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THE VITALITY OF STEEL: WHY IT MATTERS FOR THE AFRICAN CONTINENT

The steel industry plays a crucial role in the industrialization of Africa and contributes significantly to its overall development. Steel is a versatile and essential material used in various sectors such as construction, infrastructure, manufacturing, and transportation. Read more.....

AFRICA CRUDE STEEL PRODUCTION ON THE RISE IN THE FIRST HALF 2023

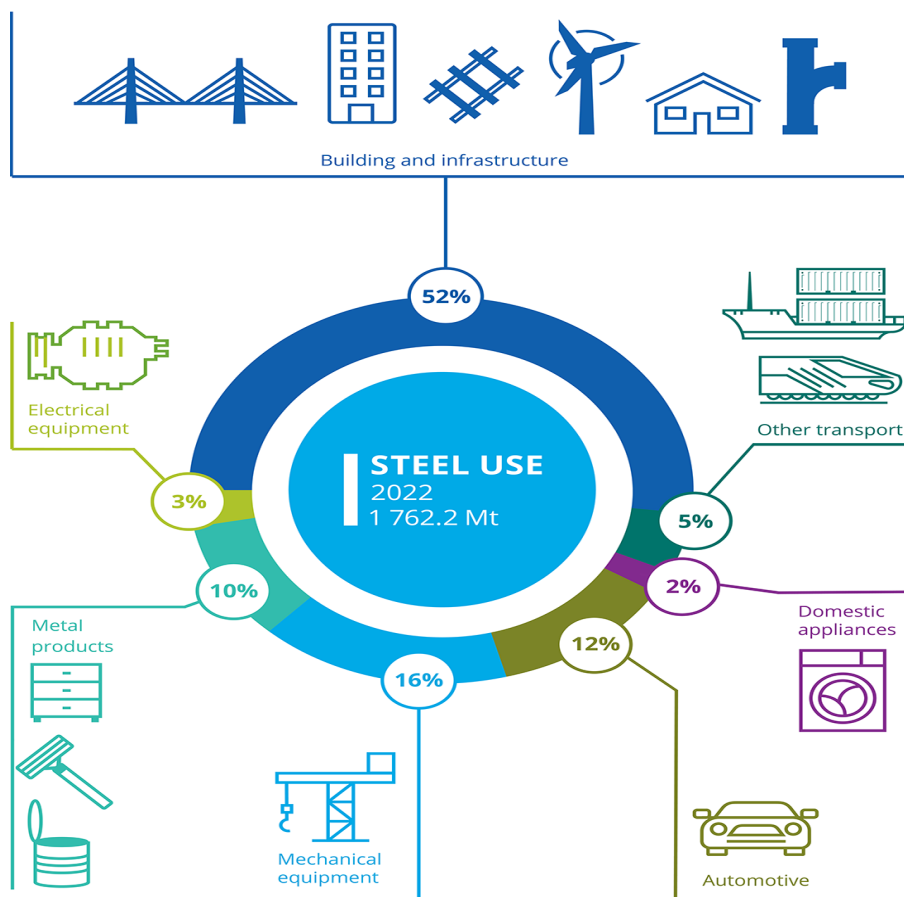
We look at the data from the World Steel Association which is based on the production of Steel in Africa from the first half of the year till June 2023. Read more.....

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The Vitality of Steel: Why it Matters for the African Continent

Steel use by sector 2022



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Welcome to our latest newsletter! Despite the challenging socioeconomic conditions that prevail across the globe, the African continent is making significant strides towards achieving economic prosperity and advancement. With a population exceeding one billion individuals, half of whom are anticipated to be below 25 by 2050, the Sub-Saharan African region stands as a testament to resolute determination. Boasting the largest free trade area worldwide and a market encompassing 1.2 billion people, Africa has embarked on a distinctive trajectory of development. By effectively leveraging its abundant resources and harnessing the immense human potential within its borders, the continent is poised for a promising future.

