## 聞 This week:

# Semiconductor shortage to continue into 2022 - how is steel impacted

Major Japan-based semiconductor manufacturer Renesas expects semiconductor shortages for the automotive industry to continue until the middle of next year, says company chief executive Hidetoshi Shibata.

Renesas returned to full production in July following its plant fire in March.

"We expect to compensate for the lost production volumes due to the fire by the end of the year," Shibara said during an online press conference. "However, automakers, which have cut their production this year due to a shortage of semiconductors, will try to catch up next year, which will keep the increased demand for chips. We believe that demand will only come into equilibrium with supply by the middle of next year.'

Renesas reported an increase of 115% on-year in operating profit to \$600 million in January-June. Product sales increased by 22%.

In 2019, Renesas was the third-largest maker of automotive chips. Toyota, Nissan and Honda are among its biggest customers.

Global automotive production could rebound 7-9% on-year in 2021 but will be hampered by supply chain frictions, mainly the lack of semiconductors for OEMs, ING Bank said last week.

The global semiconductor shortage has even affected next year's production already, with 5 million vehicles estimated not produced in 2021 and 3m units in 2022, the bank says citing the Center for Automotive Research. The battle for chips will continue between the automotive industry, consumer electronics, computing and wireless communication.

Bosch recently opened a €1 billion (\$1.21 billion) semiconductor manufacturing facility in Dresden, Germany. This is expected to significantly ease automotive chip supply shortages, but only from September.

#### IMPACT ON STEEL MARKETS

The main impact for the steel sector of the semiconductor shortage has been the reduction of automotive output in many parts of the world. In June the UK, for example, produced less than 70,000 vehicles at its local plants, the lowest June monthly output since 1953 (excluding June 2020).

On the other side of Atlantic, meanwhile, the US sheet market seems to be benefitting from the semiconductors shortage as market sources report that part of the continued strength of sheet stems from the fact that low auto production is providing mills with a steady baseload of relatively premium sheet to sell in the open market at a premium.

During the last weeks most large steelmakers have upped their outlook for steel demand this year and the next across the world; the issues at automotive plants are not yet turning demand sentiment for steel into negative.

Note: Kallanish Steel Weekly will not be published on Tuesday 17th August 2021.

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How low can reduced Chinese steel production push iron ore prices?

Are EU coil prices preparing to soften after the summer break?

Will scrap pressure dampen US downstream product pricing?

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Will scrap drop below \$460/t threshold?

#### ▶ PAGE 9

What is happening to EU scrap prices?

#### **KORE INDEX**

Index	58%	62%	65%	
W-o-w % Change	-12.83%	-11.45%	-10.25%	
6 Aug	137.95	166.54	197.11	
5 Aug	149.76	181.00	1.00 214.04	
4 Aug	151.93	185.63	219.13	
3 Aug	152.45	186.10	219.89	
2 Aug	152.77	186.18	220.14	
Average	148.97	181.09	214.06	
30 Jul	165.99	196.80	230.59	
29 Jul	167.52	202.63	236.70	
28 Jul	168.94	204.00 238.32		
27 Jul	169.02	202.99	237.33	
26 Jul	168.98	202.78	237.10	
Average	168.09	201.84	236.01	

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+65 9766 8157 +359 896 266 305 +1 609 216 0640 +86 150 2141 6087

**EMAIL** 

General Editorial

info@kallanish.com editorial@kallanish.com sales@kallanish.com

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## Global Overview

#### **North America:**

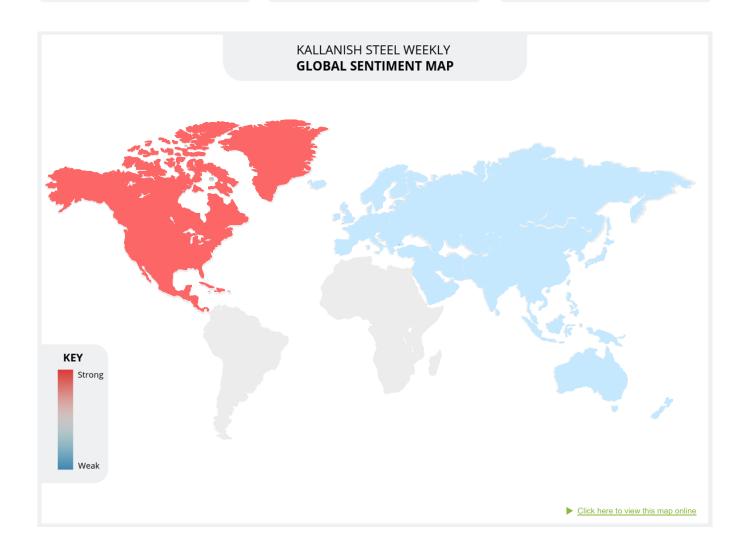
- US sheet pricing momentum returns
- after pause
  Plate prices rise; further mill hikes
  expected in August
  Obsolete grade scrap prices to fall
  during August's trading

### **Europe:**

- NW EU coils hold despite lower import offers
- Saarstahl completes acquisition of Ascoval
- EU August scrap prices look somewhat down

#### Asia:

- Chinese steel prices down Covid cases impact ASEAN markets
- Iron ore prices slump



#### Middle East:

- Turkish scrap enters stalemate Turkish rebar prices fall on subdued demand
- IDC starts capacity doubling investment
- CSC exports Angolan iron ore to

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## Word of the week

## Open Hearth Furnace



The process of making steel by heating the metal in the hearth of a regenerative furnace. Heat is supplied from a large, luminous flame over the surface, and the refining takes seven to nine hours.

## □ Contact

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

Kallanish - UK Britannia House t: +44 7874 008654

**Kallanish - Germany** t: +49 304280 2034

**Kallanish - Bulgaria** t: +359 896 266 305

Kallanish - China Shanghai, China t: +86 182 1728 2941 **Kallanish - USA** t: +1 609 216 0640

Kallanish - Singapore t: +65 9766 8157 General Enquiries: www.kallanish.com info@kallanish.com

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