

CORE 01.17.25 REPORT

COST

01

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

SUPPLY

05

- ⊖ lead times
- ▲ production
- ⊖ imports
- ⊖ lead times

DEMAND

06

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

ECONOMIC

10

- ▲ employment
- ▲ inflation
- ▲ retail sales
- ⊖ income
- ▲ freight rates



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STEEL USA**



SCRAP¹

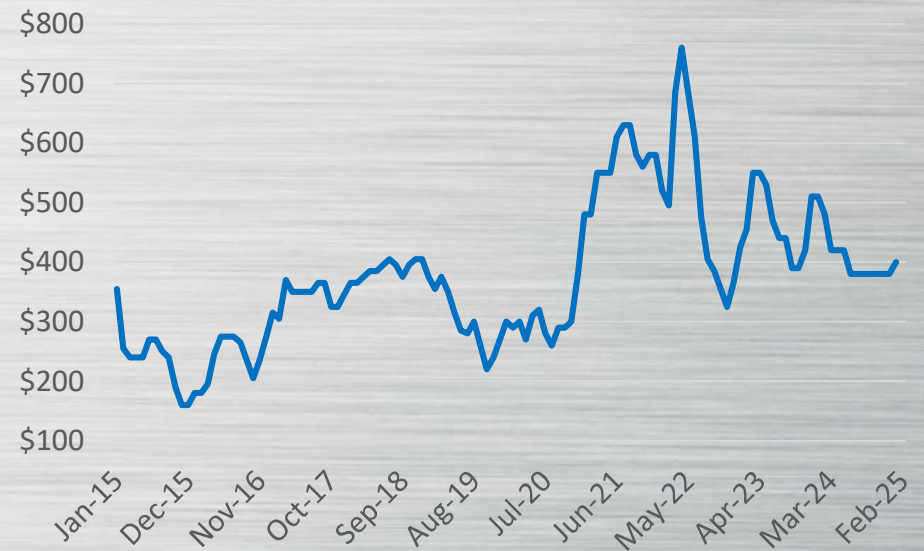
After remaining flat for seven consecutive months, prime scrap pricing improved in January.

- Prime scrap settled at \$400/gt, up from \$380/gt in December.
- This was the first month-over-month increase since December of 2023.

Several factors contributed to this month's positive market movement including winter weather disruptions, heavy mill restocking, steady mill utilization rates, and a rebound in export activity to Turkey.

Shredded scrap pricing increased as well, climbing \$20/gt to \$380/gt.

PRIME SCRAP



SPOT IRON ORE²

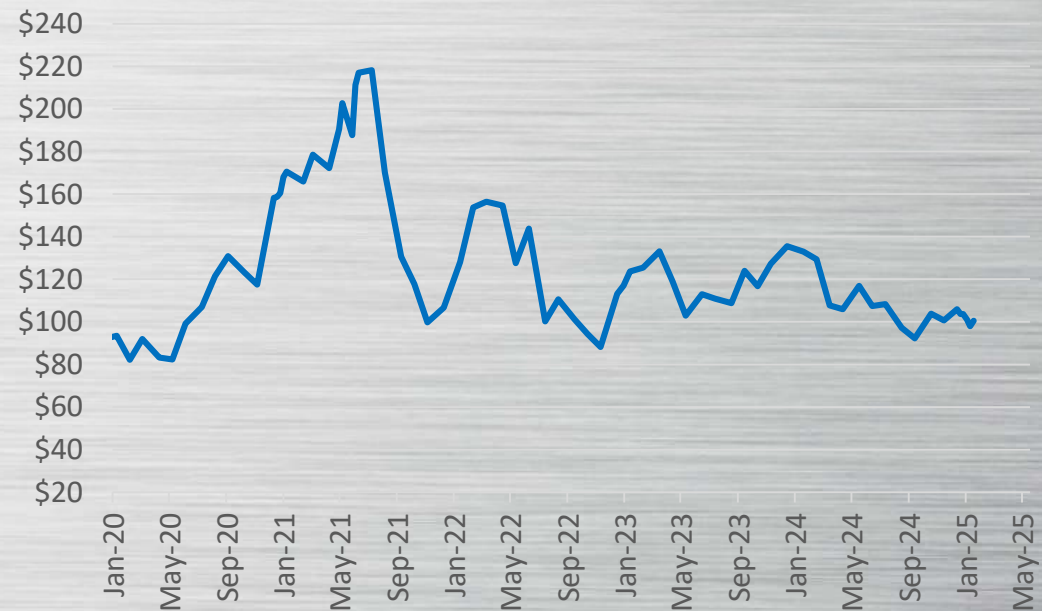
Spot iron ore rebounded this week after sliding the previous two weeks and hitting a four-month low.

