



# Metal Industry Indicators

## Composite Indexes of Leading and Coincident Indicators of Selected Metal Industries for February and March—Summary Report

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April 18, 2014

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The **primary metals leading index** decreased 0.2% in March to 164.2 from a revised 164.6 in February, and its 6-month smoothed growth rate decreased to 2.3% from a revised 3.0% in February. The 6-month smoothed growth rate is a compound annual rate that measures the near-term trend. Usually a growth rate above +1.0% signals an increase in metals activity, and a growth rate below -1.0% indicates a downturn in activity. The primary metals leading index growth has generally declined since October, suggesting that growth in the primary metals industry is likely to continue to be slow in the near future. The primary metals industry will likely be underpinned by a rebound in the U.S. manufacturing sector, particularly the accelerating transportation equipment industry. The construction sector weakened during the latter part of 2013; however, permits for new housing permits rose sharply in February. This increase for housing construction is likely to raise metals consumption in the coming months. Slow global economic growth is reducing U.S. metal products exports.

Two of the four indicators that were available for the March index calculation decreased. The average workweek in primary metals establishments, which was the shortest since August, contributed -0.7 percentage point to the net decrease in the leading index. The negative USGS metals price index growth rate contributed -0.2 percentage point. In contrast, the stock price index combining construction and farm machinery companies and industrial machinery companies continued to climb and reached a new record high. It contributed 0.4 percentage point to the leading index. The PMI, the Institute for Supply Management's purchasing managers' index, remained above the threshold that indicates further increases in U.S. manufacturing activity. It contributed 0.1 percentage point to the leading index. The March leading index should be considered preliminary because only four of its eight indicators were available, and the leading index will be subject to revision when the other components are added next month.

Metals are key inputs in durable goods manufacturing and construction, which account for almost a quarter of gross domestic product final sales. Therefore, the primary metals leading index also gives early signals of major changes in activity for the overall U.S. economy (Chart 8).

The steel leading index increased 1.2% in February, the latest month for which it is available. Seven of its nine indicators increased in February. The largest positive contribution to the leading index was from the inflation-adjusted M2 money supply growth rate. The index for new building permits and the PMI also posted sizable gains in February. However, a dip in the S&P stock price index for steel companies offset some of those gains. The steel leading index growth rate suggests that growth in steel industry activity will likely be slow in the near term. The copper leading index increased 1.1% in February. A longer average workweek in other nonferrous metal establishments made the largest positive contribution to copper leading index in February. A

rebound in housing permits and the other construction related indicator, the S&P stock price index for building products companies, also made positive contributions. However, a tighter yield spread between the U.S. 10-year Treasury Note and the federal funds rate held the leading index back some in February. The positive copper leading index growth rate would normally indicate that activity in the U.S. copper industry should increase in the near term. However, concern over a possible oversupply of copper into the world market if copper held as collateral for loans has to be sold could lower copper prices further and limit copper activity.

The **metals price leading index** decreased 0.4% to 108.8 in February, the latest month for which it is available, from a revised 109.2 in January. Its 6-month smoothed growth rate declined to -0.6% from a downwardly revised 0.3% in January. Three of its four indicators decreased in February. The largest negative contribution to the leading index came from the decrease in the Organization for Economic Cooperation and Development (OECD) Total Leading Index growth rate. It contributed -0.3 percentage point to the net decline in the metals price leading index. During 2013 the OECD leading index indicated that most industrialized economies would grow modestly. However in December, the OECD growth rate shifted downward, suggesting weaker growth in these countries. The second consecutive decrease in the growth rate of the inflation-adjusted value of new orders for U.S. nonferrous metal products contributed -0.2 percentage point. A tighter yield spread between the U.S. 10-year Treasury Note and the federal funds rate contributed -0.1 percentage point. In contrast, a rise in the growth rate of the trade-weighted average exchange value of other major currencies against the U.S. dollar contributed 0.2 percentage point. The metals price leading index signals major changes in the growth rate of nonferrous metal prices an average of 8 months in advance.

The growth rate of the inflation-adjusted value of U.S. nonferrous metal products inventories, which is an indicator of supply and usually moves inversely with the price of metals, decreased slightly in February. The level of U.S. metals inventories stands at a 5-year high. High inventories and the negative leading index of metal prices growth rate indicate that some metals prices will decline further in the near future.

The percent changes from January to February for the **metal industry coincident indexes**, which measure current economic activity, are shown below. February is the latest month for which these indexes are available.

Primary Metals	0.3%
Steel	0.4%
Copper	0.7%

Tables 1, 3, 5, and 7 identify the indicators and, for the industry indexes, show the contributions of each indicator to its respective index.

