

SAMPLE

Top News:

Worldsteel revises upward forecast for steel demand on Chinese rebound

Worldsteel has revised up its forecast for global finished steel demand thanks mainly to China's stunning rebound following the initial Covid-19 pandemic shock at the start of the year. Global demand is now seen falling only -2.4% on-year in 2020 to 1.725 billion tonnes.

This compares to the -6.4% decline forecast in worldsteel's previous short-range outlook (SRO) in June. This is a difference of 71.2 million tonnes, indicating sentiment has improved significantly. Chinese steel demand is now seen growing 8% in 2020 to 980.1mt, almost equalling its 2019 growth rate. This will be aided by government infrastructure stimulus and a strong property market.

The world excluding China, however, has seen a deep demand contraction as a result of the pandemic and is unlikely to return to pre-Covid-19 levels until at least 2022, worldsteel director general Edwin Basson said. Demand in the world excluding China is forecast to slump -13.3% in 2020 to 745mt. This compares to the -14.2% drop forecast in June.

A recovery from the pandemic remains fragile due to the second wave of infections, continued social distancing measures, elevated unemployment and weak confidence. "The risk is tilted toward the downside," worldsteel says. "A W-shaped recovery cannot be ruled out and a full recovery in 2021 is unlikely."

However, the forecast assumes that despite the current resurgence in infections in many parts of the world, nationwide lockdowns will not be repeated. "What we will most likely see is the desire by governments and societies to at least keep their economic systems ticking over," Basson commented.

Global demand in 2021 is seen rising 4.1% on-year to 1.795 billion tonnes, driven by a rebound in the world excluding China, which will be slightly more pronounced in the developing economies. This indicates the pandemic will have a short, sharp "V" effect on steel demand, with most of the downturn seen in the first half of 2020, Basson pointed out.

Chinese demand is seen flat on-year in 2021. Infrastructure and housing projects initiated in 2020 will continue to support demand next year. However, if the

economy recovers fully, the government could reverse its stimulus policy to cool down the construction sector.

Developed economies are expected to see a steeper fall in finished steel demand than developing economies in 2020, with the latter also seeing a stronger rebound in 2021, according to worldsteel.

In the US, recovery from the lockdown has been strong, aided by substantial government support measures. However, the country is still struggling to control the virus's spread, and the recovery momentum might taper off in the coming months. Demand there is seen dropping -15.8% to 82.3mt this year.

In the EU, the pandemic impact was softened by strong social security schemes and fiscal stimulus. Despite the stronger-than-expected post-lockdown recovery, deep contraction in major steel using sectors, especially automotive, will weigh on growth. EU28 demand is seen down -15.2% in 2020 to 134.3mt.

Demand in Japan and South Korea is seen down -19.6% and -8.2% respectively this year to 50.8mt and 48.9mt.

The developing economies excluding China have been less well equipped to absorb the pandemic shock, and the impact has been uneven across countries. It has included lower domestic demand, the collapse of exports and commodity prices, and a free fall in tourism. Demand in developing economies should fall -12.3% in 2020 to 408.3mt.

India and Brazil have suffered most from a failure to effectively control the virus, worldsteel observes. India is set to register its steepest steel demand decline in decades of -20.2% in 2020 to 81.9mt, with Central and South America demand to fall -10.1% to 37.4mt.

In 2021, demand in the developed economies is seen bouncing back by 7.9% on-year to 363.5mt. However, developing economies demand will rise even faster, by 10.6% to 451.6mt, driven by infrastructure investment. India should see a fast recovery next year, but Latin American recovery will be slow.

In this week's issue:

- **PAGE 3**
Will China return to the export market as sentiment fades?
- **PAGE 4**
When will the North/South spread for coil prices open again?
- **PAGE 5**
How long will US steel prices continue rising with slowly increasing demand and constrained supply?
- **PAGE 6**
Can Turkish scrap hold to sustain finished steel prices further?
- **PAGE 8**
Can Liberty Steel continue expanding its importance through the acquisition of thyssenkrupp Steel?

