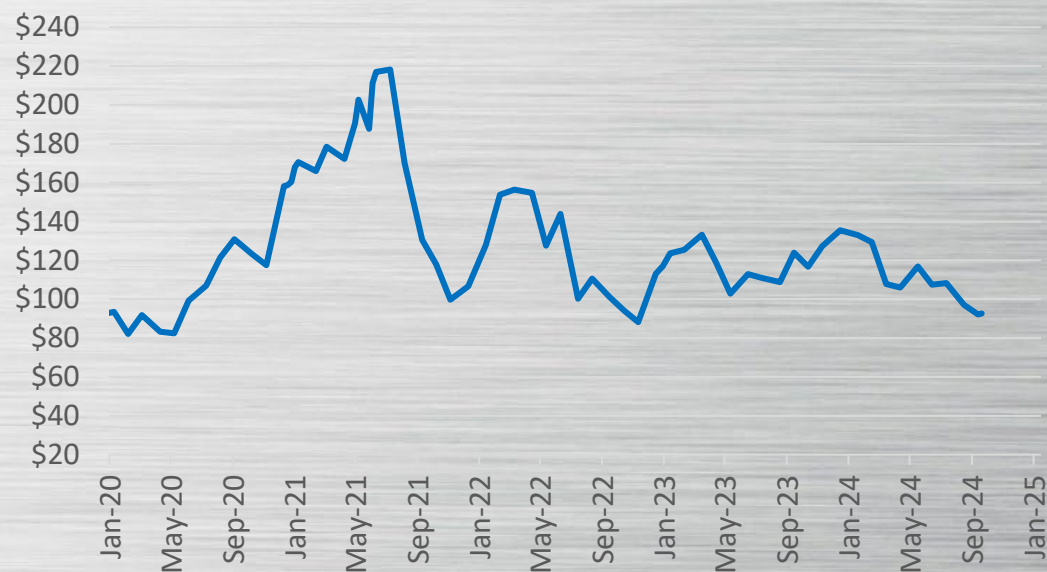
Spot iron ore ticked up slightly this week after dropping seven out of the previous nine weeks.

Spot iron ore pricing settled at \$92.65/mt, up from \$92.20/mt the week prior.

- Despite the slight increase, this remains the lowest price for iron ore since November 2022.

Steel production in China dropped 10.4% in August as weak construction demand continued to drag down consumption, leaving the iron ore market with excess supply.

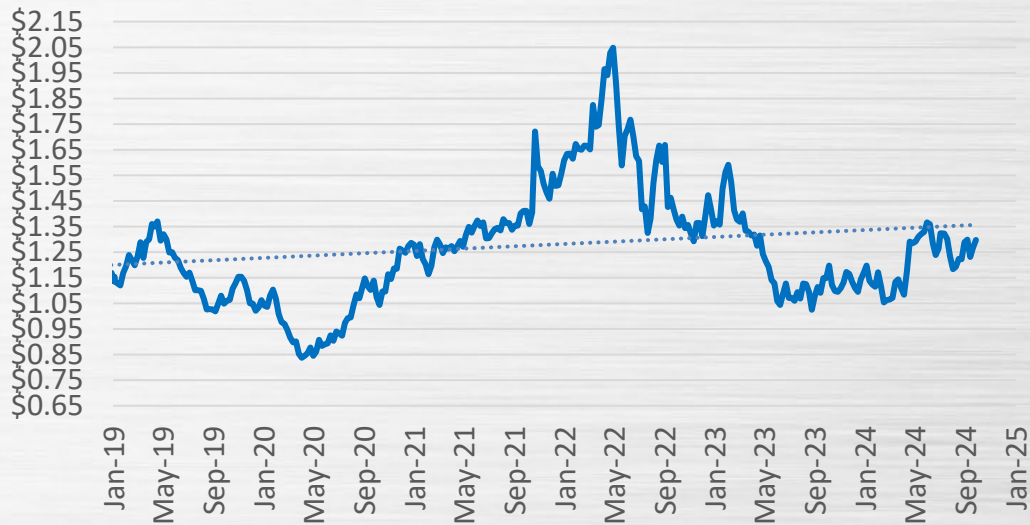
## IRON ORE COST



# COST



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



## ZINC

Zinc pricing increased again this week resuming an upward climb.

