

Emanuele Norsa



Kallanish
COMMODITIES

CHINA

| | 2021 | Jun-Jul 2022 | Y-o-y | 2022 Outlook | Y-o-y |
|-----------------------------|-------|--------------|--------|--------------|--------|
| Official Crude Steel Output | 1,033 | 528 | -6.40% | 983 | -5.00% |
| Apparent consumption | 943 | 477 | -6.78% | 891 | -5.70% |
| End user demand | 946 | 444 | -8.00% | 891 | -6.00% |

Source: Kallanish. Million Tonnes

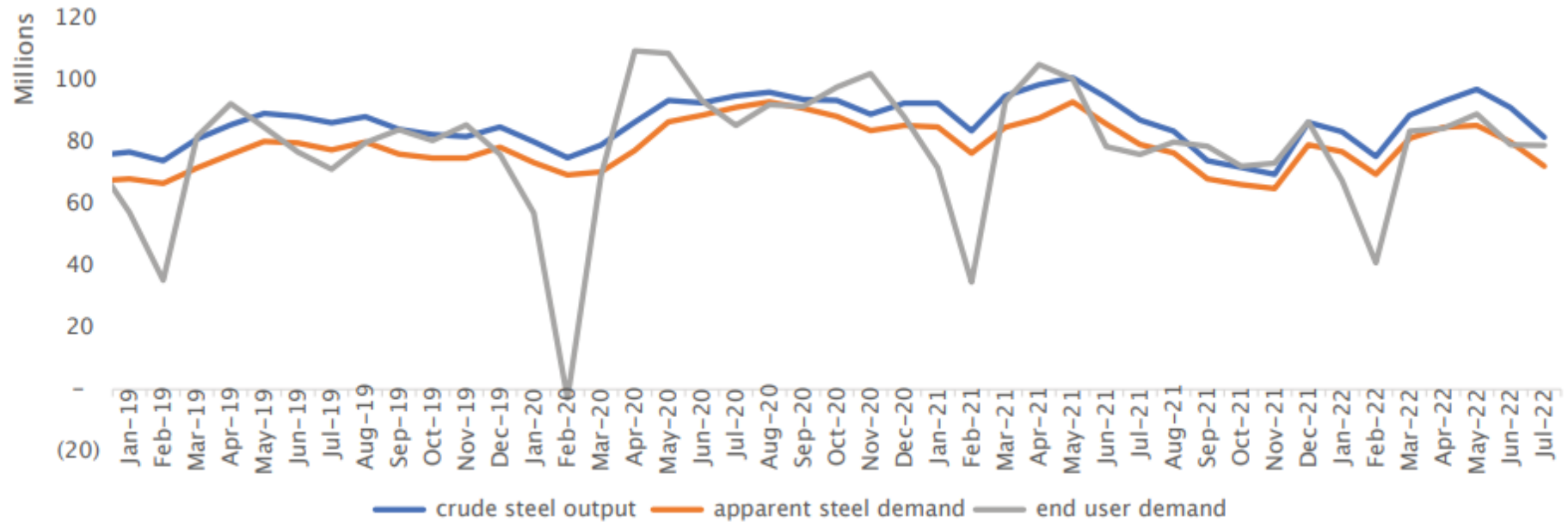
China has had a difficult summer, but for much of this period steel markets held out some hope of a better autumn. After all, stimulus funds were being made available and the government was saying there should be no panic. As August stumbled from crisis to crisis however, hopes for an autumn rebound faded.

Almost CNY 10 trillion (\$1.45 trillion) in stimulus seems to be just not enough.

