

STEEL MARKET SUMMARY - May

Brave Time To Be Making Forecasts

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The expression "May you live in interesting times" is often (and erroneously) claimed to have its origin in a traditional Chinese curse. Whilst it's usually offered as a blessing, its ironic message is that life is probably better in uninteresting times of peace and tranquillity than in so-called interesting times, which are usually periods of trouble. The world economy is certainly at an "interesting" moment in time: and it is against this backdrop that the World Steel Association (WSA) has published its April 2022 [Short Range Outlook](#) for the steel industry worldwide.

The WSA predicts global steel demand will grow by 0.4% in 2022 to reach 1,804 million metric tonnes. It then believes demand for steel will increase by an additional 2.2% in 2023. But there is an enormous and obvious caveat: those interesting times in which we live. Commenting on the Outlook, the WSA's economics committee chairman, Máximo Vedoya, said: "This Short Range Outlook is issued in the shadow of the human and economic tragedy following the Russian invasion of Ukraine." On which point, the WSA says its forecast assumes the confrontation in Ukraine will come to an end during 2022, but that the sanctions on Russia will largely remain. It openly admits the broader outlook for 2023 is highly uncertain. WSA members represent about 85% of global steel production.

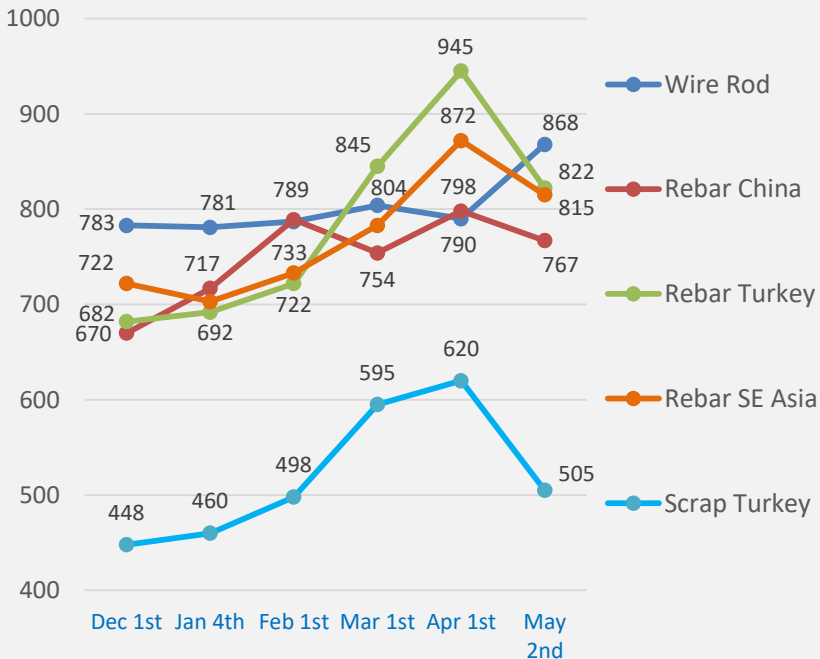
Specifically, in the world's advanced economies, the WSA predicts steel demand to increase by 1.1% in 2022 and by 2.4% in 2023. However, it noted the impact of the Russia-Ukraine conflict will be particularly pronounced in the EU due to its high dependency on Russian energy. In the developing economies (excluding China), the expectation is for a 0.5% rise in steel demand this year followed by a 4.5% increase next year. As for China itself, the WSA notes that steel demand saw a major slowdown in 2021 due to a government crackdown on real estate developers. The outlook in China is for flat demand in 2022 and a small positive growth in 2023.

With regard to industries which consume a lot of steel, the WSA forecasts the construction sector worldwide will face headwinds in 2022 from rising interest rates and costs. Likewise, the global auto industry is still in a slump after last year's supply chain issues which have not resolved themselves and are unlikely to do so in the near term – especially in Europe – while the Ukraine conflict continues. The WSA says its reduced growth expectations for global steel demand this year are principally linked to the war in Ukraine and low economic growth in China. But it adds: "There are further downside risks from the continued surge in virus infections in some parts of the world, especially China, and....that the expected tightening of US monetary policies will hurt financially vulnerable emerging economies." Surging inflation around the world, plus first quarter growth of only 0.2% in the European Union, and a US economy which shrank in the same period at an annualised 1.4% have only served to stoke fears that a global recession is nigh. On the local front, the Reserve Bank of Australia's decision this week to.....[\(Click to continue reading\)](#)



Long Products – Construction Steels

Prices are displayed in USD per tonne. See Key to Prices for full product description.



