Metal Expert

# World Steel News

Steel and Raw Materials News and Prices

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## Interview



## Editorial





## MENA



## Asia



## CIS



## Europe



## Americas



## World

## MENA waits for Chinese billet to return

The MENA billet spot market has been facing transformation since the second half of 2016. Chinese suppliers leaving the market, demand for raw materials and billet from alternative sources increased. Nevertheless, the recent price drop in China might bring Chinese billet back to the region. The current situation created background for buyers and sellers of semis and raw materials to meet again for the 3rd MENA Billet and Steelmaking Raw Materials Conference, which was held on April 11-12 in Dubai.

At the conference, participants discussed the recent trends and prospects of the billet and raw materials segments. Moreover, the event gave a possibility to learn the view from the top on the burning issues for the steel industry from Mohammed Saleh Al-Jabr, Vice Chairman of Steel National Committee of Council of Saudi Chambers. One of the important discussed questions was availability of steelmaking raw materials. “Unfortunately, GCC was depending heavily on Samarco because it was the most convenient. Now the situation has changed… This shortage [of DR pellets] has been compensated by increased scrap consumption,” Mohammed Saleh Al-Jabr pointed out.

Although scrap consumption increased in the MENA, especially in H2 2016, some of the countries are experiencing lack of scrap availability. According to Salam Al Sharif, Chairman of Sharif Metals International & President of Bureau of Middle East Recycling, scrap generation in KSA is about 2.2-2.3 million tpy, which is not enough to cover the existing demand for scrap in the country. As a result, “due to limited availability of scrap it is difficult to increase scrap usage in EAFs,” a Saudi Arabian producer told Metal Expert. The UAE is facing another problem. Albeit the scrap generation is 5 million tpy, the country is actively exporting it and is forecast to do so in the future. “Even though there is an export levy on the exports of ferrous scrap in order to protect local industry they will not be able to prohibit exports. If they wish to try I will see you in next ten years and they will still not be successful,” Salam Al Sharif said during the discussion.

Regional pellets requirement also exceeds its availability in the region and is expected to increase in the following years, which might become beneficial for Iran. Iran’s pellets export duty exemption, in case the decision is positive, will influence the MENA region market. Prices for both pellets and partly concentrate will be effected by that very quickly. Competition between Vale and LKAB will not create a big problem for Iran’s pellets export, according to Keyvan Jafari Tehrani, Member of the Board & Head of International Affairs at IROPEX.

Apart from being a bait for raw materials suppliers, the MENA will remain a key market for billet sellers as well. Iranian exporters, having an advantage of the lowest production cost, are planning to use the opportunity and increase their total export sales of billets by 38% year-on-year to around 2.5 million t, including the MENA. The share of CIS sales to the region, however, might decline by almost 30% or 1.4 million t y-o-y due to the recent developments in the raw materials segment of Ukraine.

All the participants have come to a conclusion that Chinese billet suppliers are about to come back to the region, which is proved by recent attractive offers of billets from Chinese mills and especially traders amid the price decrease in the raw materials segment. Nevertheless, China’s billet export to the MENA is forecast to reach only 1.3 million t in 2017 (a 71% decline y-o-y), according to Metal Expert.

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## The contracts for steel products and raw materials

| Commodity/specifications | Origin/supplier | Consumer | Volume, t | Price & delivery terms | Details |
|---|---|---|---|---|---|
| **Flat products** | | | | | |
| HR coils, SAE, 2 mm | China | Vietnam | n/a | $410-415/t CFR | June shipment |
| **Scrap** | | | | | |
| HMS 2 | Japan | South Korea | 30,000 | JPY 27,000/t FOB | June shipment |
| A3 | Russia (Rostov-on-Don) | Turkey | 2,800 | $250/t CFR | - |
| A3 | Ukraine | Turkey | 2,800 | $250/t CFR | - |
| Bonus | Bulgaria | Turkey | 1,700 | $258.5/t CFR | - |
| HMS 1&2 (90:10) | Ukraine | Turkey | n/a | $251/t CFR | - |
| HMS 1&2 (90:10) | Romania | Turkey | n/a | $251/t CFR | - |
| **DRI/HBI** | | | | | |
| HBI | Venezuela | Mediterranean region | 30,000 | $215/t FOB | May shipment |
| HBI | Venezuela | Mediterranean region | 30,000 | $215/t FOB | May shipment |
| **Iron ore** | | | | | |
| Pilbara fines + Pilbara lumps 62% Fe | Australia | China | 100,000+70,000 | unfixed | May delivery |

## Major steel and raw materials futures in China, RMB/t ex-warehouse

| Product | Name of futures exchange | Month of delivery | April 21, 2017 | Daily change |
|---|---|---|---|---|
| Rebar, 16-25 mm | Shanghai Futures Exchange | October | 2,928 | +39 |
| HRC, 3.5-9.75 mm | Shanghai Futures Exchange | October | 2,961 | +31 |
| Iron ore, 62% Fe | Dalian Commodity Exchange | September | 505.5 | +17 |

## Daily price assessments for steel products and raw materials

| Commodity | Country | Currency, delivery term | April 21, 2017 | Daily change |
|---|---|---|---|---|
| Iron ore, 62% Fe | China | $/t, CFR ex-Australia | 66.5 | +1.5 |
| Coking coal | Australia | $/t, FOB | 270 | –10 |
| Ferrous scrap, HMS 1&2 (80:20) | Turkey | $/t, CFR ex-USA | 265 | –2.5 |
| Ferrous scrap, HMS 2 | Japan | JPY/t, FOB | 27,000 | 0 |
| Square billet, 150 mm | China | $/t, FOB | 395 | +5 |
| Square billet, 150 mm | China | RMB/t, EXW Tangshan | 2,780 | +90 |
| Square billet, 125-150 mm | Ukraine | $/t, FOB | 378 | 0 |
| Square billet, 125-150 mm | Turkey | $/t, CFR | 393 | +3 |
| Rebar, 12 mm | Turkey | $/t, EXW | 437.5 | +2.5 |
| Rebar, 8-32 mm | Turkey | $/t, FOB | 423 | 0 |
| Rebar, 12, 32 mm | Germany | EUR/t, CPT | 485 | 0 |
| Rebar, 16 mm | USA | $/t, EXW TW | 595 | 0 |
| Wire rod, 6.5 mm | China | $/t, FOB | 425 | –5 |
| HRC, 3-12 mm | China | $/t, FOB | 420 | –3 |
| HRC, base | Germany | EUR/t, EXW | 555 | 0 |
| HRC, 2-8 mm | USA | $/t, EXW | 716 | 0 |

## Methodology

Metal Expert publishes the following types of prices:

**offer price** – an offer from a supplier but a deal has not been signed at this level as of the time of publication;

**contract price** – a transaction price confirmed on both seller's and buyer's side;

**price assessment** – Metal Expert's estimate of a fair price level for a possible transaction in current market conditions.

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## Moods generally negative in Turkey's rebar segment

Turkey / Long products

Changing market conditions urged Turkey's rebar exporters to revise their offers downwards. The main reason for softer pricing is generally negative market sentiments amid downturn in China, weaker scrap segment in Turkey as well as lack of support from rebar buyers, both at home and abroad.

The official level of export offers for Turkey's rebar is currently standing within $420-425/t FOB while last week mills were trying to stick to $10/t higher prices. Local rebar offers in Turkey are kept at higher levels – $430-445/t EXW, mainly because sizeable discounts will not create additional demand now. "Mills are more looking at export today while prospects for local market remain unclear," a trading source told Metal Expert.

Offers to the USA are coming at $485-490/t CFR TW, $5/t below the mid-month levels. Mills are currently in talks over May shipments, the latest deals were closed within $490-495/t CFR TW (including AD and CVD).

