ISSUE: October 2024

steel Matters

INSIDE THIS ISSUE

Steel Consuming Sectors Under Pressure

South Africa's primary steel-consuming industries remain under pressure, influenced by economic constraints, policy shifts, and the evolving global market. While isolated areas show resilience, the aggregate trend underscores a pressing need for targeted policy and investment support to stabilize and strengthen the country's steel value chain and manufacturing landscape.

Steel Trade trends

From January to August 2024, South Africa's steel imports increased by 7.2% year-on-year, reaching a total of 854,896 tons, with a rising proportion sourced from the Far East. Conversely, total steel exports declined by 3.4%, primarily due to significant decreases in intermediate and long steel products. The export share to Africa decreased from 84% to 73.4%, while the Far East and NAFTA registered increases.

Steel Market Outlook Continues to Worsen as Demand and Consumption Decline Amid High Import Shares

South Africa's steel-consuming industries are under mounting pressure from economic constraints, global overcapacity, and fierce international competition. Major oversupply, especially from China, has led to aggressive export practices that push prices down and threaten the sustainability of local steelmakers. To support South African industry, stakeholders are calling for strategic infrastructure investment, strong trade protections, and policies that drive demand for locally produced steel. Every 1,000 tonnes of steel fabricated here creates 155 jobs, making a thriving steel sector essential to safeguarding around 310,000 jobs in construction and boosting our economy.

LinkedIn South African iron and Steel Institute
saisi.org
saisi@saisi.org

steel Matters

Steel Market Outlook Continues to Worsen as Demand and Consumption Decline Amid High Import Shares

The South African steel industry, a longstanding pillar of the economy, is currently navigating its most severe crisis since the 2008–09 financial downturn. This essential sector, which supports critical manufacturing supply chains and creates high-quality jobs with wages around 28% above the national manufacturing average, is at a critical juncture. While the industry has long driven innovation and contributed significantly to economic growth, it now faces substantial challenges.

Intensifying global steel overcapacity and unfair trade practices are adding to the pressures of weak local demand and rising energy costs. Without decisive intervention, the South African steel industry risks losing both its resilience and sustainability, which could hinder the nation's economic recovery and compromise South Africa's potential to lead decarbonisation projects beyond 2030.

Recent figures illustrate the crisis clearly. Despite modest increases in steelmaking capacity, South Africa's crude steel production has sharply declined since the COVID-19 pandemic. Once the continent's leading steel producer, South Africa now ranks behind Egypt, with Zimbabwe and other African nations rapidly expanding their industries. Domestic steel consumption has fallen by 27% since its peak in 2008, and local sales have dropped by an even sharper 42%.

The latest data is stark: crude steel output in September 2024 dropped 4.3% year-on-year, with total third-quarter production down 4.9% compared to Q3 2023. Second-quarter results were even more concerning, showing a 14.4% decline. This trend of underutilisation has continued despite a 24% increase in crude steel capacity over the past 15 years, and it's largely driven by rising imports and weak local demand. As of August 2024, primary steel imports (including carbon and stainless steel) rose by 7.8%, with imports of long steel products seeing a notable increase of 88.8%, climbing from 63,011 tonnes in the first eight months of 2023 to approximately 118,978 tonnes in 2024.

Global overcapacity exacerbates the situation. The OECD reports that steel overcapacity worldwide reached 551 million tonnes in 2023, with another 157 million tonnes projected by 2026. Over-investment in steel production in countries like China, Indonesia, Malaysia, and Vietnam has created significant gaps between production capacity and local demand, with surplus capacity flooding export markets and suppressing global steel prices. Analysts estimate that Chinese mills have been selling steel below cost for nearly two years, a practice that severely undermines profitability and competitiveness for South African producers.

To navigate these mounting challenges, the South African steel industry calls for demand-stimulating measures, including infrastructure rollouts, localisation policies, and robust enforcement of Trade Defence Instruments. Combating unfair trade practices, curbing illicit imports, and creating a level playing field for local producers is essential to reestablishing a fair, competitive market.