Zinc pricing ended the week at \$2,860/mt (\$1.297/lb), up from \$2,798/mt (\$1.269/lb) previously.

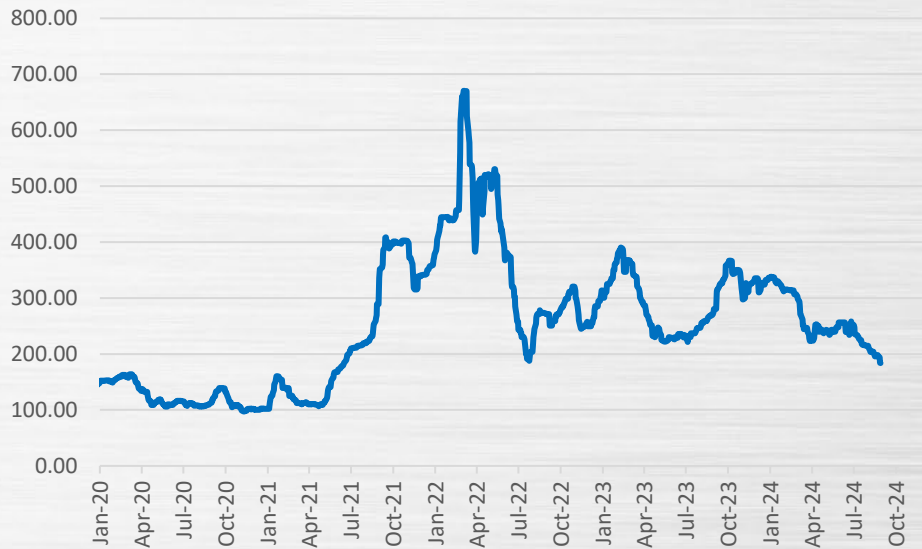
- Zinc consuming end-markets like construction and automotive are expected to get a boost from lower interest rates to end the year.

Global zinc inventory increased this week after sliding the previous four weeks.

- LME warehouse inventory increased sharply, climbing from 232,425 metric tons to 256,800 metric tons.
- Shanghai warehouse inventory rose as well, climbing from 81,695 metric tons to 85,612 metric tons.

# COST

## COKING COAL<sup>3</sup>



## COKING COAL

Coking coal pricing increased this week after sliding the previous nine weeks.

Coking coal settled at \$187.65/mt, up from \$181.00/mt last week.

- This remains the lowest price for coal since June of 2021.

China's steel sector continues its seasonal slowdown with many steelmakers conducting maintenance on their blast furnaces and consuming less coking coal.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>4</sup>

Domestic raw steel production resumed its downward momentum last week, slipping for the second time in the last three weeks.

U.S. mills produced an estimated 1,749k tons at an 78.8% utilization rate; this is down from 1,772k tons and an 79.8% rate previously.

- This is the lowest utilization rate since the first week of August.

