

# MARKET OUTLOOK

## GLOBAL MARKETS

### Steel

According to the World Steel Association, in 2021 global crude steel production increased to 1.951 billion tonnes, up 3.7% YoY. This was mainly driven by improvements in countries outside China. Following a record 99.5 million tonnes in May, China had decreased its monthly steel production by 30% by November as a result of initiatives to reduce carbon emissions. In 2021, the country's production totalled 1.033 billion tonnes, down 3.0% YoY. Curbs on steel output were the most important driver of markets in H2 2021.

In the reporting period, global finished steel consumption rose by 3.1% to 1.828 billion tonnes, compared with 1.774 billion tonnes in 2020, according to CRU. The main growth driver was the economic recovery following the first year of the pandemic. Steel mills increased production in anticipation of more robust demand, primarily from the construction and manufacturing sectors. Consumption in China fell by 4.8% to 0.975 billion tonnes amid headwinds in the property sector. Global demand, excluding China, rose by 13.9% to 0.853 billion tonnes.

Steelmakers struggled to keep up with the pace of global demand. This brought steel margins to as high as 40–50% in parts of the world, compared with the normal level over a cycle of 5–10%. In May, the FOB China hot-rolled coil index hit a record US\$1,031/tonne. While prices have subsequently declined well below those levels, they are still relatively high, supported by aggressive cuts to steel supply. Following the Chinese market, steel prices rose in North America, Europe and the CIS. The variations among regions were caused by trade barriers, lead times and logistical constraints.

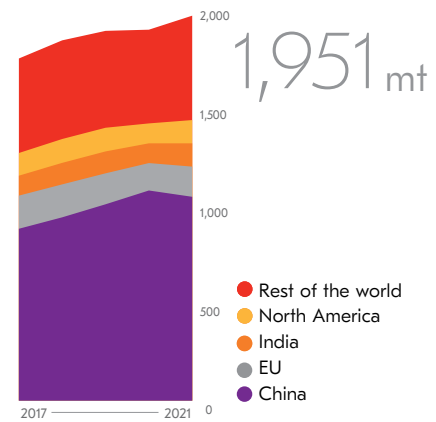
Based on hot-rolled coil (HRC) China FOB contracts, steel prices averaged US\$838/tonne in the reporting period, up 52% from US\$553/tonne in 2020. Based on the CFR slab FE&SEA benchmark, they averaged US\$764/tonne, up 72.0% from US\$444/tonne in the year before.

### Iron ore

In 2021, the iron ore market was primarily driven by demand-side fluctuations. Chinese steel production soared in H1 2021, and steelmakers struggled with iron ore availability at times. The situation changed quickly in H2 2021, mainly driven by the slump in Chinese steel demand and steel production. This resulted in much weaker demand for iron ore and a spike in inventories across the supply chain. According to CRU, global consumption of iron ore grew by 2.8% to 2.281 billion tonnes in 2021, while in China it fell by 1.9% to 1.395 billion tonnes. In other key markets, there were improvements: demand climbed by 22.9% in the US, 18.0% in India, 14.3% in Europe and 2.1% in South Korea.

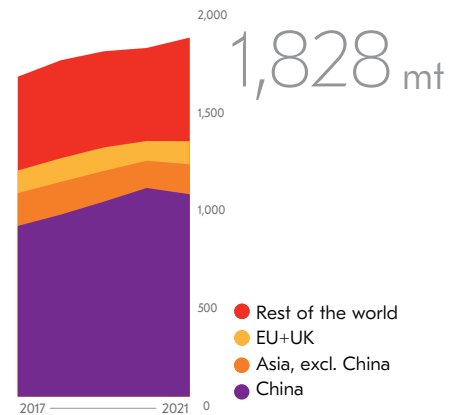
Global iron ore exports grew by 2.3% to 1.688 billion tonnes in 2021. Australian shipments were broadly unchanged YoY, as most major producers were operating at close to full capacity. In Brazil, Vale managed to increase shipments slightly following a muted performance in 2019 and 2020. Another key development was a spike in the number of smaller producers that took advantage of high prices. While demand in China is declining, output from major producers from Australia is rising and an increase from Brazil may create oversupply.

