

 This week:

Worldsteel revises up non-Chinese demand forecast for 2021

Worldsteel has revised up its forecast for finished steel demand growth outside China thanks mainly to strong manufacturing activity and developed economies outperforming earlier expectations.

Global steel demand will grow by 4.5% on-year in 2021 to 1.85 billion tonnes after 0.1% growth in 2020, worldsteel says in its latest short-range outlook (SRO). This compares to its 5.8% growth forecast in April. The downward revision is purely due to deceleration in China, where demand is now seen shrinking 1% this year.

Developed economies, like the US, EU and certain Asian nations, have managed to minimise the impact of the latest Covid-19 infection wave on economic activity in 2021, using more targeted and localised lockdowns. After falling by 12.7% in 2020, developed economies' steel demand will increase 12.2% in 2021 and 4.3% in 2022, reaching its pre-pandemic level, worldsteel says.

However, supply chain bottlenecks and the services sector still lagging behind are preventing a more robust recovery.

"The Chinese economy recovery has slowed since June, leading to a steel demand contraction of 13.3% in July and then 18.3% in August," worldsteel director general Edwin Basson said during Thursday's virtual SRO press conference. "The sharp deceleration is partly attributable to small waves of infections and the government cap on steel production. No growth in Chinese steel demand is expected in 2022."

Steel demand in developing economies, excluding China, also recovered in 2021, aided by the recovery in commodity prices and international trade. However, new Covid-19 waves combined with low vaccination levels have restrained this recovery.

"Russia's export duties for steel are in favour of the domestic steel sector, which we expect to continue to do well mostly due to state-funded construction activities in 2021," Basson told Kallanish. "We expect Russia, Ukraine, Kazakhstan and other CIS countries to continue their positive recovery."

Steel demand in Latin America has shown a surprisingly strong recovery in 2021 thanks to the construction and automotive sectors. However, in 2022, the region could see markedly weakened momentum as it will struggle with compounded structural issues including high inflation, heightened fiscal deficits and political uncertainty.

In 2022, global steel demand will see a further increase of 2.2% on-year to 1.89 billion tonnes, worldsteel says. The current forecast assumes that, with the progress of vaccinations across the world, the spread of variants of the Covid-19 pandemic will be less damaging and disruptive than seen in previous waves.

2021-2022 demand forecast for top 10 steel using countries. (y-o-y %)			
Countries	2020	2021 (f)	2022 (f)
China	9.1	-1.0	0.0
India	-12.9	16.7	6.8
United States	-18.0	15.3	5.7
Japan	-16.7	10.2	2.1
South Korea	-8.0	9.1	1.5
Russia	-2.6	2.4	3.0
Germany	-11.3	10.0	13.3
Turkey	13.0	17.0	7.2
Vietnam	-4.0	2.4	5.0
Mexico	-12.1	12.9	4.3

Source: worldsteel

In this weeks Issue:

- ▶ **PAGE 3**
Can Chinese steel prices overcome economic uncertainty?
- ▶ **PAGE 4**
Will EU Q4 crude steel production suffer from energy prices?
- ▶ **PAGE 5**
Will finished US steel prices hold steady until the end of the year?
- ▶ **PAGE 6**
Will scrap prices retreat after reaching \$500?
- ▶ **PAGE 9**
How are safeguard measures impacting European steel imports?