IRON ORE



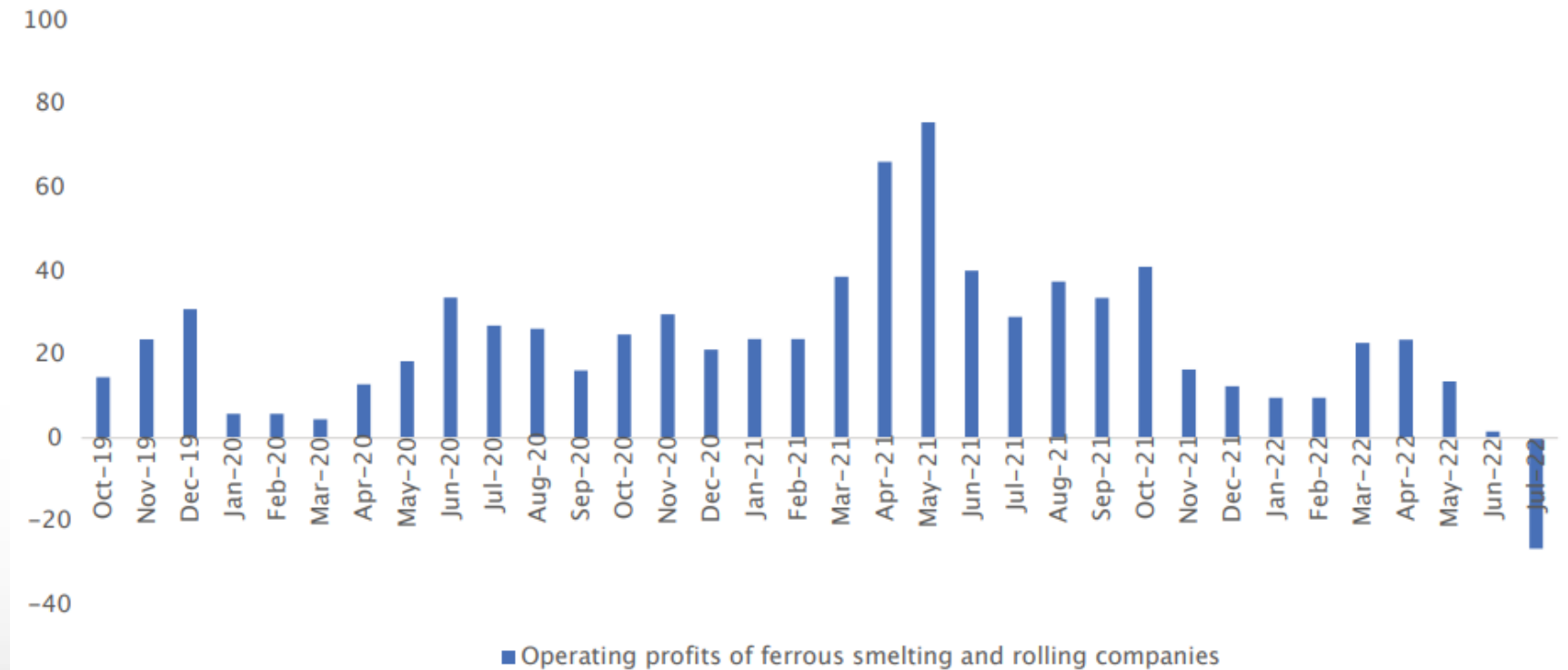
IRON ORE



Source: Kallanish. Million Tonnes

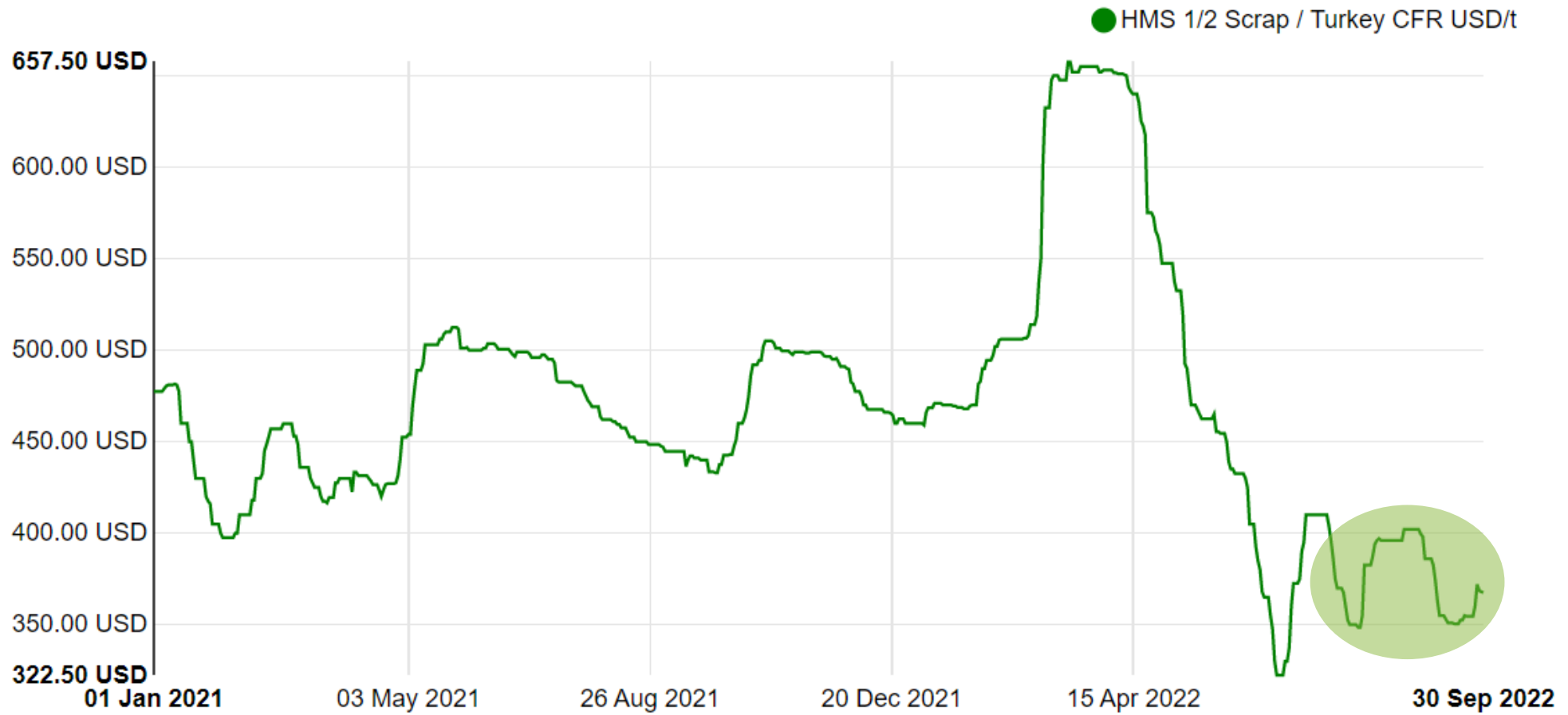