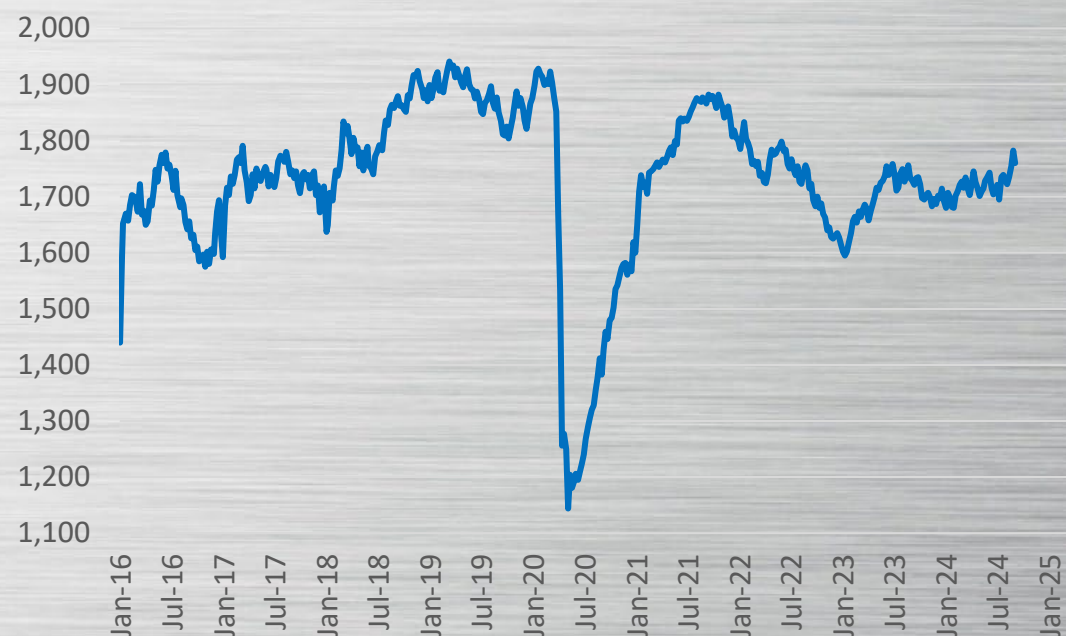
Production decreased in four of the five regions, with the largest drop coming from the Southern region.

- Production from the Southern region dropped from 767k tons to 747k tons.

Year-to-date production remains up 1.3% compared to the same timeframe from last year.

Cleveland-Cliffs announced plans to take their Cleveland blast furnace down indefinitely after the two-week outage in October.

## WEEKLY DOMESTIC PRODUCTION



# LIGHT VEHICLE PRODUCTION<sup>5</sup>

After the seasonal slowdowns impacted light vehicle production in the previous two months, total production rebounded sharply in August.

August light vehicle production totaled 969,968 units, up 41.4% from July but was still 2.1% below the rate from August 2023.

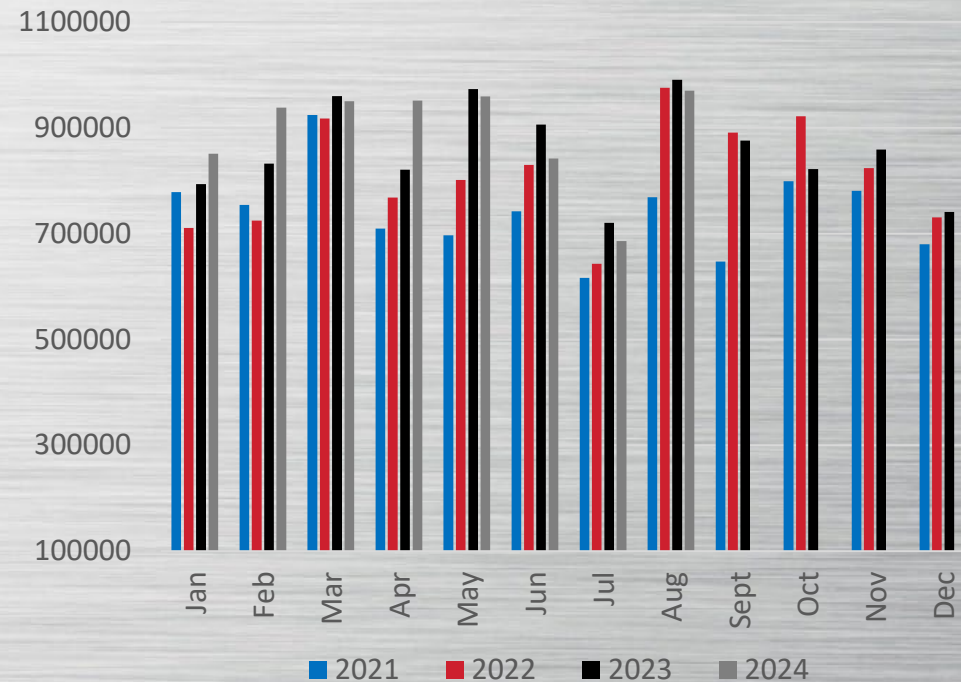
- Despite recovering, August marked the fourth consecutive month in which builds declined on a year-over-year basis.

