ISSUE: SEPTEMBER 2024

# steel Matters

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*Mixed Outlook for South Africa's Steel Industry Amid Rate Cut and Rising Costs*

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### Forging The Future: Trade's Role in Re-Shaping Low Emission Steel Value Chains

*At the recent WTO Public Forum, global steel industry leaders reinforced the vital role of trade policies and standardised emissions reporting in achieving the sector's decarbonisation goals. As one of the largest contributors to global greenhouse gas emissions, the steel industry faces mounting pressure to shift towards low-carbon production. Key voices from the World Steel Association and ResponsibleSteel emphasized the need for clear trade frameworks and aligned emissions standards to reshape global steel value chains.*

*Southern Africa, with its rich raw materials and renewable energy potential, is uniquely positioned to lead in sustainable steel production. With the right policies in place, the region can harness these resources to play a critical role in the global green steel transition. Source: WTO*



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# FORGING THE FUTURE: TRADE'S ROLE IN RE-SHAPING LOW EMISSION STEEL VALUE CHAINS

As the global steel industry strives towards a low-carbon future, the interplay between trade policies and standardised emissions measurement has emerged as a critical element in driving this transformation. At the recent WTO Public Forum on 12 September 2024, industry leaders reinforced the importance of these two factors in helping the steel sector achieve its decarbonisation goals.

The steel industry, being one of the largest contributors to global greenhouse gas emissions, faces an urgent need to transition to cleaner production processes. Leaders from global steel organisations, including the World Steel Association, ResponsibleSteel, and ArcelorMittal, unanimously called for supportive trade frameworks and the harmonisation of emissions standards to help reshape low-emission steel value chains. These policies will not only facilitate the shift towards sustainability but also ensure a smooth transition for global trade in steel products.

*Clear Trade Policies for Sustainable Growth*

Edwin Basson, Director-General of the World Steel Association, emphasised the vital role of trade policies in accelerating the steel sector's decarbonisation journey. While he expressed optimism about the industry's progress in reducing $CO_2$ emissions by 2030 and 2040, Basson underscored the need for policies that promote open, transparent, and predictable markets. These frameworks will allow steel producers to access the financial resources and investments necessary to fund the sector's transformation.

The discussions also highlighted the ongoing challenge of limited funding, research, and capacity building, particularly in regions like Southern Africa. The World Trade Organization(WTO) was urged to support developing countries by fostering greater access to trade opportunities and investments in green steel production.

*The Importance of Standardised Emissions Reporting*

In addition to trade policies, the session spotlighted the Steel Standards Principles initiative, launched at COP28, as a cornerstone in the industry's decarbonisation strategy. Annie Heaton, CEO of ResponsibleSteel, stressed the importance of consistent and comparable emissions data across the industry. Such standards are critical for fostering international cooperation, interoperability in emissions reporting, and ensuring the smooth flow of trade and finance.

By creating a unified system of emissions measurement, industries can collaborate on decarbonisation efforts, paving the way for cross-border trade in green steel. Southern Africa, with its rich reserves of raw materials and renewable energy potential, is well-positioned to take advantage of this shift, provided it aligns with these emerging standards.

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*Unlocking Regional Potential for Low-Emission Steel*

Ngozi Okonjo-Iweala, WTO Director-General, highlighted the competitive advantages available to regions like Southern Africa, which possess both the renewable energy capacity and the raw materials needed for low-emission steel production. Examples such as Mauritania and South Africa serve as proof points for the potential to integrate greener production methods into existing steel value chains, positioning these countries as leaders in a new era of sustainable industry.

However, realising this potential will require close collaboration between government and industry leaders. Policies must be aligned to support not only the domestic steel sector's decarbonisation efforts but also its participation in the broader global market for low-emission steel products. Converging climate and trade policies, particularly regarding carbon pricing and emissions reporting, will be essential to removing barriers and fostering competitiveness.

In conclusion, the discussions at the WTO Public Forum underscore the critical importance of trade and standards in achieving a greener steel industry. For Southern Africa, the road ahead presents both challenges and opportunities. However, with strong collaboration between government and industry, the region can successfully navigate this transition and play a pivotal role in the global steel sector's decarbonisation journey.

