PRESS RELEASE – worldsteel Short Range Outlook April 2023

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The World Steel Association (worldsteel) has today released its Short Range Outlook (SRO) steel demand forecast for 2023 and 2024. worldsteel forecasts that this year, demand will see a 2.3% rebound to reach 1,822.3 Mt. Steel demand is forecast to grow by 1.7% in 2024 to reach 1,854.0 Mt. Manufacturing is expected to lead the recovery, but high interest rates will continue to weigh on steel demand. Next year, growth is expected to accelerate in most regions, but deceleration is expected in China.

Commenting on the outlook, Mr. Máximo Vedoya, CEO of Ternium, and Chair of the worldsteel Economics Committee, said, "in 2022, recovery momentum after the pandemic shock was hampered by high inflation and increasing interest rates, the Russian invasion of Ukraine, and the lockdowns in China. As a result, steel-using sectors' activity went down in the last quarter of 2022. This, combined with the effect of stock adjustments, led to worse than expected contraction in steel demand.

Persistent inflation and high-interest rates in most economies will limit the recovery of steel demand in 2023, despite positive factors like China's reopening, Europe's resilience in the face of the energy crisis, and the easing of supply chain bottlenecks. In 2024, demand growth is driven by regions outside China but faces global deceleration due to China's anticipated 0% growth, overshadowing the improved environment. Sustained inflation remains a downside risk, potentially keeping interest rates high.

As China's population declines and moves to consumption-driven growth, its contribution to global steel demand growth will lessen. Future global steel demand growth will rely on reduced drivers, primarily concentrated in Asia. Investments in decarbonisation and dynamic emerging economies will increasingly drive positive momentum for global steel demand, even as China's contribution to global growth diminishes."

China

Chinese steel demand contracted in both 2021 and 2022 as the Chinese economy decelerated sharply due to unexpected lockdowns that extended across the country.

The negative momentum in the construction sector that was seen in 2021 intensified in 2022: all key real estate indicators were in deeply negative territory. In 2022, the floor space of newly started projects dropped by 39.4% and investment in real estate declined by 10.0%, the first year-on-year decline in 25 years. These acute declines will put pressure on construction activities in 2023-2024, but a slight pickup in the real

estate sector is likely in the later part of 2023 due to government support measures. The recovery of real estate is expected to continue in 2024, but will only be moderate.

Infrastructure investment showed a strong pickup of 9.4% thanks to government support, but this was largely focused on less steel-intensive areas such as water supply systems, telecommunications, and logistics. In 2023, the infrastructure sector may continue to benefit from the projects initiated at the end of 2022, although growth may weaken in 2024 if no large-scale projects begin in 2023.

China's manufacturing sector performance in 2022 was weak, although exports performed relatively well. The manufacturing sector is expected to show only a moderate recovery in 2023-2024, with slowing exports.

Automobile production grew by 3.4% in 2022, mainly driven by 11.2% growth in the passenger vehicles segment. Commercial vehicle production dropped by 31.9% in 2022. Another leap in new energy vehicle production was seen in 2022, with production jumping by 96.9% to 7.06 million units, which accounted for 25.7% of total vehicle production. In 2023-2024 the automotive industry is expected to show a slightly weaker performance as no new stimulus measures are expected to be introduced.

After declining by 3.5% in 2022, China's total steel demand is expected to grow by 2.0% in 2023. It is expected to stay flat in 2024.

Advanced economies

Steel demand in the developed economies suffered a sizable contraction in 2022 because of monetary tightening and high energy costs. After falling by 6.2% in 2022, it is expected to increase by 1.3% in 2023. In 2024, a recovery of 3.2% is foreseen.

European Union (27) and United Kingdom

The EU economy turned out to be more resilient to the energy crisis caused by the Ukraine war than initially thought. While the EU economy grew by 3.5% in 2022, avoiding recession, industrial activities suffered significantly from high energy costs that led to a sizable contraction in steel demand in 2022. In 2023, the EU steel industry will continue to feel the impact of war, other supply chain-related issues, and continued monetary tightening. In 2024, demand is expected to see a visible rebound as the impact of the Ukraine war and supply chain disruptions are expected to dissipate. However, the outlook is subject to persisting uncertainty.

After a fall of 7.9% in 2022, demand is expected to fall by 0.4% in 2023. A 5.6% rebound is expected in 2024.

United States

The strong post-pandemic rebound of the US economy has run its course with the Fed's steep interest rate hikes to tackle inflation. Growth in 2023-2024 is expected to be subdued by recessionary pressure. Furthermore, the spillover from the recent SVB bankruptcy needs to be watched.

Rising interest rates as well as land and material costs are putting negative pressure on construction, particularly for the residential sector, while recovery in the non-residential sector is expected to continue.

