

# CRU

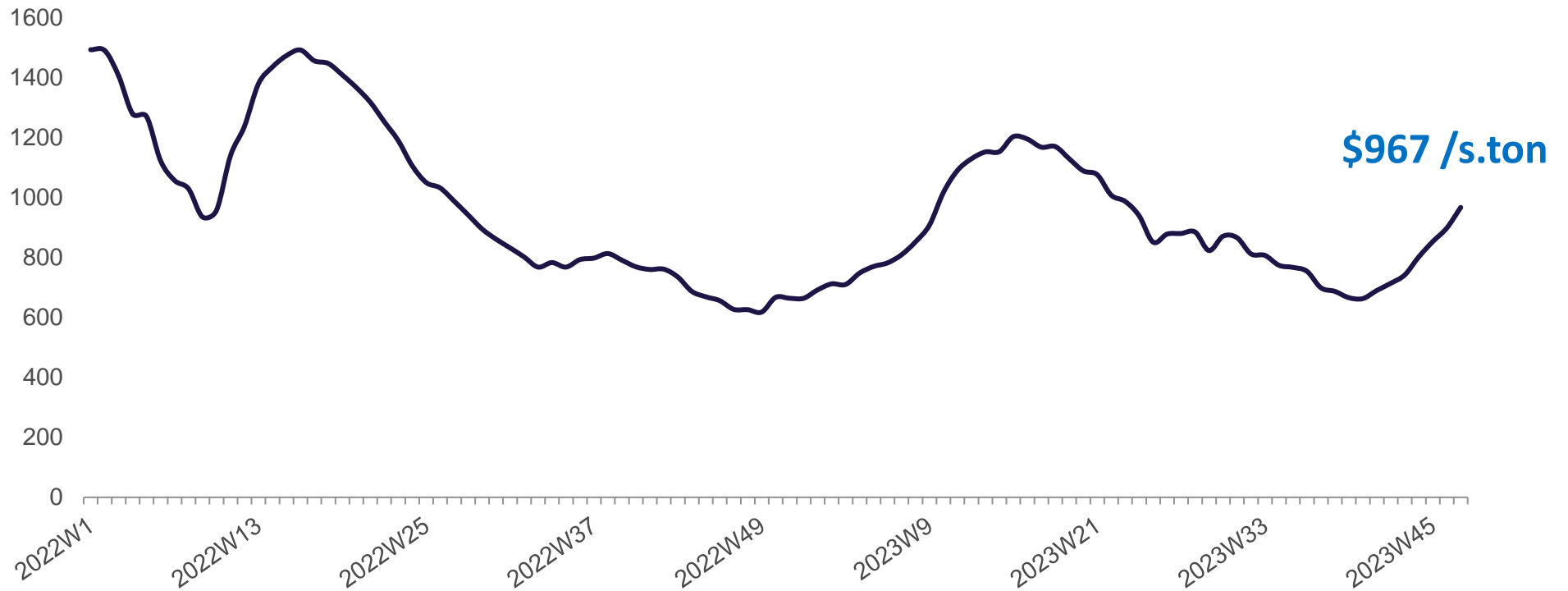
## Proyecciones para 2024: acero crudo y metálicos

### Convención CONADIAC 2023



## Before I start...The CRU US Midwest HR coil price for today:

HR coil weekly prices, US Midwest, \$/s.ton



DATA: CRU

## About CRU

- **50+** years of data-driven market insights
- **50+** commodities covered
- **1,000+** assessed prices
- Cost analysis data for **4,000+** assets in **134** countries
- Granular emissions data on **3,000+** assets, representing nearly **1/6th** of global emissions
- **450+** staff on **5** continents



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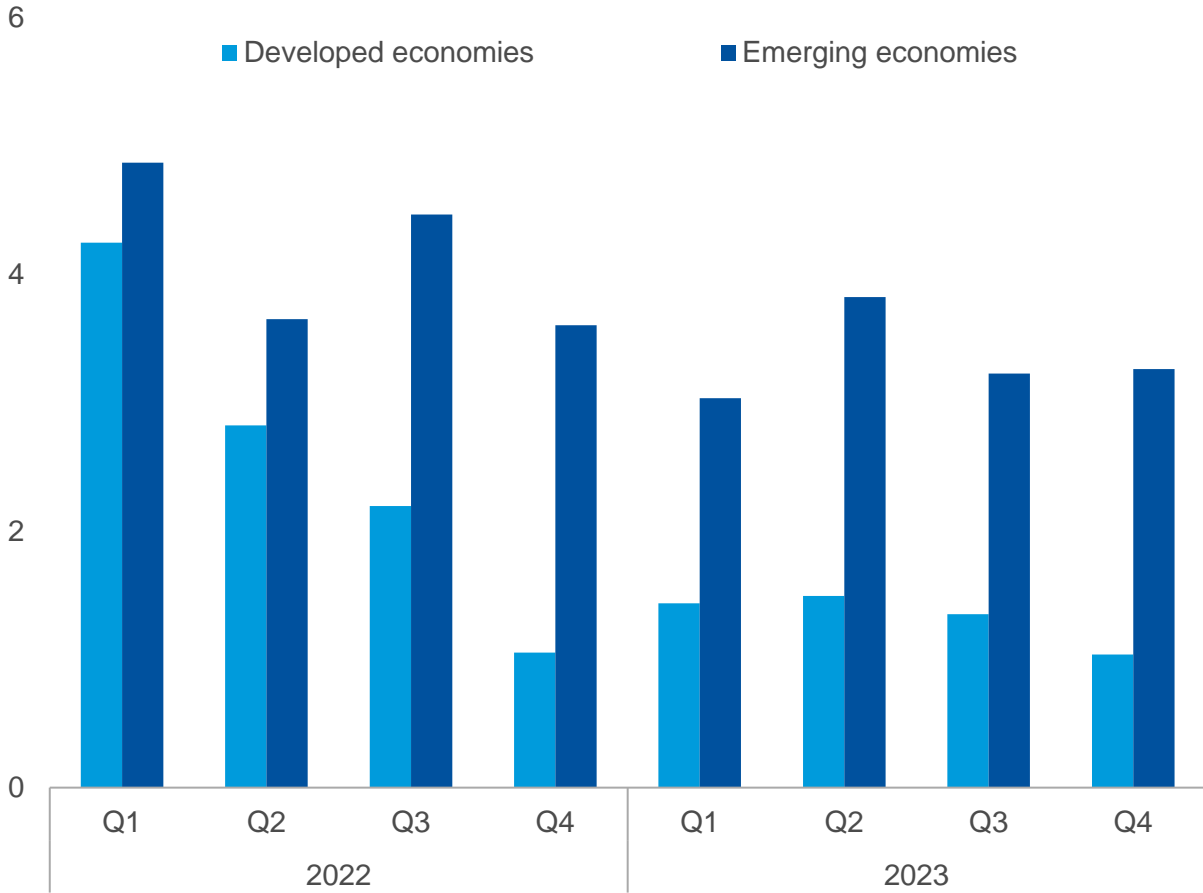
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# Global economic growth has slowed down

## GDP growth, y/y change, %



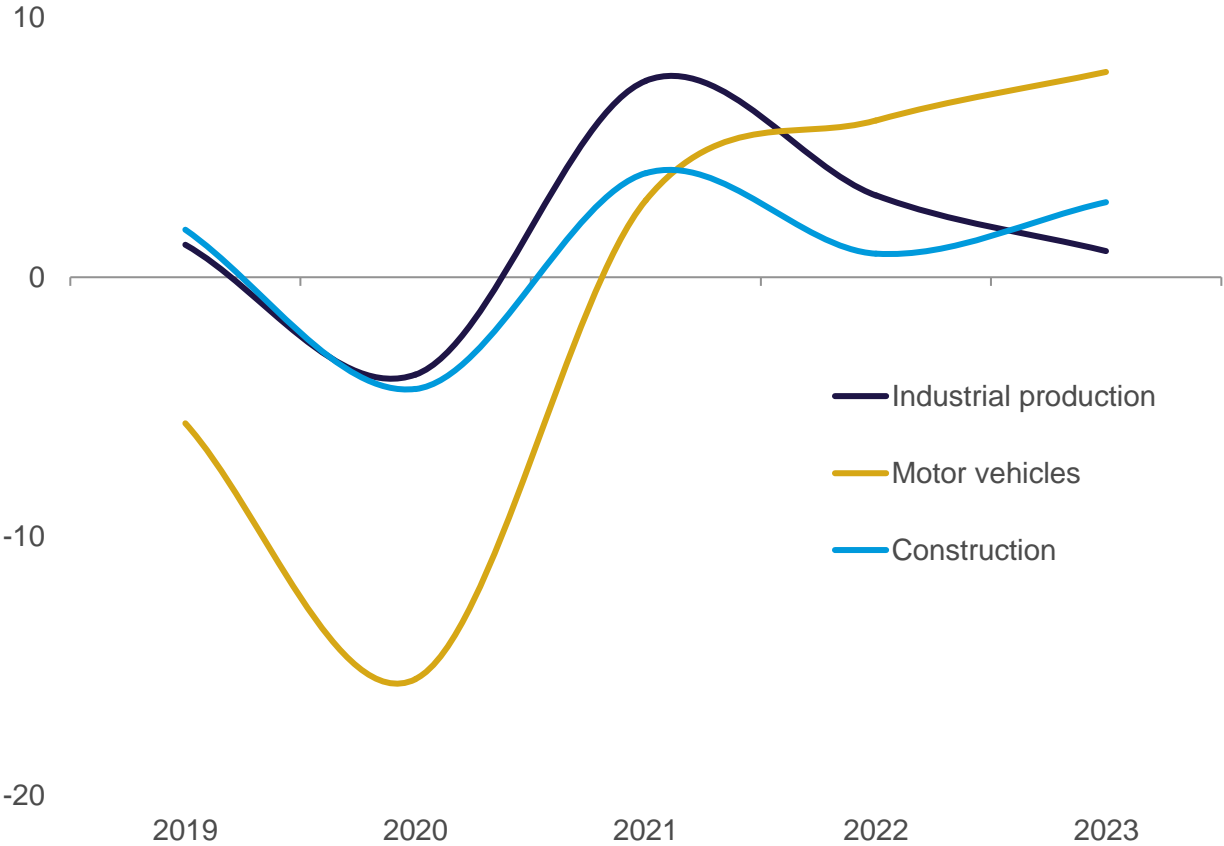
Developed economies are suffering more, but overall growth is lower