Global crude steel production, million tonnes



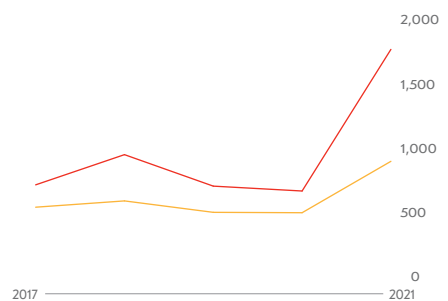
Source: World Steel Association

Global finished steel consumption, million tonnes



Source: CRU

Steel price, US\$/tonne



● HRC US, FOB Midwest  
● HRC Black Sea, FOB

Source: CRU

In the reporting period, government stimulus and supply chain issues pushed 62% Fe iron ore fines prices to new record highs, peaking at over US\$230/dry metric tonne in June. This was followed by a record collapse in Q3 2021, mainly driven by the sudden drop in Chinese steel demand and steel production. Iron ore prices fell to as low as US\$90/tonne, before rebounding to over US\$120/tonne towards the year-end. Average iron ore prices climbed by 48% to US\$160/tonne, up from US\$108/tonne in 2020.

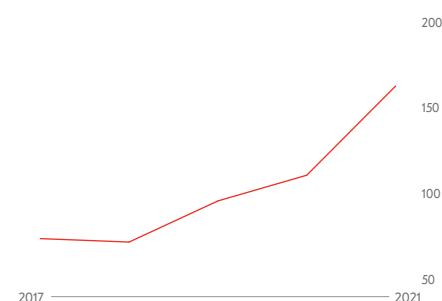
## Coal

In China, domestic supply tightness and disruptions in coking coal imports drove prices to new record highs in 2021. The country's ban on coal imports from Australia impacted demand and changed trade flows, increasing price volatility. The premium hard coking coal price (CFR China) rose to a high of US\$613/tonne in late October. However, after government intervention and improvements in supply, it tumbled and had almost caught up with the Australian benchmark in December. Hard coking coal (FOB Australia) averaged US\$223/tonne in the reporting period, compared with US\$124/tonne in 2020. The CFR China price averaged US\$337/tonne, up 135% YoY.

According to the report of the CRU dated November 2021, global metallurgical coal consumption climbed by 4.7% year-on-year to over 1.213 billion tonnes. In China, consumption amounted to 826 million tonnes, 3.6% higher than in 2020. However, Chinese coking coal imports slumped by 34.2% to 48 million tonnes amid changing trade flows with Australia and greater domestic supply.

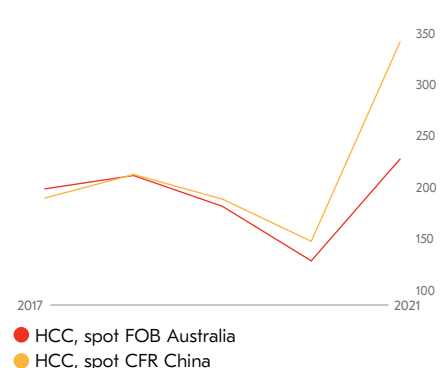
Global coking coal production climbed by 5.7% YoY to 1.204 billion tonnes in the reporting period. China continued to increase domestic metallurgical coal supplies, which rose by 6.3% to 779 million tonnes. In Australia, they amounted to 172 million tonnes, down 1.1%, amid supply issues at core assets.

**Iron ore, Fe 62%, CFR China, US\$/tonne**



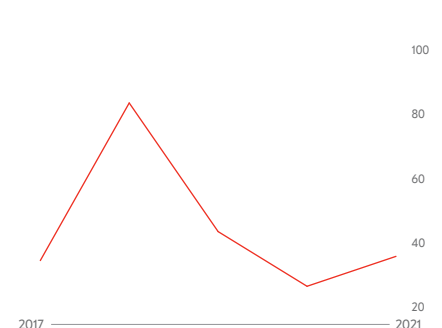
Source: CRU

**Coal, US\$/tonne**



Source: CRU

**Vanadium price (LMB FeV mid), US\$/kg**



Source: Bloomberg

## Vanadium

In 2021, the MB FeV benchmark averaged US\$34.3/kgV, up 37% YoY. This was mainly driven by historically high rebar production in China, as well as restocking throughout the supply chain in the automotive industry. This and continued shipping delays pushed the price to US\$40/kgV in H1 2021. However, the market softened in H2 2021 amid aggressive steel output cuts under China's policy to zero growth in 2021 and a crisis in the country's construction sector. The global shortage of semiconductors also affected car production in H2 2021 and limited demand for microalloyed automotive steel outside China.