KORE 62% Fe / Qingdao CFR USD/t

W-o-w avg change	-1.89%
16 Oct 2020	\$ 119.10 low
15 Oct 2020	\$ 119.31
14 Oct 2020	\$ 119.45
13 Oct 2020	\$ 120.70
12 Oct 2020	\$ 123.61 high
Average	\$ 120.43
09 Oct 2020	\$ 124.07 high
08 Oct 2020	\$ 122.80
07 Oct 2020	\$ 122.42
06 Oct 2020	\$ 122.53
05 Oct 2020	\$ 121.93 low
Average	\$ 122.75

16 Oct 2020	\$	119.10	low
15 Oct 2020	\$	119.31	
14 Oct 2020	\$	119.45	
13 Oct 2020	\$	120.70	
12 Oct 2020	\$	123.61	high
Average	\$	120.43	

09 Oct 2020	\$	124.07	high
08 Oct 2020	\$	122.80	
07 Oct 2020	\$	122.42	
06 Oct 2020	\$	122.53	
05 Oct 2020	\$	121.93	low
Average	\$	122.75	

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Global Overview

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North America

- US sheet prices outpace forecasted gains
- US construction demand drives Nucor tube price hike
- US energy tube faces uncertain conditions

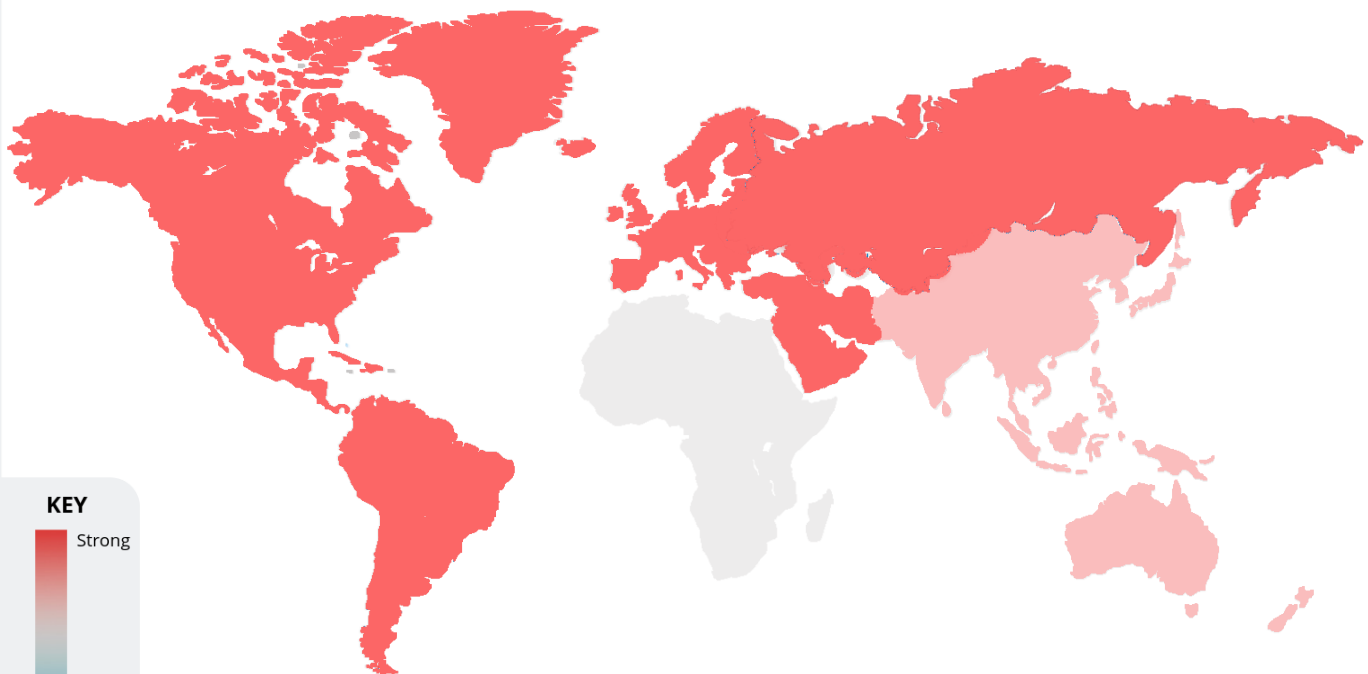
Europe

- Coil prices in Europe stabilise
- Liberty makes offer for thyssenkrupp steel
- EU rebar prices firm

Asia

- Chinese momentum fades again
- Iron ore stabilises after new correction
- Exports from China become viable again

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



KEY



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South America

- Brazilian mills to lift flat prices
- Argentinian steel sector recovers

Middle East

- Turkish scrap stabilises after upward correction
- Turkish rebar mills conclude further sales
- Turkish HRC slides on EU protectionism worries

CIS

- CIS billet market still waiting for China demand
- CIS HRC softens



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