More information on the Public Forum session, "Forging the Future: Trade's Role in Re-Shaping Low Emission Steel Value Chains," can be found here

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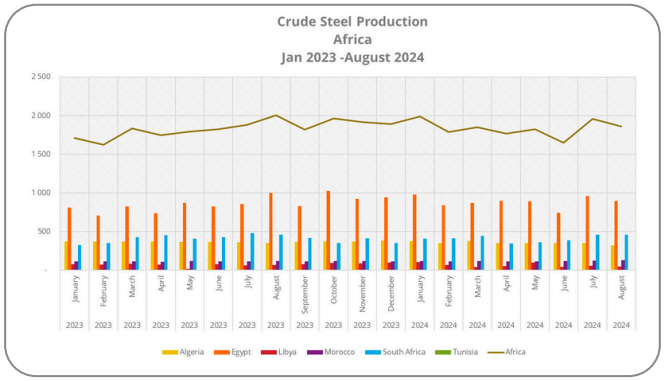
# CRUDE STEEL PRODUCTION

In August 2024, global crude steel production for the 71 countries reporting to the World Steel Association (worldsteel) accounting for approximately 98% of total world crude steel production in 2023 totaled 144.8 million tonnes (Mt), marking a 6.5% decrease compared to the same month in 2023.

In August 2024, total African steel production reached 1,860,065 tonnes, down from 2,003,861 tonnes in August 2023, reflecting a 7.2% overall decline. The decrease was largely driven by significant drops in production in Algeria, Egypt, and Libya, offsetting the growth seen in Morocco and stability in South Africa. South Africa remain the second largest producer in the continent after Egypt. South Africa saw a slight decline in steel production, producing 457,900 tonnes in August 2024 compared to 459,200 tonnes in August 2023. This marginal 0.3% decrease indicates stability in the South African steel market, though competition and market pressures might have capped potential growth.

In August 2024, global steel production saw mixed results across regions. The EU (27) produced 9.1 Mt, up 2.2%, while Europe (Other) grew 8.4% to 3.7 Mt. In contrast, the Middle East produced 3.4 Mt, down 3.2%, and North America dropped 3.8% to 9.0 Mt, likely due to economic pressures and reduced sectoral demand. Russia & other CIS countries + Ukraine experienced a steep decline of 8.7%, producing 7.0 Mt, impacted by geopolitical tensions. Meanwhile, South America showed slight growth, up 0.8% to 3.6 Mt.




In August 2024, global steel production demonstrated varied trends among key producers. China, the world's largest steel producer, reported a significant decline, producing 77.9 million tonnes (Mt), a drop of 10.4% compared to August 2023. In contrast, India experienced a modest increase, with output rising to 12.3 Mt, up 2.6%.

Other notable shifts included Japan's production falling to 6.9 Mt (down 3.9%), while the United States saw a slight increase to 7.0 Mt (up 0.7%). Russia's estimated output was 5.8 Mt, reflecting an 11.5% decline, and South Korea's production also decreased to 5.5 Mt (down 2.2%). Germany produced 2.9 Mt (down 0.5%), whereas Türkiye reported strong growth, reaching 3.1 Mt (up 13.8%), and Brazil's production increased by 7.3% to 3.0 Mt. However, Iran's output fell to 1.4 Mt (down 9.9%).

Amid these production shifts, China has suspended approvals for new steel capacity swaps as of August 23, 2024, aiming to address its surplus capacity and promote more efficient electric arc furnace (EAF) production. However, analysts caution that these measures may be too late to effectively curb the industry's expansion, with new facilities expected to come online through 2026.

In a parallel effort to stimulate its economy, the People's Bank of China introduced its largest economic stimulus package since the pandemic, targeting deflation and seeking to bolster growth. Despite these initiatives, skepticism remains regarding the package's effectiveness, particularly in light of the ongoing real estate crisis, which continues to dampen consumer confidence and hinder economic recovery efforts. As a result, global overcapacity is expected to persist, alongside an increase in low-priced exports as producers seek sustainable solutions in a challenging market landscape.