- High inflation and interest rates, and low confidence have been weighting on developed economies, particularly in Europe.
- Emerging economies growth has been supported by stimulus in China and strong growth in India. However, y/y growth will be lower.

DATA: CRU, OE

# Steel consuming sectors output performance also weakened

## World metal demand drivers, y/y change, %



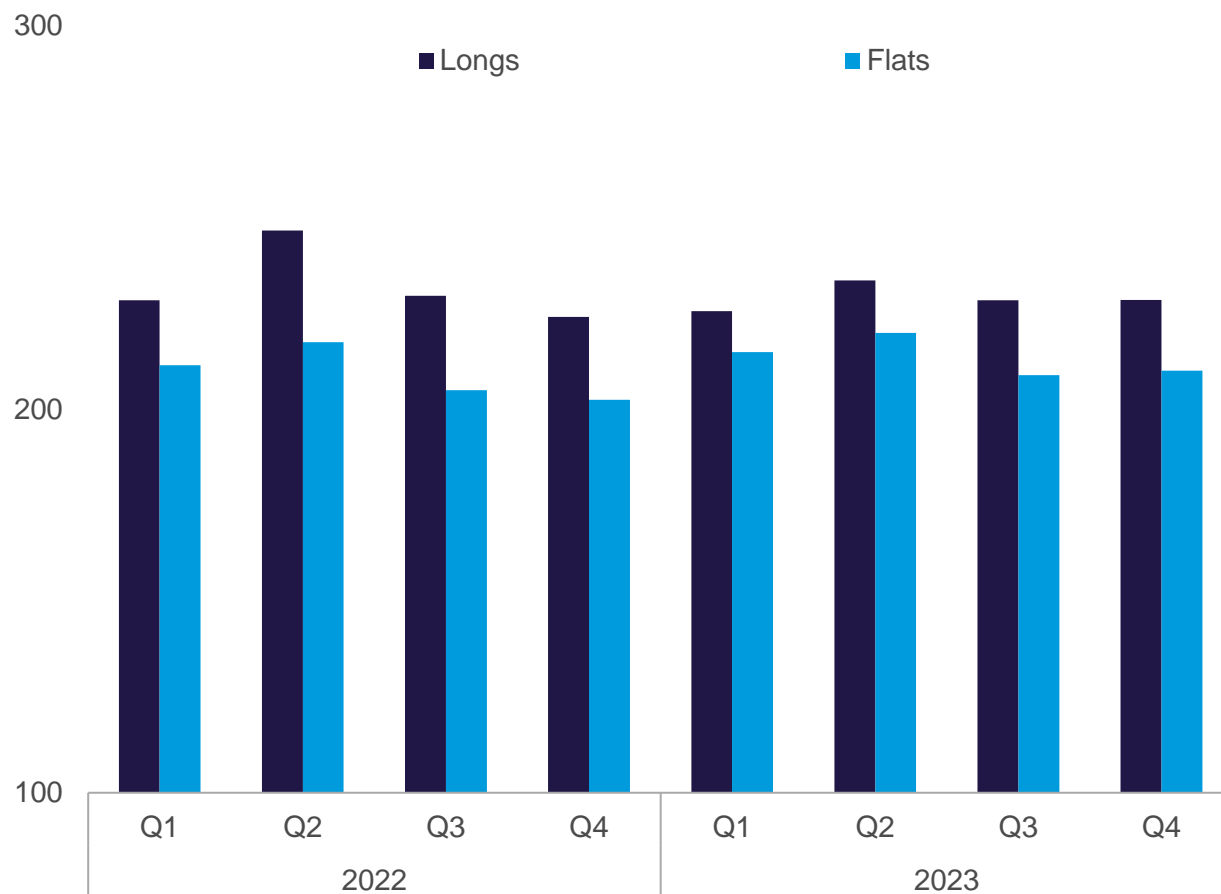
Steel consuming sectors are growing less this year

- Growth of main steel consuming sectors is decelerating.
- Exception is the automotive sector, that is recovering from the 2019-2020 crisis.

DATA: CRU, OE

# As a result, steel demand conditions have been deteriorating

## Finished steel apparent consumption, Mt



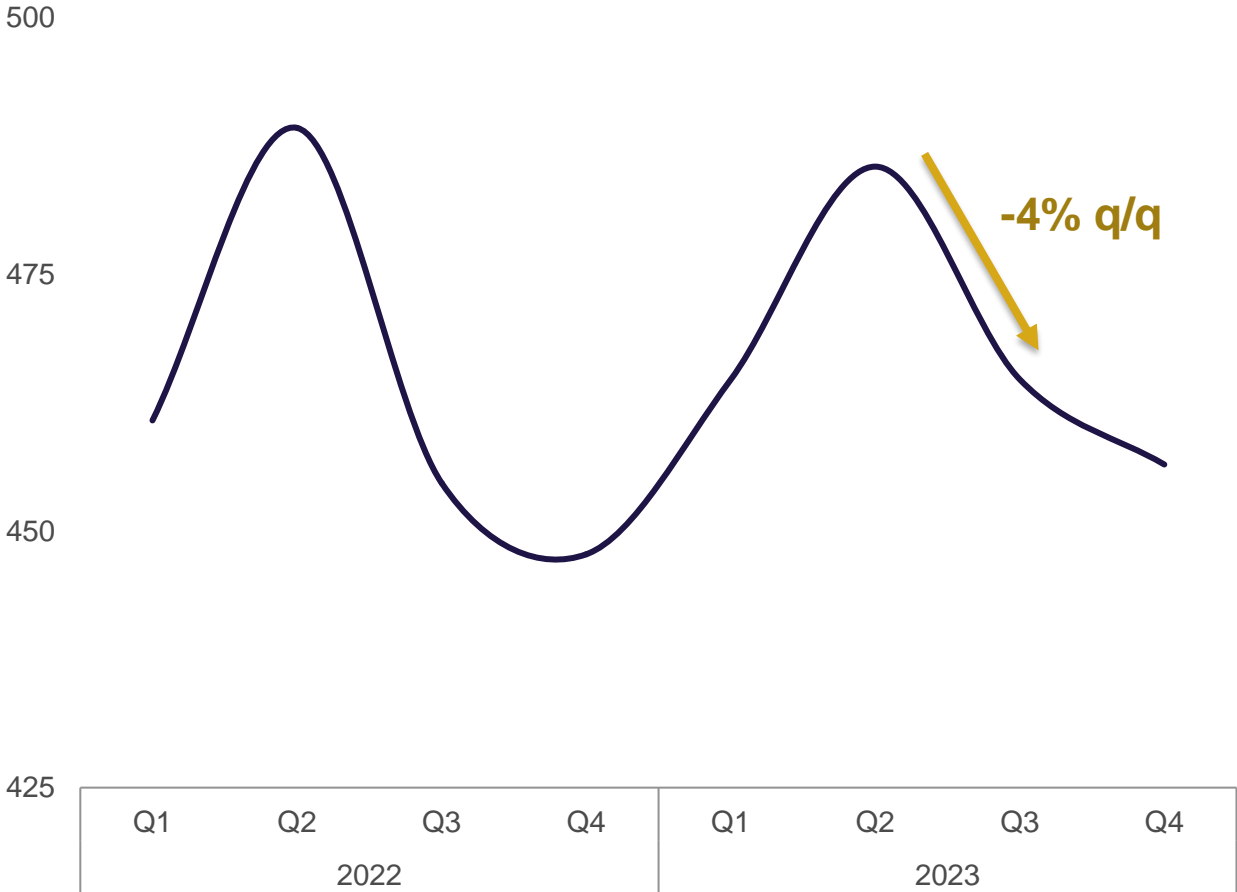
### Weak economics weigh on steel demand

- After a strong 2023 H1, steel demand started losing steam.
- In 2023 Q3, longs demand dropped 2% q/q, and flats 5% q/q.
- Restocking after the summer was disappointing, and there are no signs of as strong pick up.
- In 2023, longs demand will fall by 1% y/y and flats increase by 2%.

