

GLOBAL ARENA RESEARCH INSTITUTE

GLOBAL STEEL REPORT 2020

PUBLIC EDITION

GIVING YOUR BUSINESS THE EDGE IN ERRATIC TIMES

GARI's analyses are based on four years of data-mining & building of an interactive digital environment that incorporates complex, in-depth data on three decades of global, regional, & domestic political & socio-economic developments. Utilizing various AI-assisted analytical tools and having a ready-to-use digital environment provides us with key advantages & low prices



Bad news all around - but how long, how deep, how painful?



Pro-active Projecting Instrument Services (PPIS)



Background - Steel Industry in 2019 - 2020



Forecasts and projections 2020 - 2022



Next steps - know more



Pricing & Options



Global Arena Research Institute

BAD NEWS ALL AROUND BUT HOW LONG, HOW DEEP, HOW PAINFUL?

In April 2020, the *World Steel Association* rightly stated, “Steel will continue to be the backbone and enabler of society’s evolution and progress (...) tomorrow’s smart cities will be built on steel”.¹ In other words - no matter what kind of societal and economic transition awaits us, **steel will be the key component of the process**. Despite its crucial role in the future of global wellbeing, and despite the fact that **steel was declared an essential industry** in several countries, the **global demand level has reached the lows of the 2007 - 2009 crisis**. The steel and metal industry is **notoriously linked to the general health of the global economy and trade**. The **global pandemic hit every and all aspects of the global economy and its flows and altered the steel and metal industry outlooks literally overnight**.

One thing is painfully clear - the indiscriminate spread of COVID-19 lowers steel output and leads to weaker demand and possibly weaker steel prices. The **key question is - how much, for how long and how painful will it be?**

Realising the **decisive role of the steel industry** and the peril it has found itself in with the spread of COVID-19, the analytical team of the **Global Arena Research Institute** swiftly employed its immediate access to vast amounts of data on the global socio-economic developments and its analytical capacities in order to provide snap - yet **uniquely complex and highly sophisticated** - projections of **global apparent steel use and global steel trade in 2020 - 2022**.

These projections were first published as early as mid-April and distributed to select few relevant actors. The summer months are over and the COVID-19 seems to be in full swing again, at least in some quarters of the world. Therefore, GARI decided to **distribute our analysis further and wider**.



Global Arena Research Institute offers its unique “Pro-active Projecting Instrument Services (PPIS)” that provide innovative and sophisticated assistance in making and continuously adjusting business forecasting at exceptionally competitive rates.

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1. 2020 *World Steel in Figures*, *World Steel Association*: [on-line](#)

BACKGROUND

STEEL INDUSTRY IN 2019 - 2020

It has been a rough and volatile 18 months for the global steel industry. The multibillion-dollar question is - what will the next 18 months bring? The year 2019 did not start all that bad. ArcelorMittal cast an optimistic scenario of **rising global steel demand** in the range of 1 - 2%. Helped by the low interest rates and new construction projects, the US steelmakers also believed in a **modestly ascending demand**.

Yet, while the **prices of iron ore went up** in the first half of 2019, **steel demand and steel prices dropped down**, ultimately hitting the lowest level in four years since the 2015 - 2016 global oversupply crisis. The 2019 steel demand was hit by **bleak global economic outlooks** and by **European weak industrial output** projections, as well as by dire forecasts and risks associated with **escalating trade wars**. In May 2019, ArcelorMittal adjusted its forecast downwards; in June, U.S. steelmakers were hoping to finally reach the “steel-bottom” of dropping markets. Yet, by August, NYSE Arca Steel Index was further down by 18 %. By December 2019, the U.S. Steel Corp. lost about a third of its market value and disclosed its plans to shut down much of its Detroit based facilities. Meanwhile, in Asia, Kobe Steel stocks fell to the lowest level in more than 16 years and Nippon Steel Corp. slumped to an 8-year low.