Australian Construction & Economic Data

New Housing Loans Up – May 4

The value of new housing loan commitments rose 1.6% in March to \$33.3 billion, seasonally adjusted.

[ABS – Lending Indicators, Australia](#)

LCIs Up In March – May 4

All five selected living cost indexes rose in the March quarter, driven mainly by increases in food and non alcoholic drinks

[ABS – Selected Living Cost, Australia](#)

CPI Up 2.1% In First Quarter – April 27

New dwellings prices up 5.7% and automotive fuel up 11.0% were among the largest contributors to the quarter's rise.

[ABS – Consumer Price Index, Australia](#)

Housing Starts Fell In Dec – April 13

The total number of dwellings commenced in the December 2021 quarter fell by 13.5% to 50,200 seasonally adjusted.

[ABS – Building Activity, Australia](#)



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ANTI-DUMPING NEWS

Measures already in place:

[ADC - Measures](#)

Updates to the public record:

[ADC - Updates](#)

Recent anti-dumping actions:

[ADC - Actions](#)

Request a weekly update from the Australian Government Anti-Dumping Commission website: [here](#).



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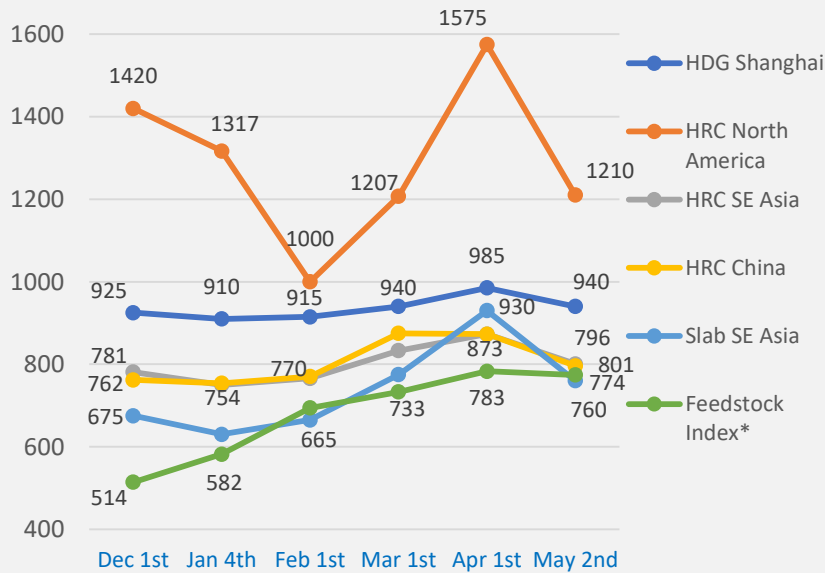
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Flat Products – Manufacturing Steels

Prices are displayed in USD per tonne. See Key to Prices for full product description.



* The **Feedstock Index** is the cost of iron ore, coking coal and scrap metal in one tonne of steel made via the BOF process. To see a full explanation of ASN's Feedstock Index, [click here](#).

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Special Steels / Tube and Pipe / Matt Gilpin / mgilpin@sanwa.com.au