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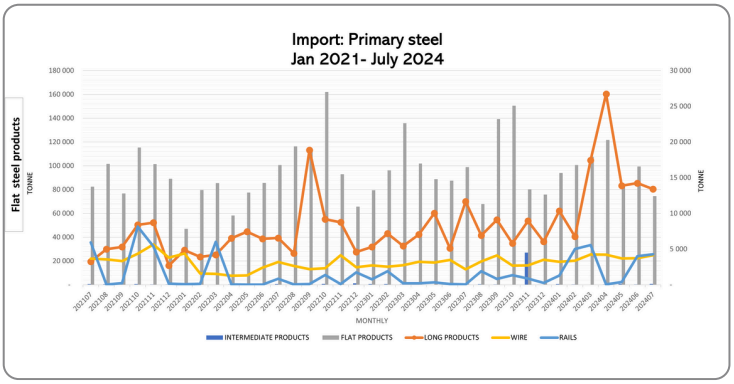
# TRADE - PRIMARY STEEL AND ARTICLE OF STEEL

## Primary Steel Imports

According to recent statistics from SARS reveal in July 2024, primary carbon and alloy steel imports (excluding stainless steel, rail, and wire) totaled 88,681 tonnes, representing a 19.9% decrease from the 110,540 tonnes recorded in July 2023. This decline is primarily attributed to a notable reduction in imports of flat steel products, which decreased by 22,784 tonnes compared to the previous year.

Conversely, the segment of long steel products exhibited a positive trend, with imports increasing by 15%, rising from 11,657 tonnes in July 2023 to 13,411 tonnes in July 2024. This growth was driven by HR sections, cold-formed sections, flat bars, and forged bars.

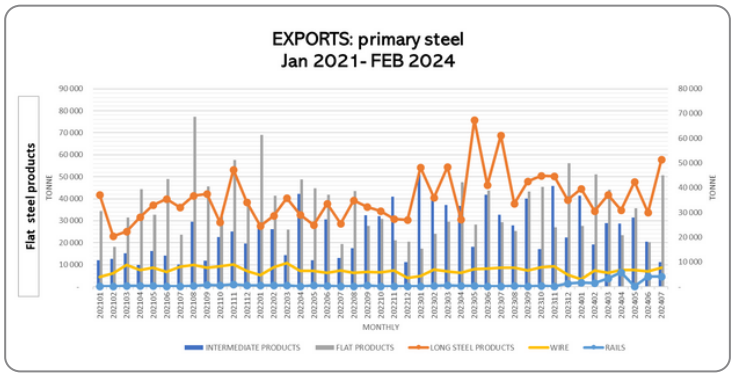
In terms of overall import trends, the first seven months of 2024 showed a 5.8% increase, with total imports reaching 785,799 tonnes, compared to 743,070 tonnes during the same period in 2023.




## Primary Steel Exports

In July 2024, South Africa exported 113,212 tonnes of primary carbon, alloy, and other steel products (excluding semis, stainless steel, and drawn wire & rail), reflecting a 8.1% decrease from July 2023. The decline was due to reductions in long steel products (-15.9%) and intermediate products (-66.0%).

Exports over the first seven months of 2024 showed a 13.8% decline, with total exports reaching 696,482 tonnes, compared to 807 889 tonnes during the same period in 2023.

