

International Tinplate Quarterly Report

July 2022

Example Report





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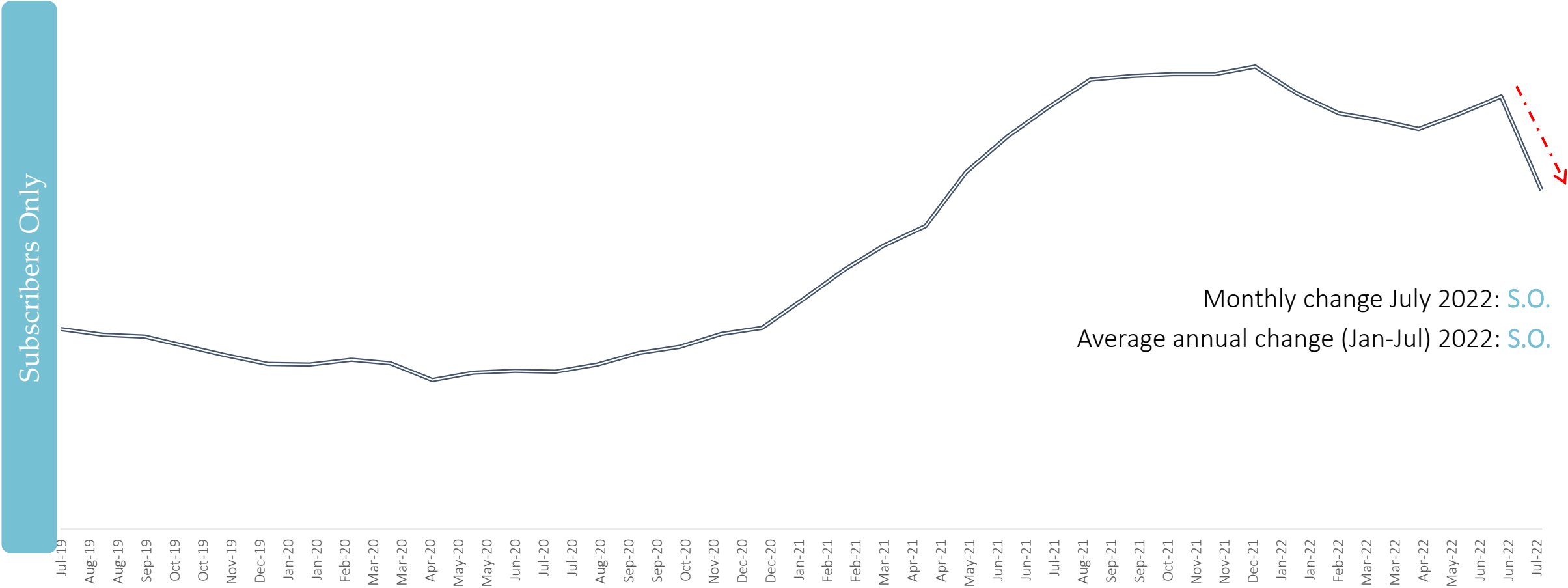
Variables to consider in the short and medium term that could add volatility to the tinplate market.



WHERE WE ARE: TINPLATE PRICE FUNDAMENTALS

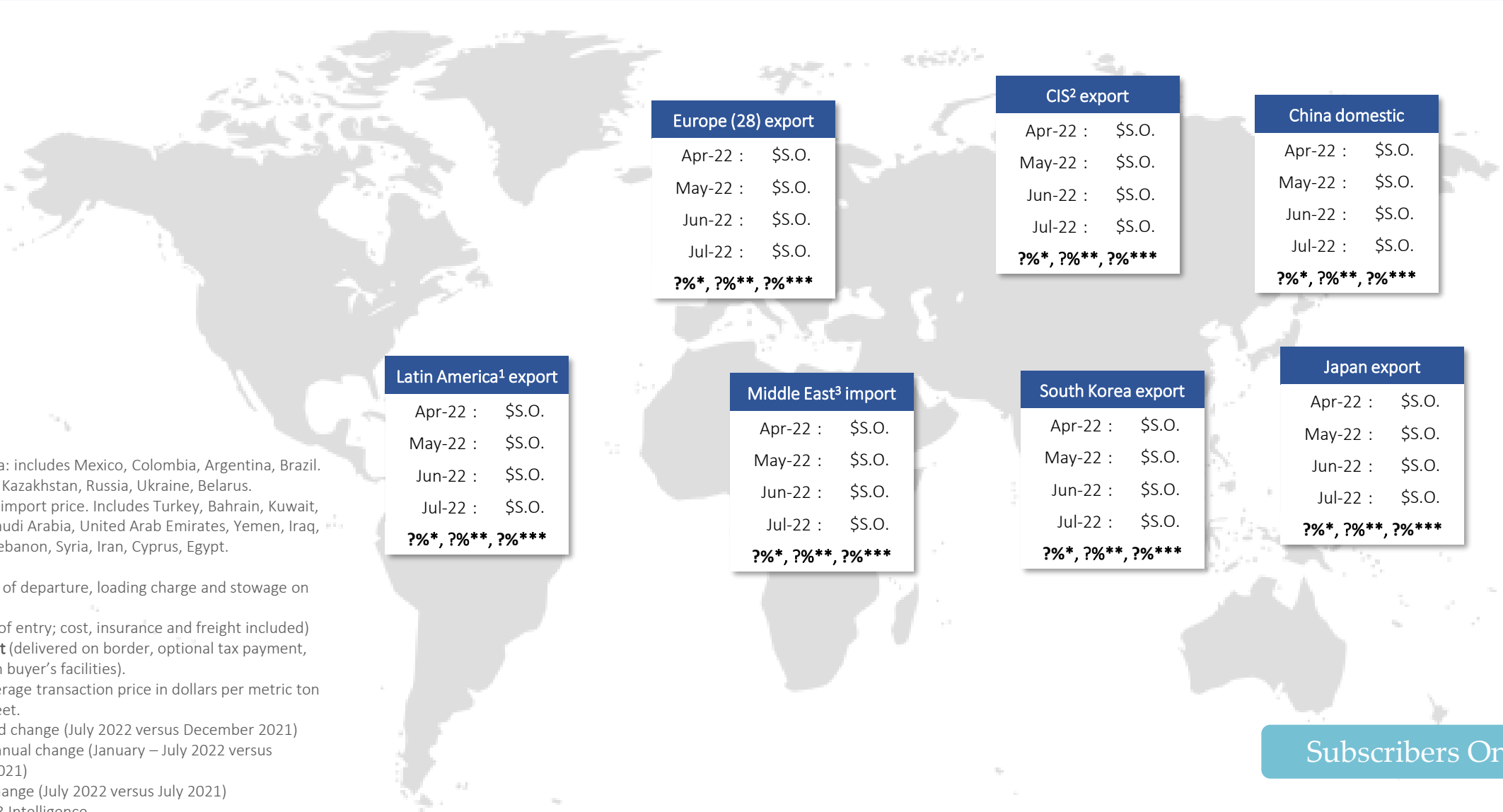
The global tinplate spot price has started to decelerate...

World's tinplate spot price¹ (in dollars per metric ton)



Source: HARBOR intelligence.
1.-Includes the spot price of weighted export prices for Argentina, Brazil, Colombia, Mexico, Venezuela, Chile, Japan, South Korea, Kazakhstan, Russia, and Ukraine. Spot market average transaction price in dollars per metric ton for 0.21 mm sheet

...as tinplate transaction prices worldwide have begun to reflect...



1.- Latin America: includes Mexico, Colombia, Argentina, Brazil.
2.- CIS: includes Kazakhstan, Russia, Ukraine, Belarus.
3.- Middle East: import price. Includes Turkey, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Yemen, Iraq, Israel, Jordan, Lebanon, Syria, Iran, Cyprus, Egypt.

GLOSSARY

Export fob (port of departure, loading charge and stowage on ship)

Import cif (port of entry; cost, insurance and freight included)

Domestic market (delivered on border, optional tax payment, not delivered on buyer's facilities).

Spot market average transaction price in dollars per metric ton for 0.21 mm sheet.

* % accumulated change (July 2022 versus December 2021)

** % average annual change (January – July 2022 versus January – July 2021)

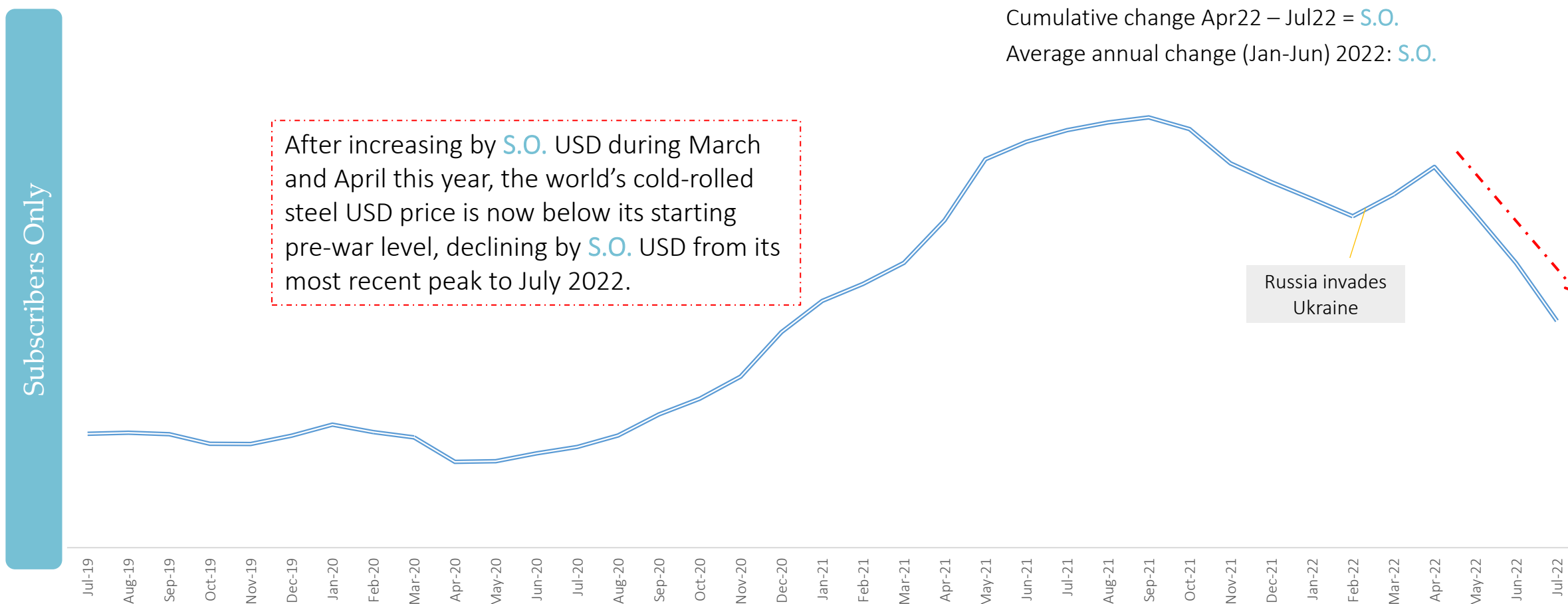
*** % annual change (July 2022 versus July 2021)