Spot iron ore pricing settled at \$100.55/mt, up from \$97.90/mt the week prior.

- This was up 2.7% week-over-week after hitting the lowest level since September.

Rio Tinto, the world's largest iron ore miner, reported a record shipment of iron ore to Chinese steel makers in the final quarter of last year, suggesting that China's turbulent construction market was beginning to stabilize.

IRON ORE COST



COST



WEEKLY ZINC PRICING³



ZINC

Zinc pricing rebounded slightly this week after a flat movement last week.

Zinc pricing ended the week at \$2,882/mt (\$1.307/lb), up from \$2,856/mt (\$1.295/lb) previously.

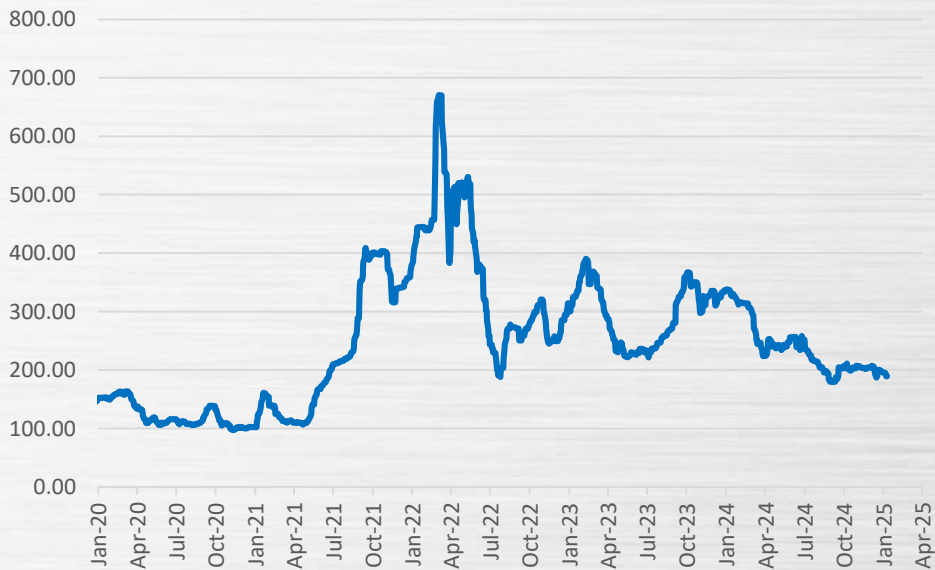
- More than half of refined zinc is used in the production of galvanized steel destined for the construction sector, which continues to struggle in both China and Europe.

Global zinc inventory continued its recent slide, dropping for the eighth consecutive week.

- LME warehouse inventory slipped again, dropping from 216,900 metric tons to 203,900 metric tons.
- Shanghai warehouse inventory decreased slightly to a new one-year low, sliding from 21,334 metric tons to 21,040 metric tons.

COST

COKING COAL⁴



COKING COAL

Coking coal pricing dipped again this week, now down six out of the last seven weeks.

Coking coal settled at \$189.00/mt, down from \$199.00/mt last week.

- Coking coal pricing has now dropped over 6% since mid-December.

Much like iron ore, coking coal sentiment is expected to pick up as mills restock ahead of the Chinese New Year at the end of January.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁵

Domestic raw steel production rebounded to start the New Year after a sharp drop the week prior.