Israel and Egypt receive offers at $445-450/t CFR and $430/t CFR respectively. There have been no deals as buyers insist on $10/t discounts. Sales to the GCC region remain quite challenging. "UAE bids $420-425/t CFR TW versus $435/t CFR TW offered, it is too low for us," a producer told Metal Expert. "In Q1 Turkey shipped only around 60,000 t to the UAE, unbelievable," he added. Notably, Yemen is in the market with orders, with some negotiations being currently underway.

Export offers of Turkey's wire rod weakened by $5-10/t w-o-w to $445-460/t FOB from most mills. The demand remains satisfactory with orders still coming from the EU, Africa and the MENA region.

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## GCC billet market still amid confusing price moves

Middle East / Steel Semis

The GCC billet market has been in a confused state this week due to the unclear price situation in China related to volatility and traders trying to sell short. What is clear for everyone is that it is better to wait until the situation stabilizes. As a result, buyers have mostly adopted a wait-and-see approach.

As usual, prices for semis from Iran are the most attractive. This week's range is $385-395/t CFR ($5-15/t down week-on-week), but no takers have been found. The latest deal for approximately 30,000 t of Iranian billets was concluded last week at $395-400/t CFR with a UAE customer.



 

Chinese traders are trying to compete, offering billets at $385-405/t CFR. Mills' prices are much higher, ranging within $410-415/t CFR ($10/t down w-o-w). As a result, a majority of customers believe it is quite risky to buy from Chinese traders at such prices especially taking into consideration the previous experience.

Prices from the CIS ($405-410/t CFR) and Turkey ($410/t CFR) are not attractive at all as the material from regional producers is available at $410/t delivered. The latest contract for UAE-made billets was signed at that level one week ago. "I think local producers are struggling with current prices because the local production cost is much higher," a GCC buyer told Metal Expert. If the current market scenario continues, local semis manufacturing might be under threat again, leading to another imports influx to the region.

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## Lebanon welcomes China's return with no deals for longs

Middle East / Long products

After being absent for almost six months, Chinese suppliers have come back to the Lebanese market with the lowest offers. Competitive prices are coming only from traders, while mills are offering at higher levels. Nevertheless, local customers have not concluded any deals for the material from China as the end-user demand is not supportive now.

China-origin rebar and wire rod are currently offered by traders at $420-425/t CFR and $430-450/t CFR respectively. Mills are quoting similar products by $20-30/t higher, market players report. Although prices for Chinese material from traders are the most attractive now, insufficient end-user demand coupled with high level of inventories and weak stockists' prices ($15-30/t down over three weeks) prevent traders from concluding new deals. "Lebanese market is very depressed. The level of $405/t CFR is breakeven today," a local trader told Metal Expert.

Prices from Turkey and Ukraine have declined by $10-15/t over three weeks. Nevertheless, being priced higher than Chinese ones, Turkish and Ukrainian products have not found any buyers in this destination over the past two weeks.

**Lebanon: prices for long products, $/t**

| Market segment/product | Origin/supplier | Offer | Three-week change |
|---|---|---|---|
| **Import, CFR (June shipment)** | | | |
| Rebar | China, from traders | 420-425 | n/a |
| Rebar | Ukraine (ArcelorMittal Kryvyi Rih), from mill | 430-435* | –15 |
| Rebar | Turkey, from mills | 430-440 | –10-15 |
| Mesh-quality wire rod | China, from traders | 430-450 | n/a |
| **Domestic market, traders, delivered** | | | |
| Rebar | import | 450-460 | –20-30 |
| Mesh-quality wire rod | import | 470-480 | –15 |

* – indicative price
Note: prices are without 10% VAT.
Steel products from non-Arab and non-European countries are subject to 5% import duty in Lebanon.

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## Azov-Black Sea scrap down again in Turkey

Turkey / Scrap

Turkish companies continue ferrous scrap purchases from the Azov-Black Sea basin. They still have enough arguments in talks to achieve lower prices.

 

Facing thin orders for finished products, Turkish mills are not very active in raw materials bookings. At the same time they receive quite a lot of offers from scrap exporters from the Azov-Black Sea basin, so they insist on discounts. On April 20, a Karadeniz-based integrated steelmaker closed a deal with a supplier from Russia (Rostov-on-Don), who sold 2,800 t of A3 material at $250/t CFR, Metal Expert learnt. Previous quotes for this grade varied between $257-260/t CFR Turkey. “So many short-sea cargoes are available, this is the result!” a market participant said.

The same consumer reached an agreement with two more sellers. In particular, 2,800 t of A3 scrap was bought from Ukraine at $250/t CFR Karadeniz. And 1,700 t of bonus material from Bulgaria changed hands at $258.5/t CFR, Metal Expert learnt.

A Marmara-based importer sourced HMS 1&2 (90:10) from Ukraine and Romania at the same price – $251/t CFR. According to Metal Expert data, they bought 10,000-11,000 t of scrap in total.

Deep-sea market of the material stays in lull. “Only at the beginning of the week some European scrap collectors were looking for buyers, but then they disappeared,” a trader noted. Nevertheless, considering decline in quotes for short-sea scrap, price assessment for HMS 1&2 (80:20) from the USA or the Baltic region slid to $265/t CFR Turkey versus $265-270/t CFR earlier.

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### Turkey’s Erdemir posts strong financial results in Q1

Turkey / Flat Products, Steel Semis, Long products

Turkey’s largest steelmaker Erdemir Group significantly improved its financial performance in Q1 2017 owing to favourable price situation primarily as a result of solid demand in the flats segment.

Over January-March 2017, Erdemir’s net profit surged by 336% to $244 million year-on-year, while sales revenue added almost 30% to $1.14 billion y-o-y, according to corporate financial statement. In addition, the company’s EBITDA rose by 189% to $359 million y-o-y.

Substantial improvement of the producer’s financial results was driven by high finished steel prices, particularly in the flats segment owing to rise in demand for materials, especially on foreign destinations. Locally the most significant support to Erdemir’s flats sales came from favourable developments in Turkish automotive and white goods sectors. Overall in Q1 the company’s sales of flat products amounted to 1.75 million t (down 7.7% y-o-y), while longs shipments decreased much more significantly – by 24.6% to 300,000 t y-o-y. The downturn in longs shipments can be attributed to the producer opting to focus on sales of flat products, Metal Expert estimates.



 

Overall, the uptrend in automotive and white goods segments is expected to continue thus further supporting Erdemir's performance. At the same time, the producer is planning to increase its capital expenditure by 267% to $595 million y-o-y aiming to expand its presence in domestic and foreign markets, as Metal Expert reported earlier.

**Erdemir Group's financial and operating highlights in 2016**

| Indicator | Unit | Q1 2016 | Q1 2017 | Change, % |
|---|---|---|---|---|
| Sales revenue | $ million | 874.5 | 1,135.0 | +29.8 |
| EBITDA | $ million | 124.1 | 359.0 | +189.3 |
| Operating income (EBIT) | $ million | 74.1 | 320.7 | +332.8 |
| Net profit | $ million | 56.0 | 244.0 | +335.7 |
| Production of steel | million t | 2.362 | 2.350 | –0.5 |
| Production of flats | million t | 1.820 | 1.857 | +2.0 |
| Production of longs | million t | 0.396 | 0.298 | –24.7 |
| Shipments | million t | 2.289 | 2.045 | –10.7 |
| incl. flats | million t | 1.891 | 1.745 | –7.7 |
| incl. longs | million t | 0.398 | 0.300 | –24.6 |
| EBIT/t* | $/t | 32.4 | 156.8 | +384.0 |

* – Metal Expert's estimate.

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## MSC benefits from stronger automotive sector in Iran

Middle East / Flat Products

Iran's automotive companies significantly increased production over a year lending support to flat steel consumption in the country. The largest Iranian steel producer – Mobarakeh Steel Company (MSC) – managed to strengthen its position in the segment amid higher trade barriers against imports.

