



# Plate prices under pressure in face of weakening market

Steel Plate Market Outlook

2022 Q4 Edition

Global Summary



November 2022

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# Global Overview

## Summary

1. Plate prices have continued to fall over the past quarter, with European prices nearing pre-war levels. US prices have now fallen below where they were in February, though remain elevated compared to historical levels, and Chinese prices have reached their lowest levels in years. Prices are being brought down by weak demand and disproportionately strong supply.
2. Chinese plate demand is expected to decline over the next few years, with stimulus measures not being enough to offset a deteriorating real estate sector.
3. Outside China, we are projecting slow but steady growth for plate demand. We expect to see some impact from the European recession on consumption, but this will be a relatively short-lived and shallow dip. Over the longer term, investments in renewable energy will be a major driver of plate demand.
4. US exports are expected to pick up in the next years as new capacity is added while demand remains relatively subdued. This will direct more plate to the export market – additionally supported by the imposition of CBAM in the EU aiding competitiveness relative to other suppliers.



**Chris Bandmann**

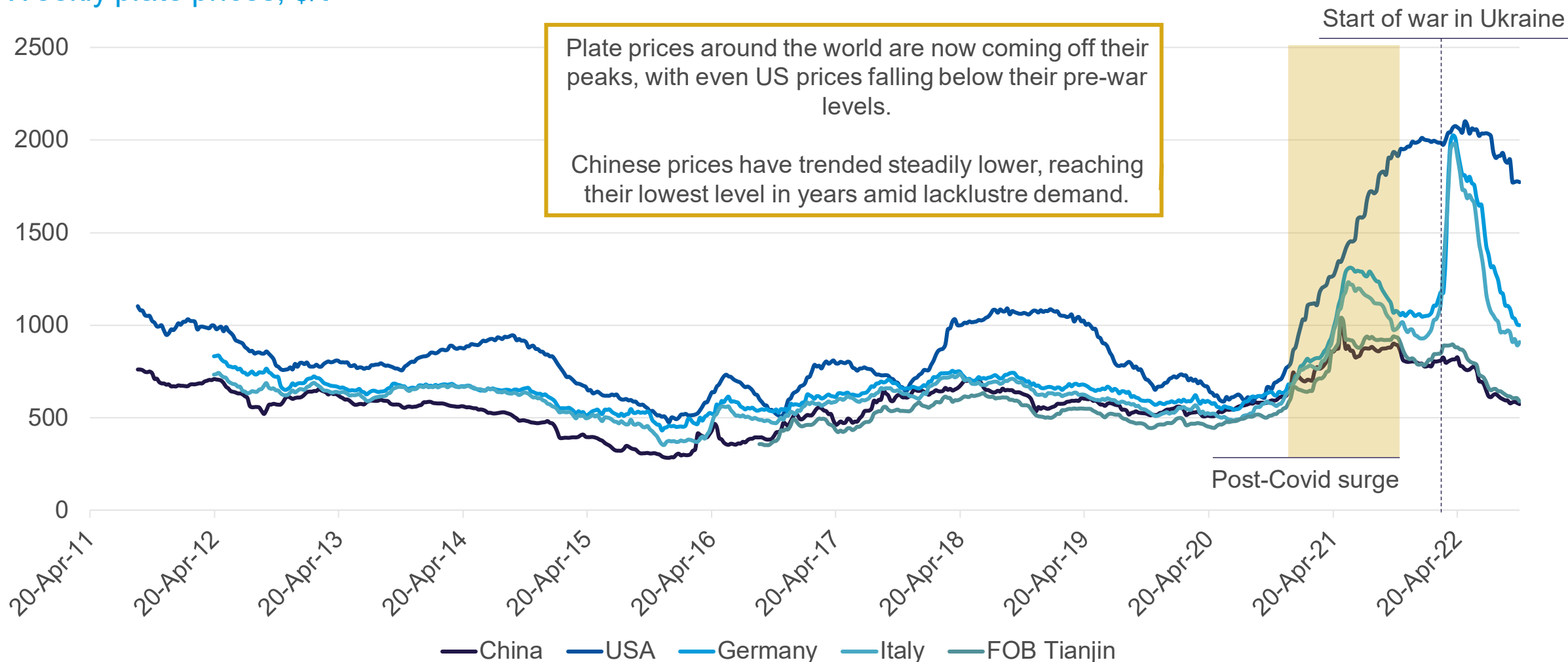
**Analyst**

+44 20 7903 2055

chris.bandmann@crugroup.com

# Globally, plate prices have come off their peaks

## Weekly plate prices, \$/t

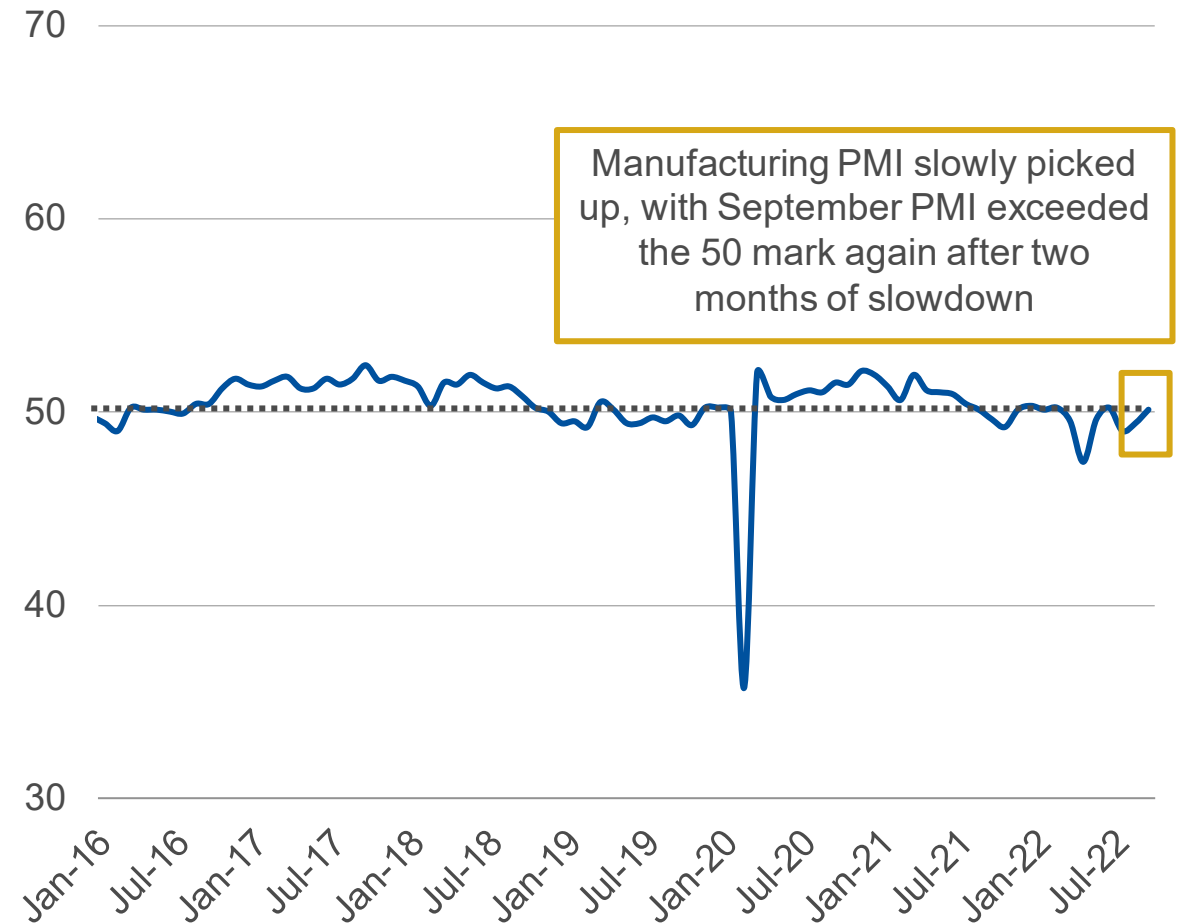


# The recovery of Chinese manufacturing remained slow in Q3 2022

CEIC high-frequency economic activity index



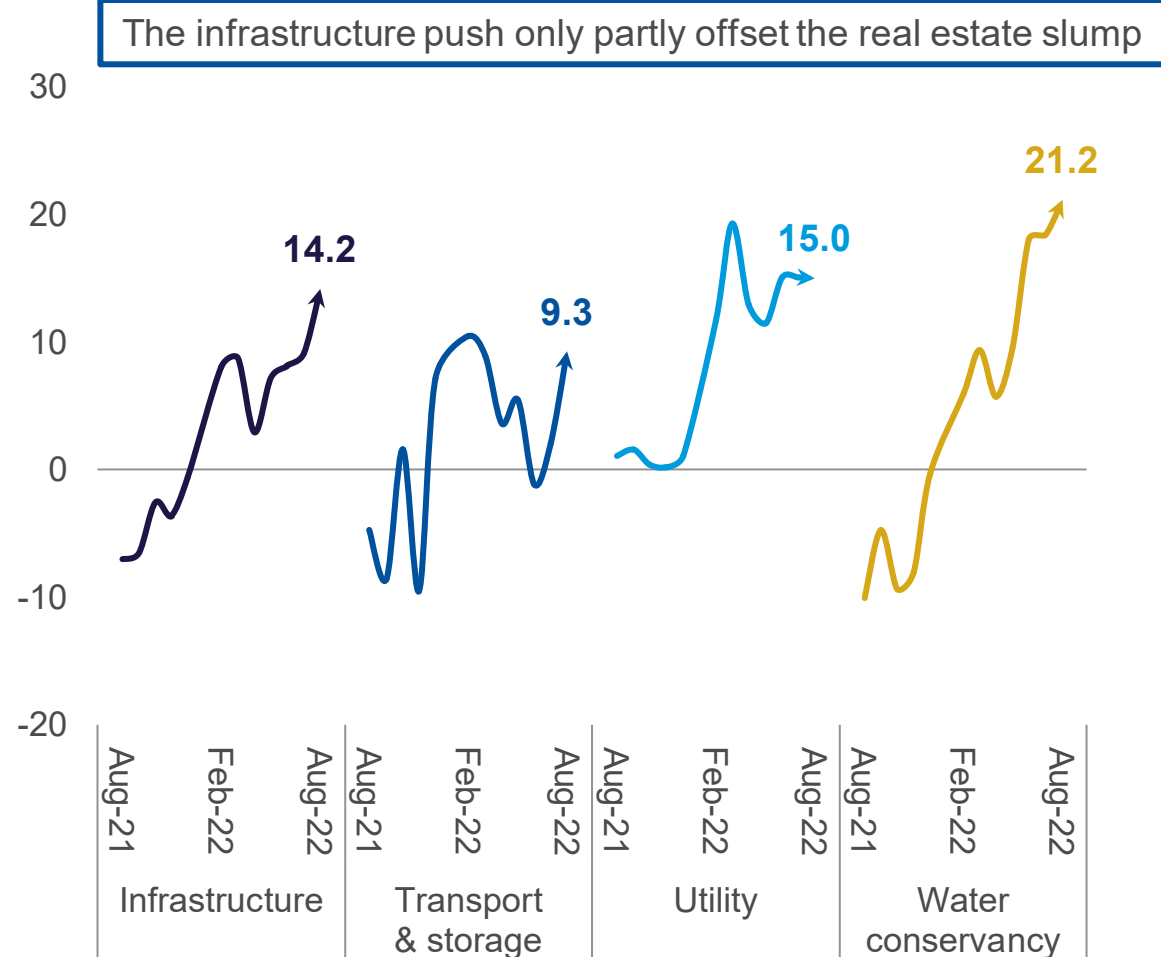
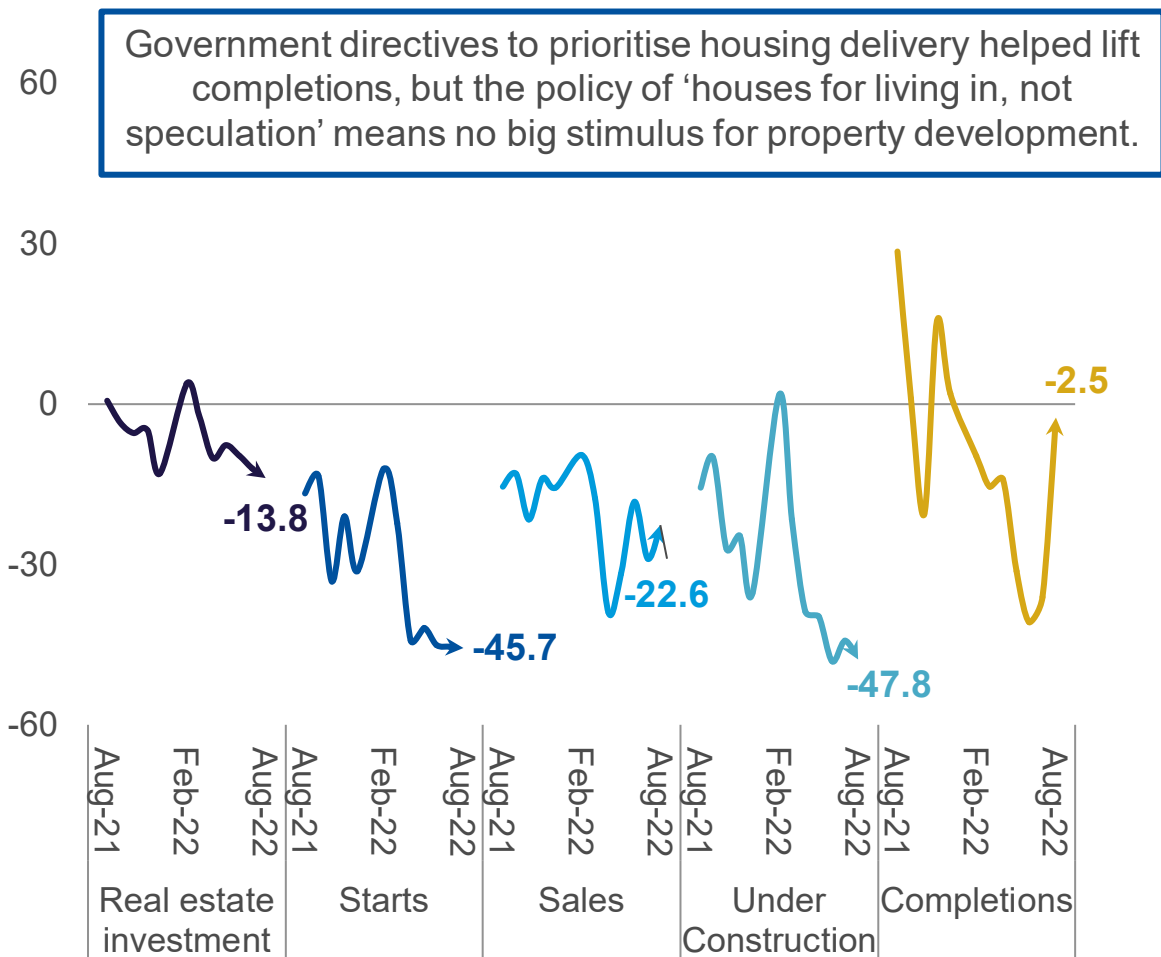
CFLP Manufacturing PMI



