

Issue: 37-23 | Date: 03 Oct 2023

聞 This week:

OECD sees global steel market weakness increasing amid Chinese slowdown

The OECD Steel Committee expressed grave concern this week about the deterioration in global steel market conditions currently being driven by growing overcapacity, softening demand for steel, and government interventions in some economies.

The gradual recovery in global steel market conditions that began earlier this year was shortlived, with China's post Covid-19 economic rebound not living up to expectations. The latest data points to renewed weakness in steel market conditions. Demand is starting to falter amid growing concerns over China's real estate crisis and the impact this will have in international steel markets, the committee chair summarised after the 94th session.

Five consecutive years of global steelmaking capacity growth have led to burgeoning overinvestment in the industry, with most of this concentrated in BF/BOF steel production routes. World steelmaking capacity is swelling to a record-high level of 2.5 billion tonnes in 2023, far in excess of steel demand prospects, according to the OECD. The organisation projects global capacity to surge by 56mt in 2023 alone, taking the gap between global capacity and steel production to 612mt.

"In China, land-use rights, cash grants, cash awards, tax breaks and reduced tax rates are commonly provided by local governments to steel firms to incentivise them to relocate to other regions, modernise their equipment and increase the concentration of the domestic steel industry. This is strengthening 'national champions' with considerable global reach that are investing abroad and securing raw material sources and technologies, including through joint ventures," the OECD chair observes.

"Data show that [Chinese] state involvement in steel firms often comes with much larger subsidies both in the form of cash transfers and below-market borrowing, and thus has a greater potential to worsen the global steel excess capacity issue," the summary adds.

Growth in global steel demand is expected to decline in 2024, with forecasts being ratcheted down in the wake of lower economic growth projections and risks emanating from the downturn in Chinese demand.

While the steel industry is advanced in its pathway to decarbonisation, the Committee noted that governments still need to improve the enabling conditions to accelerate this process. This includes addressing market distorting subsidies and excess capacity which undermine the industry's ability to address this challenge.

In Southeast Asia, for example, the steel industry is transitioning to a more carbon-intensive model, warned Yeoh Wee Jin, secretary general of the South East Asian Iron and Steel Institute (Seaisi). The region is seeing surging BF-BoF steelmaking capacity, driven largely by Chinese firms which have been rewarded for closing capacity in mainland China. This is going to result in both overcapacity and in a surge in carbon emissions from the industry, he noted. The only way to overcome this is for local governments to become stricter in assessing investments, and insisting on new and greener technologies being used.

Another key aspect is to ensure the availability of critical raw materials for the steel industry's green transition, including strategic inputs such as ferrous scrap. Participants emphasised the positive role that market forces play in fostering scrap supply, as well as the need to work together to ensure that government policies ensure continued open access to critical minerals, the chair's summary concludes.

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Global Overview

Americas:

- Hot, cold rolled coil prices rebound in US markets Domestic US rebar pricing
- OCTG prices falls, and demand

Europe:

- European scrap prices for October uncertain
- Italian coil prices down
- Some EU rebar suppliers try to

Asia:

- Coking coal and iron ore prices firm
- Chinee HRC prices ease Chinese billet offers become more aggressive



India:

- Bangladesh scrap trade plunge on LC issues
- Indian HRC producers continue to refrain from exports
- Pakistan scrap intake drops amid slowed domestic demand

CIS:

Russian billet suppliers study export duty impact

Middle East:

- Turkish scrap stable amid electricity tariff hike Turkish longs mills fret over
- higher energy cost GCC HRC buyers suffer subdued business

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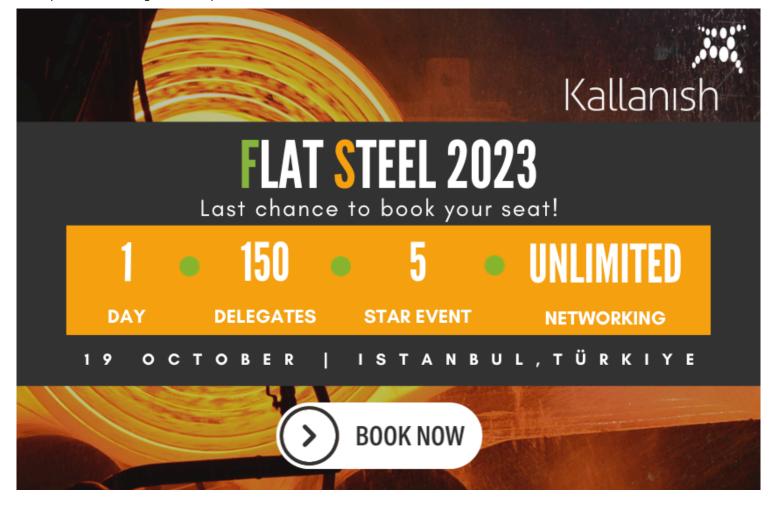




Word of the week

Blast Furnace

The blast furnace is crucial for steelworks using iron ore as their principal raw material. The furnaces are tall and shaft-like structures which extract iron from ore in a continuous thermal process that produces molten iron (pig iron) for conversion into steel in a basic oxygen furnace. Iron ore, coke and limestone are the main inputs and are charged to the top of the blast furnace.



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