



STEEL MARKET DEVELOPMENTS

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Importance of Steel Markets monitoring

Steel markets seem at a turning point, with :

- **Substantial shifts in production, trade patterns, and product composition of traded steel products**
- **Persistent price differentials across regions**
- **All of it in a background of persistent inflation and a slowdown in Asia which puts steel firms in precarious situation**
- **Monitoring also include subsidy monitoring (presentation to follow later)**



Outline

1. Steel **production**
2. World steel **trade**
3. Steel and raw material **prices**
4. Steel **consumption outlook**
5. Concluding remarks



Steel production decreased by 1.6% on Jan 2024 year-on-year

During the second semester of 2023 y-o-y, there was:

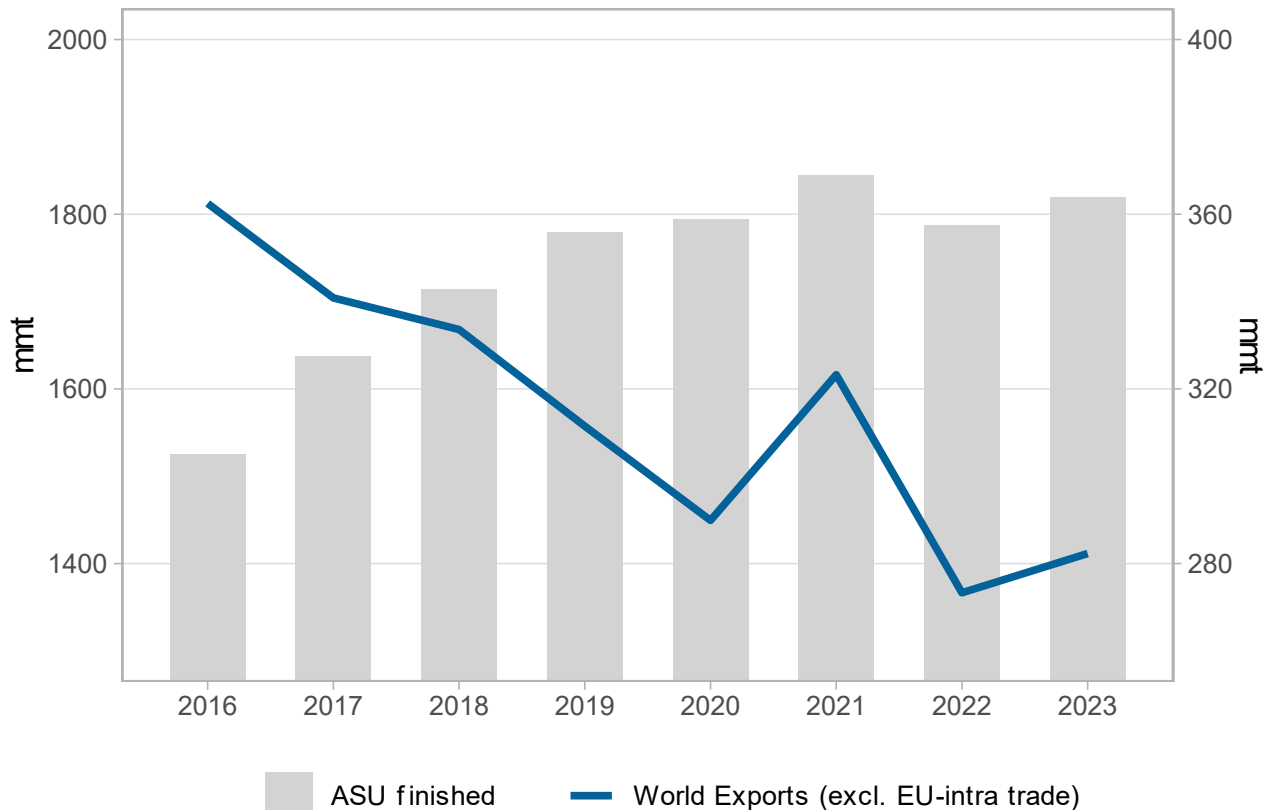
- A slowdown of production in China (-0.5% instead of +2% on the first semester y-o-y)
- A sharp increase in the Middle-East (+18%), Russia (+9.9%) and Other Europe (+6.7%)
- Stability in North America (+0.1%)
- A decrease in South America (-2.8%) and the European Union (-3.3%)