**The *Metal Industry Indicators* report is produced at the U.S. Geological Survey. For more information about these indexes and the *Metal Industry Indicators* monthly report, contact Gail James (703-648-4915), (e-mail, [gjames@usgs.gov](mailto:gjames@usgs.gov)) at the U.S. Geological Survey.**

**The *Metal Industry Indicators* summary report with indexes for March and April is scheduled for release on the World Wide Web at 10:00 a.m. EDT, Friday, May 16, 2014.**

**Table 1.**  
**Leading Index of Metal Prices and Growth Rates of the Nonferrous Metals Price Index, Inventories of Nonferrous Metal Products, and Selected Metal Prices**

	Six-Month Smoothed Growth Rates					
	Leading Index of Metal Prices (1967=100)	MII Nonferrous Metals Price Index	U.S. Nonferrous Metal Products Inventories (1982\$)	Primary Aluminum	Primary Copper	Steel Scrap
<b>2013</b>						
February	107.6	-2.1	7.4	-4.7	-4.0	-9.4
March	107.2	-7.7	6.3	-9.3	-8.1	7.0
April	107.6	-16.8	7.5	-10.9	-17.7	-1.4
May	108.6	-9.7	11.6	-6.8	-11.6	-11.0
June	109.2r	-20.2	13.1	-19.0	-21.9	-9.4
July	109.4	-18.5	16.4	-18.2	-19.4	1.3
August	109.7r	-10.3	11.1	-13.5	-11.5	-1.5
September	110.2r	-6.5	13.8	-10.5	-6.0	-3.1
October	110.4r	-4.8	10.9r	-5.5	-5.5	-2.5
November	109.9r	-8.9	9.9	-15.5	-8.8	9.7
December	110.3r	2.0	12.3	-8.9	1.5	19.6
<b>2014</b>						
January	109.2r	-4.9	9.8r	-16.4	-5.0	29.8
February	108.8	-1.9	9.6	-7.6	-2.7	13.1
March	NA	-11.3	NA	-5.0	-12.7	4.9