The drop in year-over-year production solely came from car builds, which were down 18.3% from last August and are now down on a year-over-year basis for the sixth straight month.

- Light truck builds increased from last August, climbing 1.3% to 831,374 units.
  - This was the highest monthly build rate for light trucks on recent record.

Year-to-date light vehicle builds are now up 2.2% compared to the same timeframe last year.

## U.S. LIGHT VEHICLE PRODUCTION



## DEMAND

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

Builder confidence improved from August but remained overall pessimistic.

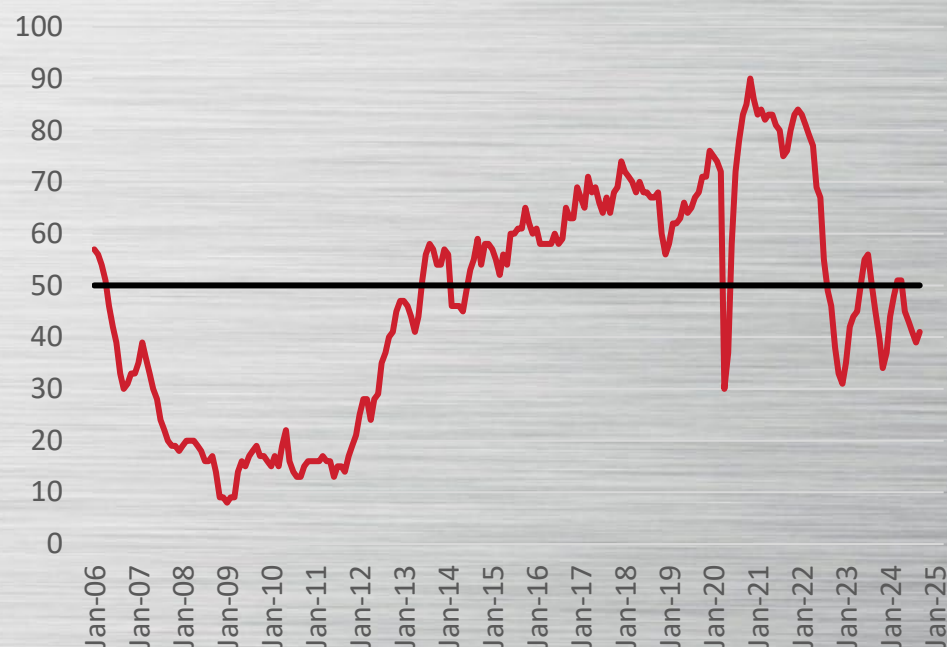
The August Housing Market Index came in at 41, up slightly from 39 in August but still below the key 50.0 level.

- The slight increase in August ended a string of four consecutive monthly declines.

Within the overall index, all three components increased, with the sales expectations for the next six months being the strongest.

- While the current conditions and prospective buyer traffic components remained below 50 at 45 and 27, respectively, the next six month outlook increased to 53.
- This is the first month the short-term outlook has been optimistic (>50) since May.

## HOUSING MARKET INDEX



# HOUSING STARTS & PERMITS<sup>7</sup>

New residential construction increased in August after declining in July.

