Steel's "Last Hurrah"

This report was the last penned by Peter F. Marcus before his death in November 2021. Turn to page 26 for a tribute to Marcus.

Despite the recent weak pricing on the global market, WSD expects a high-priced — an "extreme" — steel shortage to recur by the spring of 2022. The hot-rolled band export price is forecast to rise to "exospheric" levels — i.e., about US$1,000–1,100/metric ton, FOB the port of export. WSD places the odds at 60% on this scenario.

The shortage, if it occurs, may be the steel industry's "last hurrah" in this cycle. By the summer of 2022, less than a year from now, WSD thinks that rising inflation and higher interest rates in many countries will have slowed the pace of the economic recovery outside of China. And, in China, the residential construction market may still be stagnant because of developers' excess debt, which may restrain the country's GDP growth to only about 4% per annum.

In 2023, relatively high inflation and boosted interest rates may cause global growth to be only moderate. Hence, returning steel oversupply and lower steel export prices may be "the norm" that year.

The critical development in the second half of 2022, and in 2023, will be just how well home country prices hold up granted that the export market is weak. WSD's expectation is that home market prices will hold up relatively well in good part because the steel industry in 2016 entered an "Age of Protectionism" that is still in effect. Home market prices in a number of regions, including North America, Europe, Russia/Ukraine and South America, should be sufficiently high to provide the steel mills with fair to good profit opportunities. In an action that provides support of this concept, ArcelorMittal on 7 October 2021 announced a EUR50/metric ton surcharge on long steel products.

This report includes forward-looking statements that are based on current expectations about future events and are subject to uncertainties and factors relating to operations and the business environment, all of which are difficult to predict. Although WSD believes that the expectations reflected in its forward-looking statements are reasonable, they can be affected by inaccurate assumptions made or by known or unknown risks and uncertainties, including, among other things, changes in prices, shifts in demand, variations in supply, movements in international currency, developments in technology, actions by governments and/or other factors. ✦

WORLD STEEL DYNAMICS is a leading steel information service in Englewood Cliffs, N.J., USA

WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.

Authors

Peter Marcus (left)
Managing Partner,
World Steel Dynamics
pmarcus@worldsteeldynamics.com
+1.201.503.0902

John Villa (right)
Research Strategist,
World Steel Dynamics
jvilla@worldsteeldynamics.com
+1.201.503.0911