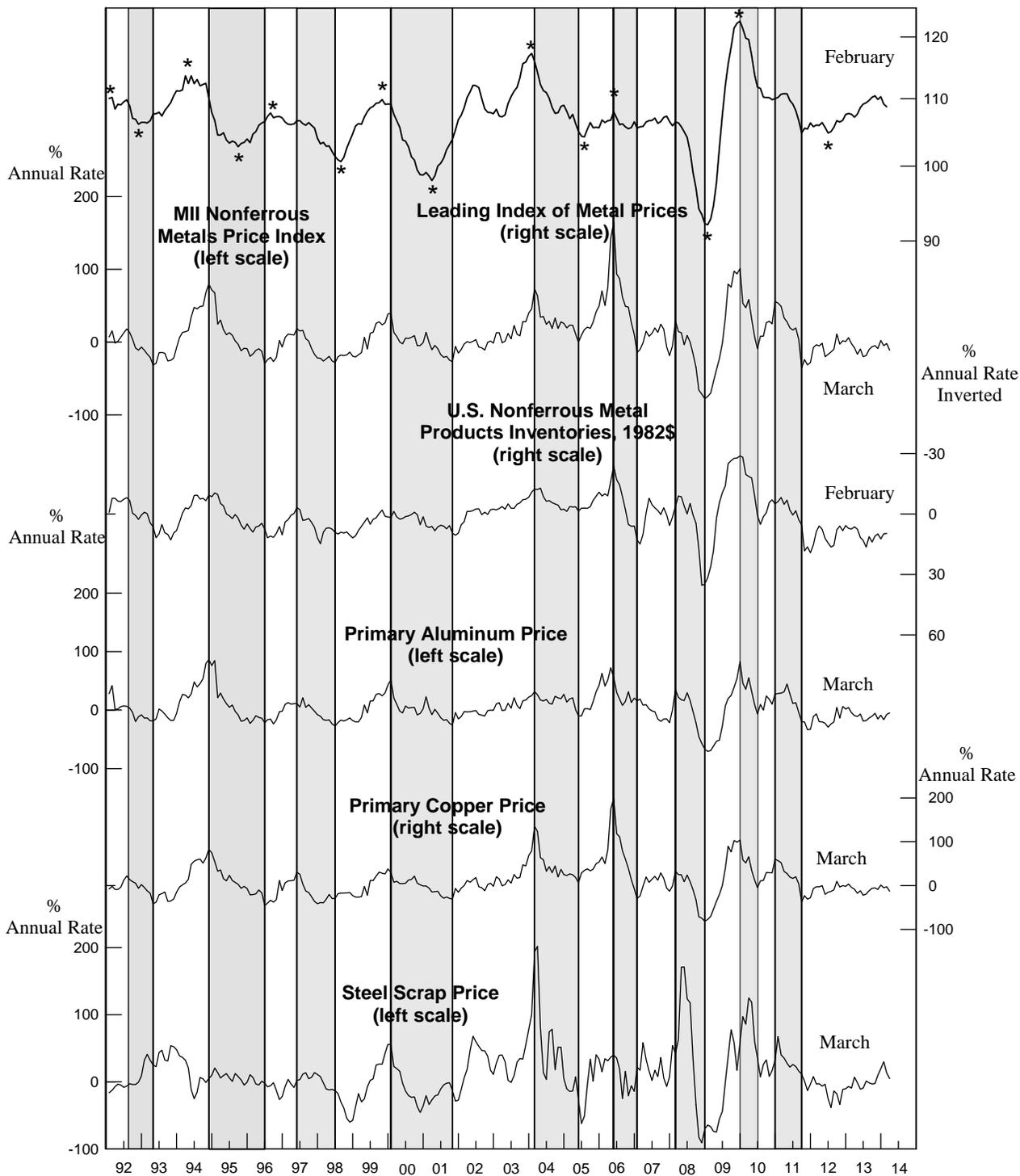
NA: Not available    r: Revised

**Note:** The components of the Leading Index of Metal Prices are the spread between the U.S. 10-year Treasury Note and the federal funds rate, and the 6-month smoothed growth rates of the deflated value of new orders for nonferrous metal products, the Organization for Economic Cooperation and Development (OECD) Total Leading Index, and the reciprocal of the trade-weighted average exchange value of the U.S. dollar against other major currencies. The Metal Industry Indicators (MII) Nonferrous Metals Price Index measures changes in end-of-the-month prices for primary aluminum, copper, lead, and zinc traded on the London Metal Exchange (LME). The steel scrap price used is the price of No. 1 heavy melting. Inventories consist of the deflated value of finished goods, work in progress, and raw materials for U.S.-produced nonferrous metal products (NAICS 3313, 3314, & 335929). Six-month smoothed growth rates are based on the ratio of the current month's index or price to its average over the preceding 12 months, expressed at a compound annual rate.

**Sources:** U.S. Geological Survey (USGS); American Metal Market (AMM); the London Metal Exchange (LME); U.S. Census Bureau; the Organization for Economic Cooperation and Development (OECD); and Federal Reserve Board.

**CHART 1.  
LEADING INDEX OF METAL PRICES AND GROWTH RATES  
OF NONFERROUS METALS PRICE INDEX, INVENTORIES OF  
NONFERROUS METAL PRODUCTS, AND SELECTED PRICES**

1967 = 100



Shaded areas are downturns in the nonferrous metals price index growth rate. Asterisks (\*) are peaks and troughs in the economic activity reflected by the leading index of metal prices. Scale for nonferrous metal products inventories is inverted.

**Table 2.**  
**The Primary Metals Industry Indexes and Growth Rates**

	Leading Index		Coincident Index	
	(1977 = 100)	Growth Rate	(1977 = 100)	Growth Rate
<b>2013</b>				
March	160.0r	0.9r	110.4r	-0.6r
April	160.2r	1.4r	110.3r	-0.9r
May	160.7r	1.9r	110.6r	-0.3r
June	159.5r	0.3r	110.6r	-0.2r
July	161.1r	2.0r	111.7r	1.6r
August	161.7r	2.1r	112.2r	2.4r
September	162.7r	2.7r	112.8r	3.2r
October	165.7r	6.0	113.7r	4.4r
November	164.3r	3.5r	114.0r	4.4
December	163.5r	2.1r	114.0r	3.9r
<b>2014</b>				
January	162.3	0.5r	113.4	2.6r
February	164.6r	3.0r	113.7	2.8
March	164.2	2.3	NA	NA

**NA:** Not available    **r:** Revised

**Note:** Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

**Table 3.**  
**The Contribution of Each Primary Metals Index Component to the Percent Change in the Index from the Previous Month**

<b>Leading Index</b>	<b>February</b>	<b>March</b>
1. Average weekly hours, primary metals (NAICS 331)	0.1r	-0.7
2. Weighted S&P stock price index, machinery, construction and farm and industrial (December 30, 1994=100)	0.0r	0.4
3. Ratio of price to unit labor cost (NAICS 331)	0.1	NA
4. USGS metals price index growth rate	0.0r	-0.2
5. New orders, primary metal products, (NAICS 331 & 335929) 1982\$	0.1	NA
6. Index of new private housing units authorized by permit	0.4	NA
7. Growth rate of U.S. M2 money supply, 2005\$	0.5	NA
8. PMI	0.2r	0.1
Trend adjustment	0.0	0.0
Percent change (except for rounding differences)	1.4r	-0.4
<b>Coincident Index</b>	<b>January</b>	<b>February</b>
1. Industrial production index, primary metals (NAICS 331)	-0.2r	-0.1
2. Total employee hours, primary metals (NAICS 331)	0.0	0.3
3. Value of shipments, primary metals products, (NAICS 331 & 335929) 1982\$	-0.3r	0.0
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	-0.4r	0.3

