



Evolution of Asian prices — a view through changing trade landscape

2022 SEAISI Steel Mega Event



Kuala Lumpur, 14 November 2022

Legal notice

This presentation is private and confidential. It must not be disclosed in whole or in part, directly or indirectly or in any other format without the prior written permission of CRU International Limited.

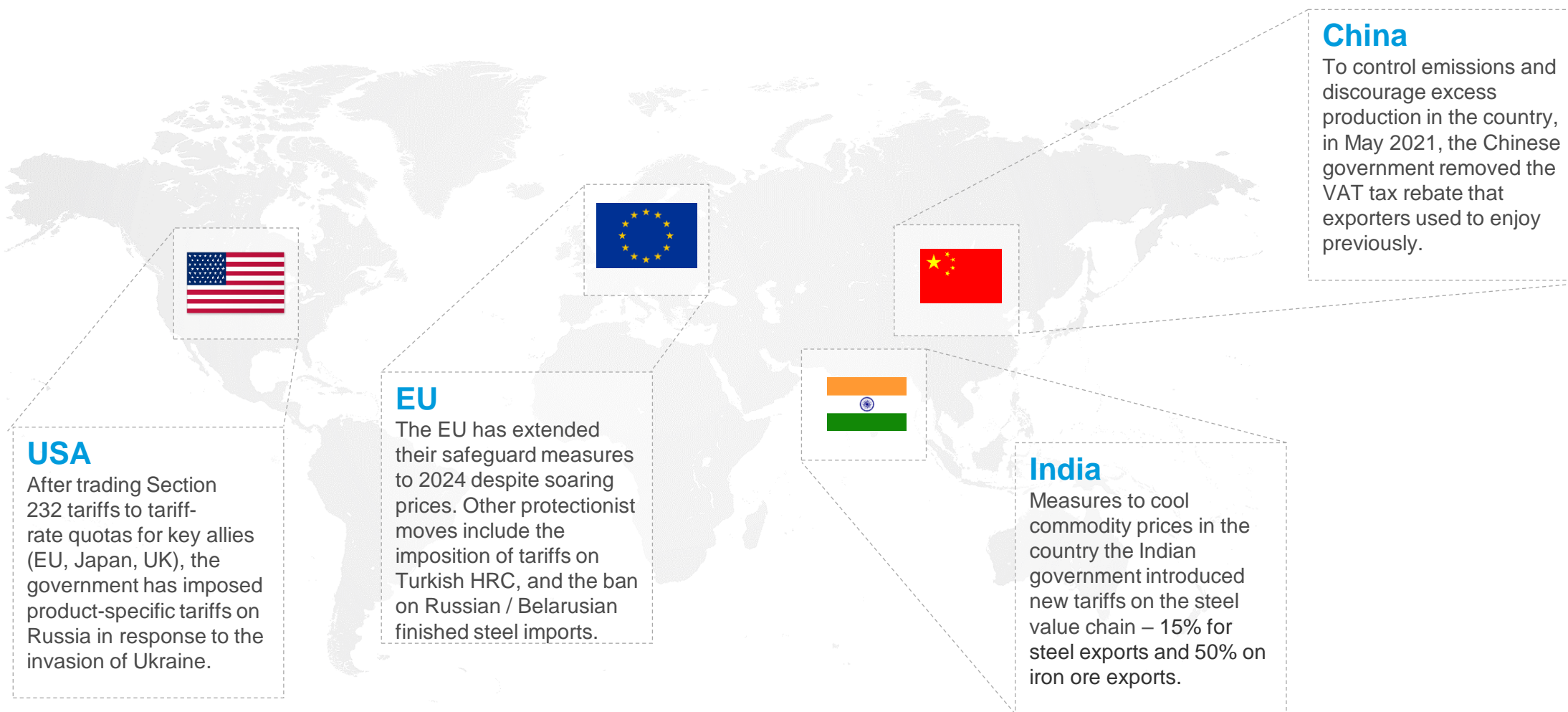
CRU International Limited's responsibility is solely to its clients and its liability is limited to the amount of the fees actually paid for professional services.

Although reasonable care and diligence has been used in the preparation of this presentation, we do not guarantee the accuracy of any data, assumptions, forecasts or other forward-looking statements. We accept no liability to third parties, howsoever arising.

