



is a leading steel information service
in Englewood Cliffs,
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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.



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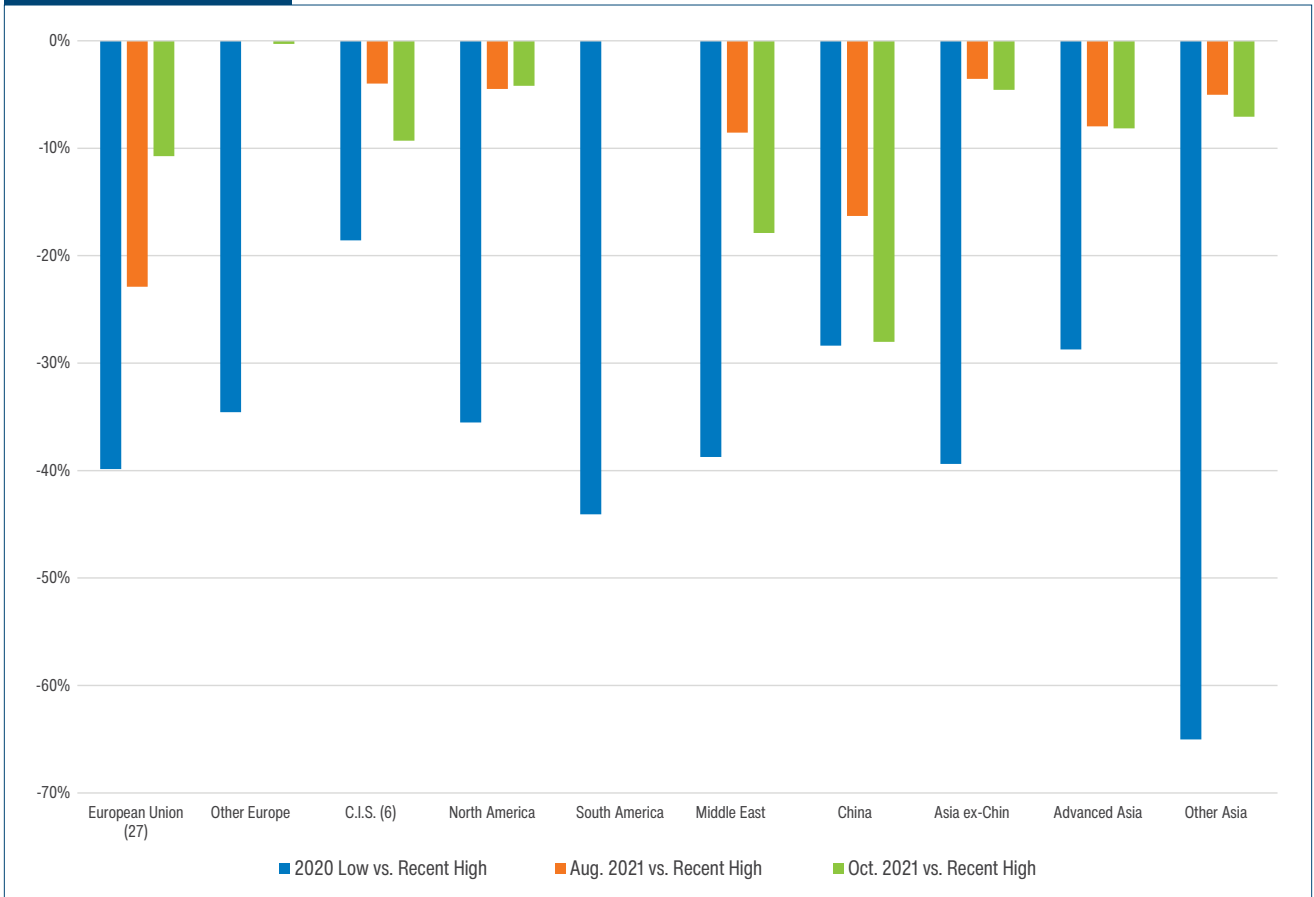
World Ex-China Steel Production

Upside Becoming Increasingly Limited

Since the inception of the COVID-induced economic downturn, WSD has carefully monitored regional steel production trends as an indicator of potential changes in steel prices, especially as regions with depressed production levels (relative to a recent "peak" level in the 24 months just prior to COVID) show signs of normalizing their output. Recent figures suggest that production upside is becoming increasingly limited in a number of countries where, at least on paper, significant latent capacities still reside (Fig. 1):

- In North America, and the U.S. in particular, the upside appears limited as the roughly ~5 million metric tons per year of "underproduction" are mostly accounted for by the reduction in crude steel output at various integrated steel mills whose blast furnaces have likely been retired for good (such as the U. S. Steel – Great Lakes Works operation and one of the blast furnaces at the U. S. Steel – Granite City Works, among other examples).
- In Japan, a similar situation is underway with the country's leading steelmaker by volume, Nippon Steel Corp., reaffirming its intent to reduce output in the country by nearly 10 million metric tons per annum in the years ahead. In early 2021, Nippon Steel announced five blast furnace closures in total from 2021 to 2024, bringing the total number of operating furnaces down from 15 to 10. These include blast furnace closures No. 1 and No. 2 in Setouchi Works Kure Area by 1H2021, Blast Furnace No. 1 in Kansai Works Wakayama Area by 1H2021, Blast Furnace No. 3 in East Nippon Works Kashima Area by end of fiscal 2024, and the previous closure of Kyushu Works Yakata Area Blast Furnace No. 1 in fiscal 2020. In addition, Nippon Steel also plans on permanently idling the Yamaguchi Works electric arc furnace (EAF) by the end of fiscal 2023. In all, the approximate total crude steel capacity reduction is just below 14 million metric tons per annum.
- In the CIS, where current underproduction is about 10 million metric tons per annum relative to the recent high, nearly half of this figure is concentrated in Ukraine, where recent and possible near-term political turmoil are likely to limit steel production upside. Similarly, Russian steel production upside appears limited at least in the immediate future (2–6 weeks from the time of this writing) as one of the largest blast furnaces in the country is undergoing maintenance at a major export-oriented plant, according to WSD contacts.
- In the EU, the latest wave of Omicron-related lockdowns is likely to limit steel production in the months ahead.
- In the Middle East, despite a substantial level of underproduction based on the latest reported statistics, WSD contacts indicate Iran producers are aggressively seeking export orders for semi-finished steel products. Higher electricity and natural gas prices are leading to a massive surge in

Figure 1



Regional steel production trends: COVID-19 lows vs. current situation.

production costs for EAF producers the world over; hence, it would not be surprising to see a number of these producers turning to low-priced

billet on the world market as a substitute for their own high-cost melt in the weeks ahead.

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