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steel Matters



SOUTHERN
AFRICAN
STEEL
SUMMIT

INSIDE THIS ISSUE



Reflecting on the success of the
Inaugural Southern African Steel
Summit

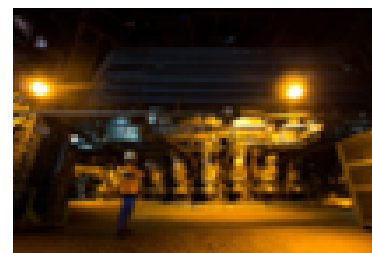


Megatrends and their impact on global steel industry

Climate change arguably the main
megatrends that is expected to
shape the future of the global steel
industry

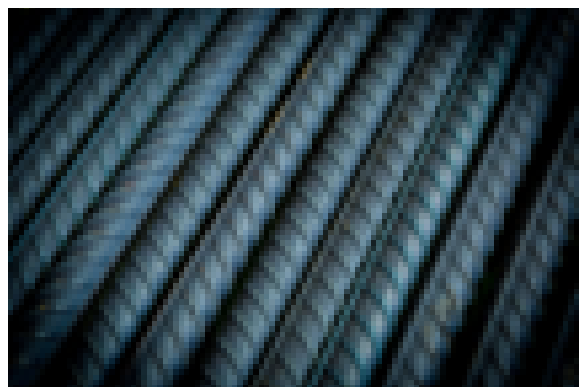
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Long steel product' trade surplus led to favorable trade position
during the first half of 2023





The Inaugural Southern African Steel Summit: Consolidating for competitive



In the heart of Kempton Park, at the prestigious Emperors Palace Convention Centre, the Southern African Steel Summit exceeded all expectations, marking an unequivocal triumph. This exceptional event seamlessly brought together global industry leaders and key stakeholders, igniting dynamic discussions, cultivating invaluable networking opportunities, and facilitating the exchange of pioneering ideas within the steel sector.

The summit boasted an impressive roster of distinguished speakers and panelists, featuring luminaries such as Deputy Minister Fikile Majola from The Department of Trade, Industry and Competition, and Dr. Edwin Basson, the Director General of the World Steel Association. The event drew a diverse assembly of participants spanning media, industry experts, manufacturers, suppliers, policymakers, and researchers. Guiding the proceedings with finesse was the award-winning financial journalist, Fifi Peters. This diverse and influential gathering provided the ideal backdrop for forging meaningful collaborations and conducting profound analyses of the steel industry's current landscape.

With the central theme of "Consolidating for Competitive Advantage and Growth," the summit's discussions delved into pivotal elements. These encompassed the industry's path towards centralization, the intricate challenges faced at global and local levels, and critical facets such as capacity, opportunities, competition, future-fit strategies, and infrastructure demands. This comprehensive exploration aimed to offer insights and strategies for achieving competitive advantage and fostering sustainable growth within the steel sector.

Crucially, the summit highlighted the paramount importance of workforce development, education, and training in cultivating a highly skilled and adaptable workforce. Strategies were exchanged, emphasizing the imperativeness of continuous improvement, upskilling, and the recruitment of fresh talent as pivotal drivers for propelling the industry towards a promising future.

