



2022H2

Global Steel Market
OUTLOOK

Your Steel Guide in
the Post Pandemic World

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PART 1



**Global Economy :
Review and Prospects**



The global economy, after more than two years ravaged by the COVID-19 pandemic, is experiencing yet another negative shock.

The Russia-Ukraine conflict has caused a severe slowdown in the regional economy and negative spillover effects on the global economy.

These spillovers have catalyzed and amplified pressures that existed in the pre-pandemic period, such as global supply chain disruptions and high commodity prices—especially soaring energy prices.

This also sharply limits policy space. Rising global inflation, triggered by soaring commodity prices and supply disruptions, has exacerbated the difficult balance governments are facing between supporting a post-pandemic economic recovery and containing price pressures. Tightening financial conditions and elevated credit costs are mainly reflected in less easing policies to address inflationary pressures, rising financial instability, and intensifying geopolitical tensions.



Global Economic Prospects

Against this background, the global economy is expected to slump in 2022 H2. The surge in energy prices, along with the supply chain disruptions triggered by the Russia-Ukraine conflict, and a sharp tightening of monetary policy to rein in inflation, account for most of the downturn.

Figure 1: Global Economic growth

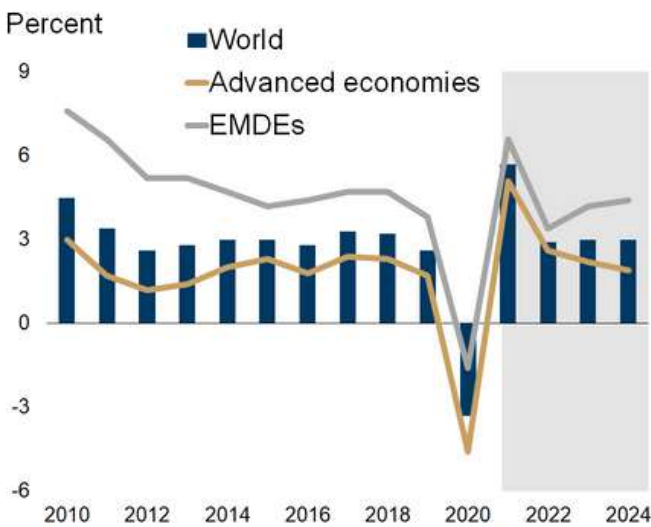
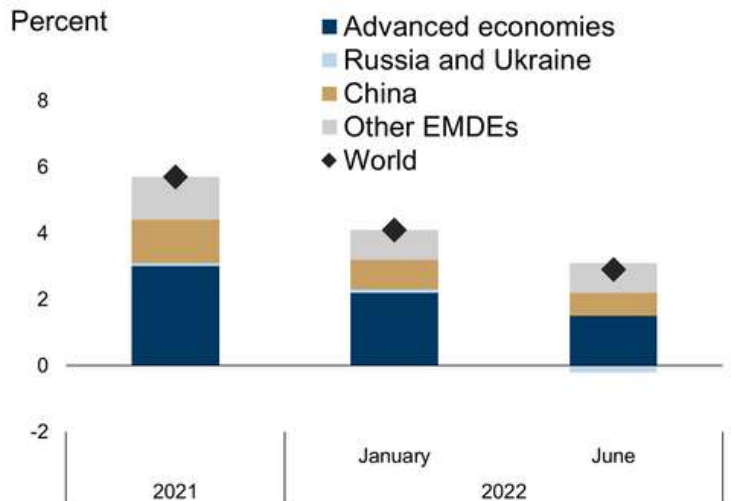


Figure 2: Contributions to global growth



Source: World Bank

Note: EMDEs = emerging market and developing economies

According to the World Bank's latest Global Economic Prospects report, global growth is projected to slump from 5.7 percent in 2021 to 2.9 percent in 2022, while growth is expected to average 3% in 2023-24, as many headwinds—in particular, high commodity prices and continued monetary tightening—are expected to persist.

