

**In the Name of God**

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# Global Steel Market Outlook

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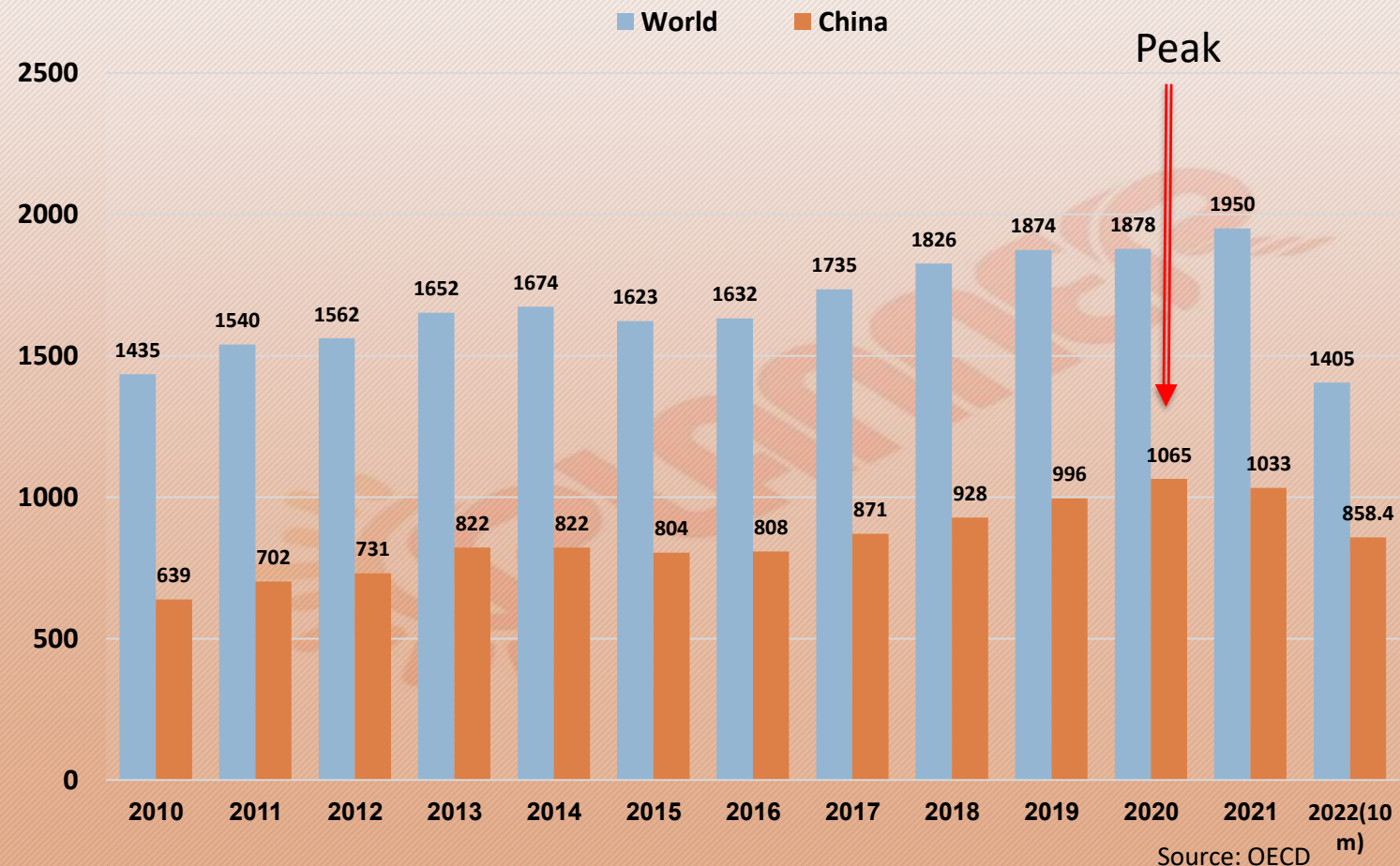
- Present Global Steel Industry Condition.
- How Steel Industry Will Develop Given the Latest Developments in China.
- What Are the Threats and Opportunities for Iran Steel Industry.

