



Outlook for Global Steel Markets.

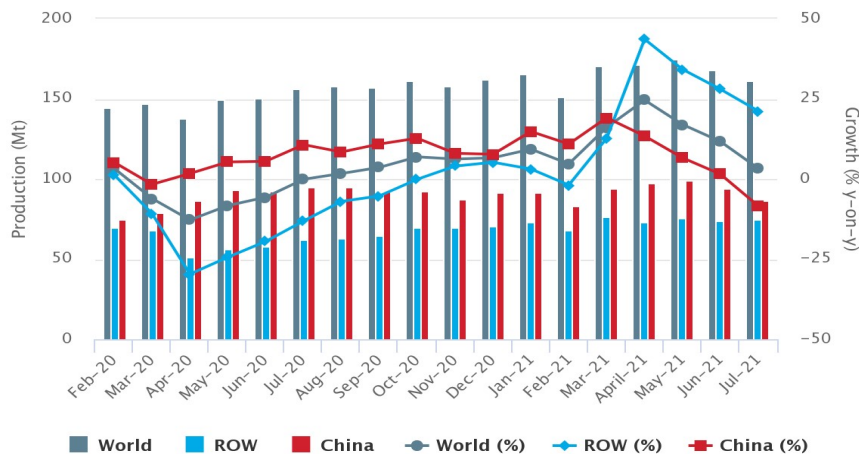
Steelmaking Capacities remain excessive while steel production eases in the second half of 2021.

The latest available OECD information suggests that global steelmaking capacity increased in 2020 for the second year in a row.

The net capacity change in 2020, taking into account new capacity additions and closures, brings current global steelmaking capacity up to 2 452.7 mmt, representing a 1.6% increase from the level at the end of 2019 which enhance the negative impact the capacity overhang has on the supply versus demand balance.

Jindal Steel and Power reported that India will become the world's largest steel exporter in the coming years, surpassing China, on the back of its capacity expansion, global steel demand, and China's export restrictions. India is seeing a massive capacity expansion over the next four to five years while China, on the other hand, is reducing exports to fulfil its domestic demand.

Crude steel production

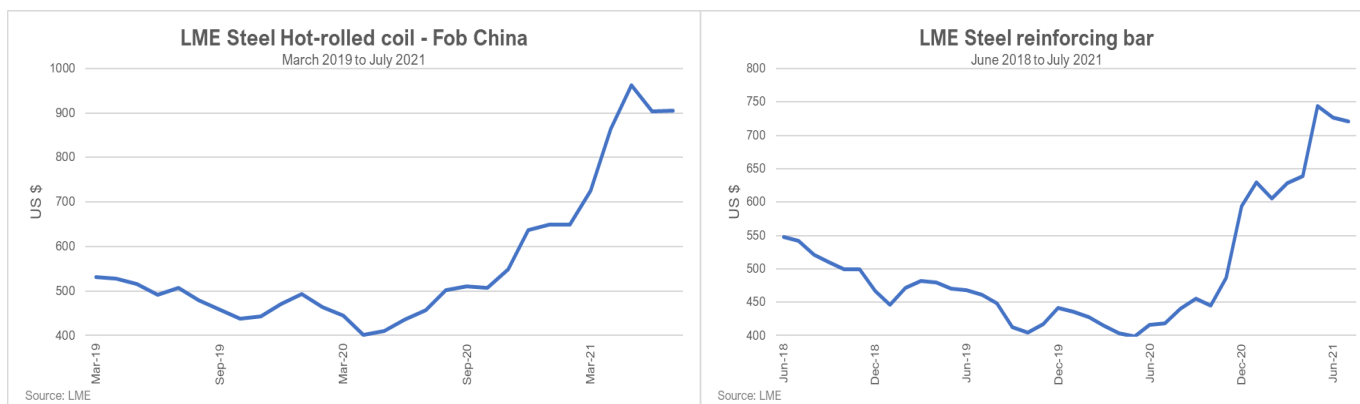


worldsteel.org

Global crude steel production was 161.7 million tonnes (Mt) in July 2021, a 3.3% increase compared to July 2020. The current global crude steel production has now surpassed the pre-COVID production levels, with Africa and South America reported the strongest month-on-month change of 28%.

