

This week: Semiconductor shortage continues to impact downstream sectors

German carmaker Volkswagen Group predicts more disruptions in production due to the continued global semiconductor shortages. During the last few weeks, a number of global carmakers announced temporary stoppages of production units due to the lack of supplies, a trend expected to continue further in 2021. "Due to the increasing demand for consumer electronics and the continued recovery of the car markets, there have been supply bottlenecks in the automotive industry since the turn of the year," says VW's official statement. "The consequences are industry-wide adjustments in car production, which also affects the brands of the Volkswagen Group."

Despite the tense situation, there have only been a few lost days at various Volkswagen Group plants, the company claims.

"We are currently assuming that the supply of chips will remain tense in the coming months," VW says. "That is why our task force, together with our suppliers and semiconductor manufacturers, works continuously to secure production for all brands and in all regions as much as possible."

The situation was further exacerbated by the past snowstorms in Texas, as large chip manufacturers located there had to stop or reduce their production, and by a fire at the Japanese semiconductor producer Renesas in March. Depending on the supply situation, the Volkswagen Group says it will do everything in its power to catch up as far as possible on the vehicles that have not been built so far in the course of the year. The top priority is to process the high order backlog.

Earlier this week, Audi – part of VW, announced it will halt production at its Neckarsulm site until 30 April due to lack of semiconductor deliveries.

Meanwhile, the technology company Intel expects it will take "a couple of years" to make the significant investments to meet the growing global chip demand, says the company's ceo Pat Gelsinger during the presentation of the first quarter results. "We have doubled our internal wafer capacity in the past few years, but the industry now is challenged by a shortage of foundry capacity, substrates and components."

The Renesas fire affected a number of global carmakers in Japan, the US and Europe, given Renesas is the second-largest producer globally of car microcontroller unit chips. The shortage is also disrupting automotive production in Russia. During the first quarter, production of about 1.3 million vehicles was delayed due to the global chip shortage.

CHINA

China's downstream steel-consuming industries, especially the home appliance industry, have performed strongly since last year, but the shortage of chips has had a growing impact. If this shortage leads to a decline in output in the next few months of 2021, the impact could be more deeply felt by the steel industry.

A CCTV Financial News report showed that a small home appliance company in Foshan of Guangdong has been facing a shortage of chips since March this year, causing the company to suspend production temporarily. Although these small home appliance companies have many orders, the shortage of chips has forced them to reduce capacity utilization and production.

This trend has also spread to larger Chinese car companies. Affected by the shortage of chip supply, China Great Wall Motor Company's two production bases in Chongqing and Hebei will stop production in May and June. The annual production capacity of these two bases totals approximately 1 million vehicles. Prior to this, China's new energy automobile company Weilai also said that it would cut production by about 6,000 units due to chip shortages.

The China Association of Automobile Manufacturers predicted in April that the impact of chip shortages on car production will intensify in the second quarter. The tight supply of chips will not improve in the short term.

According to the latest report from Goldman Sachs, about 169 industries globally will be affected by the shortage of chips, and those industries that spend more than 1% of industry revenues on chips will see some impact from semiconductor shortages. For example, the automotive industry spends 4.7% of industry revenue on microchips and related semiconductors, Goldman Sachs said.

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KORE INDEX

Index	58%	62%	65%
W-o-w % Change	7.36%	4.08%	2.96%
30 Apr	170.19	185.11	219.36
29 Apr	170.16	186.00	220.22
28 Apr	168.3	187.04	220.93
27 Apr	168.00	190.03	221.81
26 Apr	164.17	186.19	219.72
Average	168.16	186.87	220.41
23 Apr	154.49	181.58	214.59
22 Apr	156.14	178.50	213.08
21 Apr	156.12	178.93	213.75
20 Apr	156.09	179.02	214.27
19 Apr	156.07	178.15	213.66
Average	155.78	179.24	213.87

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Global Overview

North America

- US sheet pricing remains at historic high
- US plate prices expected to rise \$80/st in May
- Scrap prices to trend upward during May's trading