+2.9%

Global Growth in 2022

PART 2



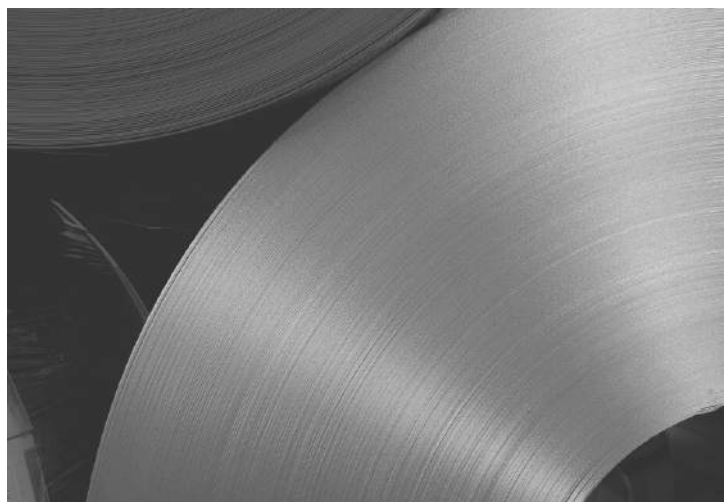
**Global Steel
Markets 2022 H1**



|| ***The Russia-Ukraine Conflict snarled the global steel supply chain.*** ||

The Russia-Ukraine conflict also had a huge impact on the global steel market. Global steel demand is expected to grow by only 0.4% in 2022 to 1.84 billion mt, after increasing by 2.7% in 2021 given uncertainties due to the Russian-Ukrainian conflict, according to [worldsteel's Short Range Outlook](#) released April 14.

In 2021, under the impact of the global pandemic, despite the supply chain disruption and the resurgence of the pandemic, the momentum of rapid growth in steel demand driven by economic recovery in most parts of the world is very positive.



However, the introduction of the war has ruthlessly disrupted the previous positive momentum. Due to the EU's high dependence on Russian energy and its geographical proximity to conflict areas, the war has led to soaring energy prices in Europe, tight steel supplies, and rising steel prices.

On top of this, a series of problems that plagued the global steel industry, such as the shortage of steel raw materials and the interruption of supply chains that appeared in the pre-war period, have further led to a surge in global energy prices and steel costs.

|| **China's lockdowns to curb Omicron affect global steel sector.** ||

Omicron outbreaks is also a key factor restraining the growth of global steel demand, especially in China, the world's largest steel producer and consumer. While most of the world has eased virus control measures, China remains one of the few countries that will unwaveringly stick to its "dynamic zero-Covid" policy.



In June 2022, the World Bank forecast that China's economic growth will slow sharply to 4.3% in 2022, 0.8 percentage points lower than projected in the December China Economic Update.

The downward revision largely reflects economic damage from the Omicron outbreak and the prolonged lockdown in parts of China from March to May.

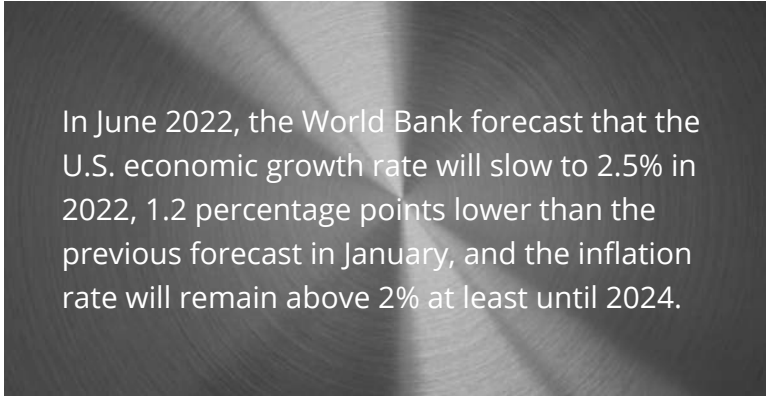
Nevertheless, the World Bank said it expects China's economic growth to rebound in the second half of the year, stabilizing at an average of 5.2 percent in 2023-2024, helped by aggressive policy stimulus to mitigate the economic downturn.

|| **Rate hikes could lead to lower demand and prices.** ||

Aggressive interest rate hikes by the Federal Reserve will also compress global steel demand. Fed raised its benchmark interest rate by 75 basis points at its June meeting to curb 40-year-high CPI inflation, a move that equates to the most aggressive hike since 1994.



Fed Chairman Jerome Powell also said that similar actions may still be implemented at the next meeting. Due to the unprecedentedly high expectations of consumption tightening brought about by the rate hike, institutions including the Federal Reserve and Goldman Sachs have lowered their forecasts for U.S. economic growth.



In June 2022, the World Bank forecast that the U.S. economic growth rate will slow to 2.5% in 2022, 1.2 percentage points lower than the previous forecast in January, and the inflation rate will remain above 2% at least until 2024.

The Fed's interest rate hike and the strengthening of the US dollar may not only affect the demand for steel, but also the prices of commodities such as iron ore, steel, and oil are expected to fall:

- Reducing market liquidity and investment funds, resulting in a lack of upward momentum for commodities;
- attracting more capital to buy the dollar, which may also have a greater impact on the prices of other commodities.

PART 3



Regional Steel Outlooks



ASEAN

|| **Steel demand in the ASEAN is forecasted to rise by 4.8% in 2022, yet still hard to return to pre-pandemic levels.** ||



According to the Worldsteel Association forecasts, ASEAN steel demand will reach 76.1 million tons in 2022, eventually returning to the pre-pandemic level of 81 million tons by 2023.