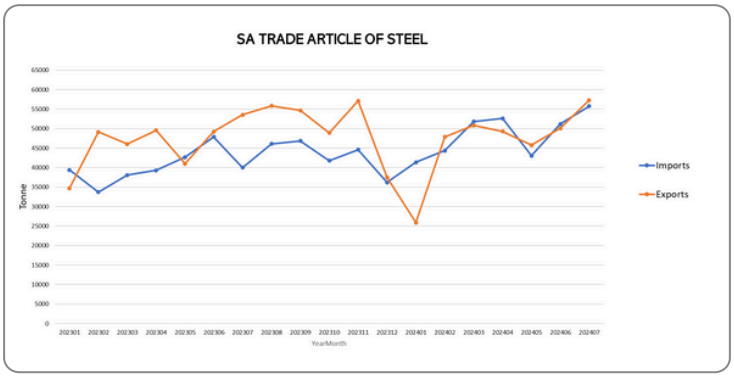



## Article of Steel Imports and Exports

IIn July 2024, South Africa experienced a significant 39.3% increase in imports of value-added steel products, totaling 55,750 tonnes, marking the seventh consecutive month of growth since January 2024.

On the export front, steel shipments experienced a modest growth of 7.0%, reaching 57,291 tonnes, indicating stable international demand.

Looking at the overall trends for the first seven months of 2024, exports declined slightly by 1.2%, while imports saw a significant rise of 21.0%. This increase in imports was primarily driven by strong demand for wire products (with the exception of stainless drawn wire, which experienced a decline), as well as large and small diameter welded tubes and pipes, pipe fittings, screws, bolts, nuts, and various structural products such as towers, scaffolding, and bridges. Additionally, imports of cloth, grill, netting, and expanded metal also contributed to this upward trend.



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# SA STEEL CONSUMING SECTORS

## Mixed Outlook for South Africa's Steel Industry Amid Rate Cut and Rising Costs

The recent decision by the South African Reserve Bank to reduce the policy rate to 8% presents a potential uplift for the steel industry, particularly in the construction and manufacturing sectors. With inflation easing to 4.4%, these areas are likely to see increased activity, driving up demand for steel products. Additionally, a R9.6 billion build-up in inventories, particularly within the manufacturing sector, signals a recovery in stock levels, which could further support demand.

However, there are still challenges ahead. Investment has contracted for four consecutive quarters, and with economic growth projected to remain modest at around 0.6%, the steel industry may struggle to fully capitalise on increased demand. Furthermore, the recent appreciation of the rand adds pressure by increasing competition from lower-cost steel imports, even as it reduces the cost of imported raw materials. Rising electricity prices, which are expected to exceed inflation, will also weigh heavily on the energy-intensive steel sector. While short-term demand may improve, these longer-term pressures could impact profitability and competitiveness in the market.

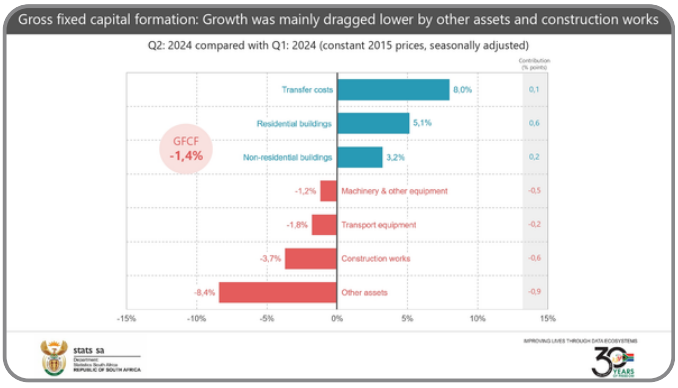
## Manufacturing production increased by 1.7% y/y in July

Manufacturing production in South Africa increased by 1.7% in July 2024 compared to the previous year. The food and beverages sector led this growth with a 9.5% rise, contributing 2.0 percentage points, while the basic iron and steel, non-ferrous metal products, metal products, and machinery sector also performed well with a 5.2% increase, adding 1.1 percentage points.

Conversely, the motor vehicles, parts and accessories, and other transport equipment division faced significant setbacks, contracting by 12.1% and contributing -1.3 percentage points to overall manufacturing performance.