DATA: CRU, World Steel Association, S&P Global

# Production cuts were implemented to adjust to demand conditions...

## Crude steel production, Mt



### Sluggish demand led to production cuts

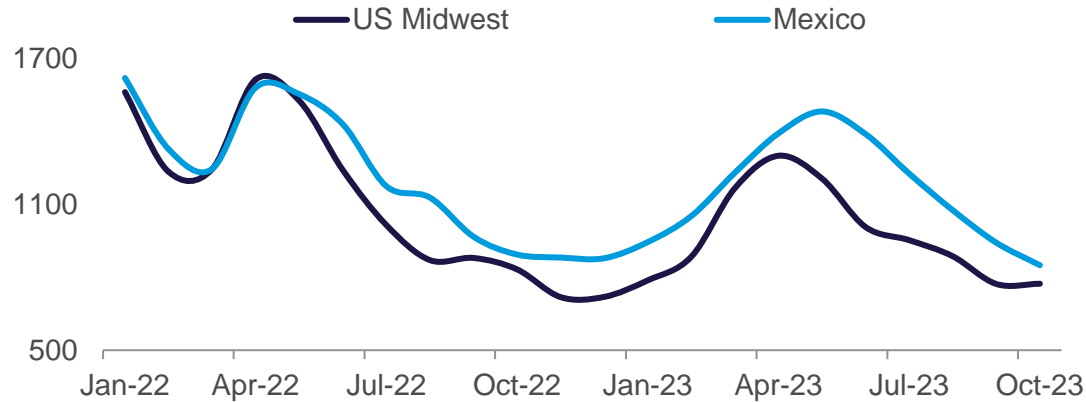
- Supply cuts started in 2023 Q3 in attempt to adjust to weak demand conditions – similar move observed in 2022.
- Production dropped in all regions, more pronounced in Europe, where it fell by 9% q/q. In North America, drop totalled 2% q/q.

DATA: CRU, NBS, World Steel Association

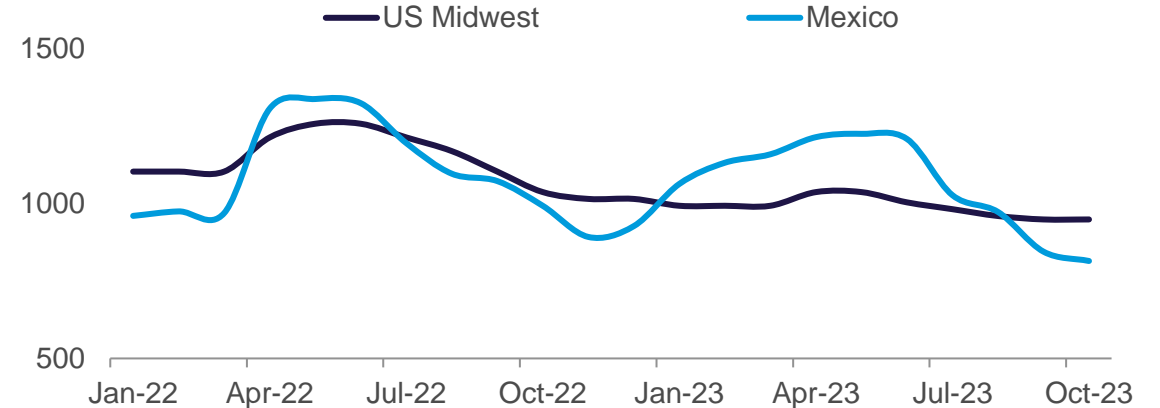


# ...and prevent further price falls

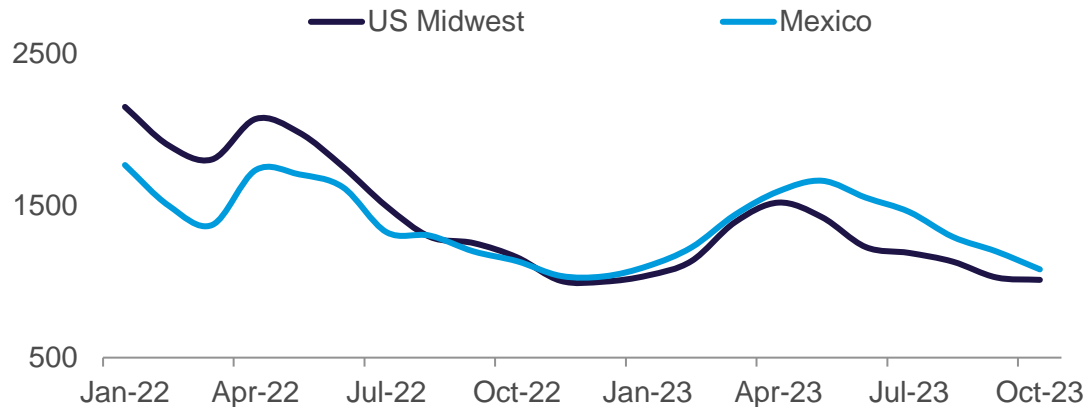
**HR coil prices, NAM, \$/t**



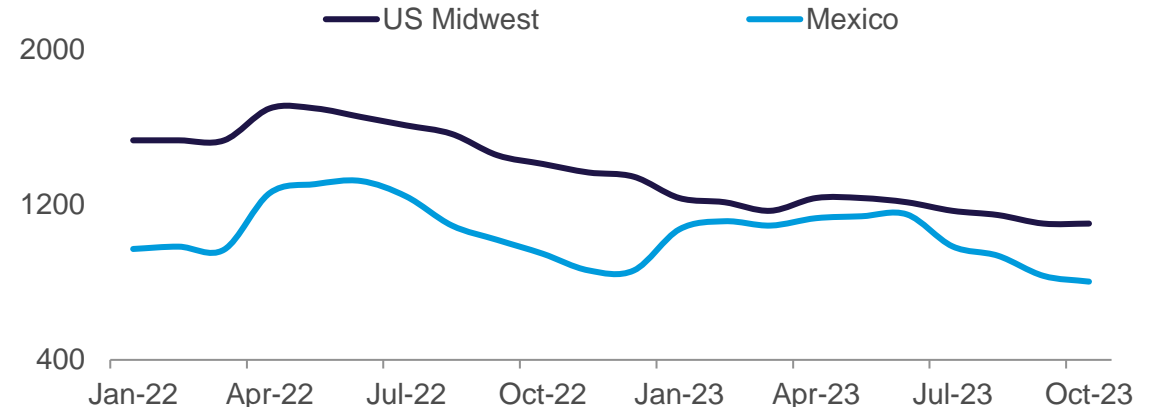
**Rebar prices, NAM, \$/t**



**CR coil prices, NAM, \$/t**



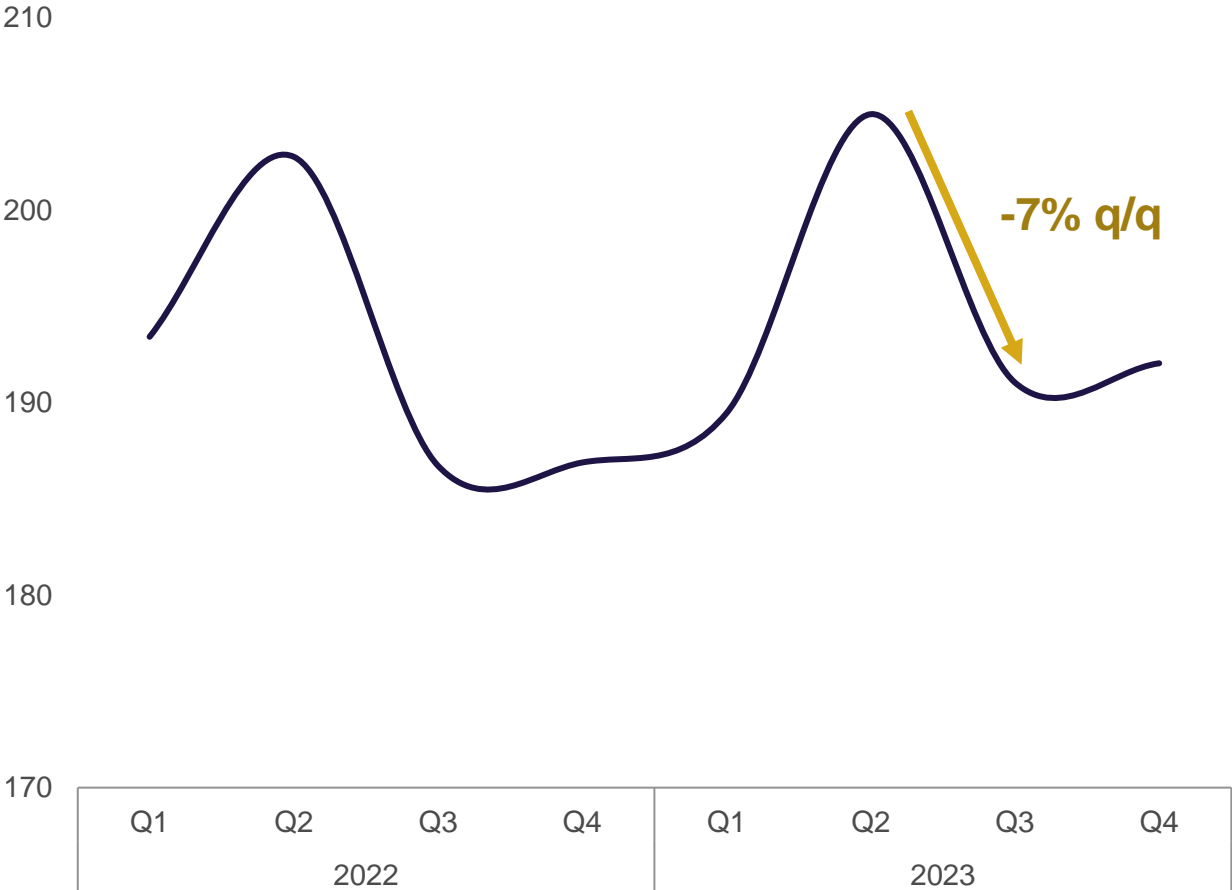
**Wire rod prices, NAM, \$/t**



DATA: CRU NOTE: US prices are delivered based and Mexican prices are FOB Monterrey, assessed in Mexican pesos and converted to US dollars

