



Better sentiment but not yet better real demand

Steel Sheet Products Market Outlook

2023 Q1 Edition
Global Summary

JANUARY 2023



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Global Overview

Summary

- Sheet prices have bottomed, led by moves in Asia as the rollback of China's Covid-19 restrictions boosted sentiment.
- 2022 was an extremely volatile year for sheet prices. In Europe poor margins have caused most domestic mills to cut back.
- China's change on Covid-19 comes while its economy has challenges.
- Some parts of the global inventory cycle may be close to a turning point, but near term end-use indicators paint a mixed picture for real demand. Our demand forecast is still weak for Q1, before growth then restarts.
- We do not yet see support for a strong upward price cycle and therefore do not expect to see prices continue to increase.
- Our 5-year view on China is no demand growth and restrained supply. The focus of future demand growth will be developing Asia.
- China will stay a supplier of higher value-added products to the world but withdraw from commodity sheet, where other changes will occur.
- Europe will attract low-CO₂ steel as CBAM prices emissions in.



Matt Watkins

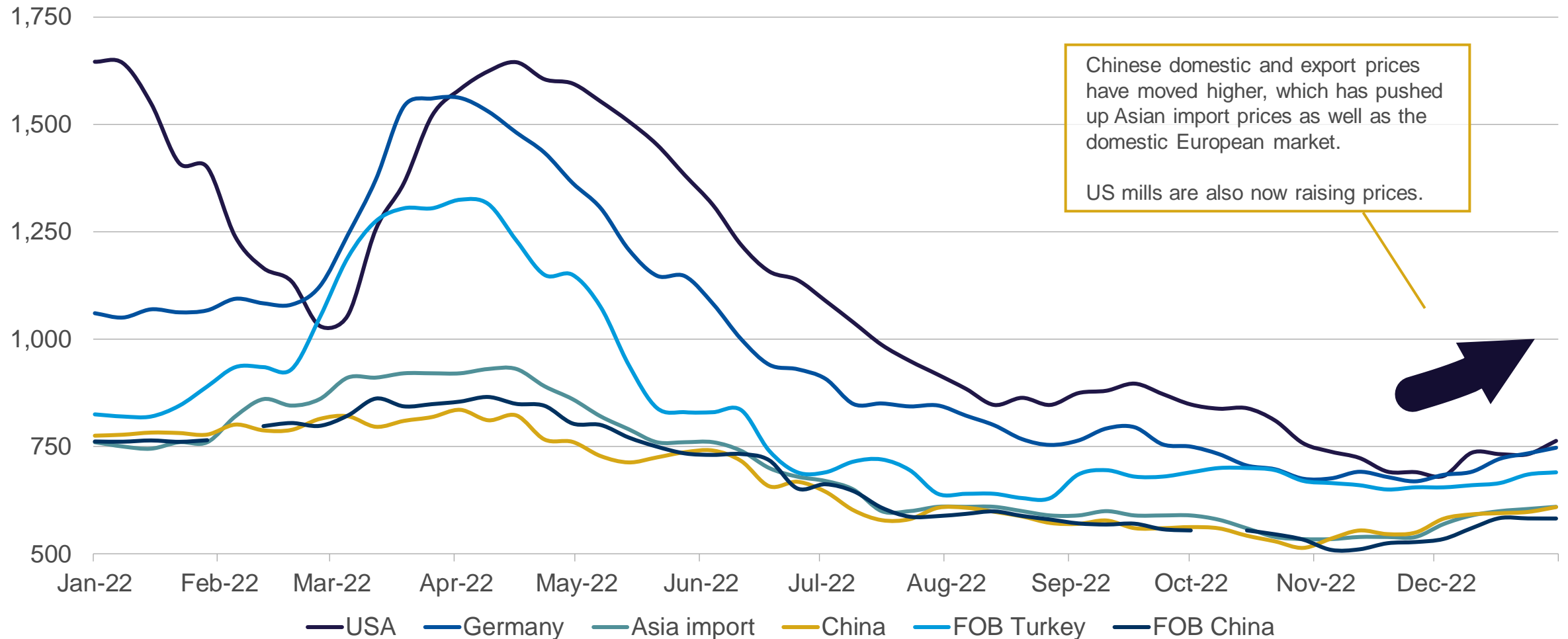
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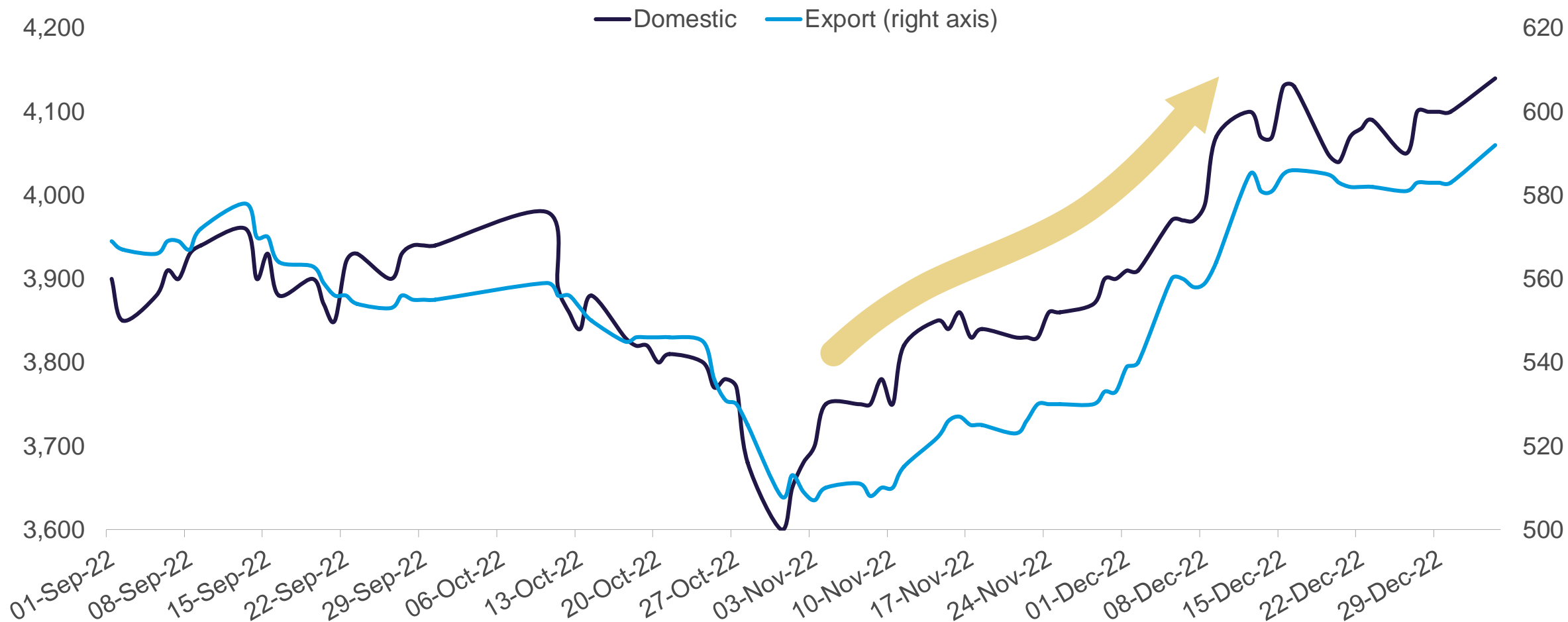
Sheet prices have bottomed, led by moves in Asia...