# Present Global Steel Industry Condition

# China May Have Lost Its Role as Driving Force of Global Steel Output

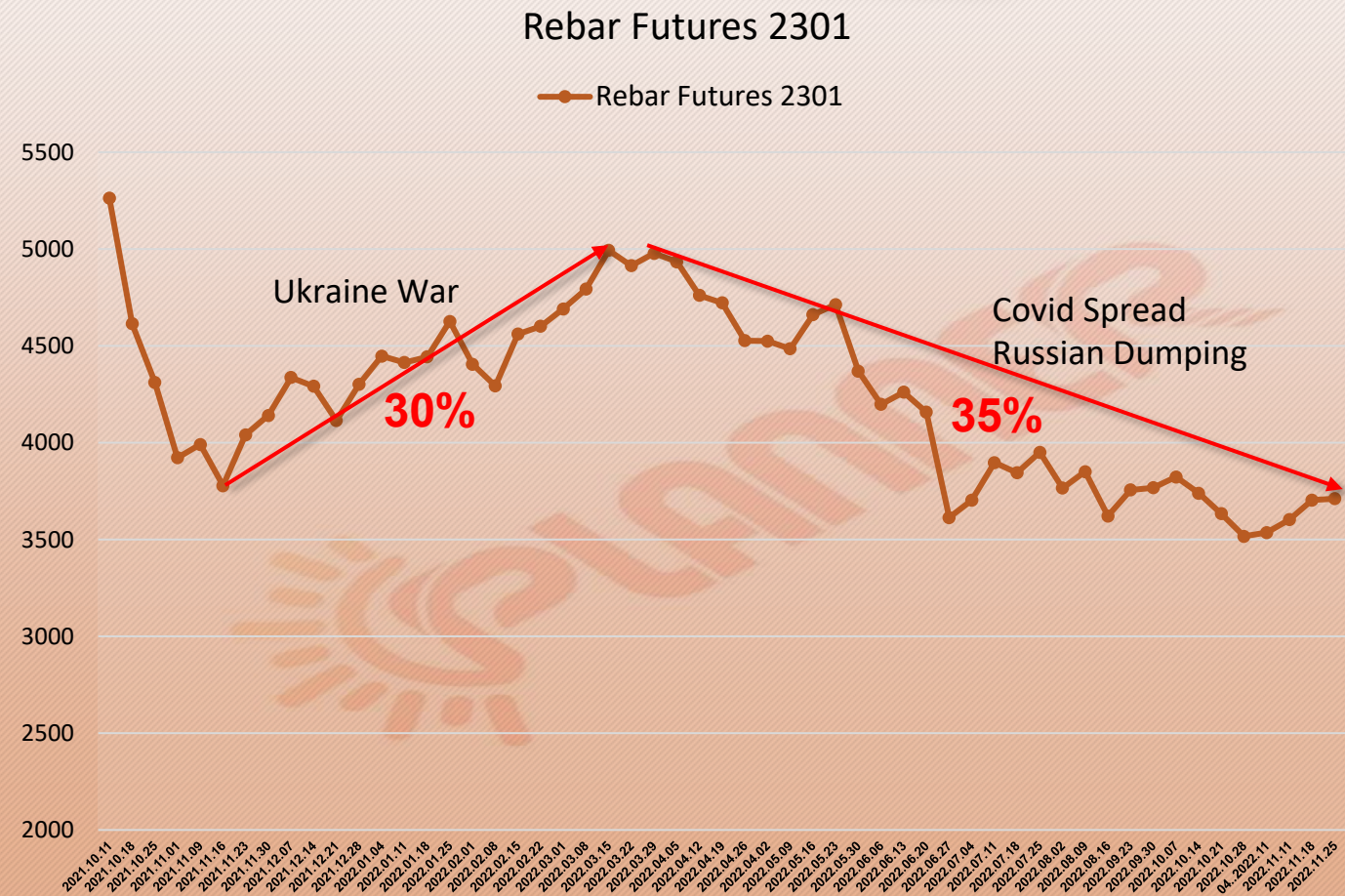
- China's annual crude steel production fell for the first time in six years in 2021, retreating from record levels it logged in 2020 as the country steps up efforts to contain emissions in its mammoth ferrous sector.
- Africa, India and Southeast Asia have filled the shoes of China as a driving force.

Global Steel Output vs China Share (Million Mt)



# The after-effect of Russia Invasion on Ukraine

- The war in Ukraine triggered a severe supply shock along the steel value chain. Steel and raw material prices surged after the conflict began, though prices have eased slightly in recent months reflecting slower prospects for steel market growth.
- The economic recovery is expected to continue, albeit at a slowing pace. In spite of their relatively small joint share in terms of global output, Ukraine and Russia are large exporters of key minerals and energy.

