

# steelMatters

Issue: July 2021



South African  
Iron and Steel  
Institute

## Supply of commodities to catch up with demand.

During the second half of 2021, and in 2022, it is likely that the supply of goods will tend to catch up with demand, resolving bottlenecks in global commodities and other goods markets.

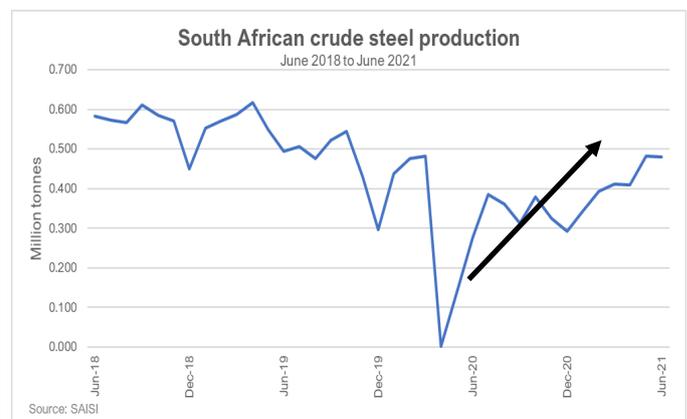
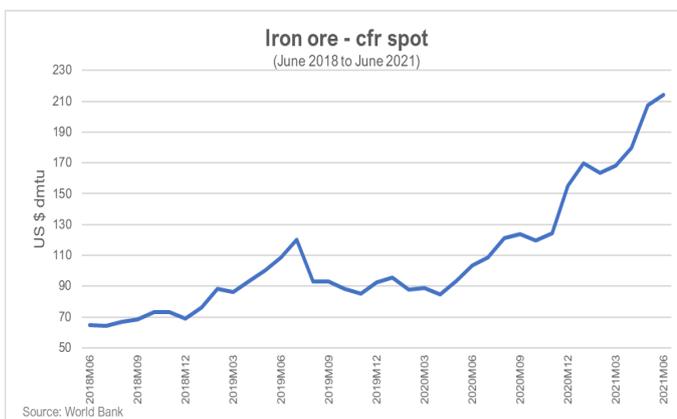
Iron ore prices surged to record highs in 2021, surpassing US\$200 a tonne in early May 2021. The continuing rebound in economic activity in China and other advanced economies has led to an elevated demand for steel and consumption goods, in the midst of ongoing tightness in global iron ore supply. Prices are expected to ease by 2022, as Brazilian supply recovers and world demand moderates.

The recovery in steel markets is being led by the release of pent up demand and accommodative government policies across major economies, with infrastructure-led fiscal stimulus providing an additional tailwind.

Growth in world steel demand is expected to ease in 2022, as the market returns to more typical growth levels.

Strong demand in the midst of recovering supply chains has led to record raw material prices in the first half of 2021. Prices are expected to ease from the second half of 2021, as this demand impulse recedes and supply continues to come back online. This trend is also evident when comparing the SA crude steel production volumes to the pre-COVID production volumes as local steel makers ramping-up production to ease the backlog on pent-up demand.

Supply chain constraints resulting from rail and port limitations restricted production volumes needed to clear the backlogs. The latest unrest in KZN and Gauteng impacted the supply situation negatively, limiting production as the off-take of finished products were delayed by about a week.



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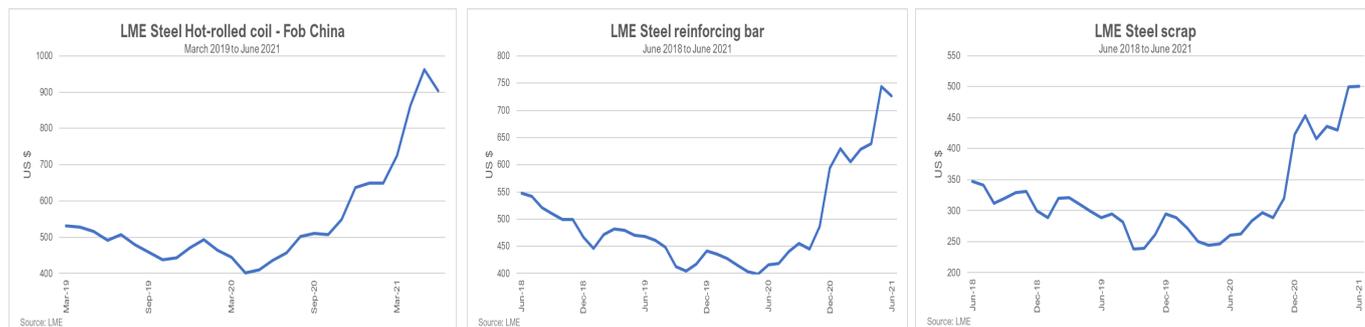
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## International steel prices remain at historical highs.