# Plate demand was partly supported by a slow recovery in construction...

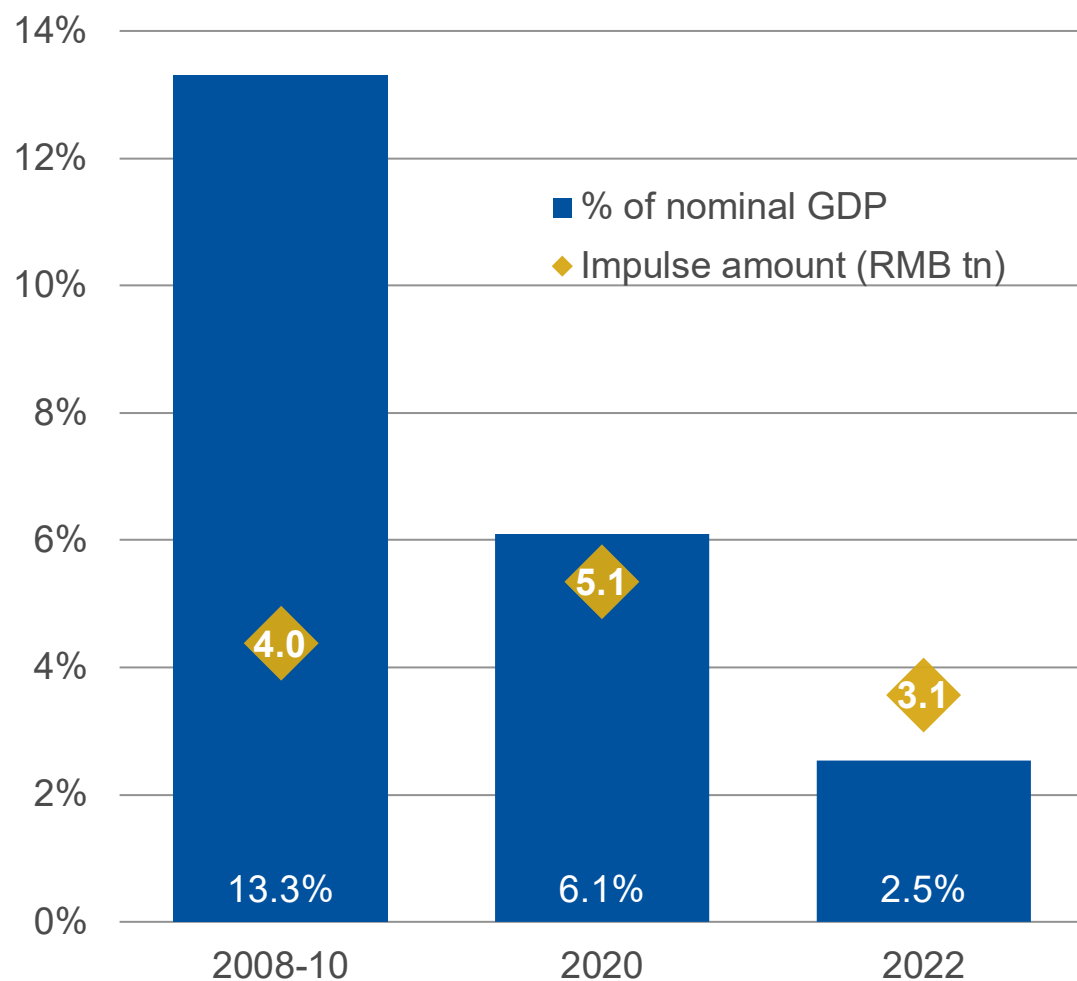
Construction activity in the real estate sector, y/y %

Infrastructure investment, y/y %



# China's stimulus falls short of previous stimulus episodes

## China's fiscal stimulus and as % of nominal GDP



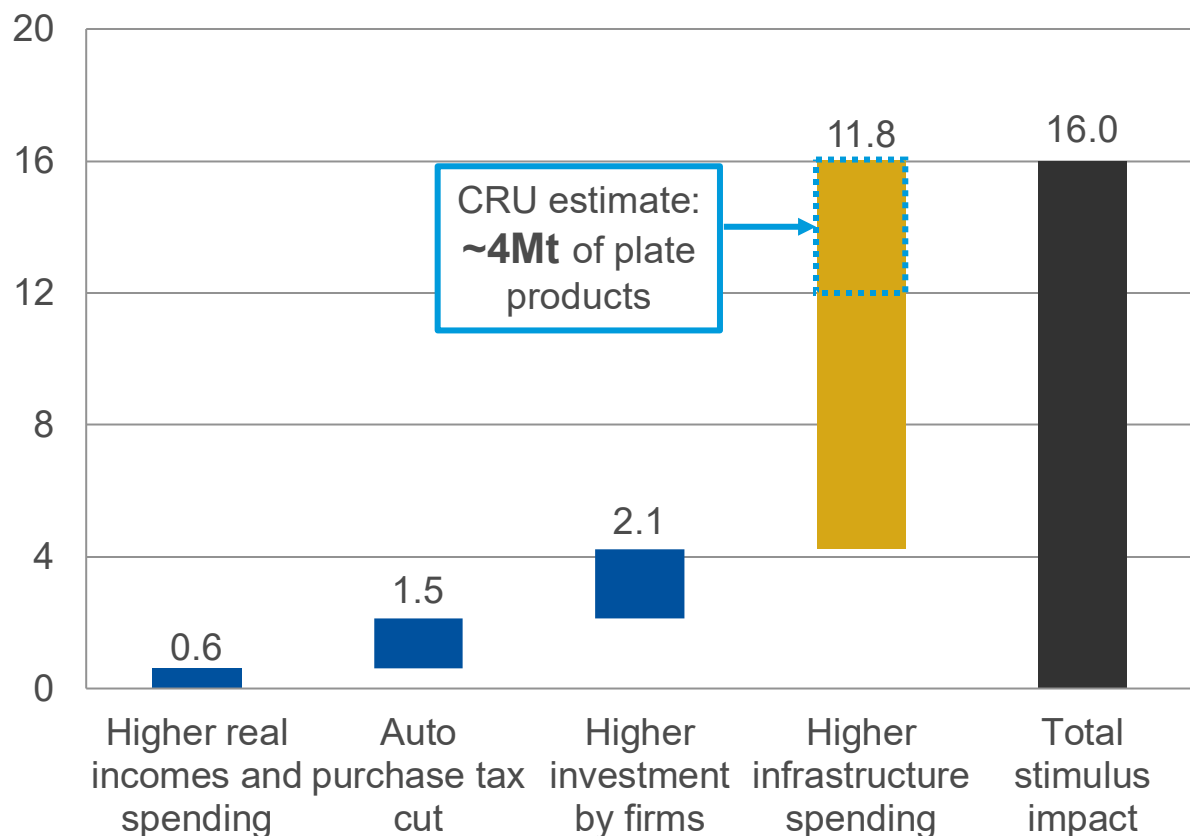
2022 Fiscal impulse (y/y difference of fiscal expenditure)	Stimulus nominal amount (RMB bn)	% of nominal GDP
General government deficit	-290	-0.2%
Tax cuts and relief (incl. auto purchase tax cut)	1,600	2.7%
Retail voucher	5	0.0%
Local government special purpose bond	620	0.5%
Railroad and energy infrastructure bond	500	0.4%
Policy-backed financial instrument	600	0.5%
Agricultural supplies subsidies	40	0.0%
Rollover of expiring special treasury bonds*	0 to 950*	0%-0.8%
<b>Total</b>	<b>3,075 to 4,025</b>	<b>2.5% to 3.3%</b>

- China is reluctant to resort to “flood-like” stimulus episodes
- Government kept pumping money into **infrastructure**

# Altogether, the impact of the stimulus on plate products will be limited

China's stimulus will add around 16 Mt of total steel demand in 2022 vs. a scenario without any stimulus

Increase in finished steel demand in 2022 by sector, Mt



➤ Stimulus focused on infrastructure will boost steel demand, but not enough to offset the hit to construction activity caused by the ongoing property downturn

Plate-intensive!

➤ Auto stimulus has worked well so far to boost both production and sales, but the extent is relatively limited