The benefits of a strong steel industry are clear. According to a recent study by the South African Institute of Steel Construction, for every 1,000 tonnes of locally fabricated primary steel, 155 jobs are generated. With over 60% of South Africa's primary steel supporting the construction sector, this industry sustains approximately 310,000 jobs—a number that could grow with strengthened local steel production and policy support.

steel Matters

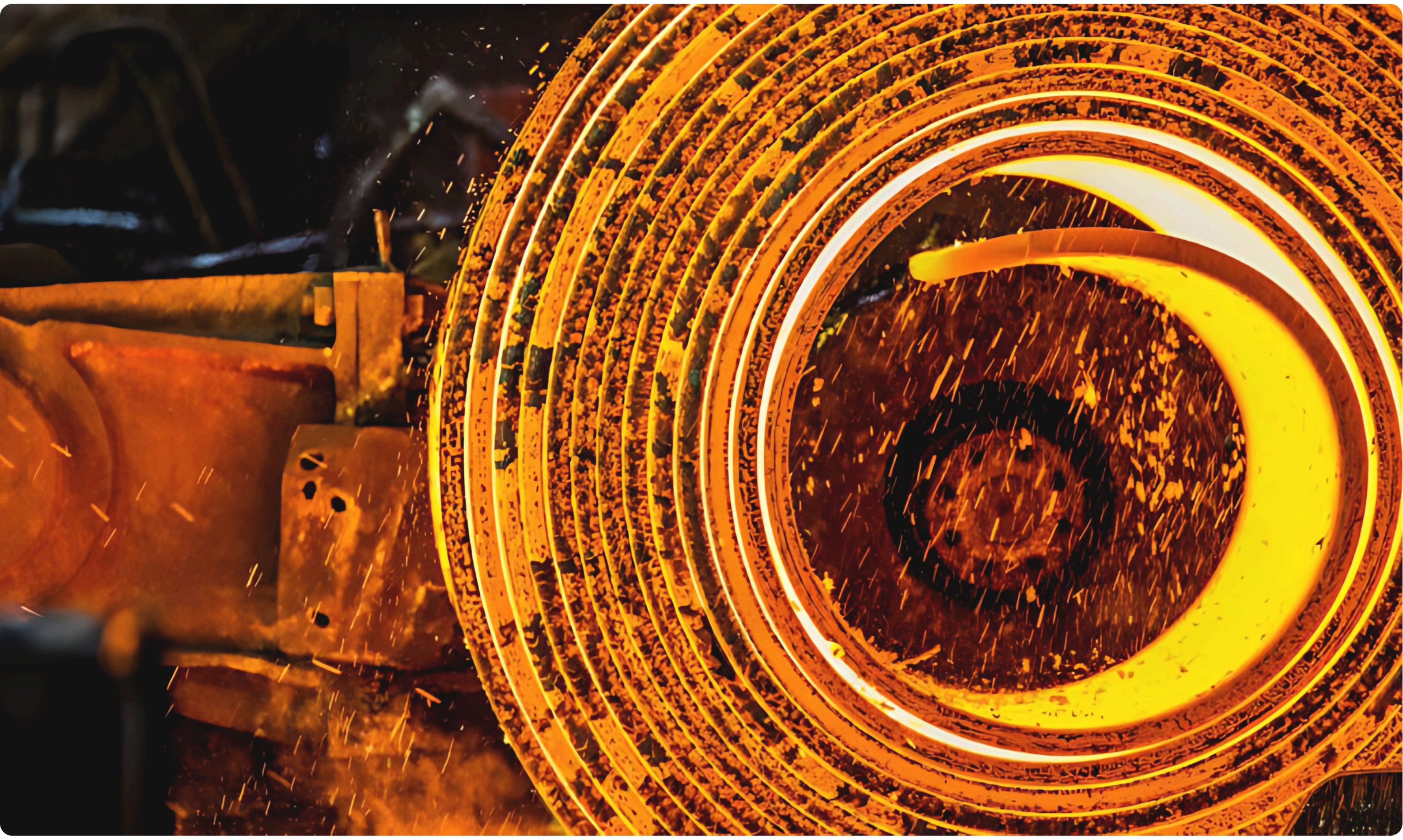
CRUDE STEEL PRODUCTION

Crude steel is steel in its first solid (or usable) form: ingots, semi-finished products (billets, blooms, slabs), and liquid steel for castings. Source: worldsteel press releases.