HR coil spot prices, \$/t



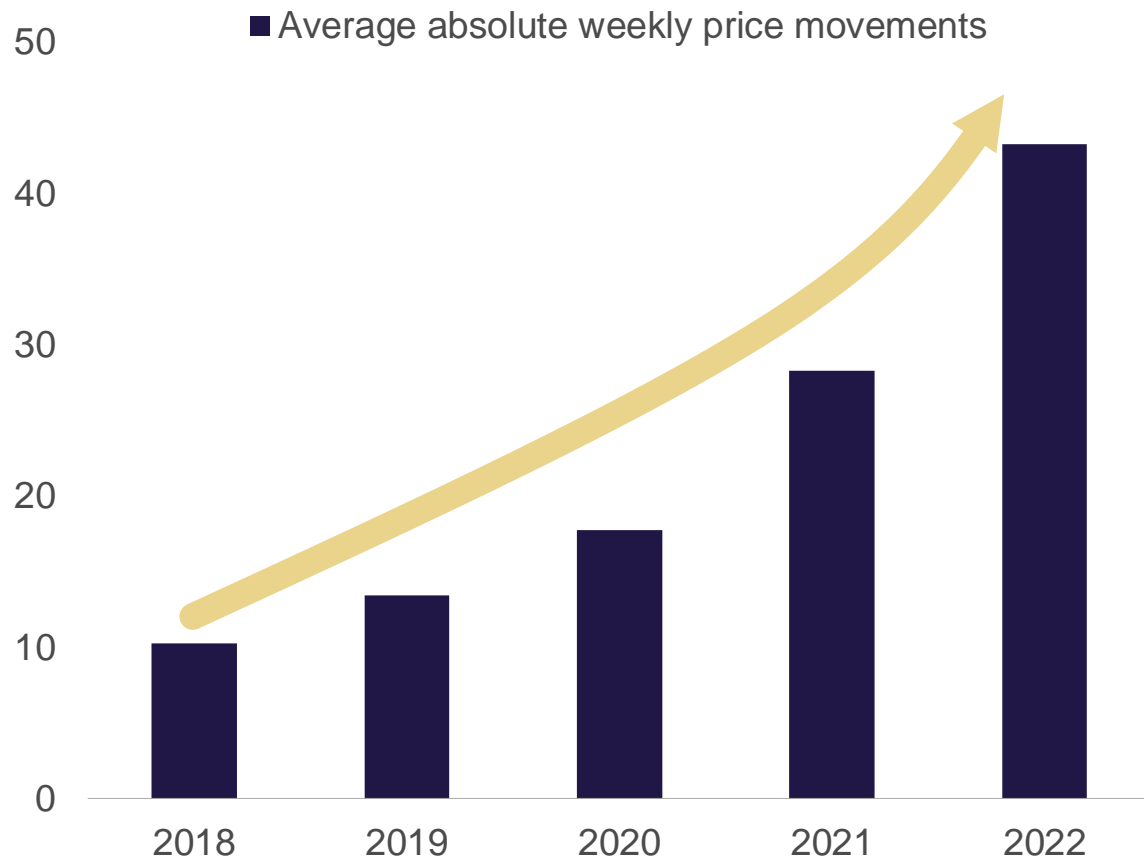
...as the rollback of China's Covid-19 restrictions boosted sentiment

Daily Chinese HR coil prices, RMB/t (domestic) and \$/t (export)*

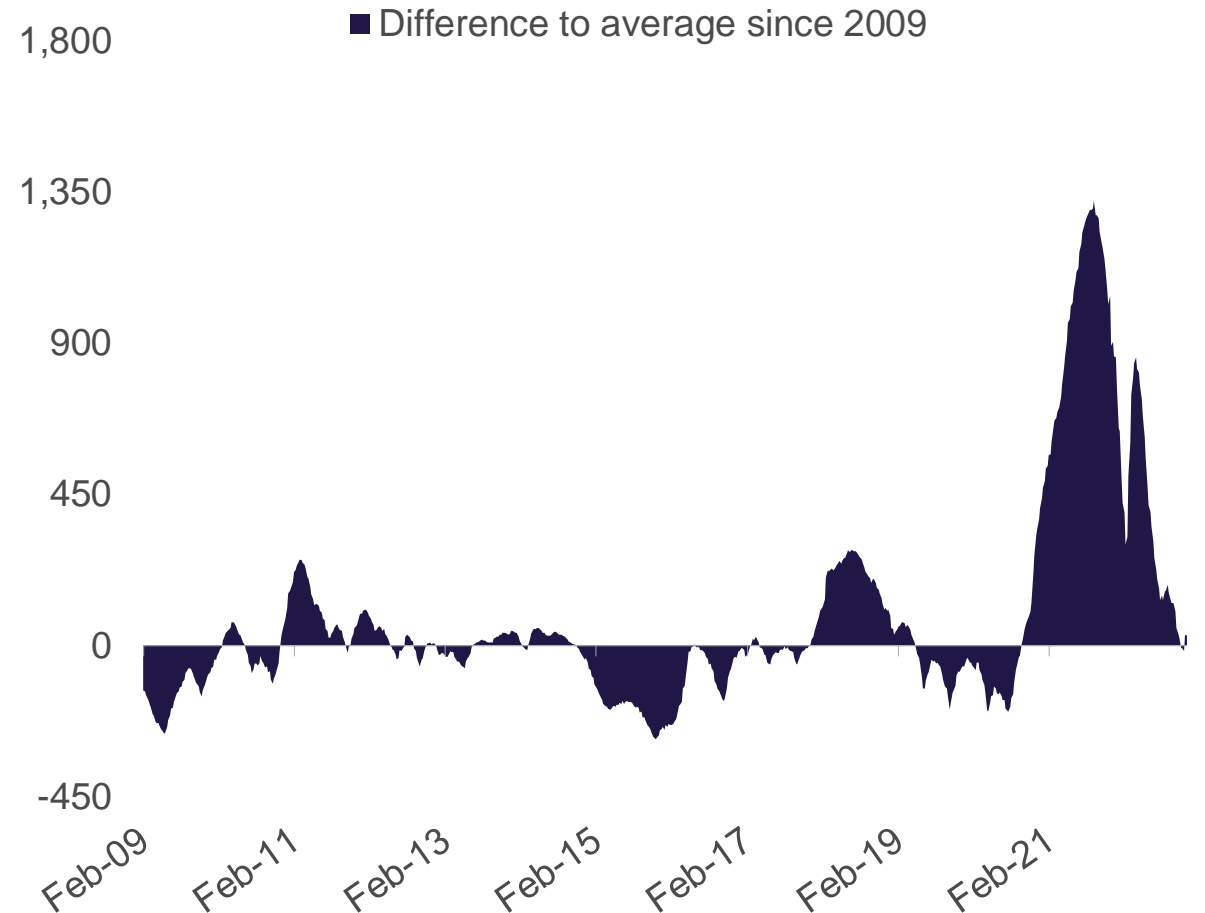


Prices were volatile in 2022: to the benefit of mills initially, but later...