The relative high steel prices are expected to remain for the third quarter 2021. The approximate price gap between flat and long steel of about 20% is sustained with the long steel supply/demand situation more in balance compared to flat steel.

According to the London Metal Exchange the cash settled futures on hot-rolled coil, fob China, decreased by 6,1% during June 2021 compared with May 2021. Reinforcing bar decreased by 4,2% during June 2021 compared with May 2021. Ferrous scrap increased by 0,2% during June 2021 compared with May 2021.

The Chinese flat steel spot prices since the beginning of July increased by \$30 per tonne and long steel increased by \$10 per tonne. Ferrous scrap prices moved sideways during the same period.

## The more favourable market conditions for steel makers around the world do not temper the drive for market protection.

The extension of the EU steel safeguard for another three years was published on 28 June 2021.

The measure was motivated to help ward off disruptive post-COVID surges of steel imports.

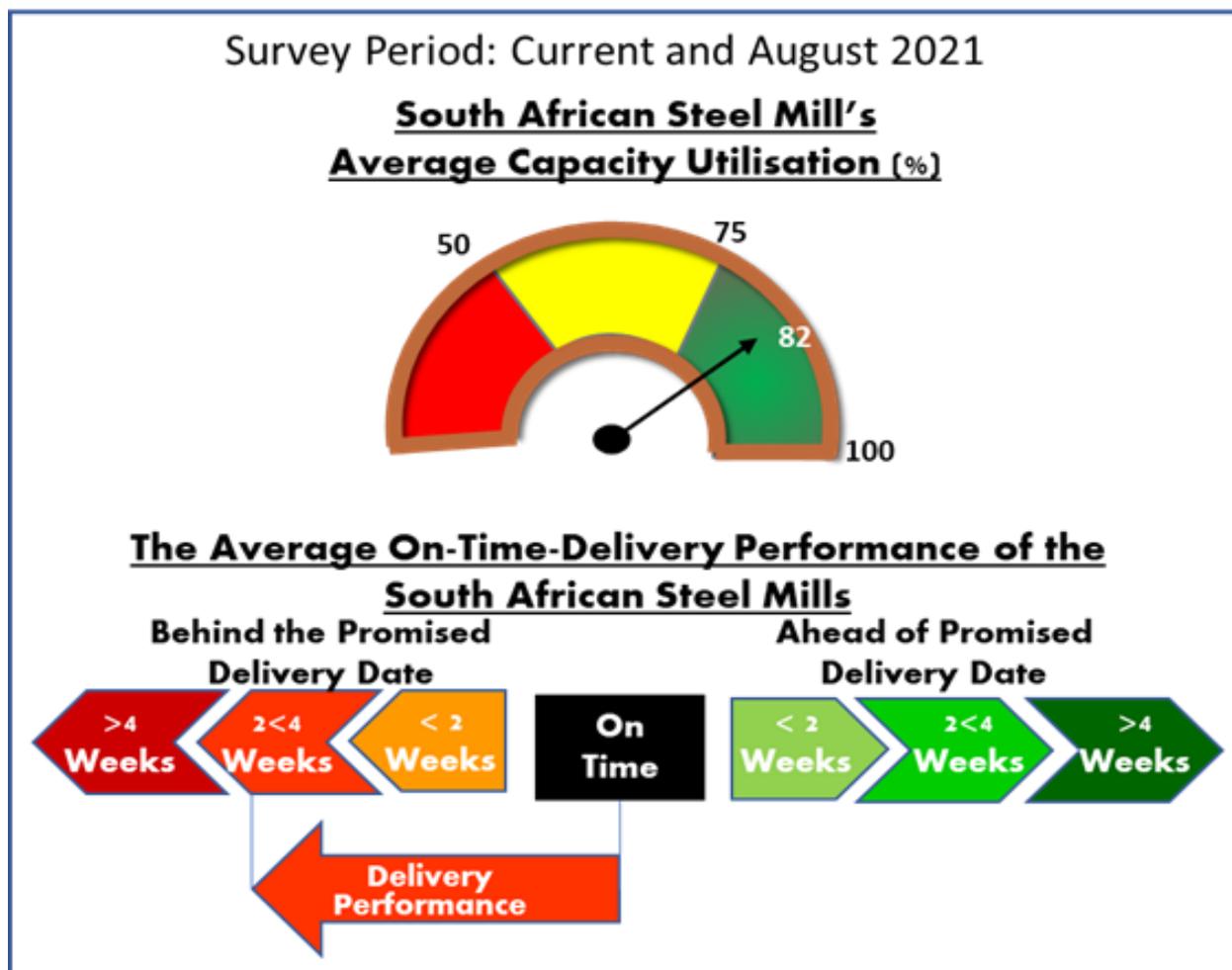
EUROFER supported the extension by saying: “The conditions that required the launch of the safeguard initially are still very much present – including global steel overcapacity and US Section 232”.