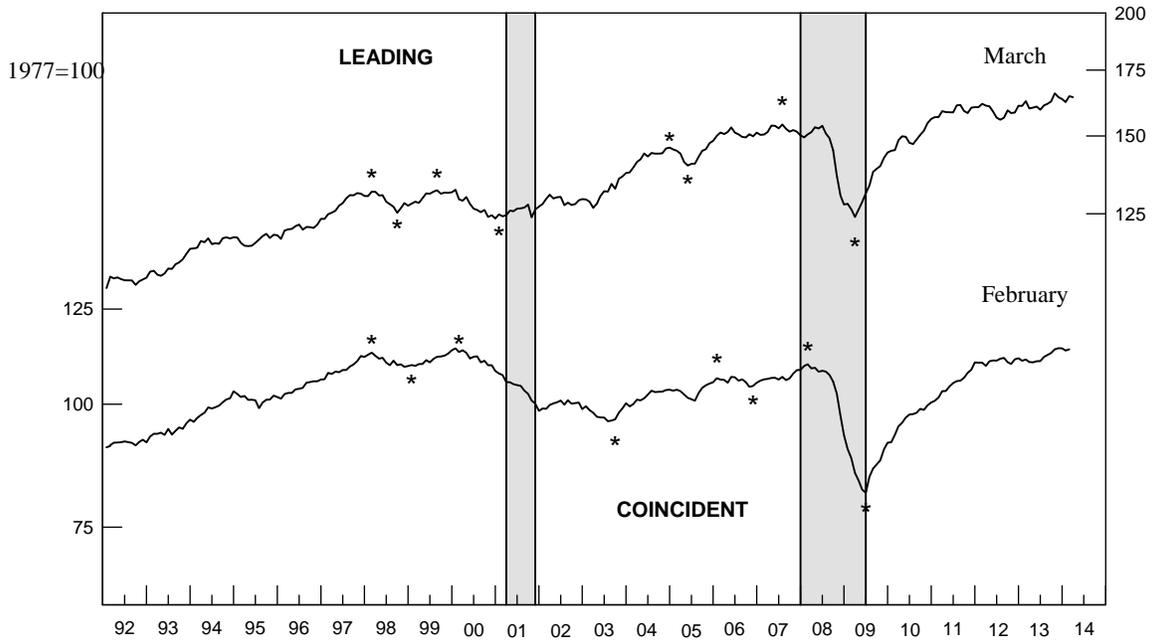
**Sources:** Leading: 1, Bureau of Labor Statistics; 2, Standard & Poor's and U.S. Geological Survey; 3, U.S. Geological Survey; 4, Journal of Commerce and U.S. Geological Survey; 5, U.S. Census Bureau and U.S. Geological Survey; 6, U.S. Census Bureau and U.S. Geological Survey; 7, Federal Reserve Board, Conference Board, and U.S. Geological Survey; and 8, Institute for Supply Management. Coincident: 1, Federal Reserve Board; 2, Bureau of Labor Statistics and U.S. Geological Survey; 3, U.S. Census Bureau and U.S. Geological Survey. All series are seasonally adjusted, except 2, 3, and 4 of the leading index.

**NA:** Not available    **r:** Revised

**Note:** A component's contribution, shown in Tables 3, 5, 7, and 9, measures its effect, in percentage points, on the percent change in the index. Each month, the sum of the contributions plus the trend adjustment equals (except for rounding differences) the index's percent change from the previous month.

**CHART 2.**

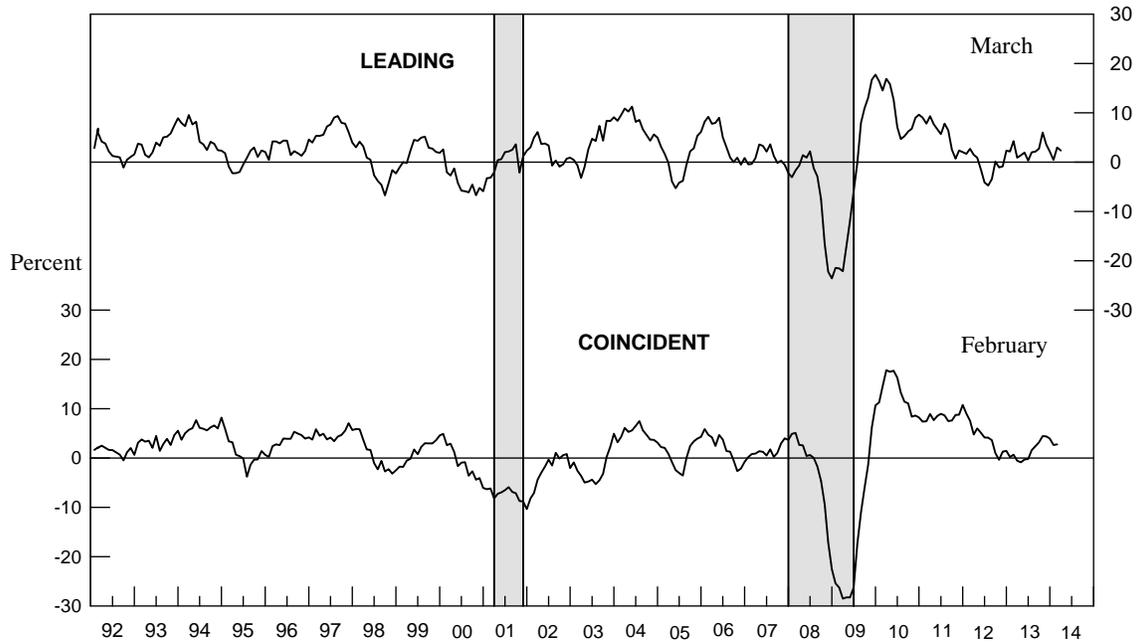
**PRIMARY METALS: LEADING AND COINCIDENT INDEXES, 1992-2014** 1977=100



Shaded areas are business cycle recessions. Asterisks (\*) signify peaks (the end of an expansion) and troughs (the end of a downturn) in the economic activity reflected by the indexes.

**CHART 3.**

**PRIMARY METALS: LEADING AND COINCIDENT GROWTH RATES, 1992-2014** Percent



Shaded areas are business cycle recessions.

The growth rates are expressed as compound annual rates based on the ratio of the current month's index to its average level during the preceding 12 months.