Over the previous Persian year (March 21, 2016 – March 20, 2017) Iran produced 1.3 million units, 40.7% up year-on-year, according to the Ministry of Industries, Mining and Trade. Such a growth was supported mainly by launching new models as well as improvements in sales policy, especially providing credits for the customers. The lion's share belongs to the leading carmaker in the country – Iran Khodro Industrial Group (IKCO) – which manufactured 634,481 units (+31%), according to the Ministry data. At the same time, the second largest company SAIPA produced 319,850 units (+43%), while Pars Khodro – 197,989 units (+74%).

MSC was the main beneficiary of the stronger automotive sector. If previously the company was focusing mainly on steel supplies for external auto parts, last year it seriously strengthened its presence in the segment. "Currently MSC is able to provide both inner and external parts for vehicles, especially for new models," a company source told Metal Expert. "We have the long-term agreement with IKCO to revamp production at our CRC line to produce high-quality material for the segment," he added. MSC's asset Chaharmahal and Bakhtiari Automotive Sheets Company provides coated steel and CR coils for Iranian carmakers.

It is worth mentioning that higher import duty also played into hands to MSC, as positions of traditional supplier for the automotive sector – South Korea – weakened significantly over the year of 2016. In particular, during the period under review, Iran reduced purchases of Korean flats by 63% to almost 280,000 t y-o-y, according to Metal Expert data.

 

Moreover, MSC has all chances to strengthen its leadership in the automotive industry further, taking into account bold targets for the sector. It is expected that car production will reach 1.5 million units by the end of the current Iranian year (ends on March 20, 2018), according to Ministry of Industry, Mine and Trade.

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## Tosyali Algeria’s new steel complex to reduce country’s import dependence

North Africa / Long products

Algeria is confidently approaching steel market’s self-sufficiency provided by the recent inauguration of Tosyali Algeria’s new complex.

On April 19, the country’s Prime Minister Abdelmalek Sellal inaugurated a new rebar mill at Tosyali Algeria’s plant in the economic and industrial zone Bethioua. The project will add 2 million tpy of rebar to the existing rolling capacity. Consequently, the producer’s growing production provides significant support to the Algeria’s government policy, which aims to reduce country’s dependence on imports. “We aspire to make of Algeria one of the largest steel producers in the Mediterranean. Our goal is to become an emerging country by 2020,” the Prime Minister Abdelmalek Sellal said during the press conference.

In addition, Algeria recently welcomed commissioning of Algerian Qatari Steel’s Bellara complex, market insiders informed Metal Expert. The mill will increase country’s production potential in the long steel segment by some more 2 million tpy (1.5 million tpy of rebar and 500,000 tpy of wire rod).

At the same time, the Algerian government is slowing down the licensing process for rebar and wire rod imports in order to support bold expansion plans announced by local producers. “The situation with licensing is unpredictable. There might not be importation at all since the government aims to avoid importation and increase the domestic production,” a market source told Metal Expert.

It is worth mentioning that Algeria’s rebar imports reduced in 2016 due to the government programme for reducing the country’s import dependence. Import quotas and insufficient demand were the main reasons for lower imports. Over January-December 2016, the figure decreased by 10.4% to 2.71 million t year-on-year, according to Customs National Center for Computing and Statistics.

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## Export prices for Chinese billet drop, may rebound soon

China / Steel Semis

Chinese billet export prices have dropped again over the week due to disproportionality between supply and demand in the local market. However, Friday's $9/t pick-up in Tangshan has confused the market, making sentiments among the insiders very different.

On Friday, April 21, billet offers are quoted at $390-400/t FOB, which is $10/t below last week's level. Semis are offered at this range by Chinese traders, who are going to operate back to back with mills. From Monday till Thursday suppliers have mostly been sure that prices have been following the strong downward trend, so numerous offers from traders for selling short have been at much lower prices of around $360-390/t FOB. GCC importers have reported offers coming from China at $385/t CFR ($368-370/t FOB). Egyptian buyers have got offers at $390-395/t CFR ($362-367/t FOB).

However, the situation has changed on Friday, when local Tangshan quotes have jumped by RMB 70/t ($10/t). Some Chinese market suppliers are now sure that prices will continue to rebound in the near future, as "mills are at break-even or even below. Raw materials are rebounding even more, so there are no reasons for steel mills to further lower the price," a major Hong Kong based trader told Metal Expert. Some Tangshan based mills have reported better local demand, as re-rolling mills are going to increase production of longs, seeing better margins compared to the segment for flats. "We have too many orders now, demand is very good," a Tangshan Xinda Steel's representative told Metal Expert. As a result, many offers from traders selling in short position at prices below the mills' quotes are likely to disappear from the market. "Those who offer at $360-380/t FOB now, are lagging behind," a major Chinese trader said.

Despite the appearance of many positive expectations in the market, real factors show the downward trend will continue, as mills and traders still have large stocks, with production also remaining high. Demand inside China is also unlikely to be so good to consume all the supply volume.

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## China's HRC production up 14% in Q1, prices still depressed

China / Flat Products

Given that production of HR coils, sheets and strips was growing at a high pace in China in Q1, lower output in May is unlikely to push prices up.

While the Q1 production of rebar, wire rod and CR coils was slightly lower compared to last year, the output of HR steel products output jumped by 14% to 35.95 million t, according to the data of National Bureau of Statistics of China. In March HR coils and sheets production increased by 12.5% to 12.5 million t. Good sentiments and positive expectations of seasonal demand encouraged mills to focus on production of these products precisely. Demand seems to be insufficient to consume all these volumes in April, while stocks are extremely high.

Oncoming maintenances at Chinese mills are unlikely to turn the price trend up in the near future. The market will be still under pressure of oversupply in May. However, some markets insiders think that it will be a good time to get rid of stocks. “Mills have to lower their inventories during the maintenances, then they will push production up again I think,” a major Chinese trader told Metal Expert.

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### Chinese CRC falls futher despite production cuts

China / Flat Products

Chinese CRC exporters continue to cut offers sharply amid negative situation in the domestic market and weak demand on external destinations.

This week most Chinese mills have been offering CRC for export at $450-460/t FOB, a plunge of $20/t and $50/t compared to last week and two-week ago level, as domestic price for the material has reduced by $45/t (RMB 319/t) since early April, and HR feedstock has sunk by $48/t (RMB 333/t) over the same period.

Foreign customer’s approach to booking CRC from China remains very cautious amid falling steel quotes. “I heard about several deals to South America these days, but in total buying is weak,” a Chinese trader told Metal Expert.

Buyers’ cautiousness is easy to understand as there are a lot of factors that may push the price down further. The demand for flat products, for CRC in particular, keeps softening in China, leading to reduction of the product output. According to China’s National Bureau of Statistics data, in March the volume of CRC production in the country decreased by 3.1% to 3.207 million t y-o-y.

However, it has failed to prevent the quotes from the fall in April due to low consumption. During the last two weeks, a number of Chinese major producers cut CRC offers for May by $51-102/t (RMB 351-702/t) including 17% VAT compared to April level.

“We expect that mills will decrease steel output next month. It could give the prices support, but only for some time, as we still see no signal for CR demand pick-up,” another source said.

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## Coking coal from Australia down $32/t within week

Australia / Coal

The rally in the coking coal market continued to lose steam, with offers from Australia dropping by another $10/t since Wednesday and $32/t over a week as undersupply worries are now easing.

Offers of hard coking coal dropped to $260-280/t FOB in the wake of news that Goonyella train line, the largest in terms of export tonnage, will open 12 days ahead of schedule, on April 26. It will still suffer from reduced capacity and speed limitations, but the news did a lot to brighten sentiments.

“Once Goonyella is up and running, you should think the price will drop,” UBS’s analyst said.

And there is now a further evidence of the outlook, as according to a source from China, “$280/t FOB is not workable now, the highest acceptable is $260/t FOB. There is a little demand for Australian cargo at the moment, as the local price is much cheaper.” Chinese companies are even selling raw material to neighbouring counties. At the beginning of the week, 75,000 t of hard coking coal was sold to South Korea at $270/t FOB China.

But not only South Korea is buying coal from elsewhere, Japanese mills that had run out of coal just ahead of the cyclone, were heard buying the material from the United States, Canada, China, and Russia.

