



News

Iran steel market Trend in Week 46th , 2021



Billet

Quiet long products market made billet price downward during last week in Iran domestic market from USD 563/mt to USD 557/mt ex-work including 9% VAT by end of the week.

Long Products

Rebar price declined from USD 617/mt to USD 614/mt due to weak demand, while near term market sentiment expectation is also negative, therefore, there is no interest to increase inventory level. Market inventory at the moment can satisfy current weak demand.

I-beam market is confused and demand level is limited, therefore, its average price dropped by USD 5/mt to USD 590/mt ex-work including 9% VAT by end of last week.

Flat Products

Price of a 2 mm thickness HRC ex-work Mobarakeh was USD 990 /mt on last Saturday, which reached USD 982/mt by Tuesday. Generally, HRC market remained almost constant despite weak demand. But prices have reached the bottom and further downward trend will lead to capital escape from this sector.

Oxin co HRP market stayed almost unchanged. It started the week at USD 999/mt and finished it at USD 1001/mt. Actually its price has reached the bottom and cheap purchased inventories can no longer be seen in the market. If the mill lowers its product price, it will only make the market more confused and nervous. The only way

to improve the sentiment is increasing export level that the mill is seriously pursuing.

Kavian co is still controlling the market perfectly. Its average price was changed from USD 931/mt to USD 941/mt ex-work including 9% VAT.

CRC market was stable. Its price has reached the bottom and there is no room for more reduction, but there is no incentive to buy too. Its average price declined from USD 1124/mt to USD 1121/mt.

HDG market was faced with a very quiet sentiment, due to weak demand and also stability of HRC market. Its average price stayed around USD 1164-1165/mt ex-work including 9% VAT.

Weekly Analysis:

The government seeks to keep the market calm to control inflation and increase export level. It has defined premium transactions to control the inflation. Also recently, there have been talks of an Iranian model of commodity funds. With these methods and also controlling demand, the government will calm the market, but it would be ended in a severe recession in steel market too. Besides, export will continue to improve without worries as the authorities are interested in the currency it brings with itself. But two factors will affect these plans.

Firstly, some problems in steel industry infrastructure, especially gas and electricity shortages which the ministry of Industry has no control on it. From coming weeks, gas supply to DRI producers will be limited and rainy weather will slow its transfer too. In the meantime, what helps the Ministry of Industry would be higher export level, the second factor.

Global markets are declining. With this trend, export will decrease both in terms of price and quantity. Falling prices will practically keep prices at IME stable. Lower export level will help domestic supply but would increase ex-rate, so the government must set a minimum volume of currency for export in cold weather and near Christmas and Chinese New Year holidays. In this case, export volume will increase and domestic market will be emptied of excess supply.

But there are many discussions about price stability in the domestic market too. Supply and demand level are not the only factors influencing prices. Infrastructure issues will increase production costs, and the government cannot easily control it. Talks about eliminating subsidies for electricity, gas and water and raising wages will increase prices. If government policies fail for any reason, market disruption may not be easily manageable.

In fact, the government should monitor the market daily like in the time of war to keep domestic prices stable, monitor export to control currency market, and pursue production. This is the main reason why the government wants all steel products to be tradable under IME (Iran Mercantile Exchange). But for keeping prices stable in coming weeks, market participants expect recession and inactivity.

CBI weekly average ex-rate for Steel Products (SANA): Rials 266,738 USD

22 Nov 2021

Iran Steel News Bulletin

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Nov 22, 2021 13:27

Number of visit : 667

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