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	+8.17%	+7.35%	+6.8%
15 Oct	92.62	122.25	146.20
14 Oct	95.65	125.81	149.25
13 Oct	94.73	123.74	146.46
12 Oct	92.36	125.31	147.34
11 Oct	108.83	136.88	158.35
Average	96.84	126.80	149.52
08 Oct	90.47	121.73	144.59
07 Oct	89.56	117.43	140.31
06 Oct	89.33	117.10	140.02
05 Oct	89.22	116.95	139.88
04 Oct	89.00	117.23	140.20
Average	89.52	118.11	140.00

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Global Overview

North America:

- Finished steel prices in the US stagnate across markets
- Scrap pricing holds into October's trading
- Elevated skelp upholds tubular prices

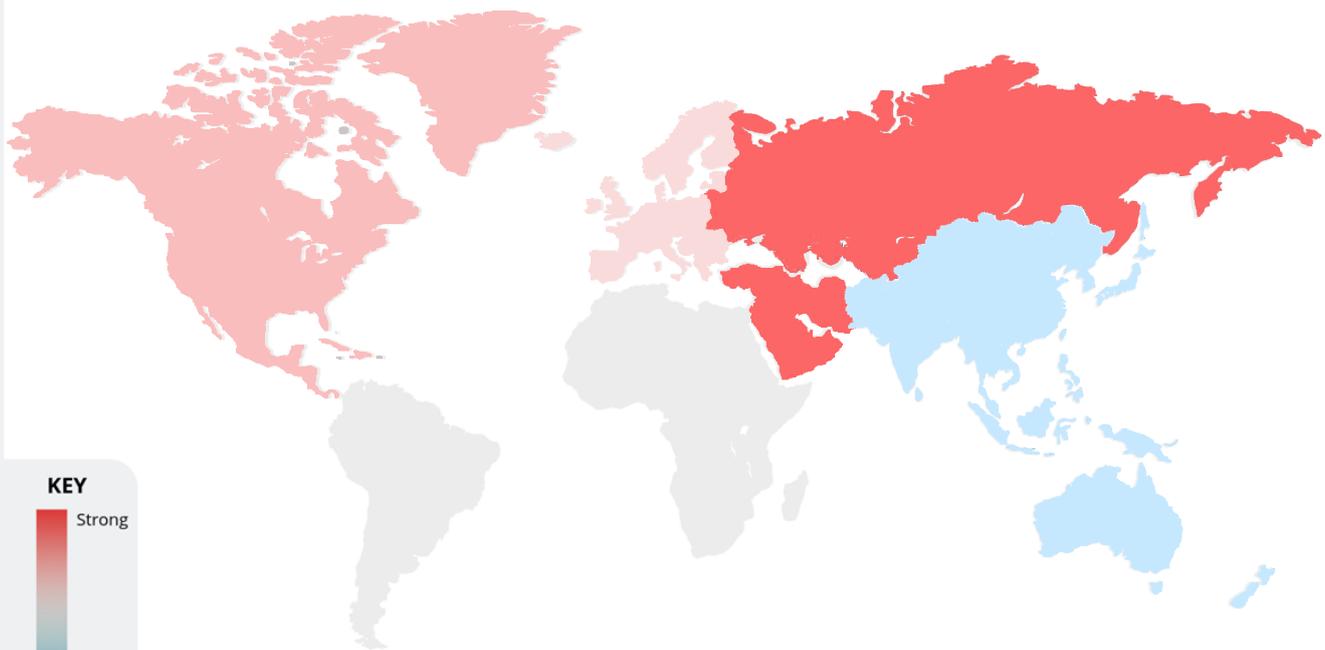
Europe:

- EU EAF evaluate production reductions
- Benelux scrap jumps
- Italian coils market remains subdued

Asia:

- Chinese steel prices under pressure
- Power cuts persist at mills
- Uncertain coil prices in Vietnam

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



KEY



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CIS:

- China, scrap lift CIS billet prices

Middle East:

- Turkish scrap soars to \$500
- Turkish rebar trade active but Asia sales difficult
- China return lifts Turkish HRC quotes

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Word of the week

Quench Hardening



Quench hardening is a mechanical process in which steel and cast iron alloys are strengthened and hardened. These metals consist of ferrous metals and alloys. The process is achieved by heating the material to a certain temperature. This produces a harder material by either surface hardening or through-hardening varying on the rate at which the material is cooled. The material is then often tempered to reduce the brittleness that may increase from the quench hardening process.

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