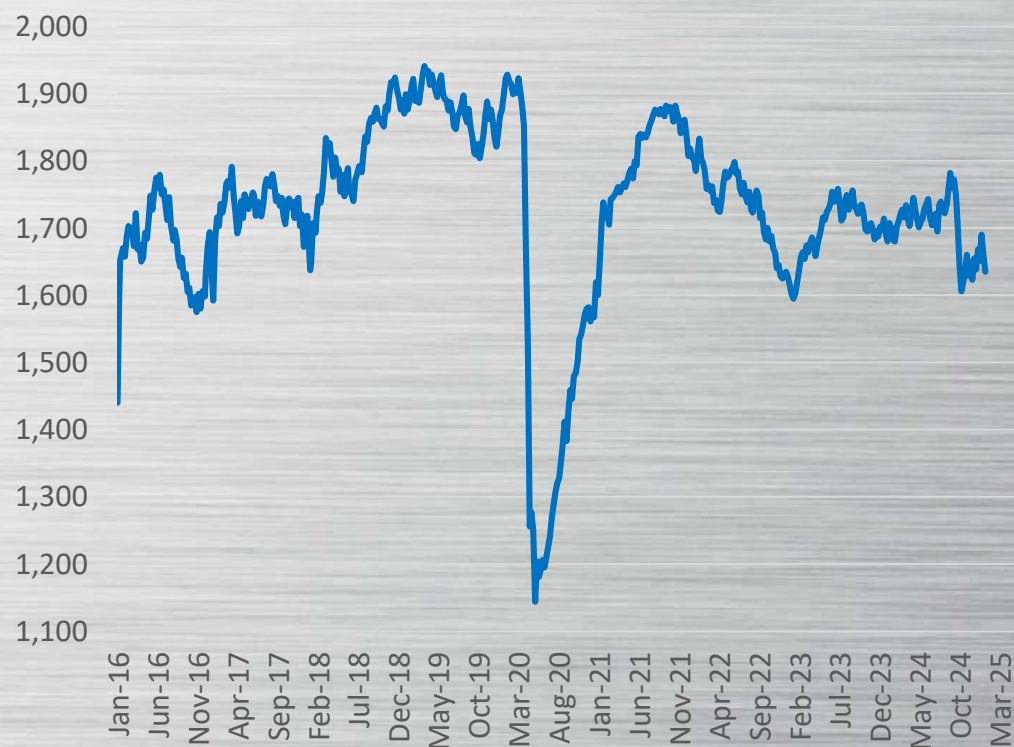
U.S. mills produced an estimated 1,659k tons at a 74.5% utilization rate; this is up from 1,635k tons and a 73.6% rate previously.

- Despite the increase, this was 2.4% lower compared to the first week of last year.

Production rose in four of the five regions, with the largest increase (in tons) coming from the Southern region.

- Production from the Southern region spiked from 693k tons to 750k tons.
 - This was the highest output for the Southern region since mid-September.

WEEKLY DOMESTIC PRODUCTION



DEMAND

HOUSING MARKET INDEX⁶

Despite remaining optimistic to start off the New Year, confidence among U.S. homebuilders improved once again.