Infrastructure is aided by recent legislation such as the 2021 infrastructure law and the Inflation Reduction Act (IRA). Steel demand from the energy sector is also expected to benefit from expanding energy production.

US manufacturing sector activity has slowed from the strong post-lockdown rebound. Rising car prices, high gasoline prices, and interest rates have put downward pressure on US auto sales, and US light vehicle sales went down by a further 8.0% in 2022. They are expected to recover by 8.0% in 2023 and an additional 7.0% in 2024 with a potential decline in interest rates. However, sales will only reach 94% of the 2019 level.

After a fall of 2.6% in 2022, steel demand is expected to grow by 1.3% in 2023 and then by 2.5% in 2024.

Japan

Steel demand in Japan contracted in 2022 due to weak manufacturing and destocking. The weak global economic environment is expected to weigh on steel demand in 2023, but as Japan is a supply-constrained economy, the impact is not expected to be significant.

In 2022, the construction sector maintained positive momentum thanks to the building sector. Japanese construction is expected to expand thanks to civil engineering projects backed by the Fundamental Plan for National Resilience, recovery in capital investment, and new warehouses and logistics facilities. However, labour shortages continue to constrain construction activities.

In manufacturing, the industrial machinery and automotive sectors will show growth in 2023 and 2024 as supply constraints gradually ease.

After a fall of 4.2% in 2022, demand is expected to increase by 4.0% in 2023 and then by 1.2% in 2024.

South Korea

In 2022, Korea's steel demand contracted significantly due to declining facility investment and construction activity, which was further impacted by flood damage in the Pohang mills. In 2023, facility investment and construction will continue to be sluggish, and exports will suffer from a weakening global economy.

Although automobile production recovered well in 2022 on the back of easing supply chain constraints and strong exports, moderate growth is expected in 2023 and 2024. Production is still expected to remain below pre-pandemic levels. The shipbuilding sector is also expected to help a mild recovery of demand in 2023 and 2024.

After a fall of 8.6% in 2022, steel demand is expected to increase by 2.9% in 2023 and then by 2.0% in 2024.

Emerging and developing economies excluding China

Steel demand dynamics in emerging and developing economies are diverging, with developing Asia excluding China showing more resilience than elsewhere. After falling by 0.3% in 2022, steel demand in emerging and developing economies excluding China will show growth of 3.6% in 2023 and 3.9% in 2024.

India

India remained a bright spot in the global steel industry in 2022. Having managed inflation well, the Indian economy is on a healthy growth track, with a rising share of investment in GDP thanks to strong government spending on infrastructure. The residential sector is also expected to grow, backed by affordable housing projects and urban demand. Private investment is improving on the back of the Production Linked Investment (PLI) Schemes.

India's capital goods sector is also expected to benefit from the momentum in infrastructure and investment in renewable energy. Automotive and consumer durables are expected to maintain healthy growth driven by sustained growth in private consumption.

After growth of 8.2% in 2022, demand is expected to show healthy growth of 7.3% in 2023 and 6.2% in 2024.

ASEAN

The revival of tourism, especially as China opens up, and the resumption of delayed construction projects have put the region's steel demand back on its normal growth track. However, since the end of 2022 the region has been facing a deceleration due to the worsening global economic environment. Important projects in the region include Indonesia's new capital city project, the Philippines' long-distance railway projects, and Vietnam's transportation and industrial infrastructure development.

After falling by 0.3% in 2022, ASEAN steel demand is expected to increase by 6.2% in 2023 and then by 5.7% in 2024.

Other Europe

The construction sector in Türkiye has been shrinking since 2018 and contracted by 8.4% in 2022. Considering the base effect and the rebuilding and reinforcing efforts in high earthquake-risk areas, the construction sector is expected to grow by 15.0%.

In 2023, automotive production is expected to expand by 2.5% as the difficulties caused by the chip supply problem ease in the second half of the year.

After falling by 2.6% in 2022, steel demand is expected to increase by 7.4% in 2023 and by 6.0% in 2024.

Middle East and North Africa

The GCC countries were able to weather the headwinds in 2022 thanks to high oil prices, strong domestic demand, a rebound in tourism, and the inflow of foreign wealth. Still, growth is expected to decelerate in 2023 and 2024 due to slower expansion in the oil sector and fiscal conservatism. Post-COVID recovery in the GCC, especially in the UAE, was led by the non-oil sector. Saudi Arabia is planning huge investments into non-religious tourism with the aim of increasing its economic contribution from 3% to 10% of GDP by 2030.

Steel demand in North Africa in 2023 is expected to decline, especially in Egypt and Algeria. The Ukraine war is having an adverse effect on fuel and food import price inflation. In Egypt, the largest steel-using country in the region, demand is expected to contract in 2023 as high inflation and currency depreciation lead to a postponement of large-scale projects. A moderate recovery is projected for 2024.