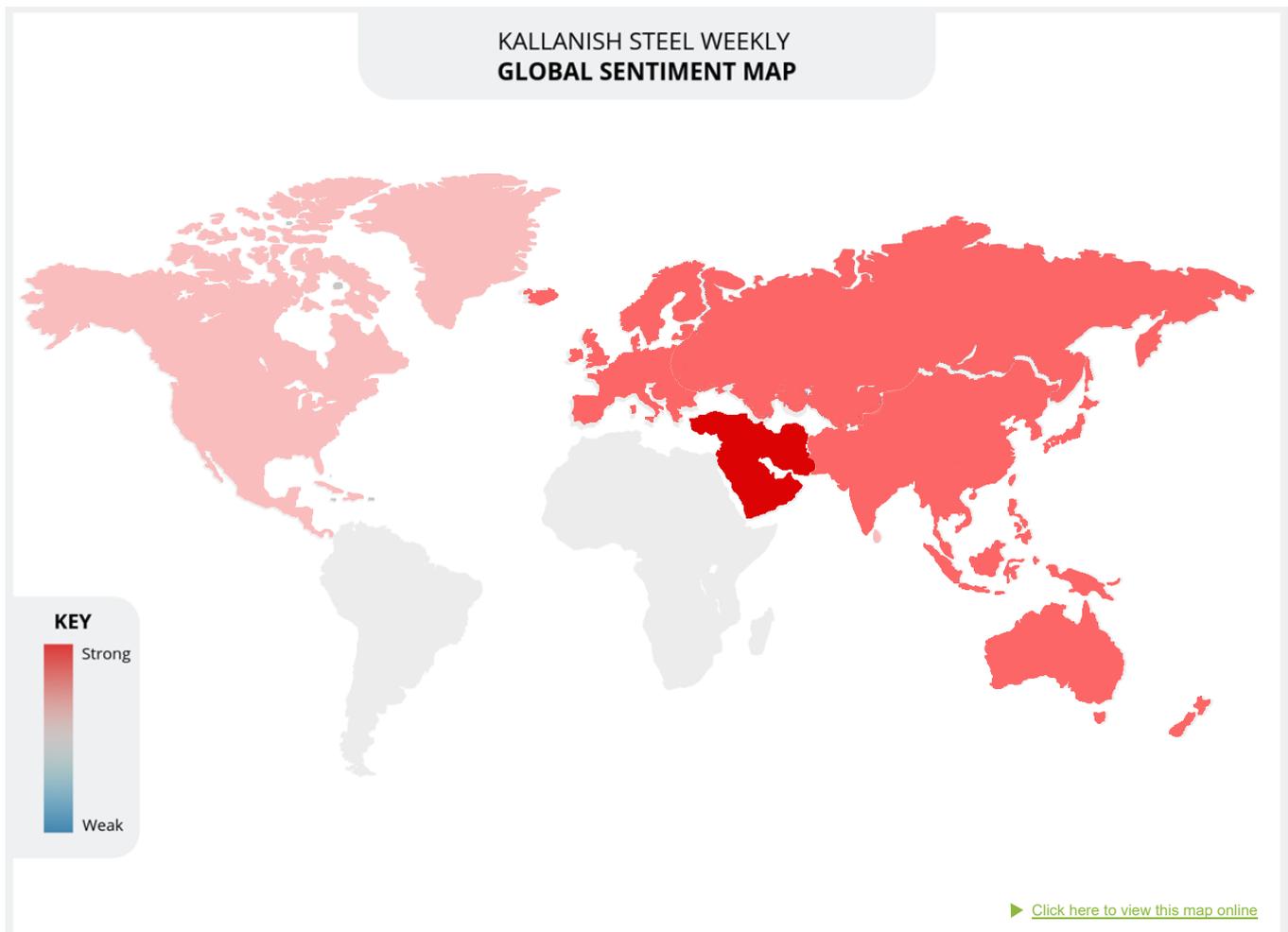
Europe:

- Former Ilva to restart BF
- German supplier increase rebar offers
- EC confirms AD on Turkish HRC

Asia:

- China cancels export rebates
- ASEAN HRC reach new record
- Chinese wire rod jumps

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



CIS:

- CIS billet surpasses \$600/t, more demand foreseen
- CIS pig iron trade slows

Middle East:

- Turkish scrap rebounds
- Turkish rebar exporters bide time with full orderbooks
- Turkish coil suppliers digest China rebate announcement

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Word of the week

Bake Hardening



Bake hardening alters the properties of sheet in a car production line. The body panels are painted once they have been pressed and the paint is later cured by passing through an oven. Although the steel is already work hardened during pressing, it will be during the curing process that the arrangement of the atoms in the steel will change. The result is that after baking and cooling the steel has a higher strength than it did after pressing.

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