MARKET REVIEW: GLOBAL

MULTIDIRECTIONAL TRENDS

In 2023, prices for raw materials were supported by stable demand from steel producers and, in the case of coal, production constraints. However, the world's overall steel use was reduced as a result of China's property crisis and the tight monetary policies maintained by the world's major central banks. As a result, steel prices were weak and steelmaking margins were squeezed.

GLOBAL STEEL MARKET

For the global steel market, 2023 was a dynamic year marked by disruptions to demand, shifting supply trade flows and steady overall production volumes.

In the majority of large markets worldwide, the industry faced mostly depressed prices and declining consumption, with the exception of India and some other countries. Global crude steel production totalled 1,892 million tonnes, up 0.1% year-on-year, while global apparent consumption of finished steel products dropped by 1.1% year-on-year to 1,763 million tonnes.

Against a challenging macroeconomic background, world steel demand was subdued overall. Although consumer inflation started to decrease in developed economies, major central banks refused to cut rates, which restrained economic activity.

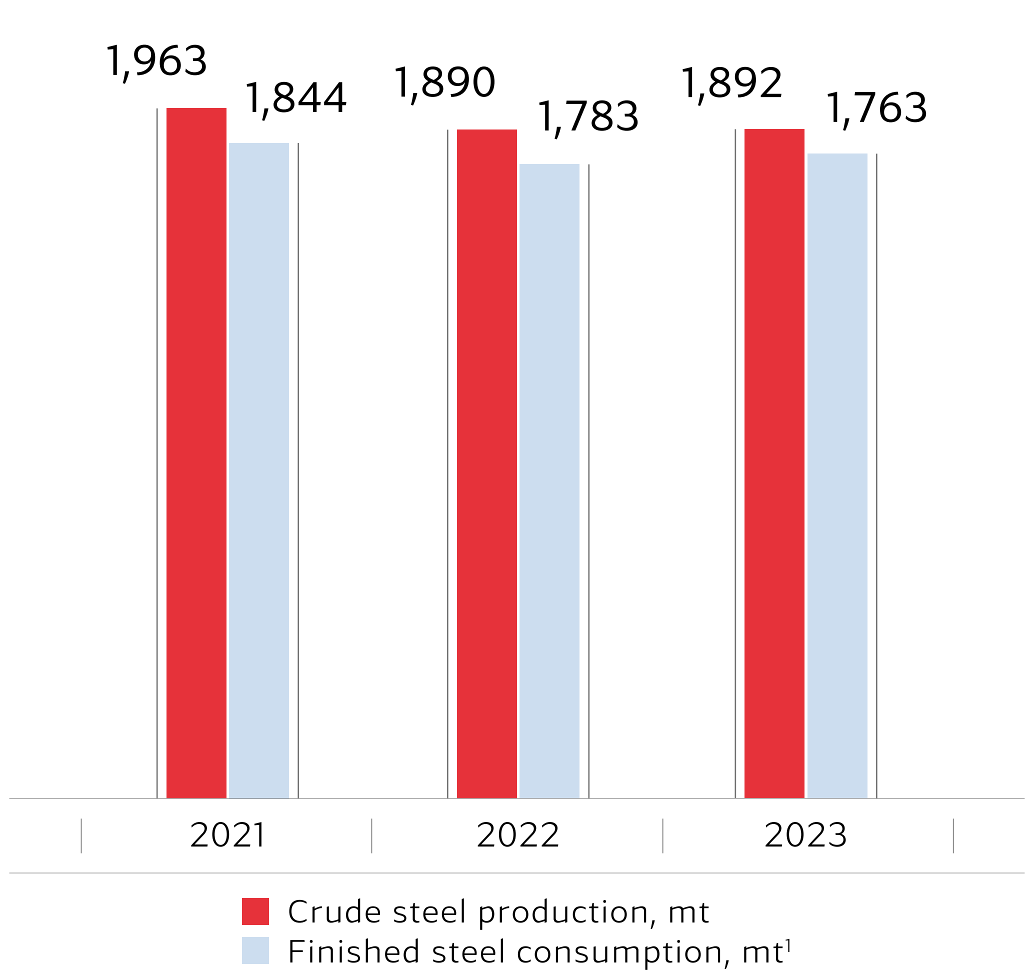
Further, the weakness in China's property sector and concerns about its broader economy were another factor that dragged on the global steel market. China's total crude steel production was 1,019 million tonnes, flat year-on-year, while its apparent consumption of finished steel products was 896 million tonnes, down 3.3% year-on-year. As a result, Chinese producers increased exports, which rose 38% year-on-year to 94.3 million tonnes, the highest volume since 2016, which depressed prices on other markets worldwide.