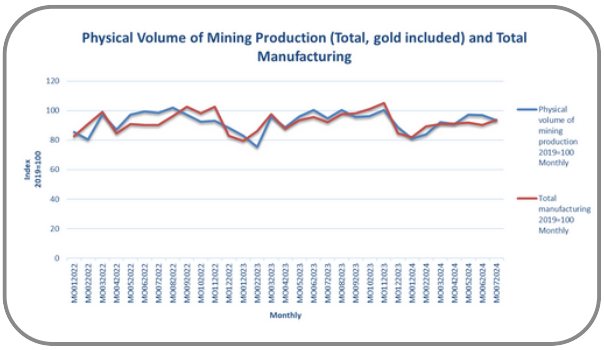
## Passenger car sales showed an upward trend over the past two months.

According to naamsa the strong performance of the new vehicle market in July 2024 could not be sustained in August. However, passenger car sales showed an upward trend, increasing by 3.1% to 30,022 units—891 more than the previous year. Year-to-date figures for August 2024 indicate a 4.0% decline in passenger vehicle sales, with 221,782 units sold, which is 9,293 fewer than during the same period in 2023.




## Mining production in South Africa declined by 1.4% y/y in July

Mining production in South Africa declined by 1.4% year-on-year in July 2024, primarily due to significant decreases in key sectors. The largest negative contributors were iron ore, which fell by 19.0%, contributing -2.8 percentage points; 'other' metallic minerals, down 36.2%, contributing -1.1 percentage points; and gold, which decreased by 3.5%, contributing -0.5 of a percentage point.




## Selected Building Statistics of the Private Sector July 2024

From January to July 2024, the value of building plans passed fell by 11.1% (R6.87 billion) year-on-year, driven by declines in residential (R4.41 billion), additions and alterations (R1.61 billion), and non-residential buildings (R856.5 million). The value of completed buildings also dropped by 13.1% (R4.15 billion), largely due to decreases in residential (R2.69 billion) and non-residential buildings (R2.22 billion), while additions and alterations increased by R759.7 million.

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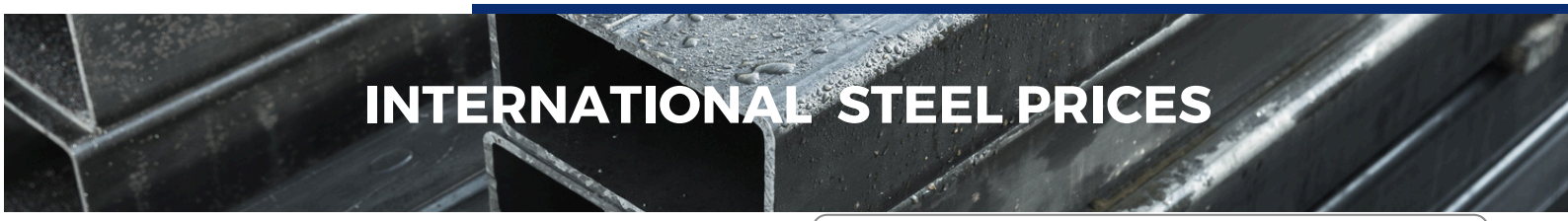
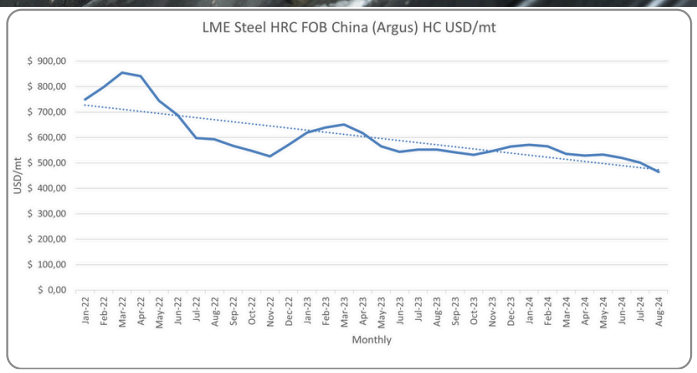