# Lower crude steel output meant lower metallics demand...

## Cold metallics demand, Mt



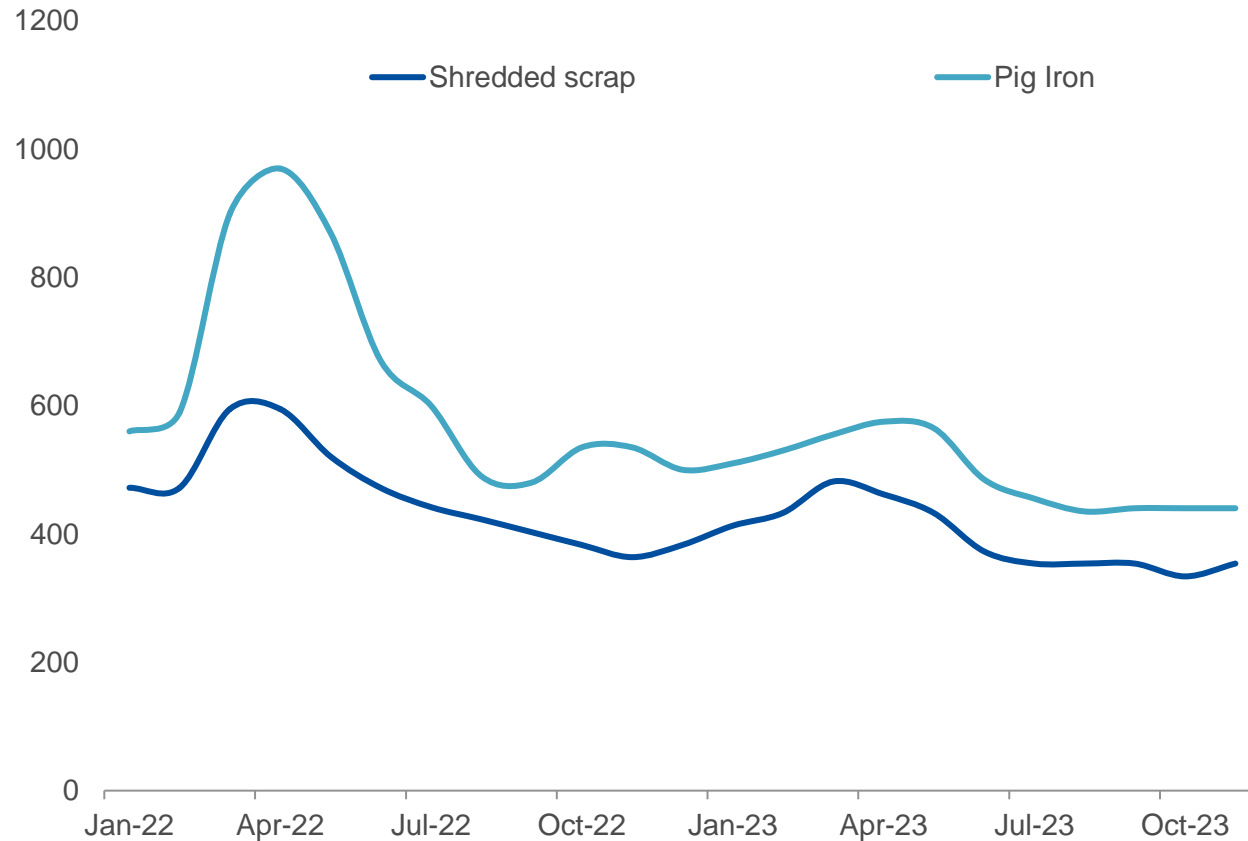
### Metallics demand dropped by 7% q/q in Q3

- Weaker longs market put extra pressure on EAF-based output, and metallics demand dropped more than crude steel production.
- In Q4, we see a small recovery based on more EAF production in North America and Europe.

DATA: CRU NOTE: Cold metallics include scrap, DRI/HBI, and pig iron

## ...and put pressure on metalics prices

### Metallics prices, USA, \$/t



### Lower steel production and prices pushed metalics prices down

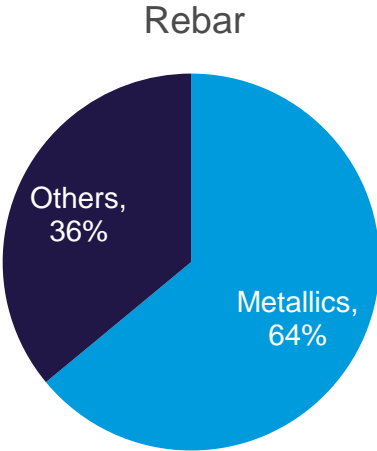
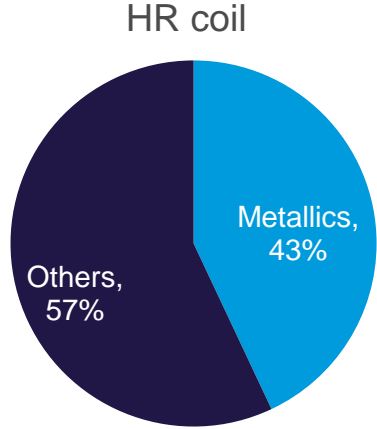
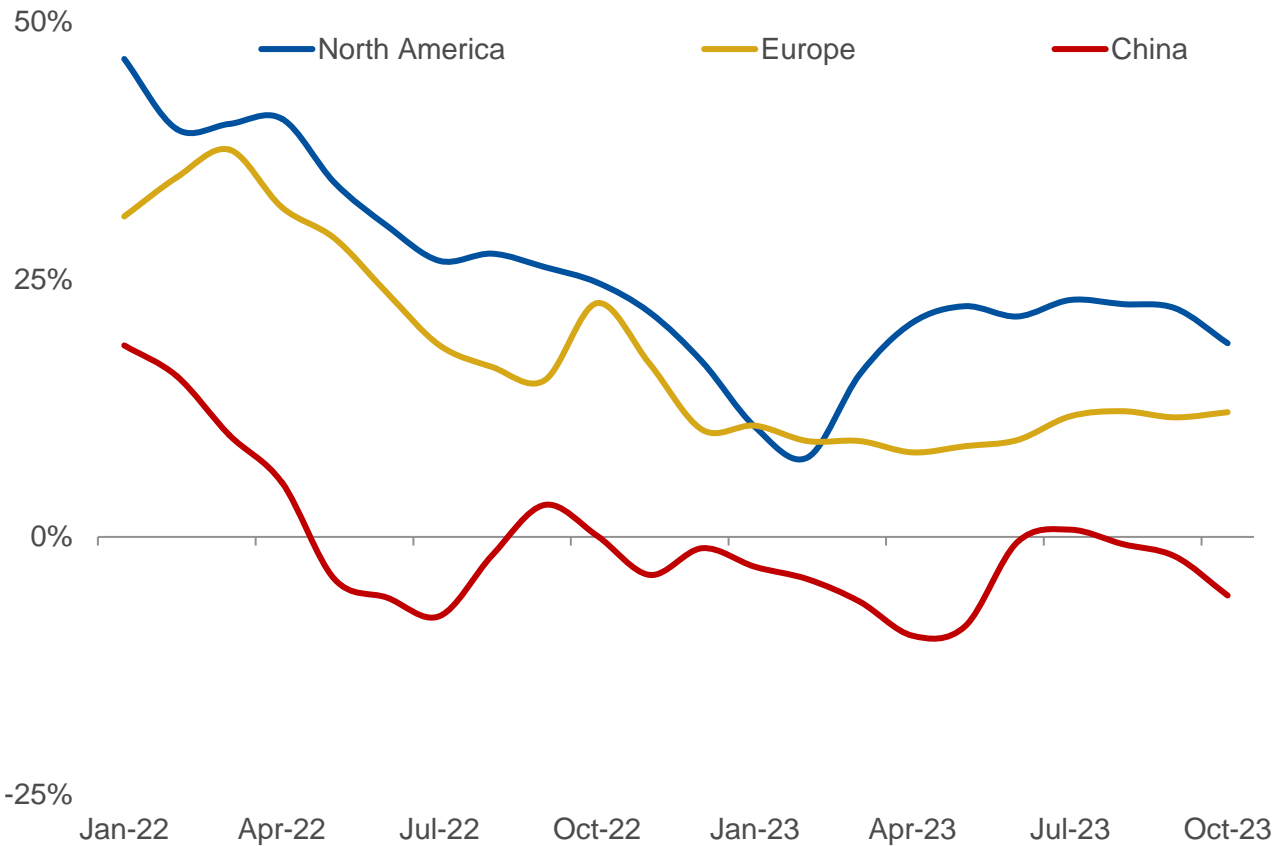
- In 2023 Q3, shredded scrap prices fell by 16% q/q and pig iron dropped 18% in the same period.
- Entering Q4, prices stabilised and found some support in restocking in November, following the end of the UAW strike.
- HMS grade prices are better supported now given seasonally lower supply and higher export quotes.

