

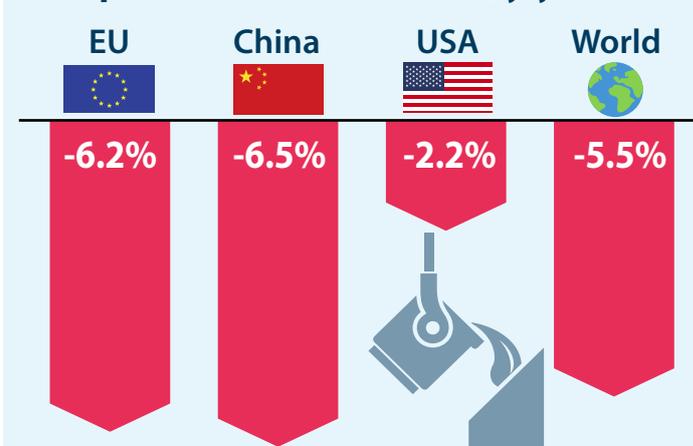
Steelmakers respond to weak demand with production cuts

According to World Steel Association, in the first half of 2022 global steel production decreased by 5.5 y/y. In EU this trend is more pronounced: steel production reduced by 6.2% y/y. Declining steel production reflects deteriorating market conditions: weak demand and decreasing steel prices.

USA is under threat of recession. The U.S. economy shrank in the second quarter by 0.9%. It is the second consecutive quarter where US GDP has contracted. Flash US PMI Composite Output Index decreased from 52.3 in June to 47.5 in July. It is the first slip into "recession" territory since the beginning of coronavirus pandemic in 2020.

Chinese property sector is stalling. New housing starts declined by 34% y/y in June, while property investment decreased by 9.4% y/y for the same period. Developers delay the completion of housing projects, and their clients stop mortgage payments on these properties. According to China Iron and Steel Association, 23 steel plants in China has stopped production for repair work. In the 2nd half of the year Chinese authorities are also going to curb steel production.

Steel production in June 2022, y/y

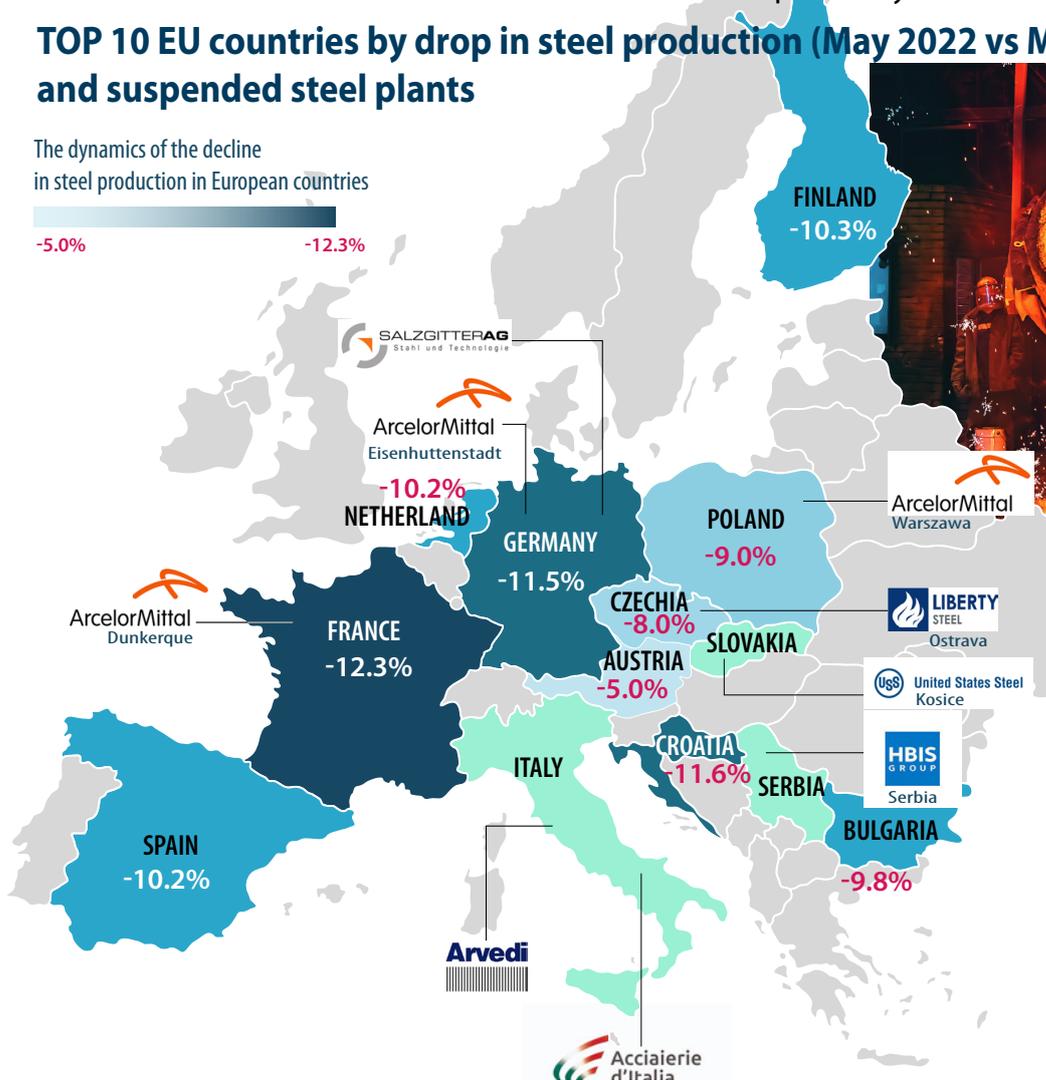


For EU the main challenge is high energy prices, which are squeezing out margins of steelmakers. As a result, nine steel plants in EU fully or partially paused steel production. In particular, two steel plants (Arvedi and ArcelorMittal Warszawa) completely stopped production. Their annual crude steel capacity is estimated at 4.8 mln tons. Salzgitter postponed the restart of the blast furnace until September, while previously this re-launch was planned for May-June.

TOP 10 EU countries by drop in steel production (May 2022 vs May 2021) and suspended steel plants

The dynamics of the decline in steel production in European countries

-5.0% -12.3%



More detailed information can be provided upon your request:

- ▶ regional economic trends;
- ▶ international trade flows for steel and raw materials;
- ▶ other information on your request.

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