**Table 4.**  
**The Steel Industry Indexes and Growth Rates**

	<u>Leading Index</u>		<u>Coincident Index</u>	
	<u>(1977 = 100)</u>	<u>Growth Rate</u>	<u>(1977 = 100)</u>	<u>Growth Rate</u>
<b>2013</b>				
March	111.4	1.4	114.9r	-1.3r
April	111.8	2.0	115.1	-0.9r
May	111.7	1.8	114.6r	-1.6r
June	111.0	0.6	115.6r	0.4r
July	112.0	2.1	116.3r	1.6r
August	112.8	2.9	117.2r	2.9r
September	112.8	2.4r	117.2r	2.8r
October	113.9r	3.9r	117.9r	3.7r
November	114.6	4.5	117.7r	3.0
December	113.6	2.1	117.0	1.5r
<b>2014</b>				
January	112.2r	-0.5r	116.0r	-0.3r
February	113.5	1.6	116.5	0.4

r: Revised

**Note:** Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

**Table 5.**  
**The Contribution of Each Steel Index Component to the Percent Change in the Index from the Previous Month**

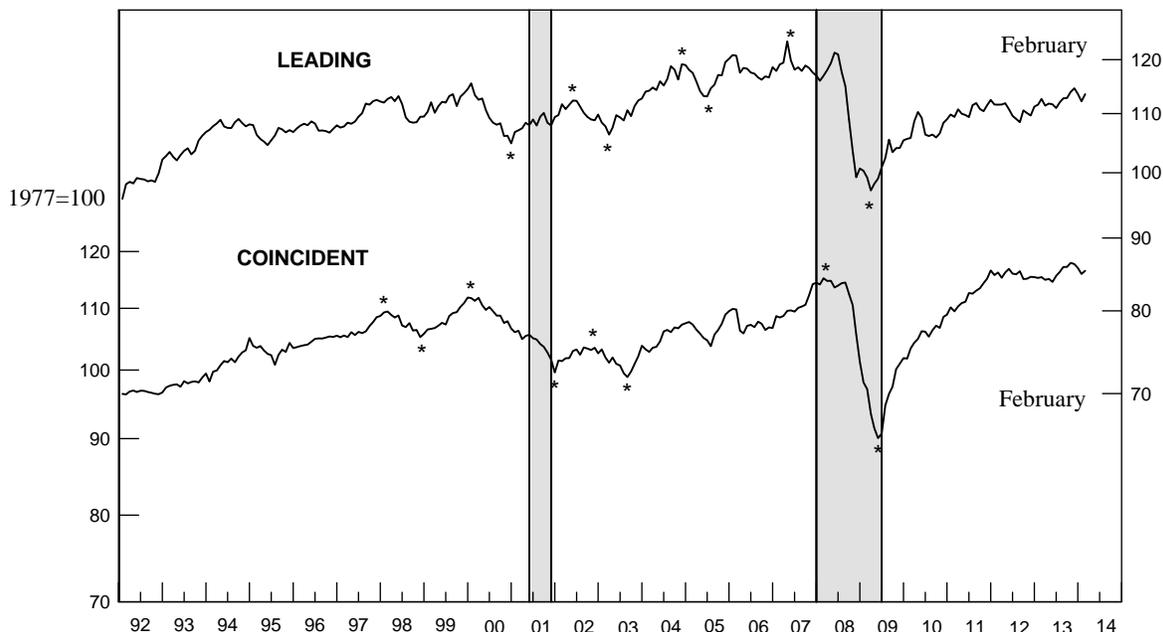
<b>Leading Index</b>	<b>January</b>	<b>February</b>
1. Average weekly hours, iron and steel mills (NAICS 3311 & 3312)	-0.3	0.1
2. New orders, iron and steel mills (NAICS 3311 & 3312), 1982\$	-0.1	0.2
3. Shipments of household appliances, 1982\$	-0.1r	0.0
4. S&P stock price index, steel companies	-0.1	-0.3
5. Retail sales of U.S. passenger cars and light trucks (units)	0.1	0.0
6. Growth rate of the price of steel scrap (#1 heavy melting, \$/ton)	0.2	0.0
7. Index of new private housing units authorized by permit	-0.2	0.3
8. Growth rate of U.S. M2 money supply, 2005\$	0.0	0.5
9. PMI	-0.6	0.2
Trend adjustment	0.0	0.0
Percent change (except for rounding differences)	-1.1r	1.0
<b>Coincident Index</b>		
1. Industrial production index, iron and steel products (NAICS 3311 & 3312)	-0.2r	-0.2
2. Value of shipments, iron and steel mills (NAICS 3311 & 3312), 1982\$	-0.4r	0.3
3. Total employee hours, iron and steel mills (NAICS 3311 & 3312)	-0.4	0.4
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	-0.9r	0.6

**Sources:** Leading: 1, Bureau of Labor Statistics; 2, U.S. Census Bureau and U.S. Geological Survey; 3, U.S. Census Bureau and U.S. Geological Survey; 4, Standard & Poor's; 5, U.S. Bureau of Economic Analysis and American Automobile Manufacturers Association; 6, Journal of Commerce and U.S. Geological Survey; 7, U.S. Census Bureau and U.S. Geological Survey; 8, Federal Reserve Board, Conference Board, and U.S. Geological Survey; and 9, Institute for Supply Management. Coincident: 1, Federal Reserve Board; 2, U.S. Census Bureau and U.S. Geological Survey; 3, Bureau of Labor Statistics and U.S. Geological Survey. All series are seasonally adjusted, except 4 and 6 of the leading index.