DATA: CRU

# Lower metallics costs protected margins in North America

HR coil producer's margins, %

Metallics as % of costs, NAM



DATA: CRU Steel Cost Analysis Tool

# In 2024, we expect improvement in the economic environment, particularly in H2

## GDP growth, y/y change, %



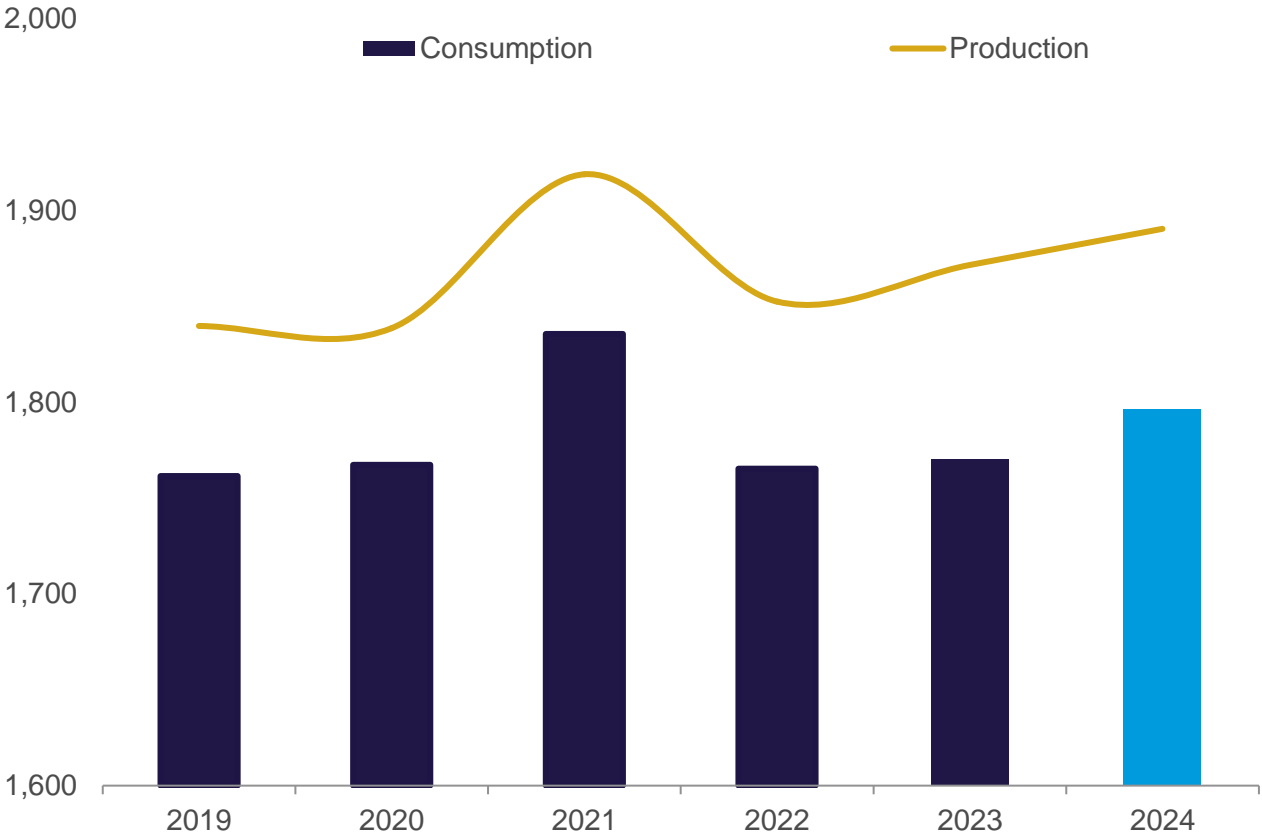
Developed economies will reverse the slowdown from 2024 Q3

- Emerging economies will keep growing, while an improvement is expected in developed regions in 2024 H2.

DATA: CRU, OE

# Steel demand and production will increase accordingly

## Finished steel consumption and crude steel production, Mt



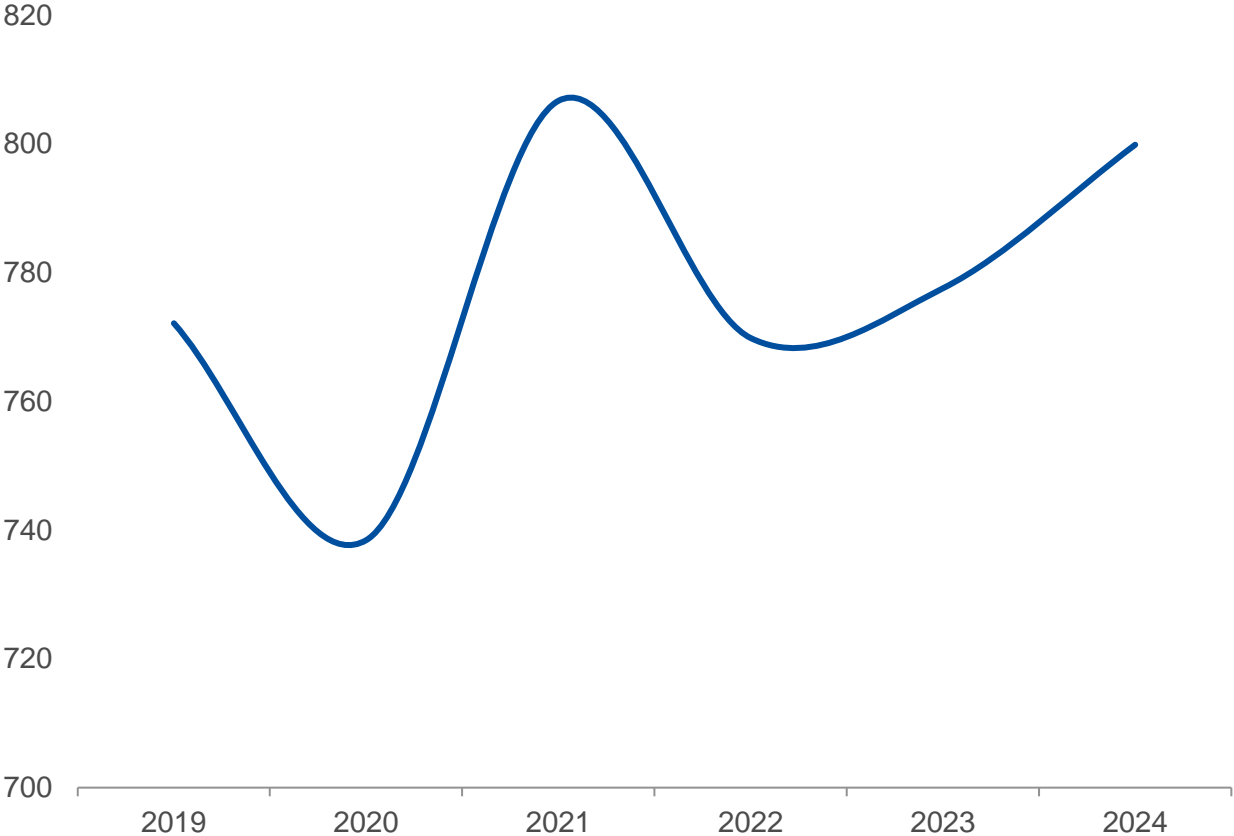
### Steel production and consumption will pick up

- After a weak 2023, we expect finished steel consumption to increase by 1.5% y/y and crude steel output to expand by 1% y/y in 2024.
- Ex. China growth will be stronger, 5% and 6% for production and consumption, respectively.