Global vanadium demand reached an estimated 114,000 mtV in the reporting period, up 7% YoY. The steel sector was again the main driver of vanadium demand. Steel output recovered strongly in most regions outside China, as demand from key industries almost reached pre-pandemic levels. The market in China was supported by rapidly growing demand for vanadium-based energy storage. Overall, the trading environment is expected to be fairly balanced in the medium term, supported by further demand growth from the automotive and energy storage sectors.

## Trends on core markets



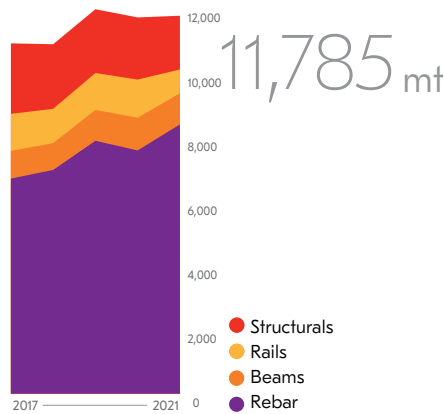
# TRENDS ON CORE MARKETS

## Steel Russia

In 2021, Russian steel consumption taking into account pipes and primary materials for pipes according to Metal Expert, totalled 57.0 million tonnes, up 3.3% YoY, amid better economic conditions. Total apparent consumption for long products increased by 2.0% to 16.8 million tonnes. In the railway segment trends were mixed. Russian rail market decreased by 37.7% in the year, but demand for wheels remained high. The construction sector recovered, with demand increasing by 10.7% for rebars, while it decreased by 10.5% for structural steel amid delay of some industrial and commercial construction projects in late 2021 due to high prices volatility. Domestic shipments of long products amounted to 16.1 million tonnes, a historical high. There was a significant improvement in the rebar segment. Exports of long products amounted to 4.4 million tonnes, compared with 3.9 million tonnes in 2020. This marked the continuation of a positive trend for a second year, despite the introduction of export duties on ferrous metals since 1 August 2021.

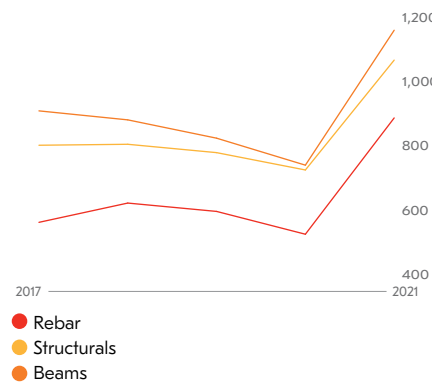
In the reporting period, crude steel production in Russia amounted to 76.0 million tonnes, up 6.1% YoY, according to the World Steel Association data. Russian steel prices fluctuated in accordance with global benchmarks. Average domestic prices for rebar were up by 71% YoY, for channels and angles up by 48% YoY and for beams up by 58% YoY.

Russian steel consumption by product type, million tonnes



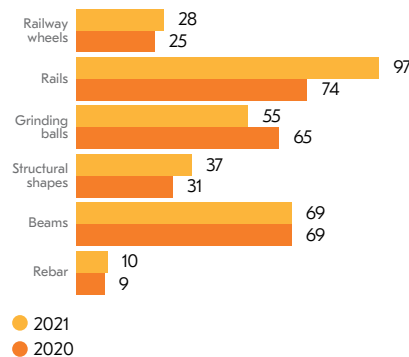
Source: Metal Expert

Russian steel prices, US\$/t



Source: Metal Expert

EVRAZ market shares in Russia by key products, %



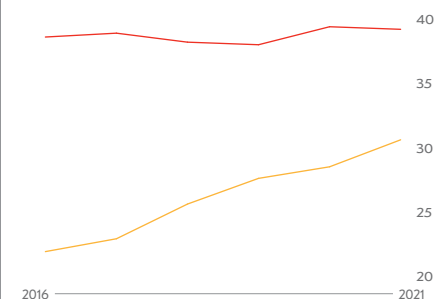
Source: Company estimates

## Coal Russia

After a challenging 2020 year, domestic coal demand improved in 2021 as output recovered. Estimated Russian mining volumes increased to 103.4 million tonnes, up 14.7% YoY, while coking coal concentrate consumption reached around 38.9 million tonnes, as coke production rose amid the recovery following the first year of the pandemic. Coking coal exports climbed by 73% to 30.3 million tonnes, reaching a record high in August, with sales increasing most in Asian markets.