r: Revised

**CHART 4.**  
**STEEL: LEADING AND COINCIDENT INDEXES, 1992-2014**

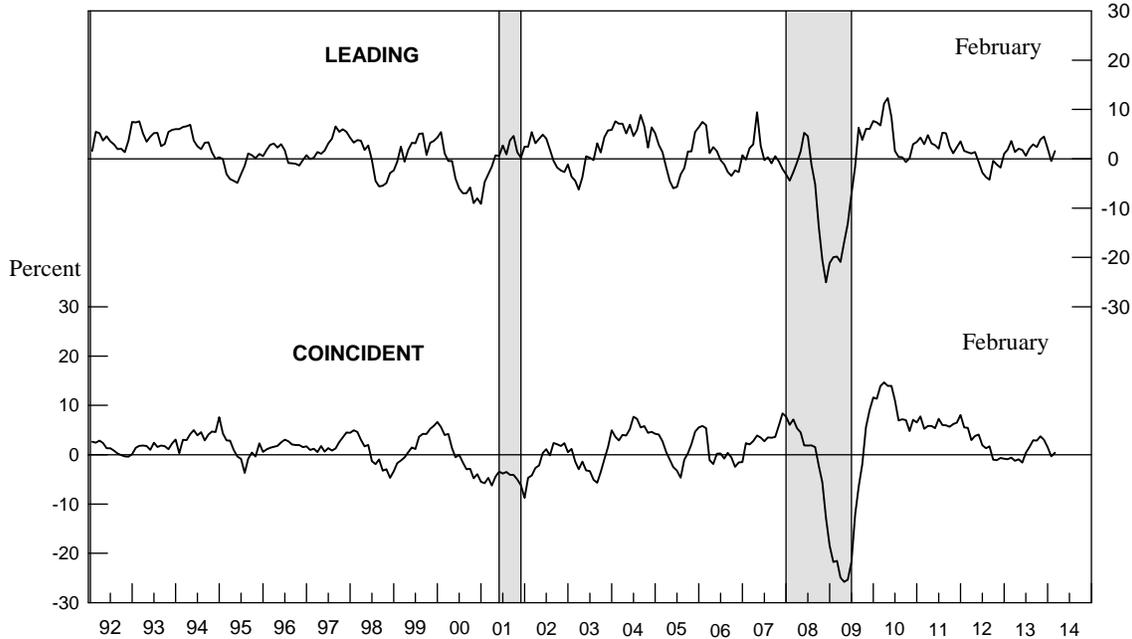
1977=100



Shaded areas are business cycle recessions. Asterisks (\*) signify peaks (the end of an expansion) and troughs (the end of a downturn) in the economic activity reflected by the indexes.

**CHART 5.**  
**STEEL: LEADING AND COINCIDENT GROWTH RATES, 1992-2014**

Percent



Shaded areas are business cycle recessions.

The growth rates are expressed as compound annual rates based on the ratio of the current month's index to its average level during the preceding 12 months.

**Table 6.**  
**The Copper Industry Indexes and Growth Rates**

	Leading Index		Coincident Index	
	(1977 = 100)	Growth Rate	(1977 = 100)	Growth Rate
<b>2013</b>				
March	126.8r	7.0r	109.9r	5.4r
April	127.0r	6.5r	108.9r	3.0r
May	128.3r	8.0r	108.2r	1.4r
June	126.5r	3.9r	106.3r	-2.5r
July	127.7r	5.0r	108.2r	0.8r
August	127.6r	4.0r	108.1	0.7r
September	128.3r	4.0r	106.6r	-2.0r
October	129.6r	5.3r	108.6r	1.3r
November	128.5r	2.7r	107.1r	-1.6r
December	130.3r	4.6r	107.7r	-0.5r
<b>2014</b>				
January	128.1r	0.7r	105.8r	-3.9r
February	129.5	2.3	106.5	-2.4r

r: Revised

**Note:** Growth rates are expressed as compound annual rates based on the ratio of the current month's index to the average index during the preceding 12 months.