	Jan-24		Jul-Dec 2023	
	% change, y-o-y	level, million tones	% change, y-o-y	level, thousands tones
Asia and Oceania	-3.6%	107.6	1.4%	657 437
of which China:	-6.9%	77.2	-0.5%	481 950
Russia	1.2%	6.2	9.9%	38 088
European Union	-1.8%	10.2	-3.3%	59 791
Other Europe	22.5%	3.9	6.7%	21 503
Middle East	23.1%	4.7	18.0%	26 437
North America	-2.1%	9.2	0.1%	54 580
South America	-6.3%	3.4	-2.8%	20 864
World	-1.6%	148.1	2.4%	896 676

Source: worldsteel data, as released in 23 February 2024.



Steel trade increased by 3.3% in 2023



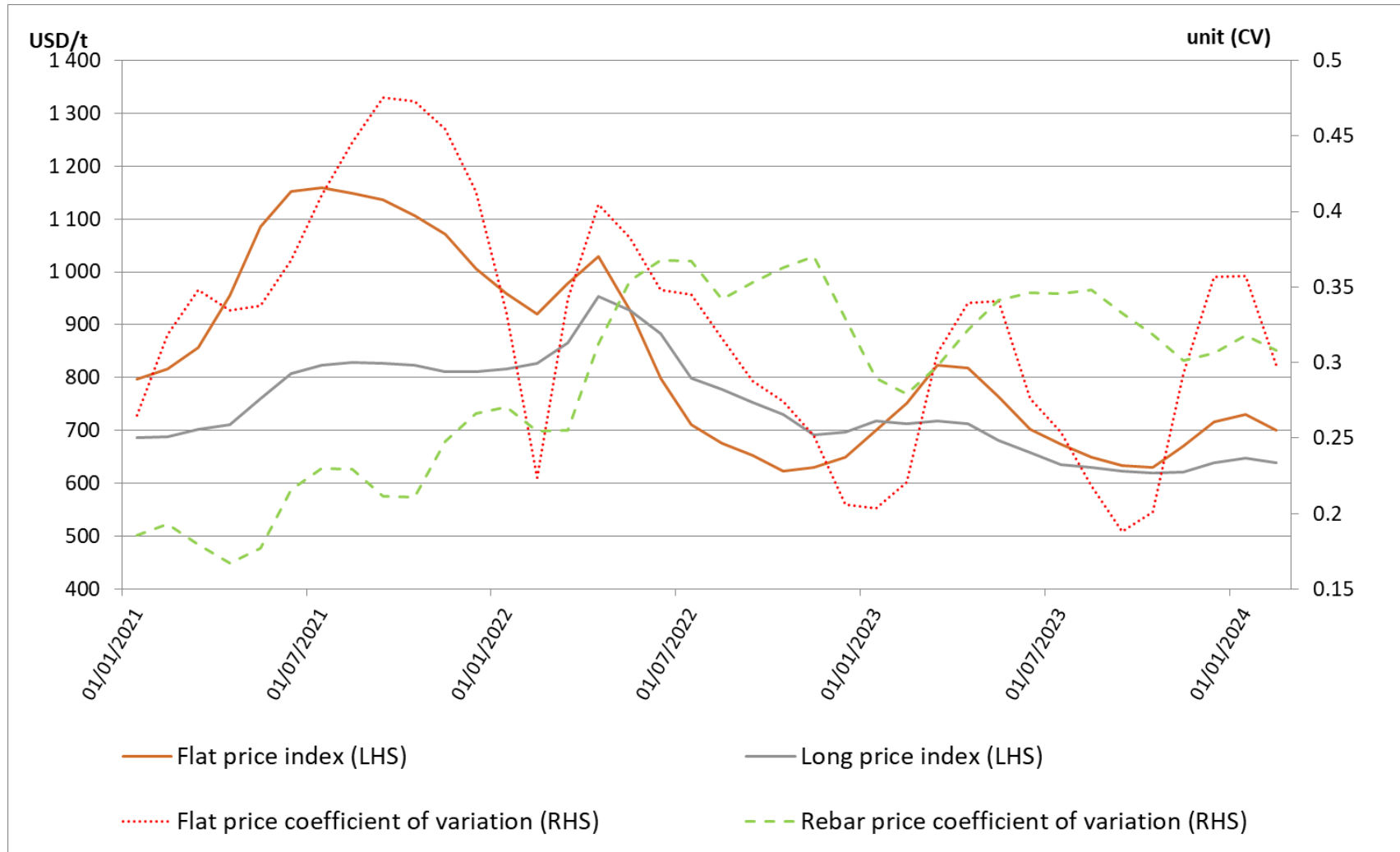
Note: Blue line (right axis) represents global exports of steel products (including finished and semi-finished products). Gray bars show the evolution of global ASU (left axis). Data in volumes (mmt). World export data for 2023 are annualised figures based on data from January to November 2023
Source: OECD calculations based on ISSB data and worldsteel data

