

 This week:

Ukraine set to end 2022 with steel production down by two-thirds

Six steel enterprises are currently operating in Ukraine, with average capacity utilisation of about 15% of the pre-war level, says national steel association Ukrmetallurgprom president Oleksandr Kalenkov.

"The situation at mining enterprises looks a little better, as they are 25% loaded on average," he writes in a column for Business Censor. "However, work has been suspended at the Inguletskyi, Yuzhnoye, and also at ArcelorMittal Kryvyi Rih miner enterprises."

According to Kalenkov, this situation is a direct consequence of Russia's military aggression against Ukraine, due to which the industry lost the capacity of two Mariupol plants, which were responsible for 40% of production. Access was also lost to sea ports, which facilitated a significant portion of exports.

As a result, in the eight months through August, steel production in Ukraine fell to 5.2 million tonnes, while in 2021 it was almost 13mt during the same period.

"Taking into account the current level, by the end of 2022 we can produce 6.5-7mt of steel products compared to more than 21mt last year, and it will be a good result under the current conditions," Kalenkov notes. According to worldsteel Ukraine in 2021 was the 14th largest crude steel producing country in the world.

Kalenkov considers logistics problems to be one of the main factors that continue to significantly limit steel production in Ukraine. Due to the loss of access to the Black Sea, steelmakers are forced to export products, up to 80% of which were previously sold on foreign markets, by rail across western borders.

However, this increases logistics costs by 2-3 times. In addition, railway connections with European countries cannot provide the necessary export rates for Ukraine. "Cars have been waiting for tens of days for their turn to cross the border," Kalenkov observes.

The production costs of Ukrainian enterprises are growing against the background of lower prices for steel products on world markets. Steel prices have fallen by 30% and iron ore by 35% over the past few months.

"For a clearer understanding, the current revenues of metallurgical plants cover only about 70% of variable costs, and there are also fixed ones, including salaries, which enterprises continue to pay to their employees despite the low workload," he observes. "The most effective in this situation would be the restoration of seaborne exports."

Ukrmetallurgprom has also highlighted the importance of reducing tariffs for transportation within the country.

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KORE INDEX

Index	58%	62%	65%
W-o-w % Change	-3.59%	-3.46%	-2.57%
30 Sept	85.25	96.46	109.42
29 Sept	85.34	96.43	109.22
28 Sept	85.29	96.21	108.85
27 Sept	85.20	96.55	109.08
26 Sept	84.97	96.17	108.39
Average	85.21	96.36	108.99
23 Sept	86.54	98.45	110.61
22 Sept	86.62	98.46	110.66
21 Sept	88.00	99.00	111.01
20 Sept	88.55	99.61	111.61
19 Sept	92.28	103.58	115.49
Average	88.39	99.82	111.87

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Global Overview

Americas:

- US plate pricing falls amidst labour disputes
- Sheet, OCTG prices in the US hold flat this week
- US scrap market outlook weakens for October's trading

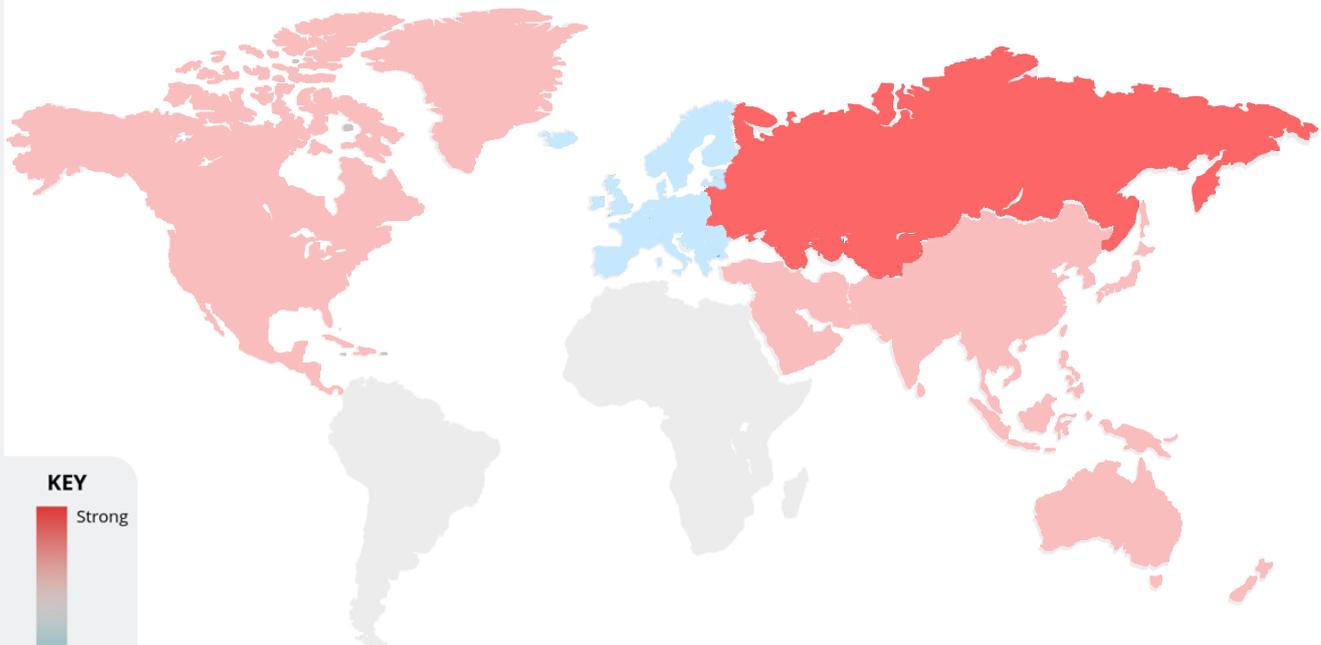
Europe:

- EU exported scrap prices rebound
- HRC prices remain under pressure
- Re-rollers oppose Russian semis ban in EU

Asia:

- Iron ore prices slide
- Toyota stops production in Russia
- Posco cut stainless output

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



KEY



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India:

- Indian HRC mills sees better realisation in the domestic market
- Indian containerised scrap offers surge
- Pakistan shredded scrap offers up

CIS:

- Russian mills resist billet price reduction pressure
- Russian slab remains in demand in Europe

Middle East:

- Turkish scrap momentum slows
- Turkish rebar mills struggle to pass on costs
- GCC mills ramp up rebar exports

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Word of the week

Reheat Furnace

Reheat furnaces are used to ensure that partly worked steel, which has been allowed to cool, arrives at its next processing stage at the optimum temperature. The furnace heats metal ingots, billets and blooms in order to bring them to the temperature required for hot-working.

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