CRU takes information security seriously and currently holds the UK Government approved Cyber Essentials certification. This certifies that we have the appropriate security controls across our organisation and third party suppliers to protect our information assets. CRU also has a [privacy policy](#) in place which explains how we handle personal data on our customers.

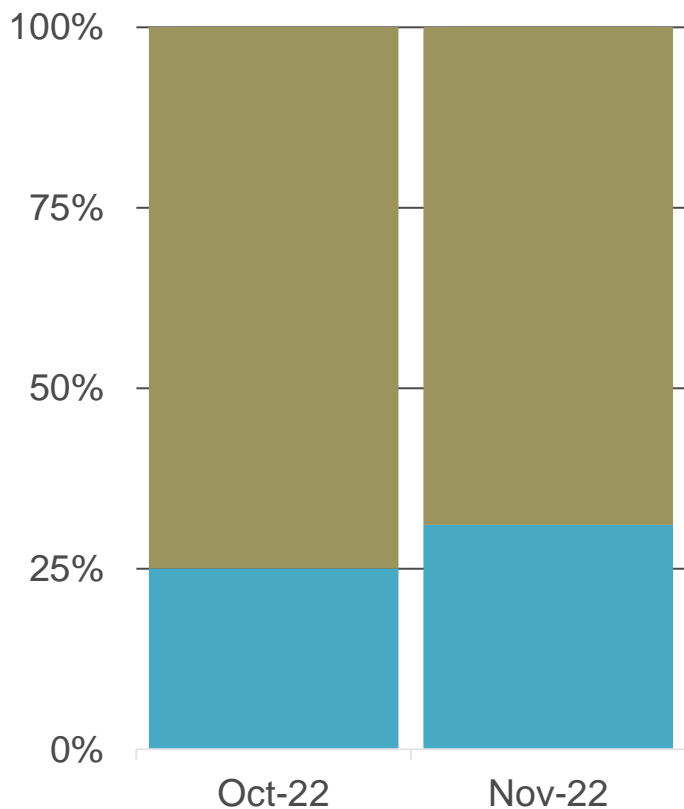
Steel supply chains are being affected due to trade policies

