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steelMatters



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Global resources and energy overview

Recent Chinese power shortages have been a dominant influence on global resource and energy commodity prices. As a major global metal refiner, the power shortages have seen Chinese (base and ferrous) metal output cut back.

China's property sector has slowed noticeably, cutting metal usage, but the Chinese authorities now appear to be taking steps to stabilise the sector.

There have been a few significant policy developments with the potential to have a noticeable impact on the global resources and energy sector.

After policy action to bring down iron ore prices in the middle of 2021, in October China's government instructed the nation's coal miners to lift output and imposed a thermal coal price cap.

The US Congress passed a US\$1.2 trillion infrastructure programme, which will have a stimulatory effect on US economic growth domestically and have flow-on effects offshore.

The global economic recovery and constrained supply saw iron ore prices exceed US\$230/tonne in the middle of 2021 but sharp reductions in Chinese steel production contributed to large price declines in the second half of 2021. The ongoing recovery in Brazilian supply is set to impact adversely on prices.

Thermal coal prices surged in China in October 2021, as critical shortages emerged in many major consuming nations. Seaborne thermal coal prices rose to their highest level in more than a decade. High demand from major steel producing nations, and problems with Mongolian supply,

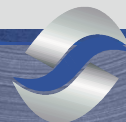
have seen Australian metallurgical coal prices reach record highs, with monthly export earnings now easily exceeding pre-Covid-19 levels.

The price for 62% Fe iron ore was \$133.70 per tonne, delivered to the Chinese port, on 24 January 2022. The recent low was \$79 per tonne in February 2020. The lowest point was \$37 per tonne in December 2016, while the peak was about \$233 per tonne in May 2021.

The world export price for hot-rolled coil realised at \$800 per tonne on 26 January 2022, FOB the port of export. This is lower than the high of about \$1 120 per tonne in July 2008 but higher than the low of \$272 per tonne in February 2016.

In comparison, the Chinese mills' domestic spot hot-rolled coil price, ex-works excluding the 13% value added tax, on 25 January 2022 was \$651 per tonne versus the recent low of \$402 per tonne in April 2020; and the even lower \$231 per tonne in December 2015.

The Capesize daily round-trip rate from the Atlantic Basin to the Pacific was \$4 200 on 20 January 2022. This price was far below the brief high of \$41 636 in December 2013; yet, well above the low of \$1 379 in February 2020. The Panamax daily round voyage Trans-Atlantic rate was \$17 565 on 20 January 2022 versus the low of \$1 390 in February 2016. The "spread" between the Capesize and Panamax rate was \$17 565.



Global resources and energy overview ... continued

With energy inventories lower than normal, the severity of the remainder of the Northern Hemisphere winter will have a critical influence on energy markets in the short term. The La Nina weather pattern will likely impact on the demand and supply of coal and other energy products.

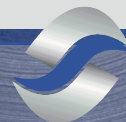
The risks to the elevated commodity prices are skewed to the downside. They include a much faster than expected decline in coal prices. There is also potential for a further rise in global inflation and a risk of higher interest rates in response.

Uncertainties associated with new strains of the coronavirus, and the risk of delays in the rollout of Covid-19 vaccines to the world's population, could also pose significant risks.

Lower global steel production in recent months reflects a moderation of economic (and industrial output) growth rates to lower, longer-run trend levels, as well as production cuts and weakened steel demand in China.

A slower pace for the global recovery from the second half of 2021 is likely to see more moderate growth in steel demand from 2022.





Steelmaking facts



STEEL FACTS

Steel Production - Route 1:

Blast furnace or integrated route

To produce 1,000 kg of crude steel, the main inputs are roughly:

- 1,370 kg of iron ore,
- 780 kg of coal,
- 270 kg of limestone, and
- 125 kg of steel scrap.

worldsteel.org

STEEL FACTS

Steel Production - Route 2:

Electric arc furnace route

The primary raw materials are steel scrap, direct reduced iron (DRI) and/or hot metal, and electricity. To produce 1,000 kg of crude steel, the EAF route uses roughly:

- 710 kg of steel scrap,
- 586 kg of iron ore,
- 150 kg of coal and
- 88 kg of limestone, and
- 2.3 GJ of electricity.