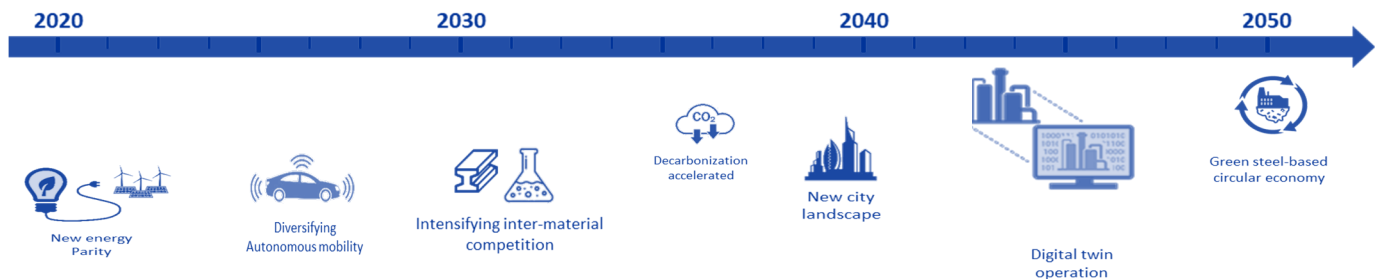


The Southern African Steel Summit unquestionably served as a pivotal platform for the steel industry, paving the way for growth and sustainability. It reinforced the industry's role as an integral component of modern society and affirmed its readiness and capacity to meet the growing demand for high-quality steel production in both Africa and the global arena. Moreover, the summit explored the transformative potential of steel in addressing critical issues in South Africa, spanning water, electricity, infrastructure, transportation, and other pressing challenges. These discussions underscored the adaptability and versatility of steel as a material capable of contributing innovative solutions to these societal needs.

In light of these insightful discussions, it becomes evident that collaborative solutions are key to ensuring the steel industry's continued success and its integral role in advancing the nation's development. The Southern African Steel Summit was not just an event; it was a catalyst for progress and innovation, setting the stage for a brighter future in the steel sector.



Megatrends and their impact on the global steel industry



Megatrends are forces that shape the global landscape over decades, influencing various aspects of society and the economy. In the steel industry, several megatrends are set to reshape the future. Here's a closer look at how these megatrends are impacting the steel industry and what the industry needs to consider moving forward.

1. Climate Change - A Strategic Imperative

Climate change is at the forefront of global concerns, and the steel industry plays a significant role both in contributing to and mitigating it. To align with climate goals, the steel industry must position itself as a key player in decarbonization efforts across various sectors. Combining steel's inherent qualities like durability, flexibility, recyclability, reusability, cost-effectiveness, and scalability with a sustainable decarbonization pathway is crucial. Anticipate a surge in demand for low-carbon steel as sectors aim to reduce embedded carbon in their products starting in the late 2020s.

2. Embracing Circularity

The world is gradually moving towards circular economies, driven by growing awareness, data on material flows, and regulatory pressures. The steel industry should actively monitor and participate in emerging circularity initiatives. Steel's recyclability and reusability make it a cornerstone material in circular ecosystems.

3. Technological Progress Accelerated by COVID-19

The COVID-19 pandemic accelerated the technological progress megatrend. The digital transformation of steel value chains is poised to continue its rapid evolution. Steel producers should invest in digital technologies, expand smart manufacturing capabilities, and carefully navigate digital ecosystem development. Addressing issues such as data ownership, liability, and benefit sharing is paramount in this digitally driven landscape.

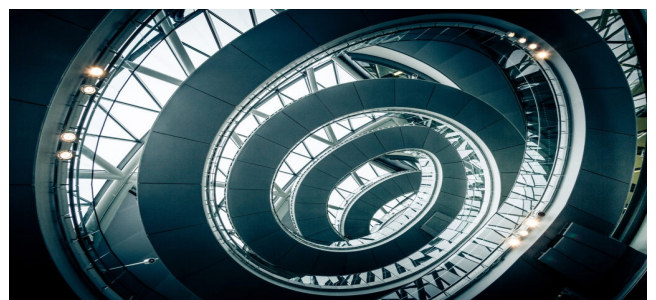
4. Demographic and Social Changes

Changing consumer preferences and societal dynamics are driving fundamental shifts in the design and material requirements of steel-containing products. Steel producers must remain agile and responsive to evolving customer needs.

5. Geopolitical and Socioeconomic Shifts

Global geopolitics and socioeconomic changes can disrupt supply chains. To ensure resilience, steel producers should diversify supply sources, secure resources, and establish contingency plans to weather disruptions effectively.

As the steel industry evolves in response to these megatrends, it faces both challenges and opportunities. Adapting to a changing world, fostering sustainability, and embracing digital transformation will be key to the industry's future success. Stay tuned for further insights and updates as we navigate the evolving landscape of the steel industry in the coming years.