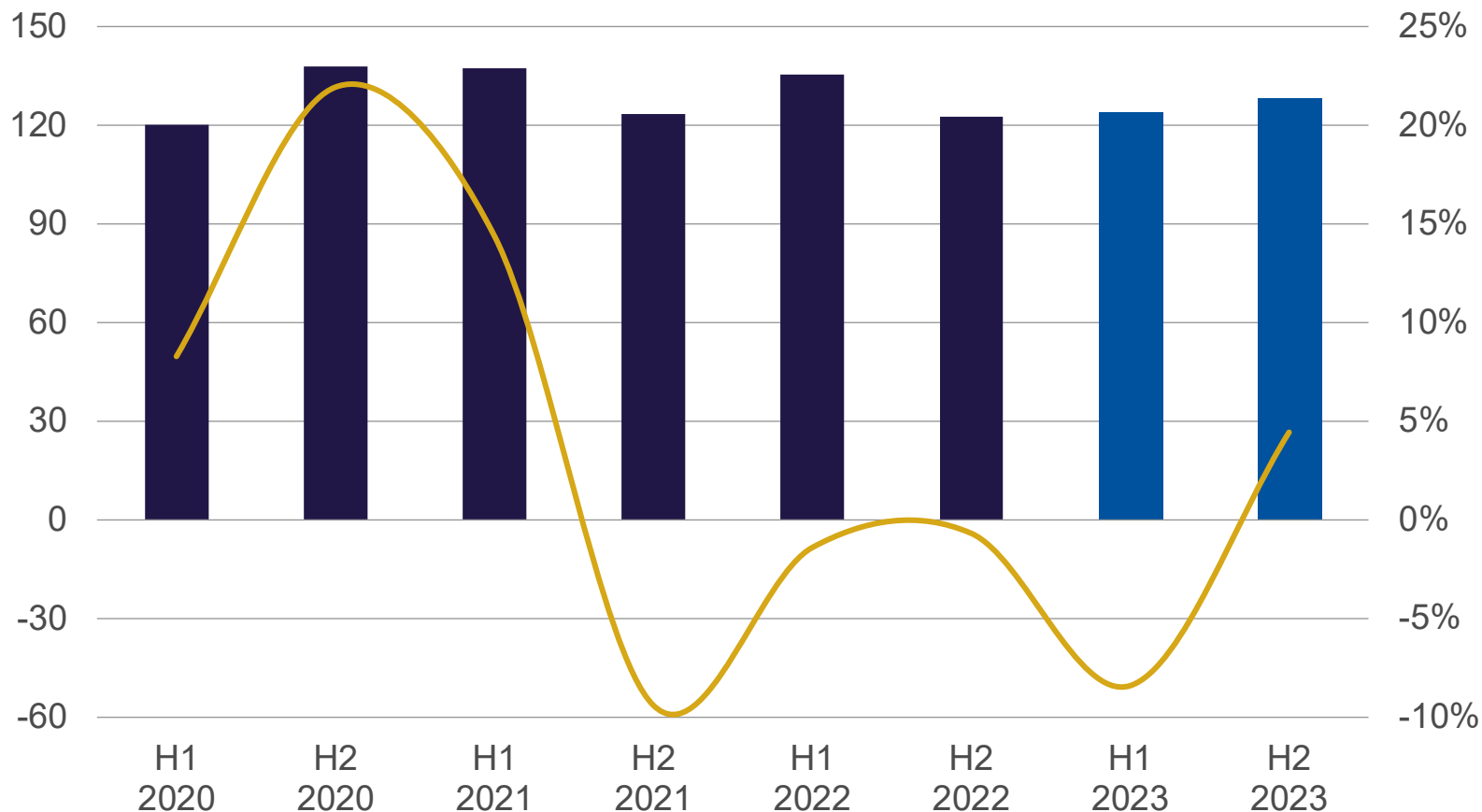
Not plate-intensive!

➤ Higher investment by firms given tax cuts is also limited given a tougher survival environment



# Overall, plate demand is expected to decline in 2022 and 2023

Chinese plate demand (Mt, LHS) and growth (y/y %, RHS)

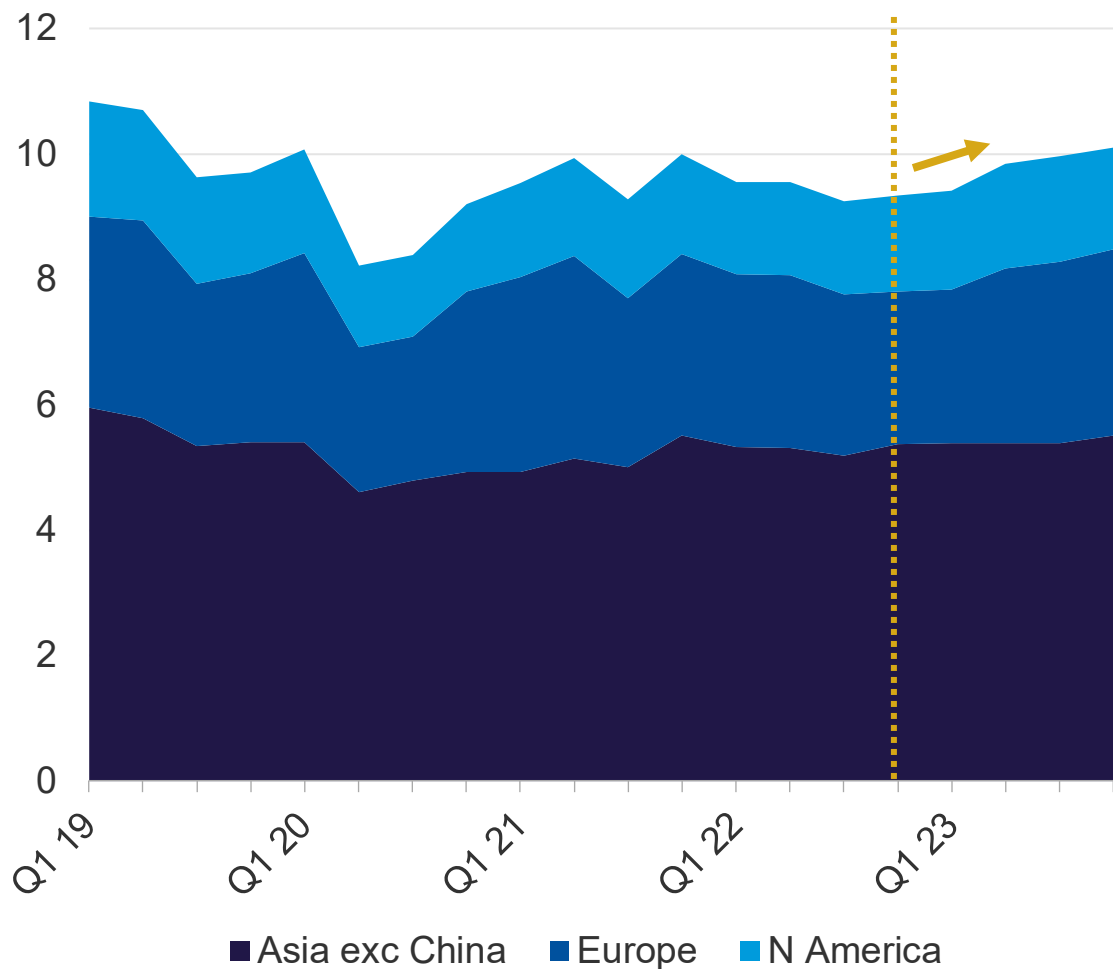


- Plate demand was estimated to have been boosted by the stimulus measures in 2022, although the extent of support was still insufficient. We have upgraded our view to a mild **1.1% y/y decline** in total plate apparent consumption in **2022**.
- In **2023**, the ongoing support from the government for infrastructure and shipbuilding will bring some limited upside in plate demand and h/h growth in H2, but we still forecast a **2% y/y fall** on the back of a deteriorating real estate sector and coming off the high base of 2022.
- Meanwhile, the 'Zero-Covid' strategy will continue to bring uncertainty and drag on growth in the coming year.

