



STEEL MARKET INSIGHT - MARCH 2022

We are deeply saddened by Russia's actions and are inspired by the bravery and resilience of the Ukrainian people, many of whom have been displaced as a result of the invasion. In response to the humanitarian crisis unfolding in Ukraine, ParkerSteel is committed to donating essential supplies to support all those affected. We hope to see a swift end to this unprecedented war and a return to peace in the near future.

 **ParkerSteel joins in solidarity
with the Ukrainian people
#WeStandWithUkraine**



Given the horrendous human tragedy in Ukraine, the economic implications of the invasion may be far from the thoughts of many right now but it is our job to stay transparent and inform our customers about its potential knock-on effects.

The international sanctions against Russia will impact people across the globe, including the UK. We have already witnessed significant price jumps over the last week, particularly in plate and raw materials, and similar trends have been predicted for the future. The impact of Russia's invasion into Ukraine is expected to deeply disrupt already-weakened global supply chains and may result in an enormous surge in energy prices, and in fact most supplies for most businesses and households.

Steel Supply Chains

The extensive sanctions on Russia and Belarus, as a result of the Ukraine invasion, has halted the export of many products from all three countries, including steel. In 2021, the UK imported over 60,000 tonnes of steel from Russia and over 350,000 tonnes from Ukraine.

The primary imported products are slab and billets, which are manufactured into HR coil sheet or plate. Additionally, finished steel products (Largest mill being MetInvest) are no longer being imported into the UK. As a result, plate prices have skyrocketed over the last week, moving at least 40% in a matter of days. Furthermore, merchant bar has also been impacted, with prices climbing close to 30% in a week. Hollow section which predominately comes from Turkey and also Tata Steel in the UK, have had their raw materials skyrocket meaning finished goods products have risen a minimum of 25%. Last, but not least, Heavy Section; Most major heavy section mills remain off the market to assess the full impact of the disruption, but estimates are the prices could return some 20% higher in the coming weeks.

All of these increases are what we have seen in the last fortnight and ultimately there is still no clarity on what further increases may/may not happen. We will continue to do our best to keep you abreast of the situation.

STEEL MARKET INSIGHT - MARCH 2022

Industry Challenges

Scrap

Russia and Ukraine export roughly 2.5million tonnes of scrap to Turkey, which may indirectly affect steel prices in the UK. While Turkey has not imposed any sanctions on Russia to date, scrap supplies from the Baltic have been temporarily halted.

Turkish scrap prices have soared and could reach \$700 by the close of this week, a monstrous \$250/t climb since the start of the year. A Turkish mill source commented, "Everything has gone out of control. This is an extraordinary situation and people are trying to get the most from it."

Scrap



Energy

Russia is the world's largest exporter of natural gas and the second largest exporter of crude oil. Due to the sanctions levied on Russia by the UK and many other western countries, energy prices have inevitably surged as a result.

With pump prices in the UK expected to reach £2 per litre by month end and with the US declaring a sanction on Russian Oil imports which account for a minimum of 10% of their consumption, the short term spikes are dramatic.

Furthermore, the gas prices, have meant dramatic increase in steel production costs as well as daily living costs.

Brent Crude Oil



Natural Gas



STEEL MARKET INSIGHT - MARCH 2022

Logistics

Shipping prices globally have taken a further step up, in part driven by availability but also the soaring energy costs. Widespread supply fears have prompted mass bookings globally, and in certain circumstances we are seeing prices go up at least 30%, to well over \$200/t for steel products.

Port congestion remains an issue for all, and domestic UK logistics will have to adapt to the rising fuel costs.

Our Position

Our secure network of global supply chains allows us to adapt to unprecedented circumstances such as these. As we do not purchase steel directly from Russia or Ukraine, the disrupted supply chain in Eastern Europe is unlikely to affect our stock availability.

In preparation for increased demand in the upcoming months, we have recently received several large break bulk steel deliveries into our semi-dedicated local port facility, as well as secured future supplies into the summer to mitigate as much disruption as possible. We are doing everything we possibly can to ensure we can continue to offer our customers the best product availability, service and price.

What It Means For You

It is impossible to predict the length and outcome of the Russia-Ukraine war with any certainty. However, it is highly likely that steel prices will continue to rise in the near future. In order to avoid upcoming price increases or availability issues that may occur, we recommend that our customers secure the steel you need for your upcoming projects as soon as possible. Use our advanced online ordering system for your procurement or speak to your personal Account Manager for additional information and assistance. We are very keen to discuss your requirements and do our utmost to assist your business navigate through these turbulent times.