



News

Iran steel market Trend in Week 41st , 2021



Billet

Iran domestic billet market was quiet during last week. Average price was around USD 599/mt ex-work including 9% VAT. Scrap price and its limited supply level did not allow billet price to decrease.

Long Products

Rebar market was quiet and almost stable. It started the week at USD 672/mt and finished it at USD 667/mt ex-work including 9% VAT. Mills mostly were facing with limited billet supply.

Lack of demand made I-beam average price downward from USD 692/mt to USD 679/mt ex-work including VAT.

Flat Products

Price of two millimeter thickness HRC ex-work Mobarakeh on Saturday was USD 1138/mt, which reached USD 1073/mt by Tuesday. Mobarakeh Steel co HRC prices had a downward trend due to its supply level and fear of traders. But prices are near the bottom and this trend would not be stable, otherwise the mill will face with the problem of selling its products at IME. This would be an important issue in coming months.

Oxin co HRP price hit its bottom level last week and decreased from USD 1146/mt to USD 1135/mt by end of the week. Some traders interrupted the market trend with special offers at base price of USD 987/mt excluding VAT with delivery within 3 months. We have to wait for the coming weeks for HRP market trend to be clearer as higher export level of slab has made its domestic supply limited too.

Kavian co HRP decreased a little from USD 1102/mt to USD 1088/mt. Market recession made price downward, but the mill managed supply level.

CRC experienced downward trend from USD 1270/mt to USD 1245/mt with market recession through the week. This trend may continue with limited scope next week.

HDG market had an almost steady trend at around USD 1286/mt. Lower HRC price was partially offset by higher zinc price in global markets.

Weekly Analysis:

Oil price is approaching USD 100/ barrel which means higher prices for all goods is near as it raises freight rates and affects power price. As prices rise, it would increase wages too.

Power outages continue in China, which means higher demand for Iranian billet.

Steel production costs in Europe have increased due to rising oil prices, meaning that European import demand will rise.

Scrap prices are on the rise, which has a direct impact on steel prices.

In the domestic market, demand has remained limited. Government plans for new house building would not help steel market any time soon. Therefore, demand is not an influential factor in the market at the moment.

Ex-rate has remained relatively stable. It is simply not possible to reduce it in terms of economic principles. In practice, depreciation of exchange rate completely disrupts the market and reduces export level. On the other hand, it causes a drop in the stock market index too. Meanwhile domestic market demand is limited and market can not accept higher supply level.

On the other hand, within next month, DRI production might be affected due to gas supply issues and scrap supply will also decline in winter time. In short, supply will become more limited. Export rises as oil prices rise while demand does not change, meaning higher prices. What is not clear is that how the government deals with the budget deficit. It has severely restricted monetary market by selling bonds. This exacerbates the recession, increases exports and raises interest rates. Continuing this trend is not sustainable because cost management does not necessarily mean increasing revenue. There are talks of eliminating energy subsidies to make up for the budget deficit, but the budget needs other changes, such as a single exchange rate and supporting export market. In any case, the government must think about employment, which it bears its burden by itself as more than Eighty percent of our economy is under responsibility of the government.

Expectation of some market insiders is that with signing of Barjam, ex-rate will become downward, which does not correspond to economic realities. Regardless of all these analyzes, economic actors must be aware of oil and gas prices seriously. Price trend of these goods affects everything. World is facing with a shortage of gas and winter is on the way as a result of which it is not possible to reduce prices.

If exports become zero too, it will not be possible to reduce prices in the domestic market due to costs structure. A recession may only cause prices to fall at some point when it is not stable. But the continuation of recession means a reduction in production. If producers can not export what they produce, have to shut down production lines, which will not be easy to restart.

CBI weekly average ex-rate for Steel Products (SANA): Rials 232,913 USD

18 Oct 2021

Iran Steel News Bulletin

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Oct 18, 2021 16:19

Number of visit : 620

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