South Africa's Crude Steel Production Continues Downward Trend in Q3 2024

The South African steel industry is grappling with persistent challenges, as recent data reveals a 4.3% decline in crude steel production for September 2024 compared to the same period in 2023. Total production for Q3 2024 stood at 1,292,700 tonnes, a 4.9% decrease from the 1,359,900 tonnes recorded in Q3 2023. This follows an even more significant year-on-year drop of 17.4% in Q2 2024.

In September 2024, global crude steel production across 71 countries reporting to the World Steel Association (worldsteel) totaled 143.6 million tonnes (Mt), reflecting a 4.7% decline compared to September 2023. Africa recorded a production of 1.9 Mt, marking a 2.6% increase year-on-year. In contrast, Asia and Oceania produced 105.3 Mt, down 5.0%. The EU (27) produced 10.5 Mt, slightly up by 0.3%, while other European countries contributed 3.6 Mt, an increase of 4.1%. The Middle East faced a significant drop, producing 3.5 Mt, down 23.0%. North America's output was 8.6 Mt, a decline of 3.4%, and Russia, along with other CIS countries and Ukraine, produced 6.8 Mt, down 7.6%. South America saw a modest growth, producing 3.5 Mt, up 3.3%.



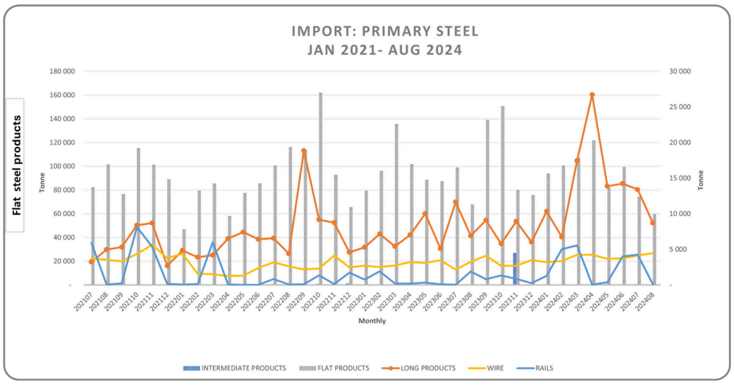
TRADE - PRIMARY STEEL AND ARTICLE OF STEEL

Primary Steel Imports

Recent SARS data for August 2024 shows notable changes in South Africa's primary carbon and alloy steel imports. Overall imports for the month fell by 7.4%, down to 69,097 tons from 74,650 tons in August 2023. This decline is largely due to an 11% reduction in flat steel product imports. However, imports of long steel and intermediate products increased sharply, rising by 25.6% and 73.2%, respectively.

Despite August's decline, the broader trend for 2024 reflects a 7.2% growth in total steel imports, with 854,896 tons brought in during the first eight months of the year—up from 797,154 tons during the same period in 2023.

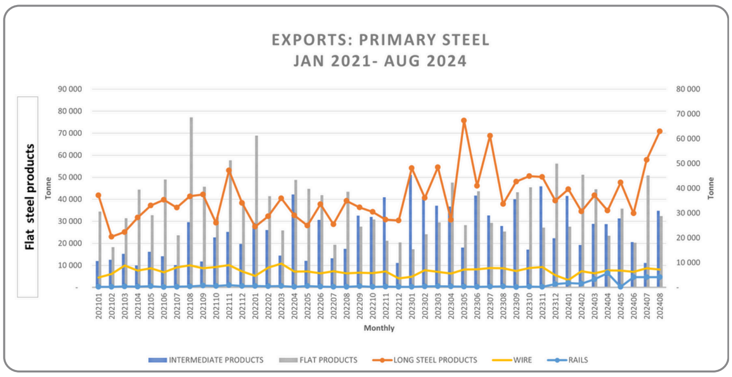
Regional shifts are also apparent. Imports from the Far East grew to 73.3% of the total in 2024, compared to 65.6% in 2023, while the EU's share fell from 33.5% to 25.7%



Primary Steel Exports

In August 2024, South Africa experienced a robust export of 130,121 tons of primary carbon, alloy, and other steel products, marking a significant 49.7% increase compared to August 2023. This growth spanned all categories, including intermediate, long, and flat steel products. However, when assessing the broader eight-month period of 2024, total exports declined by 3.4%, amounting to 827,680 tons, down from 856,735 tons in the same period in 2023. Notably, there was a 15.1% decline in intermediate products, particularly billets (down 38,484 tons), and a 9.7% drop in long steel products (down 34,935 tons).

