



Assofermet

market note

STEEL

May 2024

CARBON STEEL · STAINLESS STEEL · STEEL WAREHOUSES · TINPLATE

CARBON FLAT STEEL SERVICE CENTERS

April was subdued in terms of volumes sold, even though there was greater buying interest from a number of specific buyers. Although the period was characterized by a slowdown in business due to many holidays in Italy and central European countries, some positive signs came from those very end users who, driven by the rebound in coil purchase quotations, decided to cautiously cover their sheet and strip needs for the coming months.

Service centers were caught in the stranglehold between producers and consumers, in a market characterized by uncertainty. They have continued to operate under declared insufficient operating margins.

The recent increases in purchase quotations, confirmed by both EU and non-EU mills, added to the import limits imposed by the Safeguard Measure, erga omnes duties and the effects of the CBAM, are pushing distribution and pre-processing operators to change pace by following and reinforcing the upward path of their sales quotations, already undertaken in this first decade of May.



Raw material stocks, available at service centers, appear to be slightly above average due to the slowdown in sales estimated at about 10 percent in the first quarter.

The overall situation may not be a problem today since, as mentioned, quotations appear to be on the rise.

Even though the conflicts in Ukraine and the Middle East are bound to still impact world economies, some signs of optimism are coming from the EU for the long-awaited and announced round of lowering the cost of money, which is expected to finally begin in June.

STAINLESS FLAT STEEL SERVICE CENTERS

April saw improving demand accompanied by low supply caused by strikes at two major European producers in Finland and Spain and limited imports. The strike at the Spanish producer is still ongoing and has now lasted for more than three months.

The month of May opened with lower demand and new demands for increases from producers.

The EU commission, after a nine-month long investigation, has also just published the anti-circumvention regulation regarding cold-rolled imports from Taiwan, Turkey and Vietnam, confirming the exemption of major producers in these countries.

The decision is welcomed and will make the market better balanced, guaranteeing room for imports by producers while blocking duty-evading operations.

STEEL WAREHOUSES

In April weakness remains in the downstream market, that does not seem to want to restart on last year's volumes. Prices, for which the reversal point was supposed to have been reached, also show no signs of recovery.

Both the flats and the longs, while without any collapse or exceptional movement, left a few cents on the ground throughout April.

The much heralded rebound, however, seems to have taken shape in the first days of May, with volumes in line with 2023 and with noteworthy increases on the price side, both in the flat world and, finally, in the long world.

Whether the premises, will solidify into a real recovery will depend, as usual, on numerous endogenous and exogenous factors.

The ECB seems ready to cut the official discount rate next month, but rumors no longer speak of a downward ride, as was feared at the end of last year, and it is likely that the May rebounds are already the result of the announcement of the June reduction.



Of course, the unfolding of the war in Ukraine, the outcome of which seems increasingly uncertain as time goes on, is certainly not helping markets to enter a phase of stability that would do so much good for the macroeconomic situation.

FLAT TINPLATE STEELS SERVICE CENTERS

Discreet turmoil on demand for ready material, both due to elongations in lead-times of European ironworks reported up to 14 weeks (as opposed to the usual 7-8), and a price increase of several tens of euros, indicating the expected reaching of the bottom. On the import side, a recovery in quotations is also denoted, supported by the further increase in logistics costs.