Source: HARBOR Intelligence

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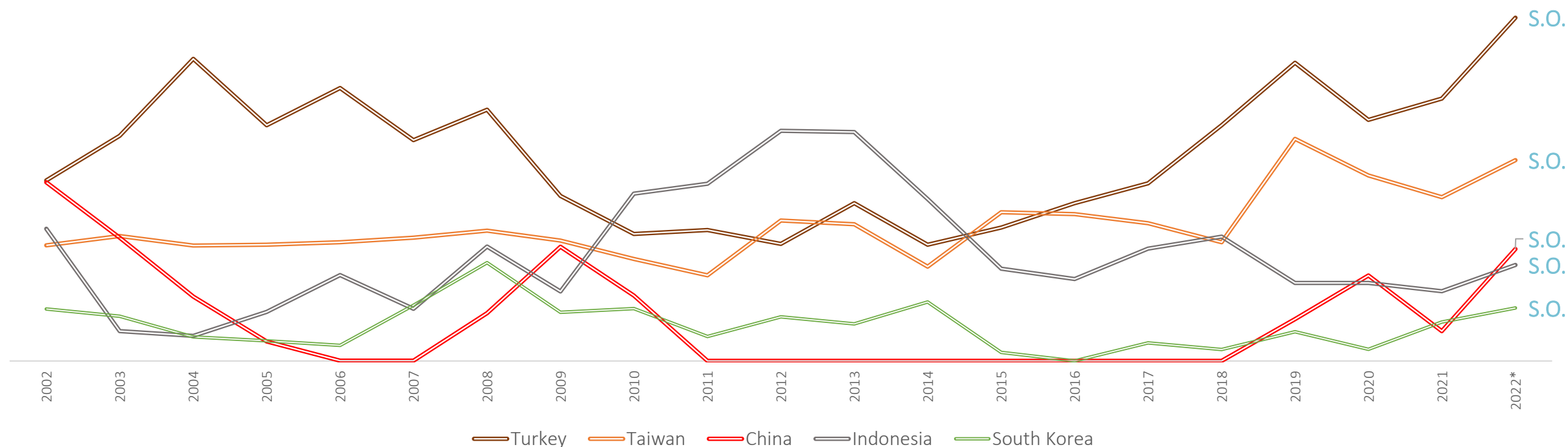
...the significant correction in the international cold-rolled steel price after the panic-induced price hike created by the RU-UA war has faded away.

World's cold rolled steel price (USD per metric ton)



Steel supply, although affected, was not significantly impacted by the UA-RU war as previously expected. Russia continued to export steel as trade reconfiguration was quick, with Russian exports finding their way to other markets at significantly lower prices. Furthermore, mills worldwide found other sources for raw materials and a way to limit their dependence on RU & UA exports.

Share of RU semfinished steel on main destinations' imports (RU percentage share of total semfinished imports for selected countries)

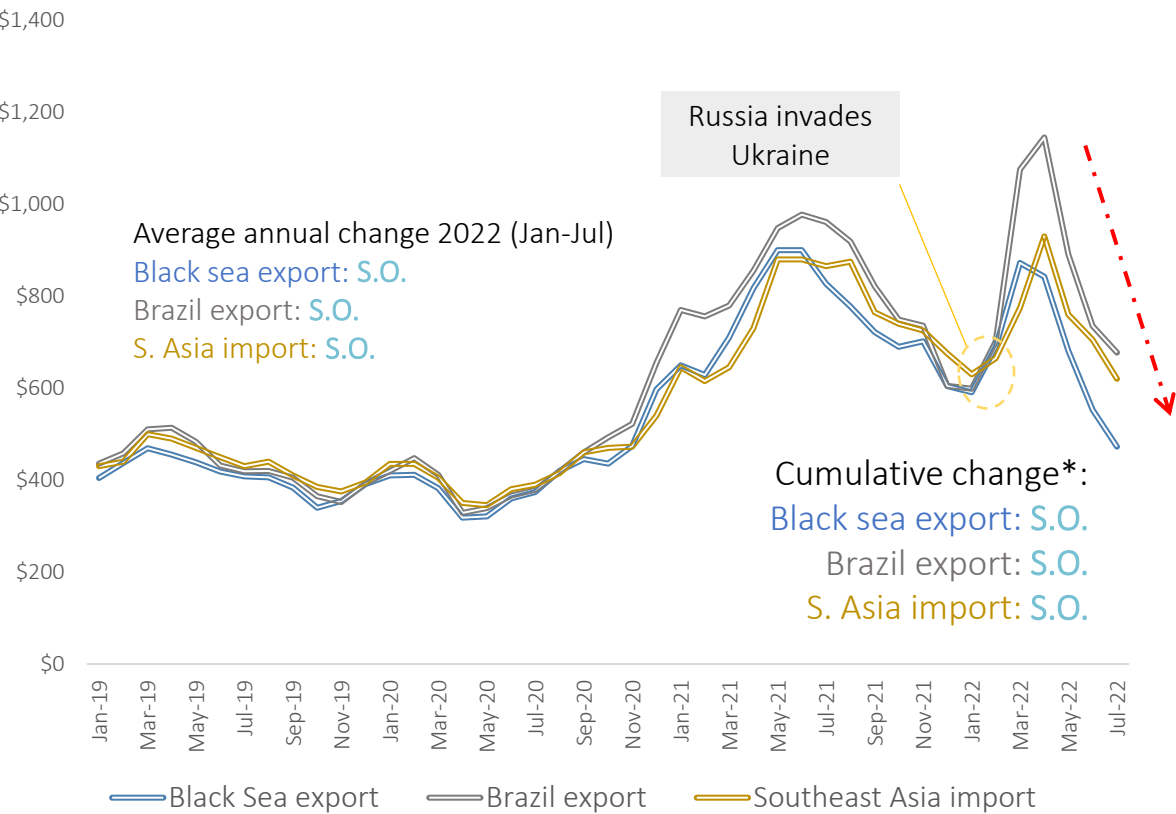


Source: HARBOR intelligence with industry and government's data. Based on countries imports statistics.

*January – May 2022.

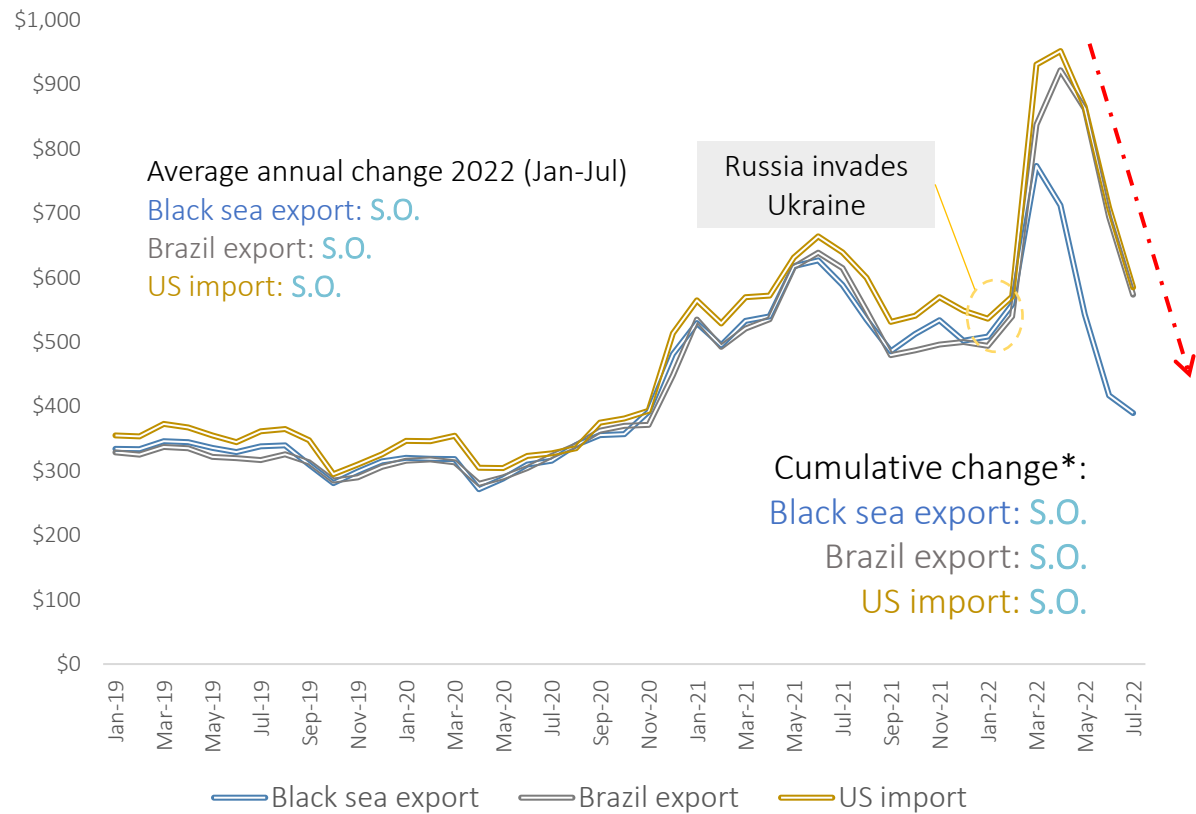
As semifinished and raw material prices quickly corrected, also pulled by significantly lower offers from Russia, the pressure on the world's steel prices eased.

International slab price (FOB, export price, USD per metric ton)



Source: HARBOR intelligence. *From recent high to low point.