This average increase hides a

- significant surge in exports from China (+39.5%), with a larger increase and level of exports of ‘flat products’, consistent with Chinese goals of climbing up the value chain.
- a simultaneous reduction in exports from India (-16%), Russia (-26%) and Türkiye (-29%).



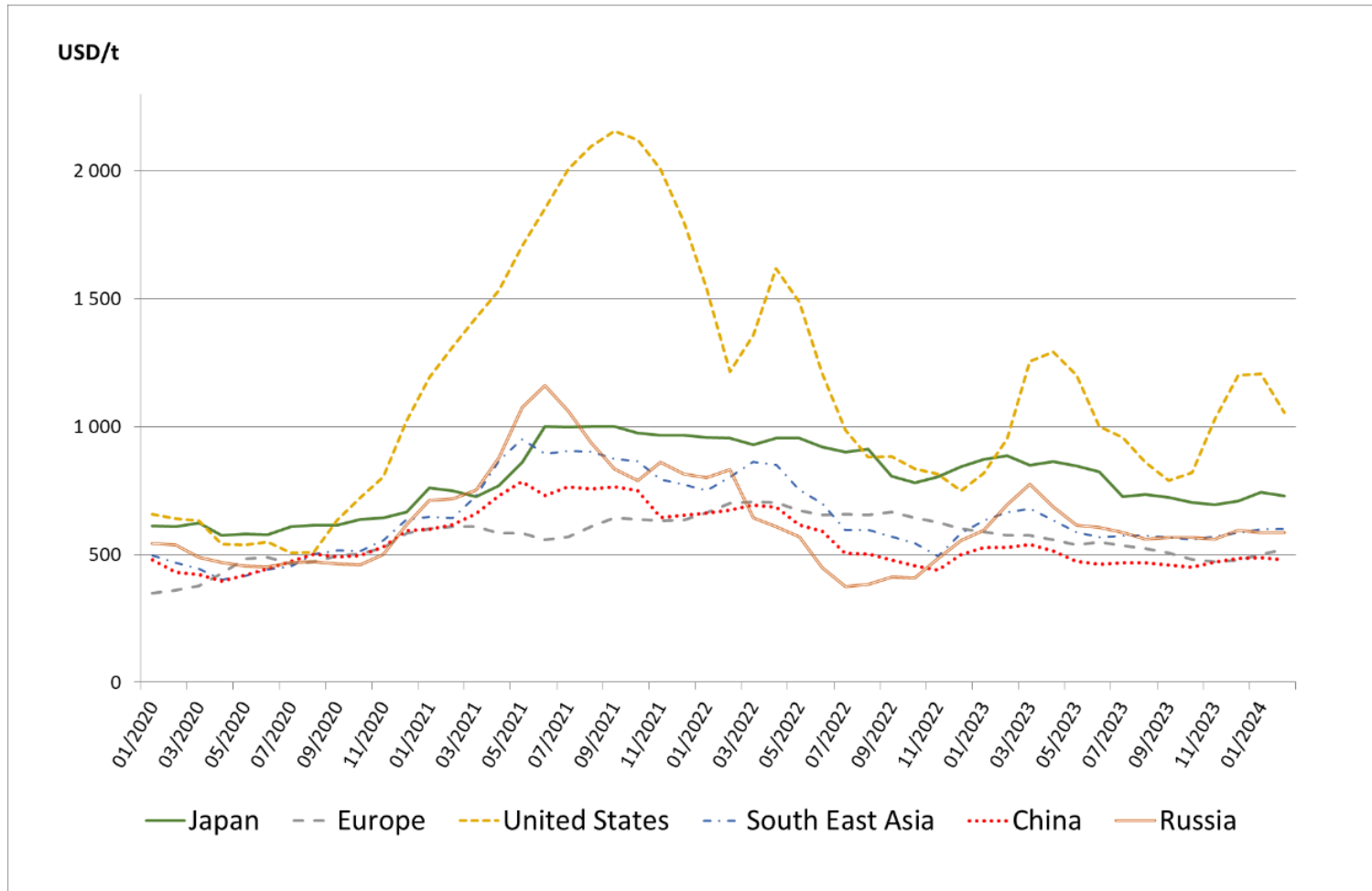
Steel prices relatively stable since June 2023