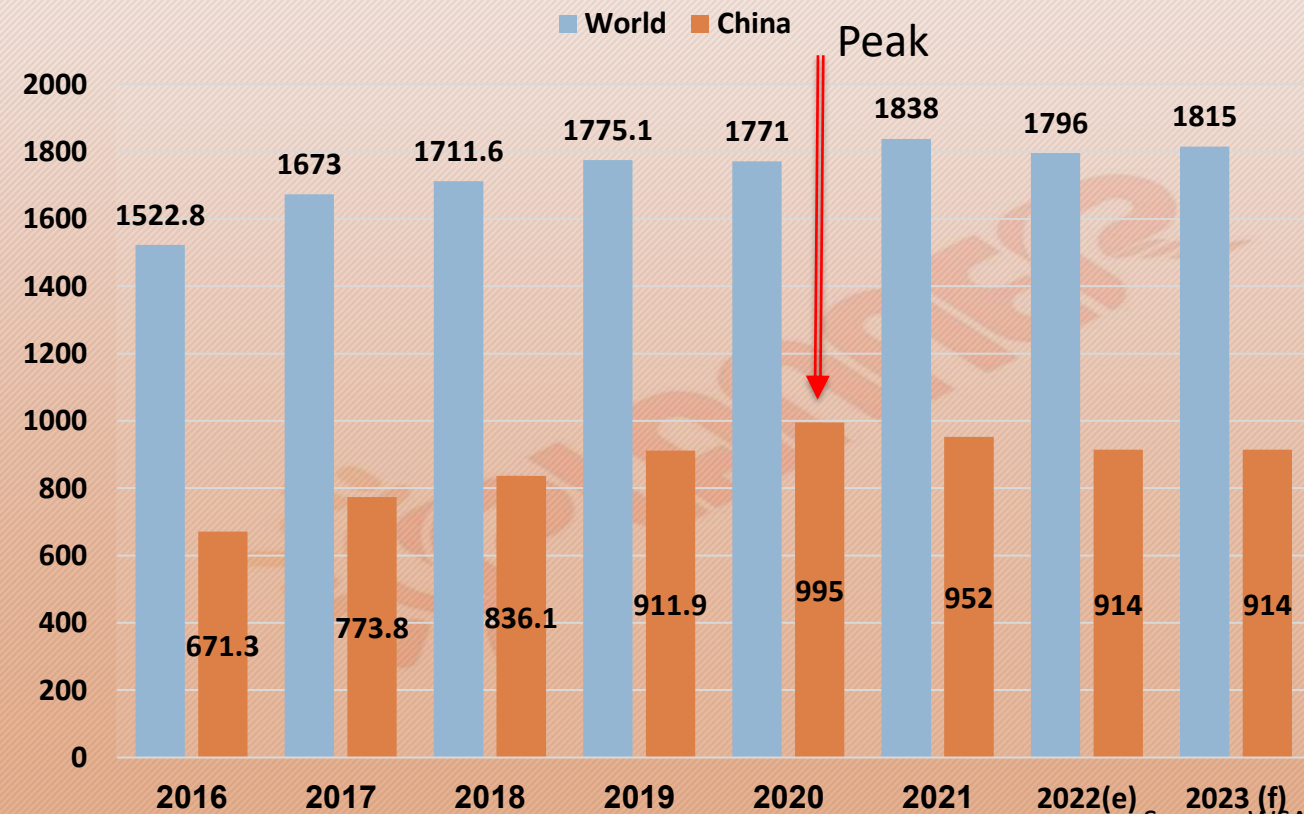


# Will Demand Remain Healthy?

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- Steel consumption growth has slowed appreciably. In its October 2021 outlook, the World Steel Association forecast finished-steel demand to grow by 4.5% and 2.2% in 2021 and 2022 respectively.
- In April 2022, worldsteel lowered the 2021 estimate to 2.7%, due to a sharper than anticipated deceleration in China, and the 2022 forecast has been downgraded to -2.3% reflecting the impacts of the current conflict. Global steel demand growth in 2023 is forecast to increase by 2.2%.
- Steel demand in China contracted by 6.6% in the first eight months of 2022. For the whole year, steel demand is likely to fall by 4.0% with the low base effect of the second half of 2022.
- China steel demand in 2023 is expected to remain flat under the assumption that small new stimulus measures are to be introduced and lockdown measures will be largely removed in the later part of 2022.

### Global Steel Demand vs Chinese Steel Demand (Million Mt)

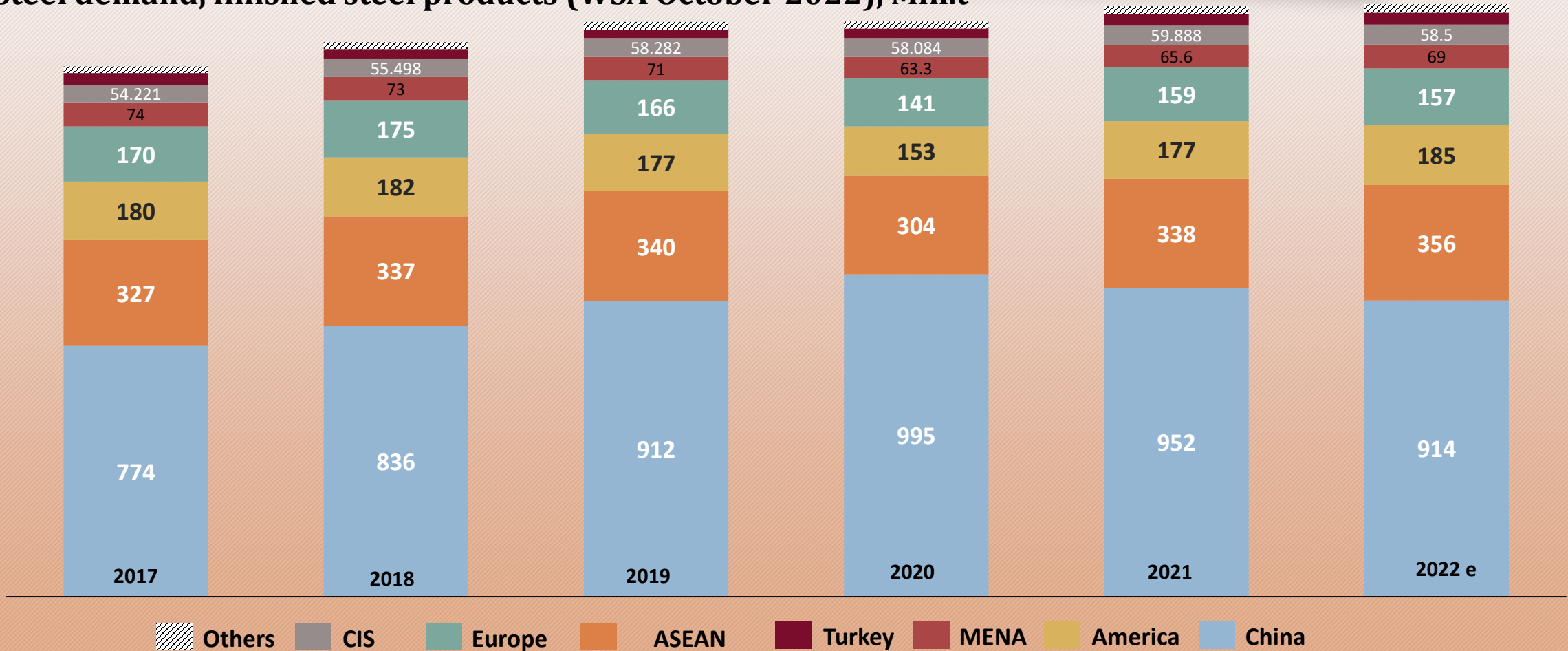




# China is no longer the driving force for steel demand

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Steel demand, finished steel products (WSA October 2022), Mln.t



