

Information on the current situation on the flat steel market

UPDATE of the SEFA-information from January 2021

[DUSSELDORF, 25 March 2021] - After our last information in January 2021, experts had already suspected that the situation on the European flat steel market could become even worse. This has now happened and is likely to continue throughout the year. We therefore feel obliged to report on this again, because our industry will continue to be affected by these extraordinary supply shortages in the coming months. This will continue to put a strain on the thoroughly tense relationship between manufacturers of steel drums and their customers.

The situation of supply shortages on the flat steel market described in January has developed into a threatening shortage in recent weeks. Steel users in all market segments are facing insufficient availability of steel supplies from steel mills and service centres. There are shortfalls and delays in current contracts. Covering replacement volumes and additional quantities is becoming increasingly difficult because there are hardly any stocks left. The spot market is empty and there is a lack of sufficient supplies from the mills. This situation affects the entire flat steel market, whereby the situation is particularly critical for hot-dip galvanised sheet according to existing reports. And so, the manufacturers of steel drums are not isolated from this unexpected and unique situation.

Relevant steel market experts such as Fastmarkets MB – formerly known as Metal Bulletin, an international information provider for the global markets for steel, non-ferrous metals and scrap – describe that the supply shortage in the European steel market will continue at least until the end of this year.¹ In making these statements, they refer to two main sources of information. On the one hand, finished steel distributors describe difficulties in obtaining the necessary quantities of finished steel from

¹ <https://www.metalbulletin.com/article/3978380/non-ferrous-metals/focus-eu-steel-shortage-to-persist-throughout-2021.html>

domestic or foreign suppliers and affirm that they do not expect the situation to improve in the foreseeable future. On the other hand, users of the required steel products also describe the problem of being able to procure these steel products at all, while at the same time struggling with rising steel prices.

The price increase on the spot market accelerated again in March, also against the background of persistently high raw material costs. On the spot market in Europe, prices for products such as hot-dip galvanised sheet, hot-rolled wide strip and Cold-rolled steel sheets have now risen by almost € 400/t since June 2020, according to the German steel market analyst Andreas Schneider. A comparable level has only been observed once before, in 2008.

The most important cause for the situation is the asynchronous development of supply and demand, which we had already described in our earlier information. The production of the EU plants is still not sufficient to cover the customers' needs. The expansion of production is encountering obstacles. In Germany, ThyssenKrupp Steel has announced that it will shut down a large blast furnace for maintenance in the third quarter. Salzgitter AG is still struggling with the consequences of the cold spell in February after a "force majeure" declaration.² In Italy, the planned expansion of production by the largest flat steel producer was slowed down by a legal dispute.

Andreas Schneider sums up the consequences of the shortage: "Steel is no longer sold in many cases, but allocated – In the case of new enquiries, delivery times in the 4th quarter are already being quoted, binding delivery dates are scarce – Even nine months after the start of the upswing in demand, EU producers are not managing to meet their customers' demand."³

Schneider also stresses another important point: "Imports could provide the urgently needed relief. But unfortunately, politicians in Brussels and 12 EU member states are

² See e. g. <https://www.argusmedia.com/en/news/2194701-salzgitter-tells-customers-orders-may-be-refused?backToResults=true&selectedMarket=Metals>

³ <https://www.stahlmarktconsult.de/blog/entry/die-politik-verschaerft-die-stahl-versorgungskrise>

setting the wrong priorities with import-restricting measures." The investigation initiated by the EU Commission into the question of whether the safeguard measures (tariff quotas and import duties) against steel imports, which are valid until the end of June, will be extended, meets with complete incomprehension on the part of steel users and their customers against the background of the supply situation described.