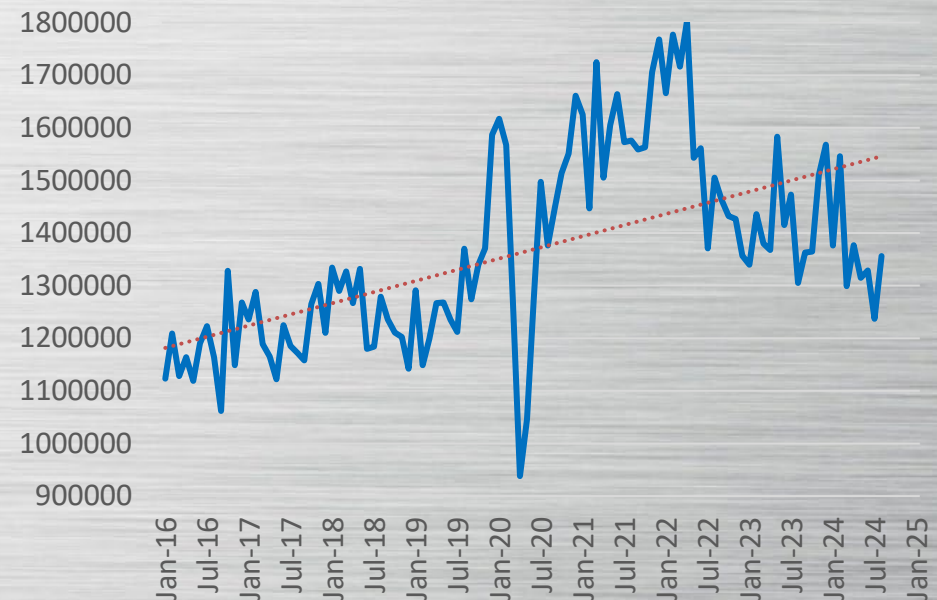
- New housing starts came in at a 1.356 million unit rate in August, up 9.6% from July and up 3.9% from the 1.305 million unit rate in August 2023.
  - This ended a string of three straight months with a year-over-year decline in starts.
- The boost in starts in August came from single-family units, which increased 15.8% from July.

Despite the increase of late, year-to-date actual new housing starts are down 4.0% compared to the same timeframe last year.

Permits, a leading indicator for future construction, increased 4.9% from July and is now up for the second time in the last three months.

- Permits came in at a 1.475 million unit rate, down 6.5% from last August and now down on a year-over-year basis for the fifth straight month.

## NEW HOUSING STARTS (SAAR)





# EXISTING HOME SALES<sup>8</sup>

## EXISTING HOME SALES (SAAR)

After climbing last month, sales of existing homes declined in August.

August existing home sales came in at a 3.860 million unit rate, down 2.5% from July and down 4.2% from the 4.030 million unit rate in August 2023.

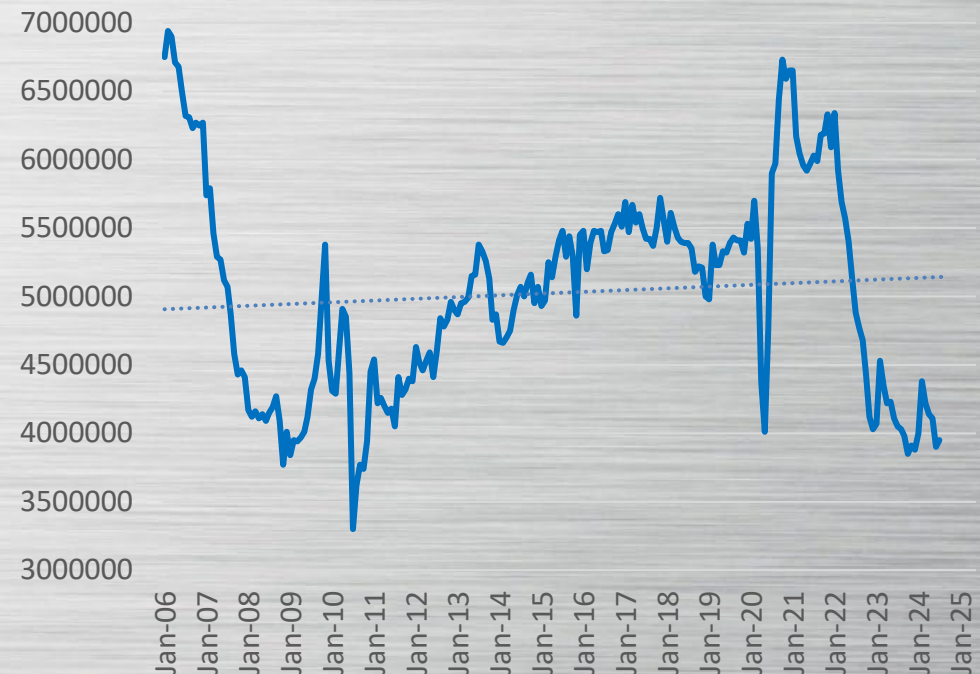
- This is the thirty-sixth consecutive month in which sales declined on a year-over-year basis.