In China, the demand impact from stimulus is expected to start wearing off from late 2021 as construction projects reach completion and the pipeline of further new projects lessens, with the Chinese Government focusing on tightening credit lines. With China's steel production increasing by 11.4% year-on-year in the first half of 2021, the second half production will have to decline by approximately the same levels maintaining their economic activities.

International steel prices.



According to the London Metal Exchange the cash settled futures on hot-rolled coil, fob China, increased by 0,2% and that of reinforcing bar decreased by 0,8% during July 2021 compared with June 2021.

Steel prices should notably retreat from their current record levels over the next two years, but remain above their historical averages in the medium term, says Moody's. Steel prices will be underpinned by more solid demand and supply fundamentals and rising carbon costs on tightening emissions reduction policies in some regions, especially in Europe.

Demand improvements should be driven by a continued recovery in steel-using end markets, such as (renewable energy) infrastructure and automotive, as Moody's forecasts global light vehicle sales to reach pre-pandemic levels only by 2025.

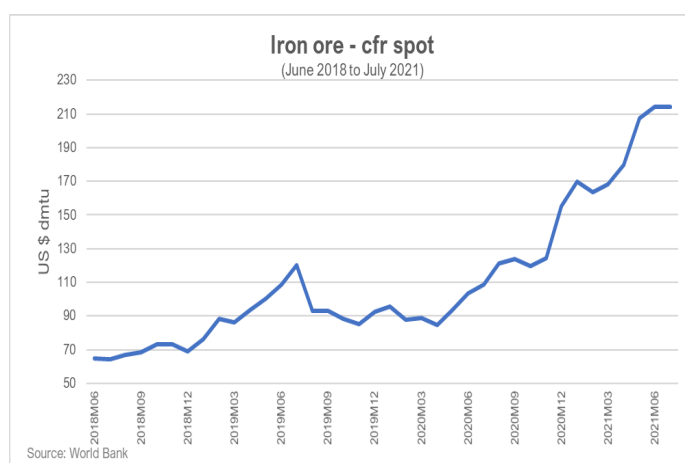
In addition, an expected re-stocking of still-low inventory levels globally should further fuel steel demand over the next few quarters.

World iron price.

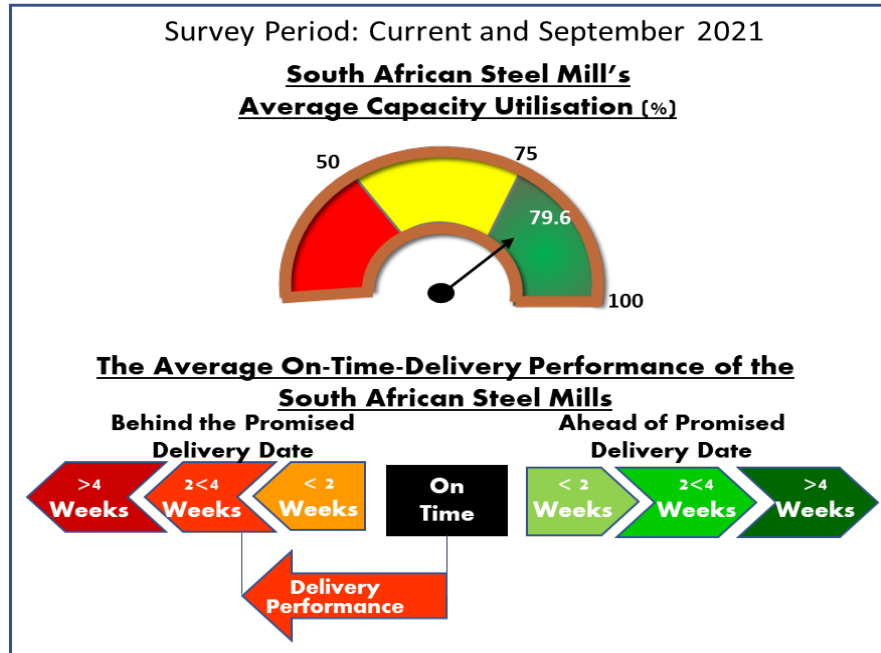
According to the World Bank the cfr spot price on iron ore decreased by 0,1% during July 2021 compared with June 2021.