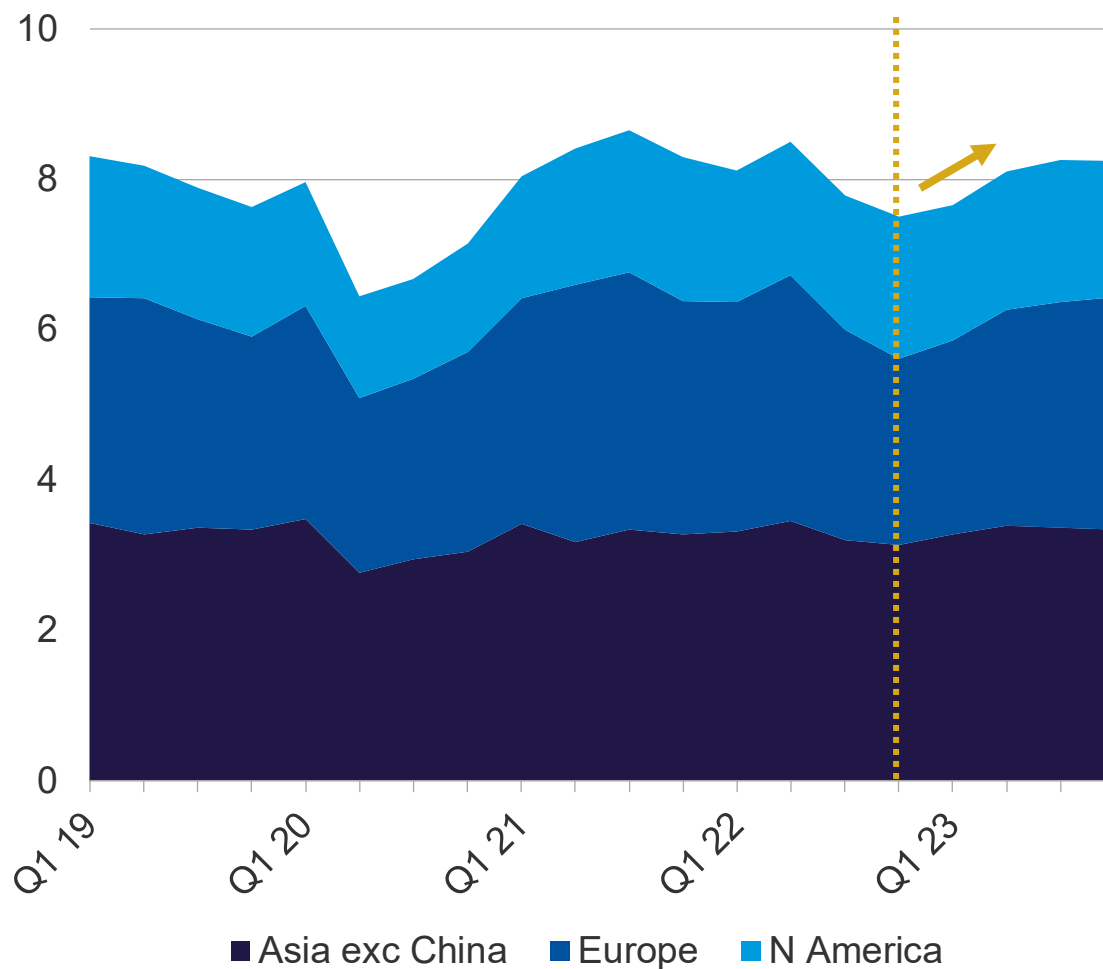
# Elsewhere, plate demand is expected to see slow but steady growth

Quarterly apparent consumption, Mt

Reversing mill plate

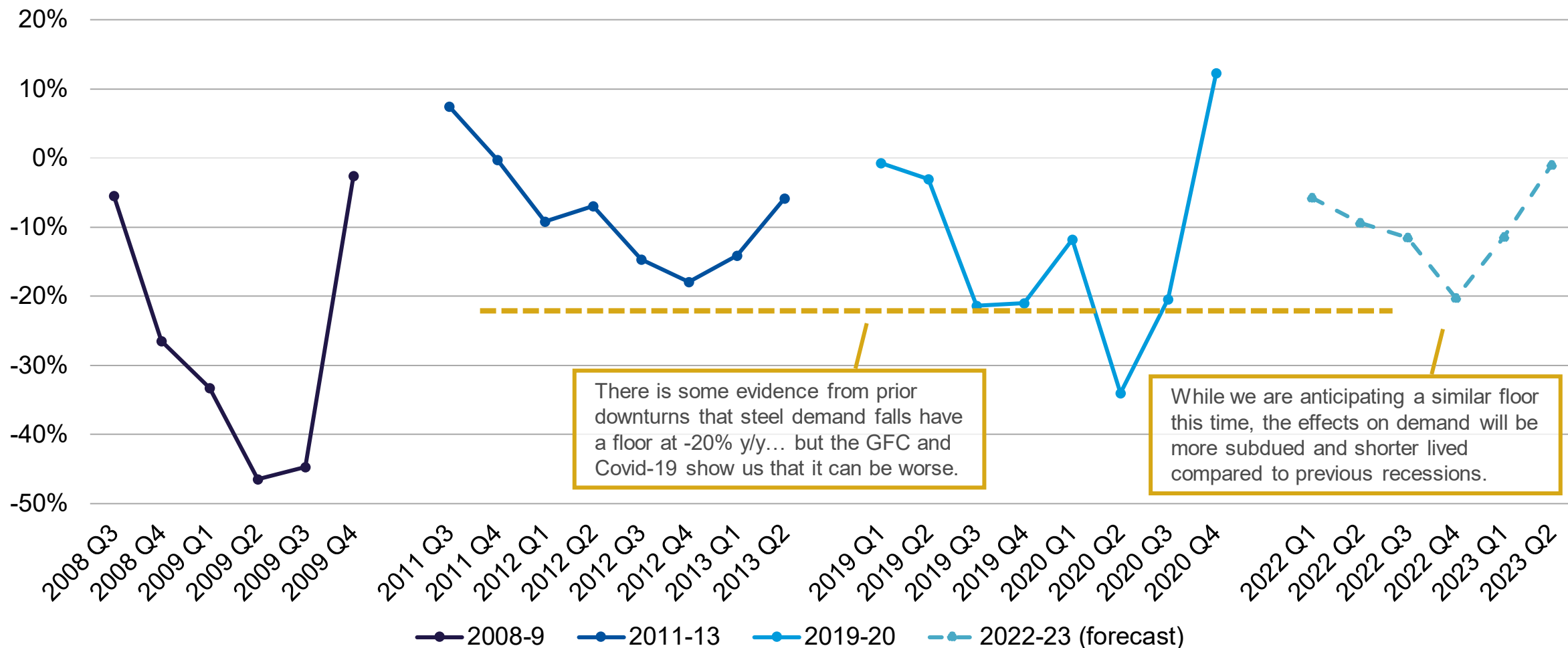


Coil plate



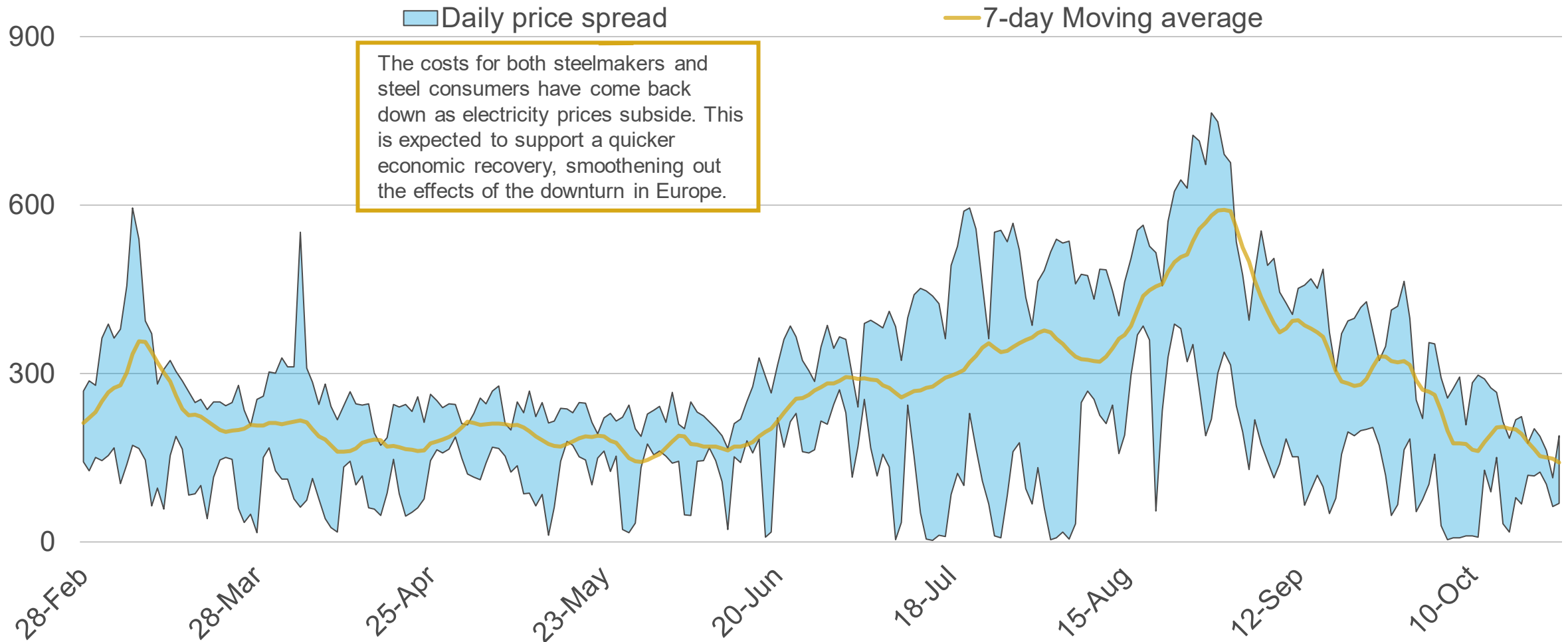
# In Europe, we expect a downturn though Q4 2022 and Q1 2023