According to Metal Expert sources, prices will continue falling next week, considering that the opening of Goonyella line falls on Wednesday.

**Coking coal prices, $/t**

| Products | Ash, % | Volatiles, % | Sulphur, % | Origin | Delivery terms | Price | W-o-w |
|---|---|---|---|---|---|---|---|
| Hard | 8-10 | 19-24 | 0.5 | Australia | FOB Hay Point | 260-280 | –31.5 |
| Semi-soft | 9 | 30-36 | 0.5-0.6 | Australia | FOB Gladstone | 123-128 | –2 |
| Hard | 9-10 | 20-25 | 0.7 | China | CFR (incl. 17% VAT) | 191-197 | –16 |

Note: More coal prices are available in World Coal News

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## Iron ore down amid faint steel market

China / Iron Ore

Iron ore market has seen sharp fluctuations this week with decrease prevailing amid adverse conditions in finished products.

Australian iron ore fines 62% Fe have posted a weekly drop of $2.25/t to $66.5/t CFR amid a plunge in futures and steel earlier this week, with Tangshan billet dropping by $14/t (RMB 100/t) compared to last Friday. On a daily basis the price has gained $1.5/t supported by rebound in the steel, futures market and higher buying interest.

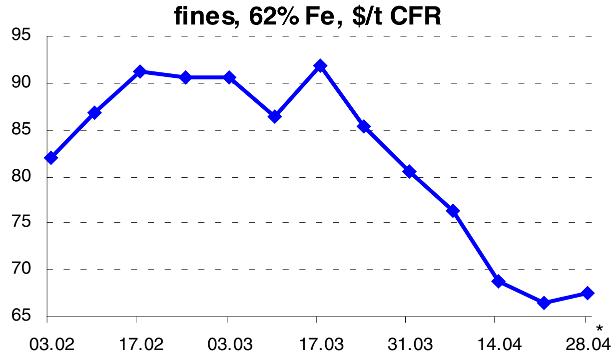
But despite better sentiment in the iron ore segment seen recently, the demand for steel remains not satisfactory and is not expected to improve soon. The biggest Chinese private steelmaker Shagang Group has slashed its rebar offer for late April by $36/t (RMB 250/t) compared to the previous ten-day period amid negative consumption forecasts. According to Mysteel data, the number of profitable mills has fallen by 12.89 p.p. during this week as margins were quickly shrinking due to a sharp fall in steel prices.

Friday's $13/t (RMB 90/t) increase of Tangshan billet is seen only as a "compensation" after a significant drop. "There is nothing surprising in the rise, as price was constantly falling during the last two weeks," a trader source told Metal Expert.

In this situation, the steelmakers have mostly been shunning deals for seaborne iron ore. But as their raw material inventories are decreasing, some of them will be forced to restock, and trading activity is expected to improve next week. The forecasts are also brightened by output reduction expected in May that can support steel prices.

Currently, however, average blast furnace capacity utilization rate has slightly increased this week, exceeding 86%, despite oversupply in the steel market and lower mills' profits.

**China: import prices for Australian fines, 62% Fe, $/t CFR**




* - forecast

**China: deal prices for iron ore, $/t**

| Products | Fe, % | Sale method | Volume, t | Delivery | Price, CFR Qingdao |
|---|---|---|---|---|---|
| Pilbara fines + Pilbara lumps, Australia | 62 | COREX | 100,000 + 70,000 | May | unfixed |

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## Some Indian mills lower export prices, but still unattractive for customers

India / Flat Products

Some major Indian mills decreased export prices due to the downtrend in the global market. However, they failed to attract customers. Other producers kept quotes unchanged and focused on local sales.

Some suppliers lowered prices, but it is still meaningless, taking into consideration much lower quotes from other countries. "Mills are giving indications for HR coils at $500/t FOB…Even if I could get $480/t FOB still nobody is going to buy, as many alternative suppliers offer at much lower level," an Indian trader told Metal Expert. Tata Steel and SAIL indications are around $450-470/t FOB, however, these tags are still not attractive for the customers in Europe, who give bid prices at least by $30-40/t lower than Indian mills.

HRC export prices from Essar Steel and JSW Steel stayed at 495-512 $/т FOB, the same on average compared to last week. Offers are mostly heard in Europe, while there is almost no activity in the Middle East or in the Far East as buyers there adopt a wait-and-see attitude. "Chinese HRC tags have gone down considerably, but Indian mills are trying to hold [export] prices at a high level as the domestic market is still good," a source said.

Domestic quotes are staying at around INR 36,000-37,500/t (around $560-580/t) EXW. However, followed by a drop in the global market, they are expected to decrease by the end of April by INR 1,000/t (around $15/t), market sources say.

Among other reasons which make exports less attractive for mills are transportation costs. "When you give some quotes for European customers, you have to calculate the freight, which has recently gone up by $10-13/t to $42-45/t," an exporter said.

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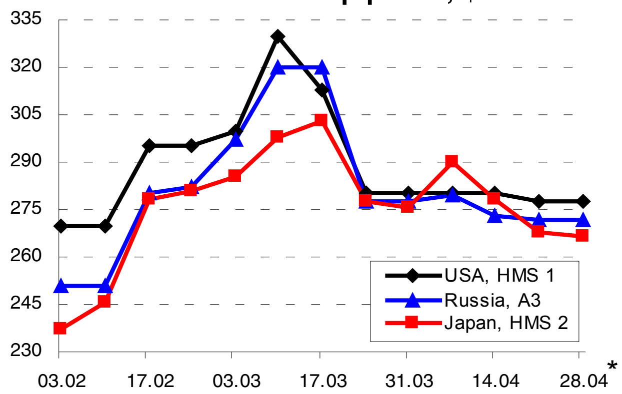
## Far Eastern scrap market calm

Far East / Scrap

The majority of the Far Eastern buyers hold back from new scrap bookings this week. Thus, mills are trying to achieve discounts, referring to weaker quotes for Chinese steel. At the same time, exporters are mainly trying to follow their price policy and keep prices firm.

South Korean mills show a limited interest in Japanese scrap purchases. The sole deal for HMS 2 material has been concluded this week at JPY 27,000/t ($247.2/t) FOB, JPY 1,000/t ($9.2/t) down compared to last week's contract level. It is worth mentioning, that Japanese domestic market somewhat plays into importer's hands. Thus, today Japanese EAF steelmaker Tokyo Steel has announced the fourth round of price decrease since the start of the month: the new purchase price for HMS 2 scrap is ranging between JPY 28,000-29,000/t ($256.3-265.5/t) and is effective starting from April 22, Metal Expert learnt. In total, over April, company's purchase price has lost JPY 1,000-2,500/t ($9.2-22.9/t).

**South Korea: scrap prices, $/t CFR**




* – forecast

Nominal quotes for US HMS 1 and Russian A3 grade scrap are getting a bit weaker, corresponding to prices softening on alternative destinations, specifically, to Turkey.

The US containerised HMS 1&2 (80:20) scrap has been offered at $243-247/t CFR Taiwan, $9-10/t down from last week's offers, but no deals have been reported anyway, as mills price idea does not exceed $239/t CFR level.

**Far East: scrap price, $/t**

| Origin | Grade | Delivery terms | Transportation | Price | W-o-w |
|---|---|---|---|---|---|
| USA | HMS 1&2 (80:20) | CFR Taiwan | containerised | 243-247 | –10/-9 |
| USA | HMS 1 | CFR South Korea | bulk | 275-280 | –5/0 |
| Japan | HMS 2 | FOB | bulk | 247* | –10** |
| Japan | HMS 2 | CFR South Korea | bulk | 268* | –10** |
| Russia | A3 | CFR South Korea | bulk | 270-273 | –3/0 |

* – deal price

** – with currency fluctuation. The exchange rate is $1 = JPY 109.23.

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## In brief: Shagang Group drops local long prices for late April

China / Long products

The largest private steelmaker in China Shagang Group has significantly decreased domestic prices for long products with delivery during April 21-30 amid weakening local demand and high stocks. Shagang's rebar has lost RMB 250/t ($36/t) compared to the previous 10-day period, wire rod and coiled rebar prices have decreased by RMB 180/t ($28/t).