In Africa's journey towards progress, it is imperative to acknowledge steel's significance as a crucial yet often underestimated element. According to the World Steel Association, per capita steel consumption stands at 222 kilograms globally. The leading African producers, namely Egypt and South Africa, produce 97.4 kilograms and 83.8 kilograms respectively. These statistics highlight the immense potential for growth in this sector. Undoubtedly, the steel industry plays a pivotal role in shaping the continent's economy and promoting industrialisation. Underlining the significant role of steel in the African economic development, it is worth noting its invaluable contributions in the following areas:



The Vitality of Steel: Why it Matters for the African Continent...Continued

- ◆ **Infrastructure:** As projected by World Steel, approximately 52% of global steel consumption by 2022 will be attributed to construction and infrastructure purposes. Steel emerges as the fundamental component that offers the essential structural strength required for diverse projects, including skyscrapers, bridges, railways, and roads. Hence, fostering the growth of African economies necessitates substantial investments in infrastructure, wherein steel plays a pivotal role.
- ◆ **Industrialisation and diversification: Industrialisation and diversification are crucial for economic growth.** Steel plays a pivotal role not only in infrastructure development but also in driving high-value activities in various industries including automotive, mechanical equipment, and metal products. By fostering a strong steel industry, African nations have the potential to minimize their reliance on imports and foster self-reliance in the production of steel-intensive goods. The process of industrialisation serves to amplify the economic competitiveness of the continent, broadens its range of production capabilities, and facilitates greater trade within the region. Steel assumes a vital role in unleashing Africa's manufacturing potential, fostering economic transformation, and generating high-value products.
- ◆ **Job creation and employment:** The steel industry plays a pivotal role in job creation and employment. With every job in the steel industry, there is a consequential creation of 8.1 indirect jobs. The significance of job creation cannot be undermined, as it is a fundamental aspect of economic development. A flourishing steel industry has the potential to substantially decrease unemployment rates, foster skill development, and enhance livelihoods. Furthermore, the industry actively engages in Corporate Social Investment (CSI) projects, which include initiatives such as offering scholarships, apprenticeships, and skill development programs. Henceforth, African nations can unlock substantial opportunities for employment generation and economic empowerment through strategic investments in the steel industry.
- ◆ **Trade and Export potential:** The potential for trade and export in African countries, especially Southern Africa, is immense. With vast reserves of iron ore and other crucial materials for steel production, the continent can establish a thriving steel industry that caters to both domestic and international markets. The export of steel and its products not only helps generate foreign exchange but also enhances trade balances and contributes significantly to economic growth. By leveraging its abundant natural resources, Africa can strategically position itself in the global market.

In summary, through the promotion of steel production, nations are obligated to cultivate complementary services like engineering, research and development, and technology. Consequently, this fosters a lively and multifaceted economy. The diversification of industries not only strengthens economic stability but also diminishes susceptibility to external disturbances, thus guaranteeing continuous progress and advancement. As Africa charts its course towards sustainable development, the undeniable importance of steel as a fundamental cornerstone cannot be overstated, as it secures a prosperous and resilient future.



CHOOSING THE RIGHT MATERIALS:

FACTS ABOUT STEEL

For every job created in the steel industry, 8.1 indirect jobs are created, or in other words, the steel industry supports the employment of

49.3 million people.

worldsteel.org

About

25%

of steel is traded internationally.

worldsteel.org

The amount of steel in use in the world today is equal to about

222
kg per person.

worldsteel.org

Steel is inextricably linked with economic growth and prosperity. It has enabled our modern way of life. It has spurred economic growth, lifting millions of people out of poverty, and continues to do so around the world today.