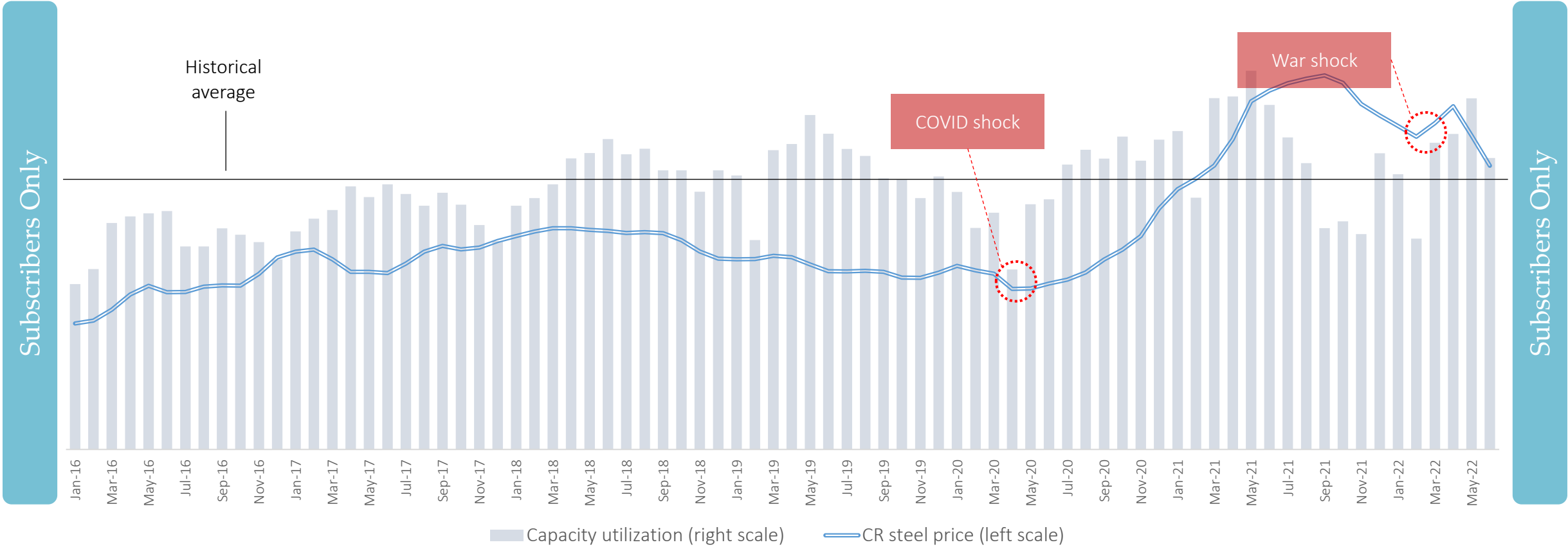
International Pig Iron Price (export FOB, import CIF, USD per mt)



Source: HARBOR intelligence. *From recent high to low point.

Furthermore, contrary to previous “shocks,” panic buying, given the RU-UA war, came in an environment with above-average capacity utilization rates. Inventories had also recovered, making consumers adopt a “wait-and-see” attitude towards buying, quickly translating into downward pressure on global steel and tinplate prices.

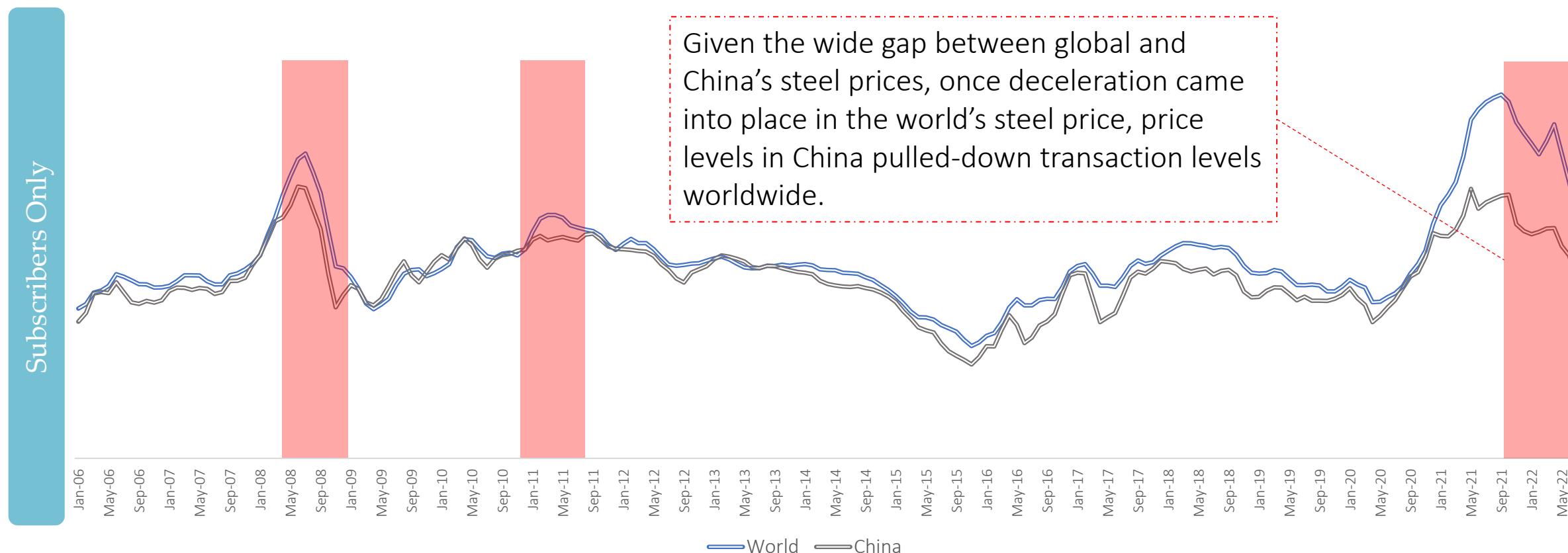
World’s capacity utilization rate (crude steel, percentage)



Source: HARBOR intelligence with WSA and OECD data.

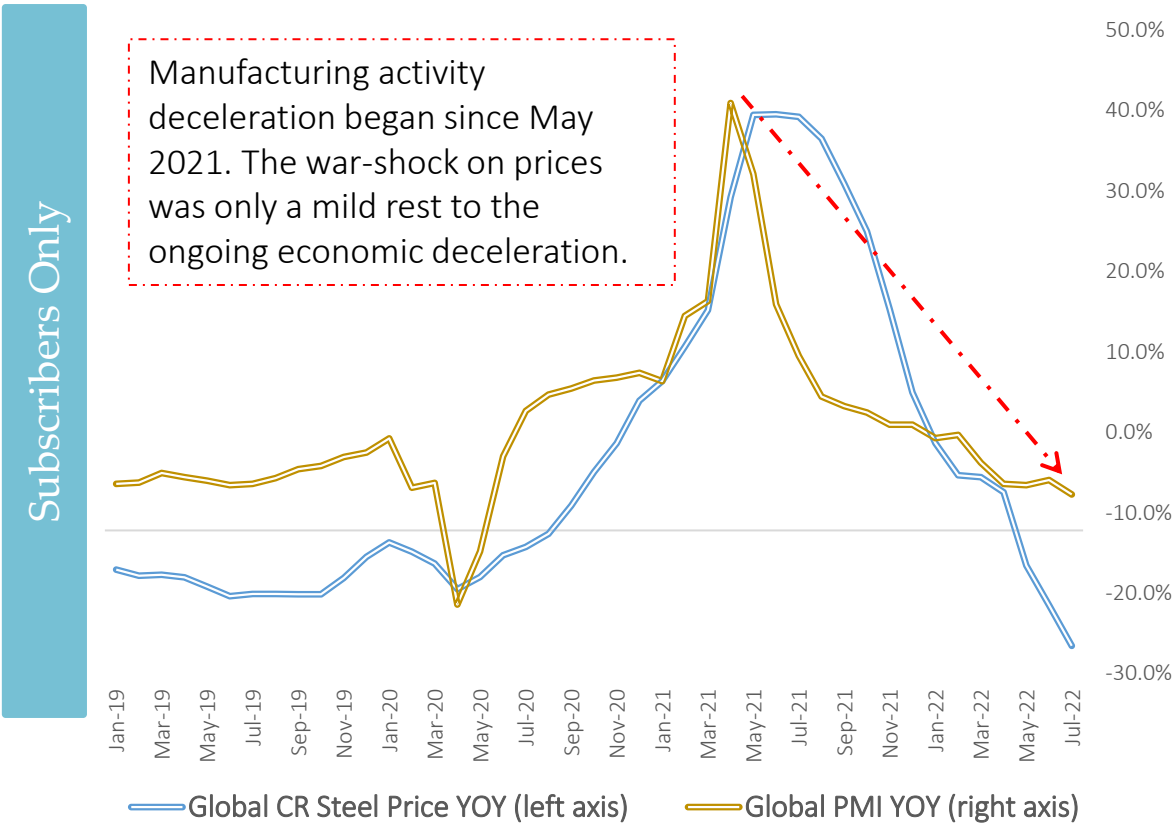
Moreover, China's steel price remained unmuted by the RU-UA war shock. Steel prices in such a region remained negatively affected by the ongoing economic slowdown, exacerbated by the strict zero-COVID policy, which translated into lockdowns and significant deceleration of industrial activity. This negatively affected world's steel & tinplate prices.

World and China cold rolled steel price (USD per metric ton)



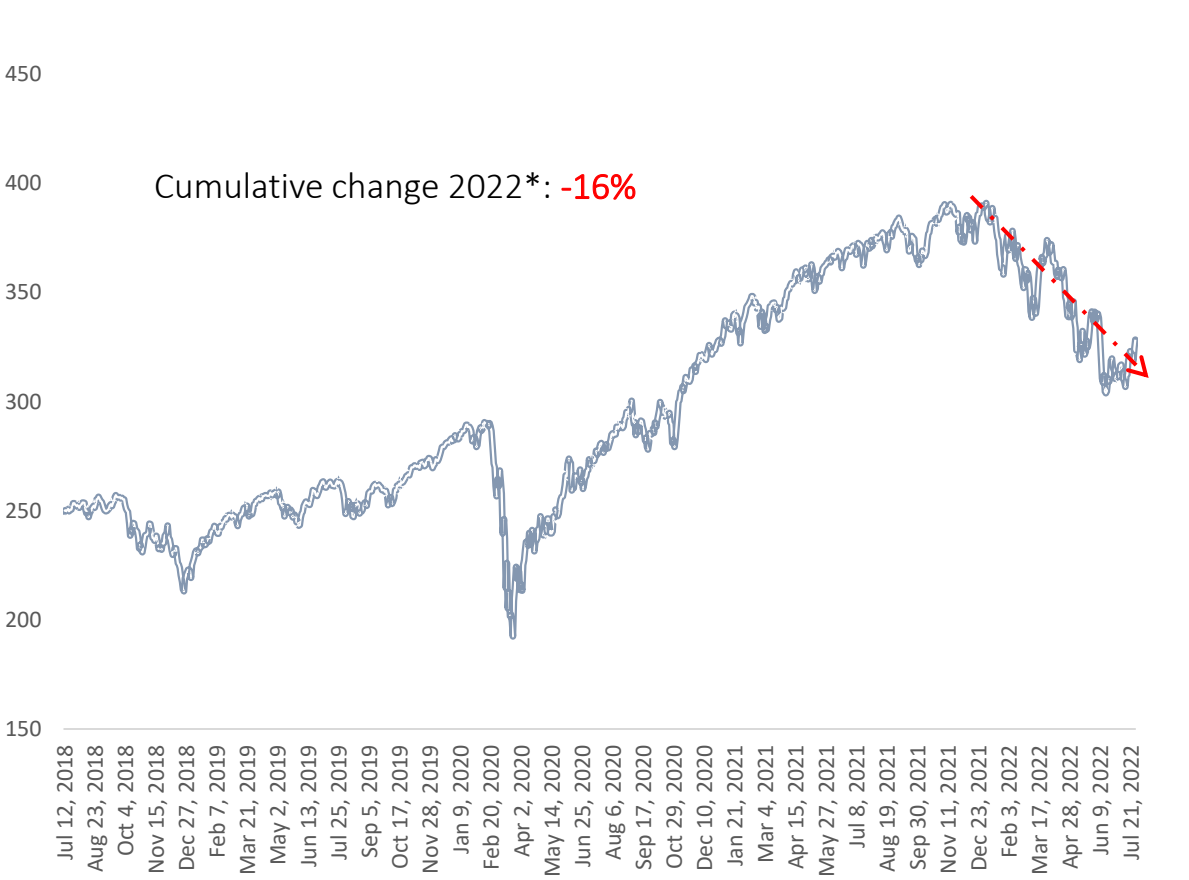
Meanwhile, steel demand has begun to contract, given the worse-than-expected global economic environment. Consumption deceleration signs started last year amid an ongoing cyclical slowdown across industries, making steel prices resume their downward trend now that the war's shock has eased.