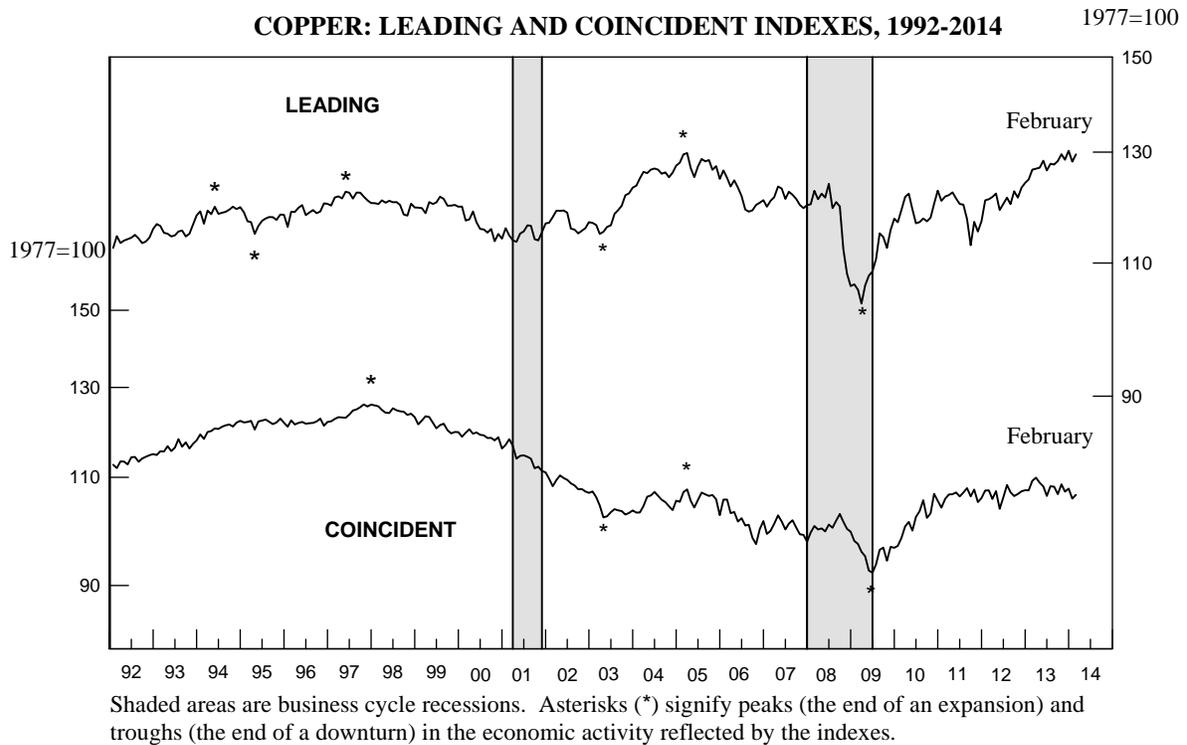
**Table 7.**  
**The Contribution of Each Copper Index Component to the Percent Change in the Index from the Previous Month**

	January	February
<b>Leading Index</b>		
1. Average weekly hours, nonferrous metals (except aluminum) (NAICS 3314)	-1.2r	0.6
2. New orders, nonferrous metal products, (NAICS 3313, 3314, & 335929) 1982\$	-0.3r	0.0
3. S&P stock price index, building products companies	0.3	0.2
4. LME spot price of primary copper	-0.2	0.0
5. Index of new private housing units authorized by permit	-0.3	0.4
6. Spread between the U.S. 10-year Treasury Note and the federal funds rate	0.0	-0.1
Trend adjustment	0.0	0.0
Percent change (except for rounding differences)	-1.7r	1.1
<b>Coincident Index</b>		
1. Industrial production index, primary smelting and refining of copper (NAICS 331411)	0.0r	-0.1
2. Total employee hours, nonferrous metals (except aluminum) (NAICS 3314)	-1.9r	0.7
3. Copper refiners' shipments (short tons)	NA	NA
Trend adjustment	0.1	0.1
Percent change (except for rounding differences)	-1.8	0.7

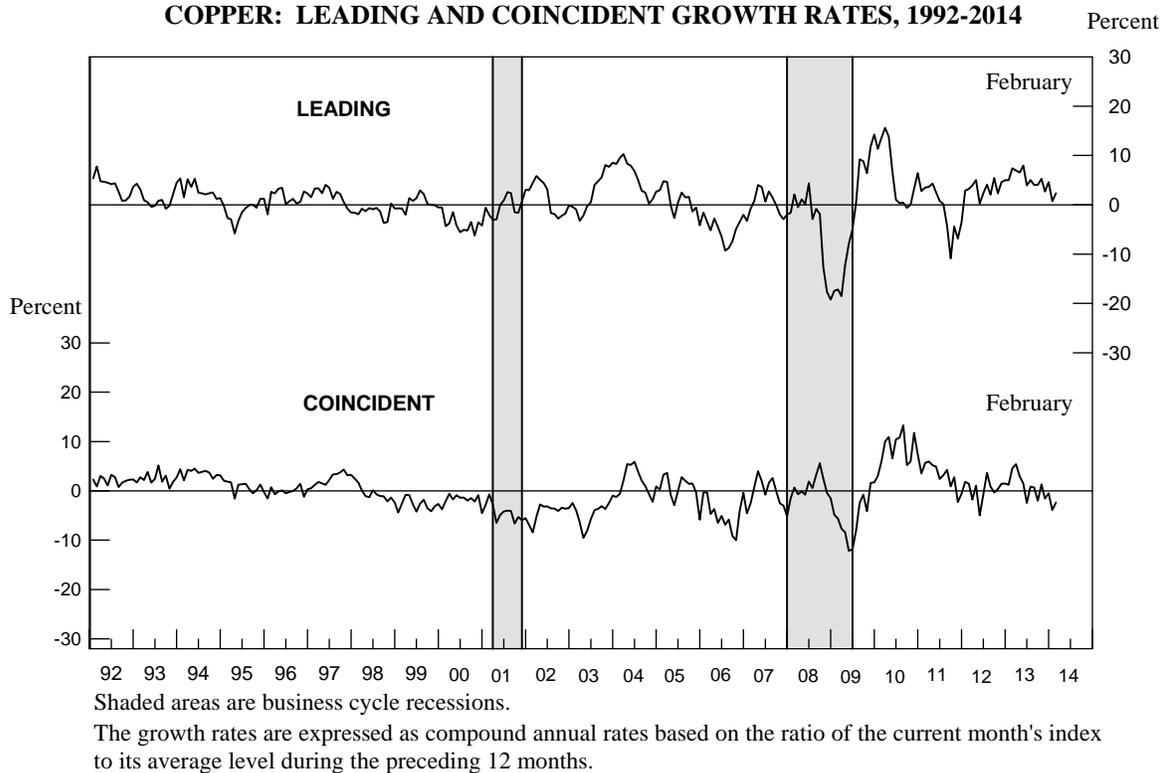
**Sources:** Leading: 1, Bureau of Labor Statistics; 2, U.S. Census Bureau and U.S. Geological Survey; 3, Standard & Poor's; 4, London Metal Exchange; 5, U.S. Census Bureau and U.S. Geological Survey; 6, Federal Reserve Board and U.S. Geological Survey. Coincident: 1, Federal Reserve Board; 2, Bureau of Labor Statistics; 3, American Bureau of Metal Statistics, Inc. and U.S. Geological Survey. All series are seasonally adjusted, except 3, 4, and 6 of the leading index.