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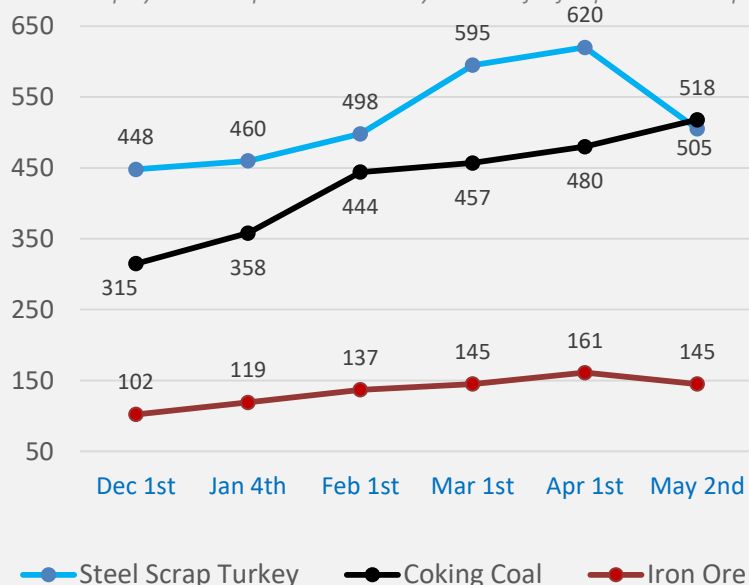
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Rural Products / Liubov Morozova-Sogrino / lmorozovasogrino@sanwa.com.au

Wire and Aluminium / Susan Atkinson / satkinson@sanwa.com.au

Steel Raw Materials Prices

Prices are displayed in USD per tonne. See Key to Prices for full product description.



Steel News Headlines

May 3– MEPS
[Global steel output slides in March](#)

May 3 – RBA
[Reserve Bank of Australia lifts rates](#)

April 29 – SEAISI
[ASEAN longs import markets tumble](#)

April 29 – Platts
[China's EAF capacity gathers pace](#)

April 28 – SEAISI
[Covid curtails China's steel output](#)

April 27 – Reuters
[Australia's metallic coal in high demand](#)

April 27 – SEAISI
[China steel FOB prices falling](#)

April 27 – MEPS
[US rebar prices stabilise](#)

April 27 – Platts
[Steel stocks in China at 13-month high](#)

April 27 – SEAISI
[Steel body calls for China export curbs](#)

April 26 – ABC News
[New hydrogen hub promised for Queensland](#)

April 25 – Reuters
[Ukraine crisis boosts POSCO's profit](#)

April 25 – Platts
[Baowu Group increases its domination](#)

April 22 – WSA
[March 2022 crude steel production](#)

April 14 – WSA
[April 2022 Short Range Outlook](#)

For more steel news headlines, [click here](#)

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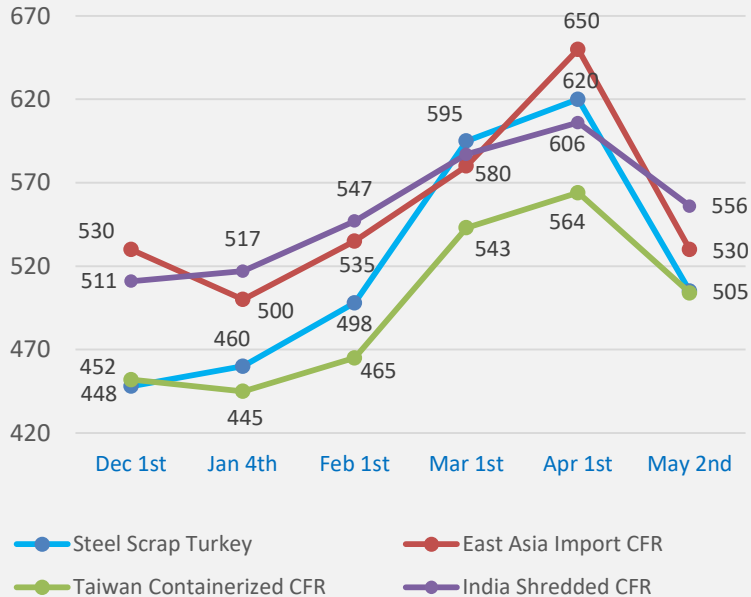
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Scrap Metal Prices - HMS 1/2 80 : 20

Prices are displayed in USD per tonne. See Key to Prices.



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Scrap Metal Prices

An ideal way for a scrap metal merchant, trader or equipment supplier to get noticed!

Contact: Mark Maccallum
Email: markm@caletablanca.com

Non-Ferrous Metals Prices

Prices are displayed in USD per tonne, except Vanadium in USD/kg. See Key to Prices.