World's cold rolled steel price vs. Global PMI
(annual change)



Source: HARBOR intelligence with Markit data.

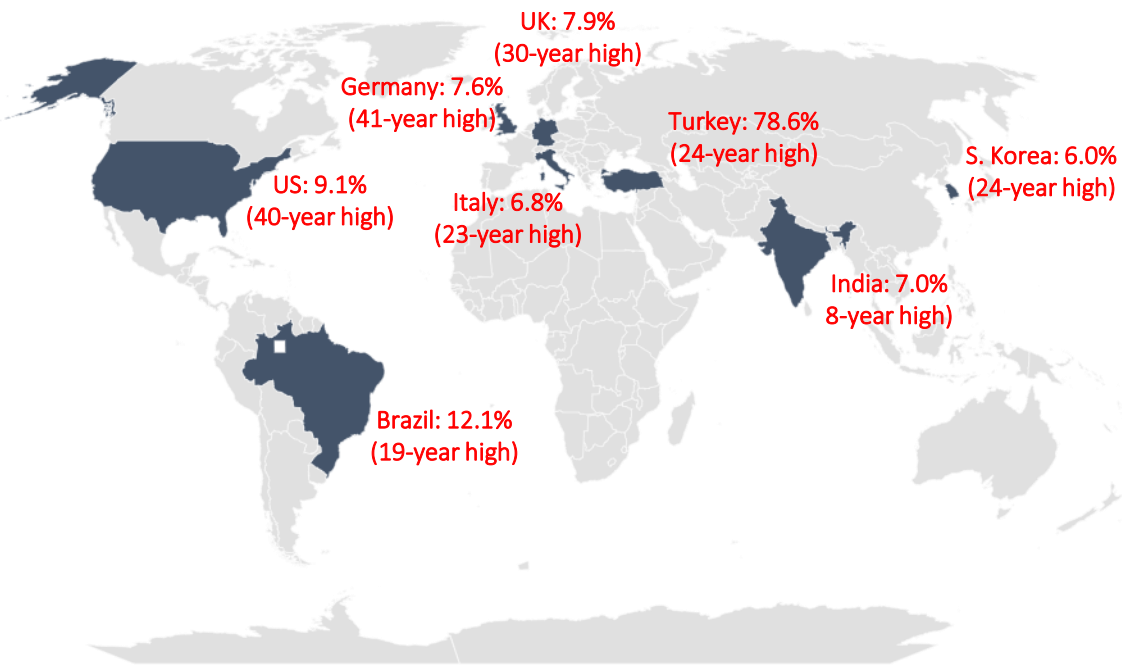
Global stock index (MSCI All Country World index annual change rate, daily data)



Source: HARBOR intelligence with MSCI data. *From recent high to low point.

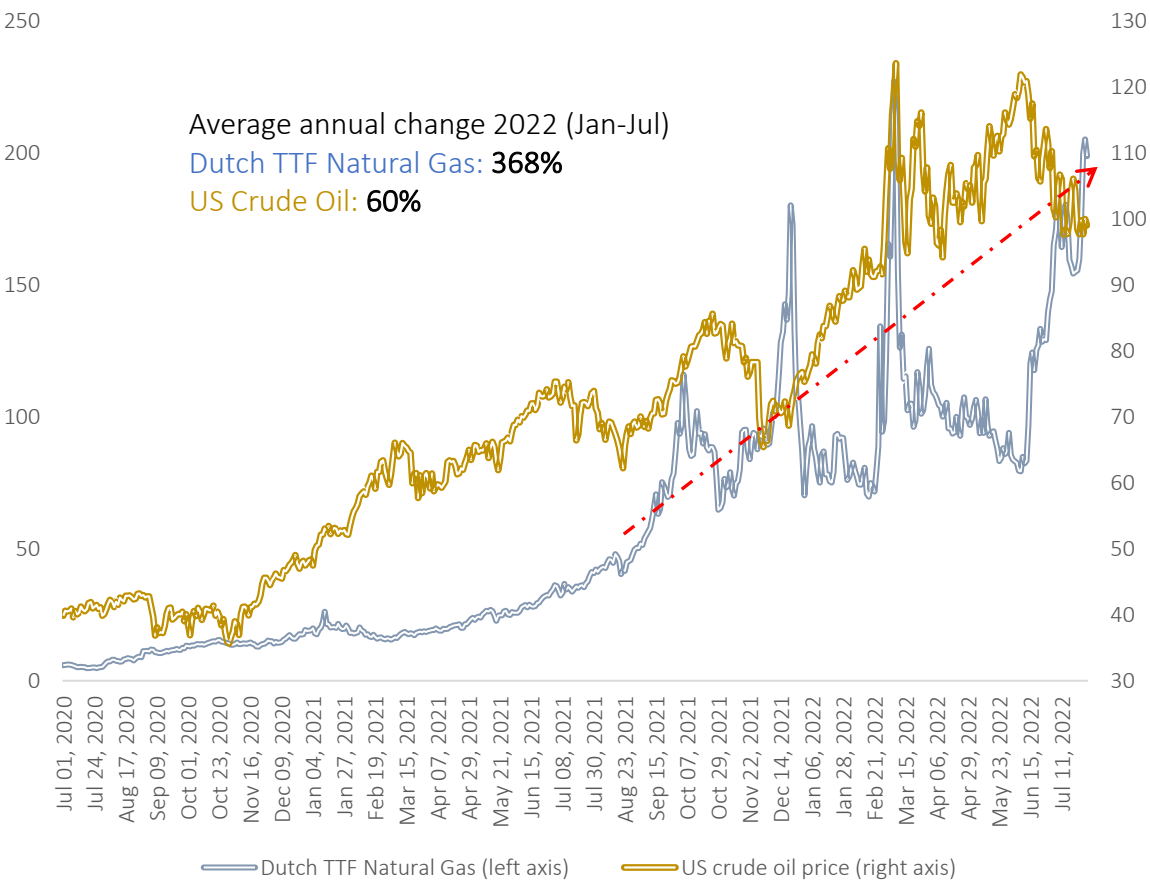
Historic-high inflation rate and soaring energy prices worldwide have exacerbated the global economic and industrial activity slowdown, adding downward pressure on steel and tinplate prices.

Inflation in world's main regions (CPI index annual change)



Source: HARBOR intelligence with countries census statistical offices' data.

Crude oil and natural gas prices (Cushing, OK WTI Spot Price FOB USD per Barrel; Dutch TTF Natural Gas Futures EUR/MWh)



Source: HARBOR intelligence with EIA data.

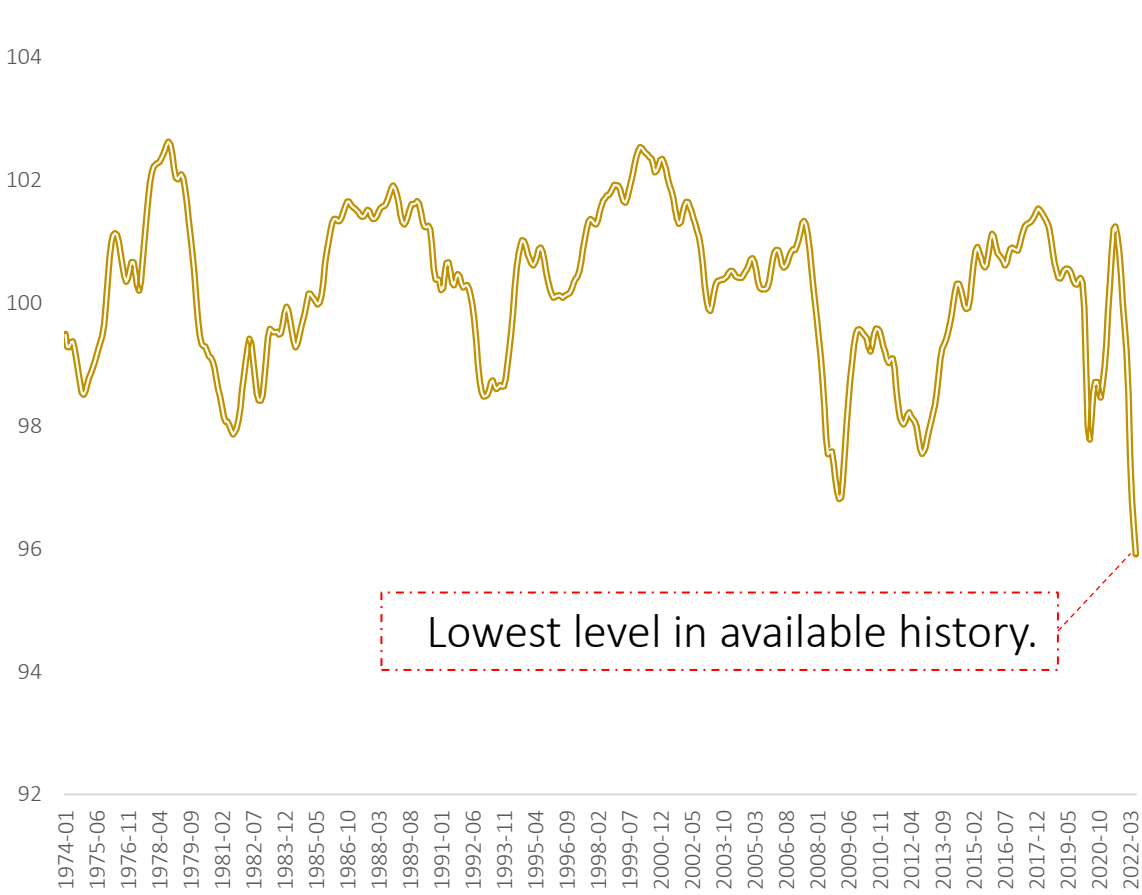
Moreover, central banks worldwide have started implementing interest rate hikes to combat high inflation, which will further limit economic dynamics. Meanwhile, global consumer confidence is historically low, suggesting a possibly lower consumption of durable goods.

Central Bank Rate Policy Worldwide (benchmark rate, percentage points)

	Latest Rate	Lates Move Date
United States	2.25% to 2.50%	July-2022
Eurozone	0.0%	July 2022
United Kingdom	1.25%	June-2022
India	4.90%	July-2022
South Korea	2.25%	July-2022
Brazil	13.25%	+0.50 August 2022

Source: HARBOR intelligence with central bank’s data and news media.

