

# STEEL MARKET DEVELOPMENTS

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This paper was authored by Fabien Mercier, Tomohiro Hijikata, Gianpiero Mattera, Valentina Burrai and Luciano Giua from the OECD Directorate for Science, Technology and Innovation (STI). It was approved and declassified by written procedure by the OECD Steel Committee on 22 September 2021 and prepared for publication by the OECD Secretariat.

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## *Table of contents*

<b>Recent market developments in the global steel industry.....</b>	<b>5</b>
<b>1. Executive summary .....</b>	<b>6</b>
<b>2. The OECD Economic outlook .....</b>	<b>8</b>
2.1. Global prospects .....	8
2.2. Regional prospects .....	10
<b>3. Steel consumption .....</b>	<b>14</b>
3.1. Americas .....	15
3.2. Africa and the Middle East .....	15
3.3. Asia and Oceania .....	15
3.4. Europe and CIS Economies .....	16
<b>4. Steel production .....</b>	<b>17</b>
4.1. Americas .....	17
4.2. Africa and the Middle East .....	18
4.3. Asia and Oceania .....	20
4.4. Europe and CIS Economies .....	21
<b>5. World steel trade .....</b>	<b>22</b>
<b>6. Steel and raw material prices .....</b>	<b>26</b>
6.1. Steel prices.....	26
6.2. Steel raw material prices.....	29
<b>7. Financial performance of steel firms .....</b>	<b>35</b>
7.1. Profitability .....	35
7.2. Indebtedness.....	37
<b>8. The global steelmaking capacity situation.....</b>	<b>42</b>
<b>9. The steel market outlook.....</b>	<b>44</b>
9.1. Global steel market outlook.....	44
9.2. Regional steel market outlook .....	44
9.2.1. Americas.....	44
9.2.2. Africa and the Middle East.....	46
9.2.3. Asia and Oceania.....	48
9.2.4. Europe and CIS economies .....	50
<b>Endnotes .....</b>	<b>84</b>

## Tables

Table 1. The OECD Interim Economic Projections (September 2021)	9
Table 2. World crude steel production developments in the first half of 2021	17
Table 3. Steel exports, annual data	23
Table 4. Steel imports, annual data	24



## Figures

Figure 1. Markit Steel Index: new orders and new export orders among Steel-Intensive Sectors PMI	10
Figure 2. Consumption of hot-rolled steel products, major economies (aggregate)	14
Figure 3. Trade balances	25
Figure 4. Aggregate flat and long steel price averages (latest month July 2021)	26
Figure 5. Steel price for flat products, by region	27
Figure 6. Steel price for rebar, by region	28
Figure 7. Steel futures prices (as of 19/07/2021)	29
Figure 8. Prices for key steel-making raw materials (as of July 2021)	30
Figure 9. The upward trend in Chinese scrap prices has recently stabilised (last data point is July 2021)	32
Figure 10. Margin between steel and raw material prices	33
Figure 11. Evolution of operating profitability between 1998 and 2020	35
Figure 12. Evolution of net profit margin between 1998 and 2020	36
Figure 13. Distribution of net profits in selected years	37
Figure 14. Evolution of indebtedness between 1998 and 2020	38
Figure 15. Ratio of short-term debt over long term debt of steel firms from 1998 to 2020	39
Figure 16. Evolution of interest paid on total debt from 1998 to 2020	40
Figure 17. Ratio of steel firms' liabilities over assets	41
Figure 18. Evolution of crude steelmaking capacity in OECD/EU economies and non OECD/EU economies	42
Figure 19. Global crude steelmaking capacity and crude steel production	43

*Recent market developments in the global steel industry*

This document is part of a regular monitoring exercise to provide the Steel Committee with timely information on steel market developments during the first half of the year 2021. It provides an update on recent developments in steel markets, based on the latest information available at the time of writing (as of July 2021). Given that the data for regional aggregates presented in the tables throughout this paper extend until the end of 2021, the United Kingdom is no longer included in the EU aggregate.

## 4. Steel production

The COVID-19 pandemic triggered significant reductions in steel production in many jurisdictions during the year 2020. The rebound during the first half of 2021 affected most jurisdictions, but especially the hard-hit regions that had reduced their production the most in 2020. According to worldsteel, global steel production increased by 13.7 % during the first half of 2021 compared to the same period in 2020.