Western Europe total plate demand, y/y % change



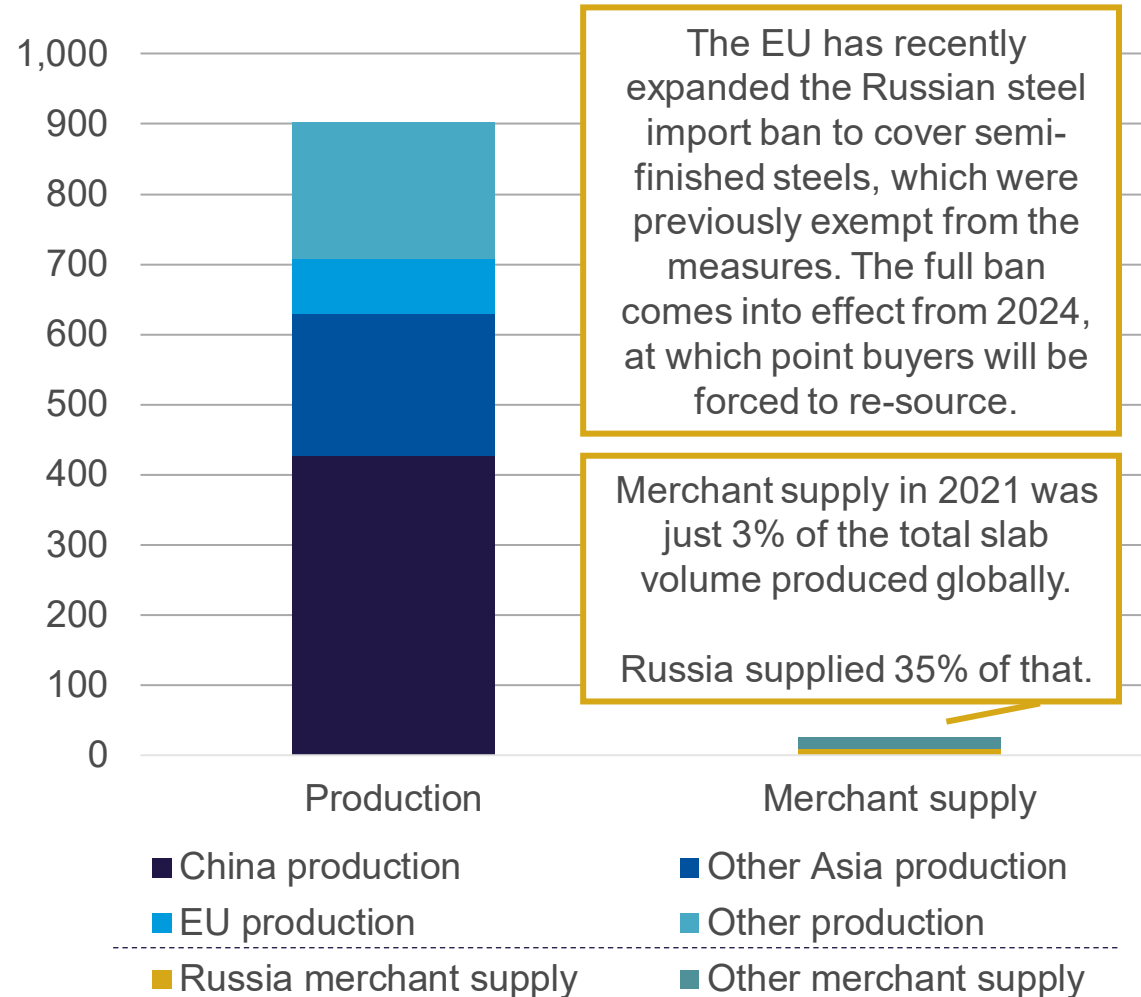
# European electricity prices have fallen significantly in recent months