Trade actions by major countries since 2021

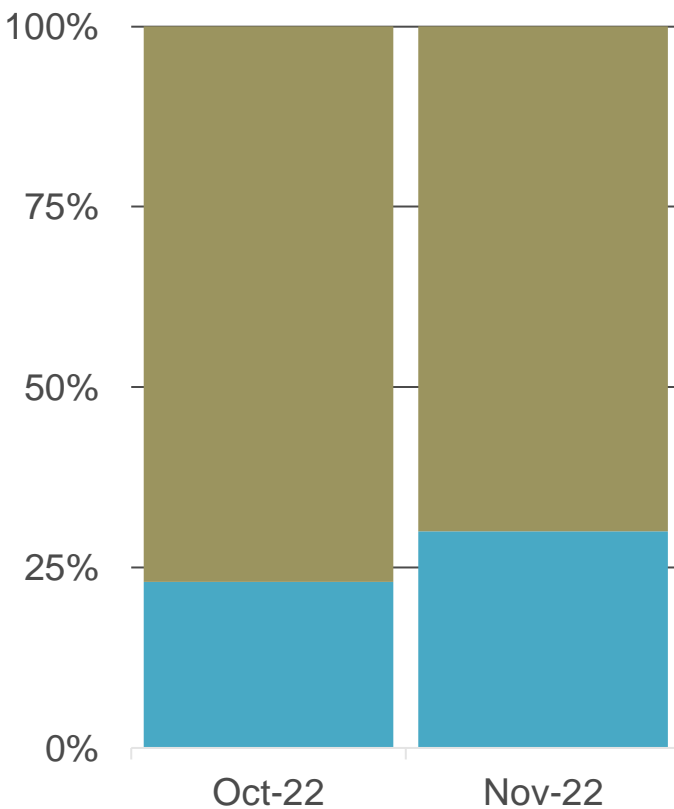


The market sentiment is overwhelmingly pessimistic

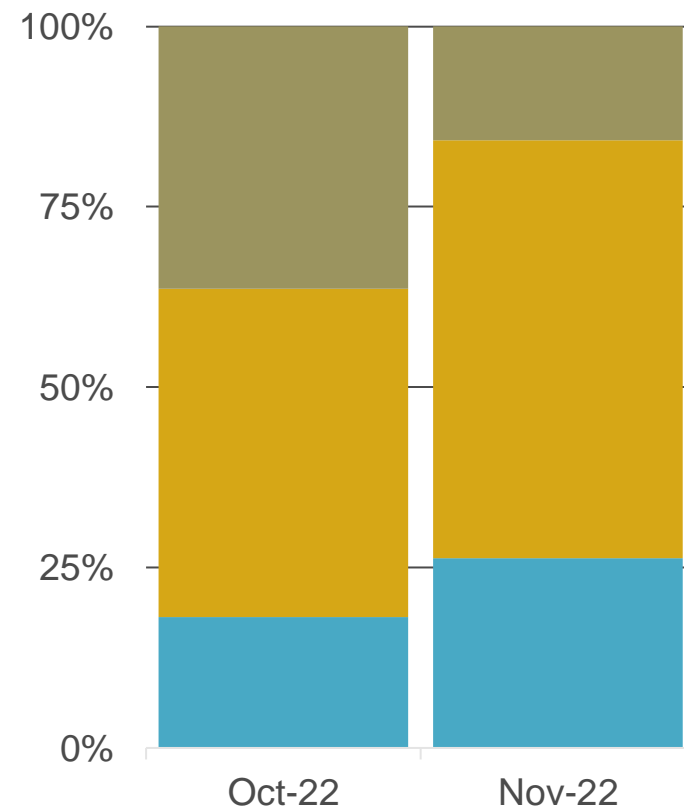
Sentiment



Buying Indication



Lead Times



Legend

