

This week:

Will automotive production delays impact steel demand this year?

The fire in March at semiconductor manufacturer Renesas in Japan will exacerbate existing supply chain disruptions, says Fitch Ratings. This is likely to hamper the automotive sector recovery and impact steel demand.

At the end of March, Renesas said the fire damaged a production line for 300mm wafers used in the automotive industry and it will take up to one month to restart the line.

This disruption is likely to affect a number of global carmakers, including Japan-based Toyota, Honda and Nissan, and US and European rivals, given Renesas is the second-largest producer globally of car microcontroller unit chips, Fitch observes.

Samsung chief executive Koh Dong-jin emphasised that current microchip problems will have a negative impact on the company's performance in the next quarter.

South Korea's Hyundai already said it will suspend production at its No.1 plant in Ulsan, South Korea from 7-14 April due to a shortage of semiconductor chips and supply problems for electrical components.

The same problem has already forced major car manufacturers to shut down production lines. Among them are Volkswagen, Daimler, Ford, Stellantis and General Motors. Swedish carmaker Volvo also announced that it will be closing some of its factories in the second quarter.

An extended stoppage at Renesas' factory could prolong the shortage and pose challenges for global carmakers still recovering from the fallout from the Covid-19 pandemic, the rating agency adds.

During the first quarter, production of about 1 million vehicles was delayed due to the global chip shortage. Fitch believes the supply-demand imbalance is likely to be resolved in the second half of this year.

TURKEY

Last week a number of Turkish companies confirmed the need to slow down production due to the shortage of supply of semiconductors. Following in the footsteps of Oyak Renault and Tofas, Ford Otosan has also announced that it will halt production at its facilities in Gölcük and Yeniköy from 3-9 April.

In a statement Ford Otosan says: "Production will be suspended for six days ... due to the restrictions in the supply of some parts, where microchip use is intensive, from abroad ... Necessary plans have been made with our suppliers and the possible effects of supply shortages are minimised."

SPAIN

In Europe, the second largest automaker, Spain, confirmed last week the challenging outlook create by both the lag in the demand recovery and the problems related to semiconductors. "The poor evolution of sales in the main markets, together with the microchip crisis, which is presenting itself as a structural rather than a cyclical issue with no anticipation of ending, are worsening Spanish manufacturers' activities," according to national automotive association Asociación Nacional de Fabricantes de Automóviles y Camiones (Anfac).

On Average, 900 kg of steel is used per vehicle

Source: worldsteel

The steel in a vehicle is distributed as follow, based on total vehicle curb mass:

- 40% is used in the body structure, panels, doors and trunk closures for high-strength and energy absorption in case of a crash.
- 23% is in the drive train, consisting of cast iron for the engine block and machinable carbon steel for the wear resistant gears.
- 12% is in the suspension, using rolled high-strength steel strip.
- The remainder is found in the wheels, tyres, fuel tank, steering and breaking systems.

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How is DRI production evolving in Europe?

KORE INDEX

| Index | 58% | 62% | 65% |
|----------------|---------------|---------------|---------------|
| W-o-w % Change | 0.52% | 1.73% | 3.18% |
| 2 Apr | 151.57 | 164.78 | 195.09 |
| 1 Apr | 151.45 | 164.65 | 195.11 |
| 31 Mar | 150.09 | 163.60 | 193.77 |
| 30 Mar | 150.47 | 163.65 | 194.12 |
| 29 Mar | 152.75 | 166.41 | 194.42 |
| Average | 151.27 | 164.62 | 194.50 |
| 26 Mar | 148.00 | 160.30 | 188.00 |
| 25 Mar | 147.93 | 159.88 | 187.22 |
| 24 Mar | 150.72 | 163.02 | 189.39 |
| 23 Mar | 151.04 | 162.93 | 189.12 |
| 22 Mar | 154.72 | 163.00 | 188.79 |
| Average | 150.48 | 161.82 | 188.50 |