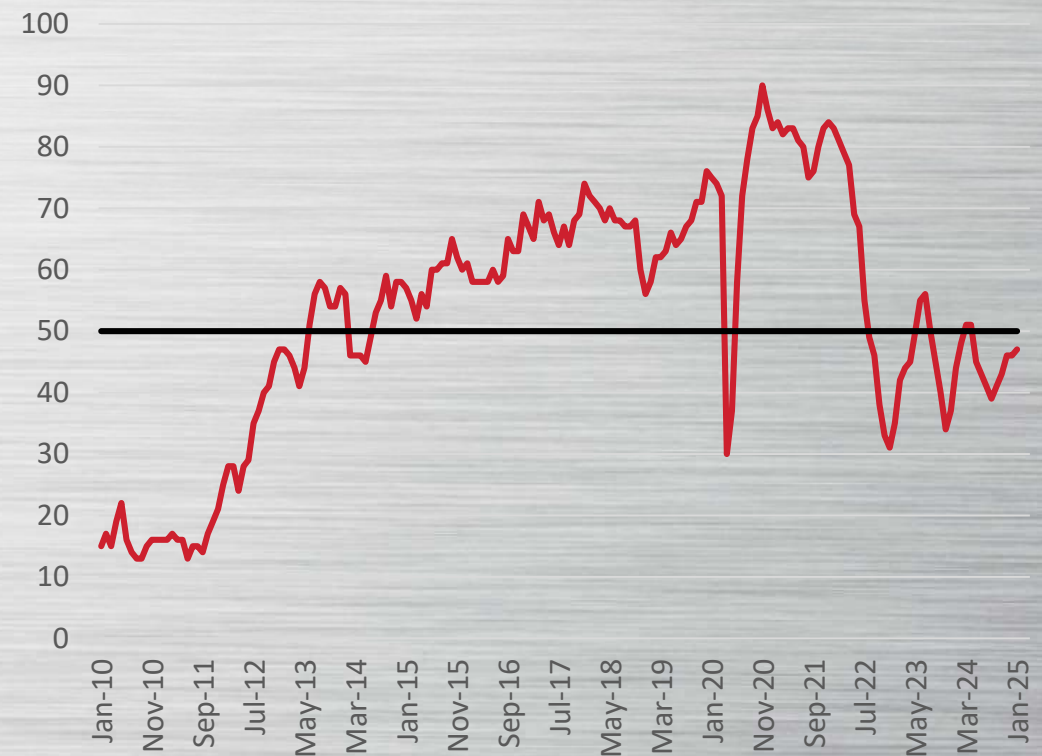
The January Housing Market Index came in at 47, up from 46 the previous two months and up from 44 in January 2024.

- Any reading over 50 shows optimism, while any reading below 50 shows pessimism.
- January marked the closest reading to 50 since April.

Within the overall index, both the present situation and next-six month outlook showed growth, climbing to 51 and 60, respectively.

- This was the first month with the present situation component over 50 since May.
- The traffic component continued to lag behind at 33, marking the 32nd consecutive month below 50.

HOUSING MARKET INDEX



RESIDENTIAL CONSTRUCTION⁷

NEW HOUSING STARTS (SAAR)

After sliding the previous three months, new housing starts rebounded sharply in December.

- December new housing starts came in at a 1.499 million unit rate, up 15.8% from November.
 - New housing starts continued to slide on a y/y basis however, sliding 4.4% from the 1.568 million unit rate in December 2023.
- Single-family unit starts increased for the second consecutive month, climbing 3.3% to a 1.050 million unit rate.

For the full year 2024, new housing starts totaled 1.364 million units, down 3.9% compared to 2023.

Permits, a leading indicator for residential construction, slipped slightly, dropping 0.7% from November to 1.483 million units.

- Permits were down on a y/y basis as well, sliding for the fourth consecutive month and for eighth time in the last nine months.



EMPIRE MANUFACTURING INDEX⁸

Business activity from manufacturing sector in New York, declined in January.

The Empire Manufacturing Index slowed to -12.6, down from 2.1 in December.

- The two-month average slipped below 0.0 as well, sliding to -5.3.
- Any reading over 0.0 shows increased activity, while any reading below 0.0 shows a slowdown.

New orders fell modestly and shipments were little changed, coming in at -8.6 and -1.7, respectively.

- Unfilled orders slowed as well but at a slower rate than in December, coming in at -4.7.

The index for future business activity climbed ten points to 36.7, with fifty-three percent of respondents expecting conditions to improve over the next six months.

EMPIRE MANUFACTURING INDEX (2MMA)



INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION⁹

Industrial production increased in December, climbing to its highest level since June.