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STEEL FACTS

A basic oxygen furnace can be charged with as much as

30%

scrap. Most steel products remain in use for decades before they can be recycled. Therefore, there is not enough recycled steel available to meet growing steel demand.

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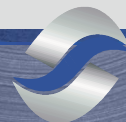
STEEL FACTS

An electric arc furnace can be charged with

100%

steel scrap.

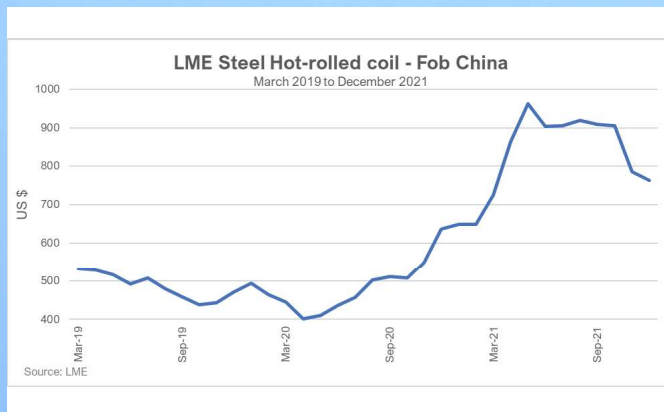
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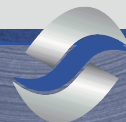


International steel prices

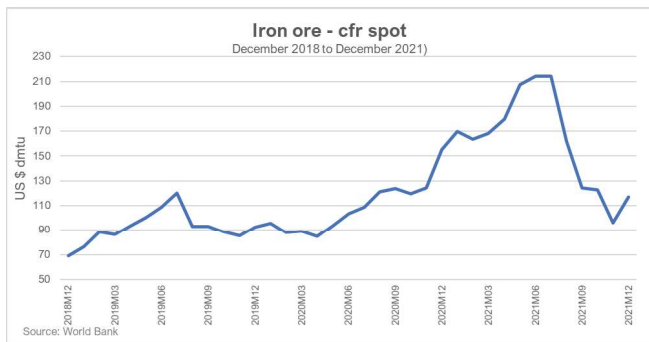
According to the London Metal Exchange:

- the cash settled futures on hot-rolled coil, fob China, decreased by 2,8% in December 2021 compared with November 2021
- the cash settled futures on reinforcing bar decreased by 4,0% in December 2021 compared with November 2021
- the cash settled futures for steel scrap decreased by 5,7% in December 2021 compared with November 2021.





World iron price



According to the World Bank the cfr spot price on iron ore increased by 21,5% in December 2021 compared with November 2021.

Metal prices have been supported throughout 2021 by supply curtailments due to energy shortages and shipping bottlenecks as well as strong demand. The exception is iron ore, where a rebound of exports from key producers and cuts of steel production by China pushed prices back to pre-pandemic levels.

The impacts of the Omicron wave and the Evergrande crisis, however, pose significant downside price risks in the short term.

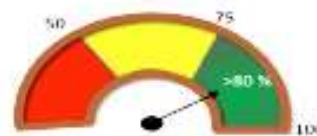
South African steel plant performance

Average capacity utilisation

According to a survey among SAISI members, the steel mills' average capacity utilisation was above 80% in December 2021. This is a two percentage point higher than the previous month, notwithstanding the weaker steel demand. The low steel off-take from local mills might influence production utilisation, which may impact favourable steel availability in the months ahead.

SURVEY PERIOD: CURRENT AND FEBRUARY 2022

South African Steel Mill's Average Capacity Utilisation (%)



Average on-time delivery performance

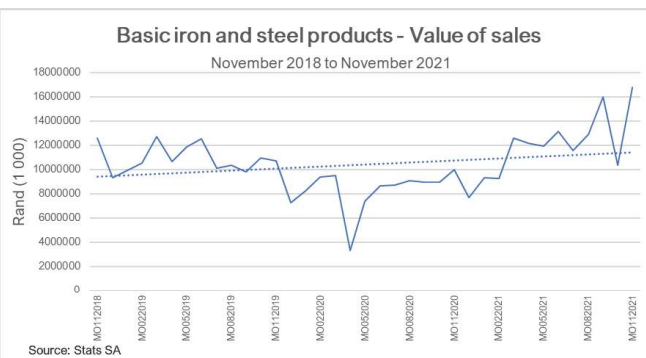
All the steel mills are supplying within their stated delivery lead-times. The average on-time delivery performance remained unchanged at two to four weeks during December 2021, with some mills delivering within two weeks of order placement. The same performance is expected to apply in January and February 2022.

