

 This week:

# Magnesium shortage seen threatening steel sector

The latest magnesium shortage caused by reduced supply of the product from China is set to impact both steel production and end-use sectors. Due to the Chinese government's efforts to curb domestic power consumption, supply of magnesium originating there has either been halted or reduced drastically since September.

European industry representatives warned last week that the EU must take immediate action to secure magnesium supply, with stocks on course to run out by the end of November, threatening production stoppages across various industries.

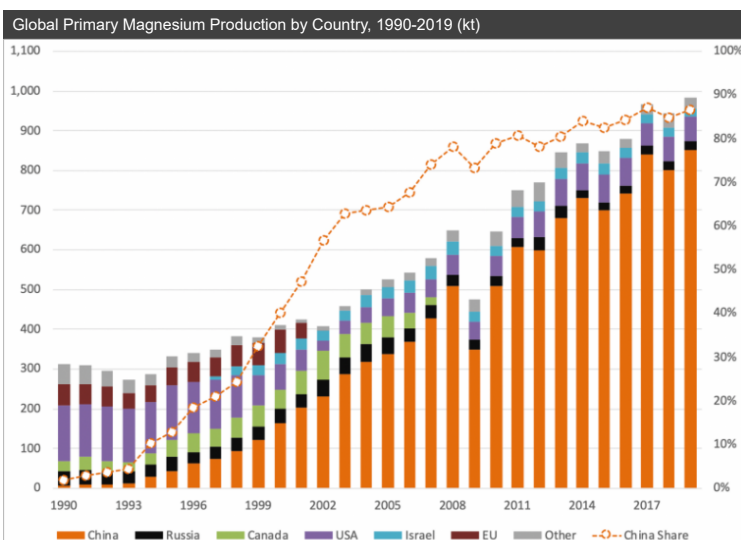
The EU sources 95% of its magnesium requirement from China, meaning the European aluminium, iron and steel producing and using industries, together with their raw materials suppliers are particularly impacted. This will have a knock-on effect on end-use sectors such as automotive, construction and packaging, says a cross-industry group including steelmakers' association Eurofer.

The current Chinese supply shortfall has already resulted in record prices and worldwide distortions in the supply chain. Today's remaining EU magnesium imports are trading at "extortionate prices" of about \$10,000-14,000/tonne, up from some \$2,000/t earlier this year. This "makes it almost impossible for European companies to produce or source magnesium-containing materials at a viable level," the group says in a note.

"To that effect, our industries jointly call on the EU Commission and national governments to urgently work towards immediate actions with their Chinese counter parties to mitigate the short-term, critical shortage issue as well as the longer-term supply effects on European industries," the note reads.

Annual global magnesium demand is 1.2 million tonnes, with 87% produced and 39% consumed by China. Europe and North America each consume around 19%. The iron and steel industry accounts for 16% of magnesium usage in Europe. Aluminium alloying has the highest share of 45%, followed by die casting with 33%.

Beyond steelmaking, the magnesium shortage is seen adding to the already existing problems of the automotive sector (microchips shortage etc.). Along with aluminium, magnesium is used as an additive material in automobile body sheets to reduce the effects of impact, and for easy processing and weight reduction. A prolonged shortage of magnesium will likely accelerate further the carmaking reductions already ongoing across the world, therefore directly limiting steel demand on a global scale.



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## KORE INDEX

Index	58%	62%	65%
W-o-w % Change	-4.65%	-4.45%	-3.15%

22 Oct	92.45	120.82	144.09
21 Oct	90.66	118.13	141.32
20 Oct	92.95	122.03	145.80
19 Oct	92.86	122.41	146.30
18 Oct	92.76	122.43	146.50
<b>Average</b>	<b>92.34</b>	<b>121.16</b>	<b>144.80</b>

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
<b>Average</b>	<b>96.84</b>	<b>126.80</b>	<b>149.52</b>