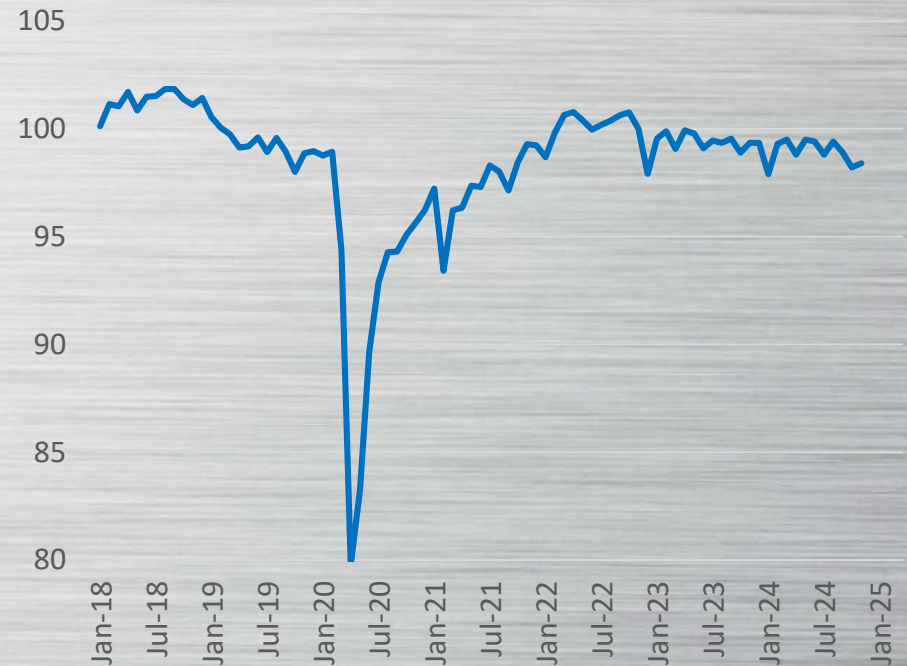
- The industrial production index came in at 103.2, up from 102.3 in November and up 0.6% from 102.6 in December 2023.
 - This was the first y/y increase since June.

The manufacturing index increased for the second consecutive month, climbing to 99.3.

- This is still down on a year-over-year basis however, now down for the sixth consecutive month and for the twenty-fifth time in the last thirty months.
- Gains in the output of aircraft and parts contributed 0.2% to total IP growth following the resolution of a work stoppage at Boeing.

Capacity utilization for manufacturing stepped up 0.4% in December to 76.6, a rate that is 1.7 points below its long-run (1972–2023) average.

INDUSTRIAL PRODUCTION INDEX



ECONOMIC



WEEKLY INITIAL JOBLESS CLAIMS¹⁰

The number of Americans filing new claims for unemployment benefits ticked up partly due to the California wildfires.

The Department of Labor's Weekly Initial Jobless Claims report came in at 217,000 claims, up from 203,000 claims previously.

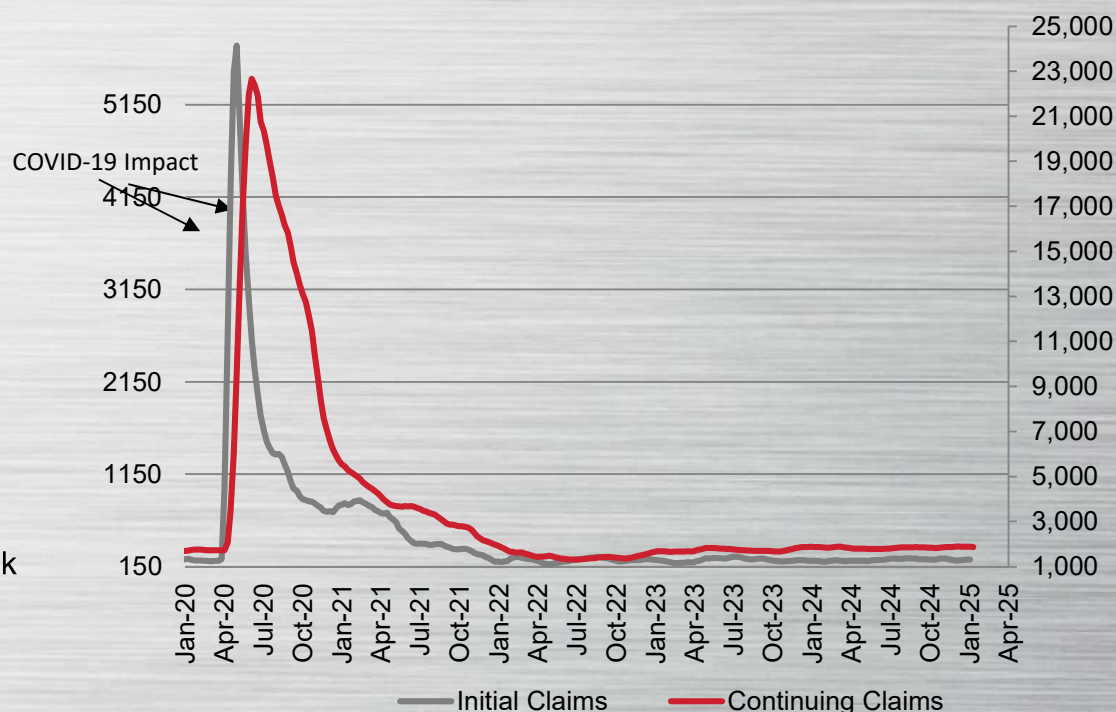
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, remained flat at 212,750.