r: Revised    NA: Not available

**CHART 6.**  
**COPPER: LEADING AND COINCIDENT INDEXES, 1992-2014**

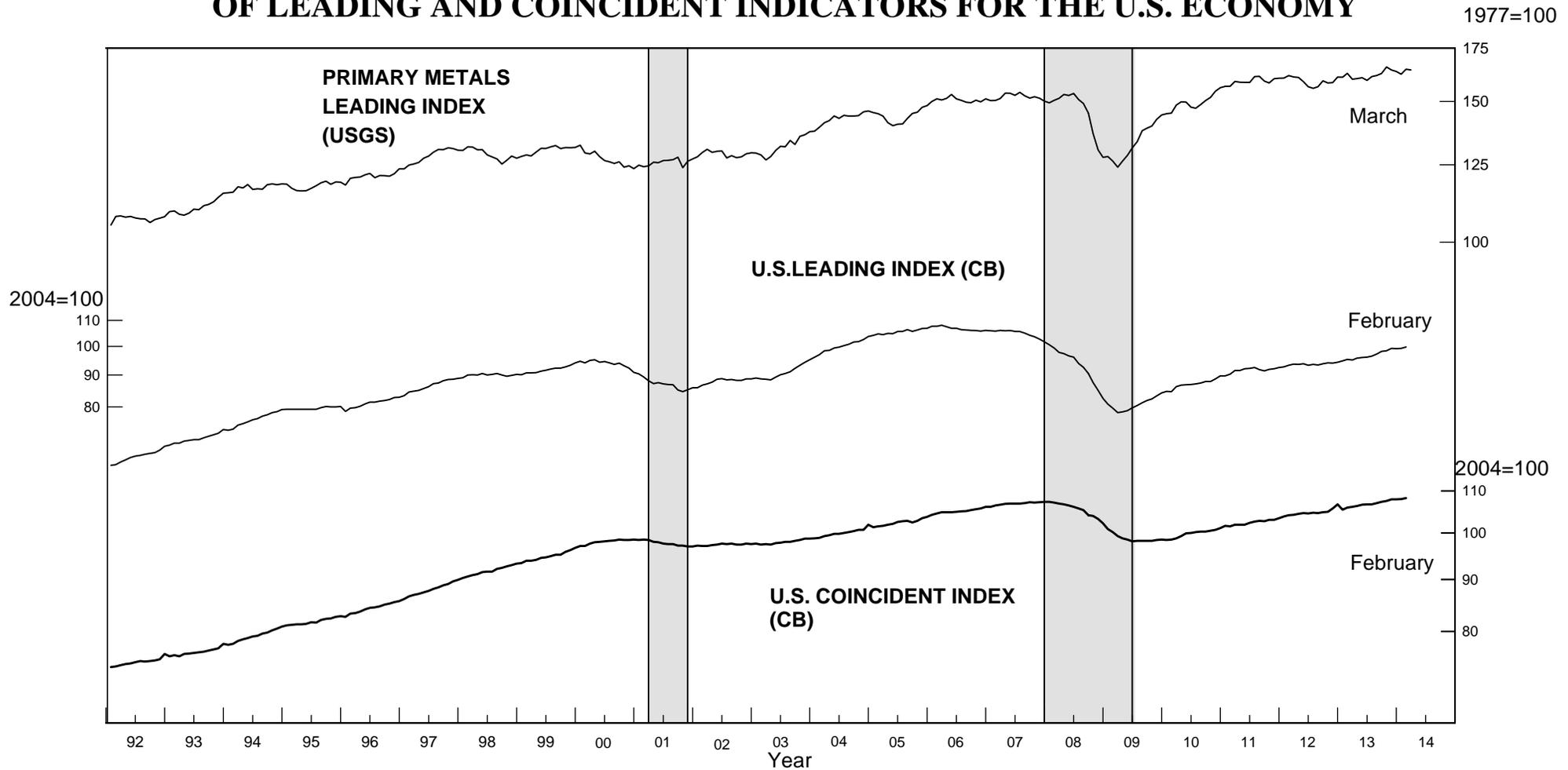


**CHART 7.**  
**COPPER: LEADING AND COINCIDENT GROWTH RATES, 1992-2014**



**Chart 8.**

**PRIMARY METALS LEADING INDEX AND COMPOSITE INDEXES  
OF LEADING AND COINCIDENT INDICATORS FOR THE U.S. ECONOMY**



Shaded areas are business cycle recessions.

Sources: U.S. Geological Survey (USGS) and Conference Board (CB).

April 2014