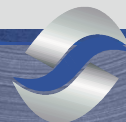
The average On-Time-Delivery Performance of the South African Steel Mills



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

Basic iron and steel products - Value of sales - Stats SA



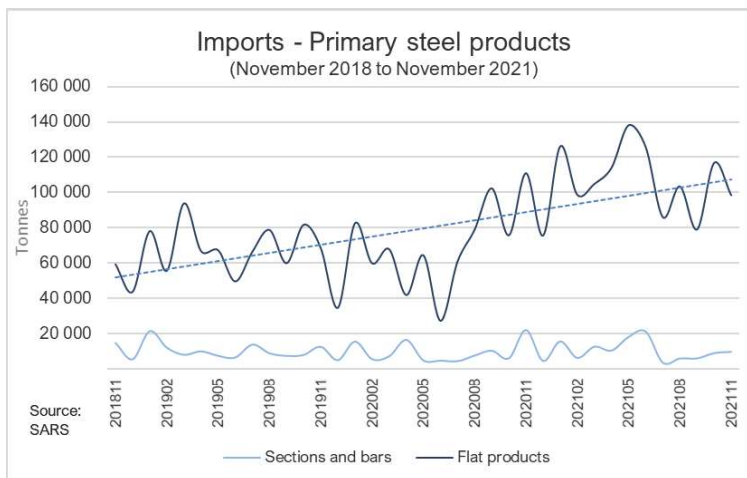


Trade—Primary steel products and articles of steel products

Primary steel product trade

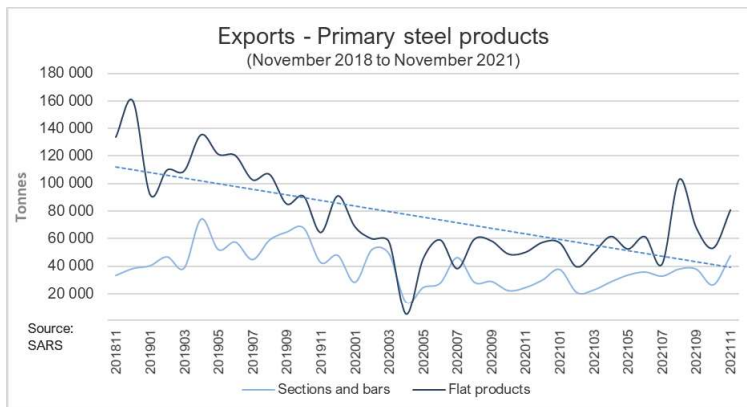
Imports:

South Africa's primary steel product imports, including drawn wire and rails, according to data released by the South African Revenue Service, increased by 54,1% in the first 11 months of 2021 compared with the corresponding period in 2020. The local market imports more than 25% of all steel used in the country.



Exports:

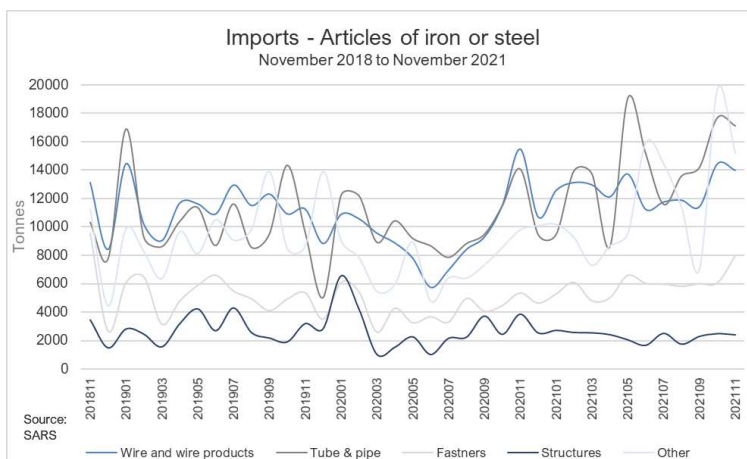
The exports of primary steel products, according to SARS data, increased by 11,2% in the first 11 months of 2021 compared with the corresponding period in 2020.