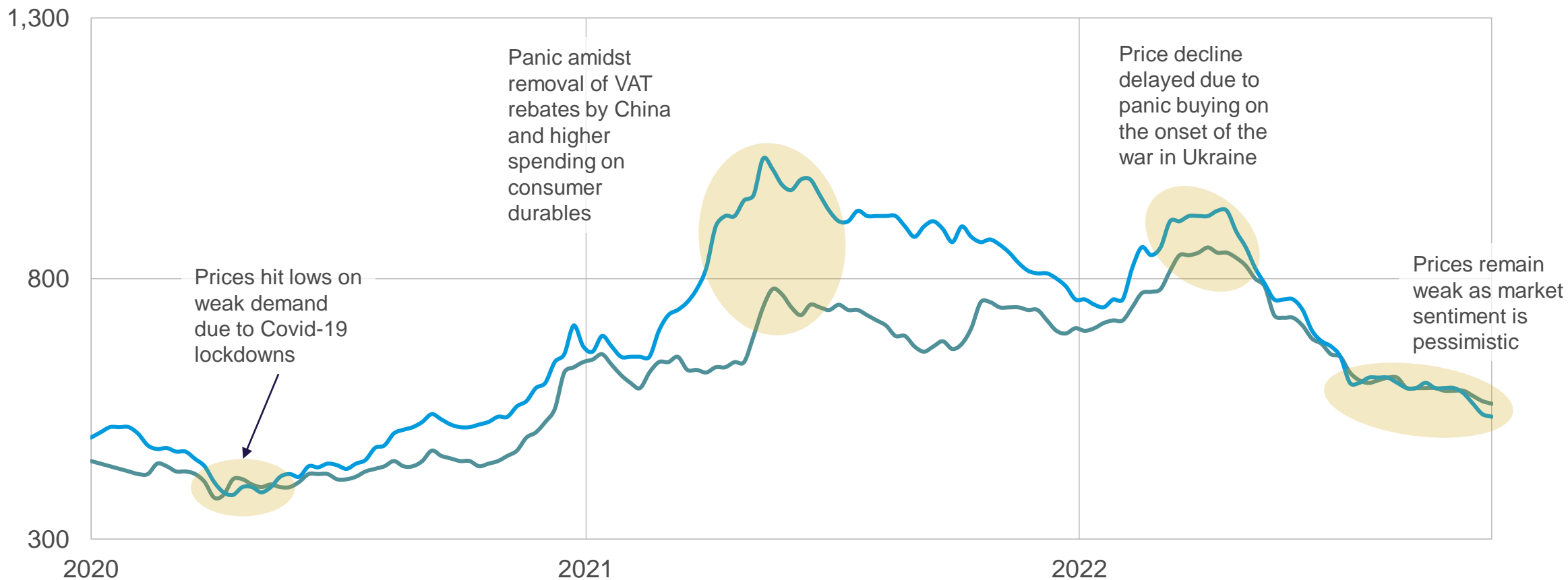
Optimistic
Pessimistic

Active Buyer
On the Sidelines

Extending
Slipping
Stable

Current prices are severely depressed on weak buying interest

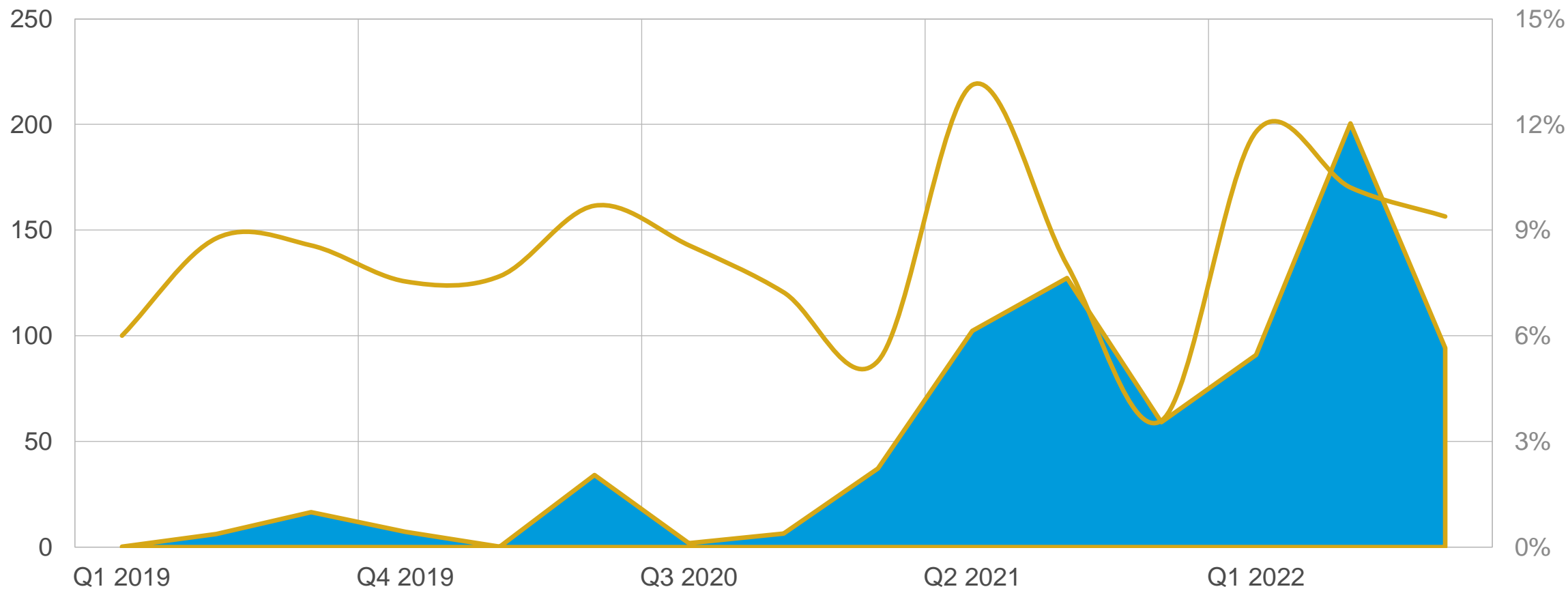
HR Coil and Rebar prices, Far East, \$ /t



