



News

Iran steel market Trend in Week 51st , 2021



Billet

Billet price remained stable during last week until Tuesday, but with offers on IME (Iran Mercantile Exchange), a slight downward trend began. It declined from USD 573/mt to USD 570/mt by end of the week. The relationship between the price of scrap, DRI and billet has reduced the profitability of billet production to a minimum, and some producers are sometimes at a loss. This has reduced production level too. If DRI price decreases with the pressure of IME, billet will also fall, and then will end in market stoppage.

Long Products

Rebar price has reached the bottom like billet. During last week its average price changed from USD 652/mt to USD 642/mt ex-work including 9% VAT. Government's insistence on offering goods on IME and the pressure to reduce its price have kept the market in waiting mood. This lack of demand has increased market inventory; therefore, some producers are eager to sell with delayed payment too.

I-beam market started the week unchanged but finally by end of the week became downward due to lack of demand and lower prices at IME. Its average price dropped from USD 637/mt to USD 630/mt ex-work including VAT.

Flat Products

Price of 2 mm HRC ex-work Mobarakeh was USD 1016/mt on last Saturday, which reached USD 1007/mt by Tuesday. Higher supply level and lack of demand made HRC prices downward.

Oxin co HRP price fluctuated a little from USD 1091/mt to USD 1084/mt. Kavian co HRP price finally declined from USD 1032/mt to USD 1030/mt during last week with slab price downward trend at IME. But mill's pricing controlled made downward trend limited. But its resistance against downward trend finally has broken.

Increased supply of some thickness of CRC made its average price downward by end of last week from USD 1237/mt to USD 1191/mt.

Despite Lower HRC price, HDG remained almost unchanged at USD 1252/mt during last week in Iran. The most important reason is that it has reached the bottom level.

Weekly Analysis:

In global markets, Billet and slab price is declining and demand for flat products will be declining for the next two weeks due to Christmas Holidays. As oil price no longer has room to increase, so the rising trend of commodities will not be serious except for food and clothes that remain interesting due to Christmas time. Rising gas and energy price in Europe will reduce demand level, so in terms of steel export demand, there is no hope for the Iranian export market for the next two weeks.

But in the domestic market, all steel production chain are obliged to list their products on the mercantile exchange (IME). As IME would be involved in all pricings, it will become a target to which all criticisms will be fired. The market will be faced with a recession shock for a period of three to four months. If after this period the government's policies do not lead to an increase in production or higher export level, the whole structure will collapse because it will not be sustainable, and if the government continues this process for more than a period of 4 months until the end of May, its consequence would be lower production level. Pricing steel at IME will end in lower margins and money loss of many mills. Higher energy and gas prices in the government budget will directly affect steel market and increase production costs.

Therefore, it seems that the government's goal is to continue steel production at current prices with the minimum profit margin until end of the year, and to be sure about market inventory level as much as possible so that when the cost price of steel increases, its impact will not be immediate. All this is in a situation where the process of nuclear negotiations continues in the same way. Steel market has been waiting long enough, so it will react as soon as the outcome of the negotiations is clear, but it should not be forgotten that the increase in the cost price does not allow price reductions to be serious even if an agreement is reached.

CBI weekly average ex-rate for Steel Products (SANA): Rials 242,208 USD

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