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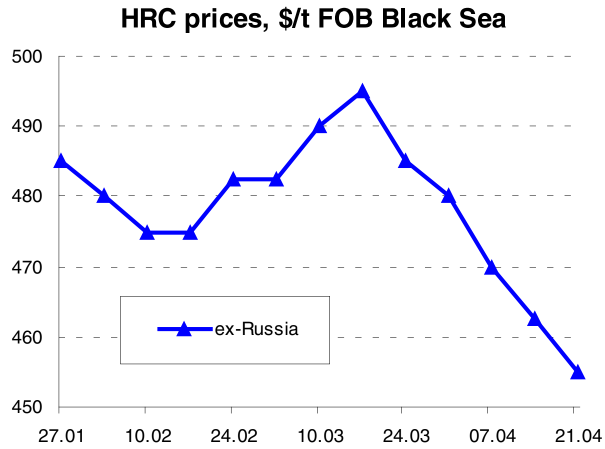
## CIS flat steel exporters forced to cut prices

CIS / Flat Products

CIS flat steel exporters are forced to lower quotes in line with downtrend driven by China. Dwindling buying activity is likely to determine additional reductions, market insiders say.

In mid-April, HRC from both Russia and Ukraine were booked at $460-465/t FOB Black Sea, mainly to Turkey ($375-385/t CFR). However, by now offer prices from the CIS slipped to $450-460/t FOB Black Sea and the pressure from the customers persists. Particularly, in North Africa and Middle East buyers' price idea has already moved down to $450-460/t CFR (about $430-440/t FOB) or below that. "I think $450/t CFR [North Africa] would be a fair price for today in light of China slump, but suppliers [from the CIS] will resist unless new collapse happens in the global market," an international trader said. Apart from aggressive price policy of China, unfavorable fundamentals domestically in MENA are adding to negative sentiments. For instance, further softening of quotes for the local material is expected in Turkey shortly. Egyptian customers are still facing currency issue; besides some booking were made in early April.




Indications for CR coils are at $510-530/t FOB Black Sea. The latest deals from Ukraine and Russia were closed at the upper end of the range at the end of last-beginning of this week, sources said. Workable level is expected to roll down by another $20/t in new contracts.

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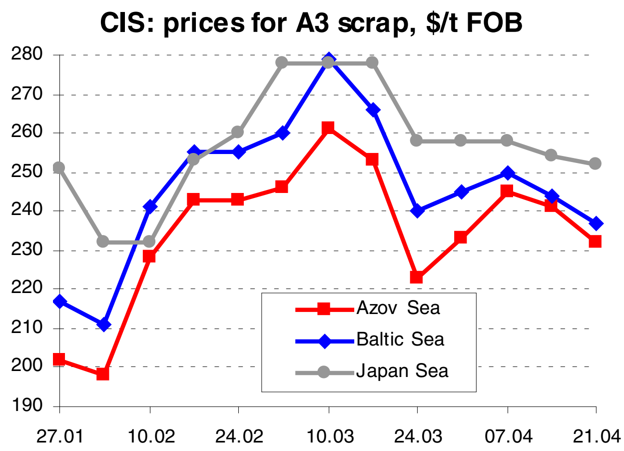
## Lower export prices for CIS scrap drive demand up

CIS / Scrap

The CIS export market for scrap has weakened this week. The number of sales to Turkey has increased significantly, while the Far Eastern market has become quiet.

Seeing falling prices for finished and semi-finished steel, Turkish companies have kept pressing for discounts. Suppliers from Rostov-on-Don have agreed to cut prices most substantially and managed to sign some contracts. According to Metal Expert's data, some sellers managed to market lots of A3 scrap at $257-260/t CFR, while at the end of the week buyers agreed to pay only $250/t CFR. "Scrap from Rostov-on-Don is available at the most attractive prices," a Turkish steelmaker said. Notably, bids did not exceed $260/t CFR before the referendum in Turkey already.




Ukrainian exporters have also become more flexible. As a result, A3 scrap has changed hands at $250/t CFR Turkey, HMS 1&2 (90:10) – $251/t CFR. The previous quotes for Ukrainian A3 grade were just nominal at $255-260/t CFR.

Last week talks between scrap collectors from St. Petersburg and Turkish mills resulted in a sale of a mixed lot, in which HMS 1&2 (80:20) was priced at $265/t CFR. This route saw the downtrend as well. According to Metal Expert's data, this supplier sold HMS 1&2 (80:20) at $269/t CFR few days earlier, while in early April another exporter estimated shipment of a similar grade at $274/t CFR.

No deals have been reported in the Far East. Amid sluggish finished steel segment in the region and cheaper Japanese scrap, prices for Russian A3 have moved to $270-273/t CFR South Korea, whereas the most recent contract took place at $273/t CFR.

**CIS: export and collection prices for A3 scrap, $/t**
($1 = RUB 56.42; $1 = UAH 26.76)

| Origin | Price, FOB | W-o-w | Price, CPT | W-o-w |
|---|---|---|---|---|
| Azov Sea, Rostov-on-Don port | 225-238 | –9 | 199-206 | –4 |
| Black Sea, Novorossiysk port | 229-242 | –10 | - | - |
| Baltic Sea, St. Petersburg port | 236-237 | –8 | 204-213 | +8 |
| Sea of Japan, Vladivostok, Nakhodka ports | 248-256 | –2 | 204-213 | –8 |
| Black Sea, Odessa, Nikolayev, Kherson ports | 224-230 | –8 | 168-183 | –7 |

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## Buyers seek further price decrease for CIS longs

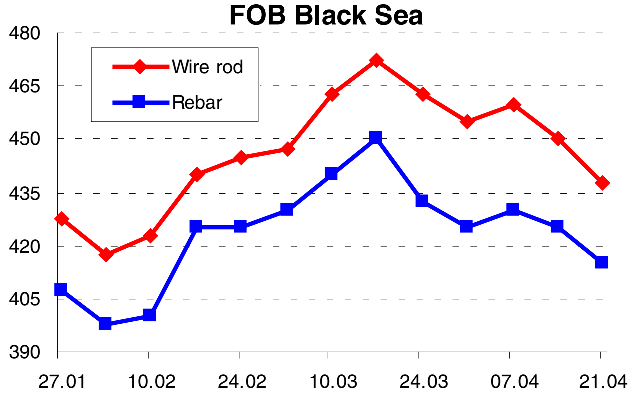
CIS / Long products

In the second part of April, the tension in the export market of CIS longs intensified amid price fall from China. Buyers are cautious to close deals, anticipating further drops.

Since China dropped prices by about $20/t over a week, most customers withdrew from the market, expecting the same actions from the CIS. "Everybody is evaluating the market now. Quotes have declined from the Black Sea basin, but it is not enough compared to what is set by China," a source said. Tags for CIS wire rod sank to $435-440/t FOB Black Sea down from $450/t FOB Black Sea last week. Some volumes are still being contracted on European destination, whereas in the MENA region buyers prefer to stay in a wait-and-see mode. "Italy, Spain and Belgium were looking for some bookings. I would say $430-435/t FOB [for CIS wire rod] could well be workable there," a trader told Metal Expert. Meanwhile, customers' price idea in the Middle East is not above $420/t FOB Black Sea. Yet, tight supply from the CIS will keep buoying positions of exporters. For example, May book of orders of Novorosmetall (one of the few actual suppliers currently) is half-filled already, according to some market insiders.

CIS rebar quotes pegged at $415/t FOB Black Sea vs. $420-430/t FOB Black Sea in mid-April. Bids are heard in the Middle East at about $400/t FOB, but "real business will be done when the situation with China settles down," a source said.