Iron ore prices should ease further in the coming months after the iron ore price rally started to show signs of weakening, according to Fitch Solutions.

Demand from Chinese steel producers peaked in the first half of 2021 and this is coinciding with improved global supply.



South African steel plant performance.



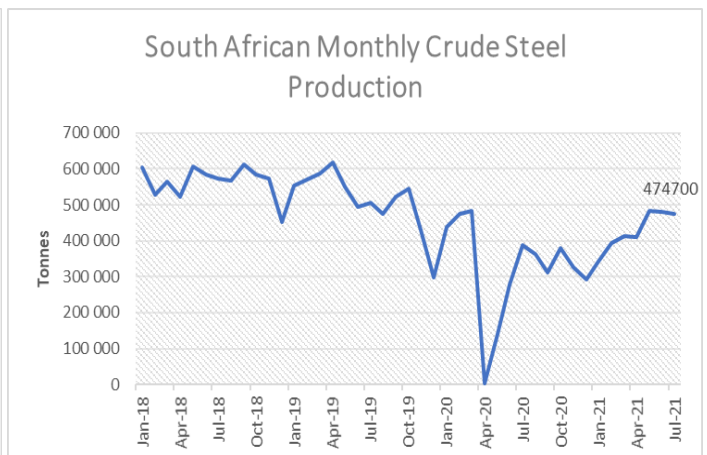
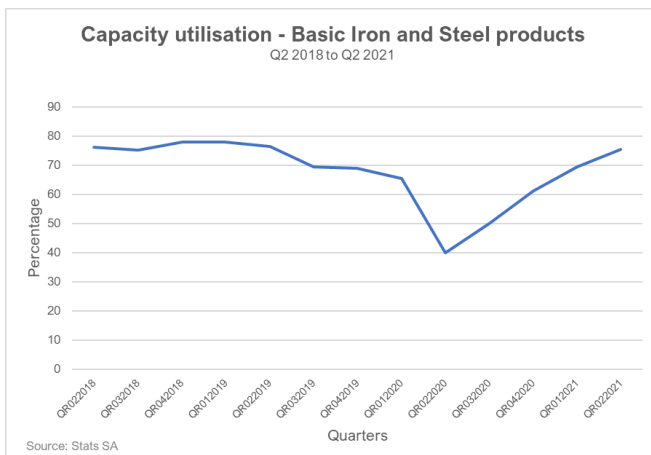
Average capacity utilisation

According to a survey amongst the SAISI members, the steel mills' average capacity utilisation amounted to 79.6% during August 2021. This is a two percentage point drop from last month, mostly ascribed to weaker steel demand from the domestic market.

Average on-time delivery performance

All the steel mills are supplying within their stated delivery lead-times, except for one. The average on-time delivery performance has improved. According to the survey amongst the SAISI members, the average lead-time is two to four weeks during August 2021 which is about 1 week less than what was reported last month.

Almost all the production units are in production with limited maintenance shutdowns.



South Africa's crude steel production volume declined by 1% during July 2021 to 474 700 tonnes from 479 600 tonnes produced during June 2021.

SA primary steel and articles of steel trade.