Enter the **EU steelmakers**: apprehensive of the potential **Brexit consequences**, wary of the **tariff brawl** with the U.S., minding the **cheap imports from Turkey and Russia** and the **slowing automobile industry**, the EU producers saw little blessing in the **headwinds of the coming months**. In November 2019 Tata Steel announced plans of cutting as much as 3,000 jobs across Europe, labelling Europe as a “**dumping ground**” for global excess supplies.² By the end of 2019, it became clear that the apparent steel use in the EU is sinking to its lowest level since 2012 and its **combined market value dipped** to 2016 levels. On the other hand, China emerged as a surprise buyer of steel billets in 2019, taming slightly the worst consequences of the feeble demand elsewhere.³ Surprising spew in profits by ArcelorMittal and expectations of moderate steel restocking encouraged cautious optimism.

Just as the prospect for steel producers in 2020 seemed to imperceptibly **brighten at the end of 2019**, the **COVID-19 pandemic started to bite**. In early February, when the death toll in China reached roughly 500, the idea was that the virus’ impact on the global steel demand will be **contained to China** or its immediate neighbourhood and limited to the first quarter of the year.⁴ Minding late 2015 and 2016 when a demand

2. Bloomberg, *Tata Steel to Cut 3,000 Jobs as Crisis Rips Through Europe*, Nov. 2019: [on-line](#)

3. Bloomberg, *Scientists Create Antibody That Defeats Coronavirus in Lab*, May 2020: [on-line](#)

4. Bloomberg, *World’s Top Steelmaker Sounds the Alarm as Virus Spreads Through China*, Feb, 2020: [on-line](#)

slowdown in China led to a **global oversupply crisis**, this buoyant idea was not to last even if the virus itself was contained to China. By mid-February, it became clear that the **downturn in prices, almost zero demand and increase in inventories** were here to last. The question was - **how long will this last?** Initially, the answers ranged between weeks and months. Even this turned out to be way too an optimistic scenario. By late February, the China Iron and Steel Association urged its members to limit the output.⁵ According to **Bloomberg**,⁶ Chinese steelmakers, which account for more than half of the global steel output, kept “churning out steel”, (good news for the Australian and Brazil iron ore producers, though) helping its **inventories to climb to a record high in March 2020** (bad news for everyone on the steel supply side of things). Chinese **steel production actually rose by 1.2% year on year in the first quarter of 2020**.⁷ Given the progressive freezing of demand, **steel-making profitability** in China was quickly pushed to **negative numbers**.

Throughout March, the *immediate* negative factors that initially pushed the steel demand down (paralyzed supply chains and lack of workers at construction sites due to quarantine measures and movement restrictions) were joined by world-wide structural negative factors (feeble and further ailing global economic health). According to IHS Markit data, the steelmaking malaise forayed around the globe with steel mills being closed or made idle. By mid-March 2020, **U.S. Steel Corp. and Cleveland-Cliffs, Inc.** became the **two most shorted materials stocks**.⁸ In April, the Japanese steel output was forecasted to collapse as much as 26%. In May, **JSW Steel Ltd.** one of the three largest steel producers in India (the second-largest steel producer in the world), reported a nearly **60% dive in April outputs**. American and European steelmakers **cut their production by roughly 50 - 60%** by the end of April but the **global excess inventory** remains a **crucial concern**. According to **EUROMETAL** (international steel industry network), flat steel product shipments from **EU steel service centres fell by 18.5%** between January and April from the same 2019 period. Lower shipments led to higher stocks, with flat product inventories at EU steel service centres soaring in April to the equivalent of **139 days-worth of shipments**, nearly double the 76 days-worth of April 2019.⁹ The weak European and U.S. demand meant that China got to dominate the global steel industry with an even more prominent share: in April Chinese steel output climbed to 62% of that of the rest of the world¹⁰ (China normally accounts for roughly 50% of the global steel output).

In the second half of 2020, the global economy showed shy signs of recouping with positive effects on the steel industry. According to data by the **World Steel Association**, world crude steel production was down 8,7% in May, 7,0% in June and 2,5% in July 2020 (compared to the same months of 2019).¹¹ Again, the Chinese steel sector seems to have emerged from the crisis in fairly promising conditions.