Table 2 below highlights steel production growth rates across regions. The largest increases in crude steel production for the first half of 2021 (year-on-year) were recorded in South America (+28.1%), Africa (+28%), followed by the European Union (+18.1%), Other Europe (+18.1%) and North America (+16.4%). Asian steel production increased by a robust +13%, while other regions of the world also witnessed an increase: Middle East steel production increased by 8.7%, the Commonwealth of Independent States (CIS) by 8.7%, and Oceania by 8.4%.

**Table 2. World crude steel production developments in the first half of 2021**

	Level, thousand tonnes		% change, year-on-year		
	Jun 2021	2020	Jun 2021	Jan-Jun 2021 / Jan-Jun 2020	2020 / 2019
EU	13,224	132,131	34.7	18.4	-21.2
Other Europe	4,336	45,915	21.0	18.1	12.5
CIS	8,915	100,025	9.1	8.7	-0.8
North America	10,029	101,030	45.2	16.4	-16.4
South America	3,897	38,687	51.3	28.1	-13.9
Africa	1,465	12,600	46.9	28.0	-13.3
Middle East	3,559	40,734	9.1	8.7	14.5
Asia, of which:	121,959	1,354,527	6.4	13.0	7.7
China	93,880	1,057,884	1.5	10.7	14.6
Oceania	536	6,076	1.5	8.4	-4.2
World	167,920	1,831,725	11.6	13.7	2.4

Source: worldsteel data, as released on 23 July 2021.

Note: 1. Data are based on monthly production data and can differ from annual data published after December of each year. Furthermore, monthly production data can be revised at any time.

2. The present publication presents time series which extend beyond the date of the United Kingdom's withdrawal from the European Union on 1 February 2020. In order to maintain consistency over time, the "European Union" aggregate presented here excludes the UK for the entire time series.

### 4.1. Americas

In North America, total crude steel production increased by about 16.4% during the first half of 2021 year-on-year, mainly driven by the increase in Canada (+21.8%). The United States and Mexico also grew strongly (+15.5% and +16.2% respectively).

In South America, steel production increased by 28.1% during the first half of 2021, year-on-year. Production increased sharply year-on-year during the first half of 2021 in Argentina (+53.8%), Colombia (+40.6%) and Brazil (+23.3%), but more moderately so in Chile (+15.1%).<sup>7</sup>

## 4.2. Africa and the Middle East

African steel production increased by 28.0% during the first half of 2021, year-on-year. Egypt and South Africa experienced large steel production increases of 21.8% and 38.6% respectively.

In the Middle East, steel production increased by 8.7% year-on-year, with Saudi Arabia's steel production increasing the most (+18.0%) followed by Iran's (+8.0%), in spite of international sanctions. Box 1 below focuses on some specificities of the steel sector in Iran, including the Iranian government targets in steel production and a description of the main Iranian government agencies linked to steel. Box 3 in Section 6.2 takes a closer look at Iranian energy input prices.

### Box 1. Special Focus: The Steel Sector in Iran

The steel sector is among the priority sectors for the Iranian 6<sup>th</sup> Economic, Social and Cultural Development Plan (2017-2021) (Islamic Republic of Iran, 2017<sub>[18]</sub>), as well as for the current 20-Year Vision document (2005-2025) (Islamic Republic of Iran, 2005<sub>[19]</sub>). The latter has also been complemented by the Comprehensive Program for Steel which targets annual production output of 55 Mt by 2025.

The Iranian steel sector is heavily controlled by the government, which owns 90% of all mines and related large institutions. The most important one is the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO), founded in 2001. IMIDRO is a state-owned holding company which owns 8 major companies, among which Mobarakeh Steel Company, Isfahan Steel Co. and the National Iranian Steel Co., and around 30 subsidiaries. As a result of the privatisation efforts (article 44 of the Constitution) undertaken by the Islamic Republic of Iran, around 20 companies previously englobed in IMIDRO have been privatised in the last two decades (Industrial Development and Renovation Organization of Iran (IDRO), n.d.<sub>[20]</sub>)

Furthermore, the state-owned Industrial Development and Renovation Organization (IDRO), established in 1967, contributes to the development of the sector. Similar to IMIDRO, IDRO is a state-owned corporation that used to own more than 150 companies. In line with privatisation efforts, it is now seeking to convert its role to that of an industrial development agency. IDRO's main achievements include the establishment of numerous industrial and manufacturing enterprises to complete the national industrial chain, the direction of a part of nationalized heavy industries and the implementation of key projects (Sedighikamal and Talebnia, 2014<sub>[21]</sub>).