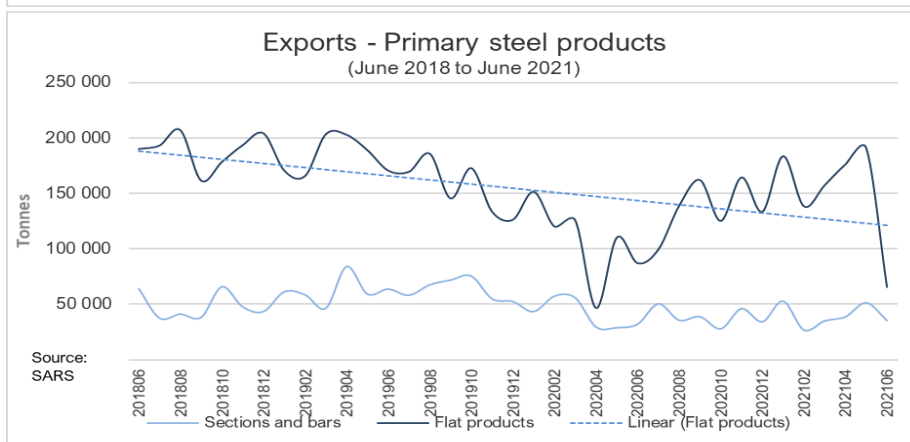
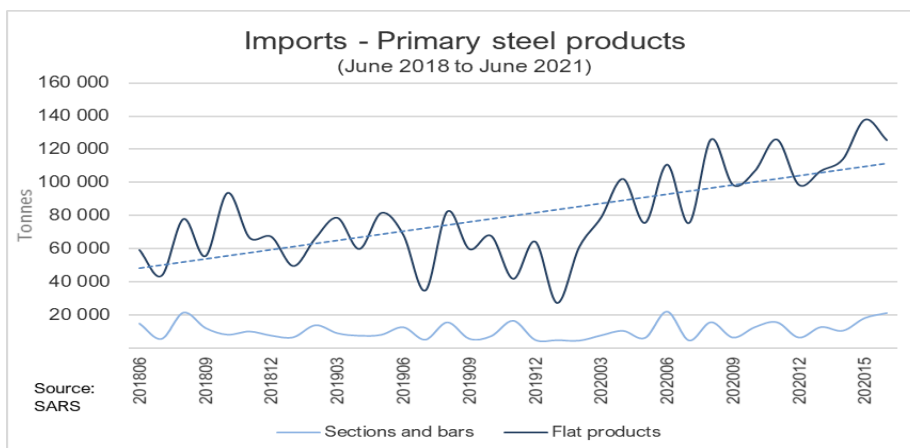
Primary steel product trade.

Imports:

South Africa's monthly average primary steel product imports, including drawn wire and rails, according to data released by the South African Revenue Service, increased by 67,1% during the first 6 months of 2021 compared with the monthly average imports during 2020.

Exports:

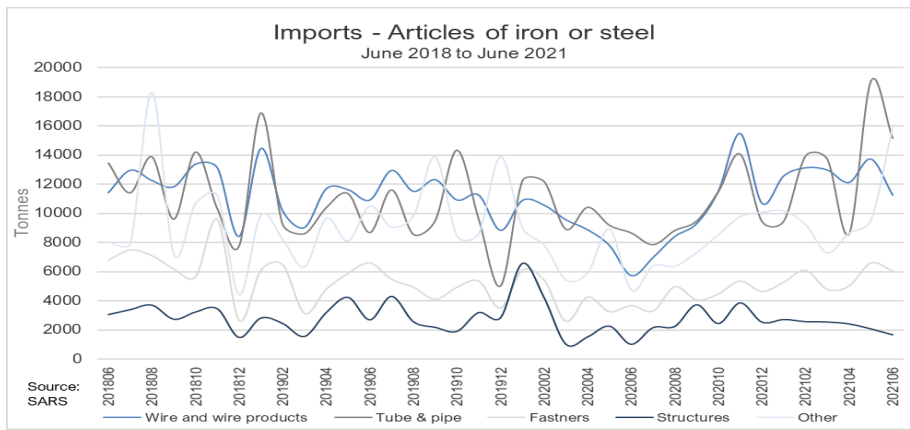
The monthly average exports of primary steel products, according to SARS data, decreased by 1,2% during the first 6 months of 2021 compared with the monthly average imports during 2020.



