MAJESTIC STEEL USA

# CORE REPORT

12.20.24

## COST 01

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

## SUPPLY 04

- lead times
- production
- imports
- inventories

## DEMAND 05

- automotive
- construction
- agriculture
- manufacturing
- appliance
- consumption

## ECONOMIC 12

- employment
- inflation
- retail sales
- income
- GDP


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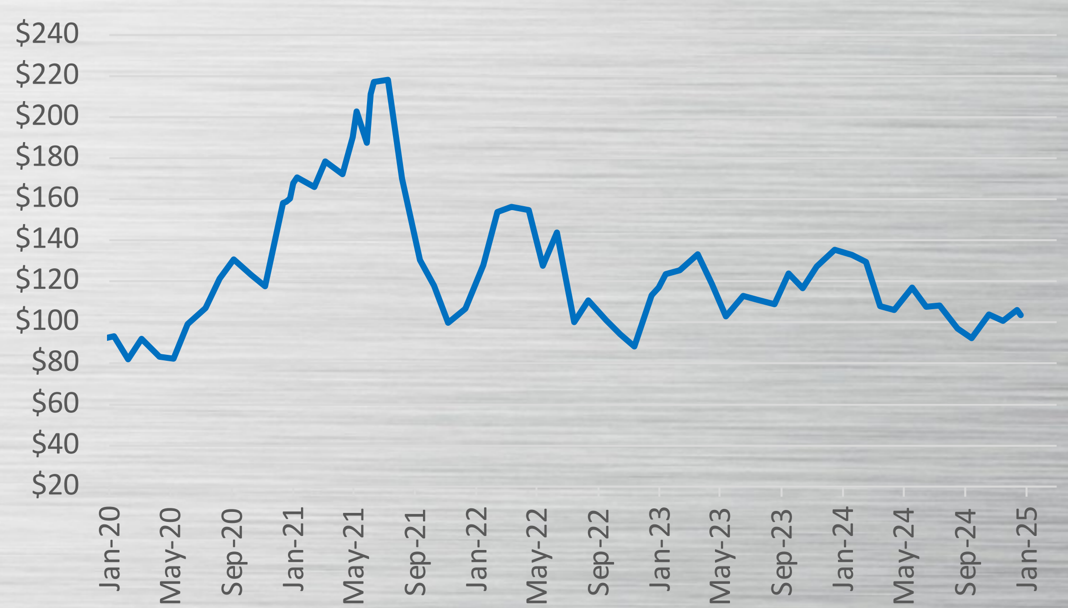
# SPOT IRON ORE[1]

## IRON ORE COST




Spot iron ore reversed course this week after climbing the previous four weeks.

Spot iron ore pricing settled at $103.60/mt, down from $105.95/mt the week prior.

- This is down 2.2% after hitting the highest price since mid-July.

Iron ore now faces headwinds as China has dialed back steel production so far in December and Chinese mills are also expected to perform equipment maintenance before the new year.

# WEEKLY ZINC PRICING[2]


## ZINC

Zinc pricing dropped sharply this week after alternating up and down movements over the last six weeks.

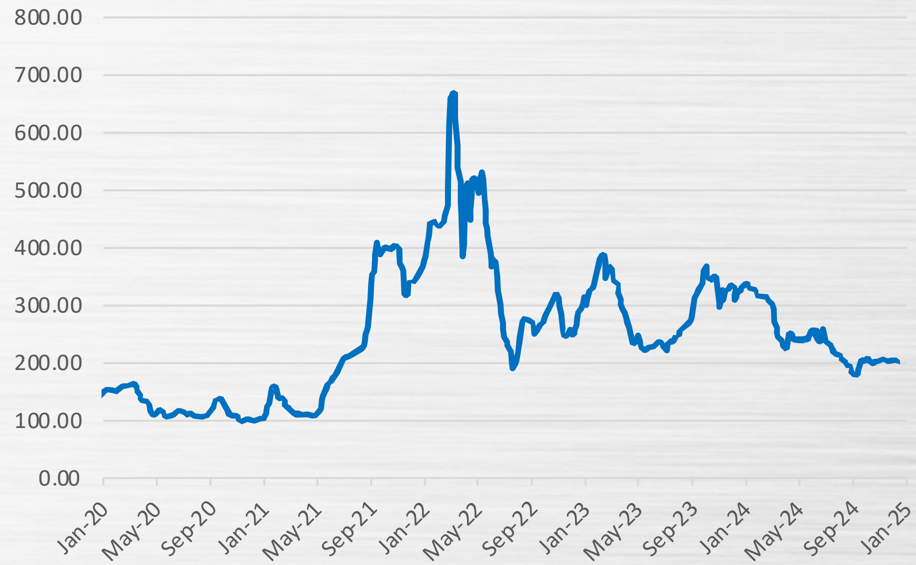
Zinc pricing ended the week at $2,957/mt ($1.341/lb), down from $3,082/mt ($1.398/lb) previously.