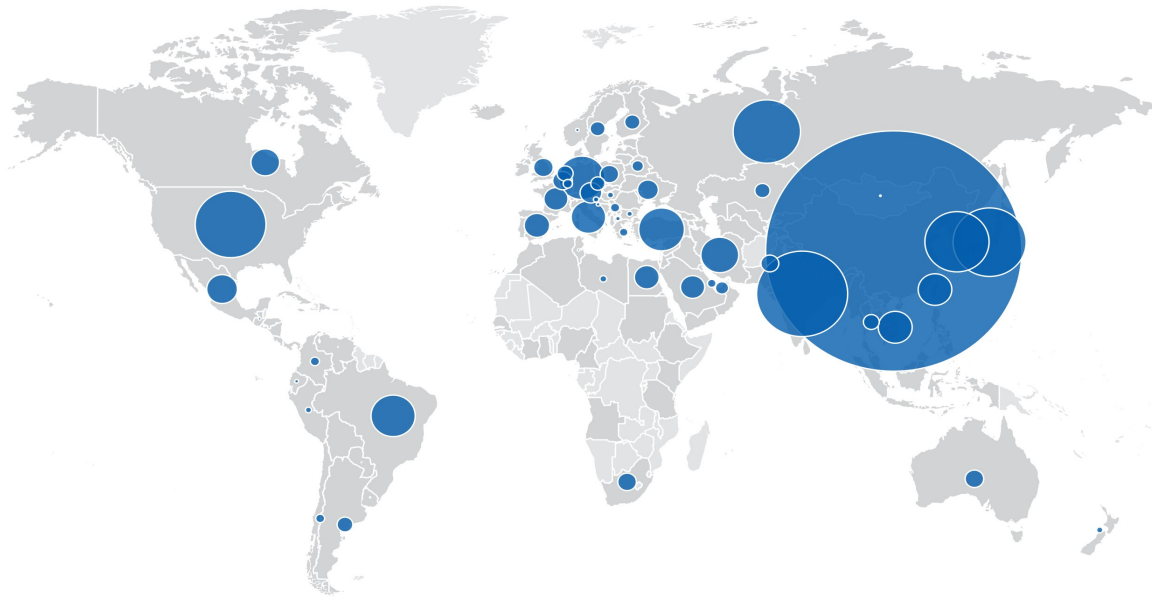




Crude Steel Production

Jul 2023

Crude steel production monthly (thousand tonnes)

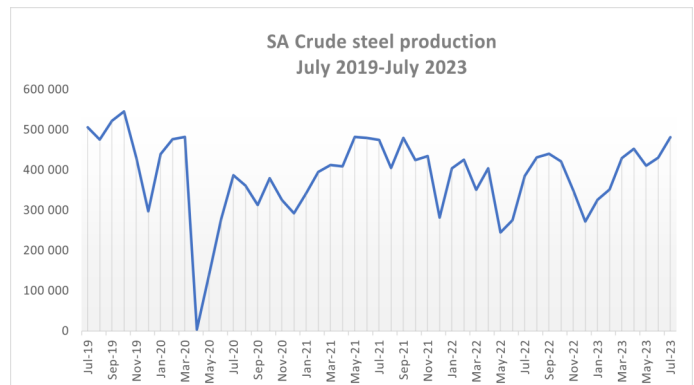


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Crude steel is steel in its first solid (or usable) form: ingots, semi-finished products (billets, blooms, slabs), and liquid steel for castings. The World Steel Association reported an uptick in global steel crude production, up by 6,6% year-on-year to 158.5-million tonnes in July. Global crude steel production declined marginally to 1,103.2 - million tonnes during the first seven months of 2023 compared to 1,106.1- million tonnes same period in 2022.

Regions that contributed to the increase were Africa (26,1%) Asia and Oceania (9,1%), Russia & other CIS + Ukraine (9,3%). Africa witnessed a surge in production from 1.1-million tonne in July 2022 to 1.4-million tonnes in July 2023. Africa's production for Jan–July 2023 increased by 7,0% to 9.0-million tonnes compared to 8.4-million tonnes during the corresponding period in 2022.

South Africa's crude steel production increased by 25,1% in July 2023 compared to July 2022, to reach 481 300 tonnes. On a month-on-month basis, crude steel ticked up by 12,% compared to the previous month May 2023. This marks the second consecutive month of growth in industrial activity and the strongest since May 2021.

