Issue: 46-22 | Date: 15 Nov 2022

聞 This week:

ArcelorMittal feels the hit of demand slow-down

ArcelorMittal says variable costs per tonne - raw materials and energy - are expected to decline in the fourth quarter, but not as fast as revenue per tonne. The firm, which idled capacity in Q4 to address deteriorating market conditions, expects apparent demand to improve once the current destocking phase reaches maturity.

The group's steel shipments fell 7% on-year in Q3 to 13.6 million tonnes, while crude steel production was down 13% to 14.9mt. The latter, however, rose 2% versus Q2. Group iron ore production in Q3 fell against both periods to 10.6mt.

ArcelorMittal sees apparent demand declining significantly in Europe this year, while the impact in the US will be bigger than earlier forecast. On an annualised basis, the firm has curtailed 6 million tonnes of production in the fourth quarter, in line with addressable demand, it says.

In Europe, the region most affected by capacity cuts, inflation headwinds are leading to slower – but still positive – real consumption growth in 2022. However, the impact of destocking is significant, particularly in the second half of the year, and expected to lead to a contraction of apparent consumption by up to 7% this year, ArcelorMittal observes. In the US, destocking will have a bigger impact than previously thought, reducing apparent consumption by 1%.

Impacts on apparent consumption have been exacerbated by rapid supply chain destocking, which has seen steel prices decline at a faster rate than raw materials, leading to compression of spreads. European spot hot rolled coil prices are not covering fixed costs of marginal producers, while China spreads are anomalously low, the group observes.

The firm, which idled capacity in Q4 to address deteriorating market conditions and cut European gas consumption by 30%, expects apparent demand to improve once the current destocking phase reaches maturity.

The strong market conditions seen since late 2020 deteriorated in Q3 amid seasonally lower shipments, reduced prices, destocking and higher energy costs, which combined to pressure profit, says ArcelorMittal chief executive Aditya Mittal.

Q3 sales fell 6% to \$18.98 billion, primarily due to lower steel shipments and lower iron ore reference prices. Net income attributable to equity holders of the parent was down a whopping 79% to \$993 million. Ebitda fell 56% to \$2.66 billion. Compared to Q2, sales fell 14% for the same reasons plus lower steel sales prices, while net income was down 75% and Ebitda by 48%.

Exceptional items for Q3 of \$0.4 billion include \$0.5 billion of non-cash inventory related charges to reflect the net realisable value of inventory, with declining market prices in Europe. This was partially offset by a \$0.1 billion purchase gain on the acquisition of the HBI plant in Texas.

Nine-months-through-September steel shipments fell 8% on-year to 43.3mt and crude steel production declined 13% to 45.8mt. Iron ore production fell 8% to 34.6mt but AMMC and Liberia shipments rose slightly to 21.1mt.

Nine-month sales rose 13% to \$62.95 billion but net income fell 17% to 9.04mt and Ebitda dropped 10% to \$12.9 billion.

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Can CIS billet compete with Asian supply?

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Can Mauritania develop a green steel production?

KORE INDEX

58%	62%	65%
6.82%	8.14%	7.39%
76.91	90.73	101.55
76.84	89.14	100.11
76.89	90.16	100.91
76.95	90.34	101.11
77.13	90.31	101.32
76.94	90.14	101.00
71.78	84.42	94.82
71.01	82.71	93.05
70.70	82.25	92.61
69.83	81.12	91.59
76.81	86.23	98.20
	6.82% 76.91 76.84 76.89 76.95 77.13 76.94 71.78 71.01 70.70	6.82% 8.14% 76.91 90.73 76.84 89.14 76.89 90.16 76.95 90.34 77.13 90.31 76.94 90.14 71.78 84.42 71.01 82.71 70.70 82.25

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Global Overview

Americas:

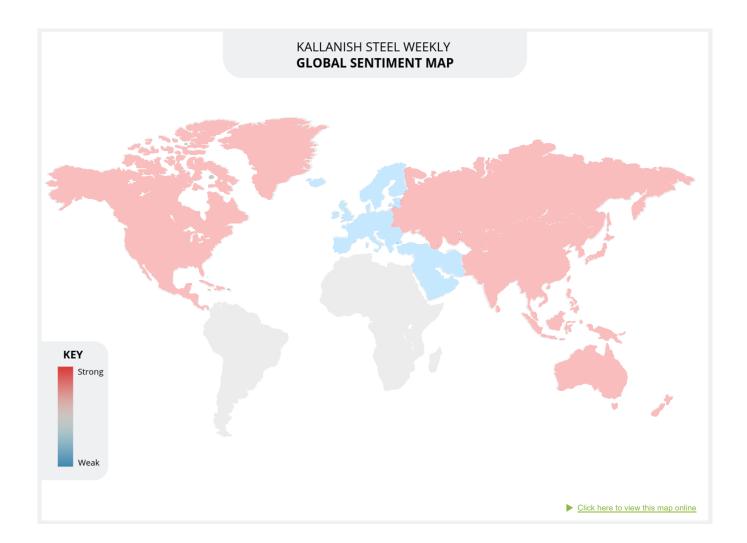
- Labour relations disappoint and delight US steel sheets market OCTG goods remain strong
- US Rebar market loses confidence in prices

Europe:

- European scrap market uncertain Italian mills raise rebar offers
- AM Europe results suffer

Asia:

- Chinese steel market sentiment recovers slightly
- Vietnamese mills switch off BF
- Iron ore prices climbed



India:

- Bids for Indian HRC drops following recent deals
- Indian imported scrap offers plummet amid falling semis,
- rebar prices
 Pakistan scrap offers continues
 to drop amid sluggish demand

CIS:

- Low-priced competition hampers CIS billet sales
- Russian HRC export downtrend continues

Middle East:

- Turkish scrap drops further
- Competition stifles Turkish rebar price reductions
- Oman billet pressures Saudi market

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Tin Free Steel

Tin-free steel is a chromium-coated, corrosion-resistant steel which, like tinplate, is used for food and other packaging applications. The coating is applied to a cold-rolled, low-carbon steel coil in a continuous electrolytic process using chromic acid. The result is a very thin layer of chromium and chromium oxide.



□ Contact

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