- Despite the announcement of stimulus last week, overall market sentiment remains negative as China did not fully disclose what the stimulus measures would be and when it would hit the economy.

Global zinc inventory dropped for the fourth consecutive week.

- LME warehouse inventory slipped again, dropping from 273,650 metric tons to 257,525 metric tons.
- Shanghai warehouse inventory decreased as well, sliding from 50,666 metric tons to 40,137 metric tons.

# COKING COAL[3]




## COKING COAL

Coking coal pricing ticked down for the third consecutive week.

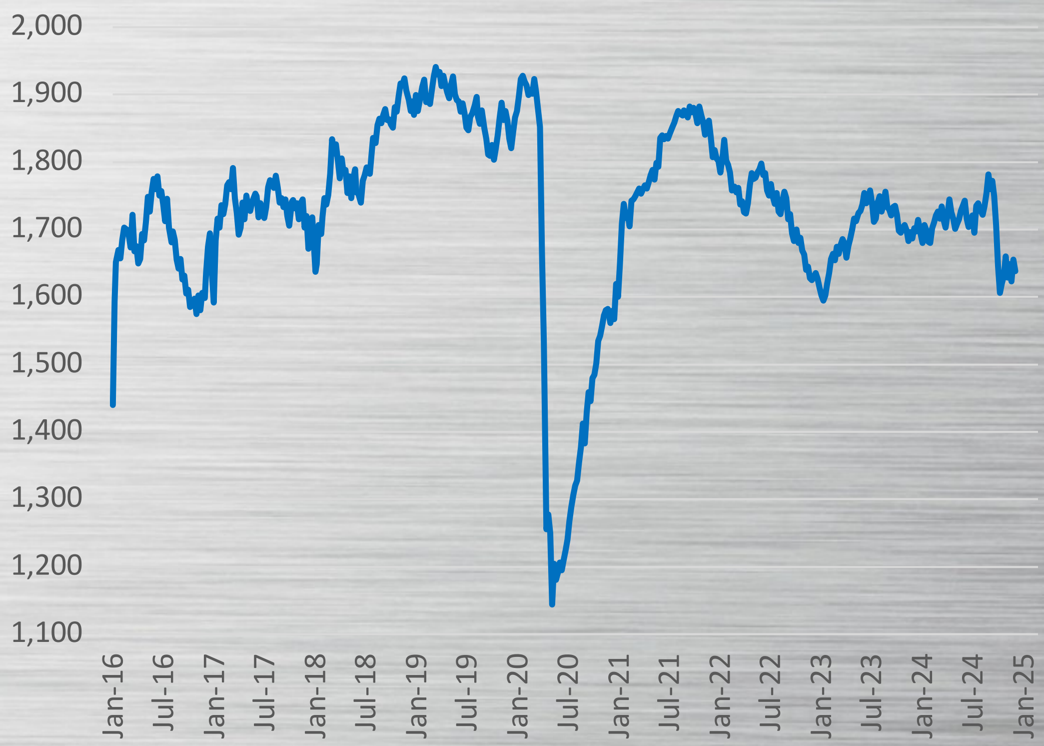
Coking coal settled at $196.50/mt, down from $207.25/mt last week.

- Coking coal is now at the lowest level since September.

Much like iron ore, coal pricing faces headwinds to end the year as China curtails steel production and performs equipment maintenance before the new year.

# WEEKLY DOMESTIC STEEL PRODUCTION[4]

## WEEKLY DOMESTIC PRODUCTION




Domestic raw steel production dropped slightly last week after hitting the highest point since mid-September the week prior.

U.S. mills produced an estimated 1,651k tons at a 74.3% utilization rate; this is down from 1,668k tons and a 75.1% rate previously.

- By comparison, this was 3.7% lower than the 1,714k tons produced in the same week of 2023.