CHINA PROFITABILITY

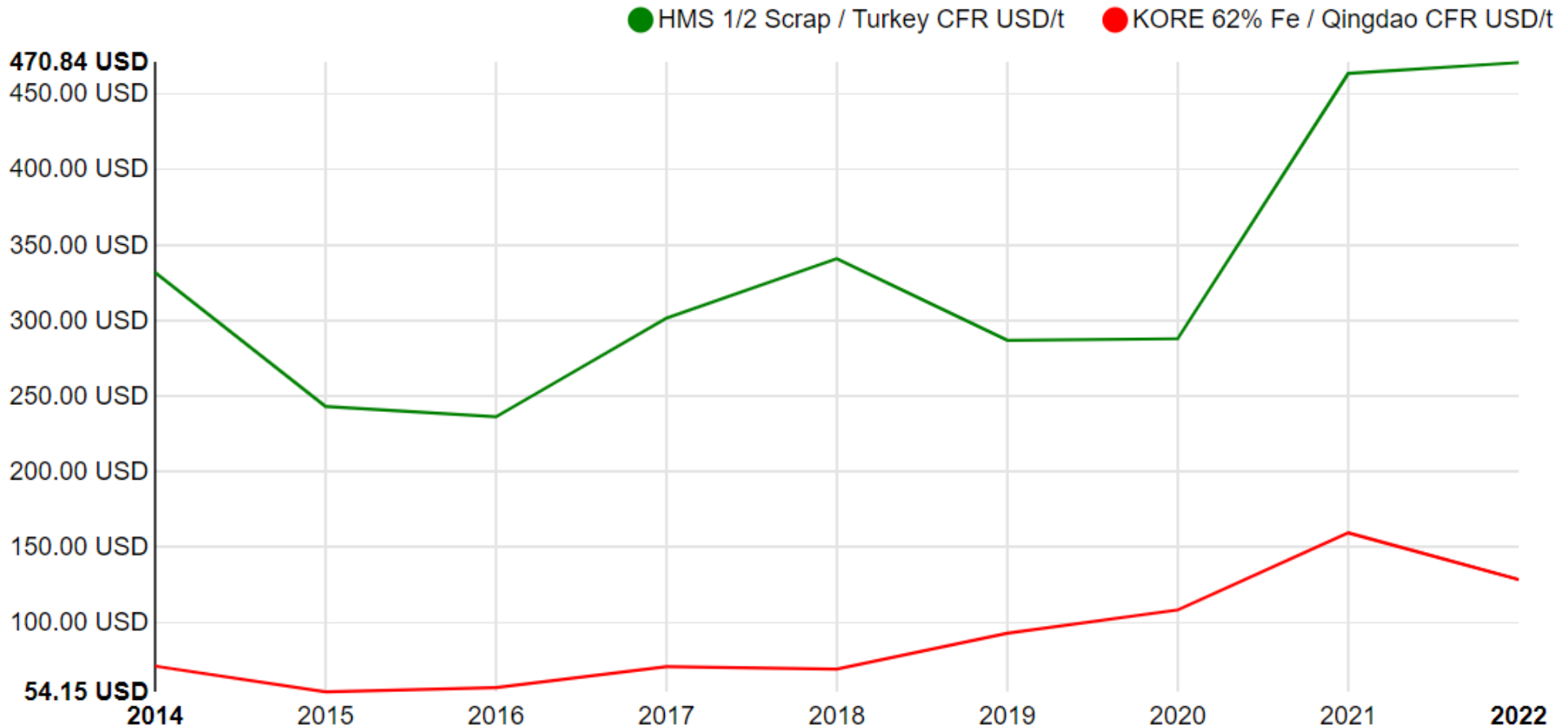


Source: NBS, Kallanish (billion CNY)