Among the ASEAN countries, Malaysia, Thailand, and Indonesia saw the most significant growth in demand.

The local steel association's projected:

- In 2022, **Malaysia's** demand will grow by 800,000 tons to 7.8 million tons
- **Thailand's** demand will grow by 3.7% to 19.5 million tons in 2022 and exceed 20 million tons by 2023
- In 2023, **Indonesia's** demand will reach 16.03 million tons by 2023, up 0.8% Y-o-Y

Key Drivers of ASEAN Steel Demand Recovery

In 2022, the construction sector picked up, and infrastructure investment is expected to grow 5.8% Y-o-Y.



Also, the strong recovery of the local automotive sector has also driven steel consumption.

ASEAN Region's Automotive Production Growth

Total

+16.6%

Thailand

+7%

Malaysia

+10.2%

Indonesia

+7%

CHINA

|| **The demand in 2022 is forecast to be the same as 2021, and have 1% YOY growth in 2023.** ||



Due to prolonged lockdown measures in parts of China to curb Omicron outbreak from March to May, the main growth drivers of economy in the country, such as property and infrastructure construction development, showed a significant slowdown.

However, as the key indicator of steel demand in China, the severe slowdown of property and infrastructure construction sector, made it unlikely that steel demand will increase significantly.

2022 China's Real Estate Market Growth (Y-O-Y)		
	JAN to APR	JAN to MAY
Property Investment	-2.7%	-4%
Home Sales	-32.2%	-34.5%

Source: National Bureau of Statistics (NBS)



In response, the Chinese government unveiled a massive stimulus package that are likely to boost the steel demand growth in the wake of lockdowns. Since June, the steel demand in the manufacturing and infrastructure sector began to slightly improve.

Market participants believes that the sales and investments of new houses will likely to touch the bottom in Q3, with developers spending most of their funds on ensuring project completion rather than starting new home construction, which will not benefit the steel demand recovery a lot.

INDIA

India's steel demand is forecast to reach a high growth rate of 7.5% by 2022.

The World Steel Association forecasts that India's steel demand will grow at a high rate in 2022, driven by increased investment in infrastructure and a gradual recovery in the automotive sector.



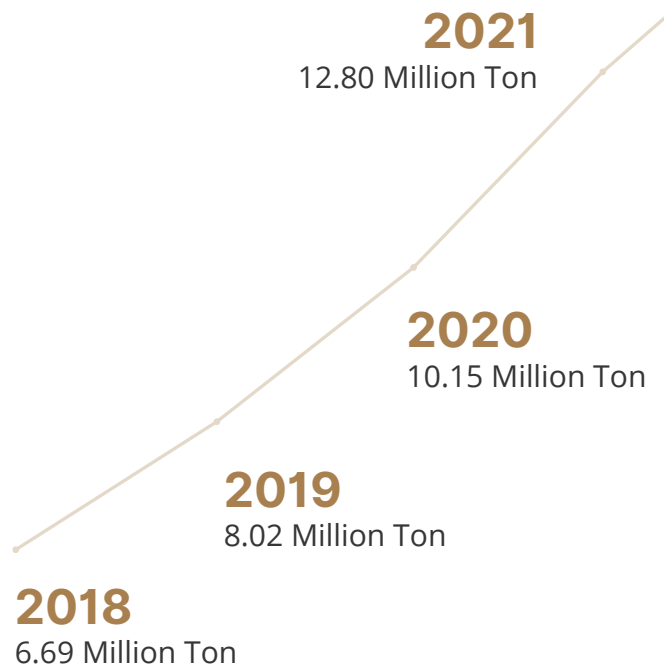
India Steel Demand by Industries

- 10% Automotive**
Expected to reach a size of \$260 billion to \$300 billion by 2026
- 9% Infrastructure**
Expected to increase to 11% by 2025-26

While Moody's forecast is even more aggressive: Indian steel demand will have a 10% of growth in 2022, as the government's continuous focus on the construction of roads, railroads, ports, and airports.



India's Finished Products Export



In addition, the outbreak of the Russia-Ukraine conflict has disrupted steel supply chain in EU, giving India the opportunity to expand its exports to fill the gap in European demand. In the previous fiscal year, Indian steel exports reached a record high of about 18.3 million tons, and as the impact of the Russian-Ukrainian conflict continues, Indian steel exports will continue to maintain growth momentum.

EUROPE

|| **Steel demand in the EU27 and the UK expected to fall by 1.3% in 2022 from a year earlier.** ||



● **May & June**

European steel prices continued to decline in May and June 2022, with service centers and traders holding off on purchases amid fears of further price declines.