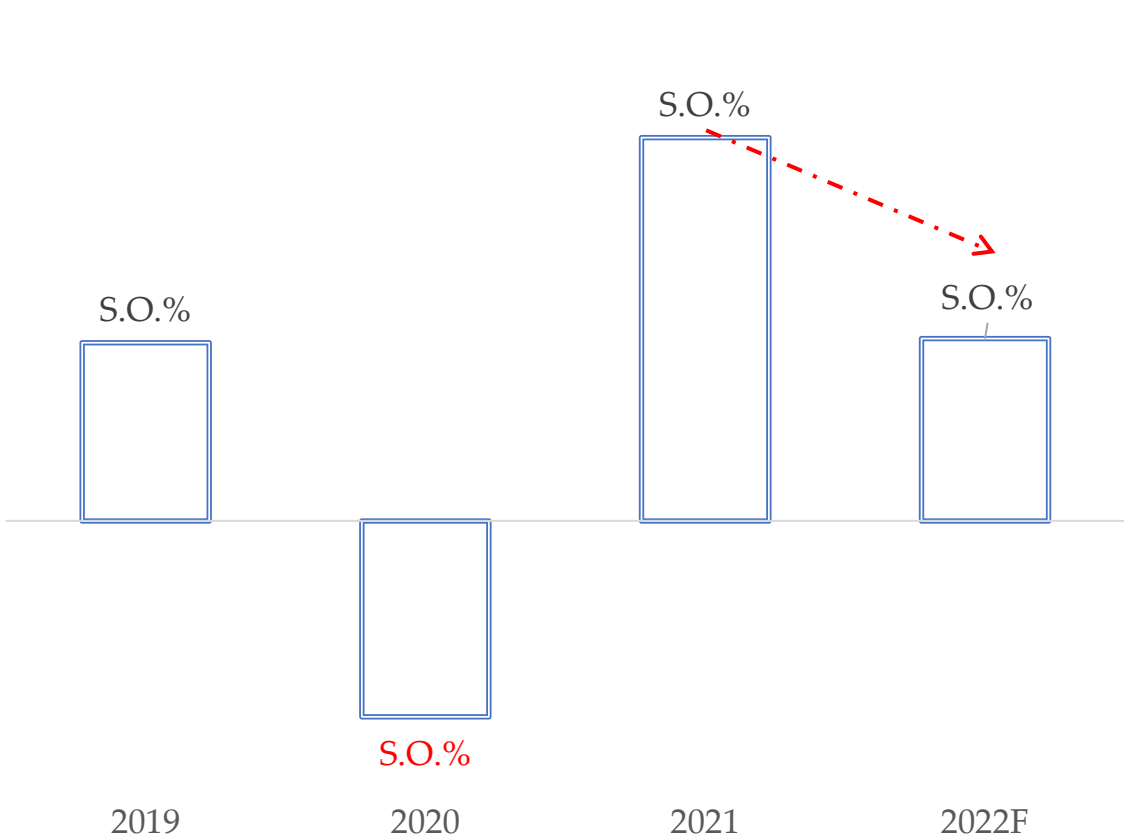
World’s Consumer Confidence Index (long-term average = 100)



Source: HARBOR intelligence with OECD data.

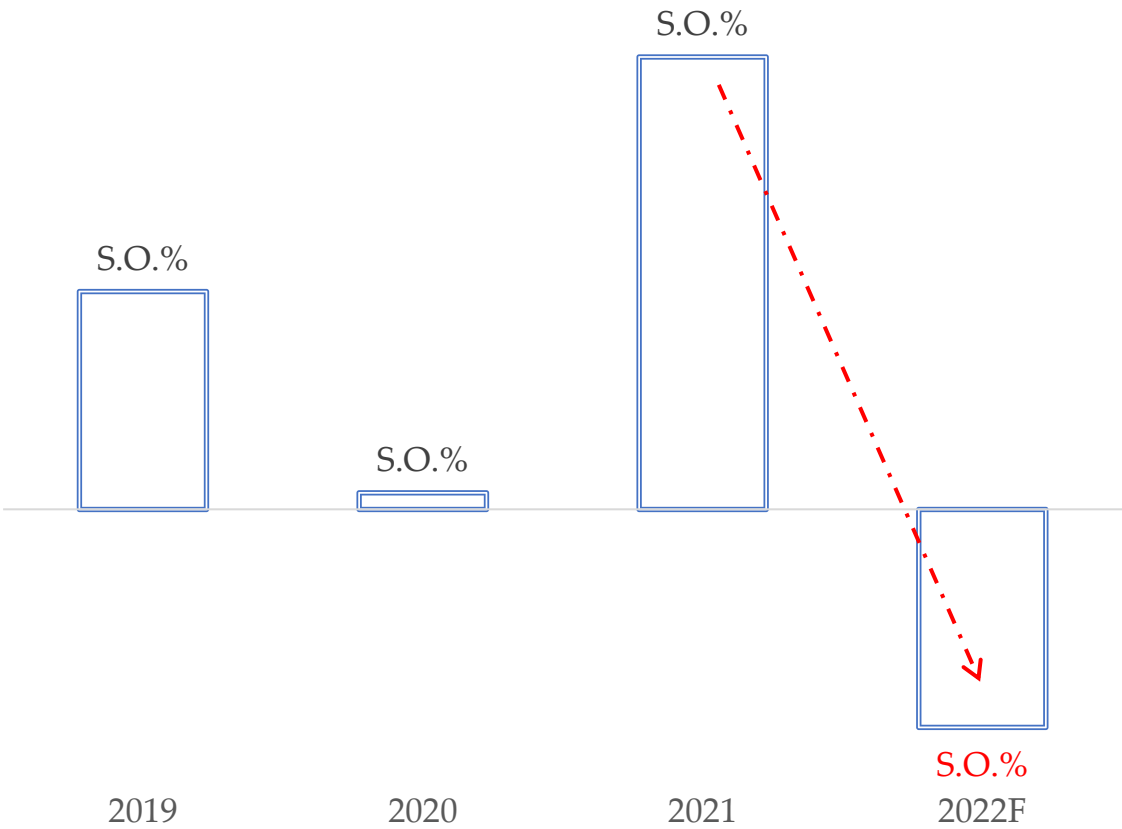
The worsening economic conditions have brought a current and expected deterioration of steel demand, adding downward pressure on steel/tinplate transaction values.

World GDP growth (real annual % growth)



Source: HARBOR intelligence with the country's government agency economic data. Includes revised figures.
F = Forecasted.

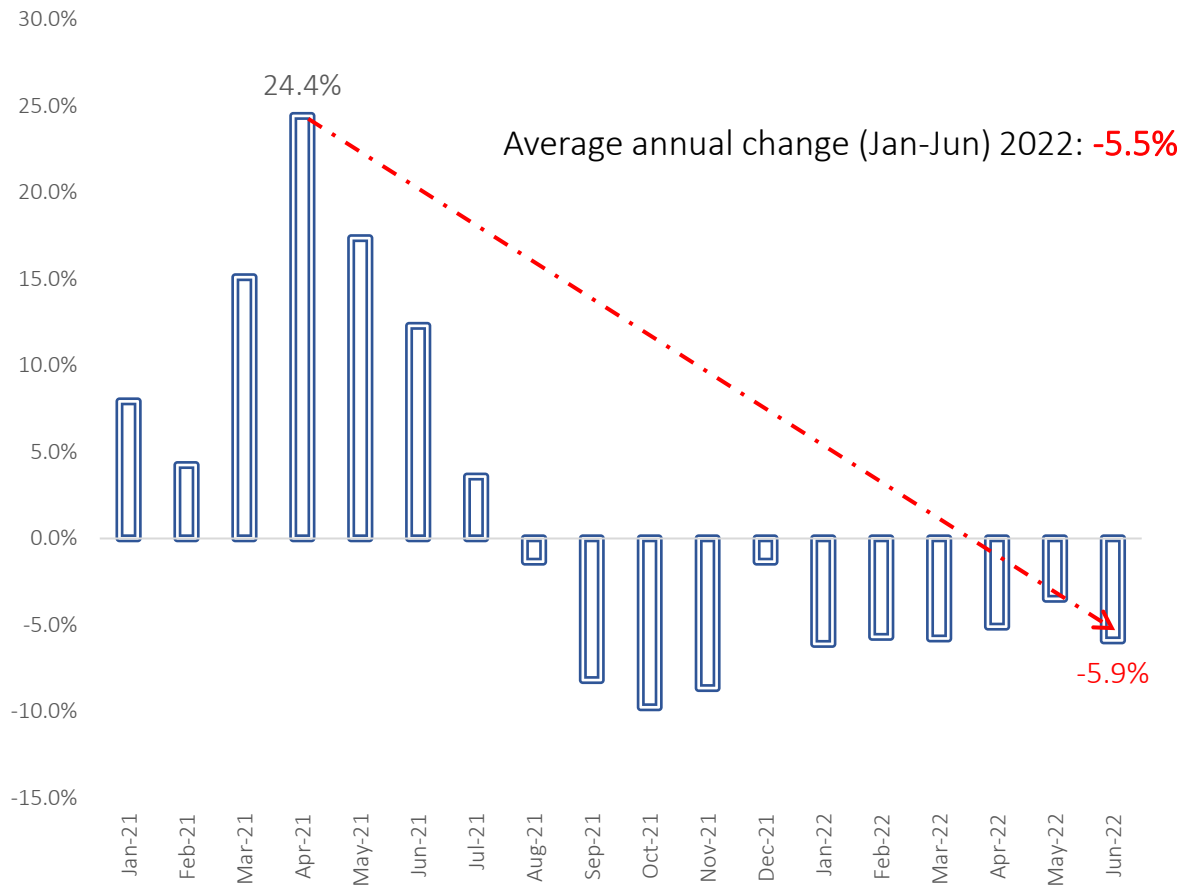
World Steel Demand (real annual % growth)



Source: HARBOR intelligence with industry data. F = Forecasted. Includes revised figures.

Mills have started to cutback production, aiming to rebalance supply with the current steel demand weakness...