Disruptions from the full-scale military invasion of Ukraine resonated far beyond the war zone and impacted the steel market. The EU expanded its sanctions against Russian steel products by introducing new and phased restrictions on imports of pig iron, ferroalloys and DRI/HBI. These measures feature product-specific quotas that will remain in place for several years before outright bans come into force. However, the decision on banning slab imports from Russia was delayed for another four years, leaving the current quota system in place until 2028.

Overall, outside of China, there was a slight increase in crude steel production of 0.2% year-on-year to 873 million tonnes, while apparent consumption of finished steel products increased by 1.3% year-on-year to 867 million tonnes. However, the dynamics varied substantially between regions. In the EU, there was a 7.4% year-on-year drop in steel production to 126 million tonnes because of high energy prices and competition with imports, and a 10.5% decrease in consumption to 128 million tonnes amid general economic weakness. In Türkiye, following the earthquake in early 2023, steel production dropped 4.0% year-on-year to 34 million tonnes, while consumption jumped 17.2% year-on-year to 38 million tonnes. South Korea increased both production (1.3% to 67 million tonnes) and consumption (6.7% to 55 million tonnes). For its part, India saw rapid year-on-year growth in both steel production (12.2% to 141 million tonnes) and demand (14.8% to 133 million tonnes).

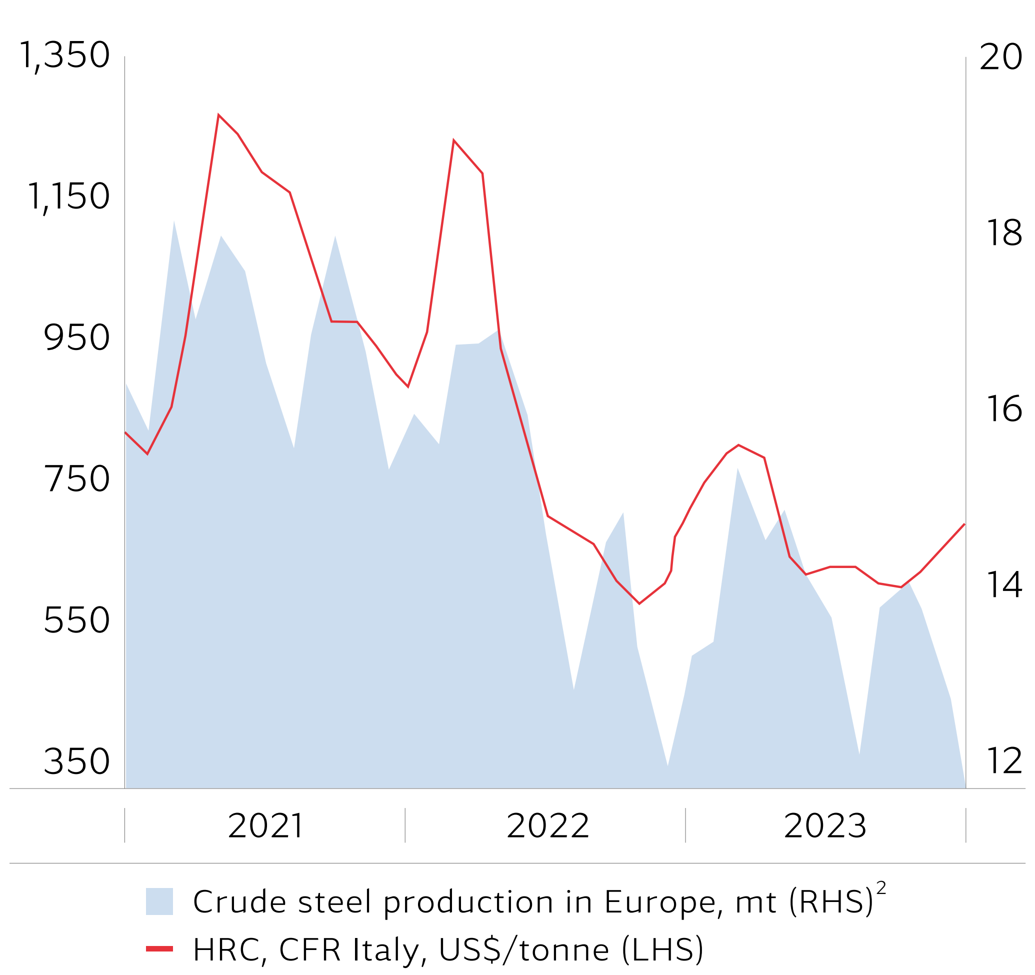
Global steel prices reflected these complex trends throughout 2023. Following the surge in the first half of 2022, there was mainly a downward pullback in the hot-rolled coil (HRC) CFR Italy benchmark as a result of adjustments to the geopolitical situation. The annual average HRC CFR Italy benchmark was US$703 per tonne in 2023, down 17% year-on-year.