Source: S&P Global Commodity Insights



Yet with persistent price dispersion across regions

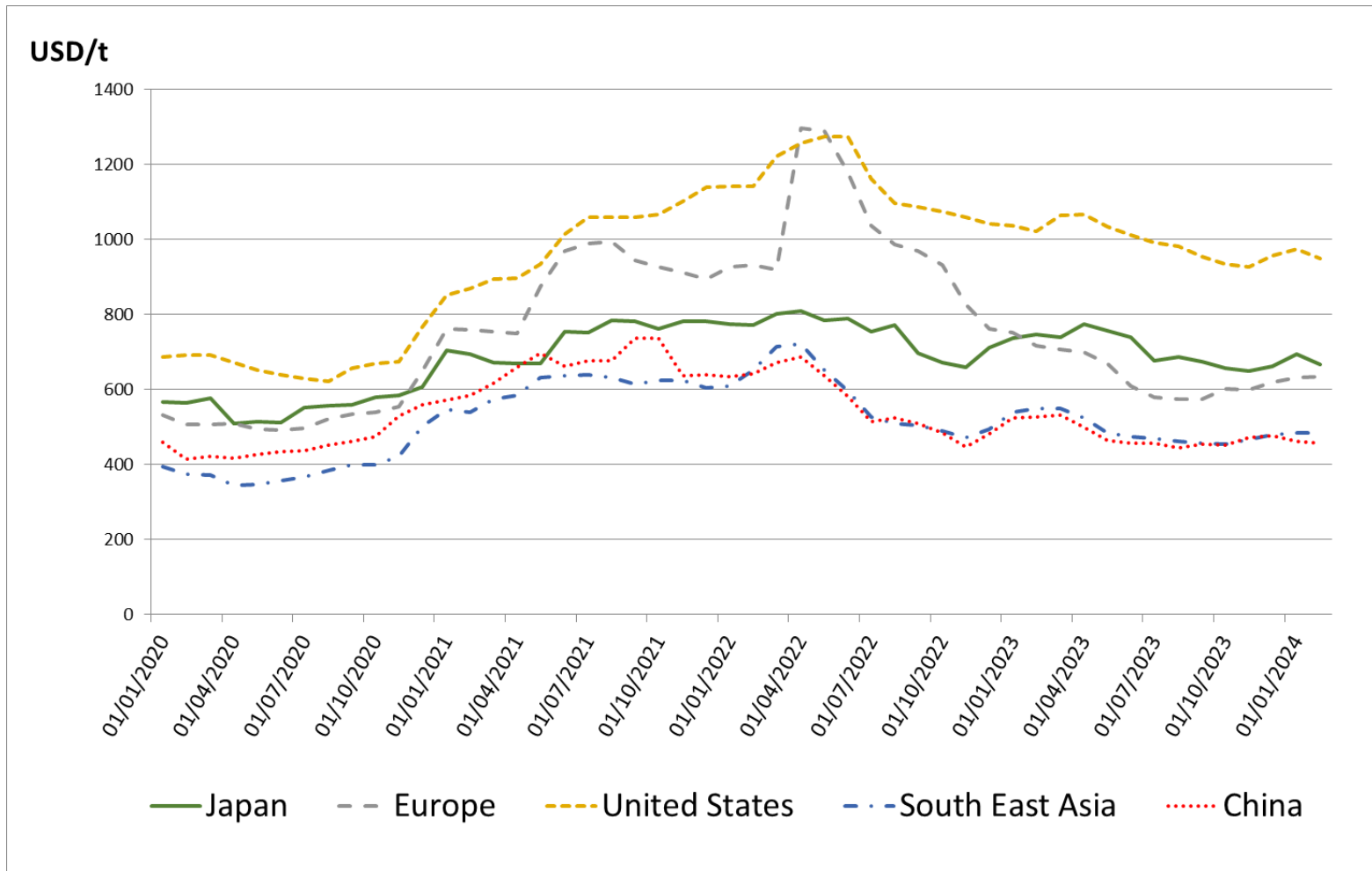


- US, EU and Japan steel prices remain at elevated levels compared to their historical levels, whereas
- Southeast Asian and Chinese steel prices have fallen back to low levels.