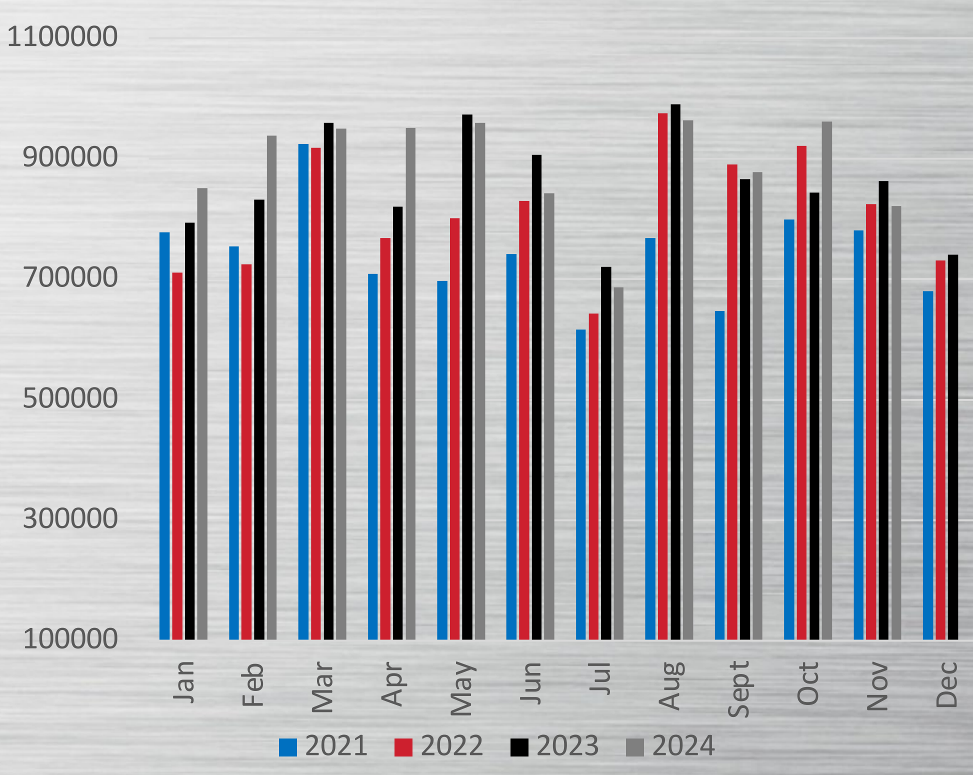
Production rose in three of the five regions but was offset by large drops in the Midwest and Southern regions.

- Production from the Southern region dropped the most, sliding from 702k tons to 682k tons.

Year-to-date production is now up only 0.1% compared to the same timeframe from last year.

# LIGHT VEHICLE PRODUCTION[5]

## U.S. LIGHT VEHICLE PRODUCTION




After rebounding in October, U.S. light vehicle production slowed sharply in November.

November light vehicle production totaled 821,333 units, down 14.6% from October and down 4.8% from November 2023.

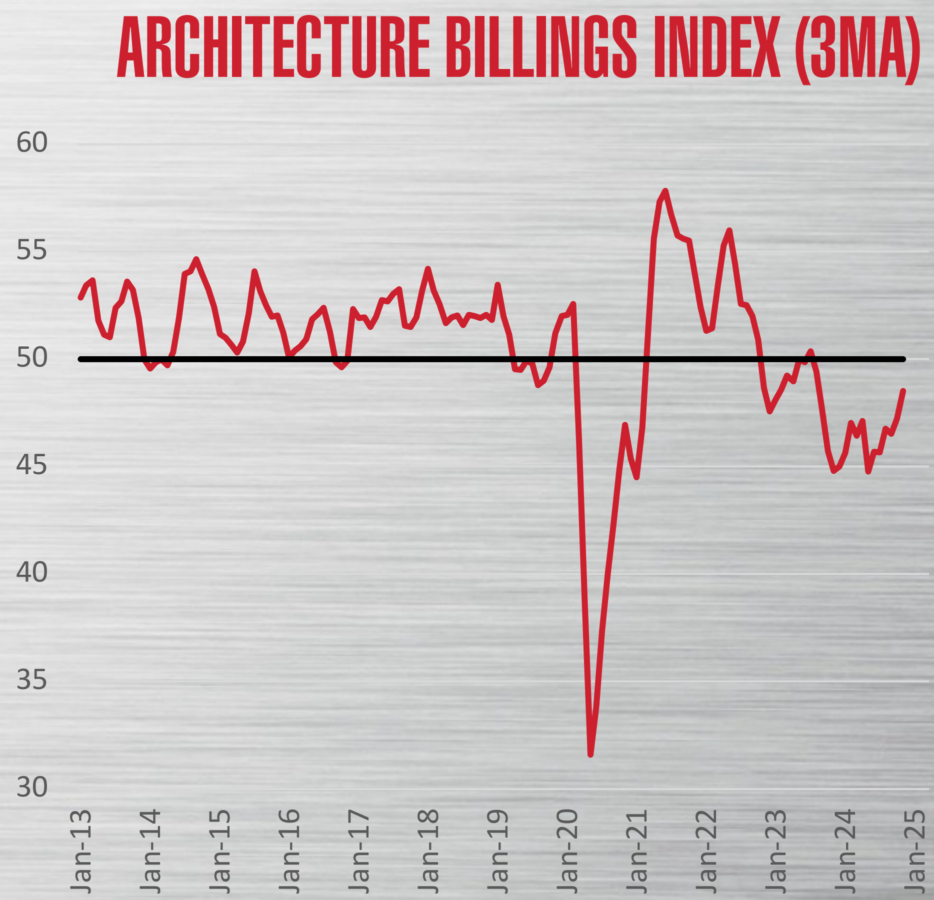
- The drop in November was due to seasonality, while the y/y drop was due to increased production last year to make up for the earlier labor disruptions.