GLOBAL STEEL INDUSTRY



Source: WSA

STEEL PRICE IN EUROPE



Source: Bloomberg, WSA, Metal Expert

[1] Apparent consumption of finished steel products.
[2] On a monthly basis. Europe includes the current EU-27 members and the UK, Bosnia and Herzegovina, North Macedonia, Norway, Serbia and Türkiye.

The monthly average reached a peak of US$827 per tonne in March 2023 and a low of US$631 per tonne in October, ending the year at US$702 per tonne in December.

GLOBAL RAW MATERIALS MARKET

On the global raw materials market, China's iron ore imports were strong in 2023, while coking coal prices retreated from record highs but remained elevated because of supply constraints and strong demand from India.

Demand for iron ore in China, especially in the fourth quarter of the year to replenish port inventories, led to a rally in iron ore prices in late 2023. Meanwhile, there was a weaker market in Europe, where idled blast furnaces caused a decrease in demand for iron ore.

China's iron ore imports grew by 6.6% year-on-year to 1,180 million tonnes, accounting for 69.8% of global imports according to data from the World Steel Association (WSA). Global iron ore exports were dominated by Australia and Brazil, which accounted for 76.6% of the market; seaborne supplies from the former increased by 1.2% year on year to 898 million tonnes, while exports from the latter jumped by 17.8% year-on-year to 408 million tonnes, according to the WSA.

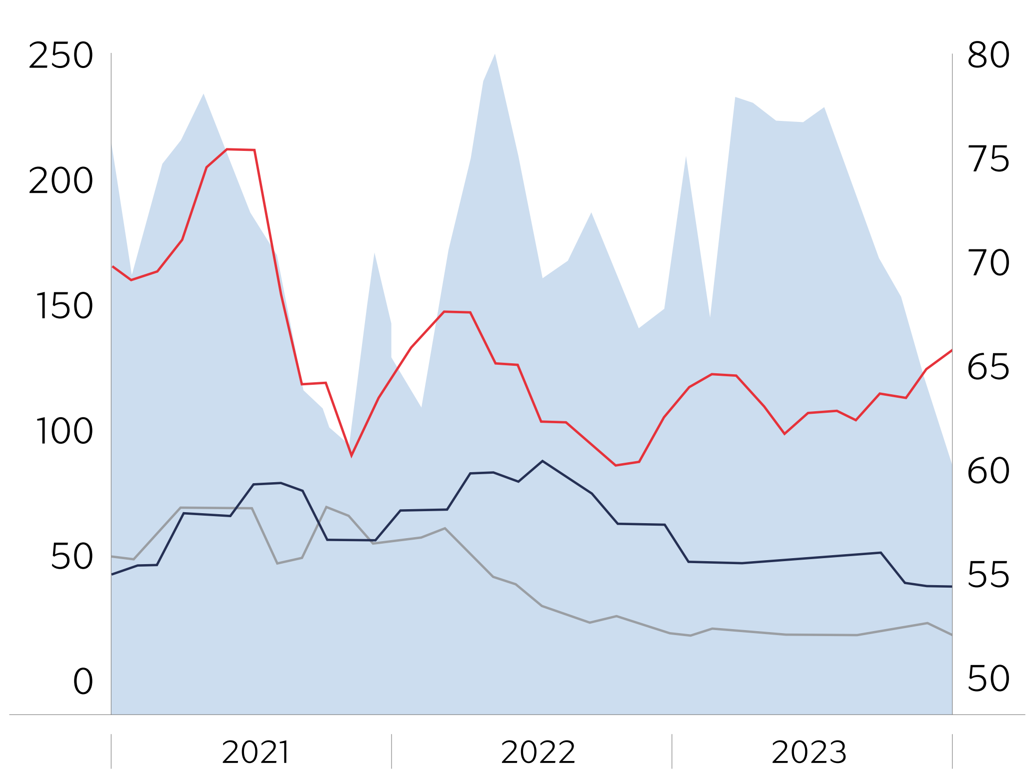
Global iron ore prices were driven by these trade volume trends and expectations of further economic stimulus from the Chinese government. The 62% Fe iron ore fines CFR China benchmark price hit a low of US$105 per dry metric tonne (dmt) in May 2023 and ended the year at a peak of US$137 per dmt in December. The annual average 62% Fe iron ore fines CFR China benchmark price was broadly unchanged year-on-year at US$121 per dmt.