DATA: CRU, World Steel Association, S&P Global

# Metallics demand will also increase

## Cold metallics demand, Mt



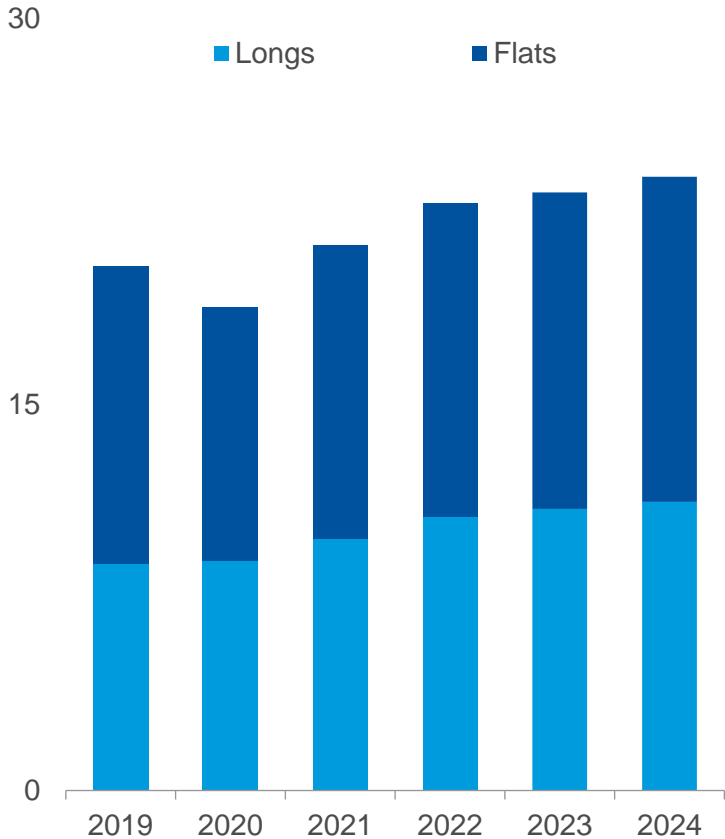
### Metallics demand will also increase

- Decarbonisation efforts will push up demand growth.
- Cold metallics are part of the enablers to reduce emissions.
- More EAF-based production and more scrap charges in the BF-BOF mix.

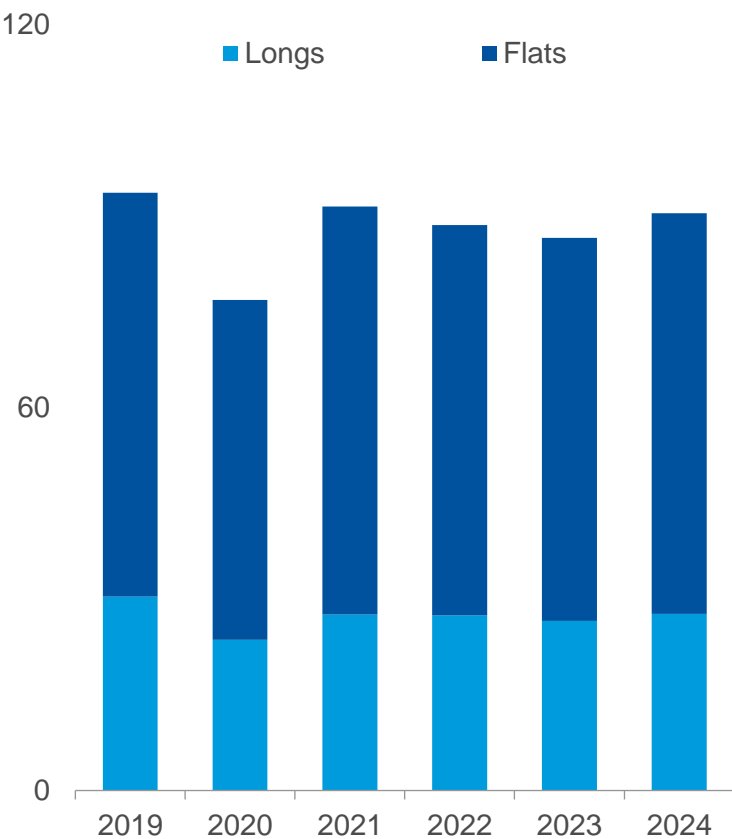
DATA: CRU

# In Mexico and USA, steel demand will outperform global growth

App. consumption, Mexico, Mt



App. consumption, USA, Mt



North American steel consumption will grow by 4% y/y in 2024

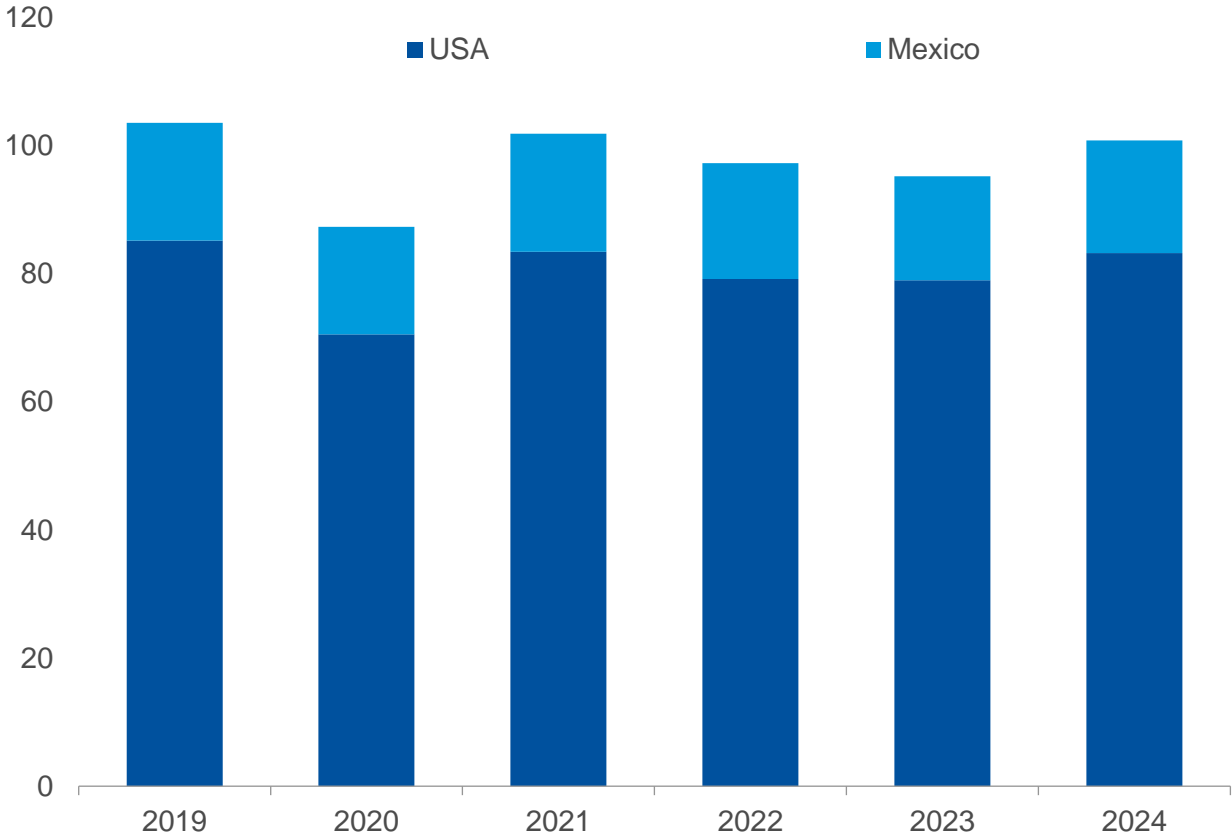
- The recovery in the USA will be the main driver of the strong growth.
- Mexican consumption growth will accelerate from 1.8% y/y in 2023 to 2.6% y/y in 2024. Both flats and longs demand will expand.

DATA: CRU, World Steel Association, S&P Global



# Crude steel production will expand, but imports will continue to be required

## Crude steel production, Mt



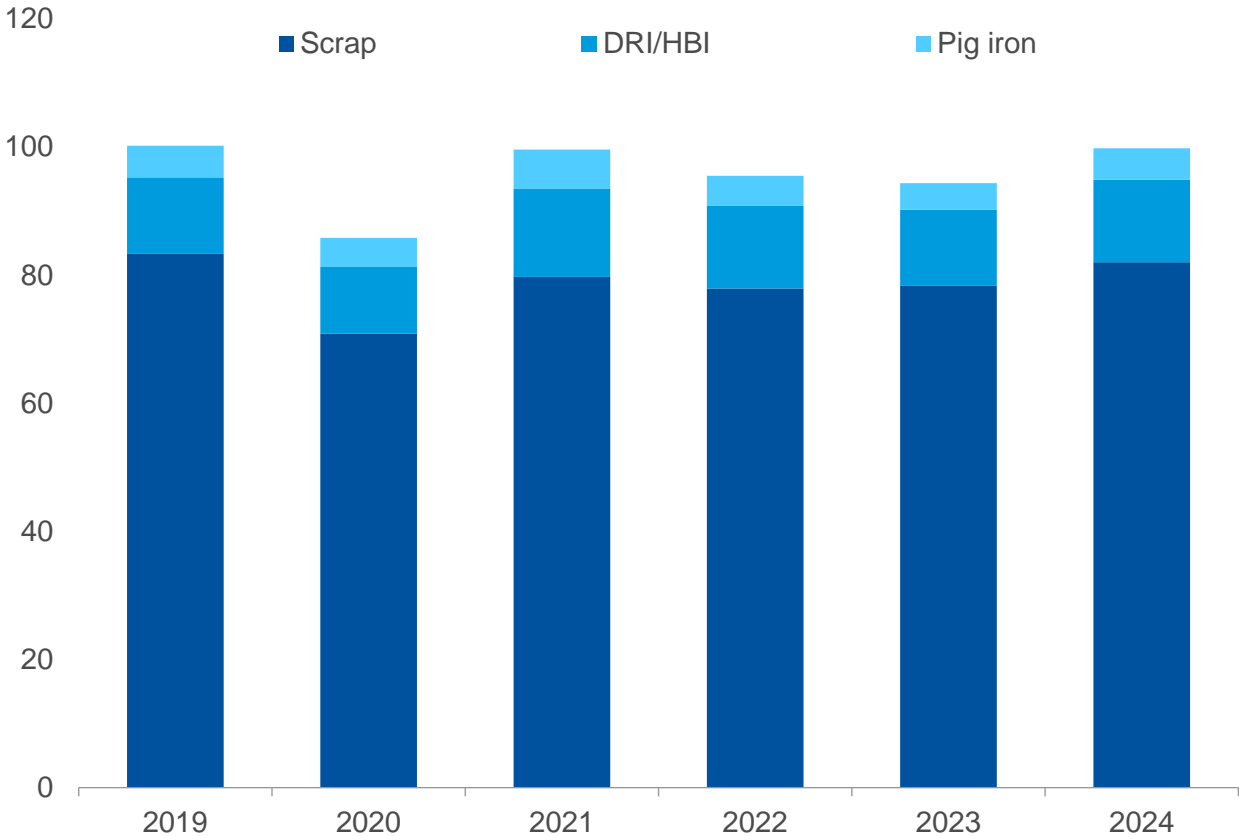
Crude steel production will follow the trend in demand

