

PRESS RELEASE – worldsteel Short Range Outlook October 2024

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The World Steel Association (worldsteel) today released an update of the Short Range Outlook (SRO) for 2024 and 2025. worldsteel forecasts that this year global steel demand will drop further by 0.9% to 1,751 Mt. After three years of decline, we expect to see a broad-based recovery in the world excluding China in 2025. Global steel demand is forecast to finally rebound by 1.2% in 2025 to reach 1,772 Mt.

Commenting on the outlook, Dr. Martin Theuringer, Managing Director, German Steel Association and Chair of the worldsteel Economics Committee, said, “2024 has been a difficult year for global steel demand as the global manufacturing sector continued to grapple with persistent headwinds such as declining household purchasing power, aggressive monetary tightening, and escalating geopolitical uncertainties. The ongoing weakness in housing construction, which is driven by tight financing conditions and high costs, has further contributed to the sluggish demand for steel.

We are making significant downward revisions to our 2024 steel demand outlook for most major economies, including China, reflecting the persistent weakness in manufacturing alongside lingering global economic headwinds. We now anticipate a notable decline in steel demand in China and most major developed economies in 2024. In stark contrast, India is expected to maintain its strong momentum, with robust growth in steel demand projected for both 2024 and 2025. Most other major developing economies are expected to witness a rebound in steel demand in 2024, recovering from the slowdown experienced in 2022-2023.

Despite ongoing challenges posed by factors like lingering effects of monetary tightening, elevated costs, limited affordability, and geopolitical uncertainties, we are cautiously optimistic that global steel demand will enter a phase of broad-based moderate growth in 2025. The key determinants of the global steel demand outlook for 2025-2026 will be the progress made in the stabilisation of China’s real estate sector, effectiveness of interest rate adjustments in spurring private consumption and business investment, and the trajectory of infrastructure spending dedicated to decarbonisation and digital transformation across major global economies.”

The ongoing downturn in the **Chinese** real estate sector is expected to dominate steel demand in China, resulting in a 3.0% decline in 2024 and a further 1.0% in 2025. We acknowledge an upside risk to our 2025 forecast. There is a growing possibility of more substantial government intervention and support for the real economy, which could bolster Chinese steel demand in 2025.

Steel demand in the **developing world excluding China** is projected to grow by 3.5% in 2024 and 4.2% in 2025, driven by India's robust growth and a rebound in other major emerging economies.

India has emerged as the strongest driver of steel demand growth since 2021, and this trend is set to continue. We are maintaining our robust growth projections for India, anticipating an 8.0% increase in steel demand over 2024 and 2025. This expansion is fuelled by growth across all steel-consuming sectors, especially by continued strong growth in infrastructure investments.

Steel demand in other **emerging economies of the world**, such as the **MENA** and **ASEAN** regions, is expected to rebound in 2024 after a significant slowdown over 2022-2023.

The **developed world** is projected to experience a 2.0% decrease in steel demand in 2024, as major steel-using economies like the US, Japan, Korea and Germany face significant declines. However, there is optimism for 2025, with a projected growth of 1.9% in developed world steel demand. This anticipated recovery is driven by the long-awaited upturn in steel demand in the EU, and modest recoveries in the US and Japan.

Steel using sector trends

Persistent weakness in global manufacturing activity. Our earlier projection of a continued recovery in global manufacturing activity in 2024 has not materialised. Instead, the sector experienced a downturn in the third quarter, diverging from the initial growth observed in the first months of the year and the positive signals from leading indicators. We observed that a significant contributor to the manufacturing slowdown is the ongoing reluctance of households and businesses to invest in durable goods. High costs, economic uncertainty, and tighter financing conditions have created a "wait-and-see" attitude, delaying spending decisions. The lingering effects of the past three years of inflation have eroded the purchasing power of many middle- and lower-income families, further dampening demand for manufactured goods.

Despite the current challenges, there are reasons for cautious optimism regarding **a potential recovery in global manufacturing in 2025**. The resilience of the global economy, easing of financing conditions, pent-up demand and increases in real income seen in major economies such as the eurozone and Japan should support a recovery in private consumption and investments, and hence a recovery in global manufacturing activity in 2025.

Housing construction activity has remained subdued in most major markets throughout 2024, continuing to weigh on steel demand, especially in key regions like China, the US, the EU, Japan, and Korea. After a period of robust growth fuelled by historically low interest rates, housing activity experienced a sharp decline in 2023 across many major economies as central banks aggressively raised borrowing costs to combat soaring inflation. This slowdown has persisted into 2024, impacting the construction sector and consequently, steel demand. A meaningful recovery in residential construction (in the EU, US, and Korea) is expected to begin from 2025 onwards with the expected easing of financing conditions.

After an exceptional year of double-digit growth across major auto-producing nations in 2023, the **automotive** sector is bracing for a significant slowdown in 2024. Light vehicle production forecasts are being revised downwards across the board due to mounting concerns over rising inventories and a deceleration in battery electric vehicle (BEV) sales in key markets. This shift marks a stark contrast to the previous year's robust performance, highlighting the industry's vulnerability to evolving market dynamics and potential challenges ahead. We expect global light vehicle production to show modest growth in 2025.

Robust investment in manufacturing facilities and public infrastructure has underpinned global steel demand throughout 2023 and into 2024. Major economies around the world have sustained growth in these investment areas, building on the momentum from 2023. These strategic investments aim to enhance productivity, stimulate job creation, accelerate climate change mitigation efforts, and secure a leading position in the industries of the future. Escalating construction costs, labour shortages, and mounting fiscal debt may pose significant challenges for many major economies, potentially limiting further growth in these investment areas in the near term.

The green transition of the world economy is one of the major factors behind the strength in public infrastructure investments, as it necessitates an economic transformation of immense scale and complexity. Steel demand for expanding global electricity grids is likely to double by the end of the decade, reaching approximately 20 million tonnes per year, a substantial increase from the current pace of 10 million tonnes per year. We estimate that expanding global renewable energy generation capacity and connecting it to demand centres will necessitate a steel demand increase of approximately 40 Mt by the end of the decade. This is likely to give quite a noticeable support to overall steel demand in both major developing economies such as China and India, and developed economies, especially Europe and North America.

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Notes

- The World Steel Association (worldsteel) is one of the largest and most dynamic industry associations in the world, with members in every major steel-producing country. worldsteel represents steel producers, national and regional steel industry associations, and steel research institutes. Members represent around 85% of global steel production.
- The SRO includes presentations, estimates and other information that are forward-looking. While these forward-looking statements represent our current judgement on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect worldsteel's opinions only as of the date of this release.