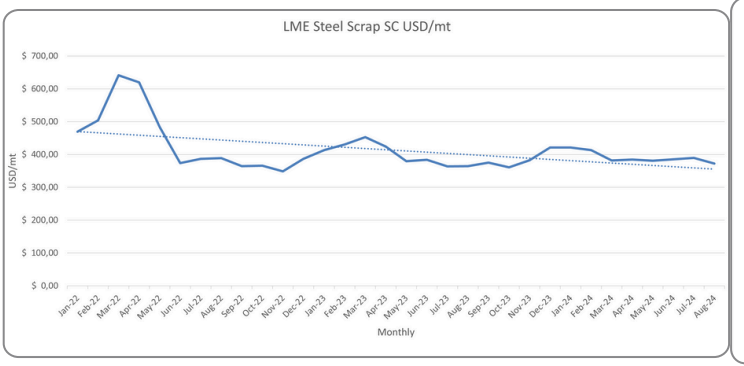
# INTERNATIONAL STEEL PRICES

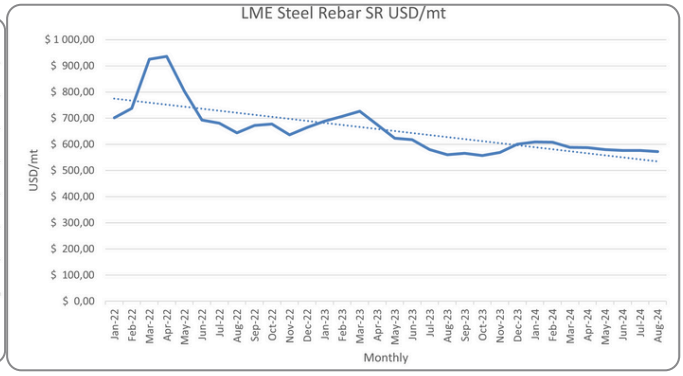
## Steel Rebar and Hot-Rolled Coil Futures Decline

In August 2024, data from the London Metal Exchange revealed significant declines in cash-settled futures for hot-rolled coil compared to the same period in 2023, Steel HRC FOB China (Argus) fell by 15.8% with prices reaching $ 465,00 USD/mt

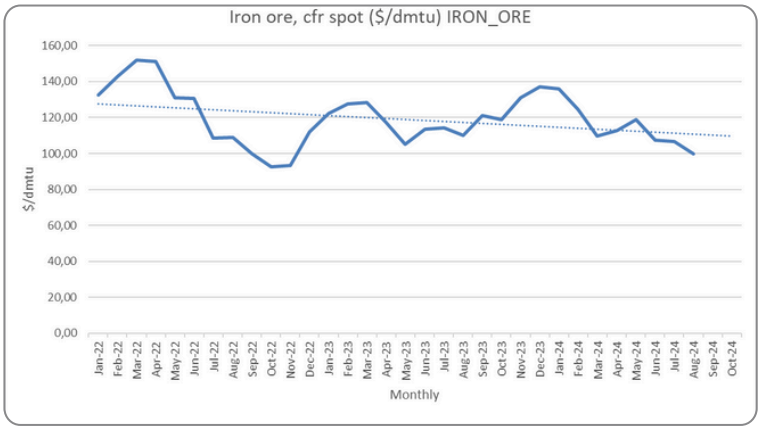
Conversely, Steel Scrap CFR Turkey (Platts) saw an increase of 2.3% and Steel Rebar FOB Turkey (Platts) decreased by 2.1%.




## Iron Ore Prices Hit Lowest Levels Since 2022 Amid Global Oversupply Concerns




In August 2024, iron ore prices dropped by 9.3% compared to August 2023, reaching their lowest levels since November 2022, according to the World Bank. Goldman Sachs revised its forecast for the fourth quarter, lowering the expected price by $15 to $85 per metric ton, citing an oversupply in the market despite steady demand from China. Although Dalian iron ore futures saw gains recently, driven by hopes of Chinese stimulus and a recovery in steel demand, Goldman predicts that stockpiling ahead of China's Golden Week could provide only short-term price support. Further declines are expected by October, as oversupply remains a key concern. Even reduced iron ore exports from India have not been enough to balance the market, and Goldman suggests that prices may need to drop further for lower-cost producers to scale back production. Additionally, weak domestic demand in China could pose further challenges to the global iron ore and steel markets,