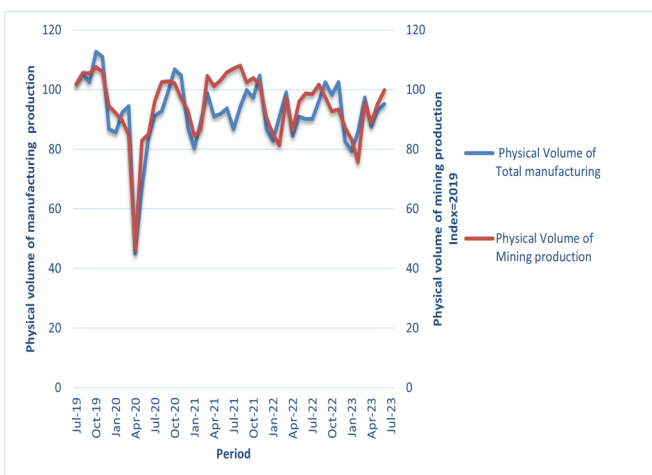


Crude steel production Jan-July 2023 reached 2,9-million tonne up 15,7% from 2.5-million tonnes during the corresponding period in 2022. While this is encouraging it still remains to be seen if the industry will reach the 5 million tonne target in 2023 amidst elevated low-priced imports and economic growth of 0,3% as forecasted by the South Africa Reserve Bank.



Steel demand drivers relatively upbeat

The manufacturing sector has demonstrated an impressive performance in June 2023, showing a 5,5% increase in production year-on-year in June 2023. Output increased by 2,3% during the second quarter of 2023 compared to the first quarter. Mining production increased by 1,1% year-on-year in June 2023. The second quarter of 2023 recorded 1,5% increase during the second quarter of 2023 compared to first quarter.



Economic Indicators

Headline producer price inflation (PPI) decreased to 4,8% year-on-year in June from 7,3% in May, marking the slowest annual increase since February 2021. Further monthly inflation for intermediate PPI goods declined by a solid 1,3% after rising by 2% in May – signaling muted price pressures at the start of the supply chain.

While the South Africa Reserve Bank's composite leading business cycle indicator (LEI) continues to signal weaker growth down the line. The leading business cycle indicator declined by 1,7% month-on-month (-10.2% year-on-year) in May 2023 from April 2023. Six of the ten available component time series decreased, led by declines in SA's US dollar-denominated export commodity price index and the number of residential building plans approved.

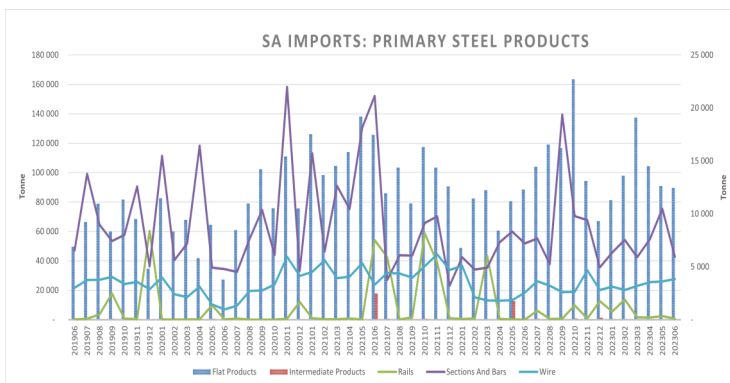


Trade — Primary steel products and articles of steel products

According to the South African Revenue Service trade statistics, South Africa recorded a preliminary positive trade balance of R369.7 million in the first half of 2023, attributable to exports of R14.35 billion and imports of R13.9 billion. Long steel product' trade surplus led to favourable trade position.