While advancing privatisation and the participation of the private sector (Sedighikamal and Talebnia, 2014<sub>[21]</sub>), the government is seeking to maintain the upward trend in steel production and industry in the country notwithstanding international sanctions, which heavily impact the steel sector (United States Department of the Treasury, 2021<sub>[22]</sub>) Tehran is actively creating Special Economic Zones (Government of Iran, n.d.<sub>[23]</sub>) offering tax exemptions (Iranian Mines and Mining Industries Development & Renovation Organization (IMIDRO), n.d.<sub>[24]</sub>) and setting up and developing new steel companies through the Ministry of Industry and Mines (Iranian Ministry of Industry, 2020<sub>[25]</sub>) The latter endeavour is part of the Plan for Creation and Development of industries, mines and mining infrastructure, and receives significant amounts from the government on an annual basis, according to the Iranian government's annual budget (Iranian Plan and Budget Organization, 2020<sub>[26]</sub>). The program also provides grants to

assets to China Baowu” and “After the expansion now China Baowu needs to become stronger by modernising the corporate governance system and capabilities” (SASAC, 2020<sup>[36]</sup>). In 2020, following the release of the “three-year action for the reform of state-owned enterprises” (SASAC, 2020<sup>[38]</sup>), China Baowu adhered to the vision of “becoming a global steel industry leader”, to the mission of “jointly building a high-quality steel ecosystem” and to strive to achieve a domestic market share of 15% by the end of 2022, a per capita steel output of 1,400 tonnes, and a R&D investment rate that reaches the top level of the global steel industry” (SASAC, 2021<sup>[39]</sup>).

Resolving excess capacity and increasing industry concentration are at the core of China Baowu’s M&A strategy. While mergers and acquisition would eliminate inefficient production capacity, the government believes that industry concentration would improve operations, enhance competitiveness and reduce emissions (Chinese Government, 2008<sup>[40]</sup>). The “Iron and Steel Industry Development Policy” issued in 2005 proposed that the goal of industrial concentration is to increase China’s steel output of the top ten domestic iron and steel enterprise groups by 50% before 2010 and by 70% before 2020 (NDRC, 2005<sup>[41]</sup>). However, the government realized that the objectives formulated in 2005 were far too ambitious. In 2015, the Ministry of Commerce released the “Iron and Steel adjustment Policy” to replace the former plan. The document proposed to “speed up mergers and reorganizations to allow the top 10 steel companies to produce no less than 60% of crude steel nationwide by 2025 and to form 3 to 5 super large steel-making enterprises with enhanced competitiveness” (MOFCOM, 2015<sup>[42]</sup>).

Although China's steel industry is still quite fragmented, industry concentration has been increasing in recent years. According to data calculated by the Lange Iron and Steel Research Center, based on the cumulative crude steel output of the top ten steel companies, the concentration of China's steel industry in 2020 will be 39.2%, an increase of 2.6 percentage points from 2019 and an increase of 5.0 points from the end of the “13th Five-Year Plan” period (LGMI, 2021<sup>[43]</sup>).<sup>8</sup>

In Oceania, crude steel production increased by 8.4% during the first half of 2021 year-on-year, with Australian crude steel production increasing by 6.6%, and New Zealand, a much smaller steel producer, by 28.2%, year-on-year.

#### 4.4. Europe and CIS Economies

In the European Union, steel production experienced an increase of 18.4% over the first half of 2021 year-on-year.<sup>9</sup> Amongst the larger steel producers, the increase was more pronounced in Spain (+33.0%), France (+29.5%), Italy (+26%) and Germany (+18.1%).

Steel production in the United Kingdom increased by 10.3% over the period year-on-year.

In the “Other Europe” region, steel output increased by 18.1% over the first half of 2021 year-on-year, essentially explained by Turkey’s significant increase in steel production (+20.6%). In the CIS region, steel output increased by 8.7% due to an increase in both Russia (+8.5%) and Ukraine (+7.4%).