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Global Overview

North America

- US sheet pricing breaks record levels
- Mill plate price hike gains traction
- US scrap inches up in April

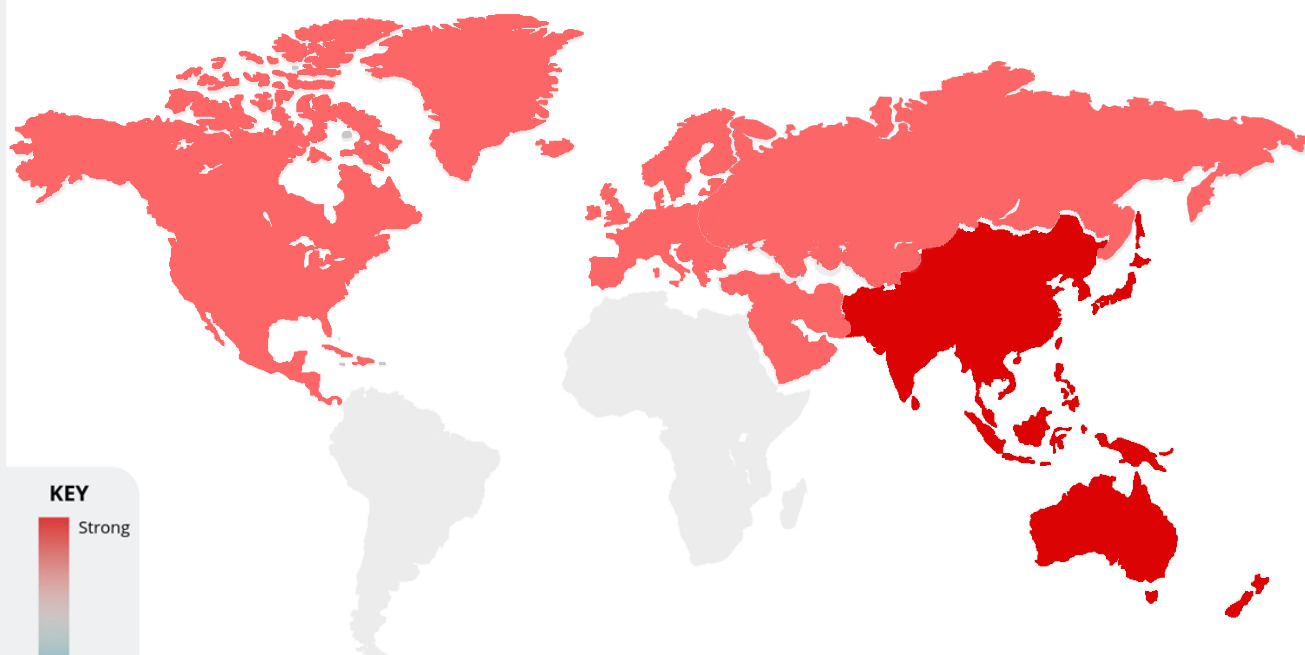
Europe:

- Plate prices jump in Europe
- Liberty restarting UK steelmaking
- Italian coil prices up again

Asia:

- Chinese steel prices jump up
- Vietnamese scrap recovers
- Iron ore rebounds

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



KEY



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

South America

- SHP Peru's workers end strike
- Colombian Gerdau Diaco expects more scrap usage

CIS:

- CIS HRC mills hike prices further
- CIS pig iron remains in lull

Middle East:

- Turkish scrap softens again
- Turkish rebar exporters enjoy strong Asian demand
- Turkish HRC suppliers conclude US sales

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Word of the week

Basic Oxygen Furnace



The basic oxygen furnace converts iron from the blast furnace into steel. When oxygen is blown over the molten iron in a BOF vessel, it combines with and removes carbon as carbon monoxide and carbon dioxide. Unwanted silicon, phosphorus and other elements are also driven off, while other impurities are combined with fluxes which are removed and then made into slag. The reactions in the BOF vessel creates heat, so ferrous scrap is added to cool it down.

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