Europe has given an outlet for Japan

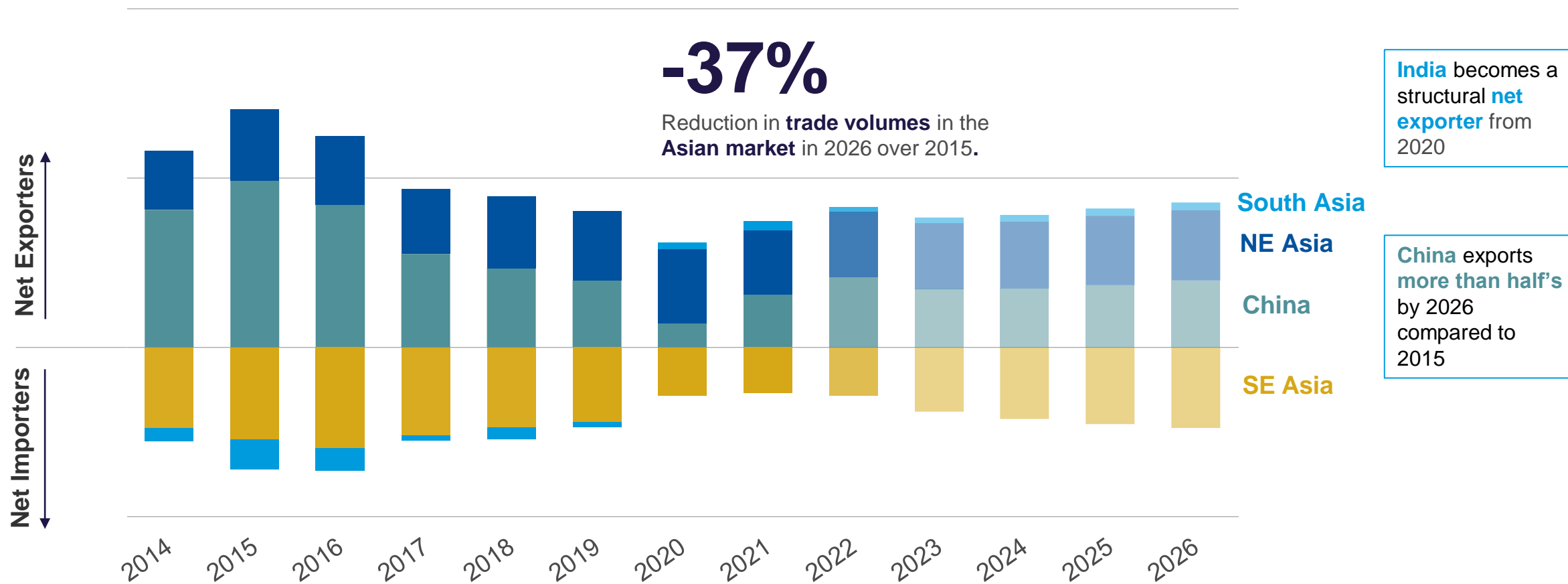
LHS: Difference in HR Coil prices, Japan over Far East, \$ /t (Line)

RHS: HR coil exports to EU27+UK, Japan, % Share of total (Area)



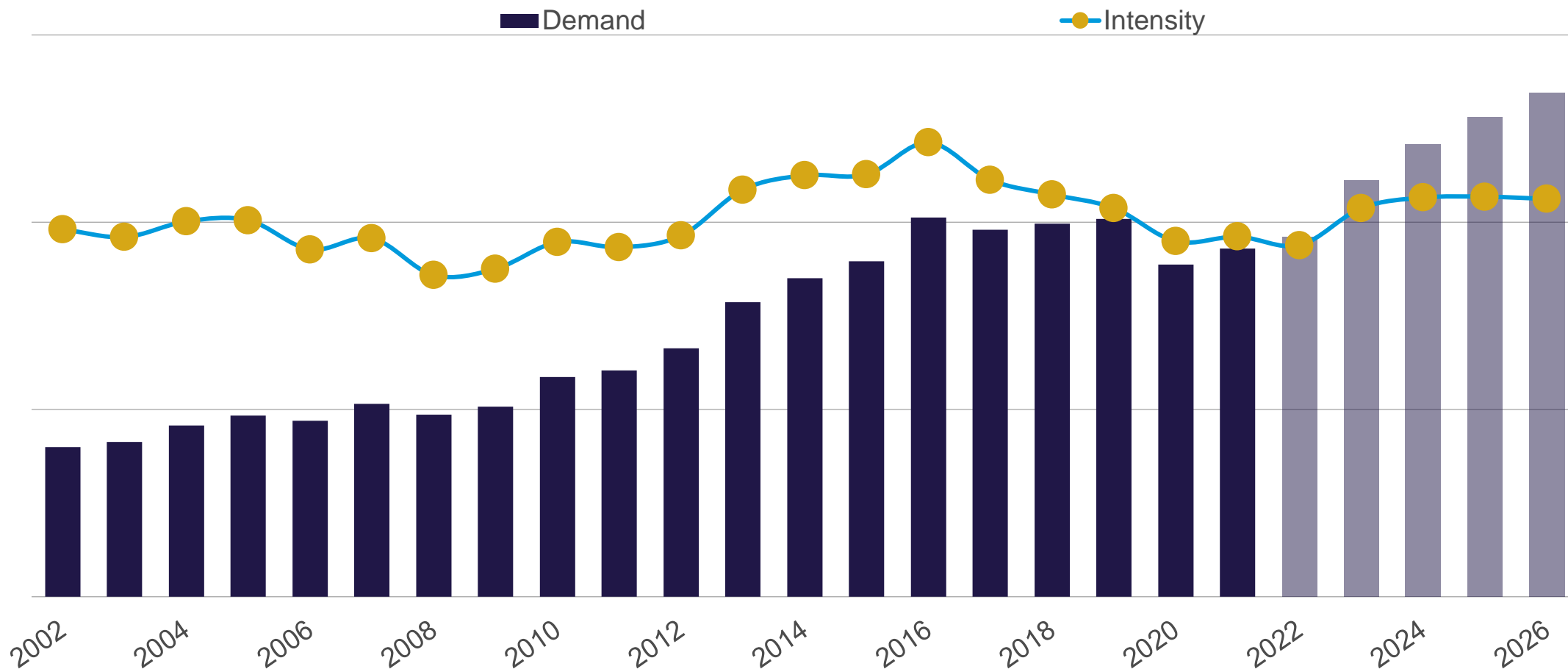
But we expect structural changes in the trade market