Articles of steel trade

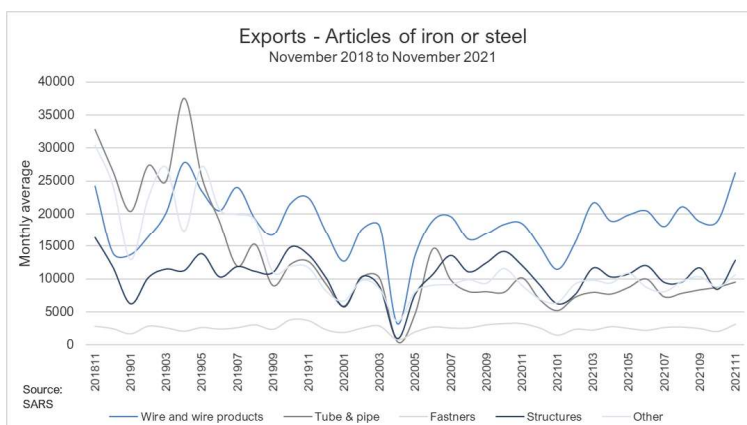
Imports:

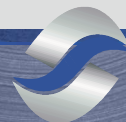
The imports of articles of steel, according to SARS data, increased by 35,9% in the first 11 months of 2021 compared with the corresponding period in 2020. Finished product imports are creating a flat steel demand for 2022Q1.



Exports:

The exports of articles of steel, according to SARS data, increased by 9,2% in the first 11 months of 2021 compared with the corresponding period in 2020.

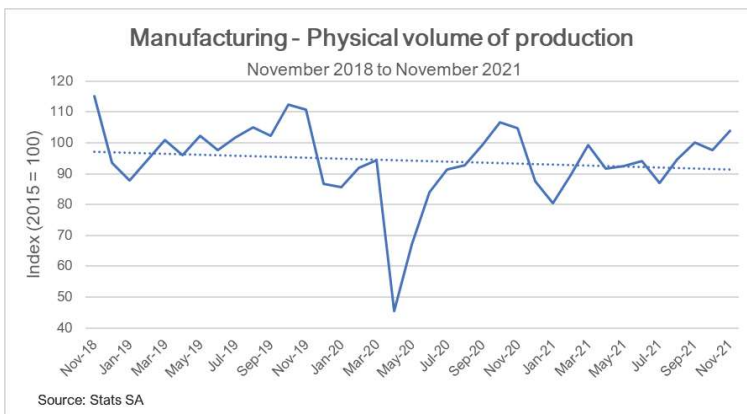




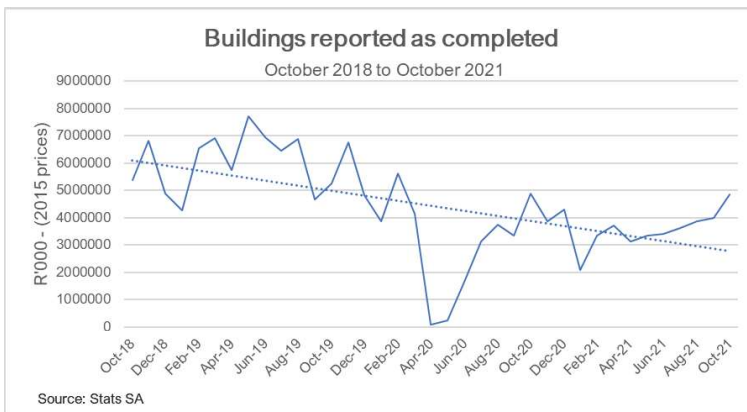
Steel demand drivers

According to Stats SA:

Manufacturing production increased by 7,0% in the period January to November 2021 compared with the same period in 2020.



The value of recorded **buildings** completed (at constant 2015 prices) increased by 15% in the period January to October 2021 compared with the same period in 2020.



Mining production increased by 13,0% in the period January to October 2021 compared with the same period in 2020.