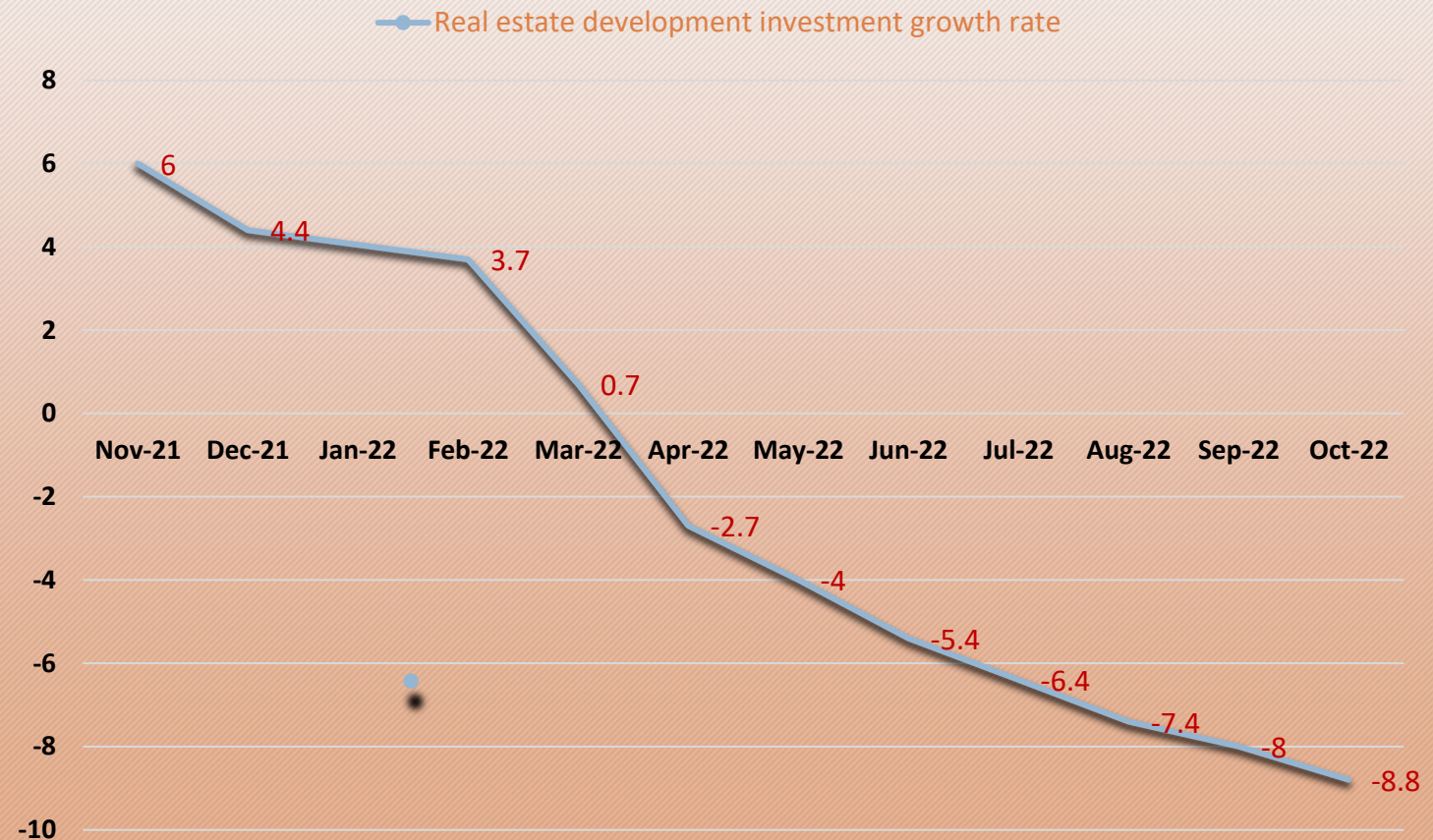
# How Steel Industry Will Develop Given the Latest Developments in the World



# Troubled real estate industry in China

- The growth rate in real estate development of China has declined sharply over the past year.
- Chinese authorities have introduced a couple of measures to stabilize the section, but failed to succeed.
- Thousands of homebuyers are refusing to pay their mortgages for pre-sold properties as developers struggle to complete housing projects on time.
- China is facing over 50 million unsold houses, driving the prices further down. So far, house prices have corrected by 40% this year.

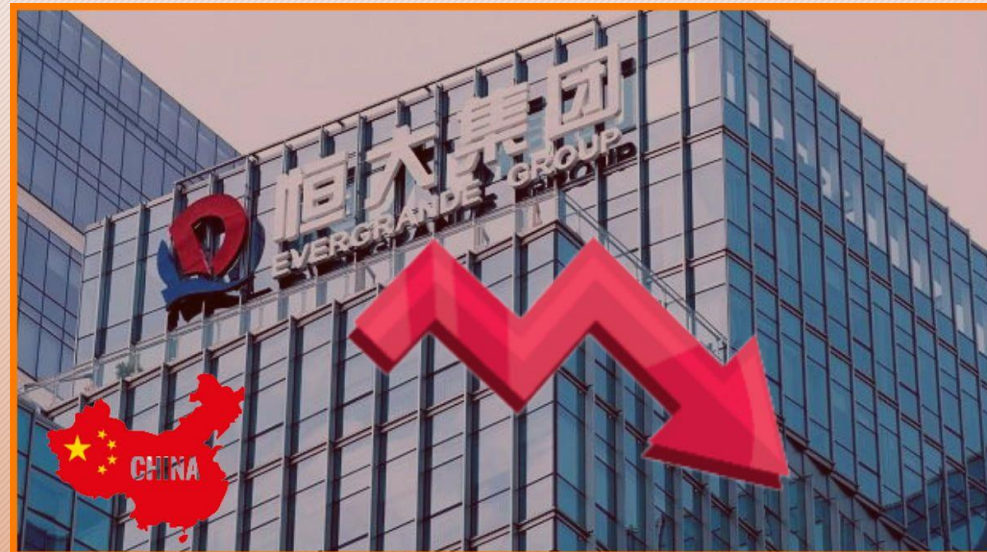
Real estate development investment growth rate