HR coil price movements FOB US Midwest, \$ /s.ton

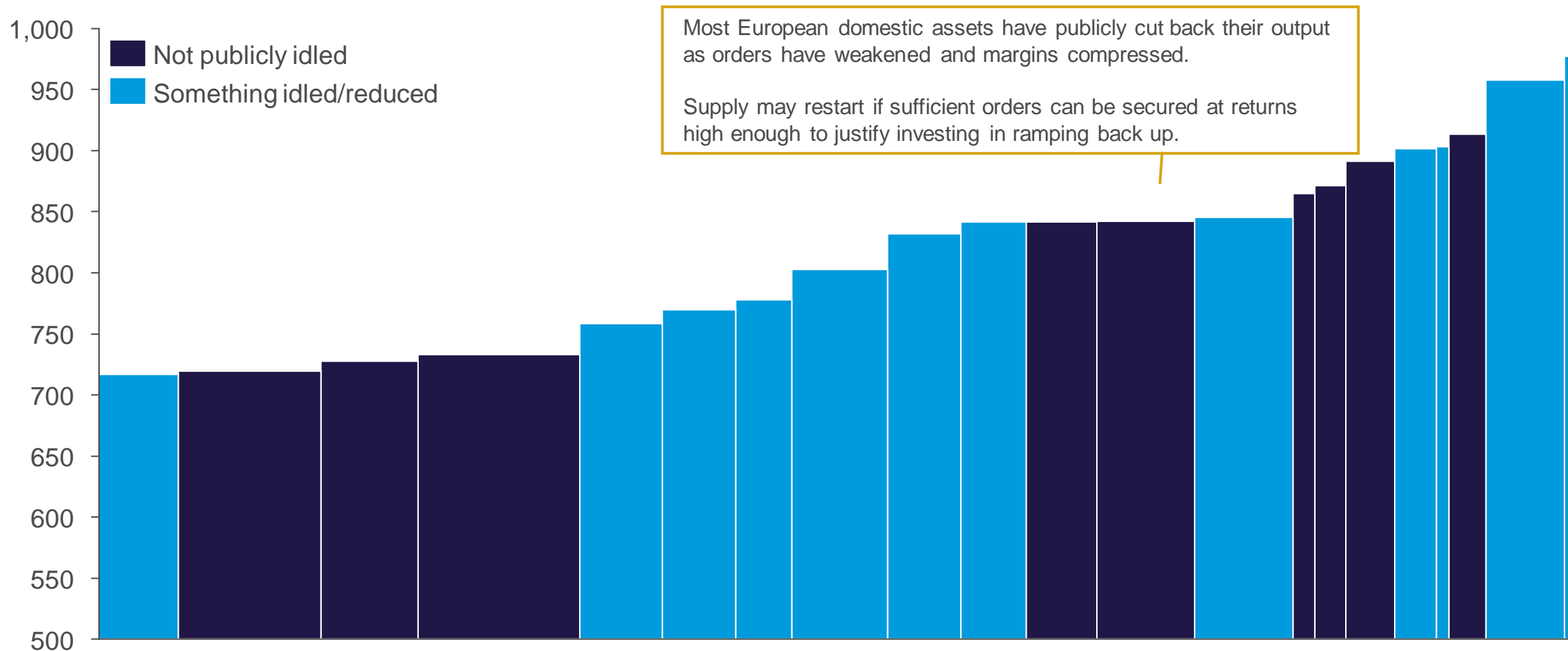


US HR coil price difference to average, 0 = \$634 /s.ton



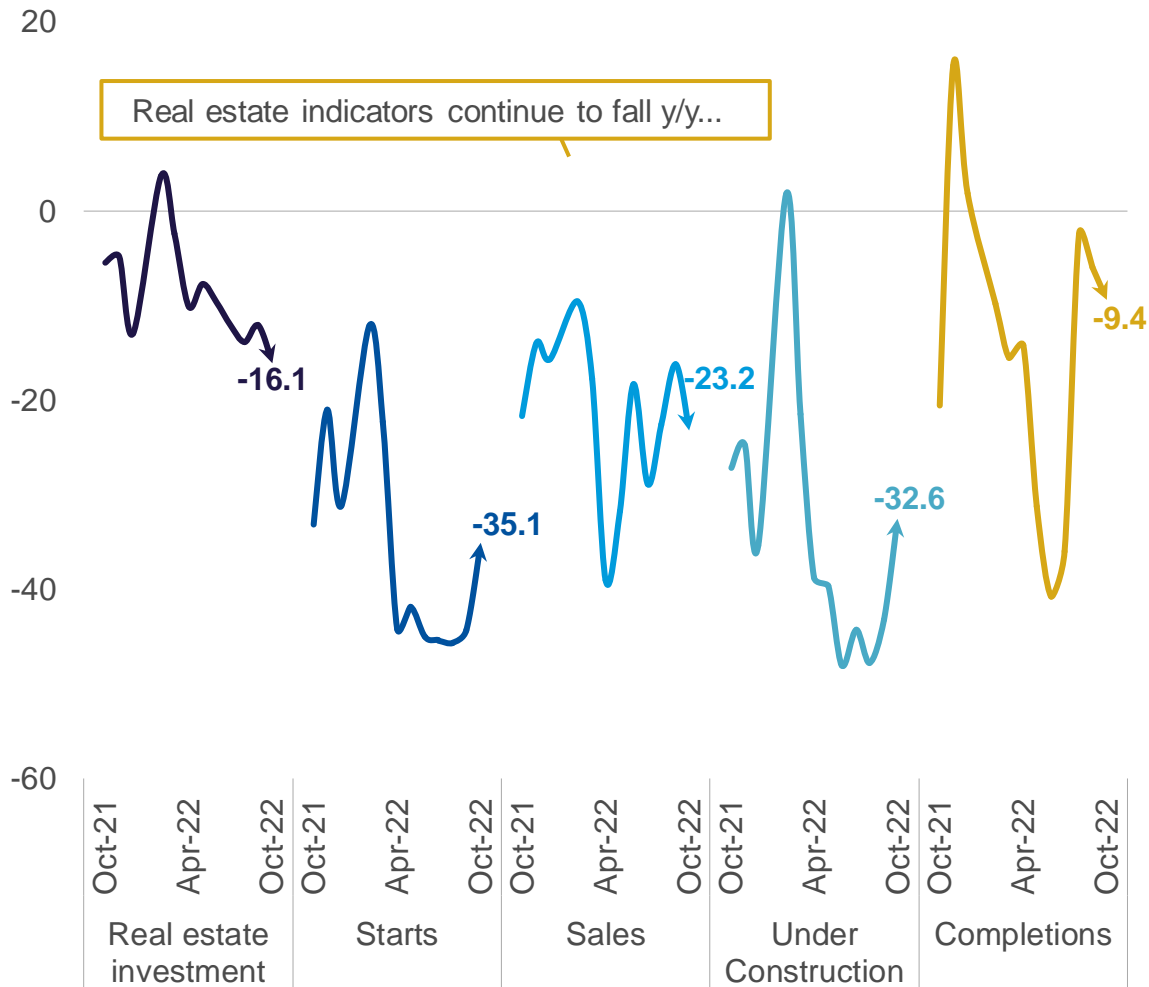
...falls in prices contributed to weak margins and production idles