Production of both cars and light trucks slipped from October, sliding 18.4% and 13.9%, respectively.

- The ratio of light truck vs car production continues to grow wider each month.
- Light truck production made up 85.5% of total light vehicle production in November.

Despite the slip in November, YTD light vehicle production is still up 2.4% compared to the same timeframe last year.

# ARCHITECTURE BILLINGS INDEX[6]




Activity at the architecture firm level slowed slightly in November after climbing to growth territory in October.

The November Architecture Billings Index came in at 49.6, down from 50.3 previously.

- The two-month average increased to 50.0, hitting that level for the first time since July 2023.

The regional breakdown showed growth in the West (54.3) and a flat reading in the South (50.0).

- The Midwest and Northeast continued to see contraction, coming in at 48.1 and 46.9, respectively.

The sector breakdown showed growth from the residential (50.8) and institutional (50.6) sectors, while the commercial (49.4) lagged behind.

The ABI is a strong leading indicator for construction spending 9-12 months out.

# HOUSING MARKET INDEX[7]

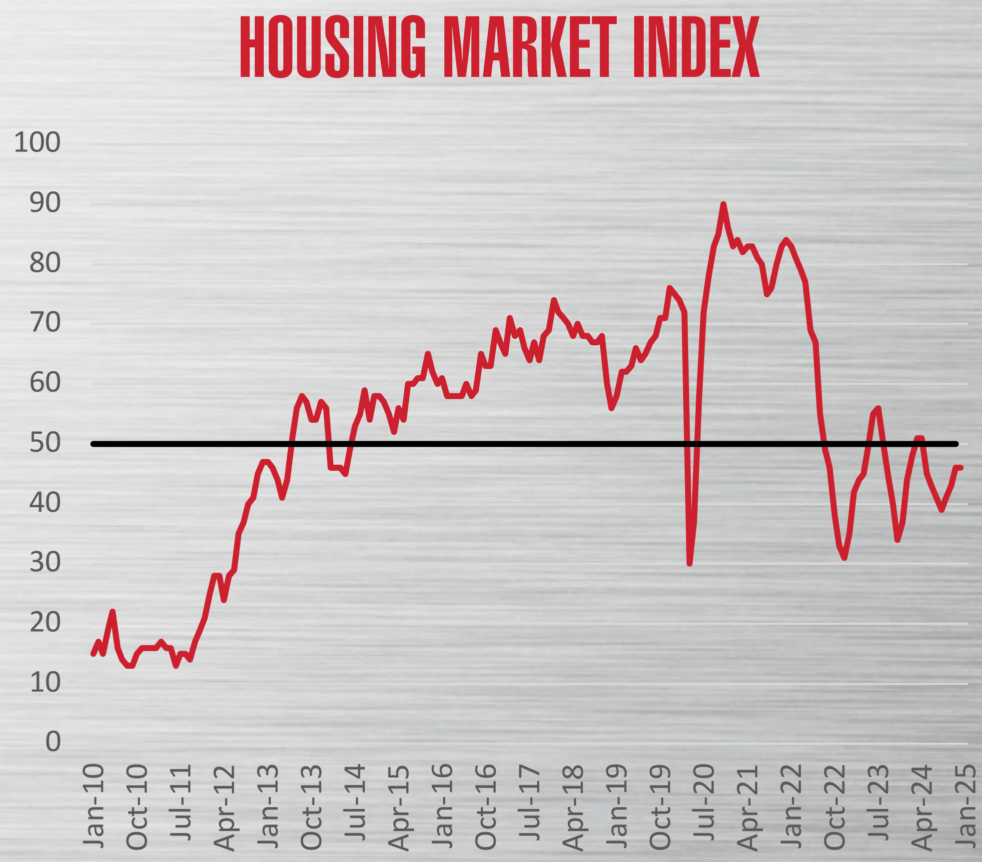
Confidence among U.S. homebuilders held steady in December, remaining slightly pessimistic about the outlook.