World's steel production dynamics (crude steel annual change)



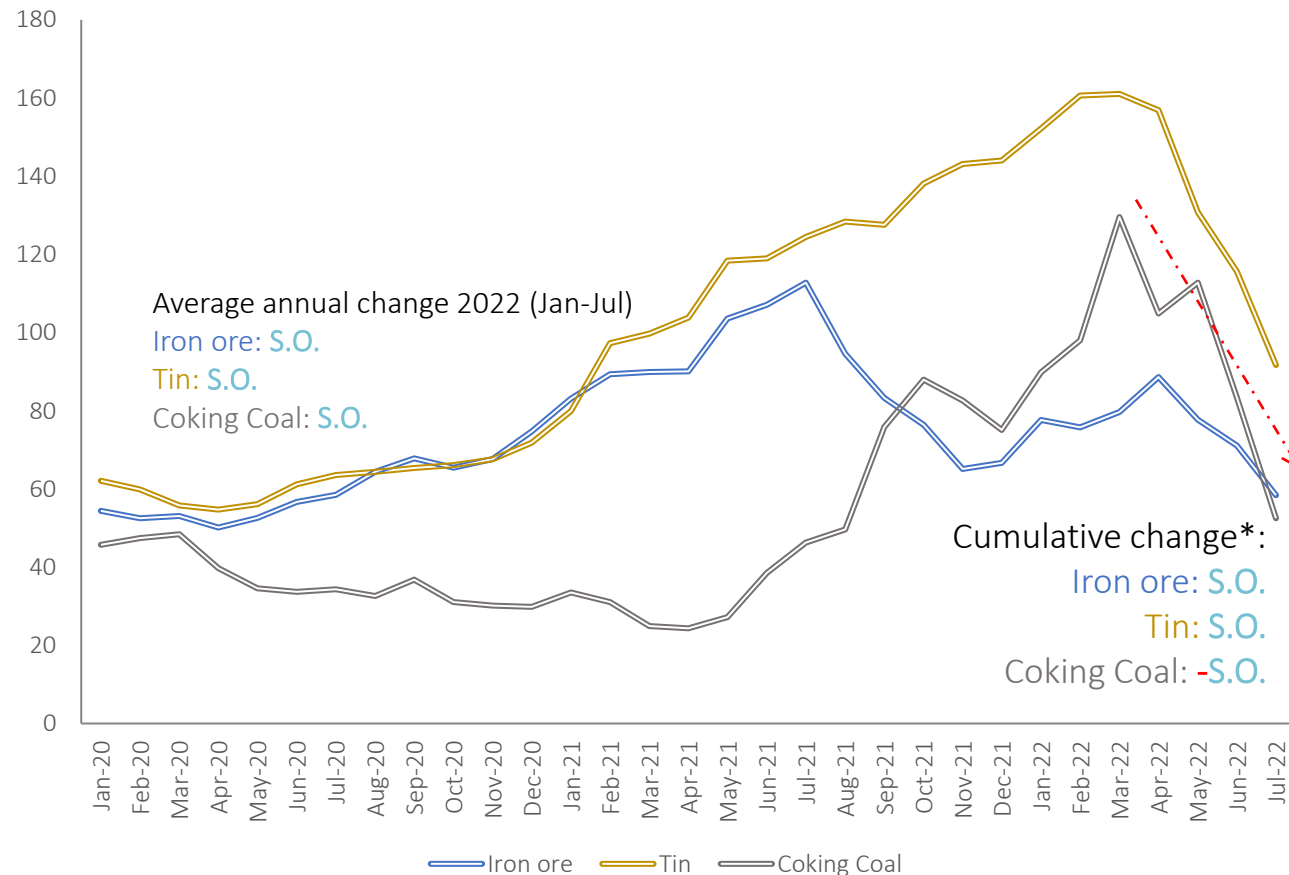
Source: HARBOR intelligence with WSA data.

Steel mills decreasing production:

- US Steel seems to be planning to idle one of its blast furnaces at Mon Valley works (total capacity of 2.9 million tons, 2 BF). In Europe, cutback announcements have been more frequent. US Steel Kosice idled one of its three blast furnaces in late June, while ArcelorMittal has idled furnaces in France (1.5 million mt/year in Dunkirk), and Germany (Eisenhüttenstadt site, 1.8 million mt). Acciaierie d'Italia also announced a six-week stoppage at one of its furnaces (2 million mt/year), and a planned idling of a second furnace during August 2022 (still not specified which BF). Meanwhile, maintenances has also been scheduled, with British steel improvements at its Scunthorpe plant, while Liberty Ostrava has temporarily idled its blast furnace No. 2 in the Czech Republic for repair and upgrades.
- While such capacity reductions are dispersed and temporary, it could be the starting point of a global cutback trend that could ultimately serve mills to force a bottom on the ongoing steel price downward trend.

...however, such a decrease limited the demand for raw materials, which have significantly corrected their prices from the war shock. Lower steelmaking prices have added downward pressure on steel prices.

Raw Material Prices (index Jan 2011 = 100)



Key drivers behind raw material price downturn:

- As in steel prices, raw material price dynamics were mainly driven by the trade reconfiguration, as Russian semifinished and pig iron exports were redirected to other markets. Similarly, global mills found other import sources and reconfigured their steel production mix to depend less on imported raw materials.
- Even though capacity utilization remains above average levels, steel production worldwide has been decelerating amid high energy costs and steel demand slowdown. Therefore, mills demand less raw materials, which adds negative pressure on their prices.
- The above has been more evident in China, as lockdowns have translated into a decrease in steel production. During the January – June period of 2022, crude steel production was **-6.5 percent** below the steel output level registered during the same period of 2021, negatively impacting iron ore steel prices.



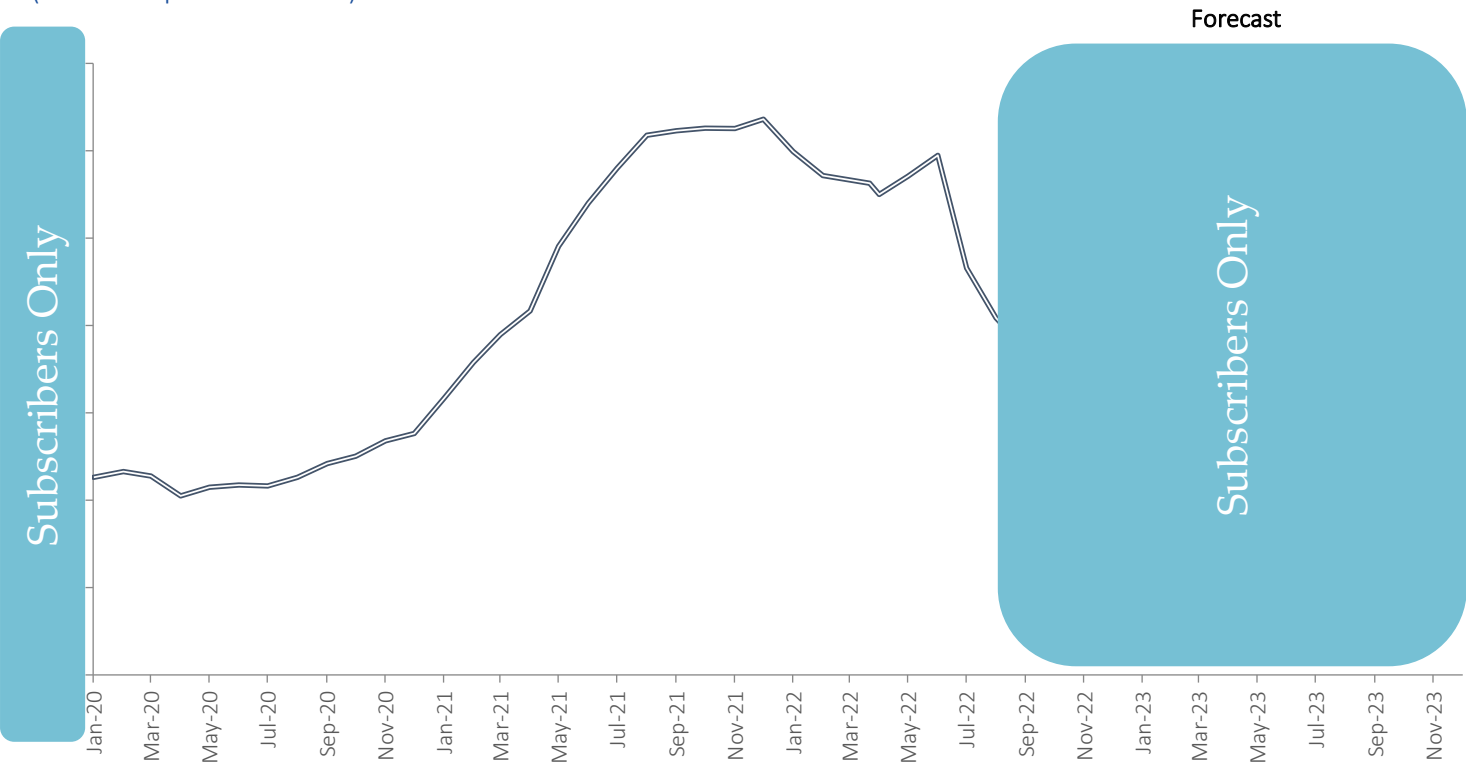
02

WHERE ARE WE HEADING?

We believe the world’s tinplate spot prices will continue to reach lower during the upcoming months, given the significant cumulative weakness of global cold-rolled steel prices, lower raw material prices, and a more adverse economic environment.

Base Scenario: Global Average Tinplate Spot Export Price¹

(in dollars per metric ton)

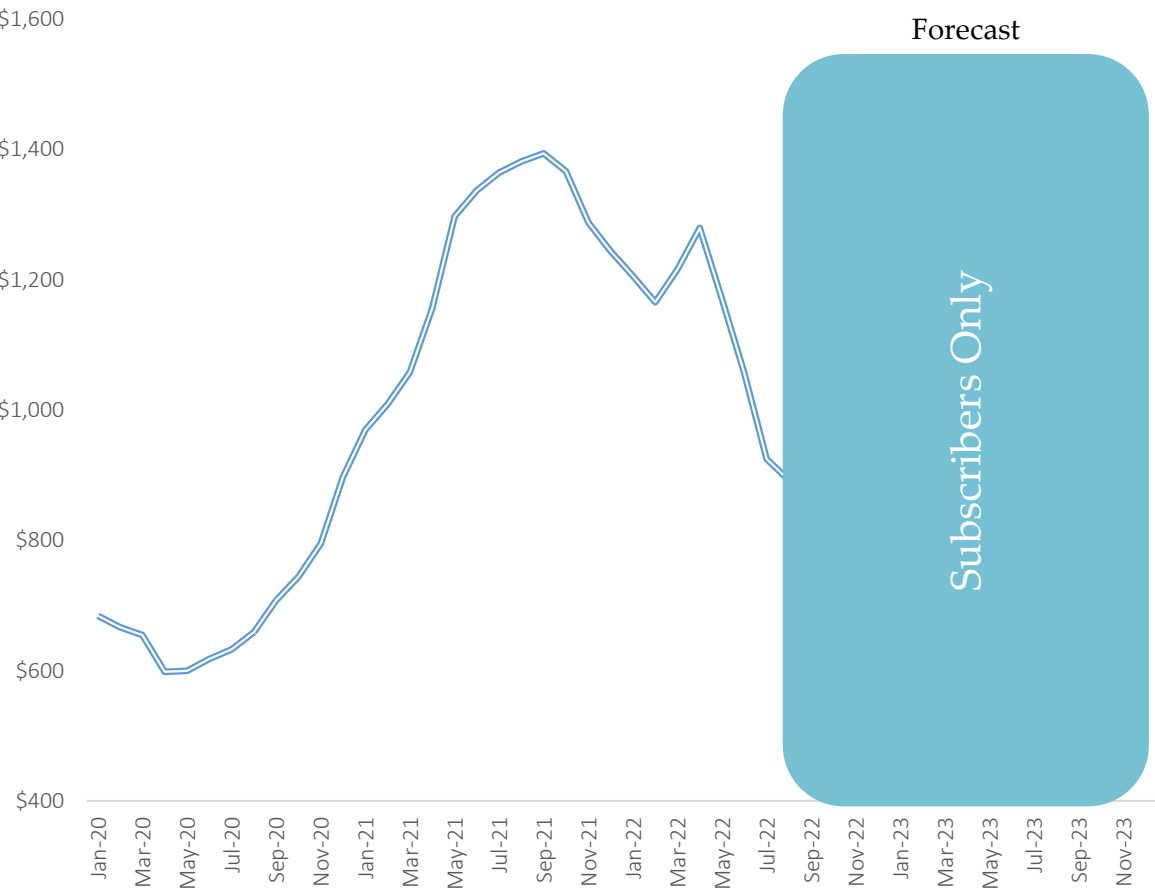


Price Forecast Scenarios			
(average annual percentage change)			
	Base	High	Low
2022F	S.O.%	S.O.%	S.O.%
2023F	S.O.%	S.O.%	S.O.%
Base Scenario: Quarterly Average Price			
	USD per metric ton		QoQ %
1Q 2022	\$S.O.		S.O.%
2Q 2022	\$S.O.		S.O.%
3Q 2022 F	\$S.O.		S.O.%
4Q 2022 F	\$S.O.		S.O.%
1Q 2023 F	\$S.O.		S.O.%
2Q 2023 F	\$S.O.		S.O.%
3Q 2023 F	\$S.O.		S.O.%
4Q 2023 F	\$S.O.		S.O.%

