



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.



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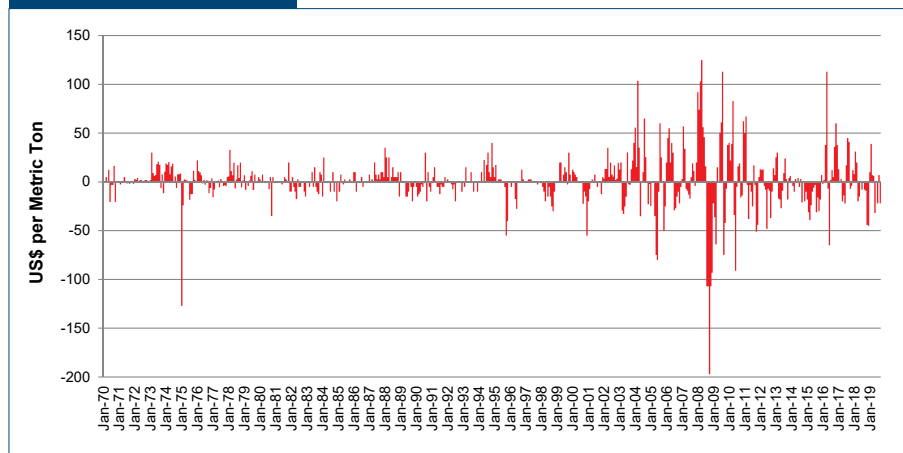
## Steel's "industrial structure" more competitive; HRB export pricing "death spirals" more frequent

The hot-rolled band (HRB) export price in late 2015 was, by far, the lowest in the history of the industry relative to the steel mills' costs — i.e., it was about US\$50 per metric ton below the marginal cost of the median-cost steel mill delivered to the port of export. This calamitous price/cost situation stimulated an avalanche of

steel trade suits against the Chinese steel mills and others. By fall 2018, the trade suits had multiplied to such an extent that the steel industry was pushed into a new "Age of Protectionism."

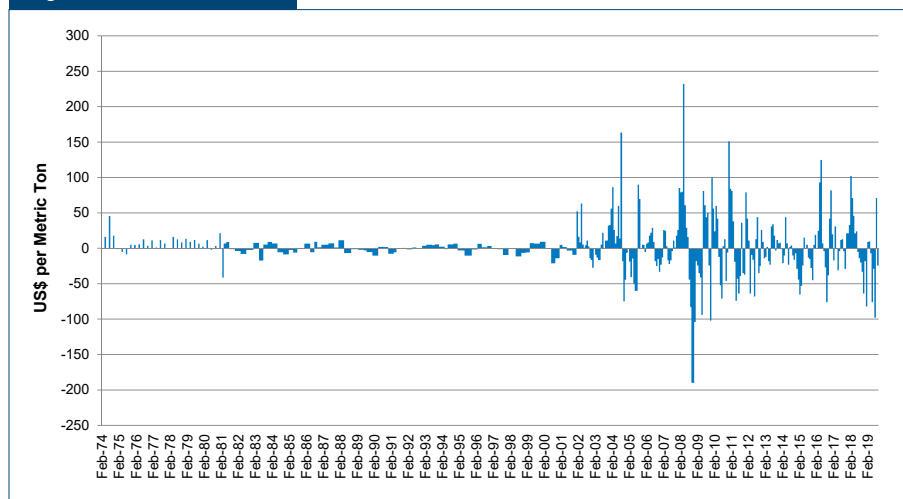
Since then, there have been continued trade suit actions in many countries. Yet, there's been no

Figure 1



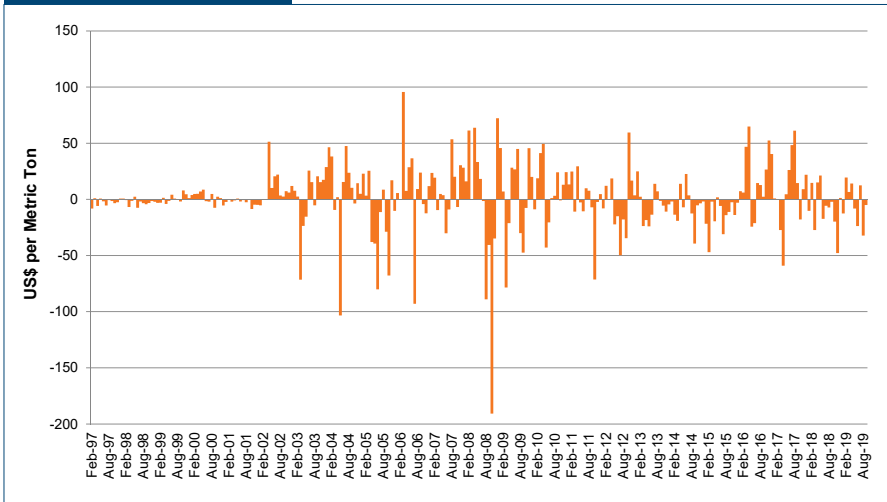
*World export steel buyer/seller cardiac arrest. World export price for hot-rolled band, FOB port of export (month-to-month price change).*

Figure 2



*USA steel buyer/seller cardiac arrest. USA export price for hot-rolled band, FOB port of export (month-to-month price change).*

Figure 3



*China export steel buyer/seller cardiac arrest. China export price for hot-rolled band, ex-works excluding 17% VAT (month-to-month price change).*

diminishment in international steel mills' exporting potential — in fact, it's probably up.

Global steel exports in 2017 were about 455 million metric tons, including about 110 million metric tons of intra-EU trade. The EU steel marketplace is a competitive market because so many foreign mills — including those in eastern Europe, Russia, Ukraine, Turkey, China and elsewhere — are seeking a share of it. Often, the HRB spot price in the southern European region is not far above the HRB world export price.

Apart from the steel mills' shipments of steel products to their downstream fabricating and manufacturing plants located in other countries, perhaps two-thirds of exports of other steel products are subject to

considerable price competition. Safe havens are few.

In the USA, Section 232 trade restrictions implemented initially in mid-March 2018 did not drive down foreign deliveries as much as expected. In the following months, USA prices rose to a huge premium to foreign prices. Hot-rolled band in the USA in July 2018 peaked slightly above US\$1,000 per metric ton versus the HRB export price at that time of US\$600 per metric ton, FOB the port of export.

In the Pacific Basin, a sizable number of new coastal mega-sized steel plants have come into production since 2008. And, many more are planned. In China, at least 10 plants have been started up fairly recently

and/or are under construction. In Indonesia, there's a relatively new partially POSCO-owned integrated plant. In Vietnam, Formosa Plastics is operating a second blast furnace at its new 7-million-metric-ton-per-year Ha Tinh unit; and, another mega steel plant, owned by the Hao Phat Group, is just starting up an integrated 5+-million-metric-ton-per-year facility. A new mega plant has also been announced for the Philippines.

Hence, WSD no longer thinks that a pricing "death spiral" for HRB in the world market can be expected every 10–15 years. Now, each time there's a significant downturn of apparent steel demand, or perhaps two to three times per decade, a pricing death spiral may occur.

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