Total cost to HR coil (June 2022*), European sheet mills, \$/t

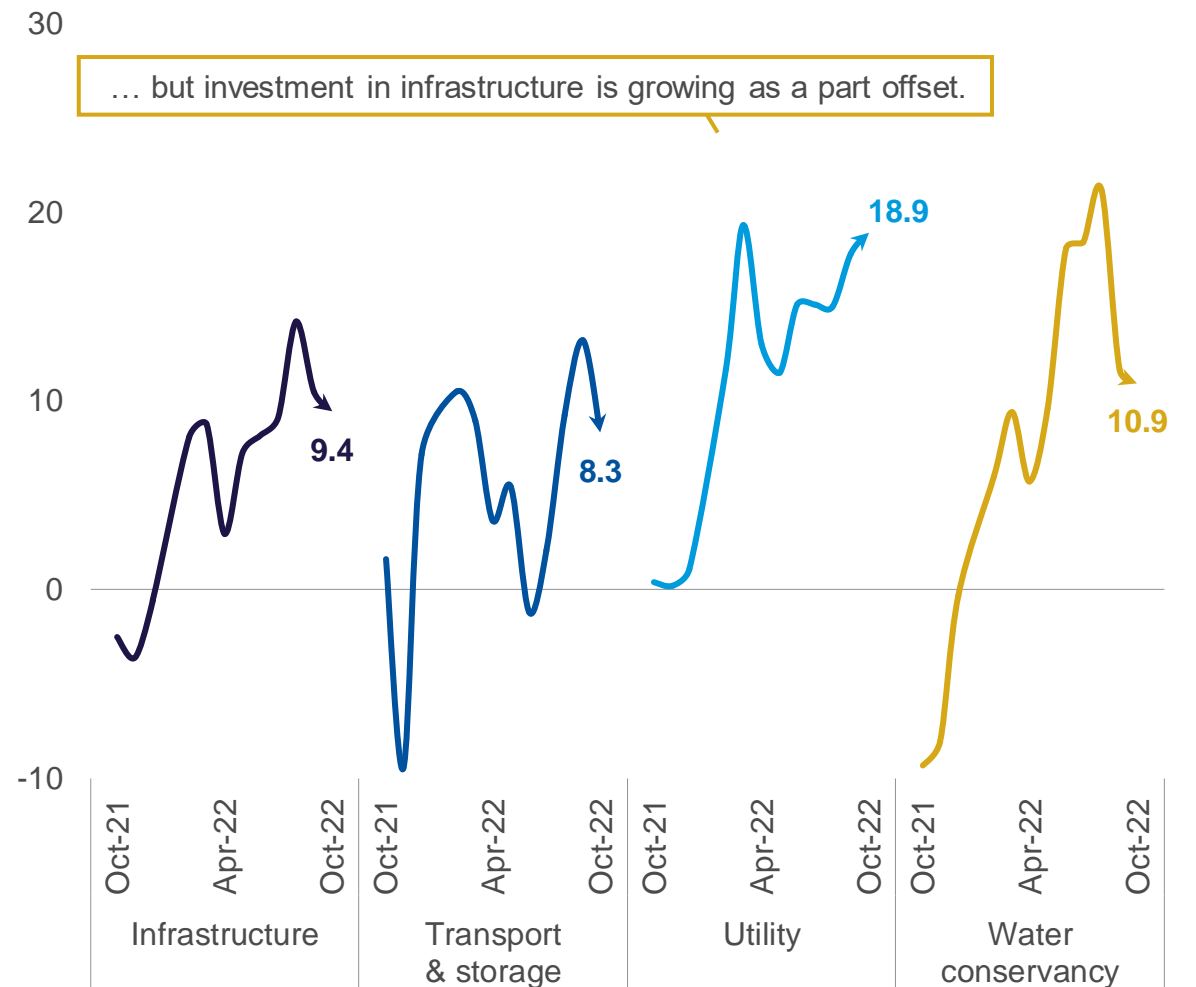


China's change on Covid-19 comes while its economy has challenges

Key Chinese real estate data, y/y %



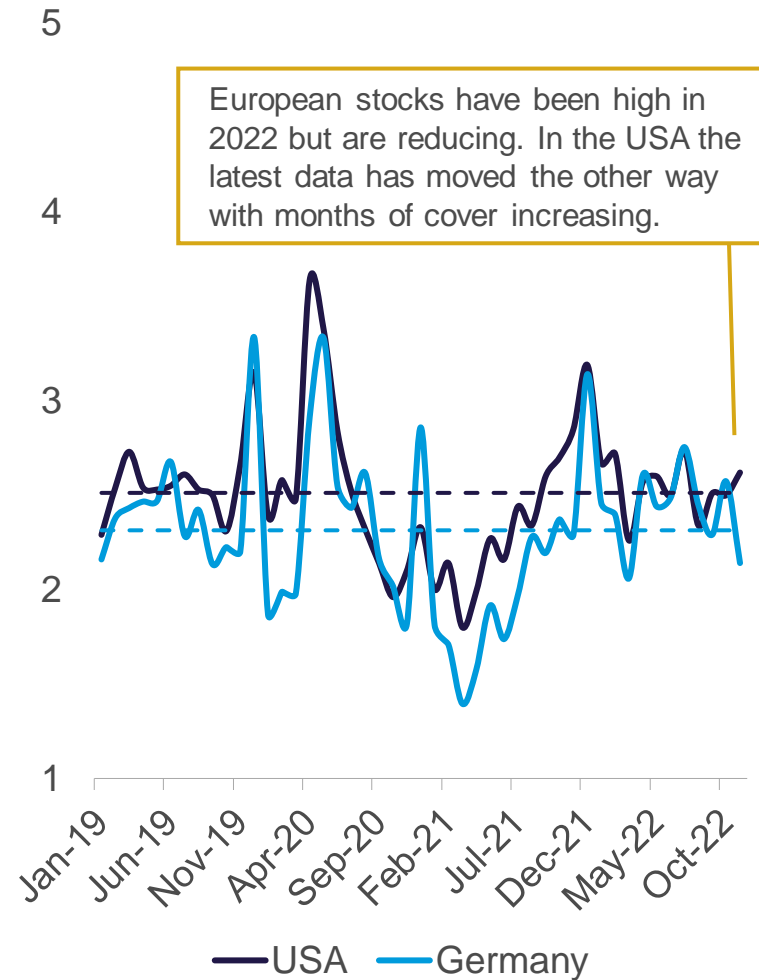
Chinese infrastructure investment, y/y %



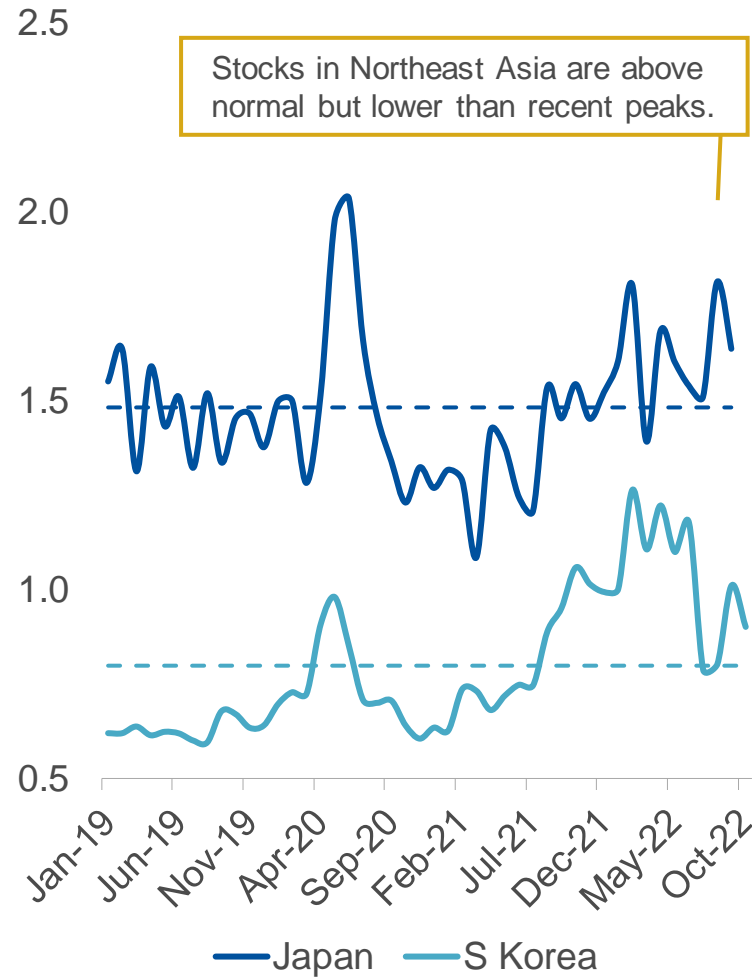
Some parts of the global inventory cycle may be close to a turning point

Total sheet stock to shipment ratios

SSCs/stockholders

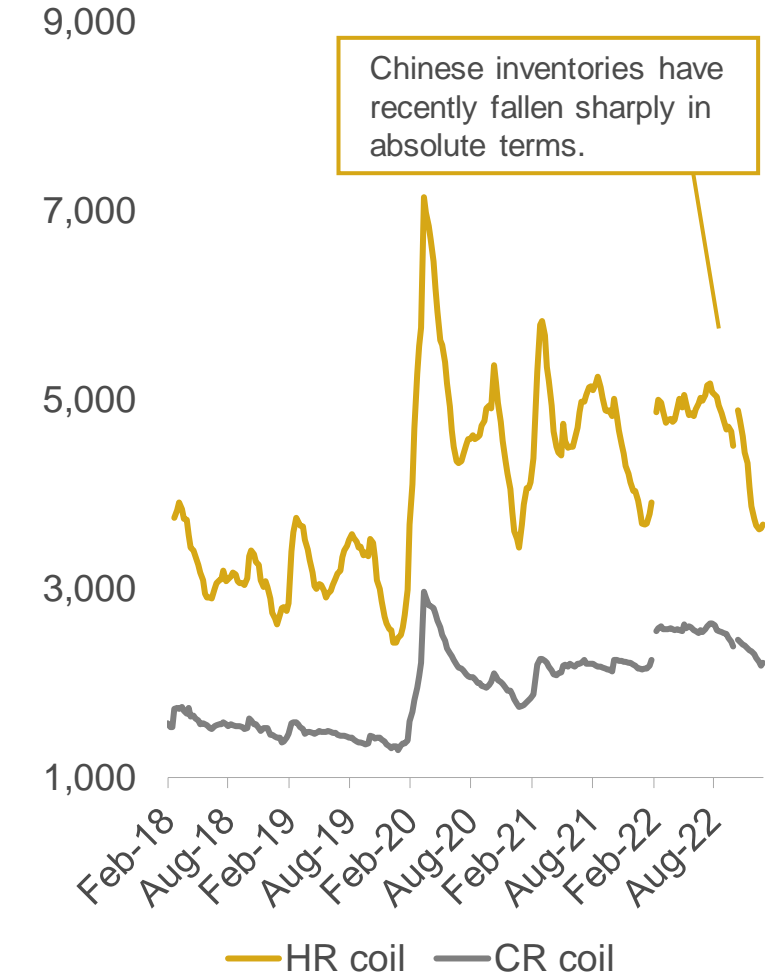


Mills & dealers (Korea = mills only)



