

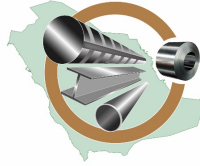
Prices of Iron Ore and its finished products rise to unprecedented levels

Riyadh – December 30, 2020: The second half of 2020 witnessed recurrent and sudden increases in the prices of various steel products, which peaked last December, with prices of hot-rolled steel coils for example, increasing by more than US\$ 100 per ton in a single month. The prices of long and flat steel products have reached their highest levels since 2011 given a number of factors, mainly China's sudden shift in the second third of 2020 from being a major net exporter of steel products to a major net importer of raw materials and semi-finished and finished products. This affected the global steel supply chains, as well as the supplies of iron ore in key producing countries, mainly Brazil, which was severely impacted by the Coronavirus pandemic, and the recent collapse of Brazil's Vale Mining Company iron ore mine, giving rise to supply shortage concerns.

While Brazil's iron ore exports declined by 9% y-o-y in 2020, fears of continued dwindling of iron ore supplies persisted also in Australia, the world's largest iron ore producer, as the hurricane season drew near. Australia's exports to the historically largest importer, China, decreased sharply, while the price of iron ore rose to a record high of US\$ 177 at the start of the fourth week of December 2020, or twice its H1' 2020G level, where it reached US\$ 87 in May and US\$ 124 in August. Moreover, the price of scrap iron reached US\$ 475, after recording an average of US\$ 250 in May, and the price of zinc, which is used in coating galvanized and pre-painted steel products, rose from an average of US\$ 1,963 in May to US\$ 2,817 on 24 December 2020, according to London Metal Exchange data reports.

China is the world's largest producer of steel products, with a share of 53% of the world's 2019 total production of 1,870 billion tons. China exported 87.3 million tons of steel products, 30% less than its 2016 exports. India ranked second with 6% of the world's total production. The greater domestic demand on steel products in both China and India in the second half of 2020 significantly reduced quantities marked for export, further complicating the global supply chains and causing supply to decline and world prices to increase sharply. In addition, lead times increased from 3 months up to 4-5 months.

Prices of iron ore and semi-finished steel products almost doubled over the period from May to December 2020, clearly increasing the prices of finished steel products. As at the date of writing this Report, the outlook for global supply chains and steel product prices



over the coming months, remains uncertain for the majority of stakeholders dealing in steel products, be they manufacturers, merchants or consumers. Some believe that prices will likely continue to rise through the end of Q1' 2021 at the very least, while others expect that restoring balance to global supply chains and lower prices will most probably take a longer time to materialize, perhaps until mid-2021.

At Saudi Arabia's domestic level, the prices of local long and flat steel products underwent successive increases due to higher world prices and short supply of factors of production. Local experts affirmed that the Saudi steel industry, which ranked 20th at the world production level, according to the World Steel Association's "World Steel in Figures" 2020 Report, is characterized by its abundant production capacities and ability to satisfy all the needs of the domestic market of both long and flat steel products.

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