



## News

### Iran steel market Trend in Week 30th , 2021



#### Billet

Billet price was up by USD 4.5 /mt during last week in Iran domestic market to USD 715/mt ex-work including 9% VAT. Power outages continued, which resulted in lower supply level. Besides, higher ex-rate also made billet market upward.

#### Long Products

Average rebar price changed during last week in Iran from USD 777 /mt to USD 784 /mt ex-work including VAT. Demand was expected to rise but market was quiet and didn't change significantly.

I-beam average price changed from USD 772 /mt to USD 778/mt by end of the week. Actually Esfahan Steel co was leading the market and insiders expect upward trend in prices in coming weeks.

#### Flat Products

Mobarakeh Steel co HRC 2 mm thickness was USD 1128/mt on last Monday, which reached USD 1142/mt by Wednesday.

Oxin co HRP improved a little from USD 1227/mt to USD 1243/mt. Its demand level is limited but lack of supply due to power outages also exist. Besides the mill is interested in improving export level after the problem solved. As warehouses become empty and the mill is looking to export opportunities, supply - demand condition in the next two months is not clear because domestic demand is very limited and any price increase requires at least 3 months.

Kavian co HRP was unchanged at around USD 1092/mt. The mill together with two other mills are meeting market needs due to their price gap with Oxin co HRP. In This situation stable price policy is the best way to increase market share. Stability of slab price at IME also helped the market sentiment.

Lower supply level made CRC price upward from USD 1270/mt to USD 1284/mt despite market recession and closures at the beginning of the week.

Market closure and demand shortage made HDG almost stable at USD 1326/mt by end of the week. We have to wait for the market reaction to higher currency rate and HRC upward trend in coming days.

#### Weekly Analysis:

Semi-finished steel supply level has been actually stopped due to power outages in Iran.

In this condition, as pellet and DRI market inventory is high, continuation of this situation will reduce production level of these products. The best choice in this regard would be increasing export level.

Semi-finished steel production has decreased. Naturally, production of finished products has also decreased. This drop in production is very heavy and practically means stoppage of some mills. Of course, prices should go up, but we should not forget that domestic market steel demand is also not good and does not allow this price improvement happen easily, so the market is moving towards a price increase with a recession. The higher the prices, the deeper the recession would be.

This is not the only effect of power outages. Steel exports have been stopped. Higher export of DRI or pellet cannot be equal to finished steel export because they have their own consumers, so two months of steel export currency importing to the country should be forgotten. That means about USD 2 billion lost in foreign currency, which takes at least four months to be satisfied again. This would be in a situation where the global market remains the same.

Suppose power supply situation returns to the May today. Steel producers have to buy semi- finished steel. Most of them face severe liquidity constraints and therefore pre-sell the product. At the same time, they start buying Billet. Billet producers also have to buy DRI but DRI suppliers are active in export, therefore it will end in higher prices which will be transferred to finished steel products too.

The result would be further recession, closure of small mills, lower export level and an increase in the exchange rate.

Power outages appear to have accelerated Iran's economic reconstruction. This is a national issue. We also have problems in cement and petrochemicals. Even if the new president brings billions of dollars in foreign exchange, he simply cannot heal the effect of this wound, because by injecting foreign exchange and creating jobs, demand will increase. Naturally, prices, supply and demand will remain shaky and unstable in near future.

CBI weekly average ex-rate for Steel Products (SANA): Rials 221,585 USD

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