Year-to-date sales are now down 2.5% compared to the same timeframe last year.

The inventory of unsold existing homes at the end of August increased to 1.350 million units, up slightly from the end of July.

- The current inventory, when combined with August's sales pace, equates to 4.2 months of supply.

The median home sales price declined for the second consecutive month, sliding to \$416,700.



# ARCHITECTURE BILLINGS INDEX<sup>9</sup>

## ARCHITECTURE BILLINGS INDEX (3MMA)

Activity at the architecture level declined at a faster rate in August.

The August Architecture Billings Index came in at 45.7, now below 50.0 for the thirteenth consecutive month.

- The August reading was down 5.0% from the 48.1 reading in August 2023, marking the sixth consecutive month with a year-over-year decline.
  - Any reading below 50 shows a decline in activity, while any reading above 50 shows an expansion.

Regionally, all four regions saw declines in activity in August, with the West (45.7) being the weakest.

- The sector breakdown shows all three sectors declining as well.
  - The multifamily residential component came in at 44.0, while the commercial/industrial component came in at 46.6.



## DEMAND

# EMPIRE MANUFACTURING INDEX<sup>10</sup>

Business activity from the manufacturing sector in the New York region increased for the first time in nearly a year in September.

The September Empire Manufacturing Index increased sharply to 11.5, up 16.2 from August.

- This was the strongest monthly growth since December 2021.
- The two-month average increased to 3.4, ending a string of nine consecutive negative readings.

Both the new orders and shipment components increased in September, climbing to 17.3 and 17.6, respectively.

- The unfilled orders component increased as well, climbing 9.5 points to 2.1.

The index for future business activity increased to 30.6, up eight points from August.

- While firms grew more optimistic that conditions would improve in the future, the capital spending index slide below 0.0 for the first time since 2020.

## EMPIRE MANUFACTURING INDEX (2MMA)



## DEMAND

# INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION<sup>11</sup>

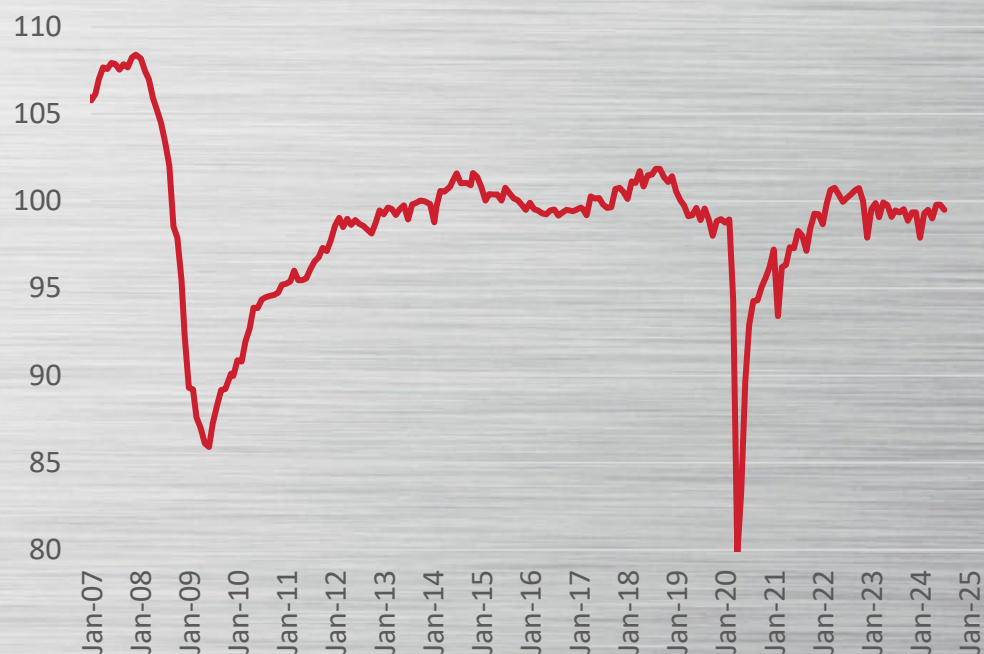
Industrial production rebounded in August after declining in July.