Articles of steel trade.

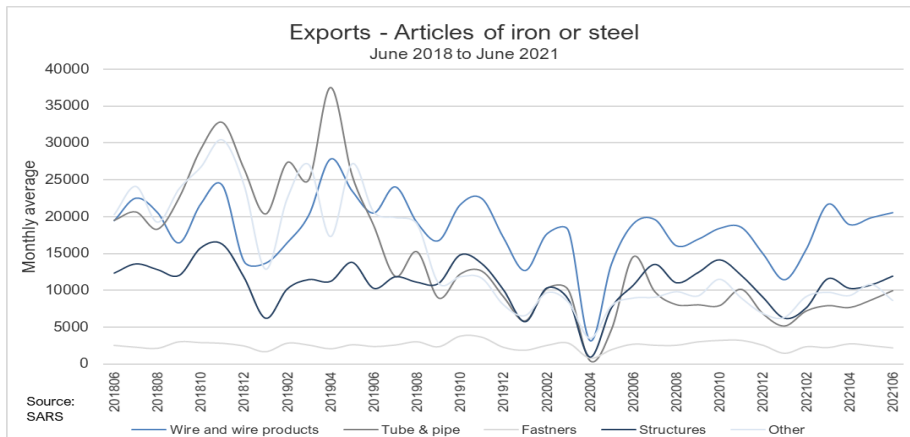
Imports:

The monthly average imports of articles of steel, according to SARS data, increased by 27,5% during the first 6 months of 2021 compared with the monthly average imports during 2020.

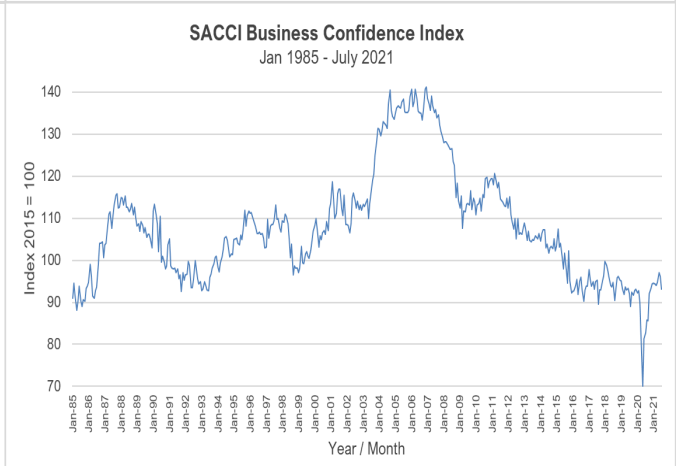
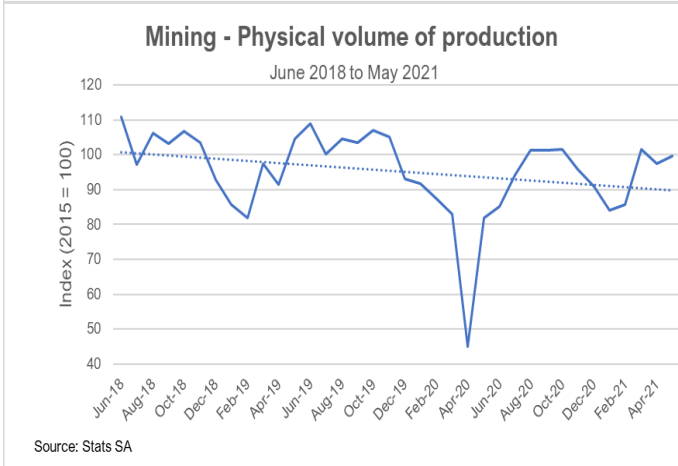
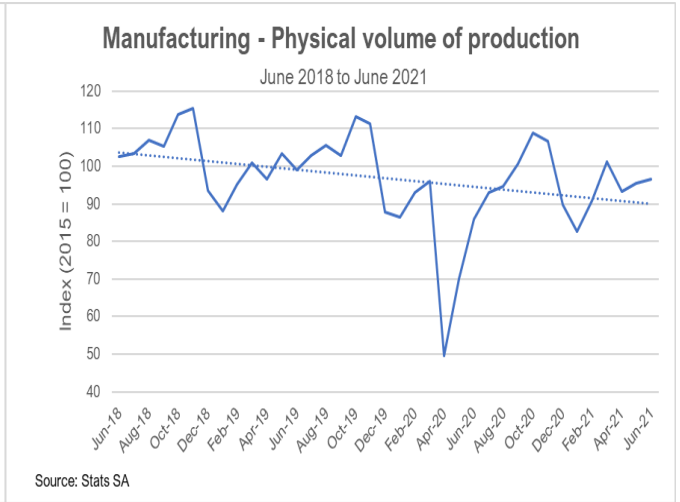
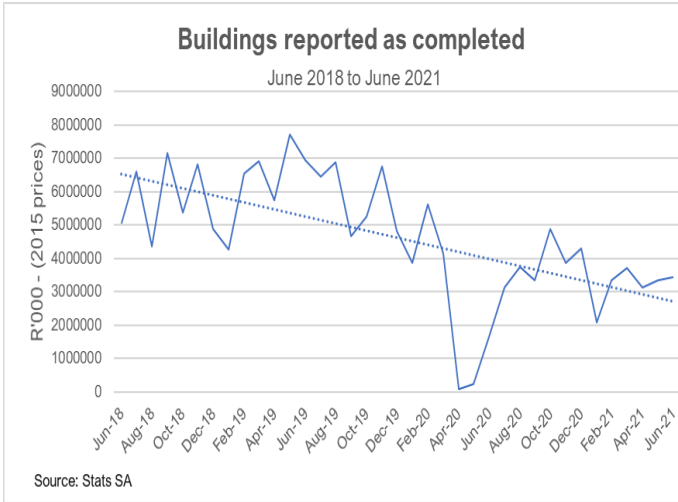


