Issue: 39-22 | Date: 27 Sept 2022

聞 This week:

Steel overcapacity increases as recession looms, signals OECD

At last week's meeting of the OECD Steel Committee, participants expressed concerns about the sharp downturn in world steel markets.

According to data presented by the OECD, overcapacity this year could surpass 560 million tonnes, up from the 520mt registered in 2021. The increasing trend of overcapacity is expected to continue. The OECD noted, for example, that Chinese overcapacity decreased during the 2016-2019 period only to start increasing again from 2020. Now Chinese capacity has reached 1.15 billion tonnes.

"Much of the world's capacity growth in recent years has been concentrated in the Middle East, South Asia, and Southeast Asia. Many of the new installations in Asia have been focused on the coal-intensive steel production process," the OECD said. "World steelmaking capacity is expected to increase in 2022 for the fourth year in a row, rising by almost 30mt to a level of 2.4 billion tonnes. Of further concern are up to 144mt of additional capacity that may come on stream during the 2023-25 period, representing a further 5.9% increase over the 2022 global capacity level."

The increase in overcapacity is fuelled also by the expectation of a downturn for steel consumption.

"The global steel market recovery from the Covid-19 downturn was unfortunately short-lived. While market conditions improved in 2021, a significant turn for the worse has occurred during the course of 2022, particularly as a consequence of the ongoing war in Ukraine," OECD said. "Global steel consumption has contracted significantly in the first half of this year due to the rapidly deteriorating economic environment."

Going forward, participants at the meeting agreed that it is vital to continue addressing structural problems in the industry, particularly related to subsidisation.

"With excess capacity expected to increase in the coming years, delegates discussed the need to refrain from measures that would exacerbate over-supply pressures in markets, including subsidies and other support measures that stimulate steel production, and capacity targets that will likely overshoot demand prospects, and restrictive trade policies on raw materials that artificially lower the costs of steel production," the OECD explained in a note.

Participants at the meeting

- Discussed the growing risks facing the steel market outlook and discussed ways to respond to the emergence of a steel crisis, including through rising energy costs;
- Expressed concerns about the increase in global steel excess capacity this year for the fourth year
 in a row. The gap between global crude steelmaking capacity and production could potentially
 increase to 562.9 mmt in 2022 from 521.6 mmt in 2021, and is expected to continue increasing;
- Exchanged views with raw material stakeholders on the impacts of the war in Ukraine on supply
 developments, and agreed to enhance their co-operation on raw material issues to help bring
 greater stability to their steel industries and to support the reconstruction of the Ukrainian steel
 industry;
- Reviewed recent trade measures on steel and steelmaking raw materials, as well as the impacts
 of sanctions against Russia, and discussed ways to mitigate trade circumvention using newly
 developed tools by the Steel Committee;
- Agreed to strengthen their work over the next two years on long-term structural challenges facing
 the sector, including deeper analysis of supply-demand imbalances in global steel markets, the
 impacts of increasingly pervasive subsidies and other government support measures on the level
 playing field, and ways to encourage decarbonisation of the sector under conditions of fair
 competition;
- · Supported continuation of the work of the Global Forum on Steel Excess Capacity.

Source: OECD

In this weeks Issue:

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KORE INDEX

Index	58%	62%	65%
W-o-w % Change	2.44%	-0.59%	-0.34%
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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
16 Sept	86.73	98.96	110.87
15 Sept	86.79	100.53	112.44
14 Sept	86.39	100.45	112.32
13 Sept	86.01	101.28	113.14
12 Sept	85.55	100.90	112.54
Average	86.29	100.42	112.26

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Global Overview

Americas:

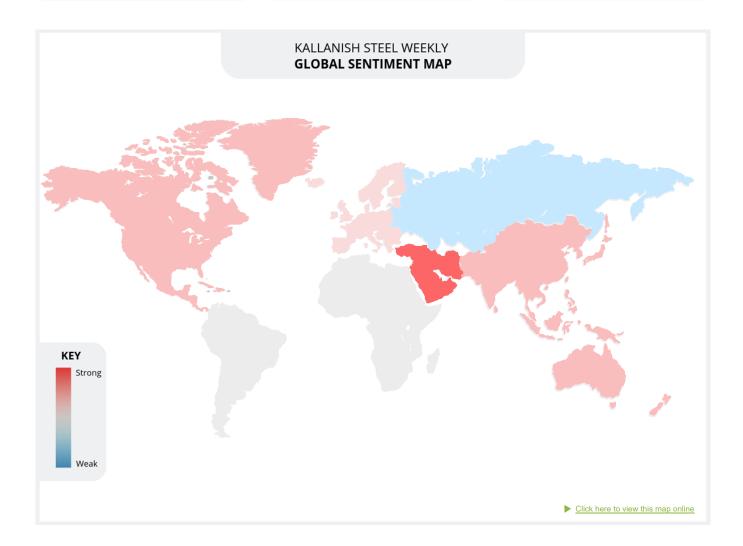
- Nucor decreases certain plate
- . AHMSA resumes investment in Mexico
- US rebar prices stable

Europe:

- European scrap prices under pressure
 Dunaferr halts crude steel
- production NW EU coil prices show little

Asia:

- Chinese steel prices up slightly Iron ore stable
- Further incentives to support Chinese economy in October



India:

- Indian HRC grew marginally on cost pressure
- Indian containerised scrap bids fall amid bulk vessel arrivals Pakistan shredded scrap plummet amid deteriorating domestic market sentiments

CIS:

- Russian billet quotes sink amid
- Russian HRC ticks up despite sluggish demand

Middle East:

- Turkish scrap quotes tick up after rebar firms
- Turkish rebar prices rebound on
- geopolitics, macro factors GCC HRC buyers receive higher offers

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Word of the week

Cold Finishing

Cold finishing is the process of steel either with surface removal (polishing, grinding, peeling) or without surface removal (e.g. through wire drawing), primarily for further machining into shapes such as gears, shafts, hydraulic fittings etc







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