Following growth of 4.9% in 2022, total steel demand in the MENA region is forecast to grow by only 0.6% in 2023 and accelerate to 3.4% in 2024.

Russia and other CIS + Ukraine

Russia's economy avoided a large-scale crisis in 2022 and steel demand contracted less than expected. In 2022 it was supported by pipeline projects and residential construction. On the other hand, manufacturing relying on imported parts suffered a material contraction. In 2023-2024, the construction sector is expected to slow down, and Russia's steel demand is expected to show an accelerating contraction in 2024. In the coming years, the Russian economy will face serious challenges due to Western sanctions as well as workforce leakage due to immigration and military mobilisation.

The continuation of the hot phase of the war beyond expectations is delaying the expected recovery in Ukraine. Ukrainian steel demand currently stands at 40% of its pre-war level and recovery to the pre-war level is likely to take some considerable time.

After falling by 8.7% in 2022, total steel demand in the region is expected to fall by a further 3.5% in 2023 and then by 4.3% in 2024.

Latin America

Latin America is entering a challenging period, with weak growth prospects and political uncertainty. Steel demand contracted in all countries in the region in 2022. All sectors are expected to see moderate growth in 2023 and 2024.

Mexico's economic prospects are weakened by high inflation and the weak US economy. However, Mexican manufacturing is expected to perform relatively well in the coming years, especially the automotive sector. Light vehicle production closed 2022 with growth of 9.2% and is expected to grow by 6.3% in 2023 and by 6.4% in 2024, driven by exports to the US.

Brazil's steel demand declined substantially by 11.0% in 2022 due to sluggish manufacturing and destocking. The outlook for 2023-2024 is subdued due to tight monetary policy and fiscal uncertainty. High interest rates, household debts, and a weakening labour market will suppress construction activities as well as durable goods demand in 2023.

The Brazilian automotive sector increased production by 5.4% in 2022, with strong export growth of 27.8%, although the domestic market was weak. The automotive sector lost momentum at the beginning of 2023; weak growth of 2.2% is expected, with a further mild improvement expected in 2024.

#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.

Table 1. Steel Demand Forecasts
SRO April 2023, finished steel products

Regions	million tonnes			y-o-y growth rates, %		
	2022	2023 (f)	2024 (f)	2022	2023 (f)	2024 (f)
European Union (27) & United Kingdom	151.8	151.3	159.8	-7.9	-0.4	5.6
Other Europe	39.2	42.1	44.6	-2.6	7.4	6.0
Russia & other CIS + Ukraine	53.3	51.5	49.3	-8.7	-3.5	-4.3
USMCA	132.9	135.0	138.1	-3.1	1.6	2.3
Central and South America	45.4	46.0	47.0	-10.5	1.4	2.3
Africa	40.6	40.5	42.1	3.6	-0.2	4.0
Middle East	51.3	52.4	54.1	3.8	2.2	3.2
Asia and Oceania	1 267.0	1 303.6	1 319.1	-2.6	2.9	1.2
World	**1 781.5**	**1 822.3**	**1 854.0**	**-3.2**	**2.3**	**1.7**
World excl. China	860.6	883.0	914.7	-3.0	2.6	3.6
Developed Economies	375.5	380.3	392.6	-6.2	1.3	3.2
China	920.9	939.3	939.3	-3.5	2.0	0.0
Em. and Dev. Economies excl. China	485.0	502.8	522.2	-0.3	3.6	3.9
ASEAN (5)	72.6	77.1	81.4	-0.3	6.2	5.7
MENA	69.8	70.2	72.5	4.9	0.6	3.4

f - forecast
ASEAN (5): Indonesia, Malaysia, Philippines, Thailand, Vietnam

Table 2. Top 10 Steel Using Countries 2022
SRO April 2023, finished steel products

Countries	million tonnes			y-o-y growth rates, %		
	2022	2023 (f)	2024 (f)	2022	2023 (f)	2024 (f)
China	920.9	939.3	939.3	-3.5	2.0	0.0
India	114.9	123.3	130.9	8.2	7.3	6.2
United States	94.5	95.8	98.2	-2.6	1.3	2.5
Japan	55.0	57.2	57.9	-4.2	4.0	1.2
South Korea	51.2	52.7	53.8	-8.6	2.9	2.0
Russia	41.7	39.6	36.9	-5.0	-5.0	-7.0
Türkiye	32.5	35.4	37.6	-2.6	9.0	6.0
Germany	31.6	30.9	34.0	-11.0	-2.2	10.0
Italy	25.1	24.9	25.8	-5.6	-0.9	3.5
Mexico	24.8	25.4	26.1	-2.8	2.5	2.6

f - forecast