Finished Steel, Net exports (Asian markets), Mt



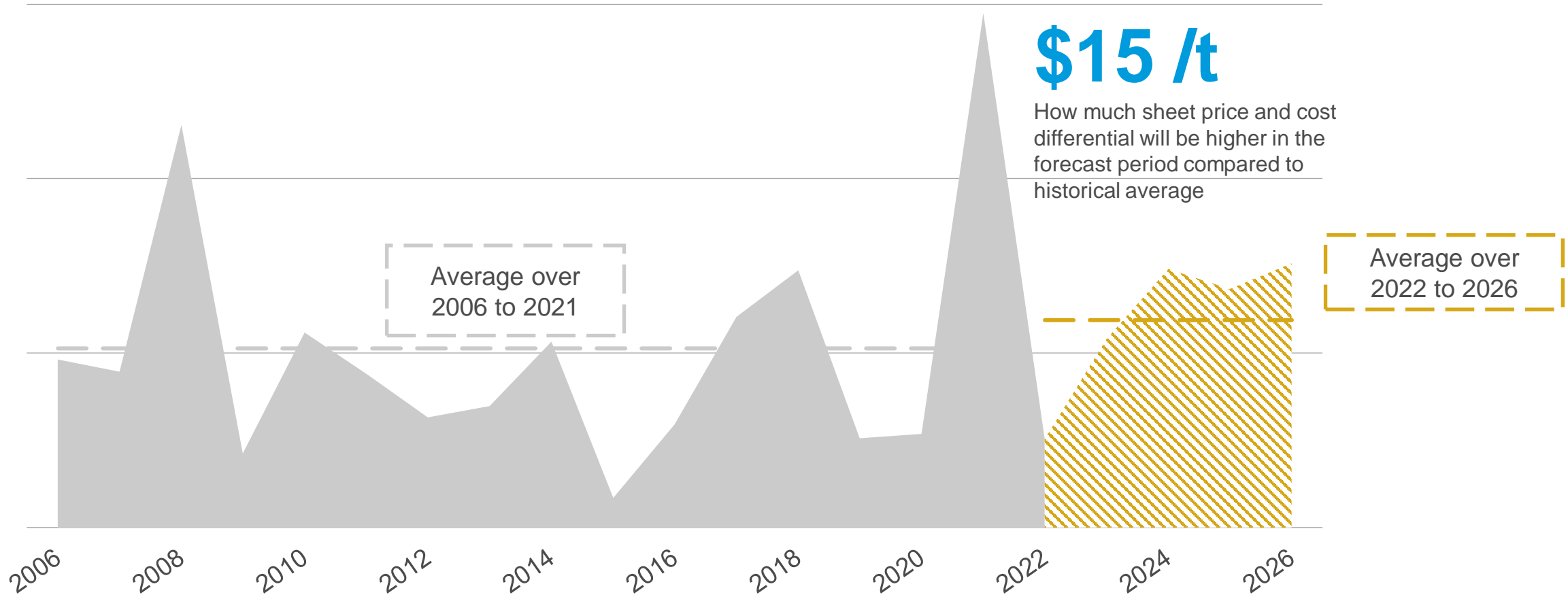
Absolute demand to grow but intensity to remain below peak levels