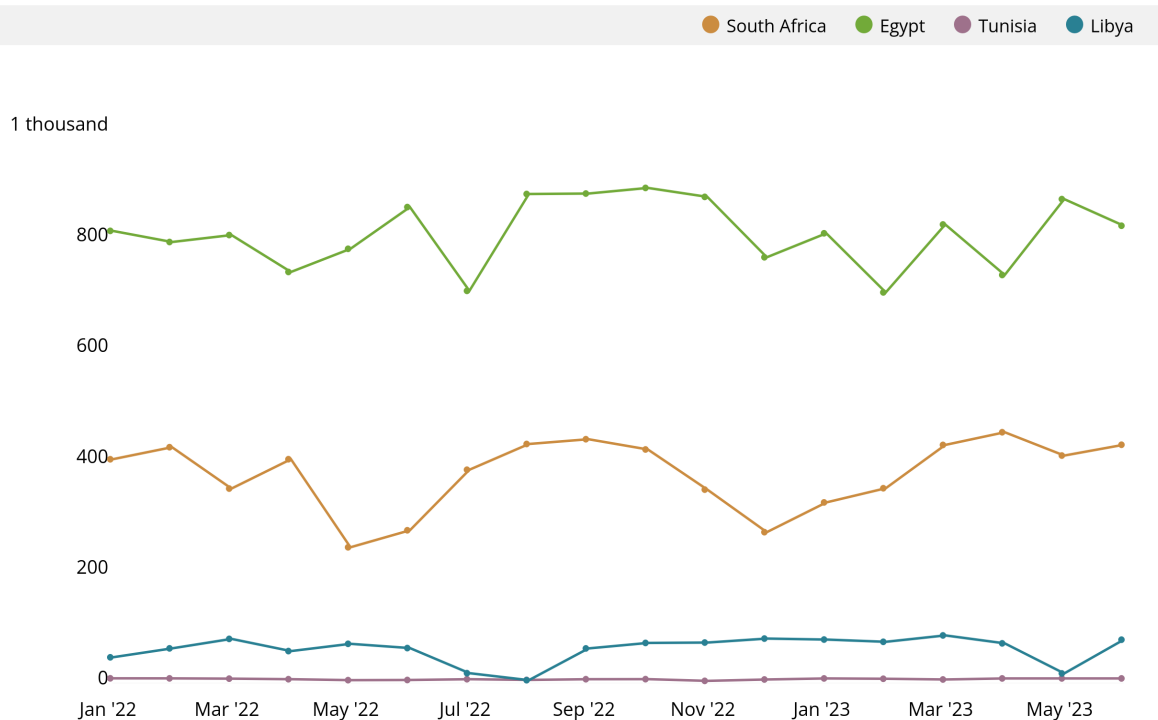
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Africa crude steel production on the rise in the first half 2023

According to the World Steel Association, global steel production in January-June 2023 decreased by 1.1% to 943.9 million tons, compared to the same period in 2022.

Crude steel production monthly (thousand tonnes)



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African crude steel output increase is led by South Africa, Libya, and Tunisia with an increase of 4,1% during the first half of 2023 to 7,6 Mt. While the leading producer in the continent, Egypt, recorded minimal decline in crude steel output year-on-year, down by 0,5%. The major contributor to the increase in crude steel production was South Africa, up by 2,4 Mt, an increase of 14,0% year-on-year. This is attributed to low crude steel production during May-June 2022 which was as a result of the Newcastle works reline.

During the first half of 2023 - Asia and Oceania produced 708.2 Mt, down 0,7%. The EU (27) produced 66.3 Mt, down 10,9%. Europe produced 20.2 Mt, down 14,1%. The Middle East produced 23.0 Mt, up 3,0%. North America produced 54.8 Mt, down 3,5%. Russia & other CIS + Ukraine produced 43.3 Mt, down 3,4%. South America produced 20.4 Mt, down 7,0%.

In June 2023 global crude steel production was 158.8 million tonnes (Mt) in June 2023 compared to 158.9 Mt in June 2022. SA produced 429,9 thousand tonne crude steel in June 2023, up by 56% compared to June 2022 and 4,8% compared to the previous month May 2023.



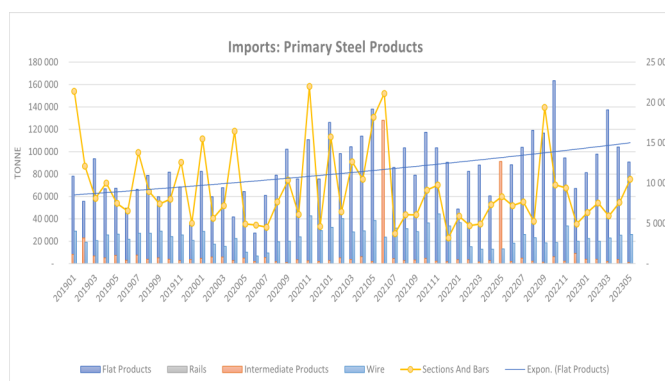
Trade — Primary steel products and articles of steel products

Imports:

Customs data shows that imports of primary steel products on an upward trajectory, up by 34,5% year-on-year in the first five months of 2023. A total of 571 516 tonnes, of which 65,7% originated from the Far East.