**CIS: long products export prices, $/t FOB Black Sea**

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## TMK's seamless pipe sales higher on stronger US oil and gas sector

CIS / Tubes & Pipes

With an upturn in US oil and gas sector, Russia's TMK managed to raise seamless pipe shipments in Q1, while sales of welded pipes weakened.

Seamless pipes shipments rose 4%, with the biggest increase recorded in OCTG – up 12% to 426,000 t. The American division raised sales by 5% and the Russian one – 2%; OCTG sales improved by 13% and 9%, respectively. "Sales growth of our core product, seamless OCTG, reflects the gradual recovery of the US oil and gas market and steady demand for our products from upstream players in Russia […]. We expect that the levels of activity in the oil and gas sector will remain high in our key markets, driving increased demand for our pipes," Alexandr Shiryaev, CEO of TMK, commented.

**TMK: pipe shipments, '000 t**

| Indicator | Q1 '17 | Q4 '16 | Q-o-q |
|---|---|---|---|
| **Pipes, total** | **850** | **882** | **–4%** |
| Russian division | 650 | 721 | –10% |
| American division | 154 | 116 | 32% |
| European division | 46 | 45 | 2% |
| **Seamless pipes** | **658** | **633** | **4%** |
| Russian division | 493 | 485 | 2% |
| American division | 119 | 104 | 15% |
| European division | 46 | 45 | 2% |
| **Welded pipes** | **192** | **249** | **–23%** |
| Russian division | 157 | 236 | –33% |
| American division | 34 | 13 | 169% |

At the same time, sales of welded pipes decreased by 23% due to a plunge in demand for large-diameter pipes in Russia, according to Metal Expert's data.

TMK expects steadily high performance in Russia, but the US market remains the most promising destination. "The company anticipates its North American business' financial performance to grow considerably in Q2-Q4 2017, given the steel price will not rise significantly," the official report reads.

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## China starts construction of pipe plant in Kazakhstan

CIS / Tubes & Pipes

China National Petroleum Company (CNPC) started construction of the first high-tech plant on production of large-diameter steel pipes in Almaty, Kazakhstan, to meet the growing demand from the main consuming industries of the country.

The new plant capable of producing 100,000 tpy will manufacture steel pipes with diameter from 355 mm to 1,420 mm to be used not only in oil and gas but also in mining, construction, chemical and power industries. Commissioning of the plant is scheduled for the middle of 2018. Investments for this project are estimated at around $100 million, according to the local sources. "The construction of the new high-tech plant will ensure import substitution of 60% of imported pipe products to Kazakhstan, create new jobs, and provide additional tax revenues to the budget," Almaty Mayor Bauyrzhan Baibek said.

The implementation of the project became possible under the Program of Complex Strategic Cooperation in Oil and Gas Industry between KazMunayGas and CNPC that was signed in 2014, Metal Expert learnt.

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## Liberty expands in US, to buy rod mill from ArcelorMittal

Western Europe / Long products

Global industrial and metals group Liberty House (Liberty), famous for turning around troubled assets, keeps expanding its business, this time outside Europe.

Liberty has made the first step in its investment plan to expand in the USA. The group has reached an agreement in principle with the world's largest steelmaker ArcelorMittal to purchase Georgetown Steelworks, mothballed in August 2015. "We're keen to apply the same low-carbon GREENSTEEL vision here as we are doing in the UK. Acquiring the plant at Georgetown, with its ability to recycle scrap steel in an arc furnace, gives us a strong platform from which to launch our strategy in the USA," Liberty's executive chairman Sanjeev Gupta said.

The South California-based asset is equipped with a 600,000 stpy EAF and a 750,000 stpy wire rod mill, the company said in the press release sent to Metal Expert. The deal is subject to final agreement between the parties and a due diligence, which Liberty plans to complete over the coming weeks.

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## Spanish rebar prices keep descending

South Europe / Long products

Both domestic and export prices for Spanish rebar have been retreating since early April due to weak trading before and after the Easter holidays. Participants believe quotes may continue to decrease.

Spanish and European markets are still suffering from low business activity coupled with the downtrend in the scrap sector driven by weaker sentiments in the international market, resulting in a EUR 10-15/t fall in rebar offer prices over two weeks. At home, just few deals have been heard at EUR 150-155/t DDP base (EUR 425-430/t DDP for 12-14 mm, grade BST 500S), without 22% VAT. "The market is very quiet with many customers still on holidays," a Spanish longs producer told Metal Expert.

According to sources, a lot of customers in Spain and Europe need to re-stock on rebar. Nevertheless, they prefer to suspend purchases at least until early May amid descending market. "We think Spanish rebar prices might decrease up to EUR 5-15/t more till the end of April," a representative of Spanish-based trading company shared opinion.

**Spain: rebar offer prices with delivery in May, EUR/t**
(domestic – without 22% VAT)

| Market segment/product | Price | Two-week change |
|---|---|---|
| **Domestic market, DDP** | | |
| Base | 155-165 | –15 |
| 12-14 mm, BST 500S | 430-440 | –15 |
| **Export to EU** | | |
| 8-32 mm, BST 500S, FOB | 420-430 | –10-15 |
| 8-32 mm, BST 500S, CFR | 440-450 | –10-15 |

Business activity of Algerian companies has been curbed by troubles with obtaining of licences since June 2016. Insiders expected Algerian buyers to return in mid-April, but it has not happened yet.

The US is one of the most prospective export outlets for Spanish rebar producers at the moment with negotiations on May shipments going on. The recent deals with US buyers were heard in the first half of April at $485/t CFR TW, April shipment.

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## Italian sections prices stable, merchant bars down

South Europe / Long products

Italian sections' suppliers kept prices stable in a monthly comparison, while merchant bars lost EUR 30/t amid low demand and downward trend in scrap quotations. Market participants expect further decrease in the long run, but in the near future situation will remain stable due to very limited business activity in the country, caused by holidays.

In April Italian domestic suppliers of merchant bars have to decrease prices amid overall low demand ahead of holidays on April 25 and May 1. Moreover, downward trend in the scrap segment makes producers to step back from announced increases in March to the acceptable price level, which is set at EUR 50-60/t EXW base. Sections however are still stable at EUR 120-130/t EXW base, because pricing in this segment was more sustainable during the last wave of increases in March.

Most market participants expect situation to remain stable in the near future. "Low demand and slowly decreasing scrap have already played their roles and pulled prices down. Now the prices are pretty stable, so there is no real space for decreases. The same is true for increases – scrap prices soften and there is no real conviction for other attempts to move higher," a local source told Metal Expert.

**Italy: prices for sections and merchant bars of S275JR grade, EUR/t**
(domestic prices, excl. 22% VAT)

| Market segment/product | Base price | Specifications, mm | Effective price | Month change |
|---|---|---|---|---|
| **Domestic market, EXW** | | | | |
| IPN/IPE beam | 120-130 | 140-220 | 500-510 | 0 |
| HEA/HEB beam | 120-130 | 100-180 | 500-510 | 0 |
| UPN channel | 120-130 | 140-220 | 505-515 | 0 |
| Equal angle | 50-60 | 60x60x6-9 | 470-480 | –30 |
| Flat bar | 50-60 | 40x8-30 | 460-470 | –30 |
| Round bar | 50-60 | 14-30 | 475-485 | –30 |

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## Sweden's SSAB posts strong Q1 results, optimistic for Q2

North Europe / Flat Products

Higher steel prices in Q1 2017 drove up SSAB's earnings, but mostly thanks to the European division. Forecasts of further growth make the producer optimistic about its Q2 financial results.

SSAB has positive outlook for Q2 as demand in America and Europe is expected to stay strong. Besides, the company is successfully following its cost reduction programme, aiming to reduce its net debt by SEK 10 million between the start of the first quarter of 2016 and the end of 2017. “We have now entered the next phase in executing our “Taking the Lead” strategy… Our goal is industry-leading profitability… At the same time, we will continue to grow in Special Steels and Automotive segment,” SSAB’s CEO Martin Lindqvist said in the report.