Pellet premiums dropped year-on-year because of weakened demand and low steelmaker profitability for both Europe (by 38% from a record high to US$45 per tonne) and China (by 49% to US$19 per tonne).

The drivers of global coking coal trade were China and India, where demand boosts from steel producers were seen. There was also a rebalancing of trade flows in the EU after its refusal to import coal from Russia. However, supply constraints in Australia and Canada depressed export volumes and supported seaborne coking coal prices globally.

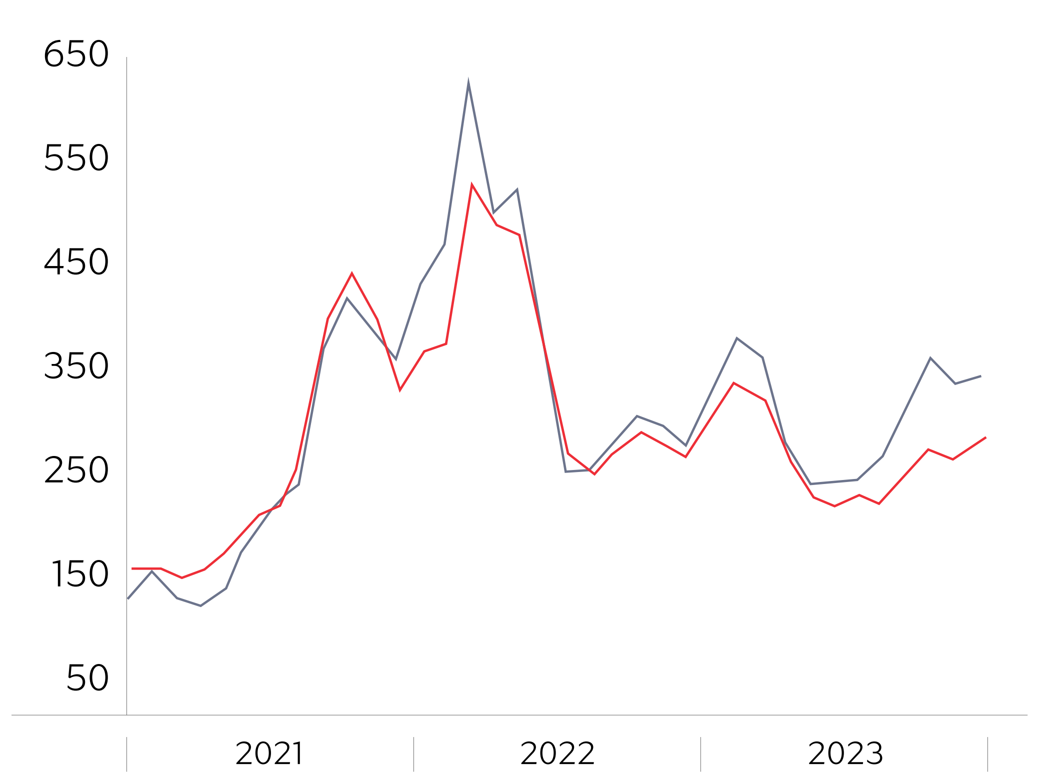
Overall, coking coal prices remained relatively high as a consequence of limited supply and strong demand from India, where, as noted above, the steel industry saw sharp increases in production.

IRON ORE PRICE AND PREMIUMS



Source: Bloomberg, Platts, WSA

HARD COKING COAL PRICE



Source: Platts

The hard coking coal spot price index (premium LV, FOB Australia) averaged US$296 per tonne, down 19% year-on-year, peaking at US$369 per tonne in February 2023, compared with a low of US$231 per tonne in May and June. The average annual HCC LV FOB USEC benchmark price was US$259 per tonne, down 25% year-on-year, with a monthly high of US$327 per tonne in February 2023 and a low of US$211 per tonne in June.

DEVELOPMENTS AFTER THE REPORTING PERIOD

In early 2024, global steel and iron ore markets continued to display marked volatility. Steel prices in Europe, which had increased in late 2023 and early 2024 because of production cuts, reversed by the end of the first quarter of 2024 as restarted steel production facilities in Europe faced uncertain demand and competitive imports.

The dynamic for iron ore prices was similar. In the first quarter, there was a drop after a strong rise in the end of 2023, as the port inventory restocking progressed in China and the expectations for steel demand declined.

Metallurgical coal prices rallied in September-October 2023 and stayed strong through to the end of February 2024. However, in March-April 2024, these gains quickly dissipated. Nevertheless, coking coal prices found support at a relatively high level, reflecting cost pressures and constrained supply growth from Australia. Meanwhile, robust demand from India and Southeast Asia contributed to ongoing market tightness.