SCRAP

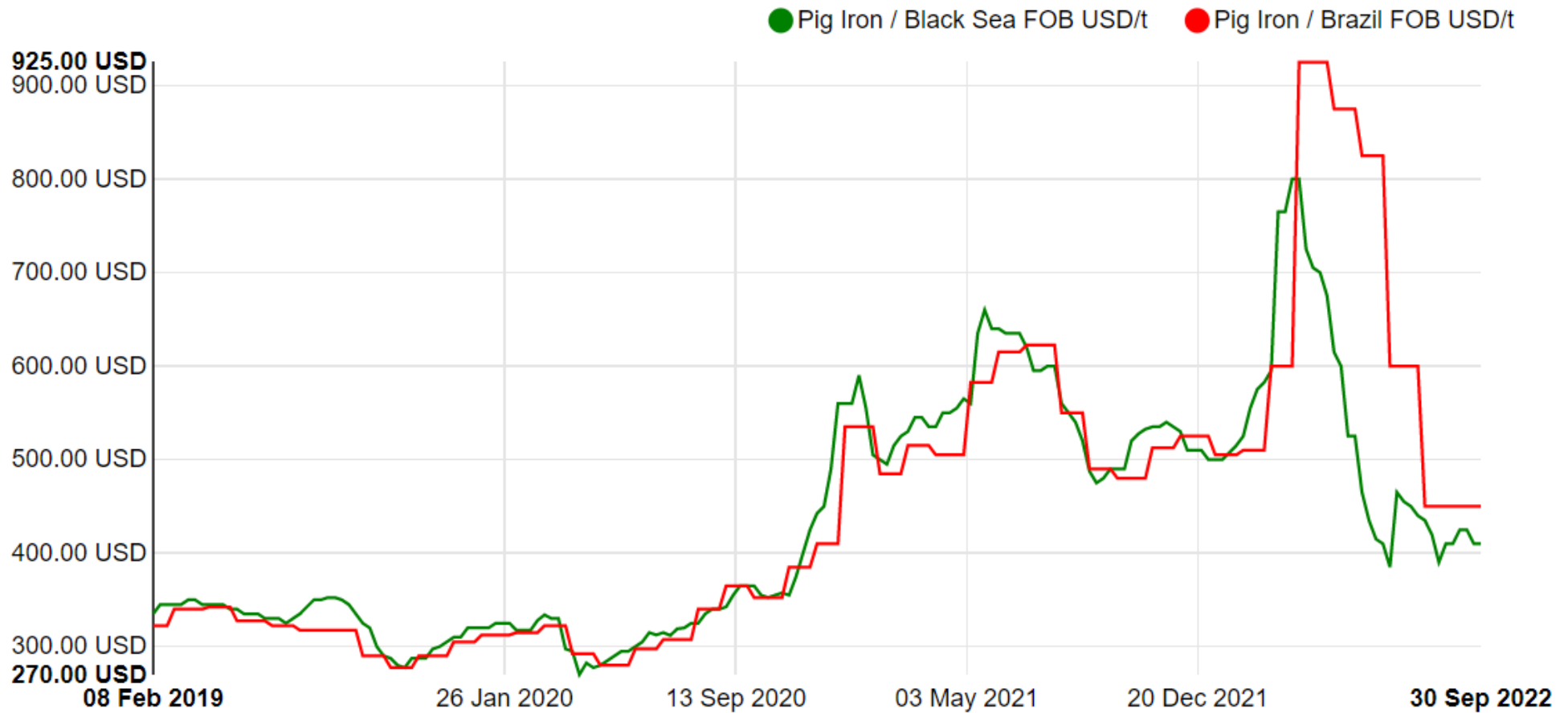


SCRAP VS IRON ORE

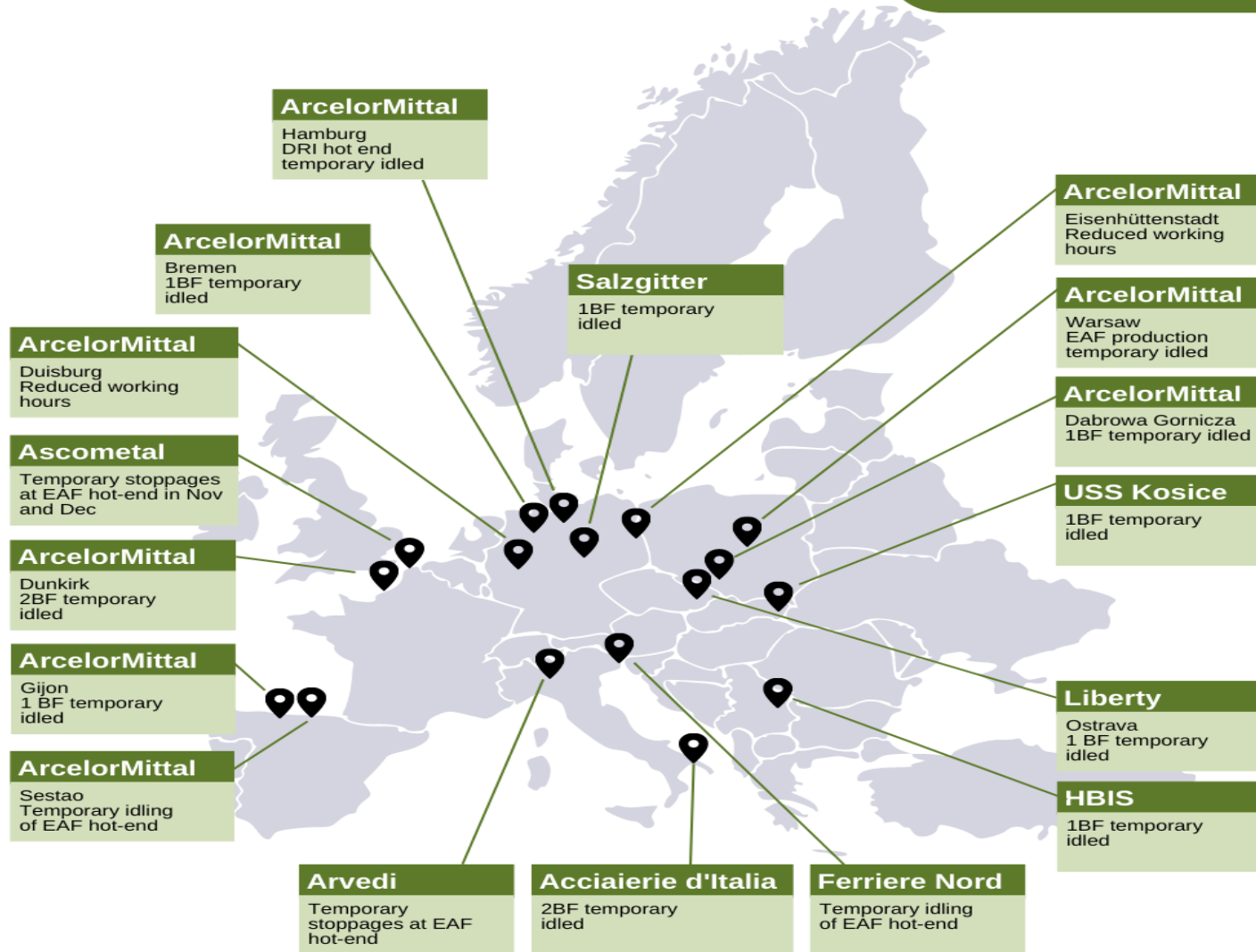


- **Scrap** global consumption could reach 750mt/y in 2026 (approx. 550mt in 2020)
- Global **iron ore** output growth to average 2.7% over 2022-2026, compared to a 1.3% decline over the previous five years (Fitch)