Flat prices for selected regions from S&P Global Commodity Insights



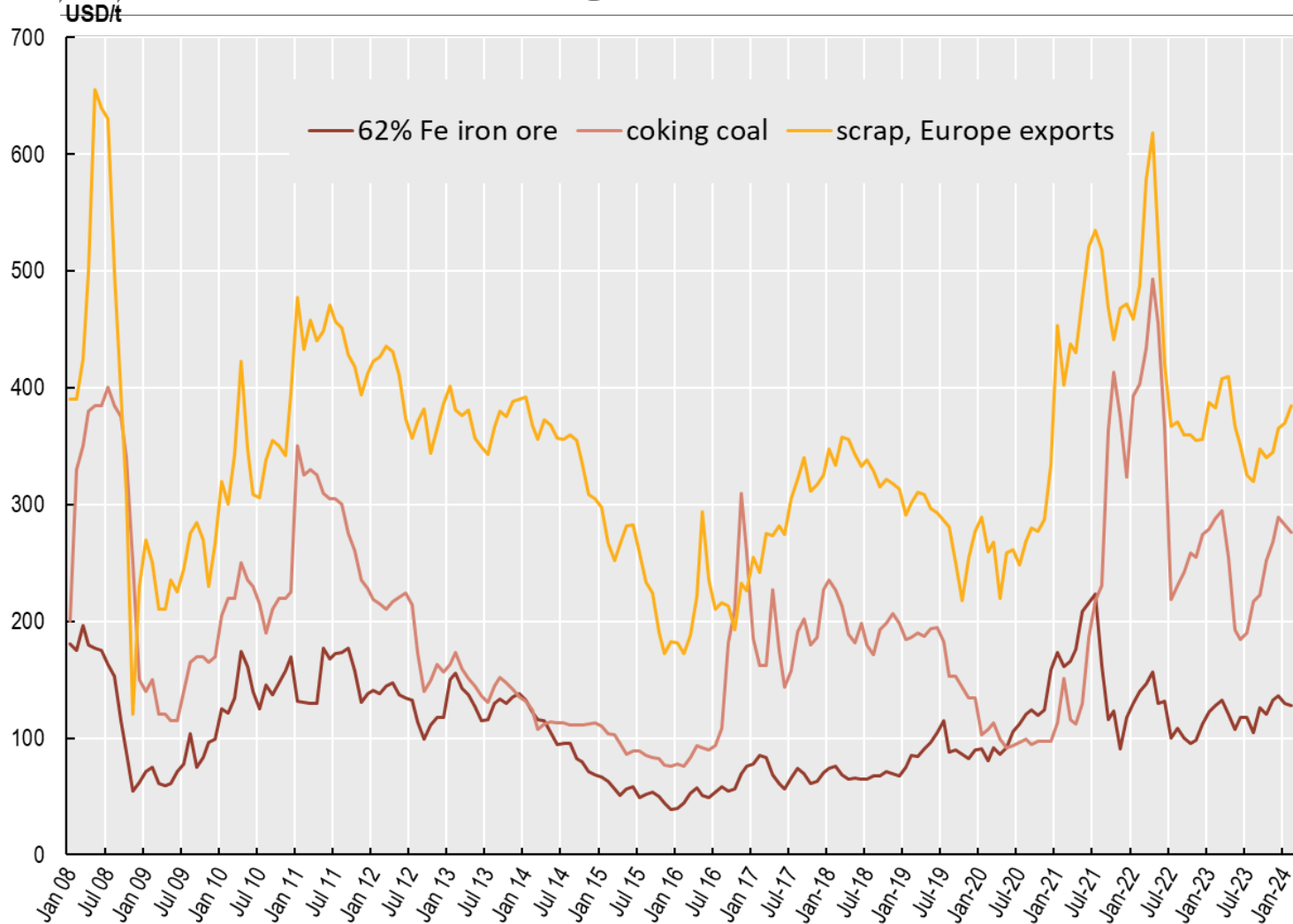
Similar picture albeit mess volatile for rebar prices