The August industrial production index came in at 103.1, up 0.8% from a downwardly revised 102.3 reading in July.

- The output of manufacturing increased 0.9% after sliding the previous two months.
- The boost in August mostly came from motor vehicle and parts manufacturing.
  - The index for manufacturing excluding motor vehicles and parts increased 0.3% in August.
  - Excluding motor vehicle manufacturing, the boost came from primary metals, electrical equipment, and appliances.

The capacity utilization rate increased to 78.0%, up 1.2% from last August but still below the long-run average.

## INDUSTRIAL PRODUCTION (MANUFACTURING)



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

The number of Americans filing new claims for unemployment dropped sharply last week to a four-month low.

The Department of Labor's Weekly Initial Jobless Claims report came in at 219,000 claims, down from 231,000 claims previously.

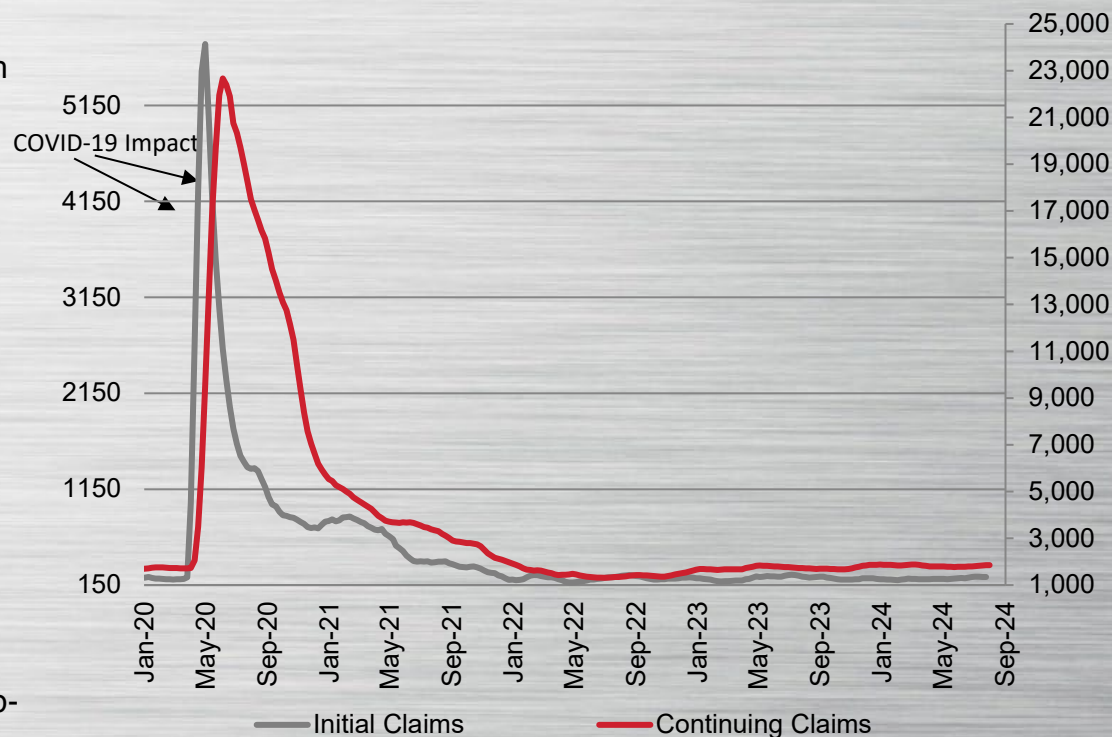
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 227,500.

Continuing claims, or claims lasting longer than one week, decreased for the third consecutive week.

- Continuing claims came in at 1.829 million claims, down from 1.843 million claims previously.

The labor market has cooled considerably, with a big step-down in hiring and decrease in job openings, however layoffs remain low.

## WEEKLY INITIAL JOBLESS CLAIMS



## ECONOMIC

# RETAIL SALES<sup>13</sup>

Retail sales increased slightly in August after a solid increase in July.

- August retail sales came in at a \$710.8 billion rate, up 0.1% from July and up 2.1% from the \$695.9 billion rate in August 2023.
  - Retail sales have no increase in three of the last four months.