# China's comprehensive rescue plan for property market

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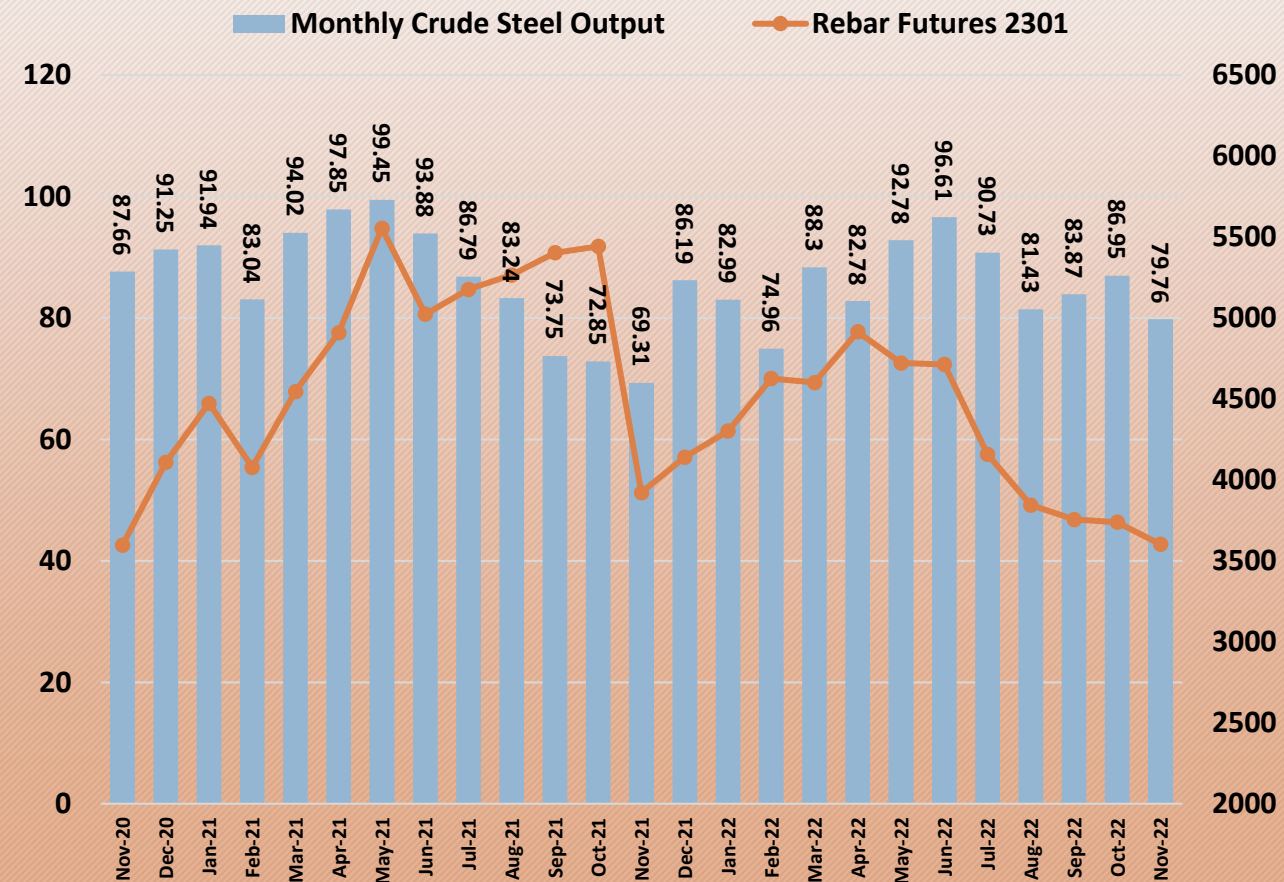
- allowing banks to extend maturing loans to developers
- supporting property sales by reducing the size of down payments
- cutting mortgage rates
- boosting other funding channels such as bond issues
- ensuring the delivery of pre-sold homes to buyers.



# China Is Unlikely to Hit New Records

- Despite the rise in crude steel production during the first half of the year, China is unlikely to hit the record registered in May-21.
- There is no news about strict winter production cut policy, but the intentions of high production are low due to low margins.
- Currently, the loss of producing per ton of steel in China is nearly 200-300 RMB
- Production consolidation is still the main goal for Chinese authorities.