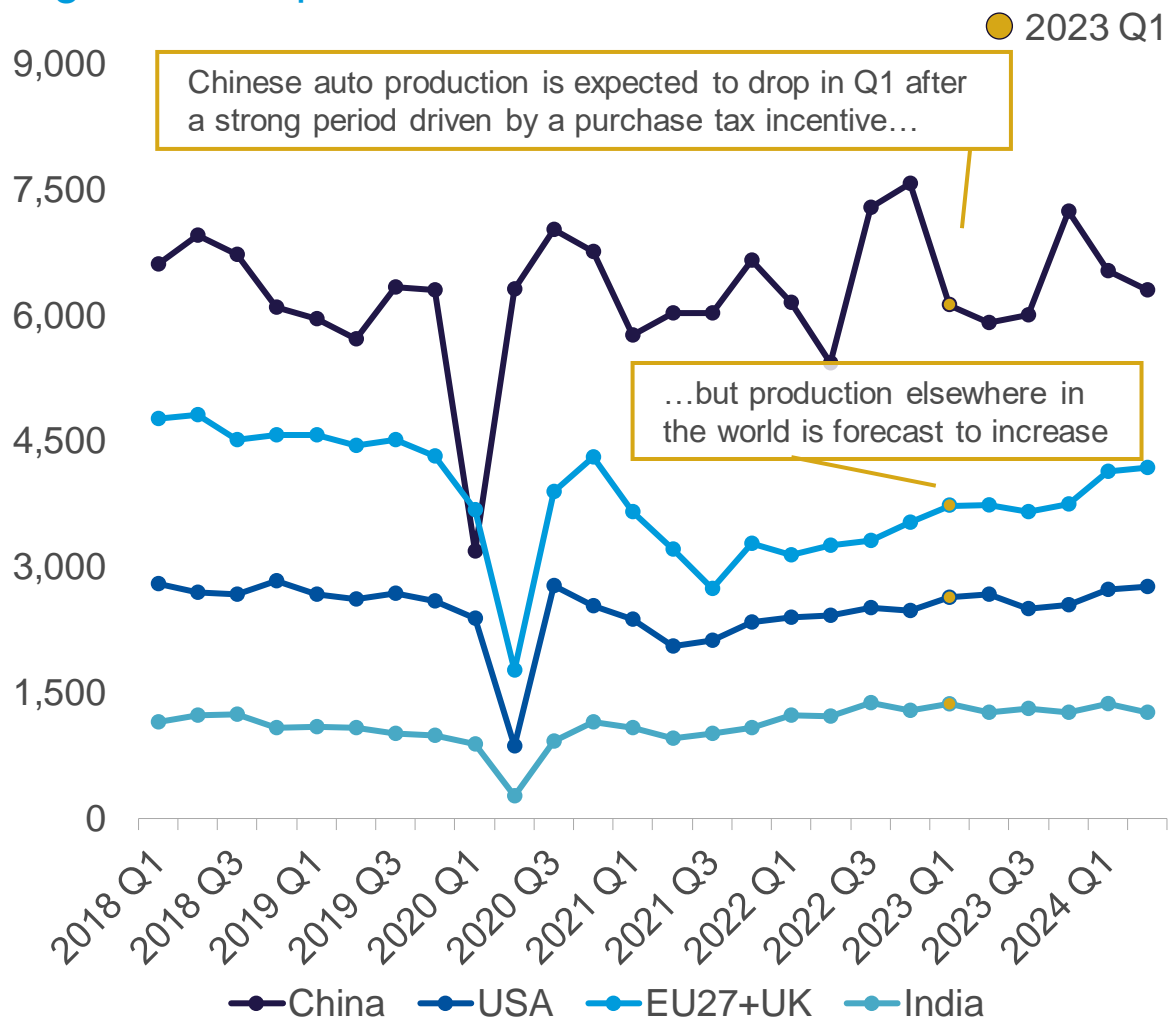
Absolute stocks, '000t

Chinese mills & traders*

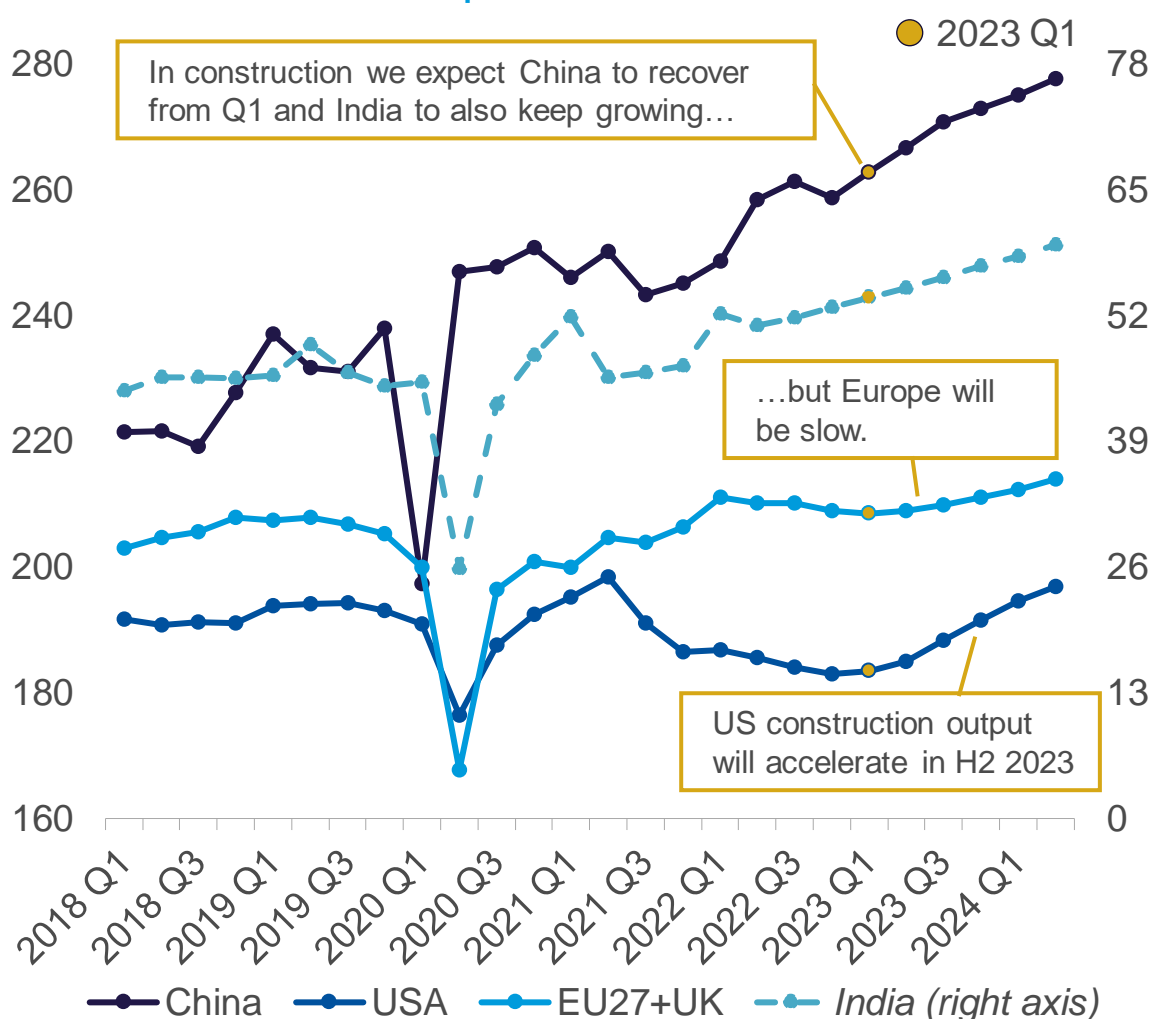


But near term end-use indicators paint a mixed picture for real demand

Light vehicle production, '000

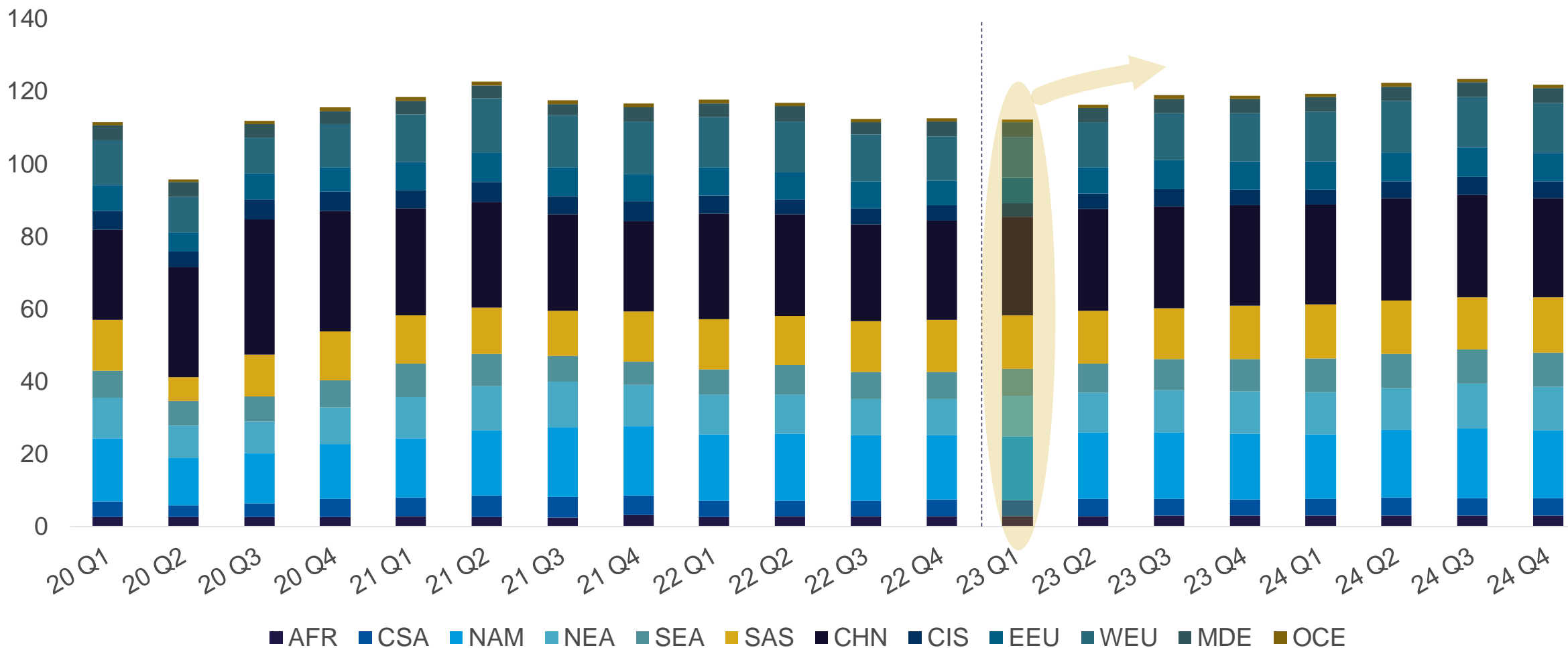


Real construction output, bn 2015\$



Our demand forecast is still weak for Q1, before growth then restarts

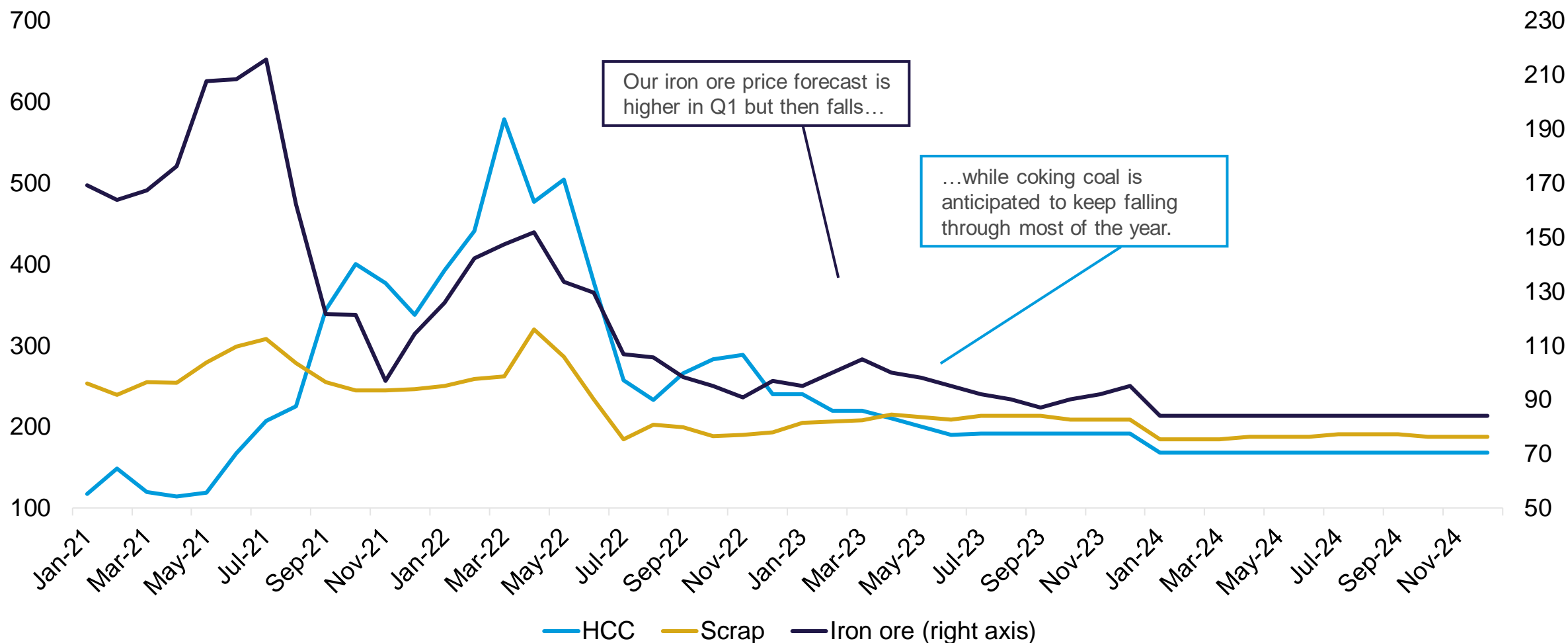
Total steel sheet demand, Mt