Exports:

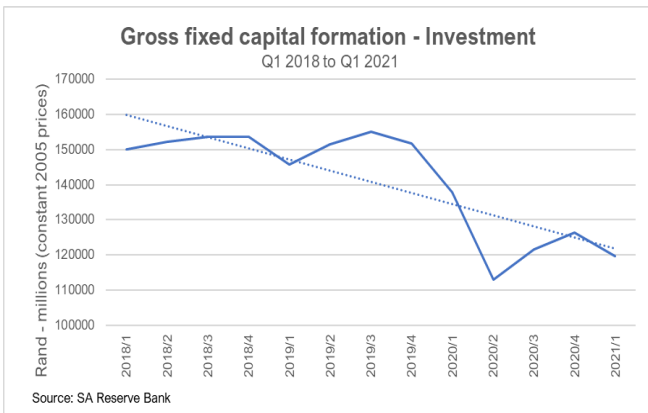
The monthly average exports of articles of steel, according to SARS data, increased by 5,4% during the first 6 months of 2021 compared with the monthly average exports during 2020.



Steel demand drivers.



The value of recorded building plans passed (at current prices) increased by 74,2% during January to June 2021 compared with January to June 2020. The value of buildings reported as completed (at current prices) increased by 32,6% for the same period. However, a decrease was recorded for non-residential buildings (-19,9%).



Real gross fixed capital formation contracted anew by 2.6% in the first quarter of 2021 from an expansion of 12.1% in the fourth quarter of 2020.

Manufacturing production increased by 12,5% in June 2021 compared with June 2020. The largest positive contributions were made by the following divisions: motor vehicles, parts and accessories and other transport equipment; basic iron and steel, non-ferrous metal products, metal products and machinery; wood and wood products, paper, publishing and printing; food and; and furniture.

The annual percentage change in the PPI for final manufactured goods was 7,7% in June 2021. The SACCI Business Confidence Index (BCI) dipped slightly in June 2021 by 0.8 index points to 96.2 and declined further by 3.0 index points to 93.2 in July 2021.