5. *Bloomberg, There's a Record Stash of Steel in China as Demand Slammed, Feb, 2020: [on-line](#)*

6. *Bloomberg, China Keeps Churning out Steel that no one wants to buy, Feb, 2020: [on-line](#)*

7. *South East Asia Iron and Steel Institute (SEAISI): [on-line](#)*

8. *Bloomberg, Bears Have Piled into Steel Shorts Ahead of Chaotic Earnings, April 2020: [on-line](#)*

9. *Eurometal, EU Flat Steel Shipments Fall 19% on Year Through April, Stocks Soar, June 2020: [on-line](#)*

10. *Bloomberg Terminal: [on-line](#)*

11. *World Steel Association, Press Release 2020: [on-line](#)*

The Chinese steel industry benefits from the huge amounts of money being infused into the Chinese economy, especially into infrastructure and construction projects.

In Europe and the U.S., however, we see a different story. In many countries, the end of the summer holidays came with a rapid increase of COVID19 cases, casting deep shadows on the prospects of the economic recovery. So much so that Tata Steel in Europe articulated “serious doubts about its continuing ability to continue as a going concern”¹² The other risks are similar to those in China: Ineffective curtailing of the overcapacity and persistently **high iron-ore and scrap inputs**. In mid-May **scrap steel prices were up** about 13% year to date and up almost 40% from March lows. This is yet another headache problem for the steel producers as **scrap is a key raw material**¹³ and the **elevated prices of Iron Ore** seem to stick for the rest of 2020 as the Chinese demand hikes and the supply of Iron Ore is slow to pick up.¹⁴

Forecasts and Projections 2020 - 2022

The World Steel Association forecast from June 4th, 2020, projected that global steel demand would **decline 6.4%** overall in 2020 from 2019 levels. Steel demand in the developed economies only is expected to decline **17.1%** this year¹⁵ by the **WSA Short Range Outlook (SRO)** expects mitigation of the global steel demand reduction by a faster recovery in China and is based on the presupposition that most countries’ lockdown measures continued to ease during June and July, with social distancing controls remaining in place, and that the major steelmaking economies do not suffer from substantial secondary waves of the pandemic. As mentioned above, the rosy outlook of easing the economic measures might be short-lived as many European countries descend back to semi-lock-down measures (as of mid-September).

Working with various scenarios of the global economic recovery, our projections differ from those of the WSA. We have outlined **three possible trajectories - OPTIMISTIC, MEDIUM, PESSIMISTIC**. These trajectories were built using five-step **AI-assisted analytics of over forty variables** (both industry-specific and general global socio-economic conditions). The values of individual variables were derived (and are constantly updated) from various scenarios, socio-economic and political projections of the COVID-19 impact on the global economy and society.

With this data, the GARI team produced two **global** projections:

- 1) **global steel trade**
- 2) **global apparent steel use**

12. *Business Live, Tata Steel in going concern warning as losses widen, Sep. 2020: [on-line](#)*

13. *Barron's, COVID19 is Hurting the Steel Industry in an Unexpected Way, 2020: [on-line](#)*

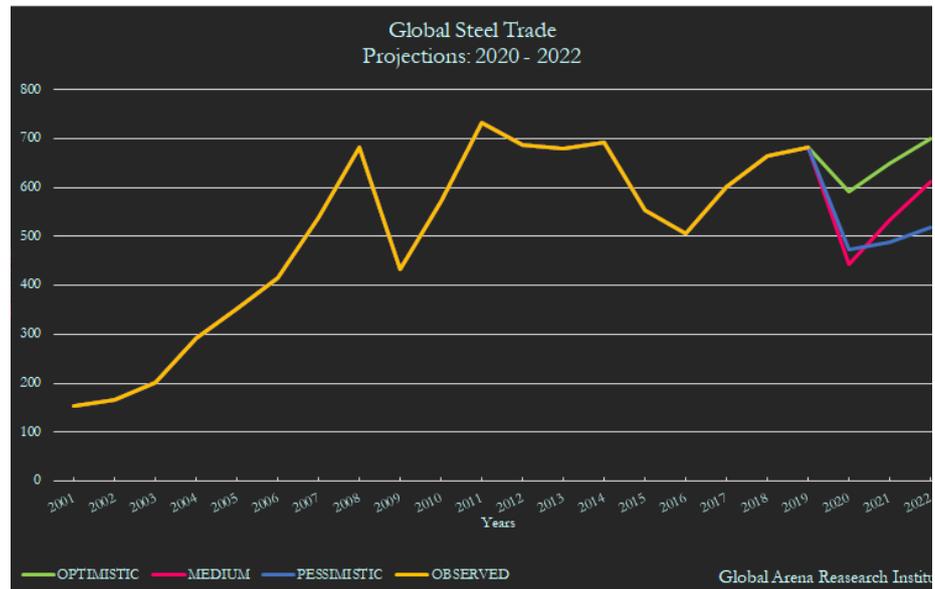
14. *Bloomberg, World's Top Iron Ore Shipper Says Robust Prices are Here to Stay, June 2020: [on-line](#)*