Continuing claims, or claims lasting longer than one week, decreased slightly after a sharp increase the week prior.

- Continuing claims came in at 1.859 million claims, down from 1.877 million claims previously.

Claims data will likely be volatile in over the next several weeks due to the ongoing wildfires.

WEEKLY INITIAL JOBLESS CLAIMS





CONSUMER PRICE INDEX¹¹

Prices paid by consumers ended the year on a higher note, seeing the fastest y/y increase since Summer.

The Consumer Price Index showed prices for all goods increased 0.04% from November but were up 2.89% compared to last year.

- While increasing, the y/y movement was below 3.0% for the seventh consecutive month.

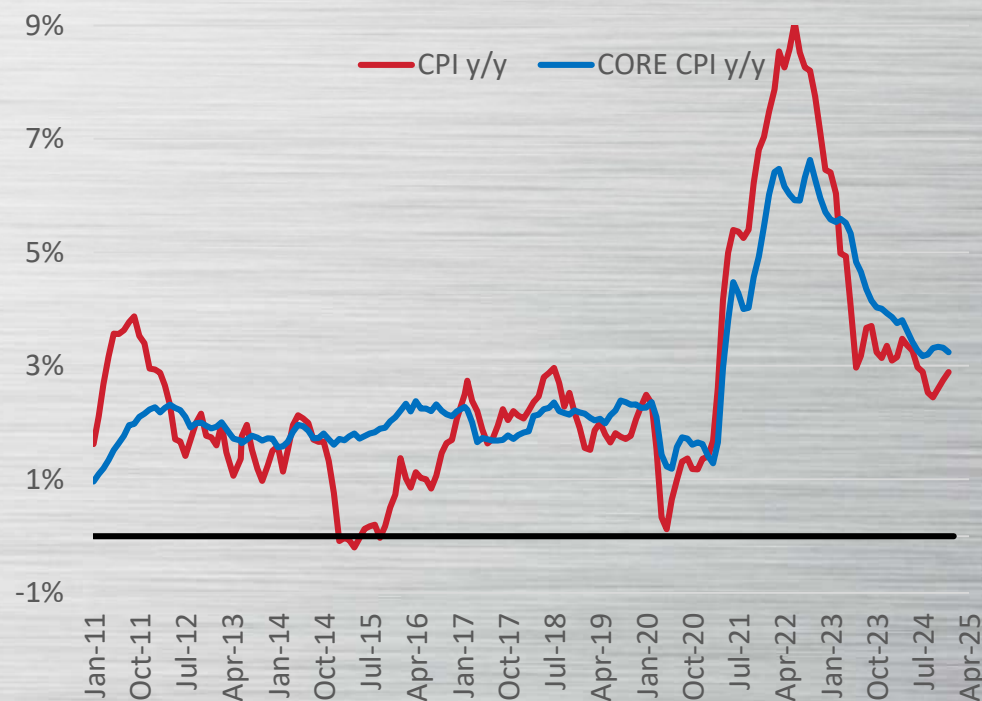
Excluding the volatile food and energy sectors, consumers prices increased at a slightly slower rate.

- The CORE-CPI saw prices increase 0.02% from November and 3.24% from December 2023.
 - This was the slowest y/y increase since August.

Over the last year, prices for shelter increased 4.6%, the smallest 12-month increase since January 2022.

- Other sectors to see increases over the last twelve months include, auto insurance (11.3%), medical care (2.8%), education (4.0%) and recreation (1.1%).

CONSUMER PRICE INDEX



RETAIL SALES¹²

Retail sales continued to push high in December, coming in at a \$729.2 billion rate.