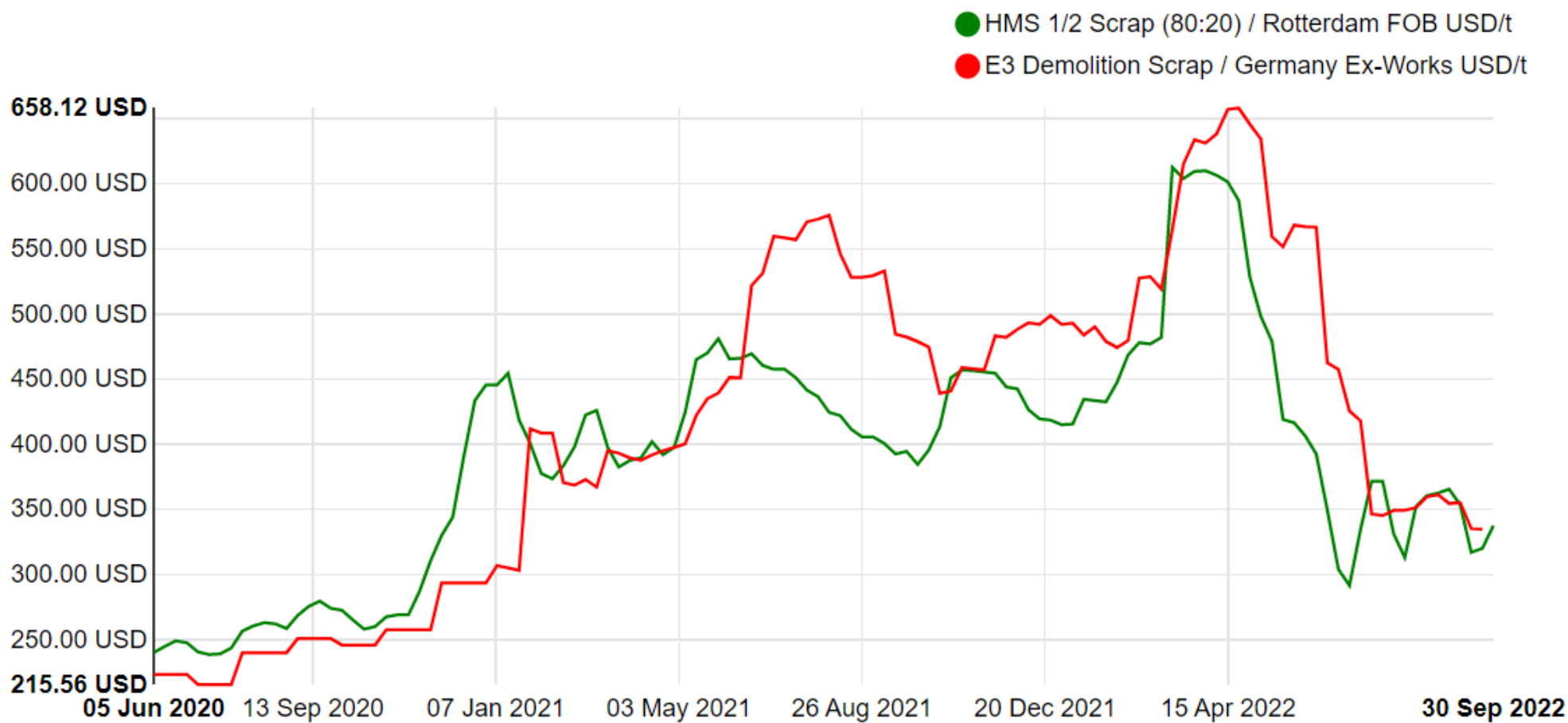
PIG IRON



