In 2020, commodity markets were supported by significant government efforts to stimulate a global economy in recession due to the pandemic. These measures helped to drive global prices for steel and iron ore higher.

Buoyed by stimulus measures

GLOBAL STEEL MARKET

In 2020, global trends on the steel market were shaped by the spread of COVID-19 and government measures to stimulate economic growth amid the ongoing pandemic-triggered recession.

In the reporting period, global crude steel production amounted to 1,878 million tonnes, up 0.2% year-on-year, while apparent consumption of finished steel products totalled 1,772 million tonnes, down 0.2%. Both indicators were primarily driven by China, as its share in both global production and consumption exceeded 56%.

Early in 2020, China moved quickly to contain coronavirus and support its economy with major stimulus measures focusing largely on infrastructure and construction initiatives. As a result, its overall steel consumption climbed by 9.1% year-on-year to set a record of 995 million tonnes.

The country's steel output rose by 7.0% to 1,065 million tonnes, another new high. While in the second and third quarters, there was a deficit in semi-finished products, increased imports negated this.

Metinvest seized this opportunity to ramp up sales to China. In the reporting period, the Group sold almost 0.9 million tonnes of pig iron and steel products, up 5.7 times year-on-year.

Meanwhile, steel demand was mostly depressed in the rest of the world, where it dropped by 10.0% year-on-year. The largest declines among the leading consuming countries were in the US (down 18.0%), Japan (16.8%), India (13.7%) and the EU (11.4%).

The global recession caused by the pandemic led to ongoing protectionism in steel markets. Throughout the reporting period, both the US and EU kept their tariffs and import safeguards in place.

Steel prices started the year at low levels due to weak consumption amid the lockdowns. However, they rebounded in the second half of the year, when demand began to outstrip supply following the easing of restrictions, economic stimulus packages adopted globally, optimism regarding vaccinations, and rising prices for basic raw materials, particularly iron ore and steel scrap. The hot-rolled coil (HRC) FOB Black Sea benchmark surged to US$524 per tonne in the second half of 2020, up from US$426 in the first half, which helped to bring the overall average to US$475 (up 2% year-on-year).

GLOBAL RAW MATERIALS MARKET

In 2020, the two key production inputs for steelmakers, iron ore and coking coal, saw rather different trends.

China, which remains the world's largest consumer and importer of iron ore, continued to drive demand. Rising steel production in the country quickly depleted low inventory levels amid global supply limitations. Early in the year, there were disruptions in shipments due to COVID-19 restrictions, as well as inclement weather in Australia and Brazil, the two largest exporters. Production in Brazil also remained limited, as numerous operations awaited regulatory approval of tailings facilities following recent accidents in the country. In the reporting period, Metinvest quickly addressed the heightened demand from China, increasing shipments of iron ore products to the country by 1.7 times year-on-year to 8.0 million tonnes.

The ongoing supply-demand imbalance drove iron ore prices higher for a second year in a row. The 62% Fe iron ore fines CFR China benchmark ended the reporting period at US$159 per tonne, compared with US$92 at the end of 2019. The average price for the year was US$109 per tonne, up from US$94 in 2019.

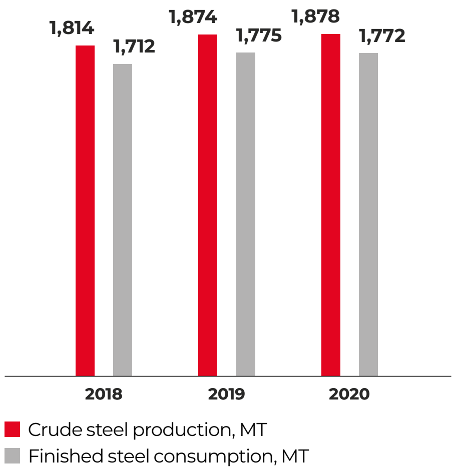
Meanwhile, pellet premiums fell globally. The premium in Europe slumped by 49% year-on-year to US$29 per tonne in 2020, amid a 9% drop in steel output in the region. The premium in China varied, plummeting from US$31 per tonne in January to US$6 in August, then recovered to US$32 in December. As a result, the 2020 average fell by 18% year-on-year to US$23 per tonne.

In the reporting period, China was the largest buyer of coking coal on the global market and accounted for more than half of global exports, despite restricting imports from Australia since the second half of 2020. Coupled with weak demand in the rest of the world, the average hard coking coal spot price index (premium LV, FOB Australia) dropped by 30% year-on-year to US$124 per tonne.

OUTLOOK FOR 2021

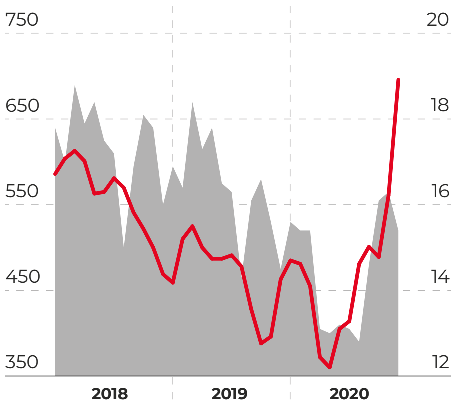
In early 2021, COVID-19 vaccination efforts and continued government stimulus measures drove an upswing on the metals and mining markets. The World Steel Association forecasts a rapid recovery in global demand for steel products in 2021, particularly given the low-base effect for countries that saw major declines in 2020. However, continued upward momentum could trigger a shift from steel-intensive infrastructure initiatives to a focus on restoring the hard-hit services sector. This could limit the potential for further strong growth on the global steel and raw materials markets.

Global steel industry



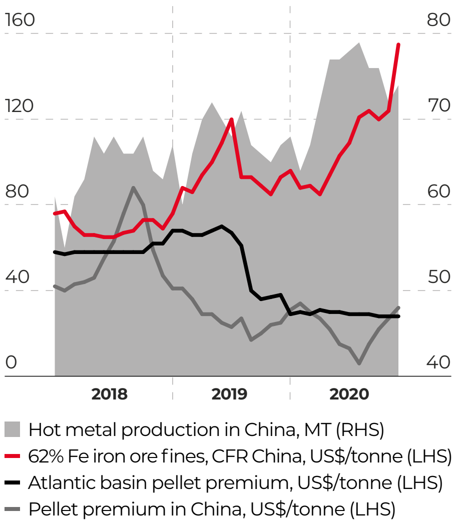
Source: World Steel Association

Steel price



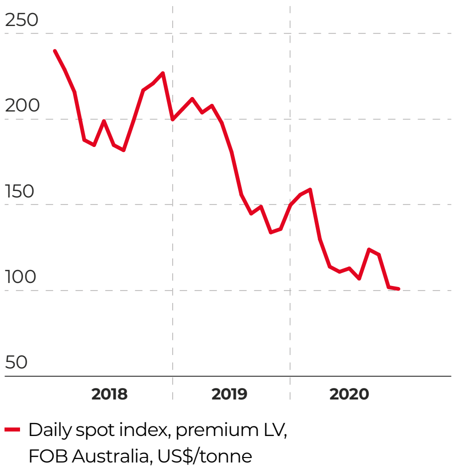
Monthly data points
Source: World Steel Association, Metal Expert

Iron ore price and premiums



Monthly data points
Source: Bloomberg, Platts

Hard coking coal price



Monthly data points
Source: Platts

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