

PRESS RELEASE – worldsteel Short Range Outlook April 2022

14 April 2022 | Brussels, Belgium

The World Steel Association (worldsteel) today released its Short Range Outlook (SRO) for 2022 and 2023. worldsteel forecasts that steel demand will grow by 0.4% in 2022 to reach 1,840.2 Mt after increasing by 2.7% in 2021. In 2023 steel demand will see further growth of 2.2% to reach 1,881.4 Mt. The current forecast is made against the backdrop of the war in Ukraine and is subject to high uncertainty.

Inflation and uncertainty cloud the outlook for steel demand

Commenting on the outlook, Mr Máximo Vedoya, Chairman of the worldsteel Economics Committee, said, "This Short Range Outlook is issued in the shadow of the human and economic tragedy following the Russian invasion of Ukraine. We all wish for as rapid and peaceful an end to this war as possible.

In 2021, recovery from the pandemic shock turned out to be stronger than expected in many regions, despite continuing supply chain issues and COVID waves. However, a sharper than anticipated deceleration in China led to lower global steel demand growth in 2021. For 2022 and 2023, the outlook is highly uncertain. The expectation of a continued and stable recovery from the pandemic has been shaken by the war in Ukraine and rising inflation."

General

The magnitude of the impact of this conflict will vary across regions, depending on their direct trade and financial exposure to Russia and Ukraine. There is an immediate devastating effect on Ukraine, consequences for Russia, and major impact on the EU due to its reliance on Russian energy and its geographic proximity to the conflict area. The impact will also be felt globally via higher energy and commodity prices – especially raw materials for steel production - and continued supply chain disruptions, which were troubling the global steel industry even before the war. Furthermore, financial market volatility and heightened uncertainty will undermine investment.

Such global spillovers from the war in Ukraine, along with low growth in China, point to reduced growth expectations for global steel demand in 2022. There are further downside risks from the continued surge in virus infections in some parts of the world, especially China, and rising interest rates. The expected tightening of US monetary policies will hurt financially vulnerable emerging economies.

The outlook for 2023 is highly uncertain. Our forecast assumes that the confrontation in Ukraine will come to an end in the course of 2022 but that the sanctions on Russia will largely remain.

Additionally, the geopolitical situation surrounding Ukraine poses significant long-term implications for the global steel industry. Among them are a possible readjustment in global trade flows, a shift in energy trade and its impact on energy transitions, and continued reconfiguration of global supply chains.

China

Chinese steel demand saw a major slowdown in 2021 due to the tough government measures on real estate developers. Steel demand in 2022 will remain flat as the government tries to boost infrastructure investment and stabilise the real estate market. The stimuli introduced in 2022 are likely to support small positive growth in steel demand in 2023. There is upside potential from more substantial stimulus measures, which is likely if the economy faces more challenges from the deteriorating external environment.

Advanced economies

Despite the sporadic COVID infection waves and the manufacturing sector's supply chain constraints, steel demand recovered strongly in 2021, especially in the EU and the US. However, the outlook for 2022 has weakened due to inflationary pressure, which is further reinforced by the events surrounding Ukraine. The impact of the war will be particularly pronounced in the EU due to its high dependence on Russian energy and refugee inflows. Steel demand in the developed world is forecast to increase by 1.1% and 2.4% in 2022 and 2023 respectively, after recovering by 16.5% in 2021.

Developing economies excluding China

In the developing economies, recovery from the pandemic faced more challenges with the continued impact of the pandemic and surging inflation, which prompted a monetary tightening cycle in many emerging economies. After falling by 7.7% in 2020, steel demand in the developing world excluding China grew by 10.7% in 2021, slightly less than our earlier forecast. In 2022 and 2023, the emerging economies excluding China will continue to face challenges from the worsening external environment, the Russia-Ukraine war, and US monetary tightening, leading to low growth of 0.5% in 2022 and 4.5% in 2023.

Steel using sectors

Global construction activity continued to recover from the lockdowns to record growth of 3.4% despite a contraction in China in 2021. The recovery was driven by an infrastructure push as part of recovery programmes in many countries, and these and investments related to the energy transition will likely drive the construction sector's growth for years to come. However, the construction sector faces some headwinds from rising costs and interest rates.

The recovery of the global auto industry in 2021 was disappointing as the supply chain bottlenecks arrested the recovery momentum in the second half of the year. The war in Ukraine is likely to delay any return to normal of the supply chain issues, especially in Europe. Despite the slump in global auto production, the EV segment grew exponentially during the pandemic. Global sales of EVs in 2021 reached 6.6 million units, almost doubling from 2020. The share of EVs in total car sales increased from 2.49% in 2019 to 8.57% in 2021.

#Ends#

Notes

- The World Steel Association (worldsteel) is one of the largest and most dynamic industry associations in the world, with members in every major steel-producing country. worldsteel represents steel producers, national and regional steel industry associations, and steel research institutes. Members represent around 85% of global steel production.
- The SRO includes presentations, estimates and other information that are forward-looking. While these forward-looking statements represent our current judgement on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect worldsteel's opinions only as of the date of this release.
- An appendix to this SRO with more details on an individual country basis is available on worldsteel.org.

Table 1. Steel Demand Forecasts
SRO April 2022, finished steel products

Regions	million tonnes			y-o-y growth rates, %		
	2021	2022 (f)	2023 (f)	2021	2022 (f)	2023 (f)
European Union (27) & United Kingdom	163.6	161.5	167.9	16.8	-1.3	4.0
Other Europe	40.2	42.3	44.1	12.0	5.2	4.2
Russia & other CIS countries + Ukraine	58.5	44.6	45.1	1.5	-23.6	1.1
USMCA	136.9	141.0	144.7	20.5	2.9	2.7
Central and South America	50.7	48.5	50.3	30.7	-4.4	3.9
Africa	37.4	39.1	40.7	6.4	4.6	4.2
Middle East	48.3	50.2	51.7	2.9	3.8	3.2
Asia and Oceania	1 298.1	1 313.1	1 336.8	-1.4	1.2	1.8
World	1 833.7	1 840.2	1 881.4	2.7	0.4	2.2
World excl. China	881.7	888.2	919.9	13.2	0.7	3.6
Developed Economies	399.4	403.7	413.5	16.5	1.1	2.4
China	952.0	952.0	961.6	-5.4	0.0	1.0
Em. and Dev. Economies excl. China	482.2	484.4	506.4	10.7	0.5	4.5
ASEAN (5)	72.6	76.1	80.8	3.5	4.8	6.1
MENA	65.2	68.0	70.3	3.2	4.3	3.5

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ASEAN (5): Indonesia, Malaysia, Philippines, Thailand, Vietnam

Table 2. Top 10 Steel Using Countries 2021
SRO April 2022, finished steel products

Countries	million tonnes			y-o-y growth rates, %		
	2021	2022 (f)	2023 (f)	2021	2022 (f)	2023 (f)
China	952.0	952.0	961.6	-5.4	0.0	1.0
India	106.1	114.1	120.9	18.8	7.5	6.0
United States	97.1	99.8	102.1	21.3	2.8	2.4
Japan	57.5	58.2	58.8	9.3	1.2	1.0
South Korea	55.6	56.2	56.8	13.5	1.2	1.0
Russia	43.9	35.1	35.1	3.8	-20.0	0.0
Germany	35.2	35.0	37.6	12.9	-0.6	7.6
Turkey	33.4	35.5	37.0	13.2	6.4	4.2
Brazil	26.4	24.2	25.4	23.2	-8.5	5.0
Italy	25.9	25.4	26.3	27.1	-2.1	3.5

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