### Chinese Monthly Crude Steel Output

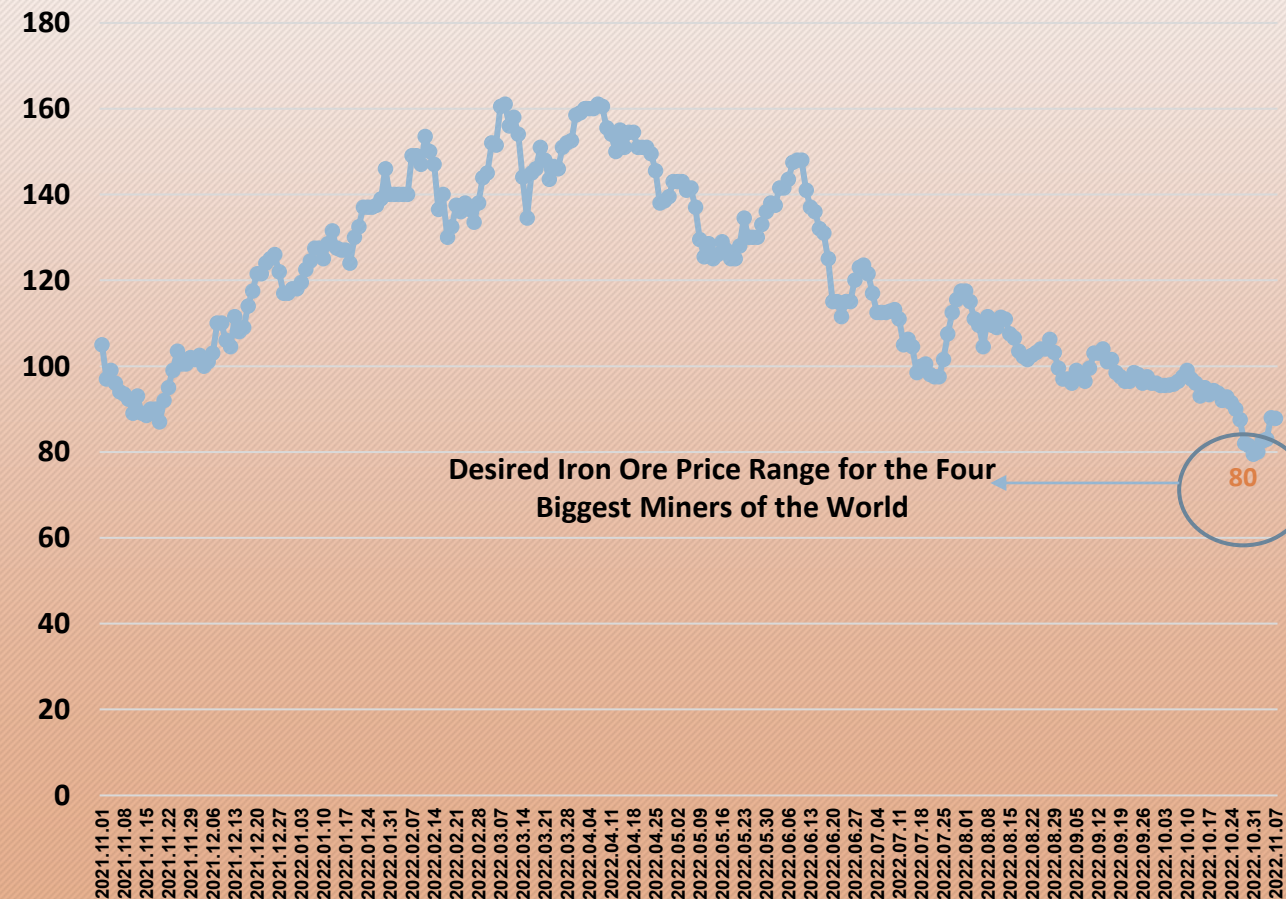


# Iron Ore to Suffer More But Still Desirable

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- Iron ore Chinese port inventories have risen sharply since September to over 147 million Mt.
- Stricter environmental policy have pressed Chinese mills appetite.
- Power crunch has left Chinese government no choice but to cut steel production.
- Shipments from Australia and Brazil are at high levels.
- Shipping costs experienced a free fall during the past couple of weeks.
- Despite the fall, world big miners still make profit on the one hand and eliminate the operation of smaller mines on the other.

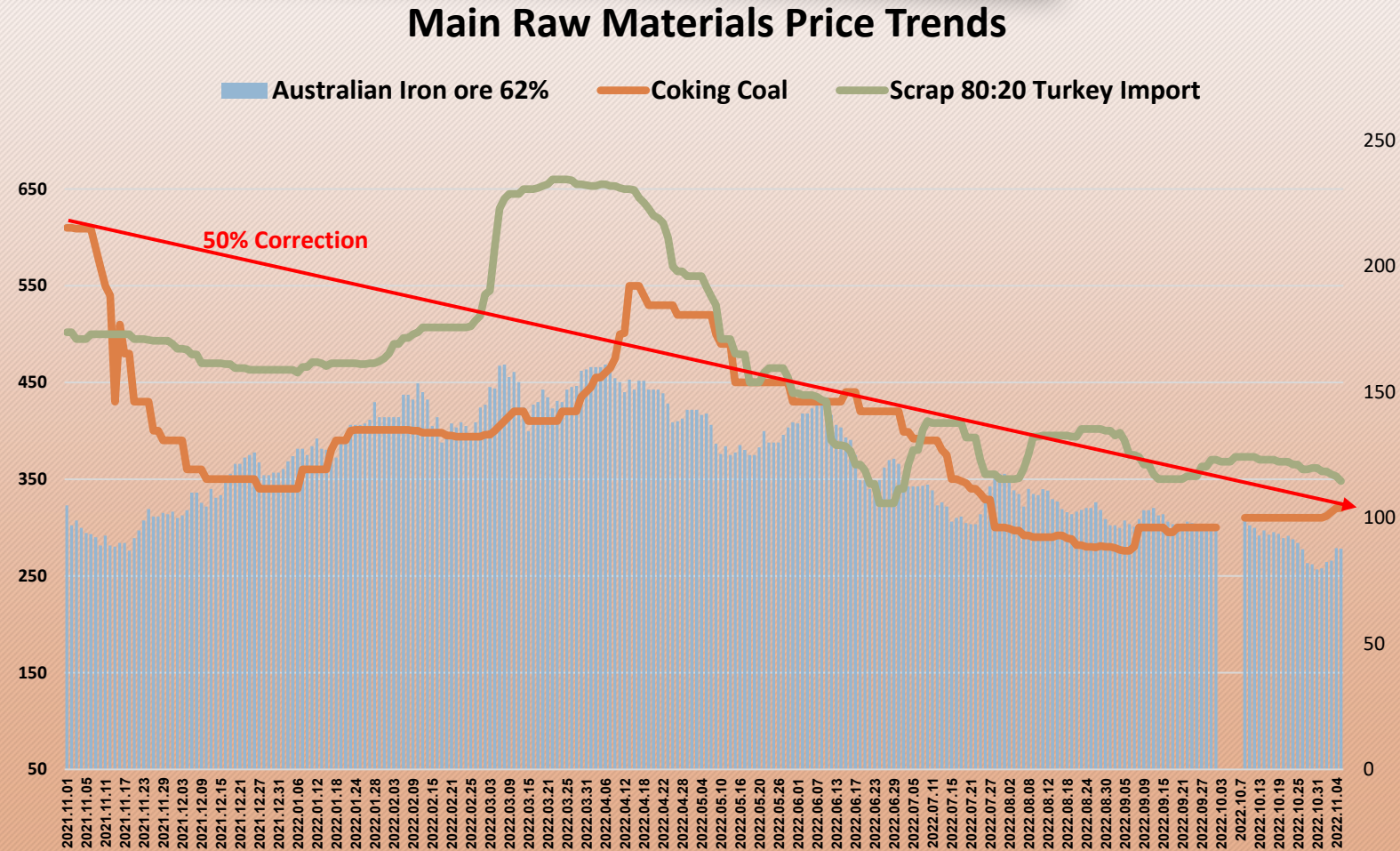
**Australian Iron ore fines 62%**





# Raw Materials Prices Corrected due to Lack of Demand

- Russia Started to pour the market with cheap steel after being sanctioned by the US and the EU.
- This caused raw materials prices especially coking coal to slide as Russian dumping heavily affected steel prices.
- Chinese steel production has been reversing back all the way from June, subduing the demand for raw materials.