- This is up 0.4% from November and up 3.9% from the \$701.7 billion rate in December 2023.
- Total sales have now increased for six consecutive months.
- Excluding the volatile sales from gas stations, sales came in at a \$676.8 billion rate, up 4.3% from last December.

For the full year 2024, actual retail sales totaled \$8.548 trillion, up 3.0% compared to full year 2023.

The sectors with the largest m/m increases came from furniture stores, sporting good stores, miscellaneous retailers, clothing stores.

- These increases helped to overcome declines in building material stores, health & beauty stores, and bars/restaurants.

RETAIL SALES MOMENTUM



ECONOMIC



TRANSPORTATION INDEX¹³

Despite both slipping in December, the sharper decline in the shipment component, compared to the expenditure component, helped to boost inferred freight rates.

- The shipment component dropped to its lowest level since early summer 2020.

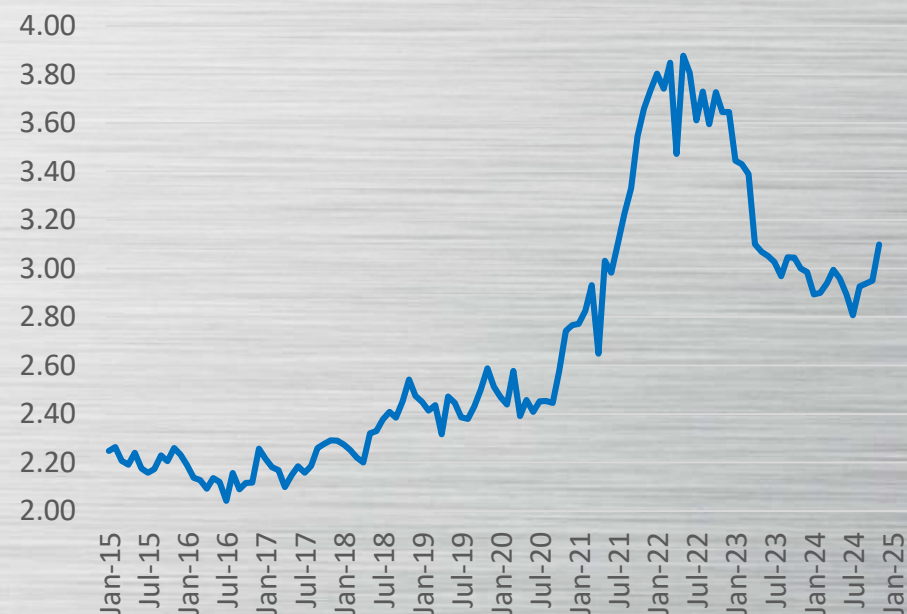
December inferred freight rates, a calculation of expenditures divided by shipments, increased to 3.10.

- This is up 5.1% from November and up 3.3% from 3.00 in December 2023.
 - This was the first year-over-year increase in two years.

Even with the bump in December, freight rates broadly fell 7% in 2024 after dropping 14% in 2023.

- However, based on the normal seasonal pattern, the index should remain positive in January and is headed for further gains in 2025.

INFERRED FREIGHT RATES



SOURCES

- 1 Prime Scrap Price, Market Conversations: Week ending January 17, 2025.
- 2 Platts, Spot Iron Ore: January 17, 2025.
- 3 London Metal Exchange, Weekly Zinc Price and Inventory Report: January 17, 2025.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: January 17, 2025.
- 4 Platts, Coking Coal Price: January 17, 2025.
- 5 American Iron & Steel Institute, Weekly Domestic Steel Production: January 14, 2025.
- 6 National Association of Home Builders, Housing Market Index: January 2025.
- 7 U.S. Census Bureau, New Residential Construction: December 2024.
- 8 NY Federal Reserve, Empire Manufacturing Index: January 2025.
- 9 Federal Reserve, Industrial Production/Capacity Utilization: December 2024.
- 10 Department of Labor, Weekly Initial Jobless Claims: January 16, 2025.
- 11 Bureau of Labor Statistics, Consumer Price Index: December 2024.
- 12 U.S. Census Bureau, Retail Sales: December 2024.
Cass Information Systems, Transportation Index Report: December 2024.

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