	May 2	Apr 1	Mar 1	Feb 1	Jan 4	Dec 1
Copper	9510	10,246	9974	9700	9655	9571
Aluminium	2911	3483	3495	3072	2815	2669
Nickel	30,910	32,800	25,425	23,295	20,720	20,410
Zinc	4045	4332	3736	3634	3600	3296
Vanadium	45.50	51.50	44.00	40.00	39.50	38.00



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NZ NEWS

Economy on 'Path of Least Regret'

This week's announcement that unemployment in the March quarter had remained steady at its low level of 3.2% was encouraging. Meanwhile, the 3.0% increase year-on-year in wages was welcome news indeed. However, despite the current strength in the New Zealand economy, a sense of foreboding had emerged in mid-April when the Reserve Bank said it had chosen the "path of least regret" by raising the Official Cash Rate (OCR) to 1.5%. Better to go hard now to head off rising inflation than to be too soft and live to regret it, the Bank argued. Quite so. But perhaps a bit late, because within a week the consumer price index (inflation) for the March quarter of 2022 had shot to an annualised 6.9% (above the equivalent quarter in 2021). That rise followed a surge of 5.9% in the recent December quarter. Stats NZ says the main driver for the 6.9% rate was the housing and household utilities group. It noted that prices for the construction of new dwellings increased 18% in the March 2022 quarter compared with the same quarter last year – the largest increase since the series began in 1985. Of course, the Reserve Bank had already forecast its intention to continue increasing the Official Cash Rate "to best maintain price stability", so the April rise won't be the last. Traditionally, the lending rates of the banks replicates movements in the OCR – so costs are going to undoubtedly increase.

That's also the view of Steel & Tube, as expressed in its March Procurement Update. It said: "Price increases of differing proportions were expected to roll through the course of the year across various categories within the steel and stainless markets, depending on their own market dynamics, as manufacturers gradually catch up on backlogged orders. The Russia / Ukraine conflict, however, has shifted this outlook quantifiably." S&T said the conflict had introduced volatility into an already uncertain market. It had stimulated "material creep" in all steel raw material commodity prices curves, sending them into a rapid trajectory, spiking some beyond the fracture point of the similar shaped "Steel Deformation" curve. The Update also said shipping costs had continued to compound along with port services and demurrage, and that with the rapid increase in fuel prices, inflationary pressures will continue – further if the dollar depreciates. It said market prices are likely to substantially increase, as the extraordinary events of 2022 continue. The report noted the high correlation between oil prices and the prices for scrap steel, which is a growing feedstock for finished steel. Among other things, the oil price affects the processing and transportation costs of scrap.

If that outlook sounds bleak or at least difficult.....([click here to continue reading](#))



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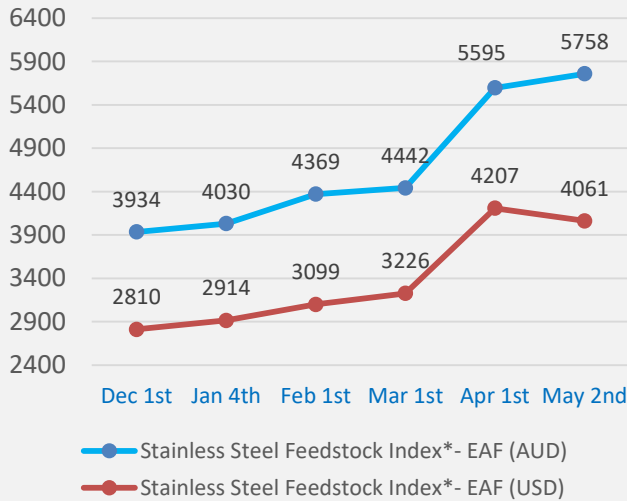
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Stainless Steel Feedstock Index

Prices are in the currency indicated. See Key to Prices.

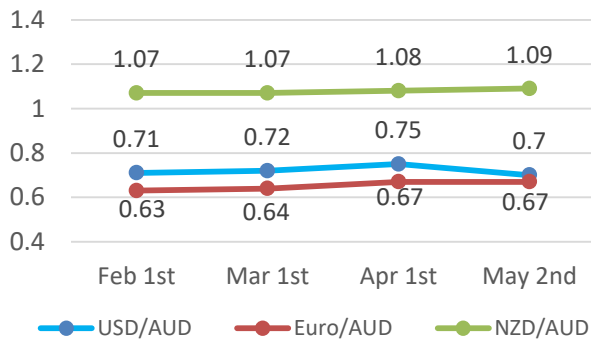


* The **Stainless Steel Feedstock Index** is the cost of iron ore, chromium and nickel in one tonne of stainless steel created through the EAF process. For a full explanation of ASN's unique Stainless Steel Feedstock Index, [click here](#).