DATA: CRU. AFR = Africa, CSA = Central & South America, NAM = North America, NEA = Northeast Asia, SEA = Southeast Asia, SAS= South Asia, CHN = China, EEU = E Europe (including Turkey), WEU = W Europe, MDE = Middle East, OCE = Oceania






Raw materials costs are expected to trend lower in 2023

Key raw materials prices, \$/t



We do not yet see support for a strong upward price cycle...

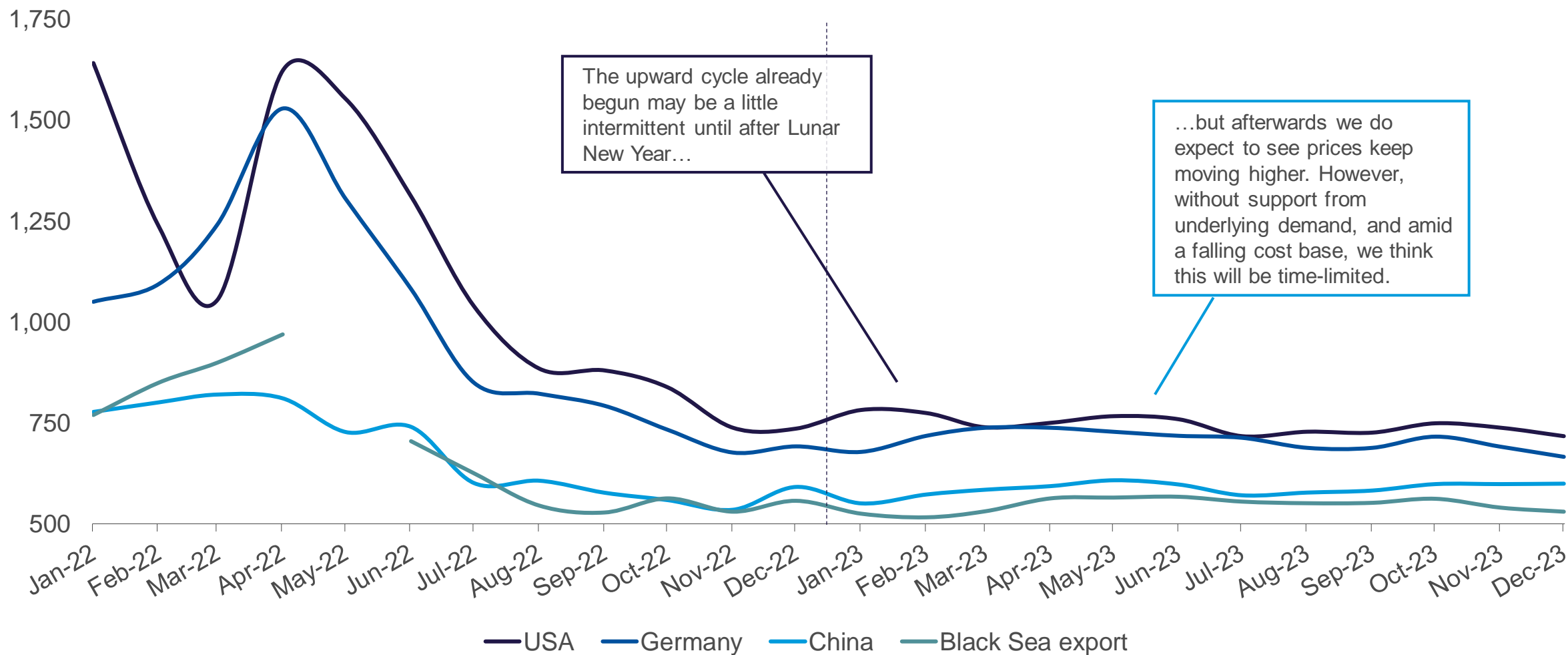
What is happening globally in key areas with influence on where prices will go next?

