

## Information on the current situation on the flat steel market

[DUSSELDORF, 23<sup>rd</sup> November 2020] – With this information we would like to draw your attention to the situation on the European flat steel market, which is likely to affect our industry in the coming months.

There are increasing reports of long delivery and lead times at steel mills and delays in the delivery of steel quantities already ordered. For example, the situation is discussed in a contribution by steel market analyst Andreas Schneider: “Steel processors rub their eyes in amazement: while the demand for steel in Germany this year falls to its lowest level in eleven years, steel procurement in the market segment for flat products is currently a challenging task<sup>1</sup>“. Hot-dip galvanised sheet, but also hot-rolled wide strip and cold-rolled sheet are the most affected. Several local steelmakers are completely booked up until March 2021, reports the renowned company MEPS<sup>2</sup>.

The reasons for the current situation can be summarised as follows:

- The demand in some segments of the steel market, in particular the automotive industry, has recovered since the summer faster than many had expected. In addition, many companies are replenishing previously reduced material stocks. By contrast, blast furnace-based steel production, which is relevant for flat steel, is only very slowly getting back on track. MEPS reports that volumes are being diverted from other applications to the automotive industry. In view of the fact that only a very low percentage of the world steel production goes into the packaging industry, it is to be feared that shifts will also affect the production of steel drums.

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<sup>1</sup> [www.stahlmarktconsult.de/blog/entry/stahlmarkt-paradox-versorgungsnoete-im-nachfragetal](http://www.stahlmarktconsult.de/blog/entry/stahlmarkt-paradox-versorgungsnoete-im-nachfragetal)

<sup>2</sup> [www.meps.co.uk/gb/en/news/covid-19-resurgence-causing-concern-for-eu-steel-buyers](http://www.meps.co.uk/gb/en/news/covid-19-resurgence-causing-concern-for-eu-steel-buyers)

- Driven by the strong Chinese market, steel prices in Asia were significantly higher than in Europe for much of the year. Together with the import restrictive measures imposed by the EU, this has led to a significant drop in the volume of imports from third countries this year.
- This development is supported by high raw material prices. In particular, iron ore prices have reached their highest level in six years<sup>3</sup>.

Due to the tight supply situation and the significant increase in spot market prices in recent months, a risk of a noticeable rise in contract prices for flat steel products in 2021 appears to be emerging. Specialist services are already reporting price announcements by manufacturers<sup>4</sup>. Given the currently increasing corona-related restrictions that might dampen demand again, it remains to be seen to what extent this apparent price risk will materialize in individual negotiations.

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<sup>3</sup> <https://markets.businessinsider.com/commodities/iron-ore-price>

<sup>4</sup> [www.argusmedia.com/en/news/2152250-arcelormittal-hikes-2021-hrc-contract-offers?backToResults=true&selectedMarket=Metals](http://www.argusmedia.com/en/news/2152250-arcelormittal-hikes-2021-hrc-contract-offers?backToResults=true&selectedMarket=Metals)