During this period, the share of imported primary steel products was: flat products (89,6%), section and bar (6,6%) and wire products (2,8%).

Imports increased by 1,9%, 105 459 tonne May 2023 compared with 103 493 May 2022. Compared to April 2023, imports declined by 9,2%.

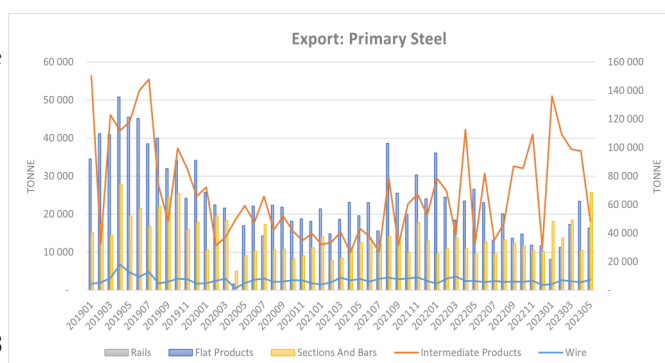


Exports:

Customs data revealed a slight decline in exports of primary steel products, down 0,3% year-on-year in the first five months of 2023. A total of 650 699 tonnes in May 2023, of which 75,8% was destined to countries within the African continent.

During this period, the share of exported primary steel product was: section and bar (35,4%), intermediate products (28,3%), flat products (31,3%), and wire (4,7%).

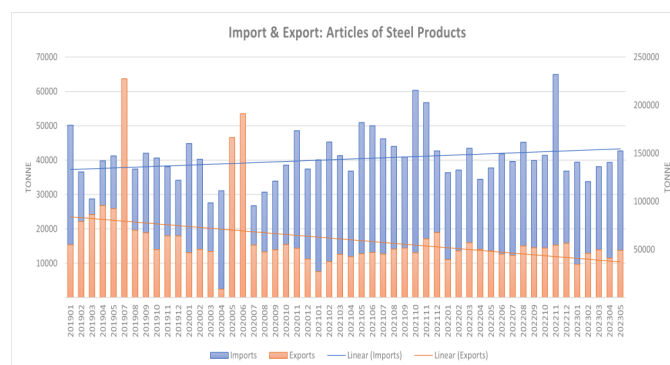
Exports increased by 19,6%, 137 918 tonne May 2023 compared with 115 360 during May 2022. Compared to April 2023 exports increased by 3,8%.



Articles of steel trade—Import and Exports

Imports of article of steel increased by 13,1% during May 2023 compared to May 2022. Exports increased by 1,0% compared same period in 2022.

Imports and exports increased by 2,2% during the four-months from Jan-May 2023 compared to the previous corresponding period. While exports declined by 9,6% during the same period.





Increased Private Sector Investment to boost domestic steel demand

The latest gross domestic product (GDP) data released by Stats SA in early June indicated that the local economy grew by 0,4% q-o-q (on a seasonally adjusted and annualised basis) during 2023Q1 following the 1,1% q-o-q decline in the preceding quarter.

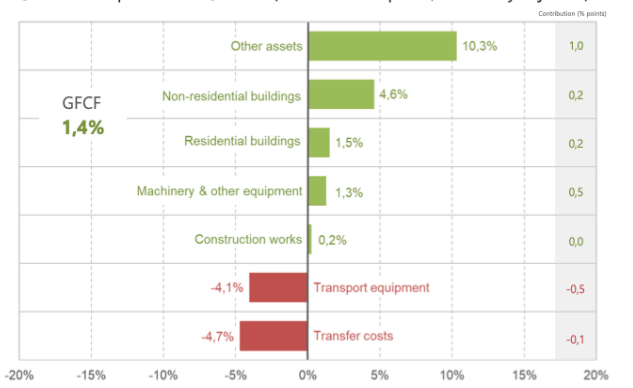
Total gross fixed capital formation increased by 1,4% in the first quarter of 2023. The main positive contributors to the increase were other assets (10,3% and contributing 1,0 percentage point), machinery and other equipment (1,3% and contributing 0,5 of a percentage point), non-residential buildings (4,6% and contributing 0,2 of a percentage point) and residential buildings (1,5% and contributing 0,2 of a percentage point).