The company had a strong Q1 2017, owing to a solid earnings improve of its European division. Steel prices increase amid better demand in Europe resulted in a 26% growth in sales and almost an 8-fold rise in EBIT in January-March 2017.

SSAB Special Steels also posted higher earnings driven by growing customer demand for premium products, Metal Expert learnt.

A positive effect from higher steel prices in North America was offset by the costs of the planned maintenance outage at the Mobile asset and higher scrap prices. As a result, SSAB America posted an operating loss of SEK 157 million over the period.

**Key operational results of SSAB in 2016, SEK million**
(EUR 1 = SEK 9.62)

| Indicator | 2017 Q1 | 2016 Q2 | Y-o-y, % |
|---|---|---|---|
| **Sales** | **15,739** | **12,964** | **+21** |
| incl. SSAB Special Steels | 3,925 | 3,132 | +25 |
| incl. SSAB Europe | 7,657 | 6,04 | +26 |
| incl. SSAB Americas | 3,019 | 2,428 | +24 |
| **Steel shipments, 000 t** | **1,745** | **1,677** | **+4** |
| incl. SSAB Special Steels* | 277 | 256 | +8 |
| incl. SSAB Europe* | 982 | 946 | +4 |
| incl. SSAB Americas* | 486 | 475 | +2 |
| **EBIT** | **702** | **–193** | **-** |
| incl. SSAB Special Steels | 243 | 202 | +20 |
| incl. SSAB Europe | 826 | –118 | - |
| incl. SSAB Americas | –157 | 55 | - |
| **EBIT/t** | **402** | **–115** | **-** |
| incl. SSAB Special Steels | 877 | 789 | +11 |
| incl. SSAB Europe | 841 | –125 | - |
| incl. SSAB Americas | –323 | 116 | - |

* – external sales

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## Taiwan's E United Group to invest $1.65 billion in new US steel mill

USA / Steel Semis

E United Group, one of Taiwan's leading conglomerates, intends to enter the US market by building a steel mill in the country following the company's long-term development strategy for expansion and future sustainability.

The producer plans to invest about TWD 50 billion ($1.65 billion) in the installation of two steel arc furnaces in a south-eastern US state. The new mill will have a capacity of 1.5 million t of carbon steel and 1 million t of stainless steel per year, Metal Expert learnt from the company's spokesperson. As for now, E United Group submitted an investment proposal to the US authorities detailing the land, water and power supplies required for the project. Although there are no details about the projected location of the investment yet, the company has confirmed that it considers Texas as the priority state. "The Office of the Governor of Texas was offering a number of plots of land for our review. We are planning to travel to Texas in May for site visits," the company said to Metal Expert.

E United Group's investment plan follows persistent media reports about plans of other Taiwan's companies, in particular Apple supplier Hon Hai Precision Industry Co. and Taiwan Semiconductor Manufacturing Co., to prepare major investment projects in the US based on the recent signals from Trump's administration that wants to promote the use of domestically produced steel in new infrastructure projects.

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## Venezuelan HBI price higher in contracts, may soften soon

South America / DRI & HBI

Venezuelan HBI producers managed to achieve a slightly higher price in rare contracts with foreign consumers. At the same time, there are expectations that prices may soften over the coming weeks amid weakness in main sales markets.

In mid-April, two batches of Venezuela-origin HBI for May shipment were sold to Mediterranean buyers at $215/t FOB, which is $3/t higher from the late-March contract level, Metal Expert learnt. Nonetheless, the prices will hardly stay at the achieved level amid the current steel market conditions.

By the end of the month, HBI quotes might be adjusted to $210/t FOB, with a further decrease being possible in deals. "This week a buyer was bidding at $207/t FOB, but the price received no response in the segment yet," a source in Venezuela said.

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## In brief: AK Steel increases premium product mix for automotive sector

USA / Flat Products

US AK Steel, one of the major US flat steel producers, is expanding its auto steel portfolio by launching a new high-strength steel product. The company introduced new NEXMET 1000 and 1200 Advanced High Strength Steel for use in automotive structural components, which are going to be produced at Dearborn Works, Michigan, Metal Expert learnt. The new product will help AK Steel better serve needs of the growing automotive industry taking into account increasingly stringent emissions regulations in the USA and customers' demand for lightweight applications. "These new NEXMET 1000 and 1200 products are evidence of AK Steel's work to drive innovation in the steel industry, and remain at the forefront of carbon, stainless and electrical steel technology," Roger Newport, Chief Executive Officer of AK Steel, said.

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## WSA: global steel demand to grow in 2017-2018, but at slow pace

Global / Long products, Flat Products

The World Steel Association (WSA) released its short-term outlook for 2017 and 2018. It expects the global steel demand to keep rising in 2017 and in 2018 as consumption will grow in almost all markets. Yet, the growth rate will lag behind the GDP growth.

After a stronger than expected steel demand recovery last year, WSA predicts a “cyclical upturn in steel demand with a continuing recovery in the developed economies and an accelerating growth momentum in the emerging and developing economies” in 2017 and 2018. The world steel consumption will rise by 1.3% in 2017 and another 0.9% in 2018, according to the WSA forecast. This is, however, below the forecast global GDP growth of around 3.5% in 2017 and 2018, which WSA explains to be “in the context of the structural changes of the global steel industry in the post crisis period.”

High hopes are for Russia and Brazil to move out of their recessions and to show a modest economy growth in 2017, Metal Expert learnt. Overall, the highest growth of demand is seen in developing economies (excluding China), the CIS, South America, the Middle East in particular. China’s steel demand, on the contrary, will not grow over the period due to economy rebalancing, WSA said.

As for the developed economies, WSA predicts that steel demand will continue increasing slowly in 2017 and 2018, adding 0.7% and 1.2%, respectively, with a leading role to be assigned to the United States which is “benefitting from strong fundamentals, newly announced measures related to fiscal stimuli and rising infrastructure spending,”

**Steel demand forecast, by region, million t**

| Region | 2017 | Y-o-y | 2018 | Y-o-y |
|---|---|---|---|---|
| Asia and Oceania | 1016.0 | 1% | 1015.0 | –0.1% |
| China | 681.0 | 0.0% | 667.4 | –2.0% |
| EU (28) | 158.2 | 0.5% | 160.4 | 1.4% |
| NAFTA | 135.2 | 2.2% | 138.5 | 2.4% |
| CIS | 50.2 | 3.2% | 51.9 | 3.4% |
| Central and South America | 40.8 | 3.5% | 42.7 | 4.7% |
| Rest of Europe | 41.7 | 2.6% | 43.2 | 3.5% |
| Middle East | 54.8 | 3.1% | 56.8 | 3.7% |
| Africa | 38.4 | 1.5% | 40.0 | 4.1% |
| World | 1,535.2 | 1.3% | 1,548.5 | 0.9% |