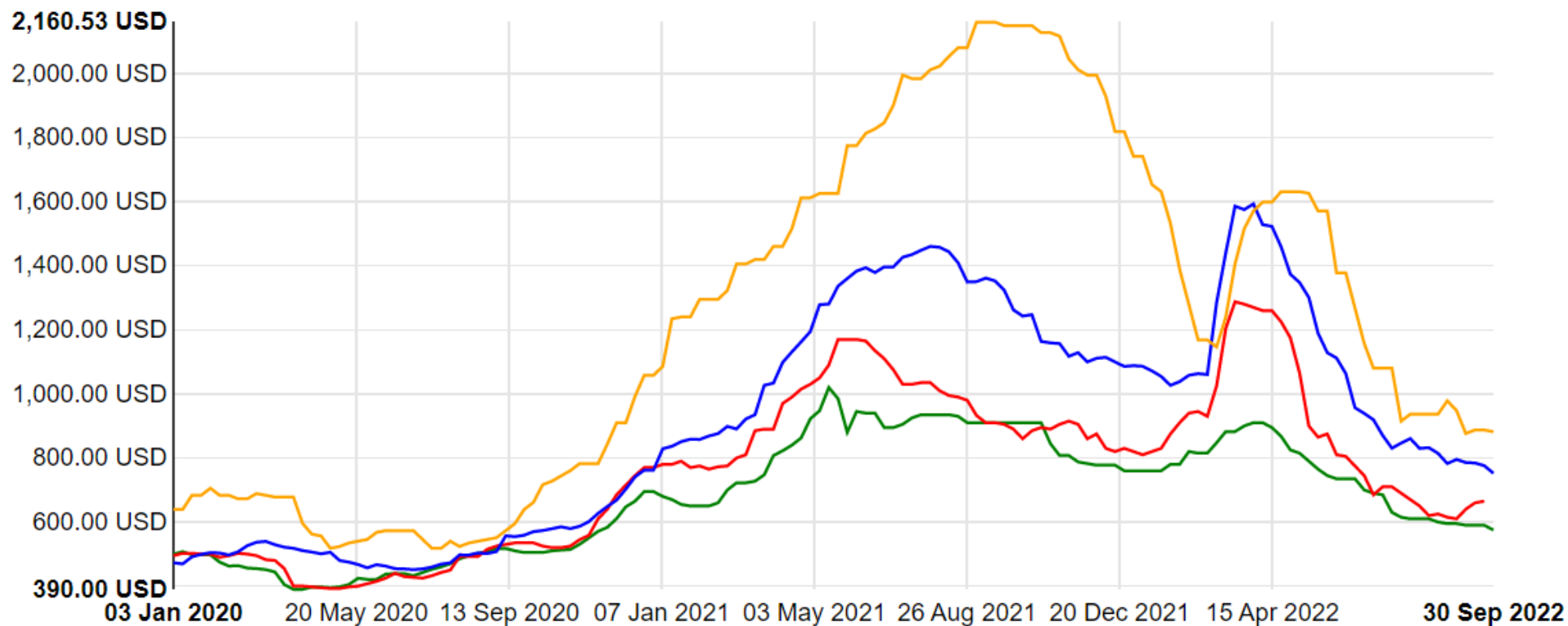
European BF/EDF closures, production curbs