The EU steel safeguard will, in principle, be prolonged by three additional years from 1 July 2021 to 30 June 2024, with an automatic annual liberalisation of 3%. The safeguard can also be reviewed every year after the first year.

Furthermore, the Cooperation Council for the Arab States of the Gulf (“GCC”) countries (Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates and Bahrain) published a proposal to impose a 16% additional safeguard ad valorem duty on a wide range of primary steel products on the back of proved injury caused by imports.

The United Kingdom notified that upon further finding of serious injury or threat thereof the decision was taken to extend the safeguard measure on steel imports, with effect on 1 July 2021.

## South African steel plant performance.



### Average capacity utilisation

According to a survey amongst the SAISI members, the steel mills' average capacity utilisation amounted to 82% during July 2021.

This is a two percentage point drop from last month, mostly ascribed to the week long unrest situation in KZN and Gauteng where most of the steel making facilities reside.

Notwithstanding the negative impact, almost all the steel mills are back at above 85% capacity utilisation.

### Average on-time delivery performance

The average on-time delivery performance was likewise influenced by the unrest situation.

According to the survey amongst the SAISI members, the average on-time delivery backlog is around 4 weeks during July 2021 which is about 1 week more than what was reported last month.

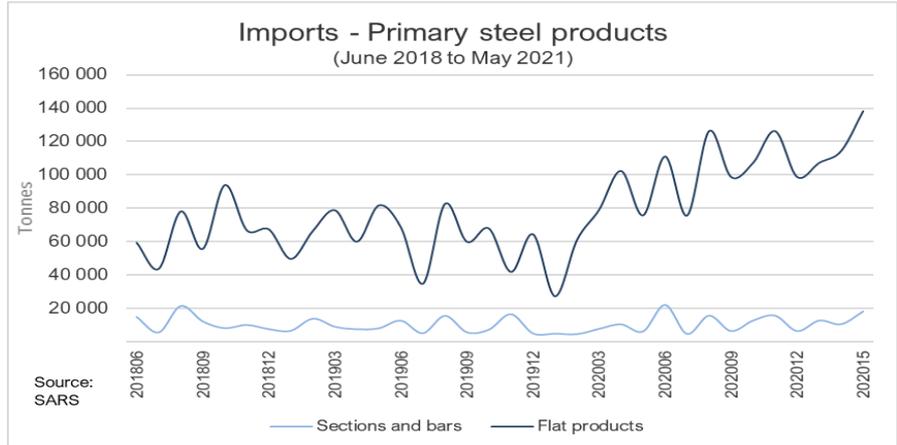
The situation is expected to improve with deliveries impacted by the unrest back on track by the end of July.

# Imports increased to ease the supply shortfall created by the pent-up demand from 2020.

## 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 61,4% during the first 5 months of 2021 compared with 2020.



### Exports:

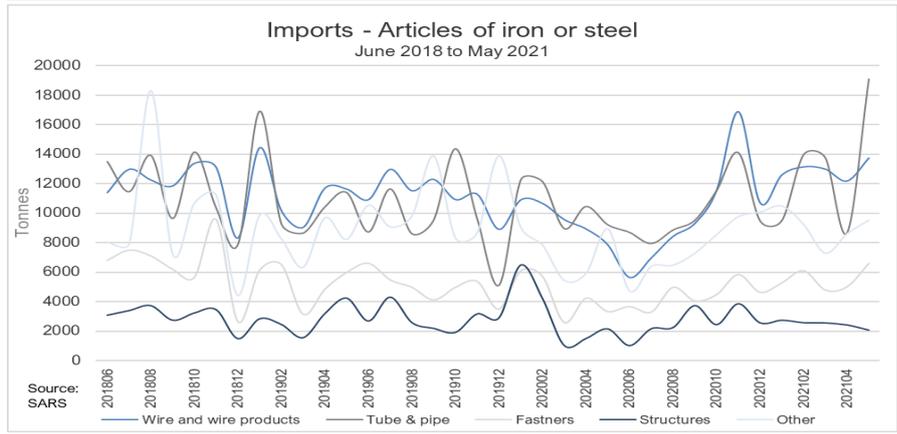
The monthly average exports of primary steel products, according to SARS data, decreased by 4,5% during the first 5 months of 2021 compared with the monthly average imports during 2020.



## Articles of steel trade.

### Imports:

The monthly average imports of articles of steel, according to SARS data, decreased by 5,7% during the first 5 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 5,9% during the first 5 months of 2021 compared with the monthly average exports during 2020.

