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SEAIISI: 2022 appears to be yet another challenging year

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After two years of lockdown restrictions all over the world, the South East Asia and Steel Institute (SEAIISI) has managed to finally gather the representatives of the Asian steel sector and other participants at a physical conference, held in Malaysia on November 14-18. During the conference, the SEAIISI shared the results of the ASEAN-6 countries' steel sector for the first half of 2022 and the forecast for the whole year, which, however, is considered as “too optimistic” by market insiders given the numerous challenges the industry has faced this year.

In the first half of 2022, steel consumption in the ASEAN region (based on demand from the six main countries) increased by two percent to 35.6 million mt driven mainly by the better performance of Malaysia, Indonesia and Vietnam. The strongest support came from Malaysia, whose consumption registered 30.4 percent growth to 3 million mt, given the increase in steel exports (15 percent year on year). Following Malaysia, Indonesia registered a 1.5 percent increase to 6.6 million mt. Steel consumption in Vietnam increased by around 1.8 percent to 10.9 million my, and Singapore showed the same result as last year at 1.3 million mt, while demand in the Philippines and Thailand dropped by four percent and 14 percent to 4.6 million mt and 8.6 million mt, respectively.

In the meantime, SEAIISI said that demand in the ASEAN region is forecasted to increase by 3.6 percent to 77.9 million mt in 2022, though the projected increase is still subject to significant global risks from high inflation and volatile prices amid slowing demand in China and the region. “2022 appears to be yet another challenging year with high commodity prices, the continuing war in Ukraine impacting the supply chain for food and energy leading to high inflation, and the worsening China economy,” Yeoh Wee Jin, general secretary of the SEAIISI, said.

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“While there is war in Ukraine, Asia should increase domestic share and reduce imports to stay afloat,” Silmy Karim, SEASI chairman, said.

Meanwhile, the announced consumption forecast was estimated as “too optimistic” by many market insiders given the numerous challenges the steel sector has faced. “The key point is the Covid-19 policy in China, which has led to the property crisis and as a result has affected the ASEAN steel industry,” Yeoh Wee Jin added. “We see massive production cuts in the ASEAN region, with the worst situation in Vietnam, where those mills who have not shut production so far, are actually working at around a 30 percent capacity utilization rate,” a Vietnamese mill’s representative told SteelOrbis. Furthermore, a representative of the Vietnam Steel Association also mentioned that consumption is likely to drop this year and could be even worse in 2023. “We have some hopes for a recovery in the second half of 2023, but again the market is too uncertain” he added.

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