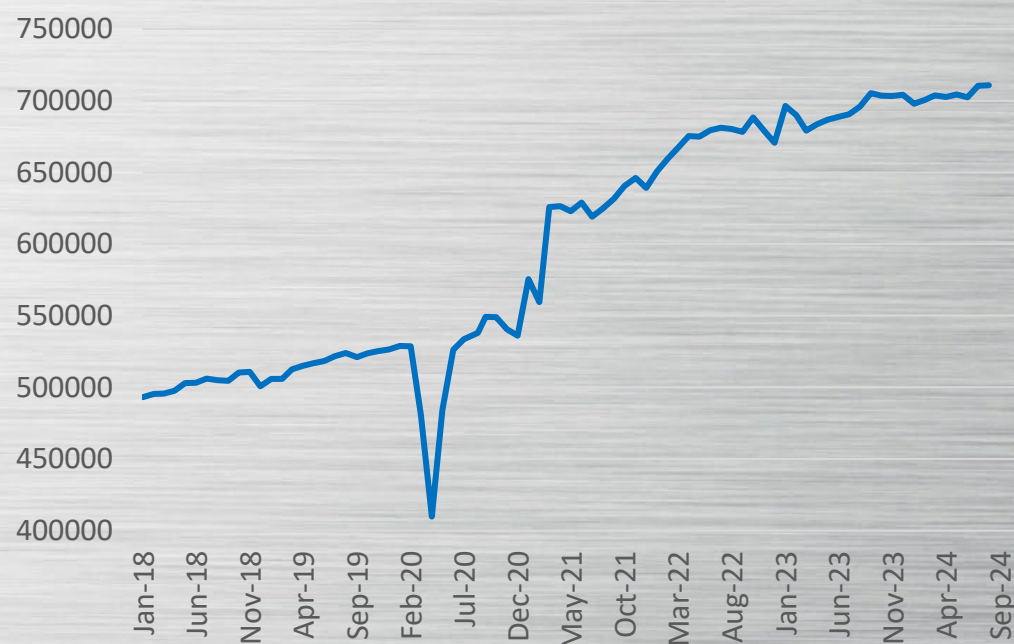
The largest increases in sales in August came from online retailers, health & beauty stores, and sporting good stores.

- These increases just barely offset the declines seen in sales from gas stations, department stores, grocery stores, and electronic & appliance stores.

Year-to-date actual sales are now up 2.8% compared to the same timeframe last year.

- Excluding sales from gas stations, sales are up 3.2% compared to the same time last year.

## RETAIL SALES (SAAR)



## ECONOMIC

# TRUCKING COSTS<sup>14</sup>

After peaking in November 2022, inferred freight rates have seen a steady decline that continued in August.

August inferred freight rates declined 3.0% from July and are down 7.2% from August last year.

- The 2.81 Inferred Freight Rate reading was the lowest since May 2021.

Inferred freight rates are a simple calculation of total shipments divided by total cost (expenditures), which helps explain the movement in cost per shipment.

- While the shipment index increased slightly from July, the expenditures component declined 2.0% to its lowest level since January.

## INFERRED FREIGHT RATES



## SOURCES

- 1 Platts, Spot Iron Ore: September 20, 2024.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: September 20, 2024.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: September 20, 2024.  
Platts, Coking Coal Price: September 20, 2024.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: September 17, 2024.
- 5 WardsAuto, U.S. Light Vehicle Production: August 2024.
- 6 National Association of Homebuilders, Housing Market Index: September 2024.
- 7 U.S. Census Bureau, New Housing Starts: August 2024.
- 8 National Association of Realtors, Existing Home Sales: August 2024.
- 9 American Institute of Architects, Architecture Billings Index: August 2024.
- 10 Federal Reserve, Empire Manufacturing Index: September 2024.
- 11 Federal Reserve, Industrial Production/Capacity Utilization: August 2024.
- 12 Department of Labor, Weekly Initial Jobless Claims: September 19, 2024.
- 13 U.S. Census Bureau, Retail Sales: August 2024.
- 14 Cass Information Systems, Cass Transportation Index: August 2024.

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