Kallanish Steel Weekly

SAMPLE

Issue: 26-21 | Date: 29 Jun 2021

This week:

Russian export taxes could support global prices further

The Russian government is preparing to implement additional duties on steel and non-ferrous metals exports from 1 August for six months.

Russia's economic development ministry has prepared a draft document in which it makes corrections to the HS code description of various metal goods, and adds a 15% export duty with an additional minimal fiscal value set at various levels.

According to the proposal, the minimal fiscal value of iron ore pellet export duty could be set at \$54/tonne, for flat rolled products at \$115/t, long products at \$133/t and ferroalloys at \$150/t. The duty will only be applicable on exports outside of the Eurasian Customs Union, but "the issue of re-export to avoid paying the duties should be thoroughly considered," he adds.

The introduction of export duties for six months was proposed in spring, when Russian companies' financial results for the first quarter were being reported. Russian Deputy Prime Minister Andrey Belousov told a leading Russian business publication that fellow steelmakers have withheld from the government approximately RUB 100 billion (\$1.4 billion) by enjoying buoyant export trade amid the global price rally. He said they are making super profits and charging similar prices in the domestic market. "We can reclaim some of these super-profits through appropriate taxation," he observed at the time.

The six-month duty period is expected to bring around RUB 110-115 billion from ferrous producers into the country's budget, but should not stop steelmakers from supplying domestic strategic industries such as the state construction and defence sectors. The agreement by Russian steelmakers to supply domestic state-backed industries at contrived, discounted prices was a compromise reached after tense talks in May.

Market observers, traders, and heads of some of the Russian steelmaking companies have unanimously expressed that the measures will lead to still higher prices.

Russian steelmaker NLMK deems the possibility of a 15% export duty applied on the full product spectrum, including products that do not trade domestically such as pig iron and square billet, as being fiscal in nature. It has the purpose of exaction of capital from the industry, it explains.

"The application of duty will lead neither to increased supply to domestic buyers, nor will it reduce domestic prices," the company says in a statement.

NLMK also notes the negative effect on electric steelmaking, which uses expensive scrap as its main feedstock. Duties could result in negative margins for EAF mills and the risk of billet export reduction, in the absence of domestic consumption. In turn, this is likely to force producers to amend investment plans, leading to lower regional revenue.

Furthermore, in anticipation of normalisation of global steel prices, the measures will lead to Russian exports decreasing in the global market, and fellow Ukrainian and Turkish suppliers replacing them, making the eventual return difficult.

Severstal chief executive Alexey Mordashov expresses hope the measures will not make Russian steel exports, which already face major trade barriers globally, more difficult. He hopes the decision will also contain measures that will support Russian metallurgy and its development. He notes that many global analysts are already thanking the Russian government for "such a present for European steelmakers," and notes that the initiative will likely push global prices up.

Meanwhile, traders agree with the latter, claiming the restriction of Russian steel exports by export duty will lead to lower availability and higher prices.

"This will tighten supply and make prices rise," a seasoned trader says. "The only reason why the government would do that is to dampen domestic rebar prices by increasing domestic supply. And they already have a healthy domestic market, so no need to export. One of the main reasons why Russian billet exports have declined over the years is the growth in Russian domestic demand and supply of rebar. Wire rod prices may fall, but I doubt they will be impacted, as Russia is barred or 'quotarised' in the highest-paying EU and US markets already."

In this weeks Issue:

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	-2.58%	-2.59%	-1.71%
25 Jun	182.74	211.21	242.63
24 Jun	181.96	209.76	240.97
23 Jun	182.08	209.98	241.04
22 Jun	181.56	209.16	240.03
21 Jun	187.30	213.50	244.23
Average	**183.13**	**210.72**	**241.78**
18 Jun	187.99	215.51	246.25
17 Jun	188.55	216.84	246.77
16 Jun	188.93	217.14	246.10
15 Jun	189.51	218.33	247.37
14 Jun	184.41	213.02	243.04
Average	**187.87**	**216.17**	**245.91**

Global Overview

North America:

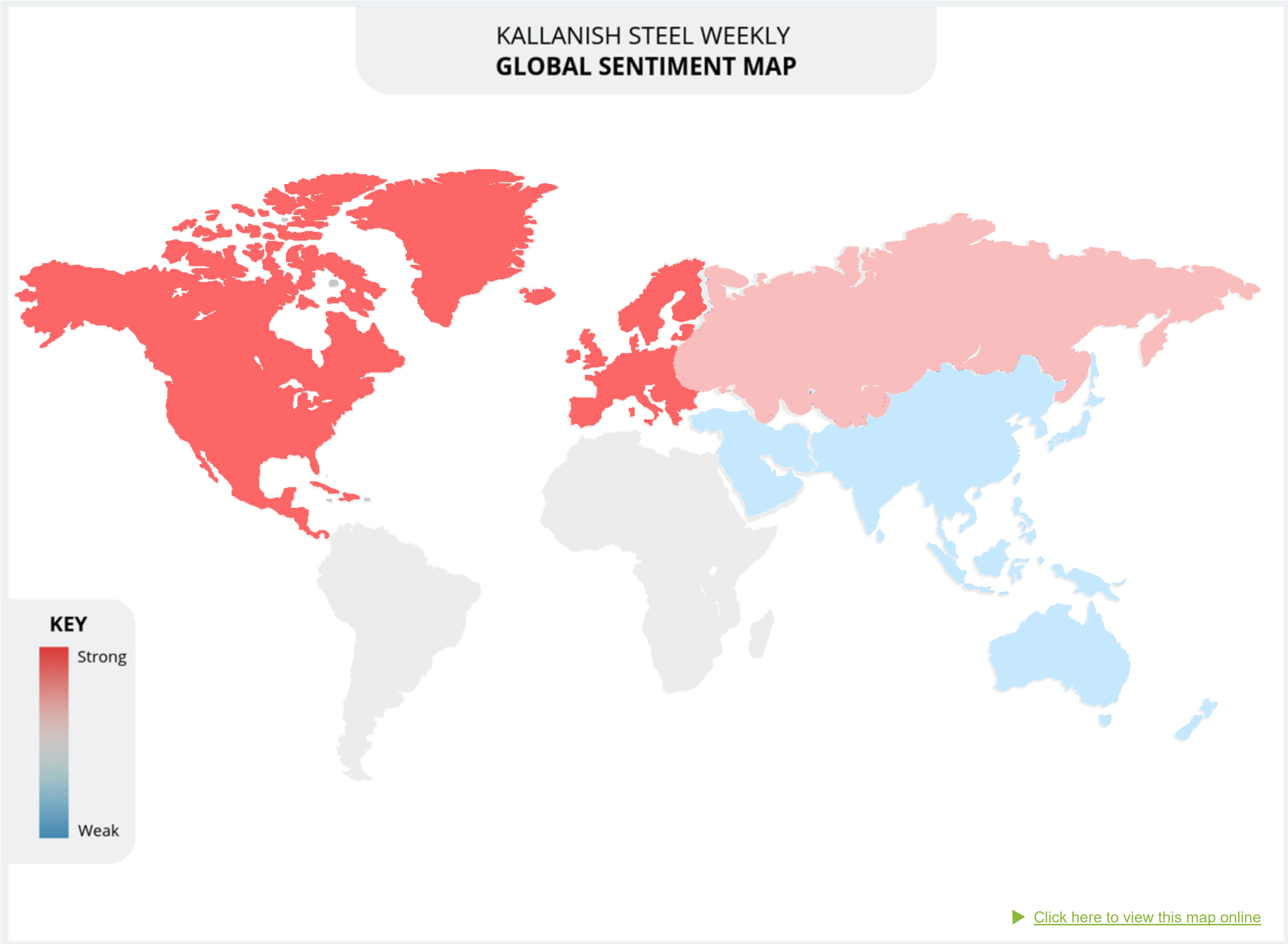
- US Hot-rolled pricing hits new high
- Skelp pricing drives up OCTG margins
- US scrap sentiment remains bullish for July's trading

Europe:

- ArcelorMittal raises EU coil offers
- EC opens new AD investigation on HDG
- Fire at Belgian plant to hit wire rod market

Asia:

- Chinese prices under correct downward
- Iron ore rebound after correction
- ASEAN mills reduce export prices



CIS:

- CIS billet activity subdued, European demand disappoints
- Asian competition hits CIS HRC business
- CIS slab standoff comes to an end

Middle East:

- Turkish scrap drops below $500
- Turkish longs mills lower prices

Order Form

Subscribe to Kallanish Steel Weekly today

Start your subscription to Kallanish Steel Weekly (KSW) today

Kallanish Steel Weekly is a new weekly publication from Kallanish Commodities.

The pricing options for 12 month subscriptions are available below.

To sign up complete the form below and return to us.

- Standard: Kallanish Steel Weekly US$ 1725/ €1495
- Premium: Kallanish Steel Weekly US$ 2450/ €2150

KSW Content:

The publication is filled with market information, charts and graphs.

- Supplied in PDF
- Pricing Table
- Price Spreads Table
- 8-9 pages
- Special features
- Prices to watch
- Word of the week
- Global heat map

Start my subscription

Yes, please start my subscription so that I can read the Kallanish Steel Weekly.

Please choose your option below:

☐ Option 1: Standard KSW US$ 1500

☐ Option 2: Premium KSW US$ 2100

Your details:

Name:

Job Title:

Company:

Address:

City:

Country:

Phone:

Email:

Payment type:

☐ Pay by invoice

☐ Pay by credit card

Credit Card:

☐ Amex

☐ Mastercard

☐ Visa

Name on card:

Card number:

CCV: Expires:

Signature

Please tick below:

☐ I confirm I am signing up for a 12 month subscription to KSW

☐ I have read and agreed to the Kallanish Terms and Conditions.

Signature: Date:

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: +1 412-657-2925

Kallanish - Singapore
t: +65 9766 8157

General Enuiries:
www.kallanish.com
info@kallanish.com

Social Media: