

Top News:

Brexit remains major concern for UK steel industry

The UK steel sector is facing ever greater uncertainty as a result of Brexit, according to various speakers at the Kallanish Europe Steel Markets 2019 in Amsterdam last week. Although this is unlikely to be resolved in the near future, the sector could also have an enormous opportunity, however, if it is willing to restructure, other speakers suggest.

The UK industry was already in a long-term decline before Brexit, notes Marcel Genet of Laplace Conseil. UK steel production as a share of European output has fallen from 37% in 1948 to just 5%. UK steel consumption has fallen steadily since 1970.

Brexit has exacerbated the situation, however. A no-deal Brexit would leave UK steel exports to the EU facing significant duties under WTO rules, which the UK would likely have to reciprocate, notes UK Steel director Gareth Stace. In a further political blunder, the UK accepted that products made of EU steel in the UK would count as of UK origin. UK-produced steel would not have the same advantage for products made in the EU, he adds. This leaves UK steelmakers at a disadvantage in both home and EU markets.

Outokumpu ceo Roeland Baan with operations in the UK, confirms that the trade situation after Brexit is a concern. He notes that the UK steel industry risks being annihilated by imports if it remains outside the EU safeguard measures as soon as Brexit is confirmed.

In a climate with greater certainty, strategic vision and improved political leadership, the UK steel sector could restructure and boost the UK trade balance, Genet adds. Currently, the UK steel sector exports 4.7 million tonnes of steel, 8.3mt of scrap and 13mt of CO₂ emissions. That is done with 7.7mt of crude steel output, which requires the import of 4.2mt of coal, 9.7mt of iron ore, while the UK also imports 7.9mt of steel.

Instead, the UK steel sector could boost production by 70%, employment by 30%, halve its CO₂ emissions and improve its balance of trade by €3 billion (\$3.42 billion), Genet continues. This would be done by investing in a transformation of the steel industry to EAF-based production. The UK would then import 3 million tonnes/year of DRI to improve steel quality and 2m t/y of steel products not produced locally. It could produce 13m t/y of crude steel, export around 2m t/y and emit only around 4.6m t/y of CO₂ from the steel industry.

To do this, however would require a more active government policy. This could be done by splitting the sector into 'good banks' and 'bad banks' as happened during the financial crisis. This would leave some poorly-performing steel companies controlled by the state and forced to reform before a new privatisation. Better-performing companies would be able to invest themselves in their own reform. No delegates at the conference however expressed any sign of faith in the current government to form a constructive policy for the industry. Many also expressed a strong lack of faith in the most likely next prime minister.

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What can steel market observers learn from President Trump's treatment of Mexico?
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How is increasing global ferrous scrap demand affecting the Russian and Ukrainian markets?

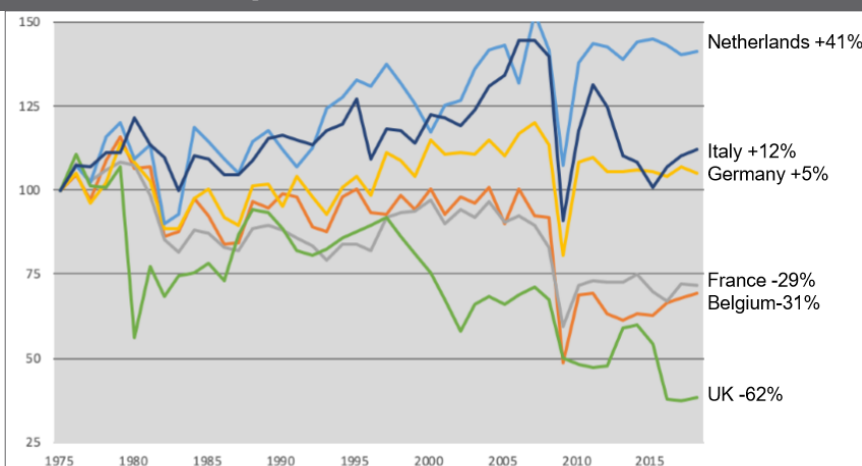
KORE 62% Fe / Qingdao CFR USD/t

W-o-w avg change **+2.26%**

28 June 2019	\$	115.35	high
27 June 2019	\$	113.95	
26 June 2019	\$	112.14	
25 June 2019	\$	110.58	low
24 June 2019	\$	111.82	
Average	\$	112.77	

21 June 2019	\$	112.75	
20 June 2019	\$	113.13	high
19 June 2019	\$	111.28	
18 June 2019	\$	107.54	
17 June 2019	\$	106.63	low
Average	\$	110.27	

Evolution of Crude Steel production in historic Eu members



Source: Worldsteel, Laplace Conseil Analysis

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Global Overview

North America

- US prices stay stable, but low
- Market hunts for signs of bottom
- USMCA remains unratified by US

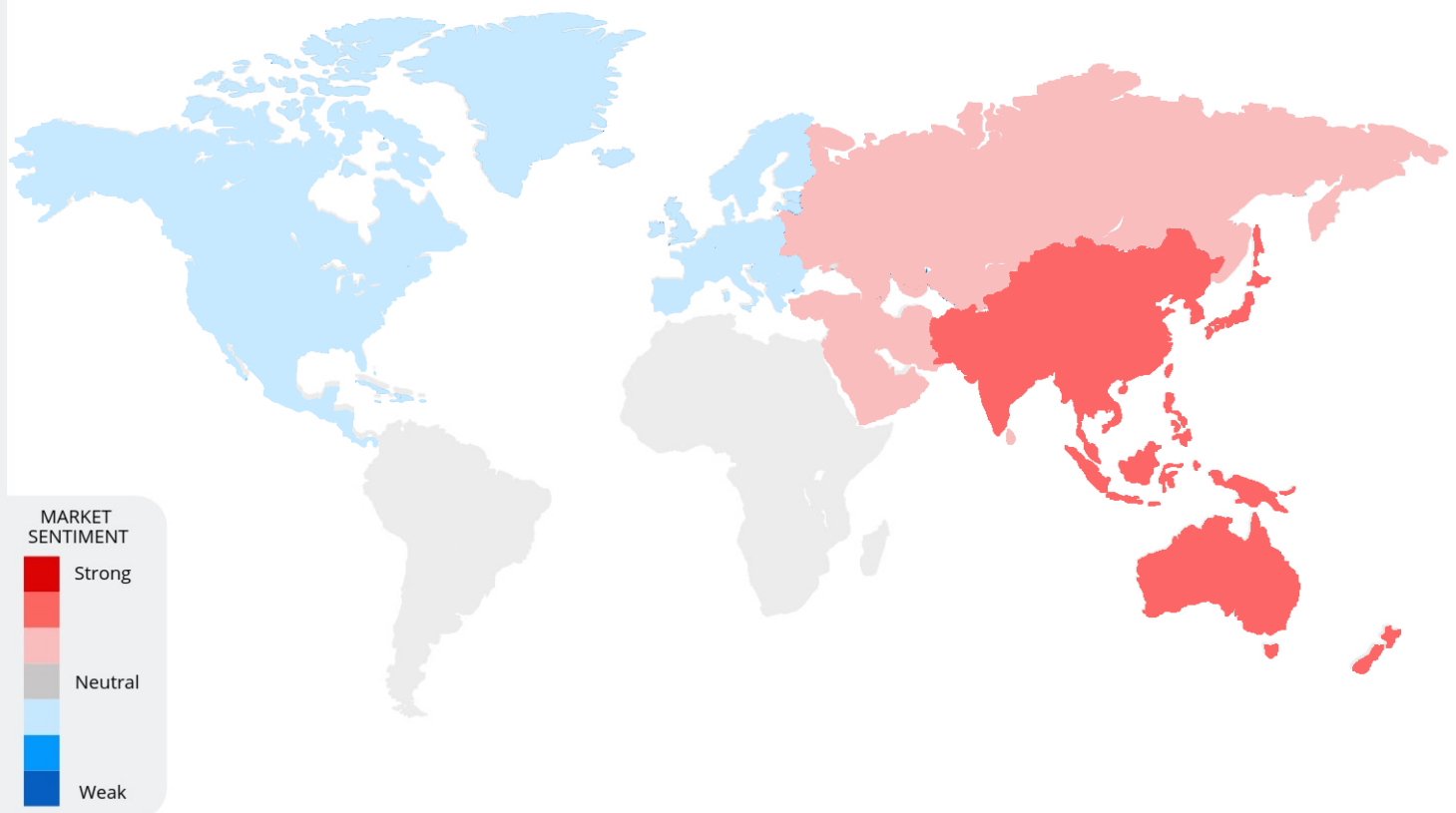
Europe

- ArcelorMittal could leave Ilva in early September
- EU steelmakers not ruling out further output cuts
- Italian coil prices under pressure

Asia

- Iron ore continues moving up
- Posco to avoid BF stoppage
- Chinese sentiment jumps

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



Middle East

- Turkish scrap rebounds
- Turkish mills lift export quotes
- Turkish rebar exports hit 7-month high

CIS

- CIS billet mills raise offers on costlier scrap
- CIS slab prices bottom out

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Word of the Week

Pelletising

The process by which iron ore is crushed, ground into a powder, rolled into balls and fired in a furnace to produce strong, marble-sized pellets that contain 60% to 65% iron. Raw iron ore pellets are generally manufactured within certain size categories and with mechanical properties high enough to maintain usefulness during the stresses of transference, transport, and use.

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

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