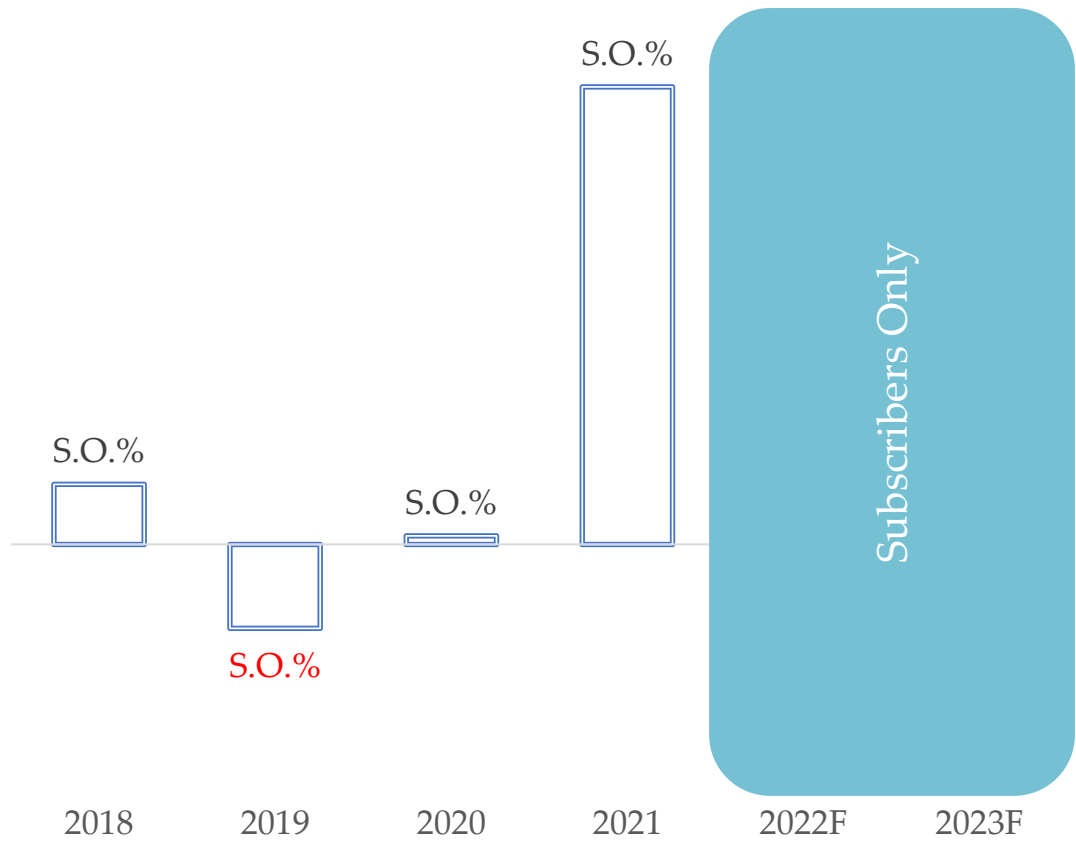
Source: HARBOR intelligence.
1.-Includes the spot price of weighted export prices for Argentina, Brazil, Colombia, Mexico, Venezuela, Chile, Japan, South Korea, Kazakhstan, Russia, and Ukraine. Spot market average transaction price in dollars per metric ton for 0.21 mm sheet. F = Forecast.

We expect cold-rolled steel prices to continue to decelerate in 2022, as the outlook of price fundamentals has deteriorated. In 2023, steel prices will face a more challenging environment, although volatility is not discarded. Nevertheless, next year will be an ongoing deceleration year for steel transaction values.

World's cold rolled steel price (USD per metric ton)

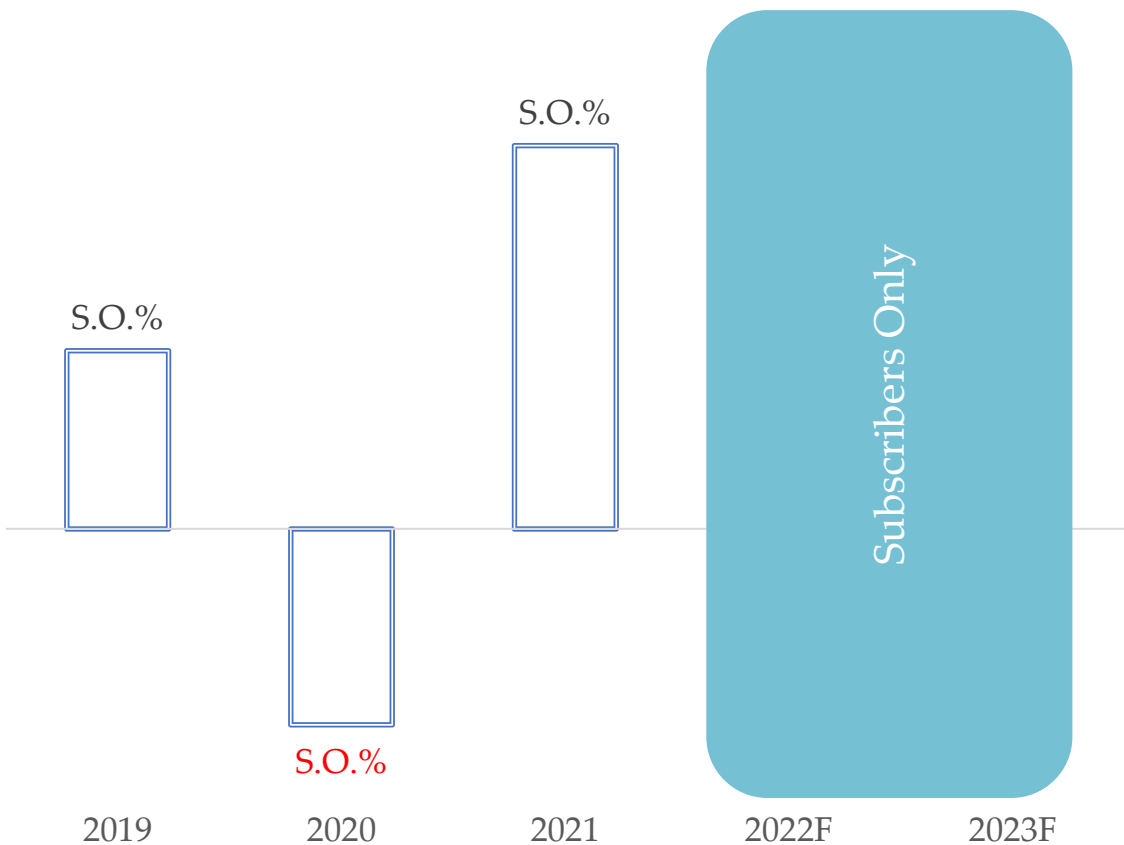


World's cold rolled steel price (avg. annual change)



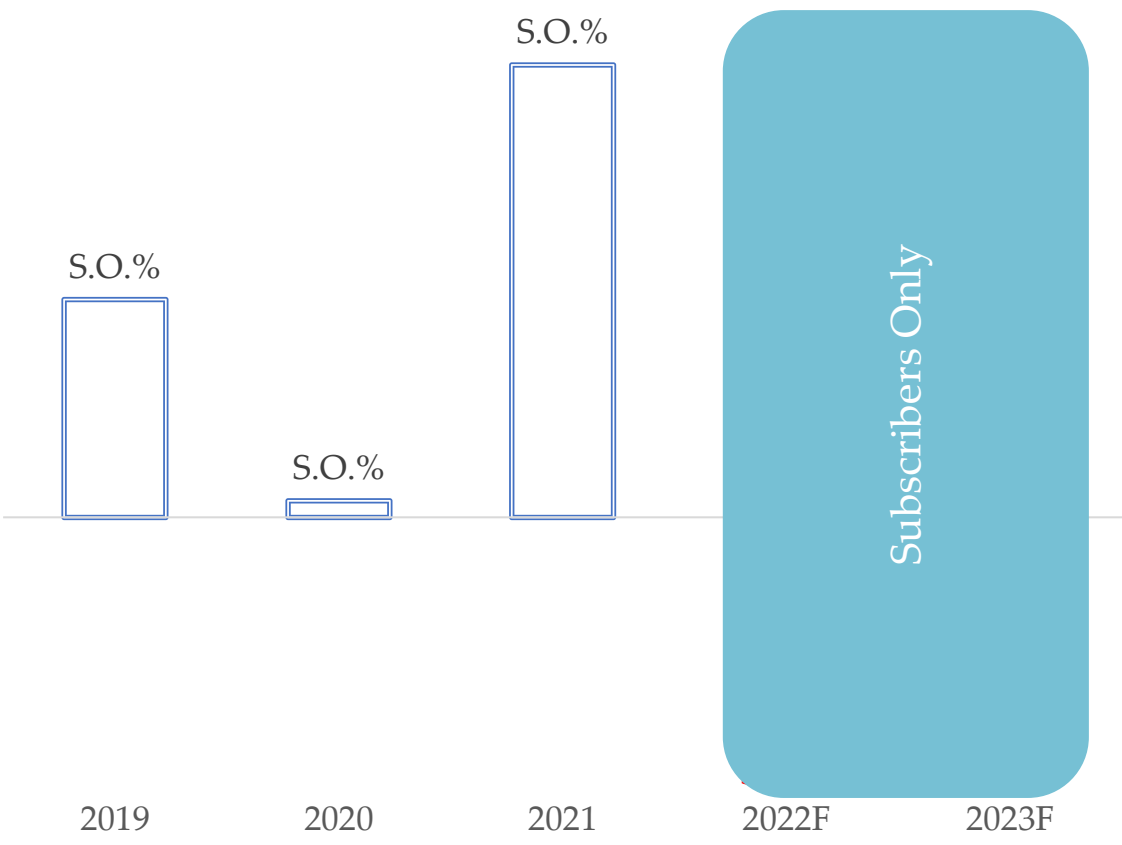
High inflation and energy prices have started to create demand destruction in multiple industrial sectors, which is expected to be more acute in 2023 and will ultimately reflect global steel demand and prices.