Rebar prices for selected regions from S&P Global Commodity Insights



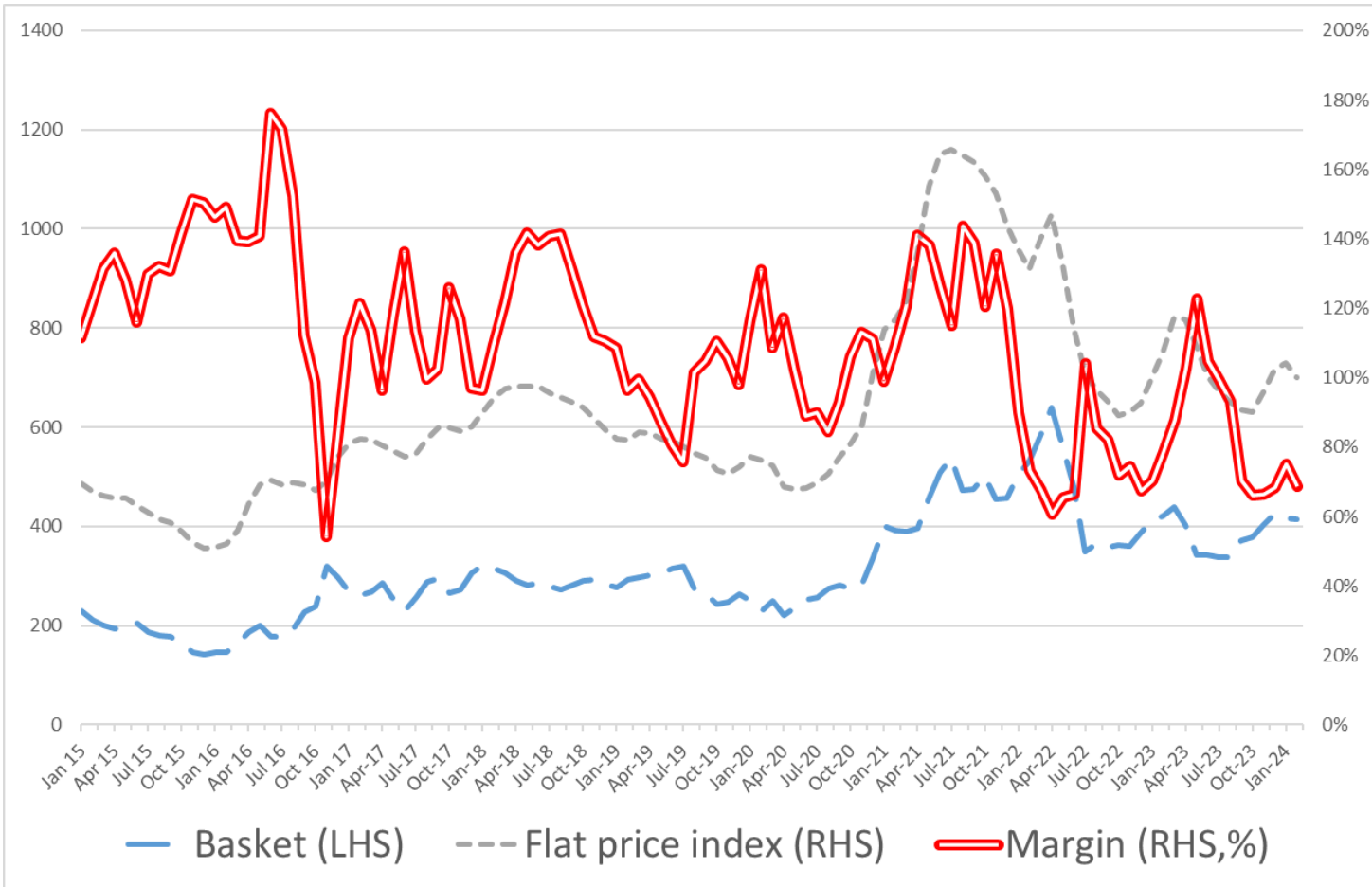
Key raw material prices increased due to inflationary pressures



- **Coking coal** prices increased the most: +50% since June 2023
- Whereas **scrap prices** and **iron ore** prices are also 10% and 8.5% higher than in June 2023



Margins are being pushed to historical lows



- Price margins have been suppressed due to the stability of steel prices in spite of raw materials price increases
- This will put pressure on steel firms' financial results for 2024

Note: synthetic price margins are defined as “average Flat price” – “basket price”/”basket price”

Basket price for steel production is made up of 70% of the usual quantities of iron ore (1.6 tonne) and coking coal (0.77 tonne) needed to produce steel in the integrated process and 30% of the quantity of ferrous scrap (1.07 tonne) needed to produce steel in the electric arc furnace process



Steel consumption expected to increase by 1.8% in 2023 and 1.8% in 2024 (worldsteel April projections)

- Challenges are high inflation, and the impact of the rise of interest rates on the real estate sector.
- The Secretariat is developing Long-term Steel Demand Model ([DSTI/SC\(2024\)2](#)) to better ascertain future demand based on a range of economic scenarios.



Concluding remarks

- Global steel market conditions are deteriorating, due to:
 - a **weak world economic environment** with real estate downturns provoked by the necessary increase of interest rates worldwide
 - **high and persistent inflation**, which manifest itself in rising costs for steel firms that pressure their margins, and exports from jurisdictions with lower steel price levels
 - A **slowdown in the Asian region**, which could have a large impact on international steel markets, also for other “high-end” steel market products
 - A **persistent disconnect** between Europe, Japan and the Americas, on one side, and Asia, Africa, and the Middle-East, on the other side, in terms of production, capacity and prices.



This document is submitted to the Steel Committee for discussion and agreement for its **declassification** after receiving your comments, also in the written form, by 16th April at latest.



Thank you for your attention