Additionally, the export share to Africa decreased from 84.0% in 2023 to 73.4% in 2024, while the Far East's share rose significantly from 4.8% to 14.5%, primarily driven by intermediate products. NAFTA's share also increased from 5.8% to 8.6%.



Article of Steel Imports and Exports

In August 2024, South Africa's imports of value-added steel products increased significantly by 8.4%, totaling 49,979 tons, compared to 46,086 tons in August 2023. Conversely, steel exports showed modest growth of 2.3%, reaching 57,174 tons compared to 54,686 tons during the same period in 2023.

Over the first eight months of 2024, exports remained stable, with a slight increase of 1.4% to 384,328 tons. However, imports surged by 19.2%, totaling 390,211 tons, indicating a growing reliance on imported value-added steel products.

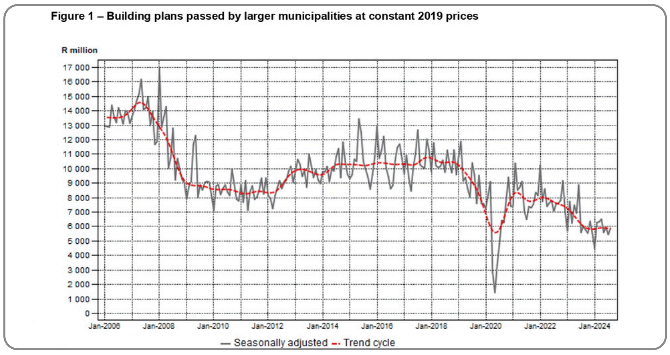
steel Matters

SA STEEL CONSUMING SECTORS

Decline in Building Plans Passed Signals Challenges for Construction and Steel Sectors

The South African construction landscape faces significant challenges as STATS SA reported a significant drop in the value of building plans passed at current prices by 9.7%, translating to a decrease of R6,880.4 million from January to August 2024 compared to the same period last year.

Residential buildings saw a notable decrease of R4,290.4 million, Additions and alterations fell by R1,717.6 million, and Non-residential buildings declined by R872.4 million.



Source: STATS SA

Gauteng province was the primary contributor to this decline, accounting for -5.6 percentage points (R3,947.7 million), followed closely by the Western Cape, which contributed -4.1 percentage points (R2,860.9 million). The Eastern Cape added to the negative trend with a contribution of -1.4 percentage points (R962.3 million). However, it's not all negative. The North West province provided a positive boost, contributing 1.1 percentage points (R768.7 million), and KwaZulu-Natal also made a positive impact, adding 0.9 percentage points (R606.8 million).

South Africa Sees Year-on-Year Decline Amidst Passenger Car Growth

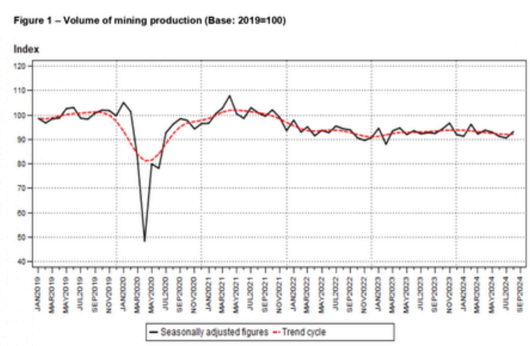
In September 2024, South Africa's new vehicle sales declined by 4.1% year-on-year to 44,081 units, down 1,889 units from September 2023. However, the passenger car segment rose by 2% to 30,218 units from 29,626 last year. Year-to-date, vehicle sales totaled 401,169 units, a 5.8% decrease compared to 2023, while exports dropped 19.7% to 289,198 units, driven by regulatory and model lifecycle challenges in global markets.