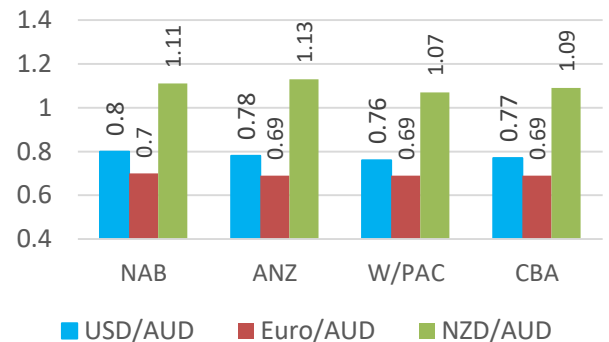
FX Rates – May 2nd, 2022

Source: X-rates.com



Future FX Rates

Banks' estimates of the value of the AUD at the end of Q4 2022.



Company Share Prices - (ASX end of day quote in AUD)

	May 2	Apr 1	Mar 1	Feb 1	Jan 4	Dec 1
BHP Group	47.98	52.39	46.55	44.93	42.38	39.90
Bisalloy Steel	1.72	1.83	1.60	1.45	1.59	1.53
BlueScope Steel	20.17	21.16	20.06	18.50	21.47	19.68
Fletcher Building	5.66	5.85	6.32	6.03	7.00	6.39
Rio Tinto	113.59	120.34	117.82	108.90	99.69	95.76
Sims Ltd	20.44	21.56	18.46	14.30	16.76	14.30

Currency Changes

Movement since April 1st, 2022:



AUD is **down 6.7%** against the USD



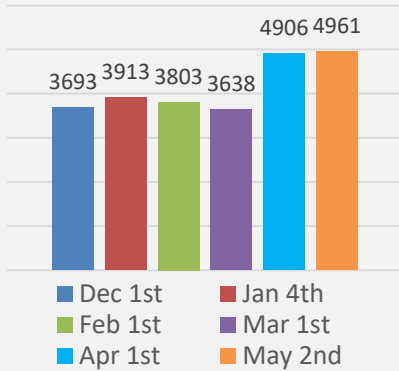
AUD is **unchanged** against the Euro

Ferro Alloy Prices

Prices are displayed in USD per tonne.

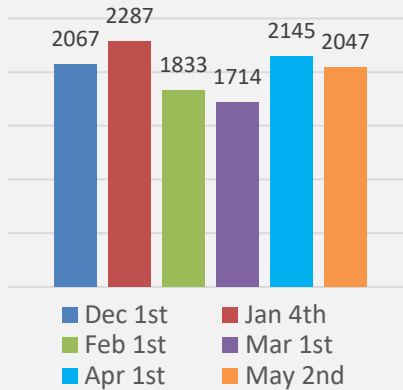
FeCr

HC basis 60% Cr 6-8% C ddp NWE



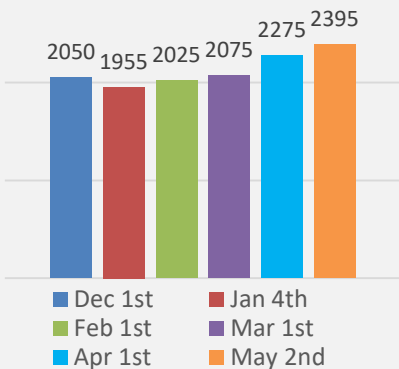
FeMn

HC Mn 78% ddp Europe Works



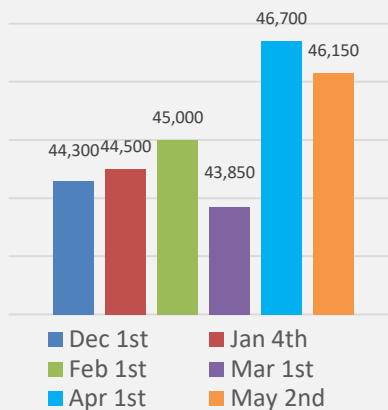
FeSi

75% Si fob China



FeMo

65-70% Mo dp Rotterdam



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Market Summary - Continued

.....decision this week to lift its cash rate target (and thus interest rates) by 25 basis points will likely subdue business sentiment.