The December Housing Market Index came in at 46, flat from November but up from 37 in December 2023.

- This is the eighth consecutive reading in which the index has been below 50.
    - Any reading below 50 shows a pessimistic outlook, while any reading over 50 indicates a positive one.

Within the overall index, the current situation component came in at 48, while the next six months outlook increased to 66.

- This is the highest outlook for the next six months since April 2022.
- The traffic component continues to lag behind, coming in at 31 in December.



# RESIDENTIAL CONSTRUCTION[8]

New residential construction continued to decline in November and is now down for the third consecutive month.

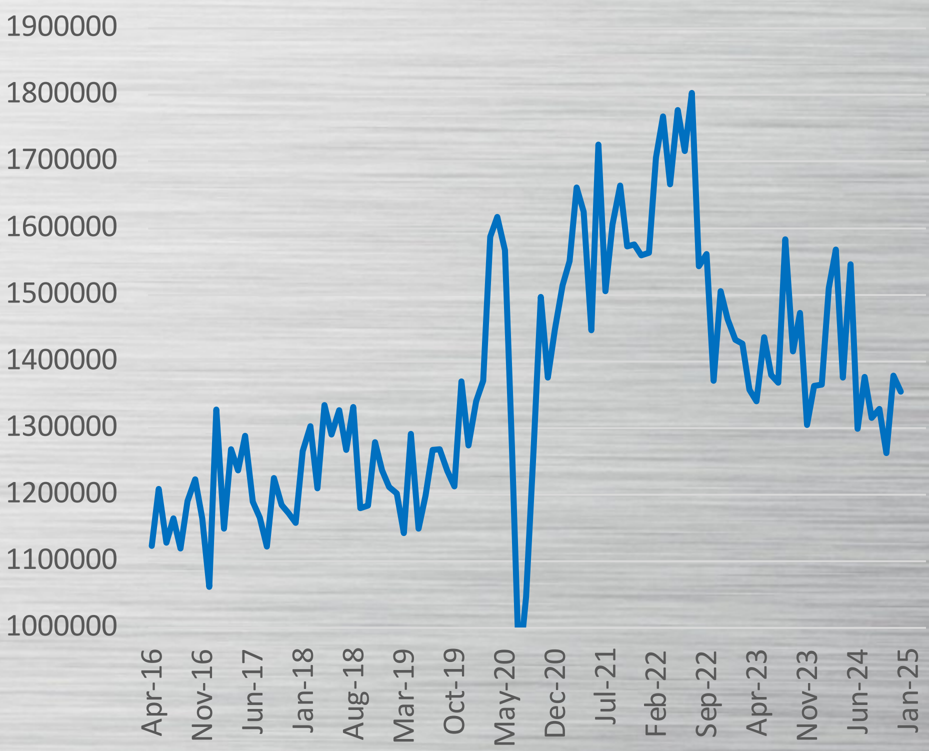
- November new housing starts came in at a 1.289 million unit rate, down 1.8% from October and down 14.6% from the 1.510 million unit rate in November 2023.
    - This is the lowest monthly start rate since July.
- The drop in starts in November mainly came from multi-family units, which came in at its lowest rate since March.

Year-to-date actual starts are now down 4.3% compared to the same timeframe last year.

Permits, an indicator for future construction, increased after sliding the previous two months.

- Permits increased 6.1% from October to a 1.505 million unit rate.

## NEW HOUSING STARTS (SAAR)



# EXISTING HOME SALES[9]

Sales of existing home sales increased again in November and are now up for the second consecutive month.

Existing home sales came in at a 4.150 million unit rate, up 4.8% from October and up 6.1% compared to the 3.910 million unit rate in November 2023.

- Sales have now increased, on a year-over-year basis in back to back months after seeing declines the previous thirty-seven straight months.

Despite the recent rebound, year-to-date sales are still down 1.5% compared to the same timeframe last year.

Inventory for sale at the end of the month total 1.330 million units, down 2.9% from October and was at its lowest level since June.

- The current inventory, when combined with November's sales pace, equates to 3.8 months of supply.

The median sales price was $406,100, the lowest level since March.

## EXISTING HOME SALES (SAAR)

# EMPIRE MANUFACTURING INDEX[10]

Business activity from the manufacturing sector in the New York region held steady in December.