World GDP growth (real annual % growth)



Source: HARBOR intelligence with the country's government agency economic data. Includes revised figures.
F = Forecasted.

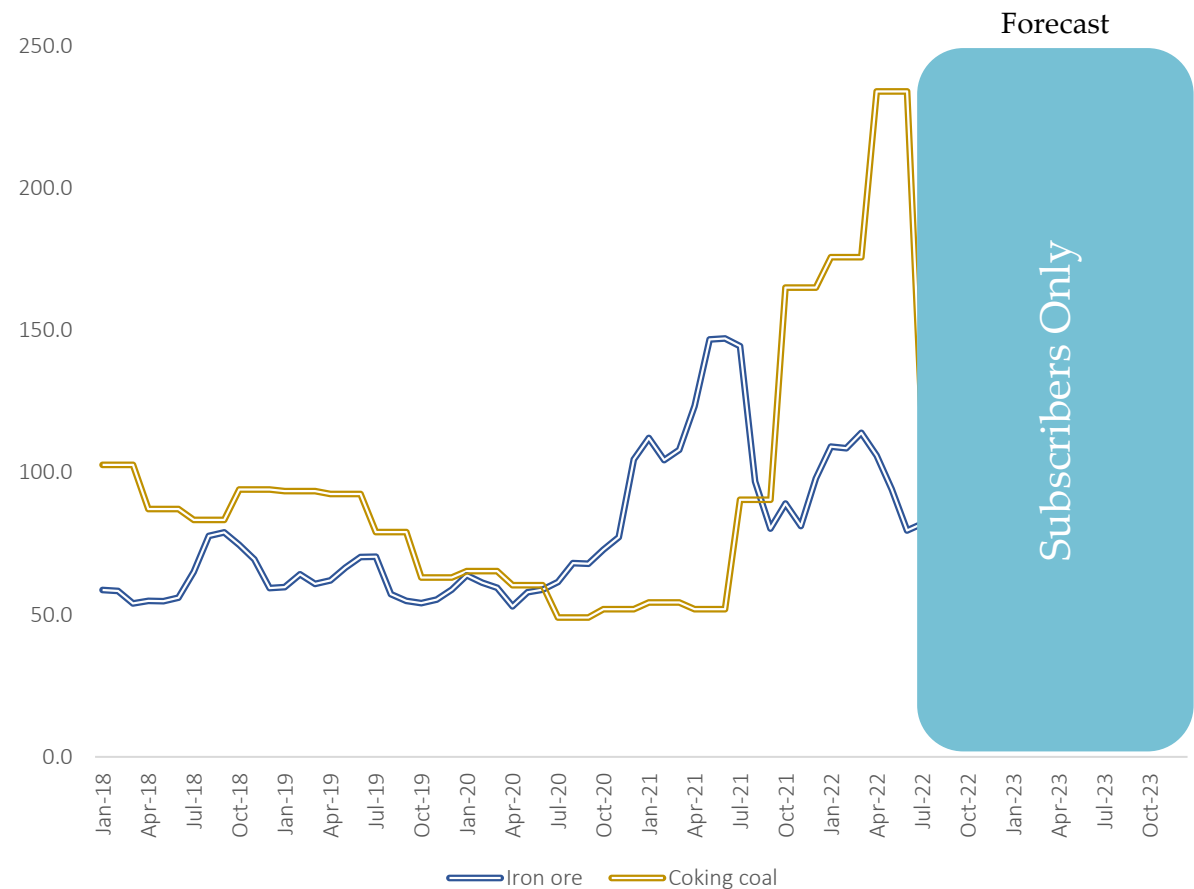
World Steel Demand (real annual % growth)



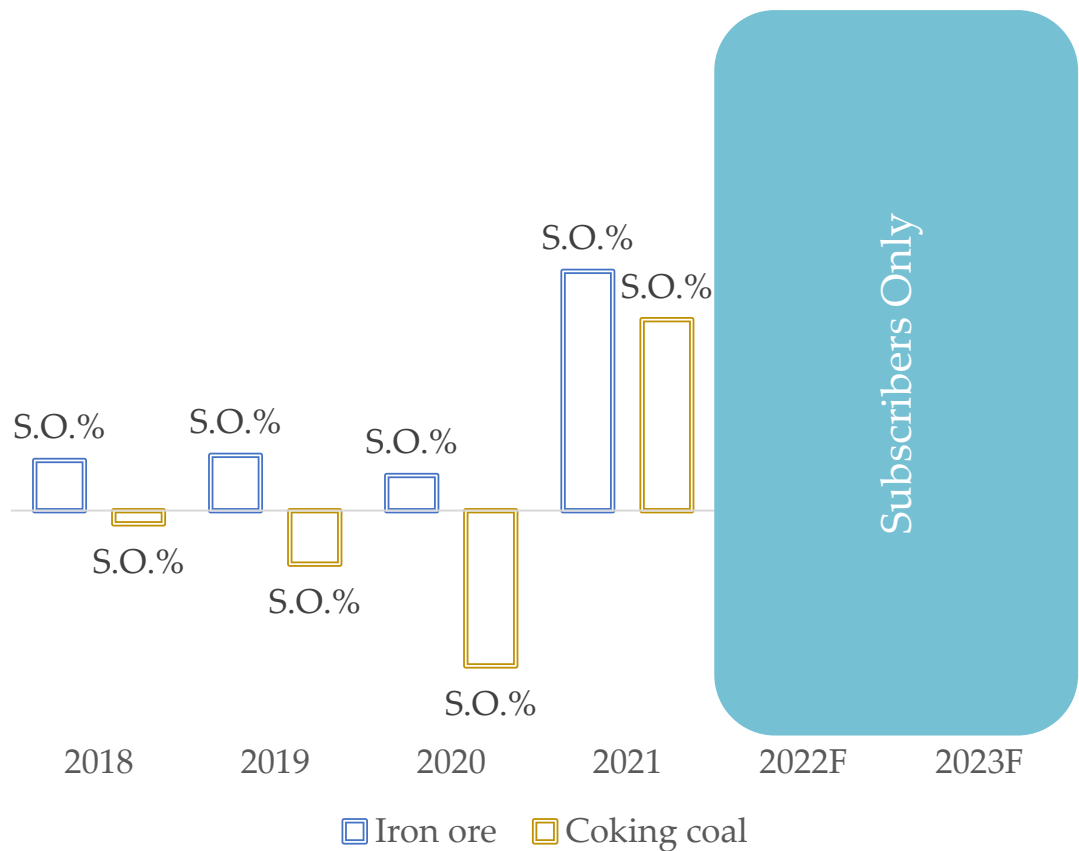
Source: HARBOR intelligence with WSA data. F = Forecasted. Includes revised figures.

Furthermore, raw materials will remain on a downward trend, as mills will cut steel production and despite the annual increase of some prices, the overall deceleration during 2H 2022 will add downward pressure to tinplate prices.

Raw Materials: Iron ore and Coking coal price (index Jan 2011 = 100)



Raw Materials: Iron ore and Coking coal price (annual change)



Source: HARBOR intelligence.
1.-Iron ore refers to BF pellet fines, \$/metric ton dry CFR China, spot price. Coking coal refers to metallurgical coal price, \$/metric ton, FOB Australia, quarterly contract price. F = forecast.

2022 – 2023 Outlook Summary

We expect global tinplate spot prices will continue to face downward pressure during the upcoming months, as cold-rolled steel prices have registered a significant cumulative decrease amid an ongoing and expected steel demand deceleration due to worse-than-expected global economic conditions. The outlook for other steel/tinplate price raw materials is also negative, which will make mills face a harsher environment for spot price negotiations during the upcoming months.

Among the main drivers behind the 2022 – 2023 world's tinplate spot price are:

Cold-rolled steel price decrease: the rapid deterioration of demand-side steel price fundamentals due to a more adverse economic environment and worsening perspectives will translate into further steel price decreases during the second half of 2022. Even though we expect steel prices to find a bottom, the dynamics will remain volatile and inclined towards weakness next year.

Lower economic growth: The soaring inflation, restrictive monetary policy, and worsening consumer and business expectations are the most significant headwinds for the current economic dynamics. Even though “recession” is still not a word used by government authorities, it dwells on consumer and industry players’ minds. The fact is that there is an evident deceleration of industrial activity taking place during the second half of 2022, and 2023 is forecasted as a “lower-growth” year, which will undoubtedly translate into weaker dynamics of steel prices.

Deceleration of raw material prices: given the ongoing slowdown of steel demand, mills are starting to cut back steel production to balance steel supply and demand. However, this means less demand for raw materials, which hurts their prices. Furthermore, China has formally established a mineral giant company that aims to give more bargaining power over prices with Australia, meaning lower prices. Also, the industry awaits the unofficial ban on Australian coal exports to come soon to an end, which will also give China, the largest iron ore and coal consumer, access to more competitive prices. This will have a spillover effect on worldwide raw material valuations, especially during next year.



03

RISK FACTORS AND WILD CARDS

Risk factors and wild cards



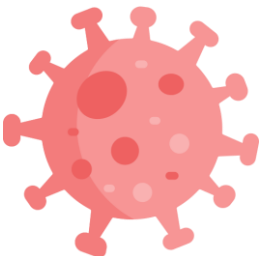
Supply cutbacks are the most obvious solution to the current steel price downward trend. If mills continue to decrease steel production, a rebound in prices could occur, as has happened in recent history. However, it is to be seen how fast and drastic producers can decrease their production, as they still must manage margins and inflation across their production process. If successful, steel prices could rebound and recover the ground lost in 2022.



The economic downturn is evident. However, there is still discussion over whether we will enter a formal recession during the end of 2022 / early 2023 and if it will be a shallow recession (soft landing) or a deep recession. The latter would surely devastate key steel-intensive industries, which would significantly depress steel prices next year.



The RU-UA war is still not over, and a significant escalation would be possible. Russia has proven to have a substantial spillover effect on the world's economy, as most of the current inflation comes from food and energy, in which Russia and Ukraine are major players. The short-term risk relies mainly on Russia's natural gas supply to Europe. EU countries have already pledged a 15% reduction in their gas consumption, given the uncertainty for such fuel availability in the upcoming winter months. If supply is significantly interrupted in the long term, it could dramatically impact many economic variables, including industrial activity, thus steel demand, and prices.



COVID-19 remains a wild card, mainly because of China. The government has given no signs of changing its zero-tolerance policy toward Covid. Suppose significant lockdowns are established, or modest ones remain. In that case, they could continue to deteriorate the economic activity and China and have a spillover effect on global steel demand fundamentals, adding downward pressure on steel prices.



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