15. *World Steel Association, worldsteel Short Range Outlook June 2020: [on-line](#)*

GARI's two global projections:

1) Global steel trade

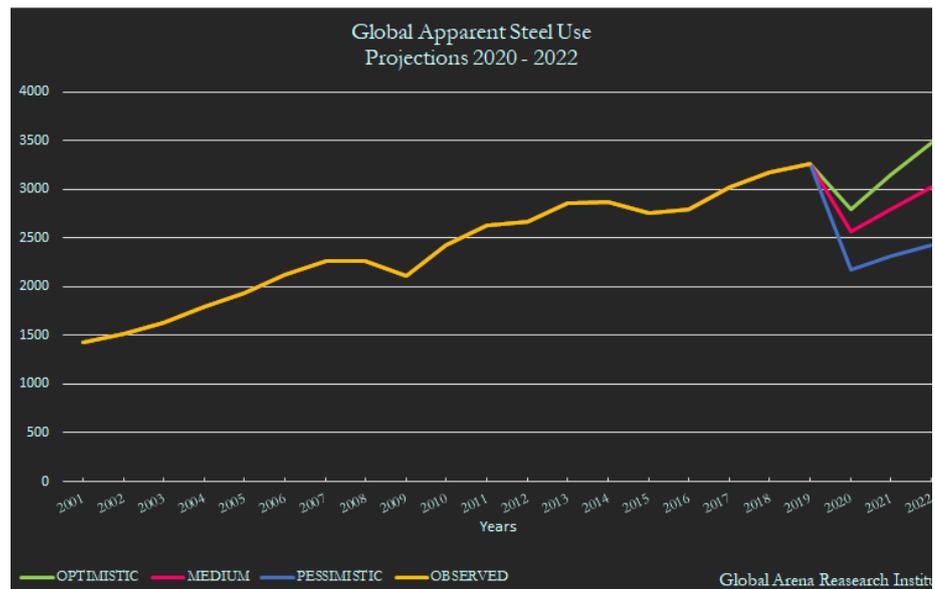
When it comes to global steel trade, only the optimistic projection suggests that the COVID-19 impact will be less severe than the 2007-2008 financial crisis. Interestingly, the medium projection - while not so damaging in 2020 - promises only a slower recovery in 2021 and 2022 (L-shaped recovery of the global steel trade).



The pessimistic scenario takes the global steel trade to the levels last seen around 2008 - 2009, or previously before 2006 but it could climb to 2017 levels by the end of 2022. None of our projections show a decline of global steel trade below the 2008 - 2009 levels.

2) Global apparent steel use

The apparent steel use (ASU) projections suggest that only the worst-case scenario would take the demand to the levels of 2008. The ASU projections look more linear than those of the global steel trade, with the pessimistic recovery line being the shallowest one, hovering in 2022 below 2000 mil. tons



of ASU, which is a level last seen around 2010. The medium path would mean a recovery to the 2017 levels in 2022 while the best-case scenario would mean a fairly swift recovery of the global apparent steel use.

16. Such as data on construction, transportation, investment into the energy sector, automotive industry, industrial output etc.

17. Such as GDP, unemployment levels, business confidence levels, trade, customer spending etc.

NEXT STEPS - KNOW MORE

Do you want to know more about the key-drivers but also less apparent factors included into our projections? Do you want more information on the methodology, data the projections themselves?

Our public free report is based on 40+ variables and factors. However, our capacities go far beyond this free sample. Our unique digital data environment contains over 1600 indicators for each country across the past three decades. Our projections and simulations are thus based on billions of data entries. This wealth of data allows us to offer a stand-alone complex understanding of the socio-economic, political and regulatory conditions, utilizing high-end machine learning and other AI-assisted tools. Utilizing our signature Pro-active Projecting Services (PPI Services), we will stay engaged with you via continuous updates, revisions, all being built immediately into our projections, simulations and analysis.