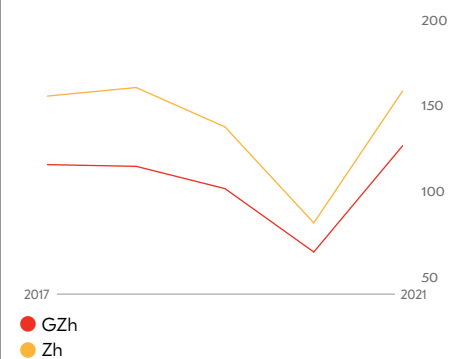
Russian prices of metallurgical coal followed international benchmarks during the reporting period. Prices started to rise more rapidly in Q2 2021. During the year, the FCA Kuzbass benchmark price averaged US\$159/tonne for premium Zh-grade coking coal, up 99% year-on-year, and US\$126/tonne for the semi-hard GZh-grade, up 103%.

Russian metallurgical coal consumption, million tonnes



Source: Metal Expert

Coal prices, US\$/tonne



Source: Metal Expert

## Steel North America

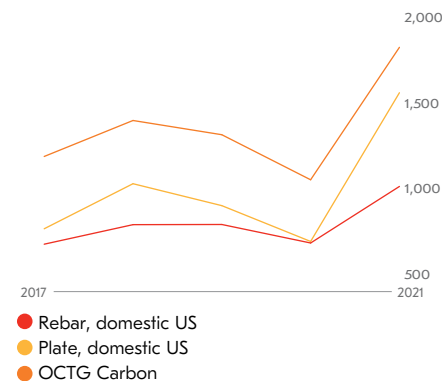
Through 2021, North American steel markets recovered from the impact of COVID-19, driven by improved demand and record-high steel prices. Estimated domestic steel production totalled 92.1 million tonnes, up 29% YoY, while annualised US steel imports of finished products totalled 31.1 million tonnes, up 61%. US steel mill utilisation ended the year at 81.1%, down from a two-year high of 85% in September 2021. In addition to rising raw material costs, tightness in domestic supply, strong demand and low service-centre inventories supported strong price increases: the averages for carbon plate and hot-rolled coil soared by 132% and 174% to US\$1,536/tonne and US\$1,734/tonne, respectively.

In the reporting period, US steel product consumption totalled an estimated 115.2 million tonnes, up 36% from 85.0 million tonnes in 2020. Total apparent demand for all long products rose by 41% YoY. Estimated North American rail demand amounted to around 900 thousand tonnes,

up 1%, with growth in domestic production offsetting reduced import volumes. Estimated North American demand for rod and bar products reached around 11 million tonnes, up 5%. Strength in the non-residential construction sector and supply-side constraints created a favourable environment for EVRAZ North America's products. Wire rod prices averaged US\$928/tonne, up 38%, while rebar prices averaged US\$989/tonne up 44%.

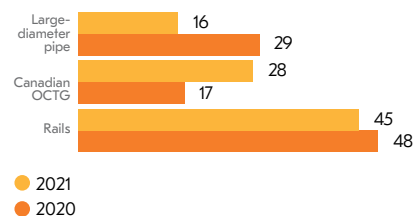
In 2021, North American OCTG shipments totalled 3.8 million tonnes, up 28% year-on-year. Line pipe shipments amounted to 1.5 million tonnes, down 37%, driven largely by a decline in major pipeline projects. ERW OCTG and line pipe prices averaged US\$1,800/tonne and US\$2,300/tonne, up 60% and 64%, respectively. Average seamless OCTG prices rose by 44% to US\$1,980/tonne. Raw material cost increases, improved pipe demand and mill supply constraints supported strong price gains. In 2022, crude oil and gas prices look set to remain elevated, which will drive E&P spending, land rig deployment and OCTG and line pipe demand.

### North America prices, US\$/tonne



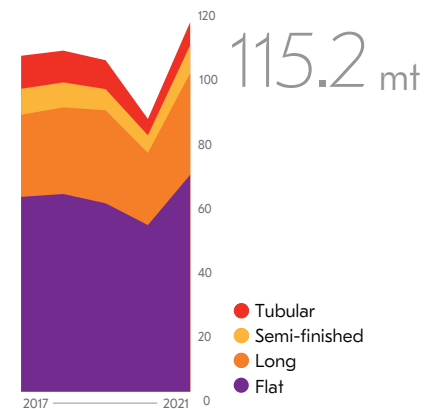
Source: CRU, Pipelogix

### EVRAZ market shares in North America by key products, %



Source: Company estimates

### US finished steel consumption, million tonnes



Source: Platts

