Issue: 1-22 | Date: 11 January 2022

聞 This week:

Electrical steel bottlenecks add to supply obstacles of automotive sector

While global car production is suffering from the shortage of semiconductor chips, the production of electric vehicles faces the additional obstacle of insufficient capacity of electrical steel, according to analytics agency IHS Markit.

Manufacturers of diverse machineries are struggling to negotiate supply contracts with steel mills for 2022, particularly for electrical steel, says John Anton, director of pricing and purchasing at IHS Markit. Carmakers have been notified by steel mills that they will be on allocation for electrical steel for all of this year. Most carmakers expect to get only 80 to 90% of their requirements.

"The impact of the electrical steel shortage could potentially be as damaging to the global economy in 2022 and 2023 as the semiconductor shortage [was in 2021]," Anton states. "If electrical machinery companies do not get the electrical steel they need, buyers will have to deal with much longer lead times and higher prices."

Electrical steel is used in electrical motors for multiple purposes. Given the growth ambitions of carmakers for e-vehicles, this will be the largest affected sector. The automotive industry in Germany, for instance, plans investments of around €45 billion (\$51 billion) per year, largely for research into and production of e-cars.

A further sign of the supply issues surround electrical steel comes from the European safeguard system. During the first week of January over 40,000 tonnes of Chinese electrical sheets for the automotive sector were cleared at European customs, 260% the allocated tax-free quotas allocated for the product. During the entire previous quarter Chinese electrical sheet imports only reached some 16,000t

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Source: Voestalpine

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Can the recovery of Chinese steel sentiment continue?

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Will hot rolled coil prices continue to fall in the US during January?

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To what extent will soaring energy costs restrict Turkish mills' scrap buying power?

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How are tax reforms in China affecting scrap trade?

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	4.15%	5.93%	7.45%
07 Jan	99.39	129.25	154.62
06 Jan	99.57	129.72	154.94
05 Jan	96.30	124.78	148.69
04 Jan	94.63	121.83	144.98
03 Jan	94.10	120.79	142.01
Average	96.80	125.27	149.05
31 Dec	92.83	119.01	139.81
30 Dec	92.54	117.14	137.74
29 Dec	92.44	117.06	137.54
28 Dec	93.06	117.06	137.43
27 Dec	93.81	121.03	141.02
Average	92.94	118.26	138.71

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Global Overview

North America:

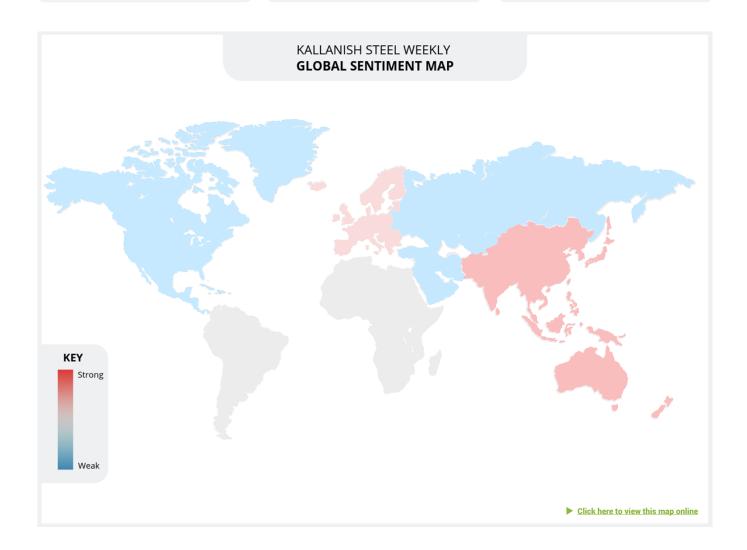
- US hot-rolled coil prices continue declining, by \$70/st US plate, rebar markets remain
- quiet at beginning of the new year Scrap prices in the US expected to fall by \$25-50/gt during January

Europe:

- Many safeguard quotas exhausted Rebar prices search direction in
- N.EU annual auto contract settled

Asia:

- Chines raw materials lift steel sentiment Chinese gov maintains 0% tax on
- scrap imports
 Rebar imports market picks up in
- Singapore



CIS:

CIS billet lulls on holiday, eyes China demand

Middle East:

- Turkish scrap mills forced to pay higher
- Turkish rebar mills lift quotes despite weak demand Rain hampers UAE rebar
- deliveries

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Word of the week

HMS 1 and HMS 2

HMS stands for heavy melting scrap, and this is composed of two different categories. The main difference between the two is that HMS1 does not contain galvanized and blackened steel unlike HMS2. Because both grades guarantee a minimum piece thickness – at least 1/4inch (6.3mm) for HMS 1, and 1/8in for HMS 2 – consignments have a high density. Both also have defined maximum dimensions (usually 60in x 24in), and should be prepared to facilitate handling and charging to a furnace. This density, sizing and preparation makes for efficient furnace operation by minimising the time to charge enough scrap for a full melt. In contrast, thin mixed scrap greatly increases charging time, cutting furnace productivity.



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If you found this issue of Kallanish Steel Weekly interesting please let us know, we would love to hear from you.

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