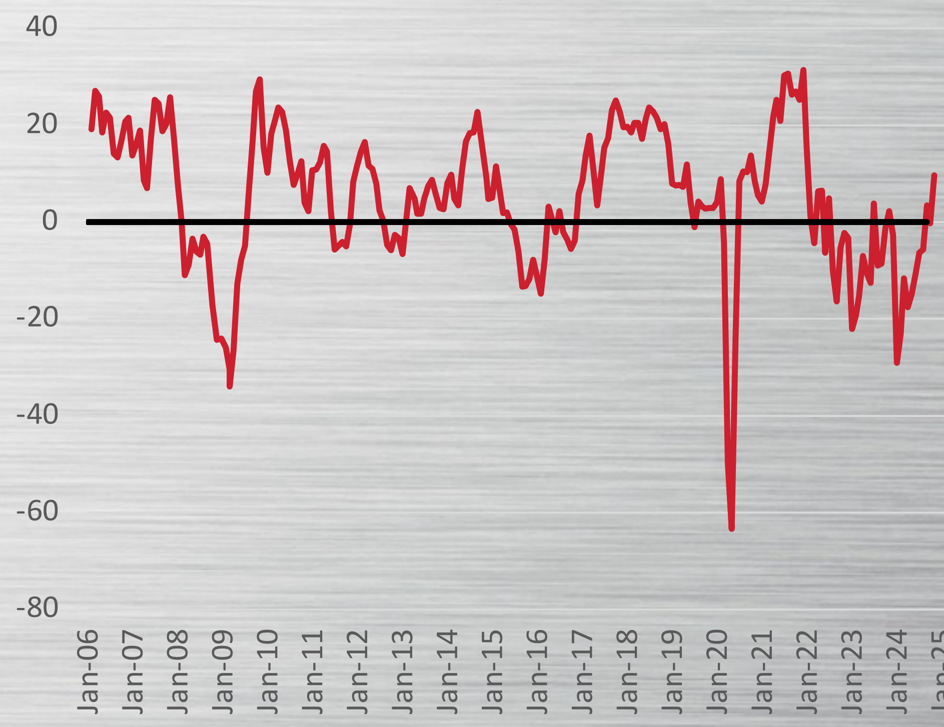
- After a sharp increase in November, the Empire Manufacturing Index came in at 0.2.
- The two-month average was up sharply, coming in at 15.7.
    - Any reading over 0.0 shows growth, while any reading below 0.0 shows contraction.

Both the new orders and shipments components increased steadily in December, coming in at 6.1 and 9.4, respectively.

Looking out over the next six-months, respondents remained optimistic as the index for future business activity came in at 24.6.

- This was slightly less optimistic than in November when the index came in at 33.6.

## EMPIRE MANUFACTURING INDEX (2MMA)



# INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION[11]

The Industrial Production Index slipped slightly in November, now down for the third consecutive month.

The November Industrial Production Index came in at 102.0, down from 102.1 in October and down from 102.9 in November 2023.

The manufacturing index increased slightly, climbing 0.2 points to 98.4.

- A boost in consumer goods output was canceled out by a stronger decline in output of non-consumer goods.
    - The boost in consumer good output came from appliance, furniture, and carpeting (+3.4%) and automotive products (+2.0%).

The capacity utilization for manufacturing inched up 0.1% to 76.0%, a rate 2.3% below the long run average.

## INDUSTRIAL PRODUCTION INDEX

# WEEKLY INITIAL JOBLESS CLAIMS[12]

The number of Americans filing new claims for unemployment benefits dropped to the lowest level in over a month.

The Department of Labor's Weekly Initial Jobless Claims report came in at 220,000 claims, down from 242,000 claims previously.

