COVID-19 and the steel industry

Presentation at ISS 2021
15 April 2021

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- worldsteel’s response to COVID-19
- Looking beyond the pandemic
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The pandemic’s impact on steel demand
Steel demand, finished steel (SRO October 2020)

*World growth rates based on adjusted Chinese growth rates
Key updates on the SRO

- April 2021 SRO shows a further improvement for steel demand in 2020 compared to the October 2020 forecasts for both developed and developing economies.
- Despite a benign global figure, double-digit declines in steel demand were seen in many countries in 2020.
- Emerging economies were more vulnerable to the pandemic due to stricter confinement measures, falling raw materials prices, collapses in tourism, insufficient fiscal support.
- In 2021, a healthy recovery is expected in both developed and developing economies.
- Steel demand in developing economies is expected to rebound more strongly than in developed economies and is expected to return to the pre-pandemic level in 2021. For developed economies, it will probably take longer.
- A stable recovery is expected to continue into 2022 with some moderation of growth.
- Uncertainty in the evolution of the pandemic and vaccination raises both upside and downside risks.
Steel use in 2022 as % of 2019

Steel demand, finished steel (SRO April 2021)
Uncertainties and risks

- Evolution of the pandemic and delays in vaccination
- Recovery beyond pent-up demand
- Reversal of fiscal and monetary policy stances
- Geopolitics
GFC vs COVID-19 impact compared

The COVID-19 crisis leaves less impact on steel demand than GFC

Source: IHSMarkit, worldsteel October 2020 SRO
worldsteel’s response to COVID-19
worldsteel’s SHCO response to COVID-19

First Guidance note **March 2020**

First call with members to improve guidance note **April 8, 2020**

Second call with members (back to workplaces) **May, 2020**

Steel Safety Day postponed until October **March 2020**

Webinar 3M Personal Protection Equipment **May 13, 2020**

Webinar Mental Health **June 4, 2020**

Ongoing upload of resources to Extranet
Experiences from worldsteel members to ensure business continuity:

- Communication
- Workplace hygiene
- Promote social distancing
- Working from home
- General practices involving on-site medical staff
- Workplace hygiene (shop floor oriented)
- PPE and other controls
- Scheduling and staffing
- General practices involving frontline broader stakeholder groups
Recommended critical controls

- Physical removal of vulnerable workers from the sites (operational and staff)
- Physical separation of workers who remain on site by implementing social distancing controls
- Minimising the numbers of people on worksites by setting people up to work from home (WFH)
- Increased use of PPE to protect workforce
- Rigorous testing and screening protocols to identify new cases, particularly those that may be asymptomatic
- To monitor conformance levels
Results from the COVID-19 survey 2021
worldsteel members survey 2021

How the pandemic affected the number of **EMPLOYEES**

- **66%** - There was no change in the headcount
- **34%** - There was a decrease in the headcount

The pandemic affected the number of **CONTRACTORS**

- **40%** - There was no change in the headcount
- **60%** - There was a decrease in the headcount

According to the survey results, contractors were more affected in headcount reductions during the pandemic.
<table>
<thead>
<tr>
<th>Action</th>
<th>Implemented and will likely continue after the pandemic</th>
<th>Implemented and will stop after the pandemic</th>
<th>Not implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical removal of vulnerable workers from the sites (operational and staff)</td>
<td>53%</td>
<td>36%</td>
<td>10%</td>
</tr>
<tr>
<td>Physical separation of workers who remain on site by implementing social distancing controls</td>
<td>66%</td>
<td>34%</td>
<td>0%</td>
</tr>
<tr>
<td>Replacement of physical meetings with video conferencing</td>
<td>82%</td>
<td>17%</td>
<td>2%</td>
</tr>
<tr>
<td>Create technical requirements for working from home and increase the use of this work format</td>
<td>53%</td>
<td>33%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Worldsteel Members Survey 2021
## worldsteel members survey 2021

<table>
<thead>
<tr>
<th>Measure</th>
<th>Likely Continue After Pandemic</th>
<th>Stop After Pandemic</th>
<th>Not Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hygiene measures reinforcement</td>
<td>89%</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td>Establishment of a crisis committee and pandemic clauses</td>
<td>78%</td>
<td>20%</td>
<td>2%</td>
</tr>
<tr>
<td>Reduced working hours or short-time work</td>
<td>3%</td>
<td>47%</td>
<td>50%</td>
</tr>
</tbody>
</table>
COVID-19 impact channels – short term

Supply shock
- Containment measures >> factory shutdowns and shortage of labour >> supply chain disruptions

Demand shock
- Confinement measures >> freeze in consumption activities
- Unemployment >> less income

Confidence shock
- Fear and uncertainty about the virus and its impact >> financial market volatility, weak confidence

• Will these have a lasting impact?
• How will megatrends be affected by the pandemic?
Pre-COVID Megatrends

International
- Backlash against globalisation
- Shifting global power, great decoupling
- Weakening of global institutions
- Rising protectionism

Social/Political
- Political polarisation, nationalism
- Rising inequality
- Ageing population
- Urbanisation
- Rising climate change pressure

Technology
- Digitisation
- Automation
Reaction to the pandemic

- Acceleration in ongoing megatrends
- Renewed focus on resilience, health & safety, government role

**Behavioural Changes**
- Increased tele-activities
- Shift in preferences
- Environmental awareness

**Resilience building**
- Business: supply chain resilience, automation
- Government: safety, industrial policies
- Consumer: higher savings

**Domestic/International politics**
- Globalisation revisited
- New pattern of international relations
- State role as protector and last resort, nationalism
Pre-COVID trends in the steel industry

- CO₂ mitigation efforts
- Slow demand growth
- Auto industry transformation
- New concept of urban mobility
- Shift in regional growth driver, rising protectionism
- Smart cities
- Energy transformation
- Smart manufacturing
Long term economic uncertainty

- The pandemic’s impact on productivity: education, health, work arrangements, wider adaptation of IT and ICT
- Larger than expected economic damage from the pandemic
- Rising inflationary pressure and tax burdens
- Changes in social behaviour
- Changes in international relations
- Climate change responses
Impact on steel using sectors

- Resilience building
- Industrial and trade policies
- Environmental protection

- Shift in demand for space with remote work and e-commerce
- Urban transformation
- Green recovery

- Transition to EV, automation
- Sharing economy
- New urban mobility

- Green investment
- Digitisation/automation
Concluding remarks

- Global steel demand has fared better with the pandemic than with the financial crisis. Healthy rebound expected in 2021-22.

- Operational side also performed well.

- The pandemic will bring a far-reaching transformation of society, offering additional challenges to the steel industry; in particular, structural changes in the steel using sectors, increased environmental pressure.

- Steel will be part of the solution and will also see new opportunities from new investments required for the low-carbon society.
Presenter

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