KEY ADVANTAGES:

1. **SPEED** - AI-assisted techniques enable extremely swift access & analytics
2. **COMPLEXITY & DEPTH** - unprecedentedly complex wealth of factors, over four billion of data gathered over the past four years
3. **ACCURACY** - constantly adjusted forecasting = constantly improved accuracy - instantaneous ability to adjust our projections as the values of the factors & variables change
4. **FLEXIBILITY** - tailor-made and yet very swift responses to the clients' forecasting needs (depending on the issue, new projections can be made within as little as hours since the assignment)
5. **3D VIEW** - economic activity tracking via satellite, radar, infrared & related technologies
6. **Stunningly LOW PRICING** - thanks to an ready-built digital data environment, we can offer extremely competitive pricing for our services

Our PPI Services provide innovative and sophisticated assistance in making and continuously adjusting business foresight and projections at exceptionally competitive rates. They are based on four years of data-mining and building of an interactive digital environment that incorporates complex, in-depth data on three decades of global, regional, and national political and socio-economic developments.

Purchasing our PPI Services means that you will obtain access to constant (real-time) updates on key drivers and dozens of other factors influencing the future conditions for the steel industry. Through continuous engagement with your team, GARI will respond to your particular needs and place your decision-making into a wider socio-economic context of the steel industry.

Let our PPI Services help you make the right calls in an extremely competitive business environment.
Contact us for a free consultation on our PPI & other services.

Pricing & Options

All of the below services include:

- Key drivers and their relative strength in the modelling
- Key socio-economic and manufacturing trends behind the models and their future development
- Full list of all the variables and their role in the modelling
- A narrative explanation of the models and their meaning for business and finance related decision making
- All paid services and accesses include one live online seminar
- With subscription-based services, we offer a risk-free trial period

All of the below services can be upgraded to include **satellite-imagery data** which allows an unrivalled speed of information gathering on the industrial output, shipping, supply and inventory, infrastructure building and many more.
(please contact GARI about pricing & options)

READY-MADE

TAILOR-MADE

1

ONE-TIME
GLOBAL
ANALYSIS

€299

utilisation of over
1,600 factors

detailed
explanation &
description of
projections

2

GLOBAL
ANALYSIS +
SUBSCRIPTION
PPIS

from €299

a) quarterly
updates across
all the data

b) bi-monthly
updates

c) monthly
updates

3

ONE-TIME
TAILOR-MADE
GLOBAL
ANALYSIS

from €499
per month

based on specific
needs (region,
country, time
frame, particular
steel products or
crude resource
products)

4

SUBSCRIPTION PPIS
+ IMMEDIATE
ACCESS TO REAL-
TIME UPDATES

from €999
per month

continuous
engagement
based on your
specific,
immediate and
actual needs

continuous
access to all
updated data

please
inquire

5
STRATEGIC
FORESIGHT,
CONSULTING &
ENGAGEMENT

“The future global and regional conditions for the steel industry will be heavily dependent not only on hard socio-economic indicators but also on the hard-to-measure political environment, regulatory and tariff decisions, societal wellbeing and many other variables. These conditions cannot be projected or forecasted but combining our PPI Services with strategic forecasting and scenarios building can help to imagine possible future trajectories thus helping to stay ahead of the curve and be prepared for a well-articulated range of possible risks and opportunities”

Global Arena Research Institute

Global Arena Research Institute is an independent, non-partisan research organisation that combines the **most advanced methods of AI-driven data, scientific and other artificial reasoning capabilities**, elevating data science into completely new levels of opportunity. Our goal is to provide **unprecedented insights into the nature, impact, and management of globalization** in order to improve business, institutional and governmental decision making.

Our mission is to make the best of organically **connecting AI-level reasoning capacities with the human-level critical reasoning capacities** for the sake of a better future.

THE NEXT 100 SYMPOSIUM SERIES

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Our joint task is to pave the way for a working dialogue about how to translate the crisis-driven language into future-oriented ideas on a global scale and a vision of the next one hundred years.

The point and unique aspect of the event is to bring together stakeholders from diverse disciplines (technology, politics, society, science, energy, defence, philosophy etc) and talk about the opportunities of the future and how to reach them by coming together diversely.

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