# China May Reduce Huge Scale Imports

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- Chinese crude steel import peaked in 2020 and may no longer meet such levels.
- However, steel imports might hover around 15 million Mt during the next couple of years as the country is moving towards green steel.
- Increasing USD index could make imports more expensive for the holders of other currencies.
- As China postponed its zero-emission policy till 2060, the domestic supply may decrease less than expected.





# What 2023 Holds for Steel Market?

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## ✘ Risks

- Slowdown of the economic recovery due to high inflation rate, tightening monetary policy from different central banks, high rate of Covid infections.
- High number of empty flats in China would not let the property market to revive soon.
- No clear outlook for the end of the Russia-Ukraine war will still pressure the prices.
- The Fed still believes that it is far from decreasing the interest rates, which could put pressure on the prices.

## ✔ Opportunities

- China zero-Covid policy may change, which could positively affect the steel demand.
- The Fed may slowdown raising interest rates if the inflation trend downward.
- China comprehensive recovery plan and cutting RRR could inject enough liquidity into property market.
- China winter production cuts could further reduce the supply and make room for price increase.
- Increased investments into industrial sector related with CO<sup>2</sup> emission regulations could increase the demand for steel products.

# What Are the Threats and Opportunities for Iran Steel Industry.

# Iran, Country with Highest Rise in Production

## Main Reasons:

- Lower energy crunch in summer
- Better domestic demand (25% increase)

## How to keep the pace

- Given that the global demand is not so good, the government shall plan new projects in order to maintain the domestic demand
- The government shall stop interfering with steel products pricing and let the market find it way
- The government shall introduce policies which entice the export

Top 10 steel-producing countries

Table 2. Top 10 steel-producing countries

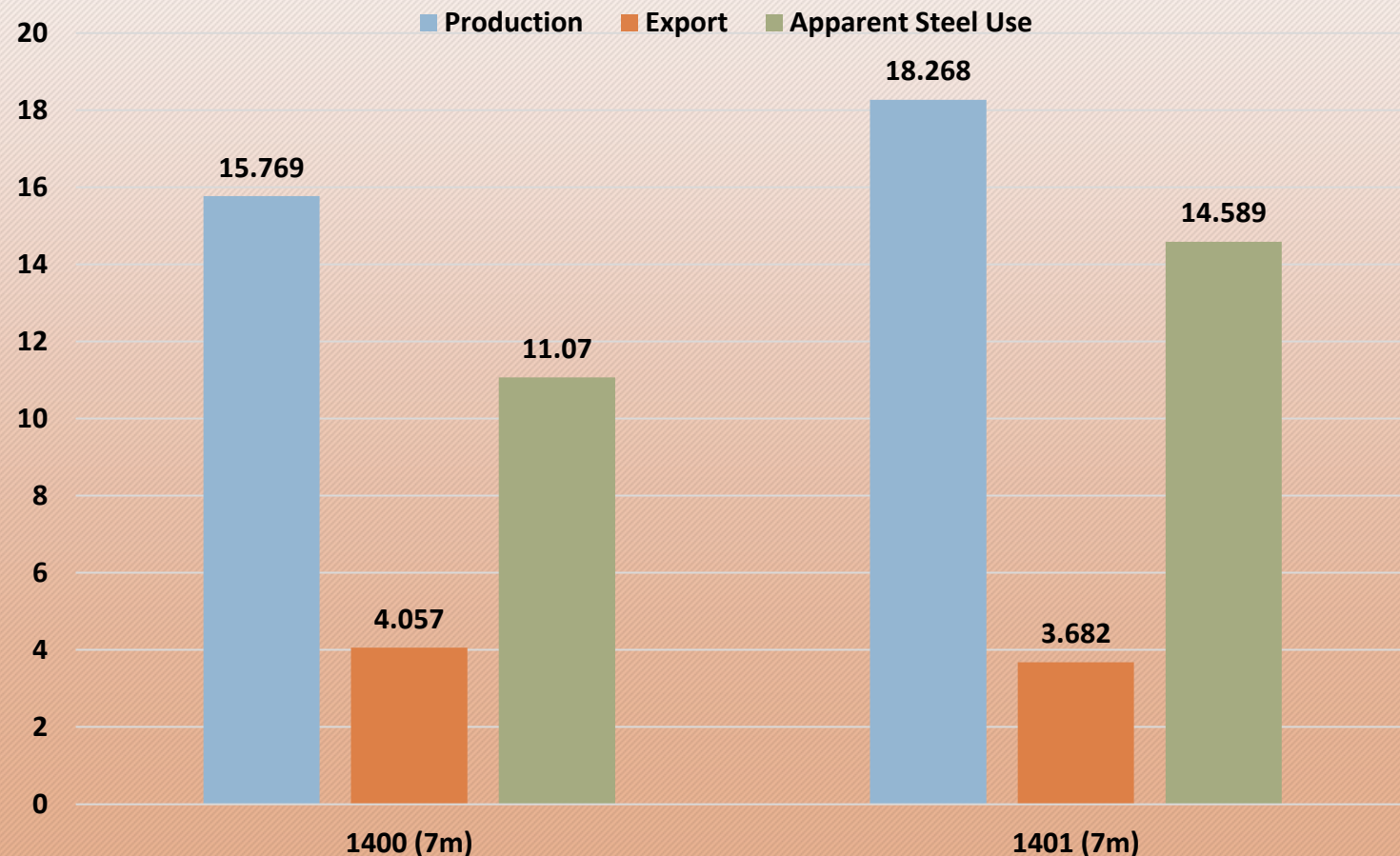
	Oct 2022 (Mt)	% change Oct 22/21	Jan-Oct 2022 (Mt)	% change Jan-Oct 22/21
China	79.8	11.0	860.6	-2.2
India	10.5	2.7	103.8	6.1
Japan	7.3	-10.6	75.2	-6.5
United States	6.7	-8.9	68.1	-4.8
Russia	5.8	-11.5	60.4	-6.6
South Korea	5.1	-12.1	55.7	-5.0
Germany	3.1	-14.4	31.4	-6.9
Türkiye	2.9	-17.8	30.2	-10.1
Brazil	2.8	-4.5	28.7	-5.2
<b>Iran</b>	<b>2.9</b>	<b>3.5</b>	<b>25.1</b>	<b>9.0</b>

# But Iran Steel Export Has Fallen

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- Despite rise in production, Iranian mills could not keep the export pace.
- The main reason is higher domestic consumption and the lack of demand in export markets as a result of tightening monetary policy in Central banks, Russian dumping, as well as lower foreign demand, especially from China.
- Energy crisis in Europe and other countries caused downstream demand to shrink, leading to lower demand for semis.