Of course, any speculation about where steel demand, production and prices are going must involve an examination of the China “effect”, given that the country produces about 56% of the world’s steel and is an enormous consumer of it as well. First, steel demand is down in China because the economy is slowing alarmingly. As one example, housing starts fell in this year’s first quarter and many market sources predict an overall drop of 20 – 30% in 2022. The property sector accounts for around 30% of steel demand and considerably more if steel demand from property-related sectors such as home appliances and engineering machines are factored in.

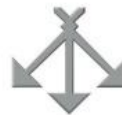
According to the China Iron and Steel Association (CISA), actual steel consumption by major industries in Q1 of this year fell by 5%. Within that, the construction industry went down by 7% and manufacturing dropped by 2%. This decline in demand has led directly to a drop in production. In the Jan – March quarter of this year crude steel output in China fell 10.5% or 28.55 million metric tonnes (year on year), according to the National Bureau of Statistics. COVID lockdowns and supply chain issues played a significant role in that decline. But it would have happened anyway because, in an effort to boost decarbonisation, the central government has insisted that the country produce less steel this year than in 2021. This was confirmed in April by China’s National Development and Reform Commission (NDRC).

The wholesale softening of the Chinese economy and, along with it, the steel industry may, however, draw some optimism from the news that infrastructure investment has maintained rapid growth, going up 8.5% in the first quarter of this year, according to the NDRC. “As infrastructure investment is on a rising trend, it certainly gives a boost to the current stagnant steel market,” said Qu Xiuli, deputy head of the CISA. As a direct result of falling demand, finished steel inventories at steel mills and spot markets monitored by CISA have risen more than 8% this year and stood at a 13-month high of 33.01 million metric tonnes on April 20th. This glut of supply combined with withering demand could put downward pressure on Chinese export prices.

The movement of scrap from a high of \$620 at the beginning of April to a current figure of around \$510 reflects a saving for the steel producers of about 17% and certainly this is being reflected in some of the figures being quoted. However, the EAF producers are declaring that higher power costs along with continuing if not worsening shipping congestion are preventing them from passing on all of these savings. Into Australia, import prices in USD must reflect the fall in the Australian dollar from just over 74 cents at the beginning of April to 70 cents now. This is an increased conversion expense of more than 5%. It will be interesting to see how the realisation of expectations plays out. Will the suppliers’ expectations of strong spreads (the difference between scrap and finished product pricing) be met? Or will the customers’ expectations of lower finished product pricing be met? Demand is still strong but falling in certain important parts of the world, such as China. However, the Chinese government seems to have this “demand genie” still in the bottle as it continues to restrict production. In Australia, local prices continue to move upwards and although there seems to be enough supply in the current market, concerns are being raised about supply in the second half of the year as large infrastructure projects come on line. (*Return to page 1*)

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By Simon Pepper*

Managing Director, SILA Global



My headline comment is that domestic logistics services remain severely strained, operational capacity is overloaded and this is causing huge bottlenecks in some ports which is leading to large amounts of detention and a strain on relationships. That's the bad news: the good news is that I have some updated information and a key piece of advice – which is, when making shipping bookings it's a good idea to request the greatest amount of free time possible, at around 21 days, to minimise exposure to detention charges.

In the last few months at SILA Global, we have taken steps to increase our transport service supplier base to increase capacity, and our base has almost doubled. However, capacity remains an issue due to the far-reaching nature of the supply chain issues. Regrettably, we have not been able to improve turnaround times as much as we would have liked, especially in Melbourne. Since we started alerting clients to issues and delays within the domestic supply chain, there has been little to no improvement,

indeed with deterioration in some states. Our biggest bottleneck is currently occurring in Melbourne with 4 to 6 week unpack and re-delivery delays in some cases. Nevertheless, containers continue to arrive. The weeks this month are short and short staffing is a constant issue.

