

 This week:

ArcelorMittal posts record incomes but uncertainty over Chinese demand mounts

Strong steel prices helped ArcelorMittal post in the third quarter its highest net income and lowest net debt since 2008. Prices have since come off record highs but remain elevated, which will be reflected in 2022 annual contracts, the firm observes.

The steelmaker maintains its 12-13% on-year growth forecast for 2021 global apparent steel consumption outside China, but its forecast for China has weakened. It now expects demand in the Asian giant to contract slightly. However, strict production constraints are expected to lead to lower Chinese net exports in the second half of 2021, thereby limiting the impact on the global market.

ArcelorMittal's consolidated third-quarter crude steel production was flat on-year at 17.2 million tonnes, but it slid 3% on-quarter. Steel shipments meanwhile dropped 17% on-year and 9% on-quarter to 14.6mt. The on-quarter drop was due to weaker demand, particularly from automotive, as well as production constraints and order shipment delays which are expected to reverse in Q4.

In the nine months through September, steel shipments fell 9% on-year to 47.2mt, while crude steel output was flat at 52.6mt. Sales rose 43% to \$55.8 billion and net income was \$10.9 billion versus a \$1.94 billion loss a year earlier.

CHINESE REAL ESTATE UNCERTAINTIES

Reports on China, and especially on real estate, have focused on the short term debt crises of a few companies. Beyond the concern over a debt crisis, however, lies a longer-term trend and policy goals which pose serious problems for steel demand. If China is able to wean itself off such intense investment in real estate, what will be the impact for steel demand, and what factors should we be looking out for in the coming years?

China's real estate sector has long been the key driver of Chinese steel demand, but it also sits at the crux of a much larger economic contradiction for China. It is this that is forcing a change in the sector that will mark the most important turning point in China's steel sector. Although the connection between construction and overall steel demand is instinctive for the industry, the connections in China go even deeper than in many other economies. In China, real estate construction itself accounts for over a third of total end-user finished steel demand. This has declined marginally over the last few years as a proportion, but has increased in terms of total demand.

China's real estate market is also a key driver in the country's engineering and infrastructure sectors, however, making it by far the most important sector for steel demand overall. A significant proportion of the engineering sector, which consumes another 17% of Chinese finished steel, is yellow goods and other machinery related to construction. Infrastructure, which consumes some 22% of Chinese steel, is both driven by and funded by real estate. Infrastructure investment is closely tied to real estate investment because the process of urbanisation has meant housing and infrastructure projects need to be carried out together. Infrastructure funding has been reliant on local government spending. In the absence of sufficient sustainable tax revenues for local governments, they have been forced to rely on land sales in order to sustain spending levels, and the land sales of course go to real estate developers. Apportioning a number to represent the total importance of real estate in Chinese consumption would be arbitrary, but certainly well over 50% of Chinese demand is in some way driven by real estate.

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KORE INDEX

Index	58%	62%	65%
W-o-w % Change	-12.49%	-8.62%	-8.80%

11 Nov	62.89	87.93	103.26
10 Nov	68.76	93.83	110.44
10 Nov	69.02	92.66	109.66
9 Nov	69.43	93.48	111.10
8 Nov	73.11	97.32	115.63
Average	68.64	93.04	110.02

5 Nov	74.53	97.62	115.90
4 Nov	76.83	100.61	119.52
3 Nov	75.60	102.21	120.48
2 Nov	81.30	102.75	122.09
1 Nov	83.95	105.90	125.22
Average	78.44	101.82	120.64

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Global Overview

North America:

- US hot-rolled pricing falls by nearly \$50/st
- US plate, rebar prices advance after infrastructure measure passage
- Scrap US prices settle in November

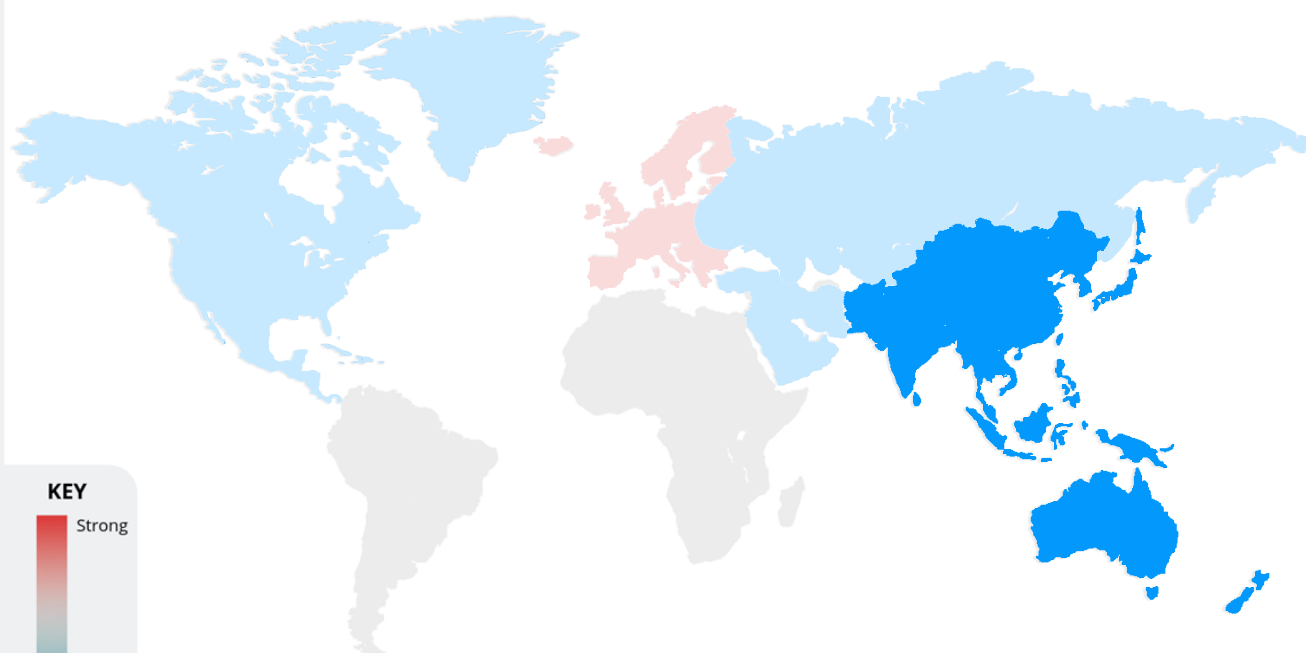
Europe:

- N.EU coil prices reach bottom of cycle
- ArcelorMittal shipments impacted by auto demand
- EU scrap rebounds

Asia:

- Chinese sentiment sink on real estate
- Iron ore keep falling
- Chinese export offers become competitive

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



► [Click here to view this map online](#)

CIS:

- CIS billet mills reject lower bids
- CIS HRC prices soften

Middle East:

- Turkish scrap remains firm
- Turkish rebar mills struggle to maintain margins
- Saudi rebar mills could cut supply

Word of the week

Line Pipe



Line pipe is the type of pipe that is used in the surface transmission of oil, natural gas and other fluids.

Contact

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