## European electricity prices, €/MWh

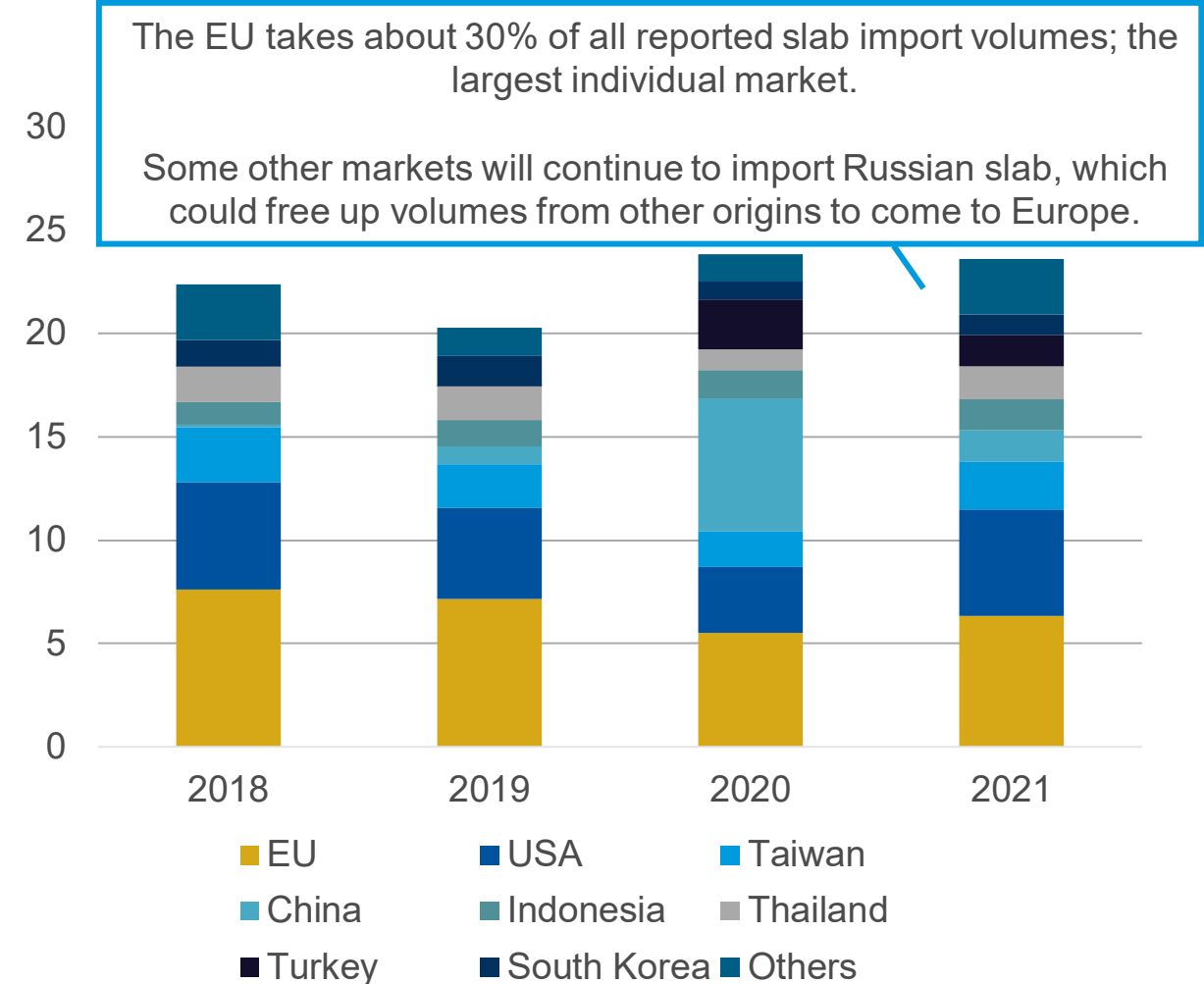


# The expansion of the Russian sanctions to semis will pose a challenge

Slab production and merchant supply\*, 2021, Mt

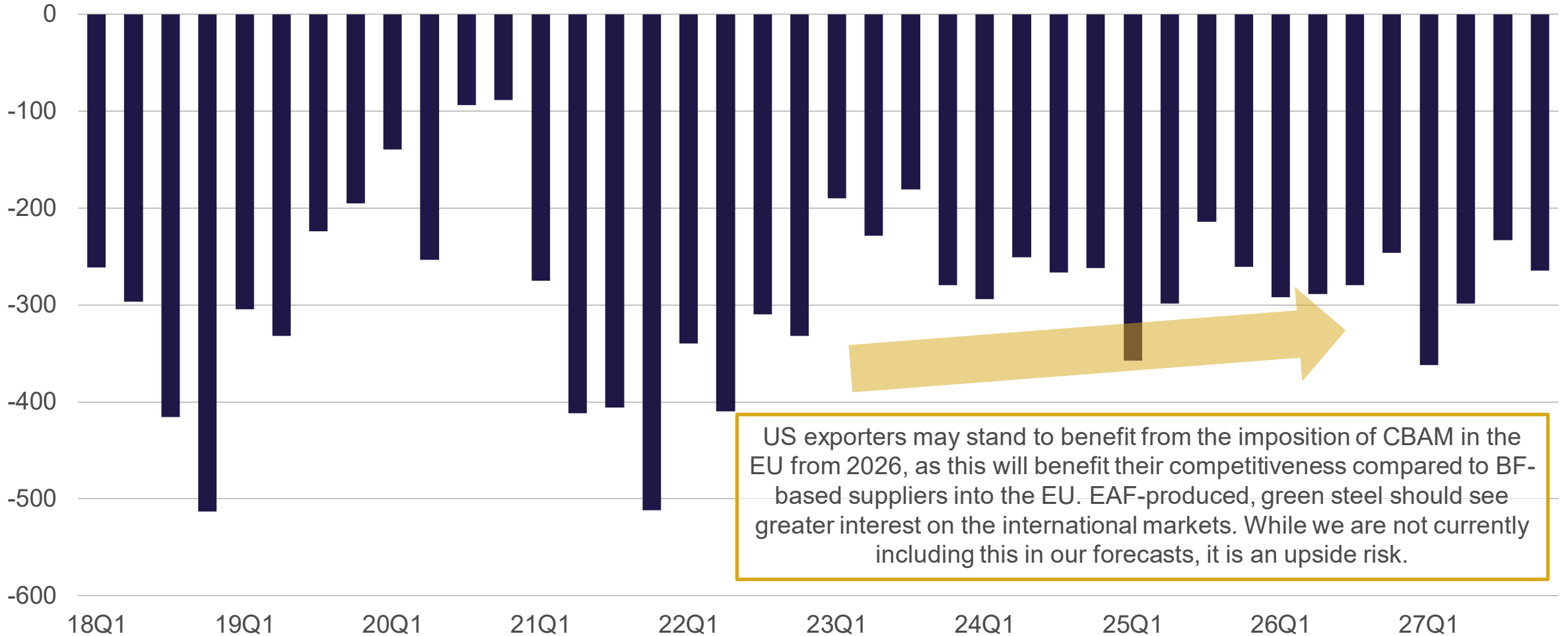


Slab reported imports, Mt



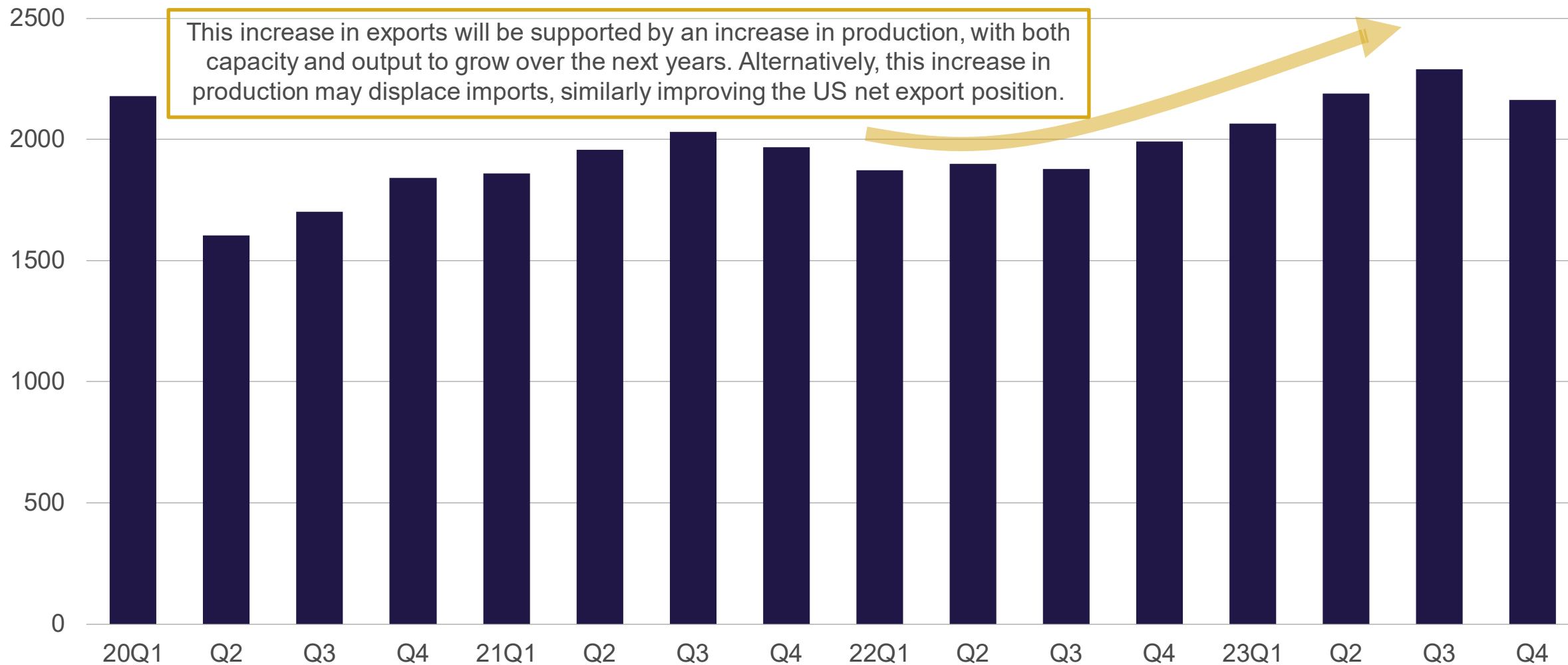
# Production issues abroad, carbon pricing may result in US exports...

