

Information on the current situation on the flat steel market

UPDATE of the SEFA-information from November 2020

[DUSSELDORF, 22nd January 2021] – With this information, again 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.

Unfortunately, our concern expressed in November about the threat of supply shortages in the flat steel market has come true. The tightness has become even more prevalent in recent weeks. Steel processors in every segment of the market are very concerned over the availability of steel supplies from mills and service centers. Manufacturers of steel drums are not isolated from this unexpected and unique situation.

“There are a number of suppliers who are unable to deliver the requested quantities”, German steel market analyst Andreas Schneider confirms. “Not only the procurement of additional quantities is extremely challenging. There are also delays and under-allocations in the case of framework contracts that have already been concluded. Further on, companies are complaining on volumes that are re-directed to the automotive segment of the market.”

In recent weeks, a number of market participants have voiced their concerns.¹ Leading daily newspapers have reported on the topic. "Processors in all segments are very concerned about their ability to deliver in the coming months because the steel required is so scarce", according to German steel processing association WSM.²

¹ E.g. „European Distributors remain concerned over steel supply” <https://eurometal.net/european-distributors-remain-concerned-over-steel-supply/>;

² E.g. leading German newspaper “FAZ”: <https://www.faz.net/aktuell/wirtschaft/verband-warnt-der-stahl-ist-knapp-17113146.html>

The supply tightness facing the EU steel market was initially a result of coronavirus pandemic-induced steel production cuts, followed by unexpected automotive demand that mills have struggled to accommodate.

However, the current problems are not only emerging in the EU but worldwide. In many countries, demand recovery was faster than expected and supply is lagging behind. Low raw material stocks at steel producers and low steel inventories at steel traders and processors have contributed to the current situation as well.

Raw material prices, which were already high, almost exploded in December 2020. Iron ore and scrap prices have reached their highest level since 2011 now. This fueled an already hot steel market.

Consequently, the flat steel market faces very significant price increases. Steel prices have not only surpassed the pre-corona levels but have reached long-term or even historic highs. This applies worldwide. On the spot market in Europe, prices for products such as hot-dip galvanised sheet, hot-rolled wide strip and cold-rolled sheet have been pushed to 13-year highs.³ Contract prices for flat steel products in 2021 have also risen significantly, according to Andreas Schneider.

Steel supply is expected to remain an issue for the coming months so this is not a short term problem.

Producers of steel products currently have to source steel wherever possible in order to meet critical requirements. Even for pure contract customers with guaranteed quantities, the market is experiencing unprecedented price increases for steel. The situation is even more challenging on the spot market, where premiums are requested above those prices indicated in the trade indices.

³ See for example <https://www.spglobal.com/platts/en/market-insights/latest-news/metals/010521-european-steel-coil-market-set-for-q1-price-boost-from-tight-supply>