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## Global Overview

### North America:

- US HRC pricing falls by \$20/st
- US Pipe market expects decline after falling skelp prices
- US scrap prices expected to recover during November's trading

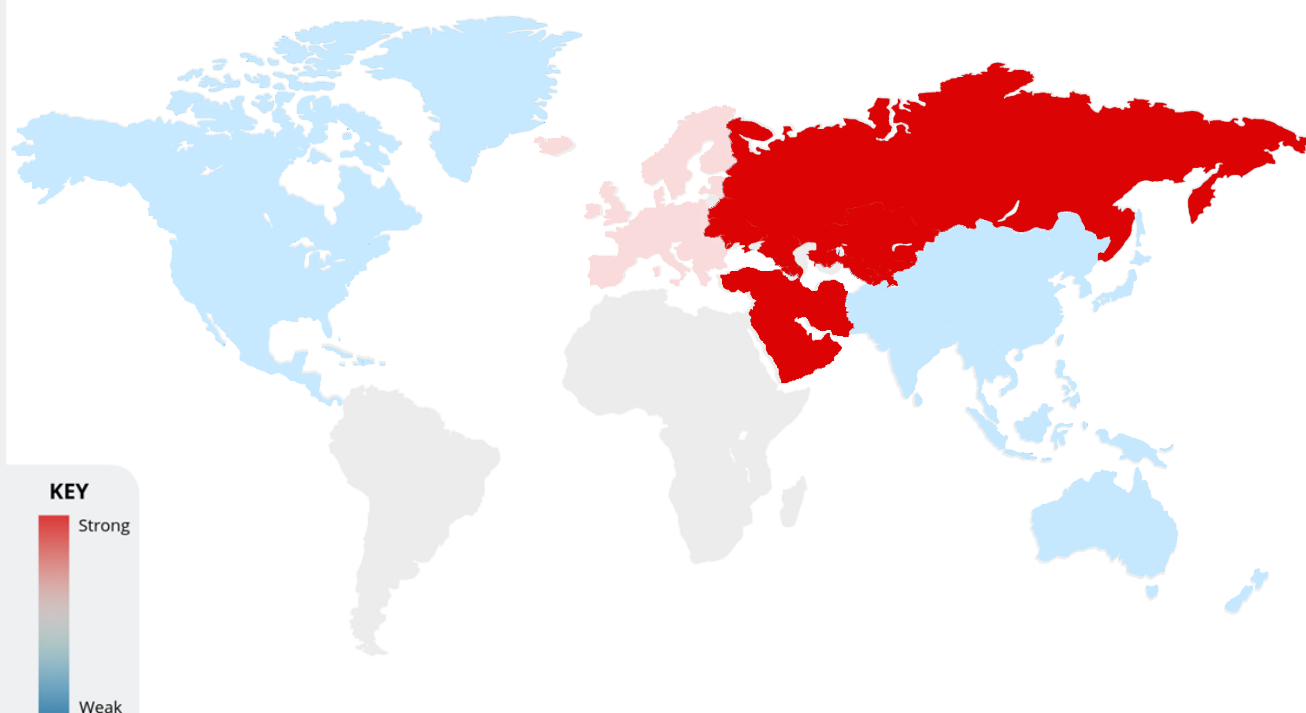
### Europe:

- Benelux scrap prices don't stop increasing
- Voestalpine bids on resurging auto production in 2022
- EU coils import offers up

### Asia:

- Chinese prices head south
- Iron ore holds firm
- Japanese scrap up

### KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



► [Click here to view this map online](#)

### Latin America

- Tenaris to test hydrogen in 2022
- Brazilian demand and output down

### CIS:

- CIS billet mills confident over higher prices
- CIS HRC prices rebound

### Middle East:

- Turkish scrap soars further
- Turkish rebar producers' margins squeezed
- UAE HRC market strengthens further

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## Word of the week

# Torpedo Car



Cylindrical railcar lined with bricks and used for transporting the hot metal from the blast furnace to the steel shop (steelworks).

## Contact

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