Source: World Steel Association

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## Steel product and raw material global prices, $/t

| Commodity* | Market, delivery basis | 21.03.2017 | W-o-w change | 28.04.2017 | 05.05.2017 |
|---|---|---|---|---|---|
| | | | | forecast for two weeks | |
| **Semi-finished products** | | | | | |
| Billet, 125-150 mm | CIS, export, FOB Azov/Black Sea | 375-380 | ↓ | 375 | 375 |
| Billet, 150 mm | China, export, FOB | 390-400 | ↓ | 385-390 | 400-410 |
| Billet, 125-150 mm | Turkey, import from CIS, CFR | 385-400 | ↓ | 385-395 | 385-395 |
| Billet, 150 mm | Turkey, import from China, CFR | 400 | ↓ | 400-405 | 395-405 |
| Slabs, 200-250 mm | Taiwan, import, CFR | 420 | ↓ | 400-410 | 395-405 |
| **Long products** | | | | | |
| Rebar, 8-32 mm | Turkey, export, FOB | 420-425 | ↓ | 415-425 | 410-420 |
| Rebar, 12-25 mm | Ukraine, export, FOB | 415 | ↓ | 405-410 | 410 |
| Rebar, 10-20 mm | USA, import from Turkey, CFR TW | 485-490 | ↓ | 480-490 | 475-485 |
| Rebar, 12-32 mm | Germany, domestic, CPT (EUR) | 480-490 | – | 470-480 | 470-480 |
| Wire rod, drawing/mesh quality, 5.5-10 mm | Ukraine, export, FOB | 435-440 | ↓ | 430 | 430 |
| **Flat products** | | | | | |
| HR coil, over 3 mm | China, export, FOB | 420-435 | ↓ | 405-420 | 420-430 |
| HR coil, over 2 mm | Russia, export, FOB Black Sea | 450-460 | ↓ | 440-445 | 440 |
| HR coil, over 2 mm | Ukraine, export, FOB Azov/Black Sea | 450-460 | ↓ | 440 | 440 |
| HR coil, over 2 mm | USA, domestic, EXW | 716-727 | – | 716-727 | 716-727 |
| HR coil, base | Germany, domestic, EXW (EUR) | 550-560 | – | 540-550 | 540-550 |
| HR coil, base | Italy, domestic, EXW (EUR) | 520-530 | – | 510-520 | 510-520 |
| HR coil, over 2 mm | Italy, import, CFR (EUR) | 485 | – | 480 | 480 |
| HR coil, over 3 mm | Turkey, domestic, EXW | 505-525 | ↓ | 500-510 | 495-510 |
| HR coil, over 2 mm | Vietnam, import, CFR | 410-420 | ↓ | 400-420 | 400-410 |
| CR coil, 0.5-1 mm | Russia, export, FOB Black/Baltic Sea | 510-530 | ↓ | 500-510 | 500 |
| CR coil, 1 mm | China, export, FOB | 450-460 | ↓ | 440-450 | 440-450 |
| Plate, over 20 mm | China, export, FOB | 425-440 | ↓ | 420-430 | 420-430 |
| HDG coil, Z120, 1 mm | China, export, FOB | 530-540 | ↓ | 520-530 | 520-530 |
| **Raw materials** | | | | | |
| Iron ore, 62% Fe | China, import from Australia, CFR | 66.5 | ↓ | 67.5 | 68 |
| Scrap HMS 1&2 (80:20) | Turkey, import from USA, CFR | 265 | ↓ | 265 | 265-275 |
| Scrap HMS 1&2 (75:25) | Turkey, import from EU, CFR | 255-260 | – | 255-260 | 260-265 |
| Scrap HMS 1&2 (80:20) | Turkey, import from Baltic region, CFR | 265 | ↓ | 265 | 265-275 |
| Scrap HMS 1&2 (80:20) | USA, export, FOB East Coast | 251-256 | ↓ | 251-256 | 251-261 |
| Scrap HMS 2 | Japan, export, FOB (JPY) | 27,000 | ↓ | 26,000-27,000 | 26,000-26,500 |
| Pig iron | USA, import, CFR | 395-400 | – | 395-400 | 395-400 |
| Hard coking coal | Australia, export, FOB | 260-280 | ↓ | 240-250 | 230-240 |

* – billet – ST-37; rebar – ASTM A615 (gr.40) or analogue; wire rod – SAE 1008 or SAE 1006; HRC – EN 10025 (S235JR) or analogue (Vietnam – SAE1006B); CRC – EN 10130 (DC01); Plate – EN 10025 (S235JR) SAE1006B; HDG – DX51D or analogue.

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## Eurometal: “Consumption mood in Europe is rather positive”

*Anna Smyk, Metal Expert, Duesseldorf*

*Eurometal, the voice of European intermediation, takes under its wings 18 national associations and represents interests of about 3,000 steel distributors and service centres. EU steel distribution is a vital part of the market chain between 200 steel and tube producers and more than one million end users.*

*During the 3rd Steel Plate Conference Europe in Duesseldorf, Germany, on March 10, Metal Expert took an opportunity to communicate with Mr. Georges Kirps, Director General of Eurometal, and discussed with him the current situation in European distribution and its prospects.*

*Mr. Georges Kirps, Director General, Eurometal*

**How was the year of 2016 for European distribution? What peculiarities in the performance of different regions could you point out?**

The year of 2016 was a mixed one for European distribution. Multi-product & proximity steel distribution shipments grew by about 1%. At the same time, for flat steel service centres, it was a better year because shipments increased by 2-3% on average in 2016.

Regarding regions, I would say that Southern Europe started to come back. Central Europe was not too bad. Nordic regions also had rather good performance. Meanwhile, business activity in the UK and France slowed down.

**The EU steel producers demand increasingly more trade protection amid a glut of steel imports. What changes could we see in steel distribution in this regard?**

The problem of steel distributors in light of steel trade cases is that most probably its impact will result to the limited supply of commodity products. This may lead in some sectors to disruptions in the supply chains to end-users. Imports have always been a part of EU plate market supply. Historically non-EU imports in plate segment accounted 15-20% of the total market supply. It has been tremendously surging with the market share of 26.2% and 27.8% over the years 2015 and 2016, respectively.

At the same time, trade cases are essential for EU steel industry. Antidumping duties have helped to reduce imports from China but there is also an opposite effect by increasing shipments from India, Russia, Brazil, Indonesia, etc. If you look at the last information released by Eurofer, they carefully examine the statistics and have already seen a rather spectacular increase in the imports from other destinations. So, I wouldn’t exclude further tightening of trade measures, which surely influence distributors.

**Distribution is experiencing the real boom of digital technologies and on-line trading. What changes have they already brought to traditional distribution and how do you see the future development?**

Digitalization is suitable for the business model in steel distribution called proximity business. Clearly, some success has been already achieved there with some companies introducing digitalization and e-commerce into their business models, some big distributors in Germany in particular. This business model let smaller customers order tiny volumes of steel. So, e-commerce is a way to consist customers.

 

On the other hand, distribution business is also related to contract business. From this point of view, this kind of activity in my today perception suits less to be introduced into e-commerce. For the time being major processors in steel distribution for instance typical steel service centres which supply industrial customers, see fewer opportunities in digitalization. Meanwhile, this might change in future. It is really something that is going to happen in steel distribution.

**European distributors serve more than 1 million customers; construction and automotive industries are among the main consumers. What prospects do you see for these segments? What other sectors could be considered as promising?**

We see that distribution in the construction sector is improving in 2017. We expect it would develop over some years ahead at least.

European automotive market will not be bad. At the same time, automotive suppliers do a lot of business with the UK, the US, and China. In this regard, there are some question marks. Nobody knows how the tax will change after Britain will quit the EU. On the other hand, the future of the Chinese market for the automotive industry is unclear as well.

As a promising sector, I see mechanical engineering as consumption mood in Europe is rather positive. Moreover, European mechanical producers from Germany, Italy, France and Spain are selling a lot of products to the world market which is good performed.

I believe one more perspective consuming sector is white goods.

**Distributors provide 59% of EU market supply in plates. How do you see the development of this segment in 2017 and next coming years?**

In 2016 European market supply in plates reached 10 million t, which is an increase of 3.1% compared to 2015. The number 10 million t excludes pre-material of around 2 million t, which mills deliver to the tube mills because those volumes are not available for distributors. But if to compare this number with 2008 when market supply was at 12.2 million t, you see that now in 2016 we are still 15-20% below golden age that the EU reached in 2007-2008. So, we lost a lot in 2009 and 2010. However, from 2011 we are recovering step by step.

End-users in plate segment have the intention to get smaller volumes of material at short lead times. And these two points are the main reasons why the share in favour of steel distribution in EU has developed a little bit in the last years and will maintain to grow. European plate mills are producing big volumes and they are struggling to sell big lots as well. If you go to a mill with an aim to order minimal volume, you will have to wait for material between 6-8 weeks for commodities. For premium products, delivery time can range between 3-6 months depending on a producer. But end-users have no time to wait. That’s an argument in favour of distributors which have stocks, additional processing, and services, capable carrying also the logistics for small orders at a short delivery period.

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