Iranian Steel Production, Export and Consumption (7m)

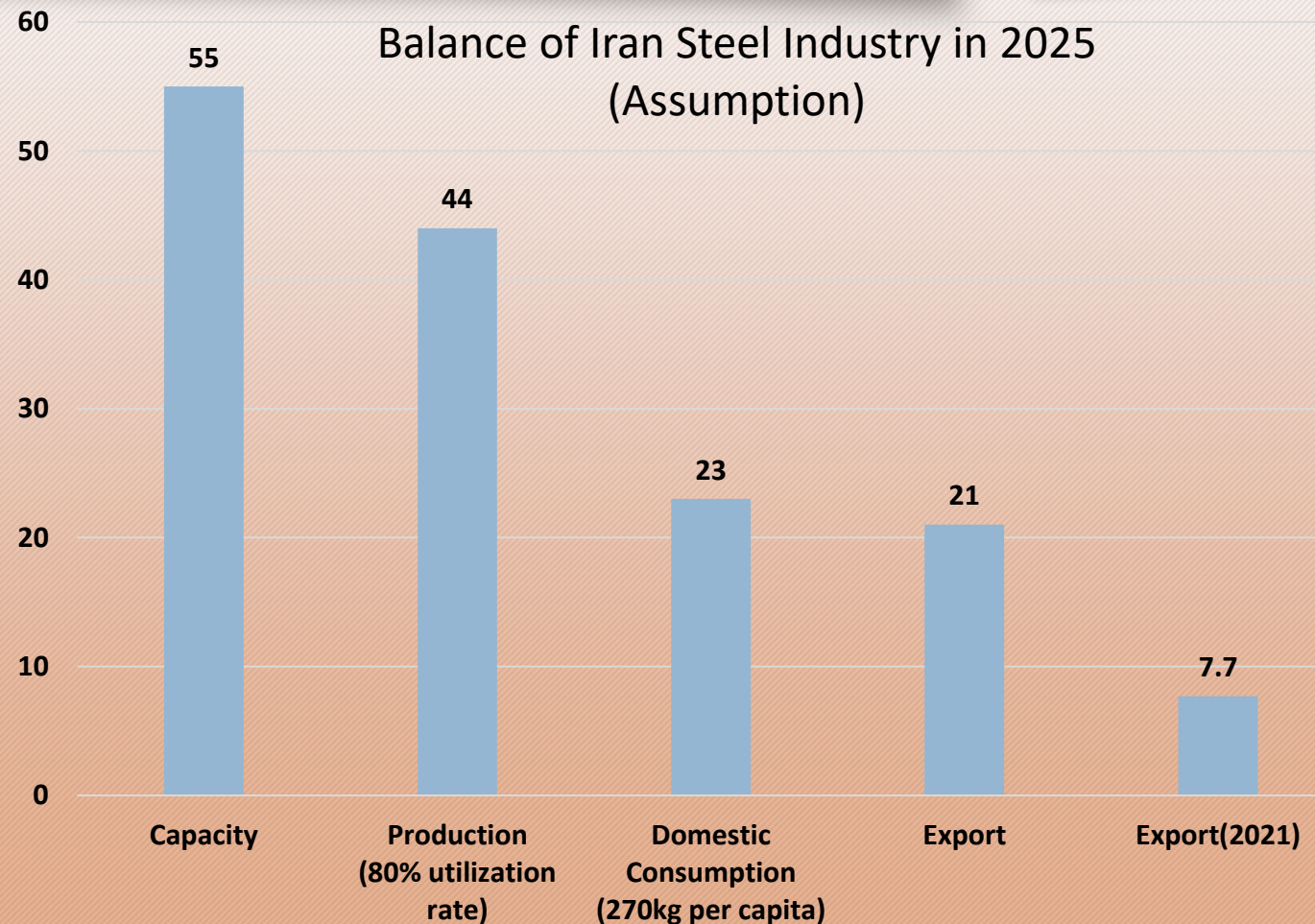


# The Need to Develop Export

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Based on Iran Steel Comprehensive Plan:

- Iran needs to raise the crude steel production capacity to 55 million Mt by 2025.
- With 80% utilization rate, the total production stands at 44 million Mt.
- Out of this volume, the assumption is 23 million Mt to be consumed domestically. (very ambitious considering 270 kg steel use per capita)
- Iranian steel export is going to reach 21 million Mt in 2025; almost triple in only 4 years, while the government is still imposing anti-export policies.



# What Shall be Done?

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- Developing Infrastructures at Sea Ways, Rail Ways and Road Ways
- Mergers and Acquisitions of Smaller Units by Big Mills
- Preventing Unbalanced Steel Production
- Avoiding Low-priced Exports which Results in Import Tariffs in Consuming Markets (using a quota system and export tariffs)
- Obtaining Global Standards by Domestic Producers for Promoting Higher Value-added Steel Products Exports
- Strategic Marketing in Main Consuming Markets
- Planning the Sustainable Raw Martials Supply Program
- Promoting Steel Production Units Close to International Waters
- Lowering the Energy Consumption per Unit of the Product



# Thanks For Your Attention

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