Influence: Next few months		Influence: Further ahead		
Sentiment 	Inventory cycle 	Real demand 	Supply 	Costs 
<ul style="list-style-type: none"> Much more positive on China's relaxation of Covid-19 restrictions and the move away from zero-Covid. Fuelling a speculative move from destocking to restocking, with upside risk in case further unwinding of restrictions comes about. 	<ul style="list-style-type: none"> Mixed by region: <ul style="list-style-type: none"> Absolute inventories in China have recently reduced sharply. US SSC inventories look about normal, relative to outbound shipments. Inventories in Europe and Northeast Asia look a little higher than normal, but trending lower amid efforts to destock. 	<ul style="list-style-type: none"> China is trying to rescue its real estate sector and stimulate in other areas like infrastructure as an offset. Concern remains over the real estate sector and whether any offset can be sufficiently large in terms of steel demand. Chinese car production has been boosted in 2022 H2 by a purchase tax cut but this is due to expire at end-December. If it is not extended in some form it is likely that car production will fall sequentially. Multiple end use industries are slowing in Europe amid recession concerns. Car production remains well below normal and is not expected to see strong growth in 2023. US construction sector output is expected to increase throughout 2023. Car output may see a modest increase. 	<ul style="list-style-type: none"> China continues to want to see production no higher y/y at the crude level. But switching within that of (for example) longs to flats is possible and expected in the short term as real estate remains weak but industry starts to re-open. Lots of European supply is offline in response to poor margins. Greenfield US capacity is arriving in the market. 	<ul style="list-style-type: none"> Iron ore, coal and scrap are all higher short-term, influenced by better Chinese sentiment. Energy costs are high and volatile in Europe. Our forward view on the basket of bulk raw materials costs is lower as we move further into 2023.

Real demand still has multiple areas of concern, while apparent demand is not yet strongly supportive. Consequently we are cautious about how strong this upward price cycle can be.

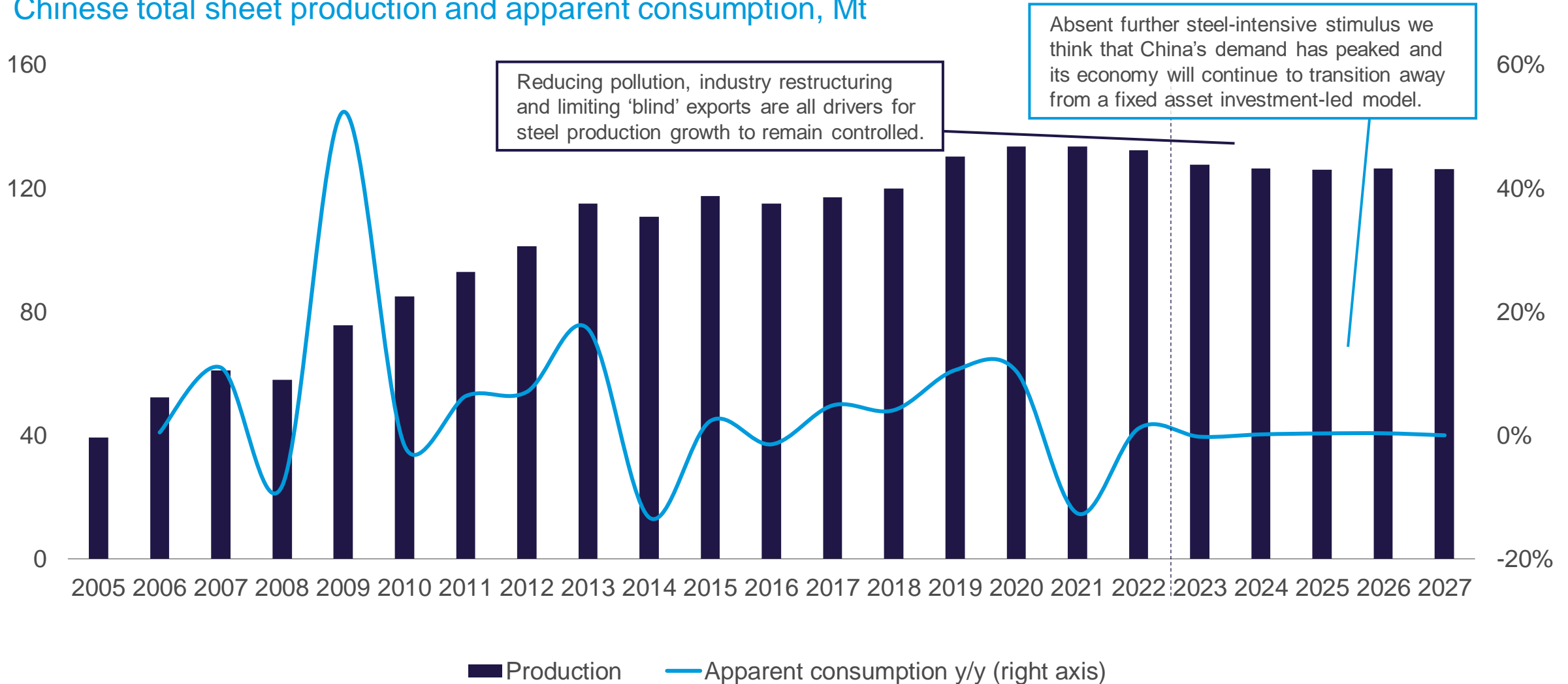
...and therefore do not expect to see prices continue to increase

HR coil spot price forecast, \$/t



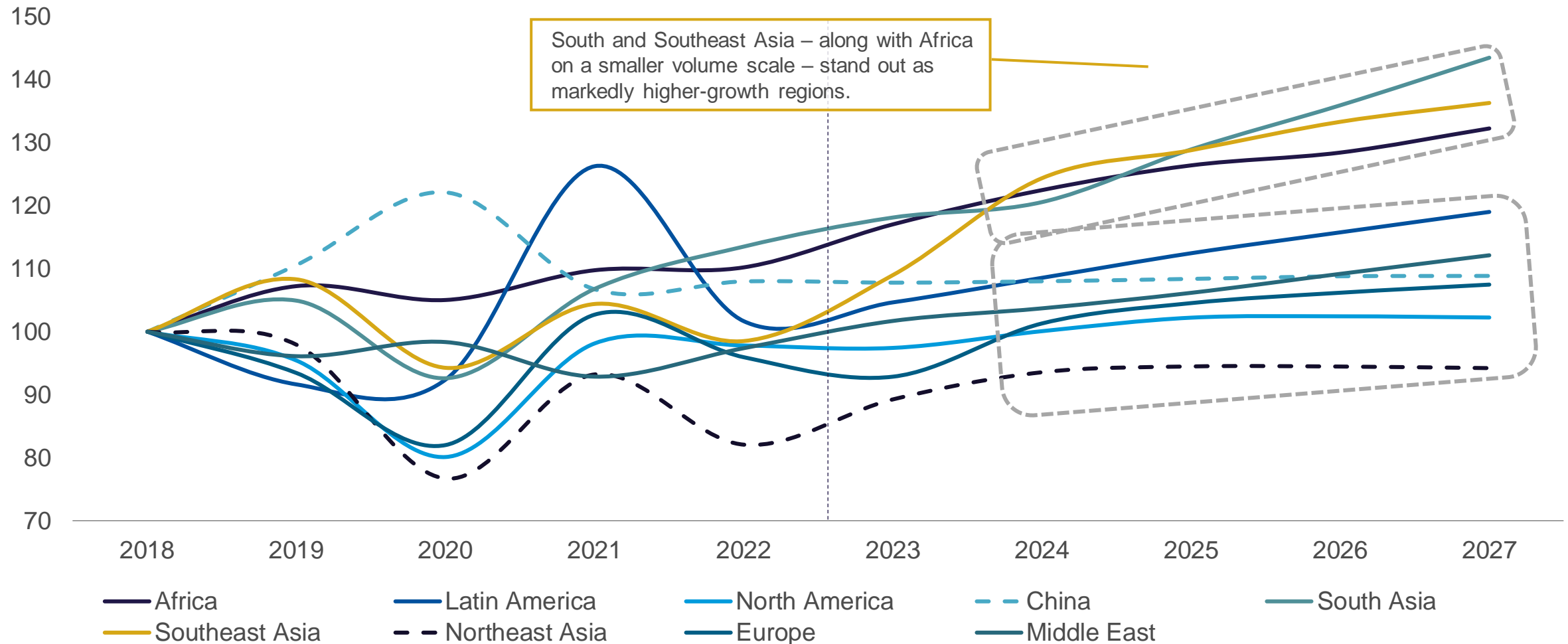
Our 5-year view on China is no demand growth and restrained supply