August 2024 Manufacturing Decline and Mining Growth

In August 2024, South Africa's seasonally adjusted manufacturing production declined by 0.6% compared to July 2024, following a 1.6% increase in July and no change in June. The steel sector faced significant challenges, with notable negative contributions from the motor vehicles and transport equipment division, which fell 16.1% (contributing -1.6 percentage points), and the basic iron and steel, non-ferrous metal products, and machinery sector, down 5.4% (contributing -1.2 percentage points)

Source: STATS SA

In August 2024, South Africa's mining production saw a modest year-on-year growth of 0.3%, with manganese ore, PGMs, and chromium ore driving the increase. Manganese ore rose by 16.0%, and PGMs by 4.7%, each contributing 1.2 percentage points, while chromium ore surged by 24.8%, adding 1.1 percentage points. However, iron ore and gold production faced declines of 15.2% and 4.6%, respectively, detracting -2.1 and -0.7 percentage points from the overall growth.



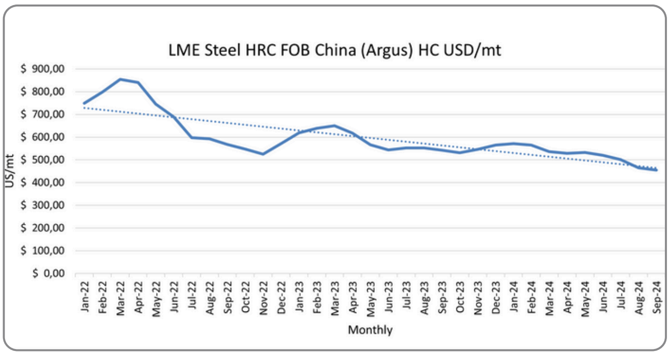
steel Matters

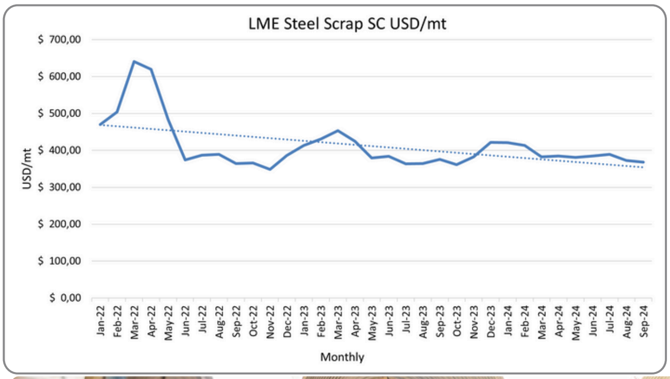
INTERNATIONAL STEEL PRICES

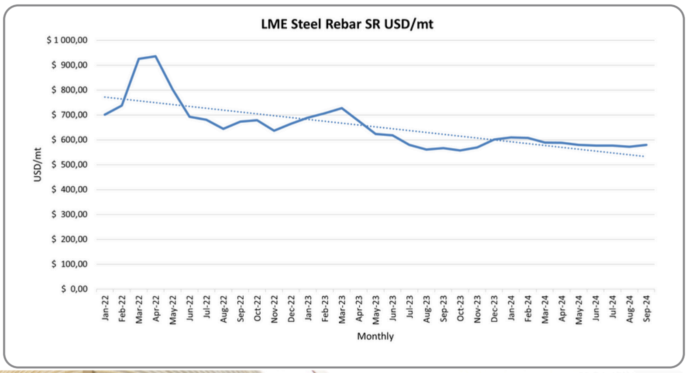
Ongoing Decline in HRC Prices with Mixed Trends in Scrap and Rebar

In September 2024, data from the London Metal Exchange (LME) highlighted ongoing pressures in the hot-rolled coil (HRC) market, with cash-settled futures for Steel HRC FOB China (Argus) decreasing by 16.1% year-on-year to $454.67 per metric ton. This marks the thirtieth consecutive month of declining HRC FOB China prices, underscoring sustained downward pressure in the sector.

Meanwhile, LME Steel Scrap CFR Turkey (Platts) dropped by 1.8% in September 2024 compared to the same month in 2023. Conversely, LME Steel Rebar FOB Turkey (Platts) rose by 2.3% year-on-year, showing some upward movement in rebar prices amid varied conditions across steel product markets.







Iron Ore Prices Drop 23.3% in September 2024 with Further Declines Expected Through 2025-26

In September 2024, iron ore prices dropped by 23.3% year-on-year, according to the World Bank Pink Sheet Data, reflecting heightened exposure to the persistent weakness in China's construction sector and ample supply prospects. Prices are forecast to decline further in 2025-26 as major producers expand output and new mines come online, adding to global supply pressures.