## North American net exports of plate, kt



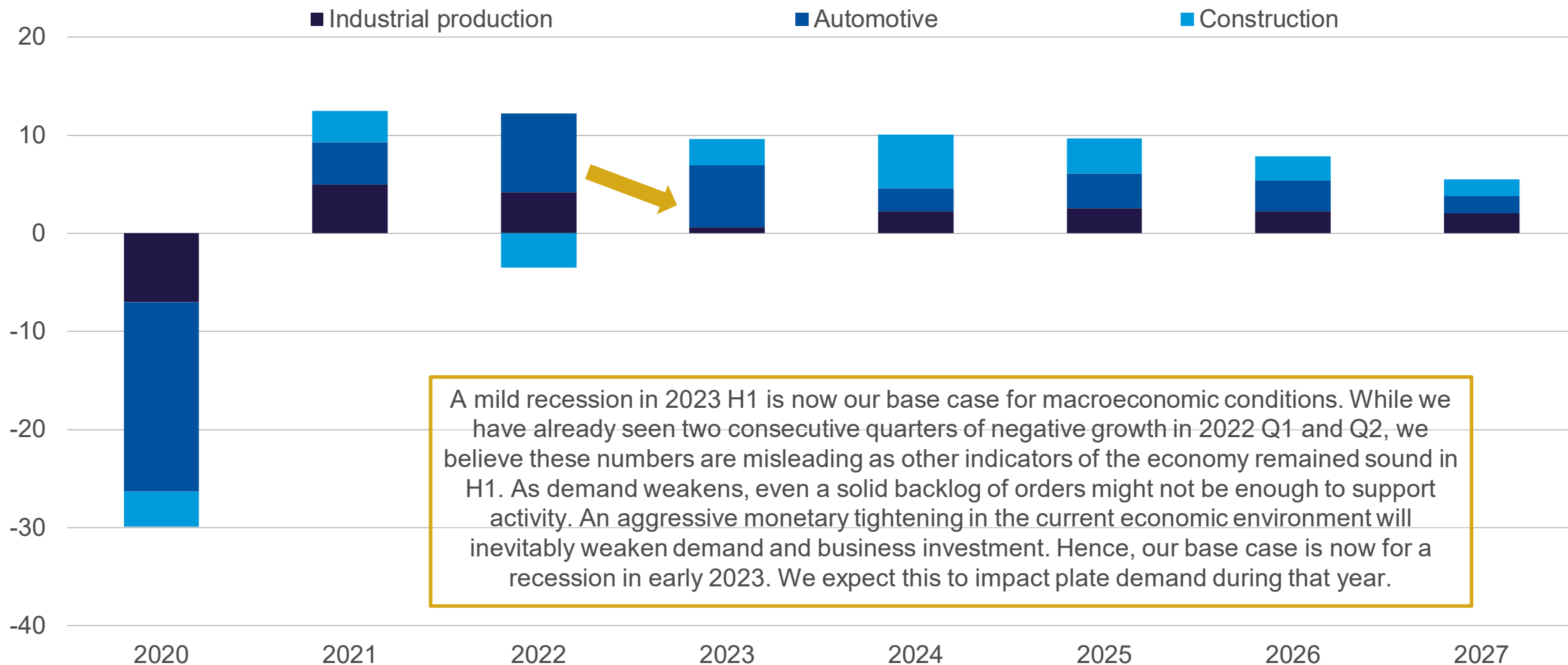
## ...while more domestic production comes online – or displaced imports

LHS: US total domestic plate production, kt



# US domestic demand faces economic headwinds

LHS: US total domestic plate production, Kt





# Plate prices are broadly expected to decline outside China

Plate price forecast, \$/t

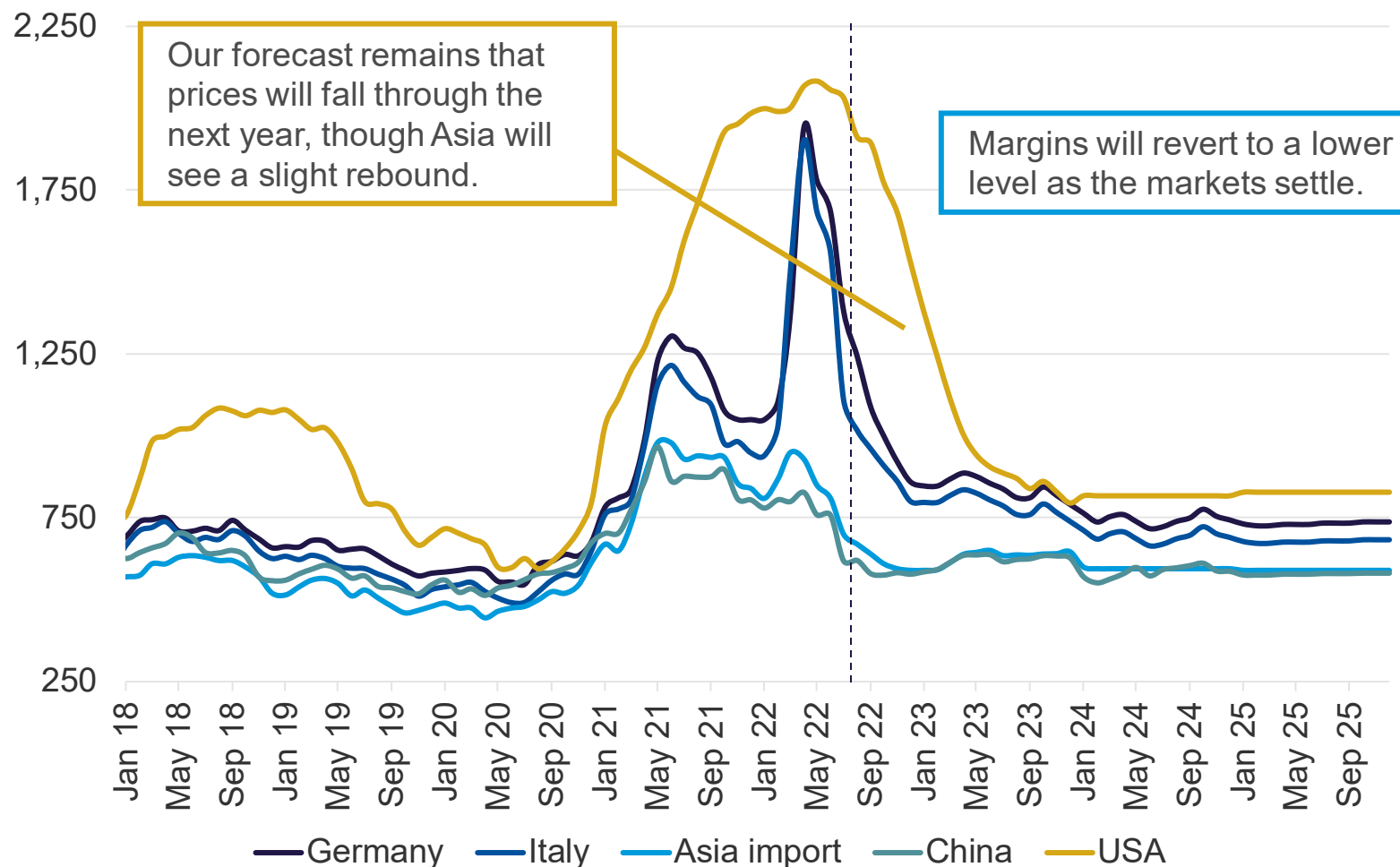
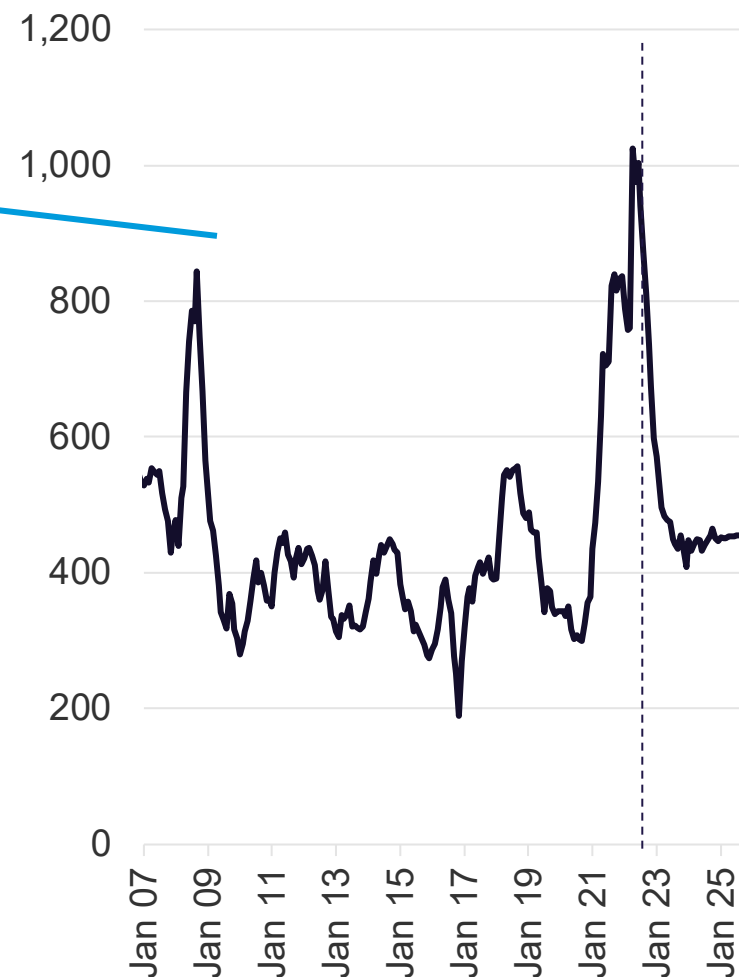


Plate average margin over cost basket\*, \$/t



DATA: CRU. \*average of USA, Germany and China, over a basket of iron ore, coking coal and scrap costs.