● **Mid-June**

Steel prices had fallen to levels seen before the Russian-Ukrainian conflict. So far, steel inventories are still relatively abundant across the Europe market, and coupled with increased pressures of the economic recession, buyers have postponed purchases.

● **Future**

It's expected that demand will continue to weaken until prices stabilize or inventories are insufficient to support production.

European demand was also affected by the decline in demand for automobiles. Some studies claim that production and sales levels in the European automotive industry will recover in the H2 2022. However, many market participants remain cautious because demand is still restricted by long delivery times, tariff risks, and capacity shortages at local ports.



Moreover, inflation in Europe is putting a lot of pressure on local steel demand. High energy costs are likely to reduce the purchasing of steel products in downstream industries such as white goods.

UNITED STATES

|| **Steel demand is expected to grow 2.8% Y-o-Y in 2022 and 2.4% Y-o-Y in 2023.** ||



Six months after the infrastructure bill was signed into law, the White House announced 4,300 infrastructure projects underway with more than \$110 billion in funding for the next 5 years.

\$110 Billion

**Roads, Highways, Ports, Airports,
Water Infrastructures and Bridges**



\$52.5 Billion
Federal Highways

The funds are earmarked for road, bridge, port, airport, and water infrastructure projects across the United States. Above infrastructure investment will continue to support stable domestic steel demand.

The U.S. steel market has been largely insulated from low-cost imports due to tariffs on Chinese sources, which will give domestic steel sector stronger support

Currently, although U.S. steel prices continue to decline, and the PMI index is still in a downward trend since its peak in April 2021, the market participants believes that the infrastructure investments will still support steel prices and demand in the long term.



LATIN AMERICA

■ **Latin America's steel demand will decline by 2.1% Y-o-Y in 2022, compared to last year's demand growth rate of 26%. ■**



With the increase in interest rates, rising inflation dampened demand, Latin America's economic growth is likely to slow.

In May, the inflation was stable at 14.5%, and even though monetary policy is tighter and some countries have already begun to implement inflation control measures, the high commodity prices will become an important driver for continued high inflation in Latin America .

Additionally, currency devaluation, extreme weather, and aggressive government measures all could have additional negative effects on inflation.



Bearish Factors

Latin America's economic damage, local capital outflows, ongoing Chinese lockdowns, new variants of Covid-19, and unstable political environment like the Russian-Ukrainian conflict contributed to the main bearish factor.

Bullish Factors

But on the upside, easing policies from the pandemic, the recovery in tourism, and high prices for key agricultural and energy products will provide support to the region's economy.

PART 4



**Outlooks
for 2022 H2**



Global Steel Outlook for 2022 H2

In summary, in the H2 2022, global steel demand will be severely suppressed by the impact of the Russian-Ukrainian conflict, China's economic damage brought by virus control efforts, and the Fed's aggressive interest rate hikes. In addition, the strong momentum of the U.S. dollar will also **lead to lower steel prices, and the global steel market is expected to remain weak in the H2 2022.**

The current intensified geopolitical tensions will also have a profound impact on the global steel industry and the global economy, including the restructuring of the global trade landscape, the transformation of the energy and its downstream industries brought about by the energy crisis and climate action, financial market volatility and uncertainty on investor confidence.

ABOUT CUMIC



As an integrated steel trading solution provider, we, CUMIC Steel Limited, have long-term cooperation with 9 out of the top 10 steel-producing companies in the world. For the past 16 years, we have been consistently delivering high-quality integrated steel trading solutions to 2000 regular clients in more than 70 countries.



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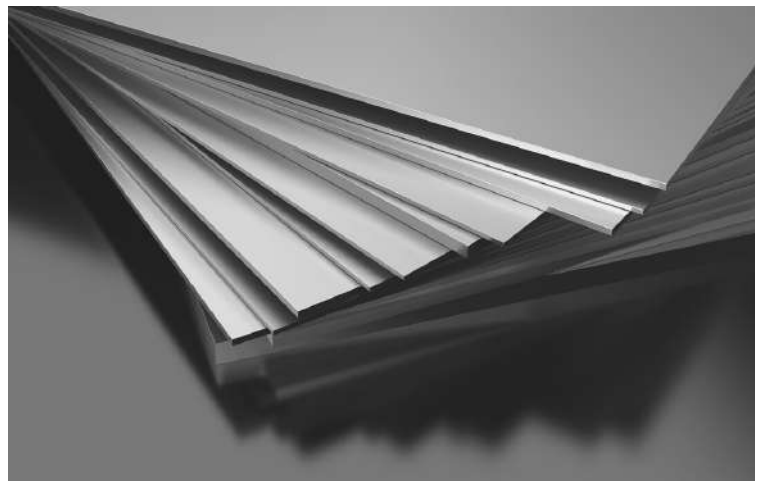
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