During the first quarter, eight of the ten industries recorded growth, including manufacturing, construction, and mining and quarrying, up by 1,5%, 1,1%, and 0,9% in the first quarter of 2023.

Investment remains a much-needed driver of growth as the energy crisis requires additional power generation capacity. The South African Reserve Bank (SARB) estimated 280 days of load-shedding in 2023 and warned that power cuts will reduce real GDP growth to 0.3% this year. The private investment currently seen and planned in alternative electricity supply is significant: Operation Vulindlela is tracking a pipeline of 10,000 MW in private sector energy generation projects. The positive impact that this will have on the power supply in the country and on individual business operations makes for a more positive economic growth outlook for 2024 and beyond. This is also likely to boost demand for the steel industry given the strong linkages with the sector.

According to the OECD Economic Outlook Note - South Africa June 2023, the ongoing restructuring in the electricity market should be used to improve the quality of energy infrastructure and diversify energy sources, boosting productivity and resilience.

Q1: 2023 compared with Q4: 2022 (constant 2015 prices, seasonally adjusted)



Consumer inflation retreat to 5,4% in June 2023

South Africa's annual inflation rate eased further to a 19-month low of 5,4% in June 2023, although within the Reserve bank's target range of 3-6% it remains on the upper end. Annual core inflation, which excludes prices of food, non-alcoholic beverages, fuel and energy, slowed to 5% in June 2023. On a monthly basis, consumer price inflation remained unchanged at 0,2%. Investec predict CPI inflation rate to ease further to 4,5% year-on-year in July 2023 reaching the midpoint of the inflation target. This hinges on sustained and consistent increases in energy supply. Furthermore, logistics constraints if unresolved may also have broader effects on the cost of doing business and the cost of living.



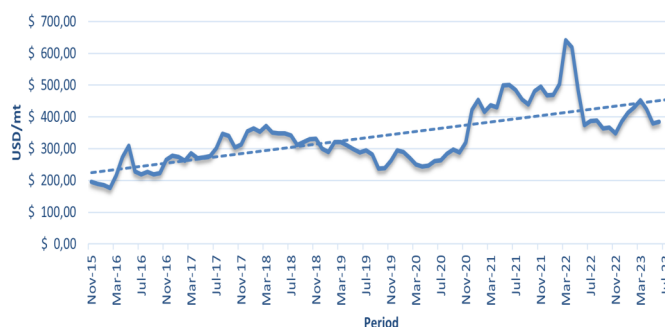


International Steel Related Prices

LME Steel HRC FOB China (Argus) HC USD/mt



LME Steel Scrap SC USD/mt



LME Steel Rebar SR USD/mt



According to the London Metal Exchange, the cash settled futures for Steel Rebar and Hot rolled coils declined in June 2023 compared with May 2023. LME Steel Rebar FOB Turkey (Platts) and LME Steel HRC FOB China (Argus) declined by 0,9%; and 3,9%, respectively.

LME Steel Scrap CFR Turkey (Platts) recorded a slight month-on-month increase by 1,3% in June 2023 compared with May 2023.

Iron ore prices fell in May

World Bank reported a decline of 7,9% on Iron ore in June 2023 compared to the previous month of May 2023. Iron Ore Price in International Commodity Markets in June 2023 is about 113.45 dollars per dmtu estimated by World Bank.

Surveyors stated that China's hot metal production averaged 2.5 million tons per day in late June, the highest since October 2020, an indication that the world's top iron ore consumers are returning to full capacity. Similarly, fresh trade data showed that the country's iron ore imports jumped by 7, 4% annually in June, offsetting the sharp contraction in goods demand in other sectors of the Chinese economy. Markets continued to gauge the country's economic recovery for the likelihood of another round of stimulus by the government, as the negative outlook for China's essential debt-ridden property sector continued to weigh on commodity prices.

Iron ore, cfr spot (\$/dmtu)