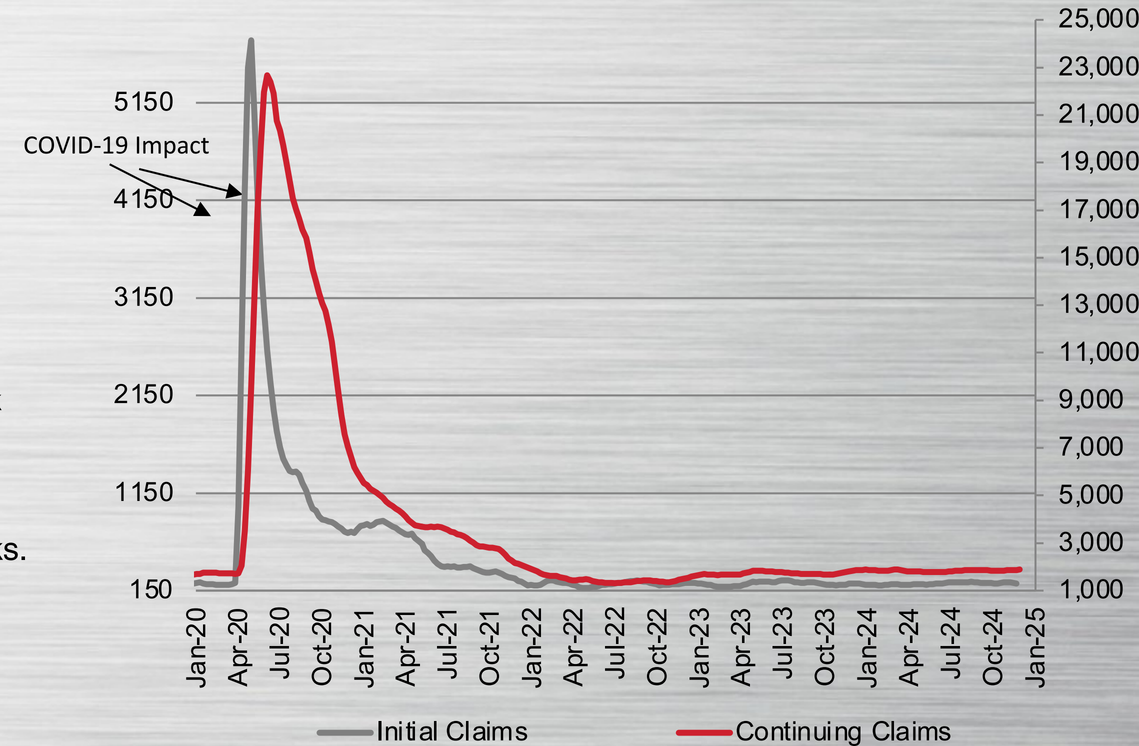
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 225,500.

Continuing claims, or claims lasting longer than one week, decreased for the third time in the last four weeks.

- Continuing claims came in at 1.874 million claims, down from 1.879 million claims previously.

Claims have entered a period of volatility around the holidays, which could make it challenging to get a clear view of the labor market.

## WEEKLY INITIAL JOBLESS CLAIMS



# RETAIL SALES[13]

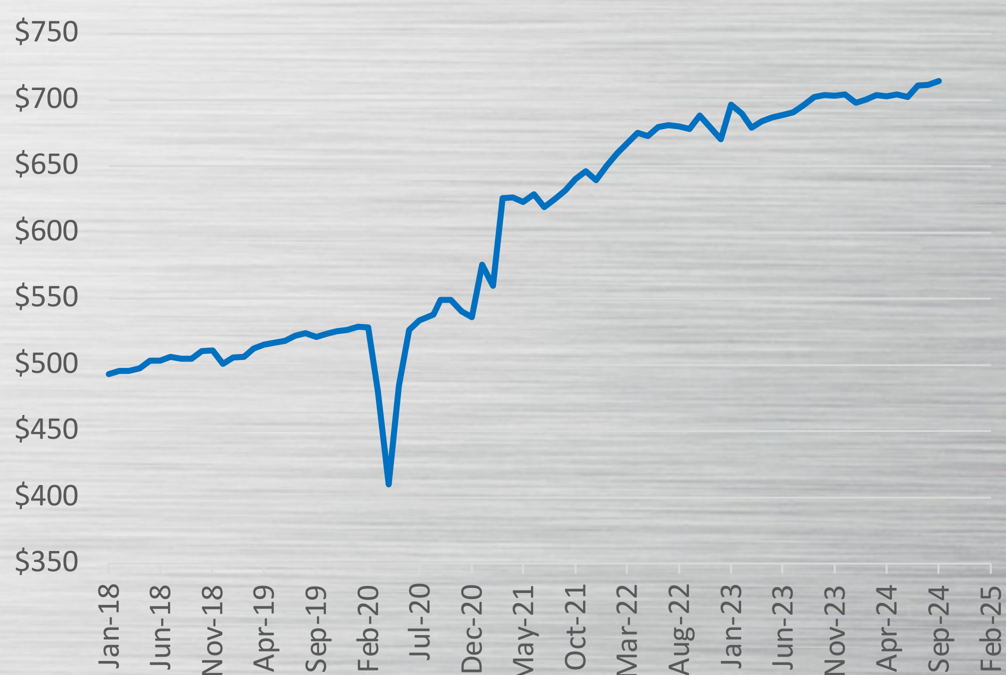
U.S. retail sales, adjusted for seasonality and holiday, came in at a $724.6 billion rate in November, up 0.7% from October.

- Sales were up on a year-over-year basis as well, climbing 3.8% from the $698.1 billion rate in November 2023.
- This was the highest y/y increase since last December.
    - Excluding sales at gas stations, total sales slipped 0.8% from October, the first m/m decline since June.

The largest m/m increases in sales came from online retailers, motor vehicle dealers, and sporting goods stores.

- These increases more than overcame the declines seen in sales from food & beverage stores, clothing stores, and grocery stores.