LHS: Total finished steel demand, Southeast Asia, Mt; RHS: Intensity of demand, kg/GDP



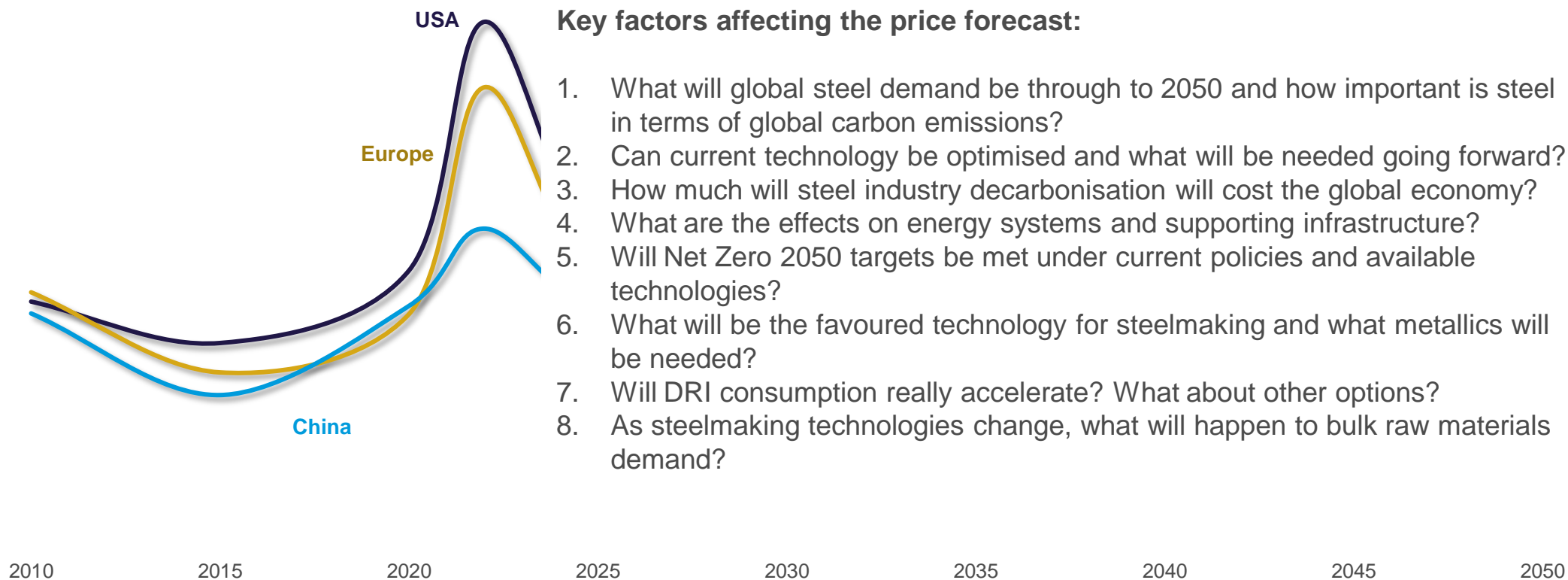
As a result, margins will recover and will remain structurally higher

HR coil price differential over cost⁽¹⁾, Asian import price⁽²⁾, \$ /t



How steel prices behave in the long term depend on a myriad of factors

HR coil prices, including the impact of a carbon cost in Europe only, \$ /t, Real 2022



Key factors affecting the price forecast:

1. What will global steel demand be through to 2050 and how important is steel in terms of global carbon emissions?
2. Can current technology be optimised and what will be needed going forward?
3. How much will steel industry decarbonisation will cost the global economy?
4. What are the effects on energy systems and supporting infrastructure?
5. Will Net Zero 2050 targets be met under current policies and available technologies?
6. What will be the favoured technology for steelmaking and what metallics will be needed?
7. Will DRI consumption really accelerate? What about other options?
8. As steelmaking technologies change, what will happen to bulk raw materials demand?



Shankhadeep Mukherjee, Senior Analyst

+91 22 4504 5757

shankhadeep.mukherjee@crugroup.com



CRU International Limited

London | Sydney | Tokyo | Beijing | Shanghai | Singapore | Mumbai | New York | Pittsburgh | Sao Paulo | Santiago

Registered in England No.940750. Registered office: Charles House, 108-110 Finchley Road, London NW3 5JJ