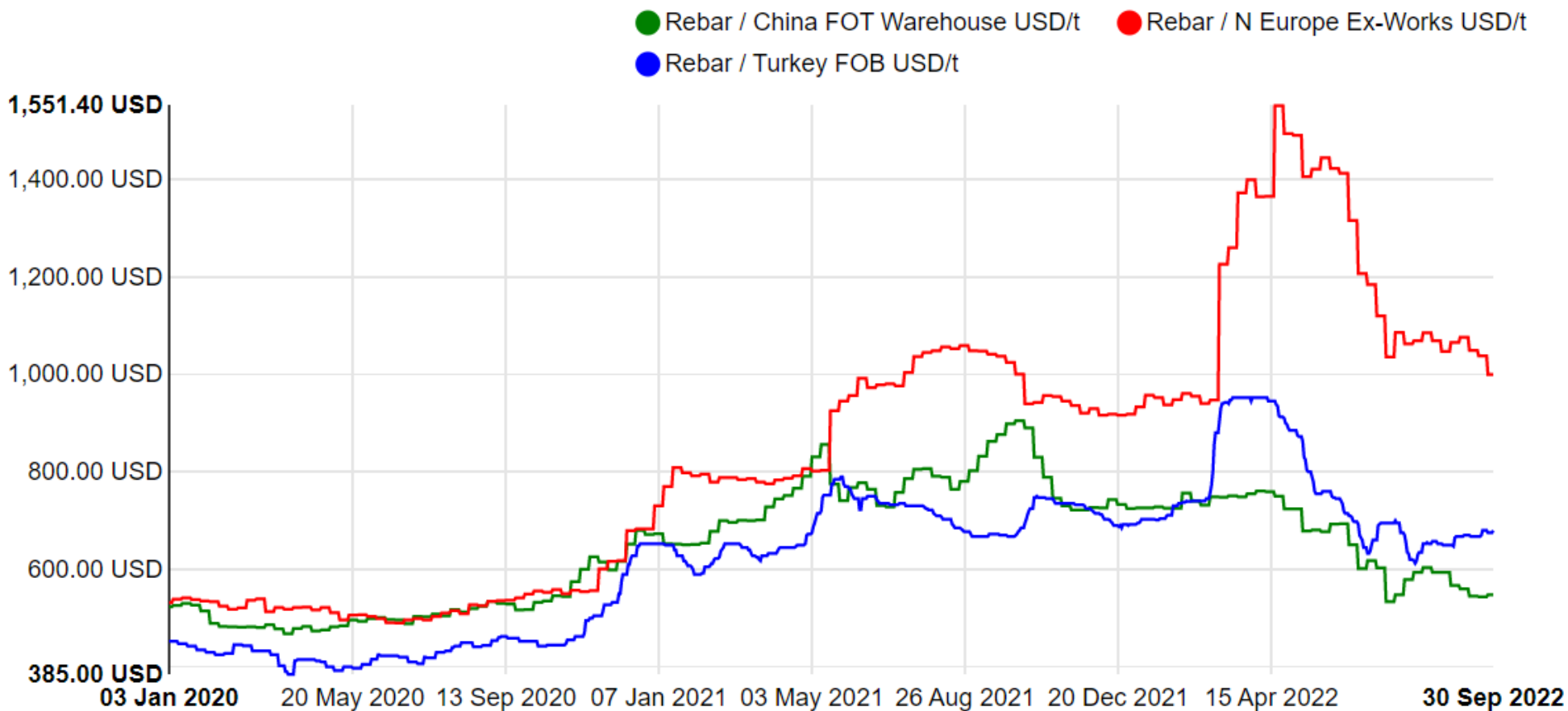
ROTTAME EU



● HRC / China FOB USD/t ● HRC / Turkey FOB USD/t
● HRC / N Europe Ex-Works USD/t ● HRC / N America Ex-Works USD/t



REBAR



EU apparent flats demand seen bottoming out: supplier

Apparent steel demand for flat steel products in Europe has been decreasing for months, but **the bottom of the negative cycle is now in sight**, according to a senior source at a major European flats supplier.

Mills are seeing apparent demand in Europe bottoming out and **hope that a mild rebound will materialise in the coming weeks**, as buyers prepare orders for the first quarter of 2023.

“Destocking aggressively intensified since mid-August among distributors and service centres in Europe,” the source confirms. “We expect a different approach in early Q4. All negative factors impacting the market have now been factored in; some positive signs from the demand side could be looming.”

In its latest outlook published in August, Eurofer indicated that apparent steel demand in Europe should move down 2.6% year-on-year in Q4, following falls of 4.3% and 5.9% in Q3 and Q2 respectively. A strong rebound of 6.2% is expected in Q1 2023.

“The negative sentiment in the market hit in September **harder than expected**, but now demand is bottoming out or even trending up,” the source adds. “Sentiment will also be lifted by the effect of production cuts at European mills, having a real impact on the market from October onwards.”

The source calculates that some **20% of European flat steel supply could have been temporarily idled** in recent weeks and months. Other observers believe this percentage could go up as high as 24%.

Thank you

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