## RETAIL SALES (SAAR)



# PERSONAL INCOME & OUTLAYS[14]

Total personal income continued to climb in November, increasing by 0.3% from October.

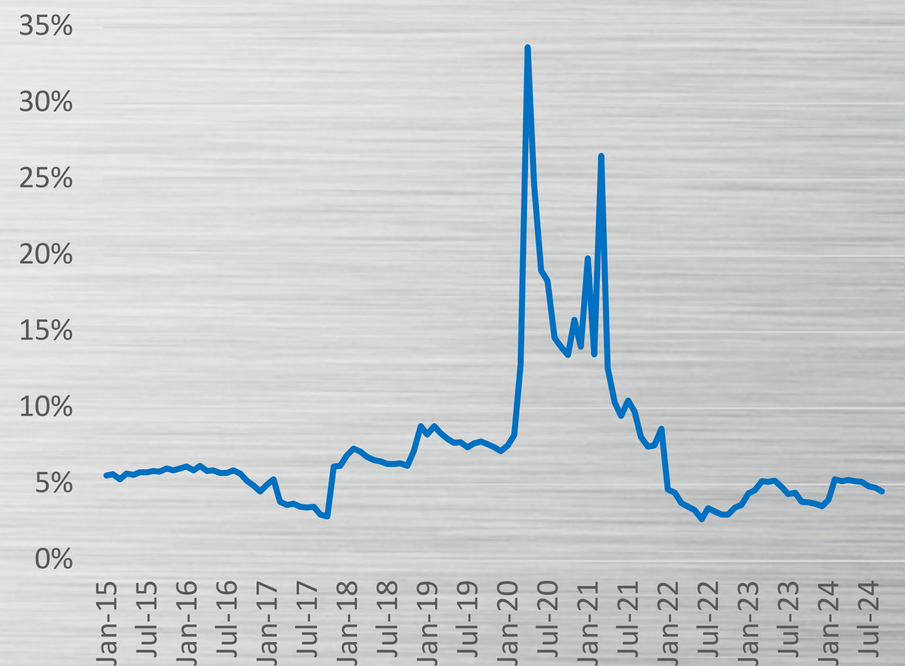
- The increase in personal income reflected an increase in compensation which was partly offset by declines in personal income receipts on assets (royalties, interest, dividends) and personal transfer receipts (social security, Medicare, welfare, unemployment).

Total personal outlays increased as well, climbing 0.4% from October, led by personal consumption expenditures (spending).

The faster rate of spending, compared to income, helped to push total personal savings down and lowering the savings rate.

- The savings rate came in at 4.4%, down from 4.5% in October and is below the YTD average of 4.7%.

## PERSONAL SAVINGS RATE



# GROSS DOMESTIC PRODUCT[15]

The third and final estimate of U.S. economic growth in Q3, showed growth revised up to a 3.1% annual rate.

- This is up from the 2.8% annual rate from the second estimate but below the 4.9% annual growth rate in Q3 2023.

This third and final update reflected upward revisions to exports and consumer spending.

- These upward revisions were partly offset by a downward revision to inventory investment.
- Imports, which are a subtraction to GDP, were revised higher.

Durable goods manufacturing added 0.16% to Q3 GDP, while the construction industry saw a subtraction of 0.01%.

NOTICE

# Happy Holidays!

## The CORE Report will return on January 6th, following the New Year.

## Thank you for subscribing to the CORE Report, the center of steel market news!

## SOURCES

[1] Platts, Spot Iron Ore: December 20, 2024.
[2] London Metal Exchange, Weekly Zinc Price and Inventory Report: December 20, 2024.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: December 20, 2024.
[3] Platts, Coking Coal Price: December 20, 2024.
[4] American Iron & Steel Institute, Weekly Domestic Steel Production: December 17, 2024.
[5] WardsAuto, U.S. Light Vehicle Production: November 2024.
[6] American Institute of Architects, Architecture Billings Index: November 2024.
[7] National Association of Homebuilders, Housing Market Index: December 2024.
[8] U.S. Census Bureau, New Residential Construction: November 2024.
[9] U.S. Census Bureau, Existing Home Sales: November 2024.
[10] New York Federal Reserve, Empire Manufacturing Index: December 2024.
[11] Federal Reserve, Industrial Production/Industrial Production: November 2024.
[12] Department of Labor, Weekly Initial Jobless Claims: December 19, 2024.
[13] U.S. Census Bureau, Retail Sales: November 2024.
[14] Bureau of Economic Analysis, Personal Income/Outlays: November 2024.
[15] Bureau of Economic Analysis, Gross Domestic Product: Q3 2024.

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