I have three further pieces of advice / updates which are explained in far more detail in our website. First, with regard to containers which SILA Global has been requested to unpack, de-hire empty and deliver the contents, we ask that anything sent to SILA has a 21-days free detention time. However, this does not confirm we will pay any detention costs. The free time recommendations are to assist in mitigating any detention costs that may be incurred due to extended delays. SILA Global cannot be held liable for detention charges due to issues beyond our control.

Second, with regard to.....([click here to continue reading](#))

Steel Industry Services

Many services and associations exist to assist people and companies working in the steel and metals industries. Here is a selection:

Baltic Dry Index

The Baltic Dry Index (BDI) is issued daily by the London-based Baltic Exchange. It is a composite of the Capesize, Panamax and Supramax Timecharter Averages. The BDI is a proxy for dry bulk shipping stocks and a general bellwether to shipping markets. Here are two websites with links to it:

[Trading Economics](#)
[The Business Times](#)

Fuel Prices

Variations in petroleum and diesel prices can critically impact the final transport costs of moving steel within Australia. The Australian Institute of Petroleum (AIP) is the peak representative body of Australia's downstream petroleum industry. It publishes a weekly prices report for petroleum and diesel.

[AIP Petroleum & Diesel prices](#)

Associations

The steel, metals and related industry sectors in Australia and New Zealand are well served by numerous peak bodies and associations. The website [AustralianSteel.com](#) contains a list of the most prominent associations which serve the industry. Click below.

[AustralianSteel.com Industry Associations list](#)

Offcuts.....Steel Around The World

- China's Baowu Group – the world's largest steelmaker – is to take a majority stake in Xingang Group in the Jiangxi province. Xingang produced about 11 million metric tonnes (Mm/t) of crude steel in 2021. The purchase will take Baowu's annual crude steel production to 131 Mm/t as it proceeds towards its goal of 200 Mm/t by 2025. (*SEA/ISI*)
- South Korea's POSCO has reported a 44% surge in first-quarter 2022 operating profit as higher revenue from rising steel demand in the opening months of the year outpaced stiff raw material costs. (*Reuters*)
- French police raided the Paris offices of Sanjeev Gupta's GFG Alliance in April as part of an investigation into allegations of money laundering and corporate misuse of assets. Britain's Serious Fraud Office in the same month visited GFG Alliance's London office. (*Bloomberg*)

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Key to Prices

1. Wire Rod – Shanghai Futures Exchange (SHFE). Standard bundle size Chinese wire rod grade HPB300 in diameters 6.5 and 8.0mm. [VIEW](#)
2. Steel Rebar China – SHFE closing price on day converted at 6.4 Yuan/USD. [VIEW](#)
3. Steel Rebar Southeast Asia CFR – S&P Global Platts (Platts) daily rebar.
4. Steel Rebar Turkey – London Metal Exchange (LME) one month exports FOB Turkish port. [VIEW](#)
5. Steel Scrap Turkey – LME closing contract price CFR Turkish port. [VIEW](#)
6. HRC North America – LME closing contract price ex works Indiana. Short ton price converted by 110% to per tonne. [VIEW](#)
7. HDG Shanghai – Platts China FOB export monthly.
8. HRC Southeast Asia – Platts daily HRC CFR SS400.
9. HRC China – LME closing contract price FOB China. [VIEW](#)
10. Slab Southeast Asia – Platts monthly CFR Southeast Asia.
11. Coking Coal – Platts Australian premium low volume HCC.
12. Iron Ore – NAB sourced Bloomberg indicative CFR for 62 Fe shipping to Qingdao. [VIEW](#)
13. Non-Ferrous Metals – LME official closing day price for: copper, aluminium, nickel and zinc. [VIEW](#)
14. Vanadium – Ferro vanadium 80% China price in USD/kilo from Vanadiumprice website. [VIEW](#)
15. Taiwan Containerized Scrap – LME weekly Taiwan CFR. [VIEW](#)
16. East Asia Import Scrap – Platts weekly East Asia Import CFR.
17. Ferro Alloy Prices – Argus Metals International mid-point price of range on date indicated.
18. FX Rates – Sourced from X-rates.com. [VIEW](#)
19. Company Share Prices – Australian Stock Exchange end of day quote in AUD. [VIEW](#)