Chinese total sheet production and apparent consumption, Mt



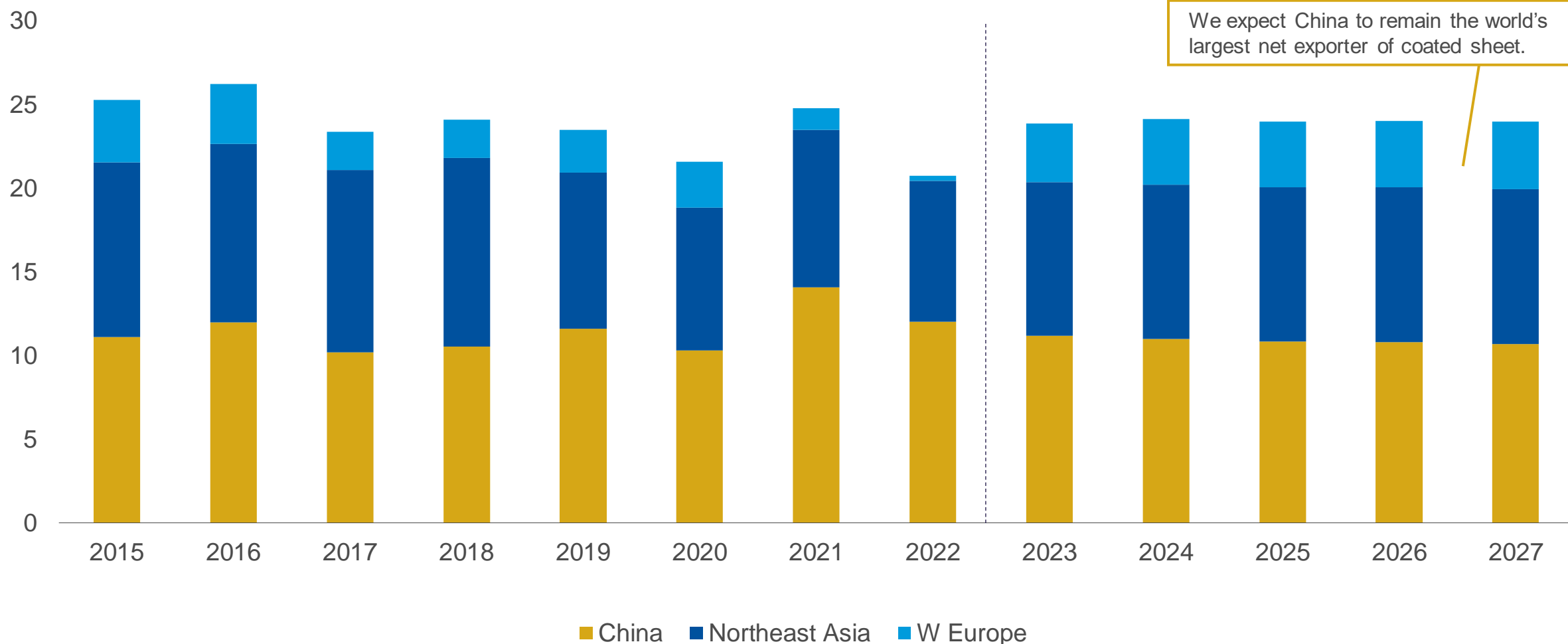
The focus of future demand growth will be developing Asia

Total sheet apparent net consumption, indexed 2018 = 100



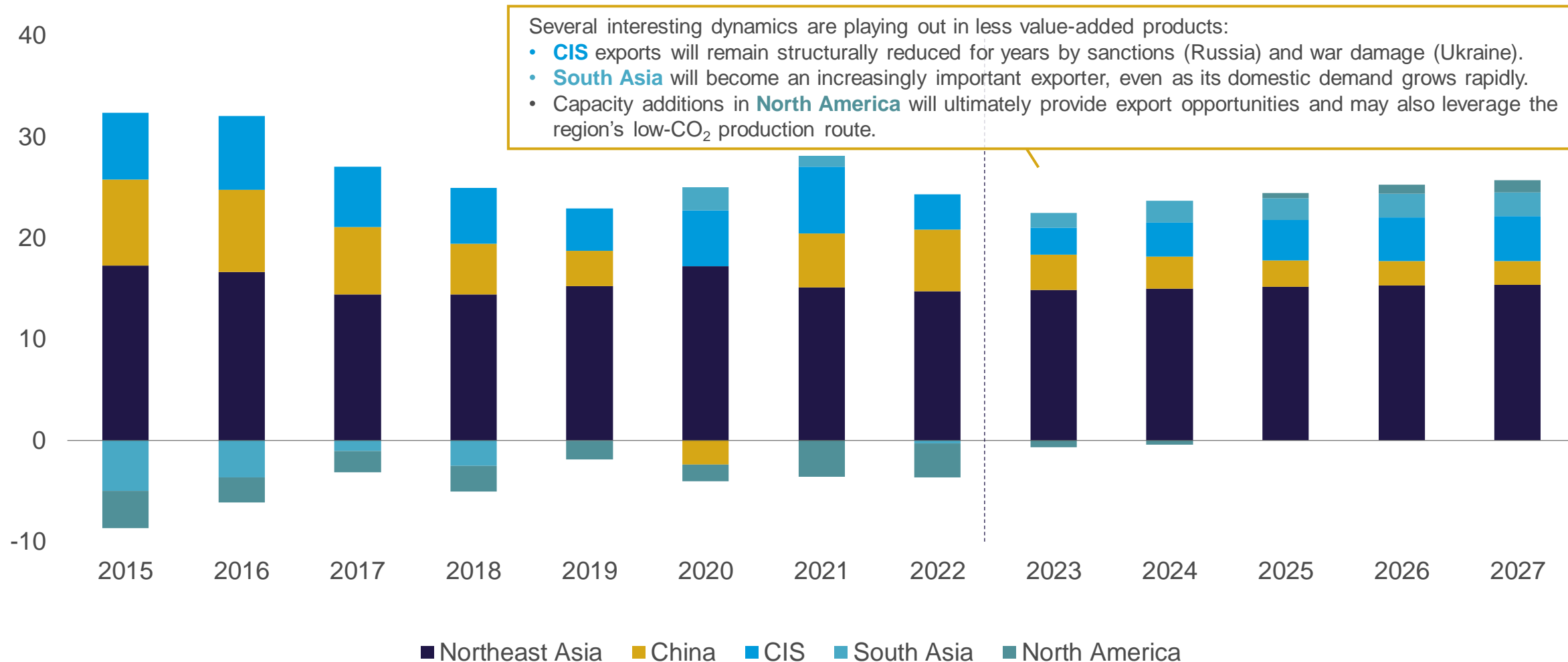
China will stay a supplier of higher value-added products to the world...

Net exports of coated sheet, exporting regions*, Mt



...but withdraw from commodity sheet, where other changes will occur

Net exports of HR coil, exporting regions*, Mt



Europe will attract low-CO₂ steel as CBAM prices emissions in

HR coil prices, annual averages, \$/t