- New capacity ramping up and coming online in the USA will support production growth.
- In our base case, AHMSA resumes operations partially in 2024. This is a relevant downside risk to our forecast.
- Despite domestic growth, around 11Mt of imports will be needed to meet local demand.

DATA: CRU, World Steel Association

# Metallics demand will go back to 2021 high levels in 2024

## Cold metallics demand, North America, Mt



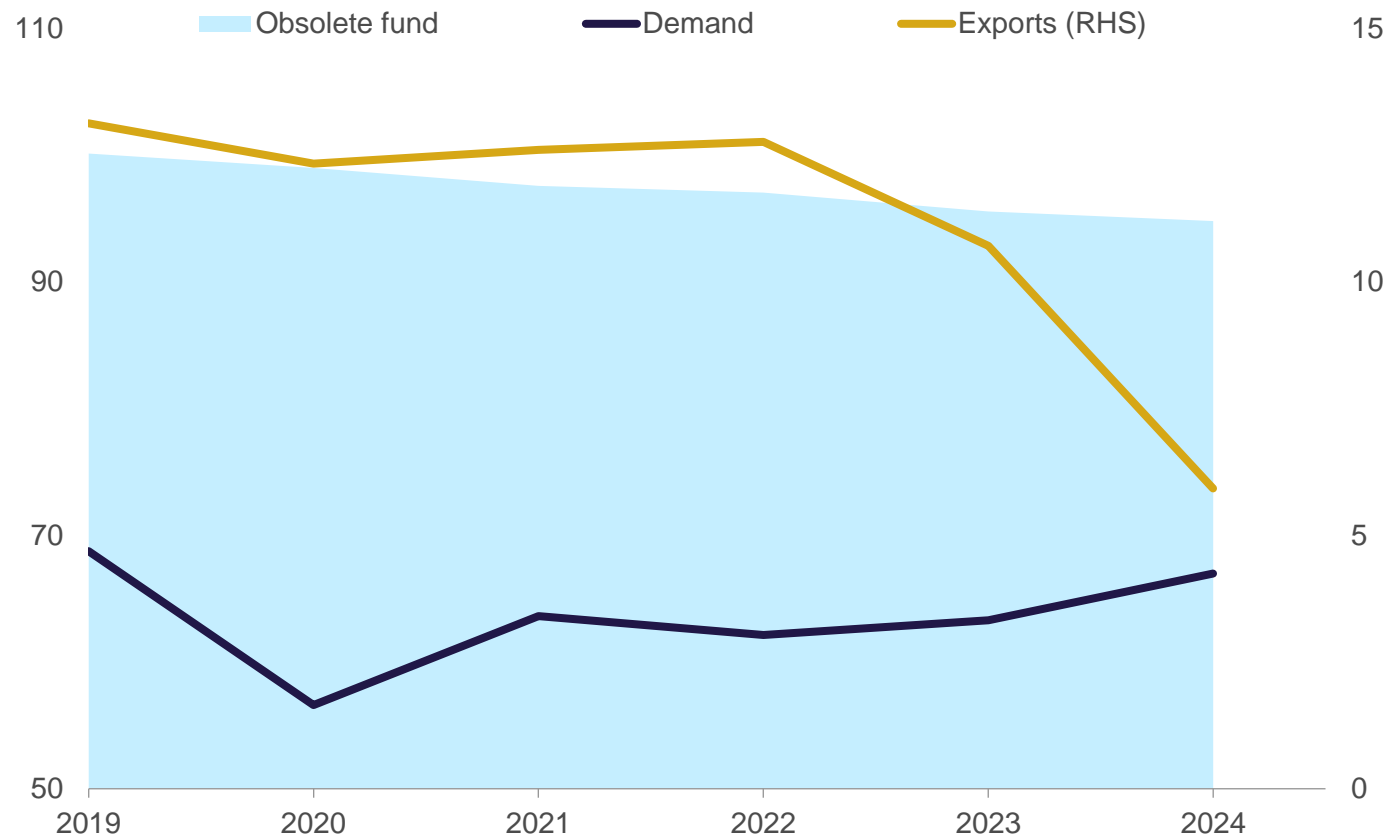
North American metallics demand will increase by 6% y/y in 2024

- More production of pig iron domestically will support higher usage.
- Scrap will be highly demanded by higher EAF-based production.
- More DRI/HBI import will be required to meet demand. Supply options are limited.

DATA: CRU, World Steel Association

# We expect US scrap exports to fall fast as demand increases more than supply

## US scrap supply, demand, and exports, Mt



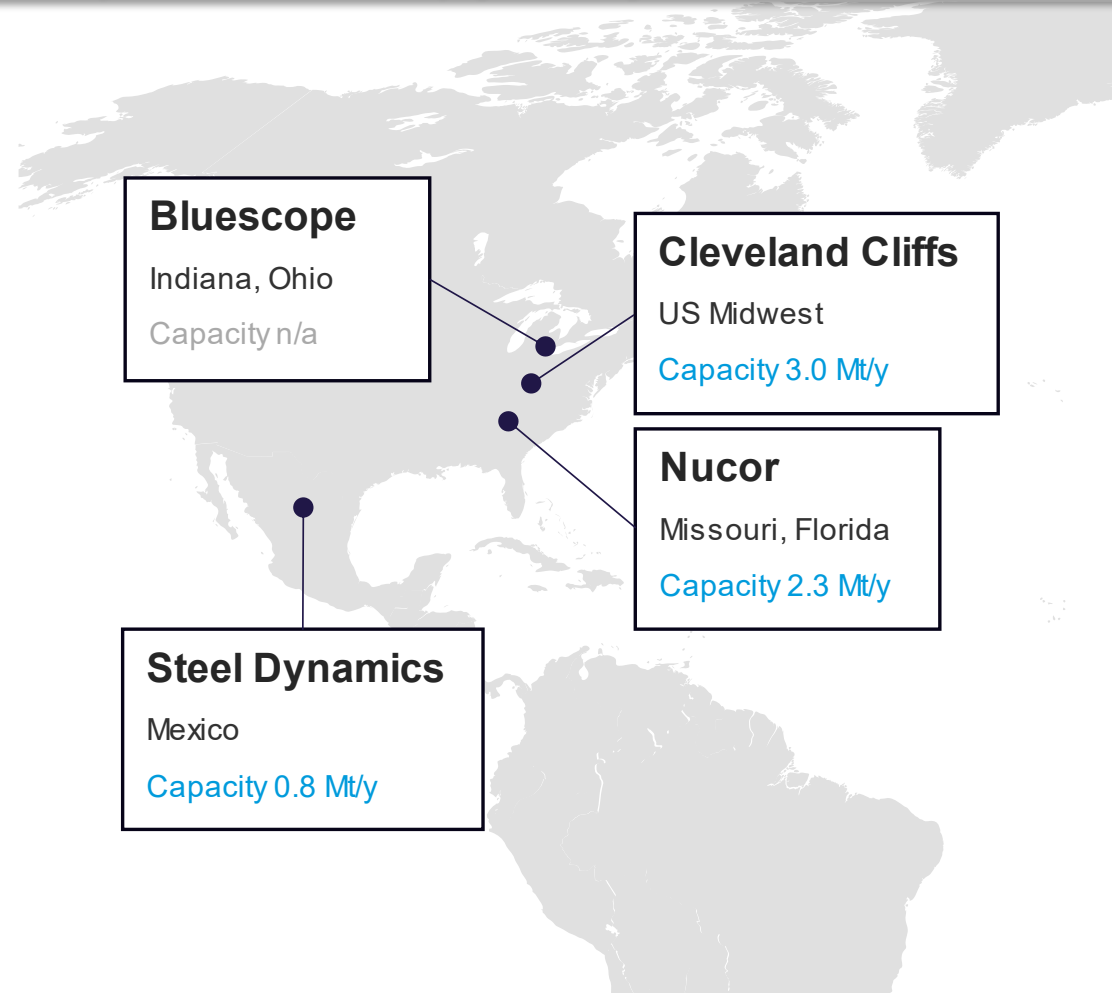
Scrap supply will not grow, so exports need to be lower

- The obsolete scrap fund will drop in the USA in 2024. This will limit scrap supply amidst increasing demand.
- To balance the market, scrap exports are expected to drop significantly.

