

Metals & Metal Recycling Market Update

Industry Specialty Team | Waste & Environmental Services | November 2024

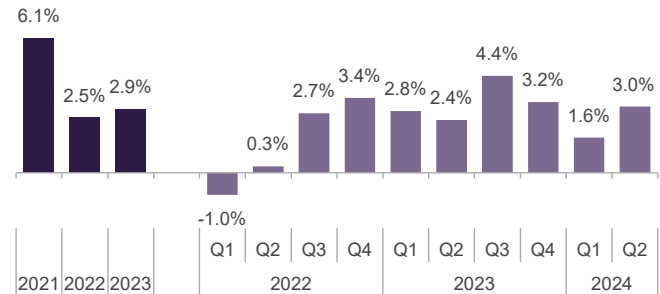
Highlights

- The Federal Reserve cuts interest rates for the first time in over two years
- Industrial production of primary metals shows strong growth in September
- Private sector infrastructure spending remains steady, especially in technology improvements and sustainability

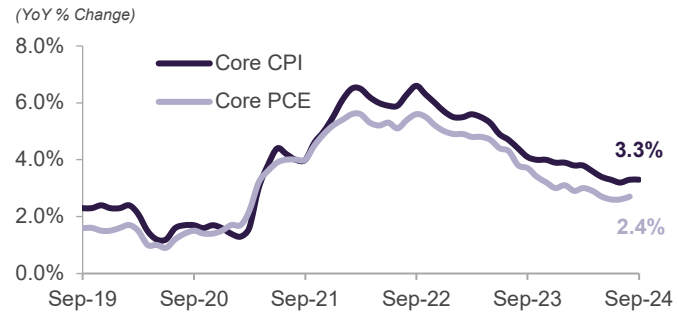
Economic Update

- While there are various global factors creating uncertainty for U.S. markets, the economy continues to show signs of strength. **Real GDP in the second quarter increased at a 3.0%** annualized rate, with consumer spending being the largest contributor of growth. Personal expenditures of goods is currently elevated compared to 2023 levels, but consumers are continuing the historical trend of spending more on services rather than goods.
- Further relief for the U.S. economy is coming as inflation is approximately 50% lower than elevated levels seen in second and third quarter of 2022. **Core CPI was at 3.3% and Core PCE at 2.6% in the month of September.** With inflation moving closer to the target of 2.0%, the Fed has adjusted its prolonged hawkish stance on monetary policy in an effort to stimulate labor markets.
- The unemployment rate climbed above 4.0% for the first time in over two years this May and has remained above those levels through September (4.1%). Despite the negative perception on recent trends, the September jobs report exceeded expectations as **254,000 jobs were added** and the unemployment rate slightly declined (0.1%) compared to the August report.
- The Federal Reserve cut **interest rates in September by 50 basis points** to a target range of 4.75% - 5.00%. Additional rate cuts are expected in 2024 as the Fed now looks to add relief to the U.S. economy after more than two years of elevated rates.

Real GDP Growth



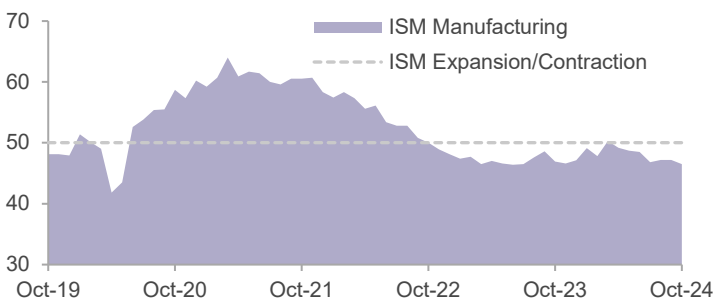
Inflation



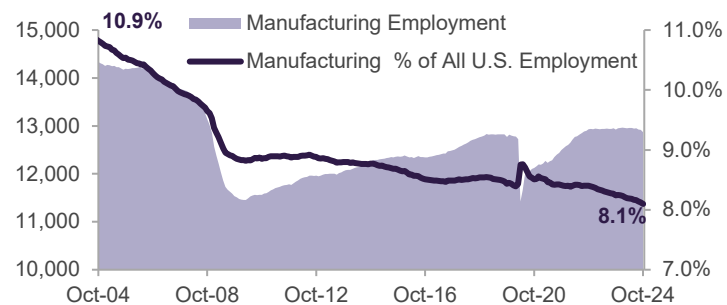
U.S. Manufacturing and Infrastructure Developments

- The ISM Manufacturing Index contracted for the 23rd time in the last 24 months as activity has slowed following record-level production from late 2020 through the first half of 2022. Continued decrease in borrowing rates, reshoring of production back to the U.S., and recent federal funding programs are positive demand drivers for domestic manufacturing in the coming years.
- The number of people entering jobs in manufacturing is dwindling as the industry shifts to evolving technologies and process efficiencies. 8.1% of total U.S. employees were in manufacturing as of September 2024, the lowest percentage observed over the 85 years of tracking.
- The upcoming election results may significantly impact domestic production and costs of raw materials as the two parties hold differing views on potential tariffs for essential materials required in infrastructure development.

