

Surging Int'l Steel Price Gives Fastener Suppliers a Difficult Time Sustaining Normal Operation

STEEL

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Due to a drastic increase in industrial demands, the influence on suppliers' capacities amid Russia-Ukraine War, price fluctuations of int'l iron ore, and hiking price of hard coking coal, the int'l steel prices have been increasing for several months, which has also made the material prices for downstream steel users continue to go up.

Chinese Steel Market

According to the statistics of China's National Bureau of Statistics, the annual crude steel production of China in 2021 reached 1.03 bn tons, down 2.9% from the same period of last year. After May 2021, the crude steel production of China continued to decline month after month, while the same period ratios, compared to the previous year, also started to drop after July 2021 (with the decline margin becoming larger and larger). Then, after Dec. 2021, the production started to rise back. The current avg. market price of hot-rolled steel products in China lands at around US\$ 723 per ton.

U.S. Steel Market

The avg. price of hot-rolled steel products in the U.S. reached a new low at US\$493 in Aug. 2020. Within just one year, it quickly rose to US\$2,163 and dropped back again to the level of around US\$1,000 within just 6 months. However, as the U.S. has successively reached agreements on the issues about steel and aluminum taxes with Europe, Japan, and many other countries, domestic U.S. steel plants have also gradually increased their production, plus inflation, Russia-Ukraine War, the upcoming high season (April) for U.S. construction industry, the 1.3 trillion US Infrastructure Bill officially approved by the Senate and the House of Representatives, and many other favorable factors, U.S. steel market has appeared a rebound from the lowest bottom. The current avg. market price of hot-rolled steel products in the U.S. is US\$1,120 per ton.

European Steel Market

The curve pattern of European steel prices is similar to that of U.S. steel prices. It went down to a low point roughly in mid-2020 and suddenly hiked to US\$1,191 per ton within one year. Then, it again dropped to the level of around US\$800 per ton within 6 months and started to rebound. The main reason is: Since 01/01/2022, the agreement on steel and aluminum taxes between the U.S. and Europe has officially come into force. On the other hand, increasing global energy prices, carbon neutrality, Russian-Ukraine War greatly impacting semi-finished products supply, and stable growth of European end-users' demand, have continuously pushed the steel prices upward. The current avg. market price of hot-rolled steel products in Europe is in the range of US\$1,000-1,100 per ton.

Southeast Asian (Vietnamese) Steel Market

The curve pattern of steel prices of Vietnam (one of the main hot-rolled steel products manufacturing heartlands in Southeast Asia) is similar to those of Europe and the U.S. as well. In around mid-2020 it appeared a great and sharp growing curve and grew from US\$400 per ton to the highest US\$1,050 within just one year (almost close to the quote of Europe), and then dropped again to US\$770. Benefited by the gradually loosened pandemic control measures in many Southeast Asian countries for boosting economic development, the production resumption of downstream steel using industries, and the increasing quotes for exported items due to the policy of limited production in China, the steel prices of Vietnam are also expected to continuously increase. The current avg. market price of hot-rolled steel products in Vietnam is US\$855 per ton.

Summary

To generalize various factors that may impact steel prices and the current strongly supported steel prices in different regional markets, it is expected that the steel prices in China, Europe, the U.S., and Southeast Asia will continue to grow. In mid-March this year, Taiwan's China Steel Corp. (CSC) also announced that its price adjustment for fastener-related wire (low carbon/medium-to-high carbon/cold forged/low alloy) was +2,200 NTD per ton and the avg. price adjustment margin was +5.83%. If the trend of "the demand greater than the supply" remains unchanged, Russia-Ukraine War continues to force materials-related producers to reduce or halt production, and the situations like blocked int'l shipment routes and port congestion continue to exist, in the short term the high wire rod cost will still be a tough issue that downstream fastener companies have to deal with. ■