DATA: CRU, S&P Global

# Vertical integration with scrap yards is a trend that should stick

## Announced acquisitions of scrap yards by steelmakers



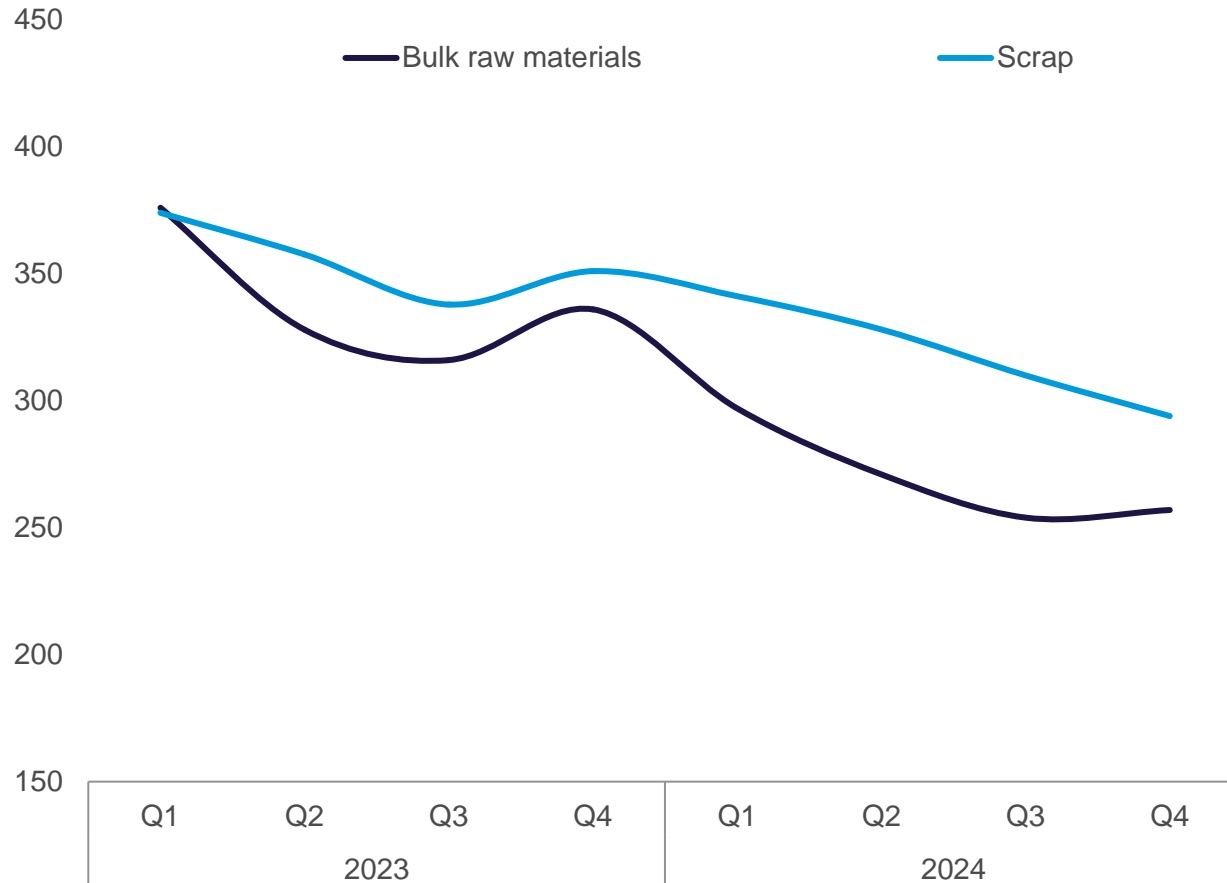
### Vertical integration with scrap supply to gain momentum

- Integration is a way to secure scrap volume and quality in a high demand environment.
- Trend observed in Europe and in North America. Should intensify with more EAFs coming online in the future.

DATA: CRU, Company reports

# Despite the supply tightness in the USA, scrap prices will drop

## HMS scrap price in the USA<sup>(1)</sup> and bulk raw materials costs<sup>(2)</sup>, \$/t



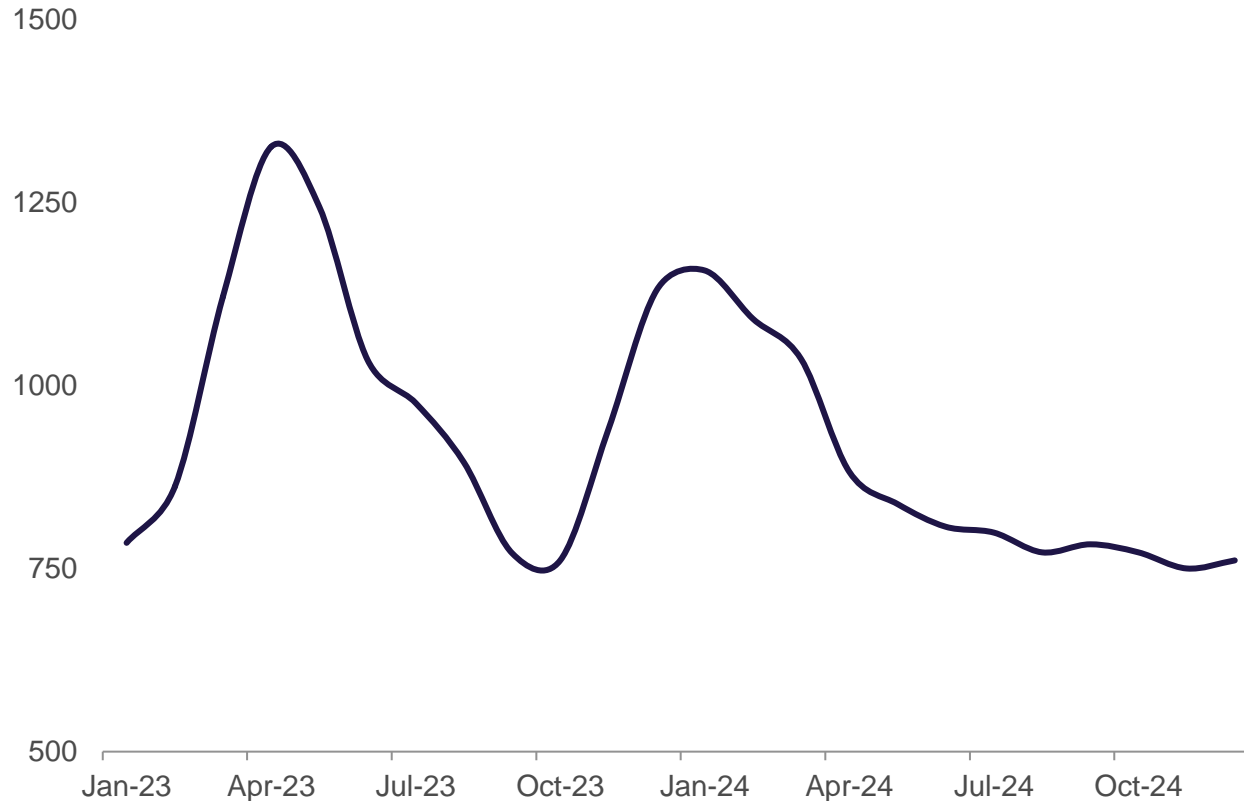
### Bulk raw materials will dictate the trend in scrap prices

- We expect both iron ore and metallurgical coal prices will fall in 2024 amid better balanced markets.
- Hot metal/pig iron is a substitute for scrap, and thus, scrap prices correlate with those of bulk raw materials.
- Therefore, with falling bulks prices, we also expect scrap prices to trend downwards next year, despite the tightness in the US and some other markets, such as JKT.

DATA: CRU NOTES: #1 HMS, delivered, Great Lakes; (2) Iron ore and metallurgical coal prices lagged 4 weeks,

# Current upcycle of steel prices in the USA to last until 2024 Q1

## HR coil prices, US Midwest, \$ /t



### Inbound material will limit price upside

- Current price spike led by increasing lead times / restocking.
- It should last until 2024 Q1. After that, supply will increase with less outages and restocking demand will slowdown.
- Prices will correct to meet marginal costs. Margins will be lower than in the last 3 years and should near the historical average.

DATA: CRU

# Risks to the prices forecast



## Downside risks focus on steel demand worsening

- China keeps production high despite falling demand and margins, increase exports further, and global prices drop more than expected.
- Global economy fail to recover in 2024 H2 and steel demand remains sluggish. Supply increase and imbalance weigh on prices.
- Presidential elections in 2024 in India and the USA could hold back steel demand and put pressure on prices.
- Delays in EAF projects would lower metallics demand and loosen the market balance and result in even lower prices.



## Upside risks focused on restocking and stimulus

- New steel-intensive stimulus measures in China could give support to domestic demand and reduce exports availability, pushing steel prices up globally.
- Restocking could last longer than expected and prices remain high entering in 2024 Q2.
- Higher bulk raw materials costs could give support to higher metallics and steel prices. Both iron ore and coal prices have proven resilient so far in 2023.

SCAN ME



Gracias!

Preguntas?



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