ISM Survey



Manufacturing Employment



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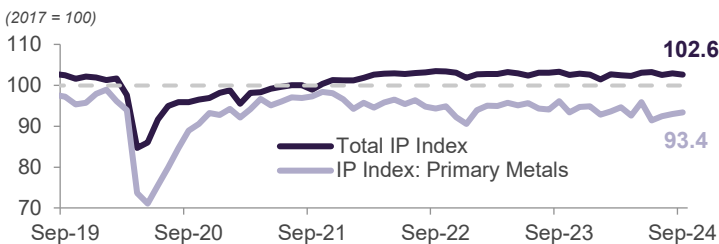
Market Dynamics in Metals & Metal Recycling

- Metal prices, especially nonferrous metals, have been stabilizing in 2024 following increased volatility seen during the previous four years. While much lower than two years ago, elevated domestic demand should keep metal prices above pre-COVID levels.
- Demand for recycled U.S. metals is primarily driven by domestic manufacturing. With continued emphasis on reshoring and nearshoring initiatives, second-hand materials will play a growing role due to the limited availability of raw materials in the U.S.
- As manufacturers shed the excess metal inventory that was accumulated in 2022 – 2023, metal production is expected to increase to support U.S. infrastructure development.

Hot Rolled Coil Steel (\$ per metric ton)			Aluminum (\$ per metric ton)			High Grade Copper (\$ per pound)		
\$733	-3.1%	+33.9%	\$2,591	+17.9%	+46.8%	\$4.38	+21.0%	+67.2%
Oct 2024 avg	1 YR Δ	5 YR Δ	Oct 2024 avg	1 YR Δ	5 YR Δ	Oct 2024 avg	1 YR Δ	5 YR Δ

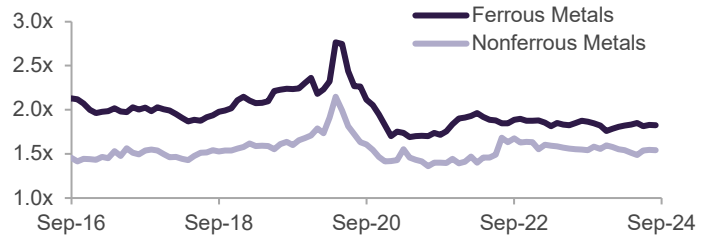
Industrial Production

The Total Industrial Production Index registered at 102.6 in September, and the primary metals group came in at 93.4. Despite remaining below baseline levels, primary metals production has increased in three consecutive months.



Manufacturers' Inventories-to-Shipment Ratios

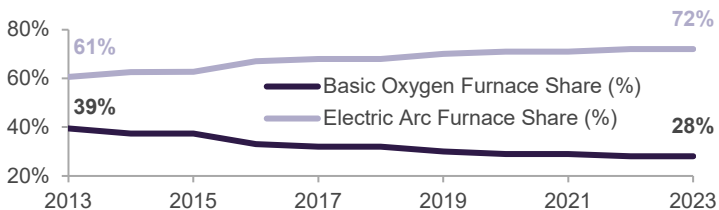
Manufacturers of metal products have been reducing inventory levels in recent years. While YTD shipments of manufactured metals are relatively flat compared to two years ago, inventory levels are down over 5%.



Demand Drivers and Industry Shifts

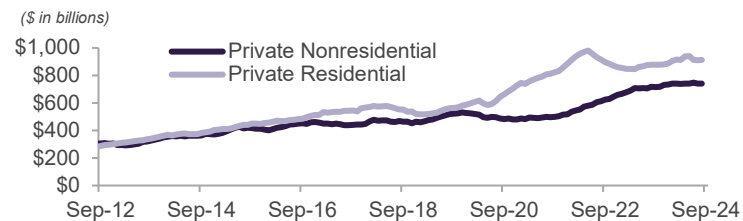
Increasing Electric Arc Furnace (EAF) Use

Scrap metal is the primary feedstock for EAFs and demand for scrap should grow with increasing EAF usage



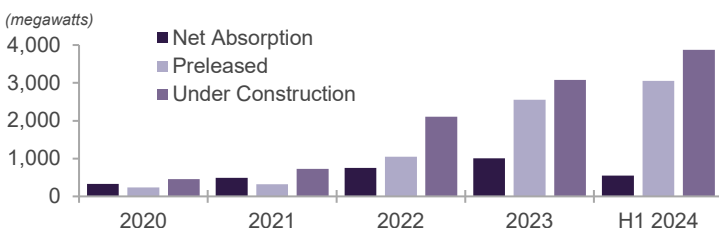
Private Construction Spending

Businesses continue spending on infrastructure which should lead to increasing industrial production in the coming years



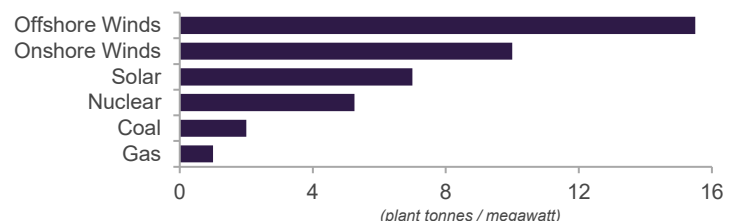
Data Center Development in Primary Markets

Accelerated development of U.S. data centers will require significant amounts of metal, especially copper



Development of Clean Energy Technologies

Nonferrous metals are crucial components to developing clean energy infrastructure as the U.S. seeks sustainable solutions



Sources: Bloomberg, S&P Capital IQ, Fast Markets, American Iron and Steel Institute, Company Filings, Moody's, Equity Research Reports, Company Websites, Resource Recycling, Sector3 Appraisals, Associated Press, Copper Development Association Inc., Cushman and Wakefield, Reuters, U.S. Census Bureau, Bureau of Economic Analysis, Worldsteel
Data updated as of 11/5/2024