Imports



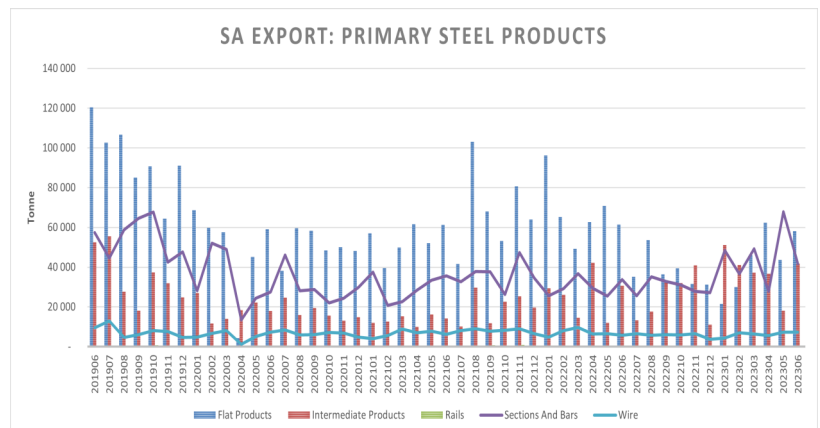
Customs data show that 99 826 tonnes of primary steel products (including semis, drawn wire and rails) were imported into South Africa during June 2023, a marginal increase of 1,3% when compared with the 98 510 tonnes in June 2022.

Imports surged during Jan–June 2023, 671 374 tonnes imported, up 28,3% compared to 523 444 tonnes imported during the corresponding period in 2022. The biggest positive contributors was flat steel products and long

steel products, up by 33,9% and 14,2%, respectively.

Exports

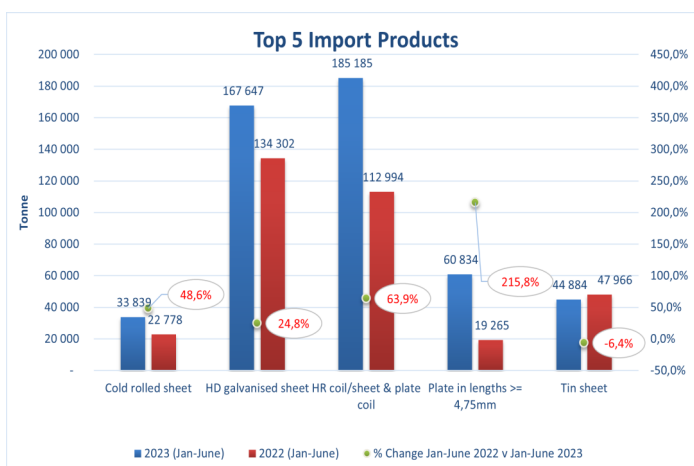
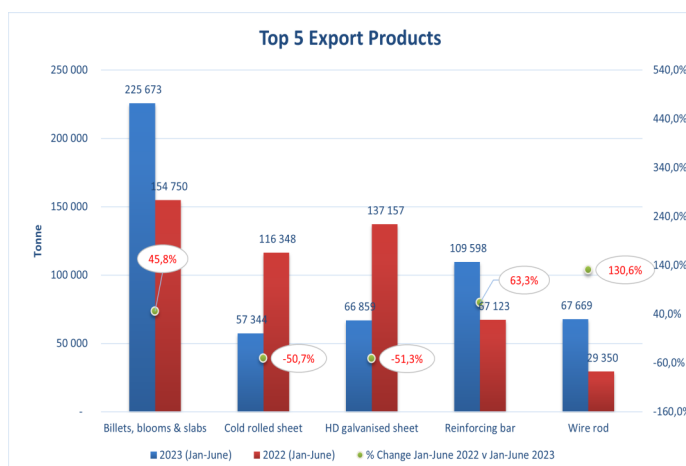
A total of 149 188 tonnes of primary steel products were exported by South Africa in June 2023, an increase of 13,0% compared to the 132 022 tonnes in June 2022. During the first half of 203, SA exported 799 051 tonnes a uptick in exports of 1,9% compared 784 370 exported during the corresponding period in 2022.





Trade — Primary steel products and articles of steel products ...continued

Trade highlights by category



Articles of steel trade—Import and Exports:

Imports of article of steel increased by 5,7% during June 2023 compared June 2022. While exports declined by 8,7% compared same period in 2022.

During the first half of 2023, imports and exports decreased by 3,7% and 6,8% respectively compared to the previous corresponding period.

