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STEEL UNDER PRESSURE



Founder's Note

Steel, often called the backbone of industrial civilization, is once again at the heart of geopolitical and economic turbulence. As we navigate the second quarter of 2025, the global steel sector is caught between resurgent protectionism, shifting production patterns, and the transition toward decarbonization. Its performance is not merely a reflection of commodity markets — it is a mirror of global supply chain resilience, manufacturing sentiment, and trade power dynamics.

The first four months of 2025 have already reshaped the map for steel producers and shippers. After a decade of relative liberalization, the U.S. restored and expanded Section 232 tariffs on steel imports in January, aiming to revitalize domestic output and curb its trade deficit. But protectionism has costs — and this time, the ripple effects hit faster than before. Prices surged, margins tightened, and traditional trading routes were upended. As major economies retaliated or pivoted, maritime freight flows realigned with new (and often less efficient) partners.

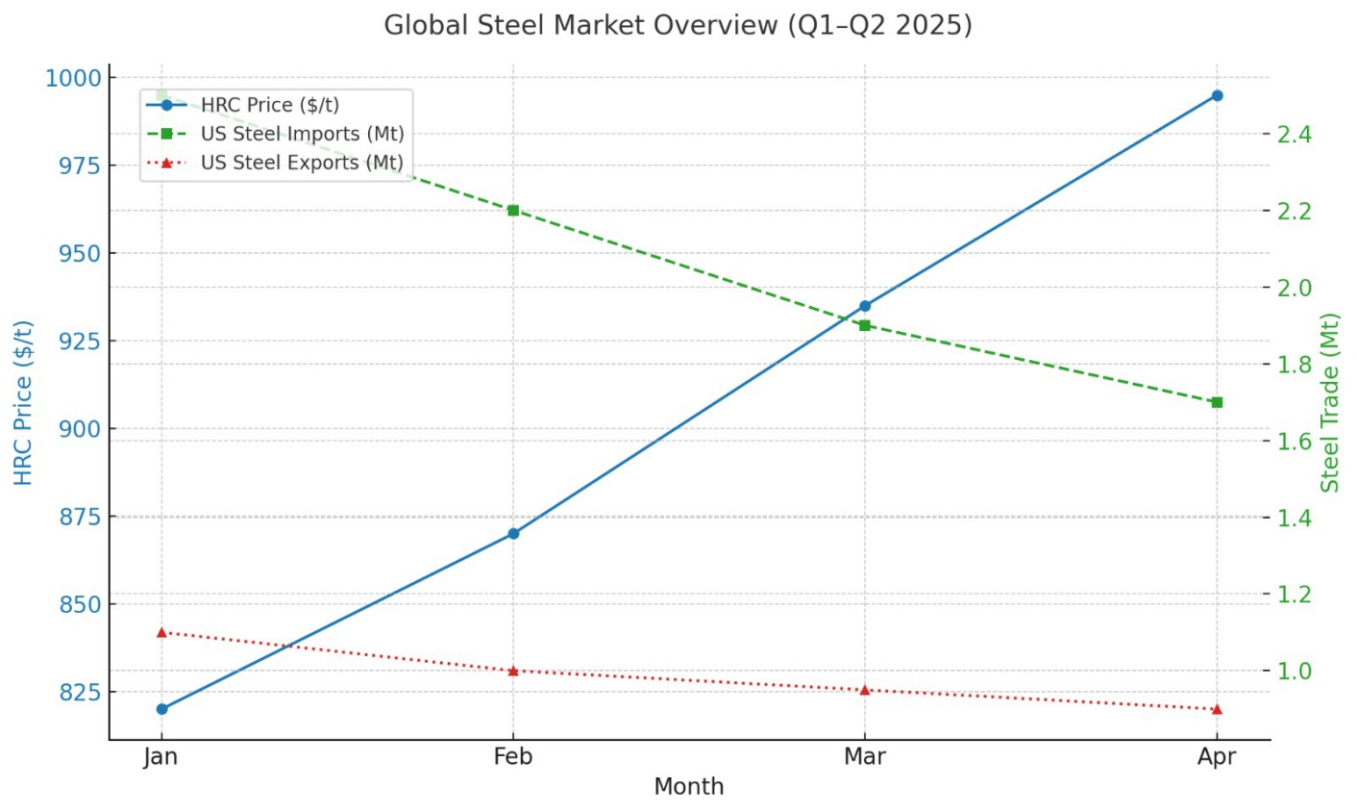
What makes this cycle particularly unique is the convergence of old and new forces: classic geopolitical trade maneuvering now coexists with modern concerns over carbon intensity, circular economies, and green steel standards. While prices for hot-rolled coil in North America soared to $950–995 per short ton by April, questions remain about demand durability, especially from China and the EU, where real estate, auto, and infrastructure sectors are under pressure.
This is not just about prices. It's about trust in global flows, confidence in capacity expansion, and clarity in trade policy. For shippers, brokers, and producers alike, the steel industry's trajectory in 2025 will test how well markets can adapt to political intervention, decarbonization demands, and shifting macroeconomic winds.

The next quarter offers an opportunity — or a trap. Either we recalibrate with resilience, or the current volatility will cascade deeper into global supply chains.

Let's explore the story in depth.

Warm Regards,
Ashish Chhawchharia
Founder & CEO
ACE ShipBrokers

Global Steel Sector Overview (Q1–Q2 2025)



The accompanying chart visualizes these dynamics :

- The blue line shows rising steel prices across Q1 and Q2.
- The green dashed line reflects declining U.S. steel imports.
- The red dotted line tracks U.S. exports — also shrinking steadily.

Steel Market Data Q1-Q2 2025

	Month	HRC Price ($/t)	US Steel Imports (Mt	US Steel Exports (
1	Jan	820	2.5	1.1
2	Feb	870	2.2	1.0
3	Mar	935	1.9	0.95
4	Apr	995	1.7	0.9

The global steel sector in early 2025 has experienced dramatic shifts, shaped by geopolitical tariffs, cost inflation, and evolving trade dynamics. Hot-rolled coil (HRC) prices, a key benchmark for steel, climbed from **$820 per ton in January** to **$995 by April**, marking a sharp **21.3% increase** in just four months. This surge was primarily driven by trade restrictions and constrained supply, notably in the U.S., where domestic producers leveraged Section 232 tariffs to reset pricing power.

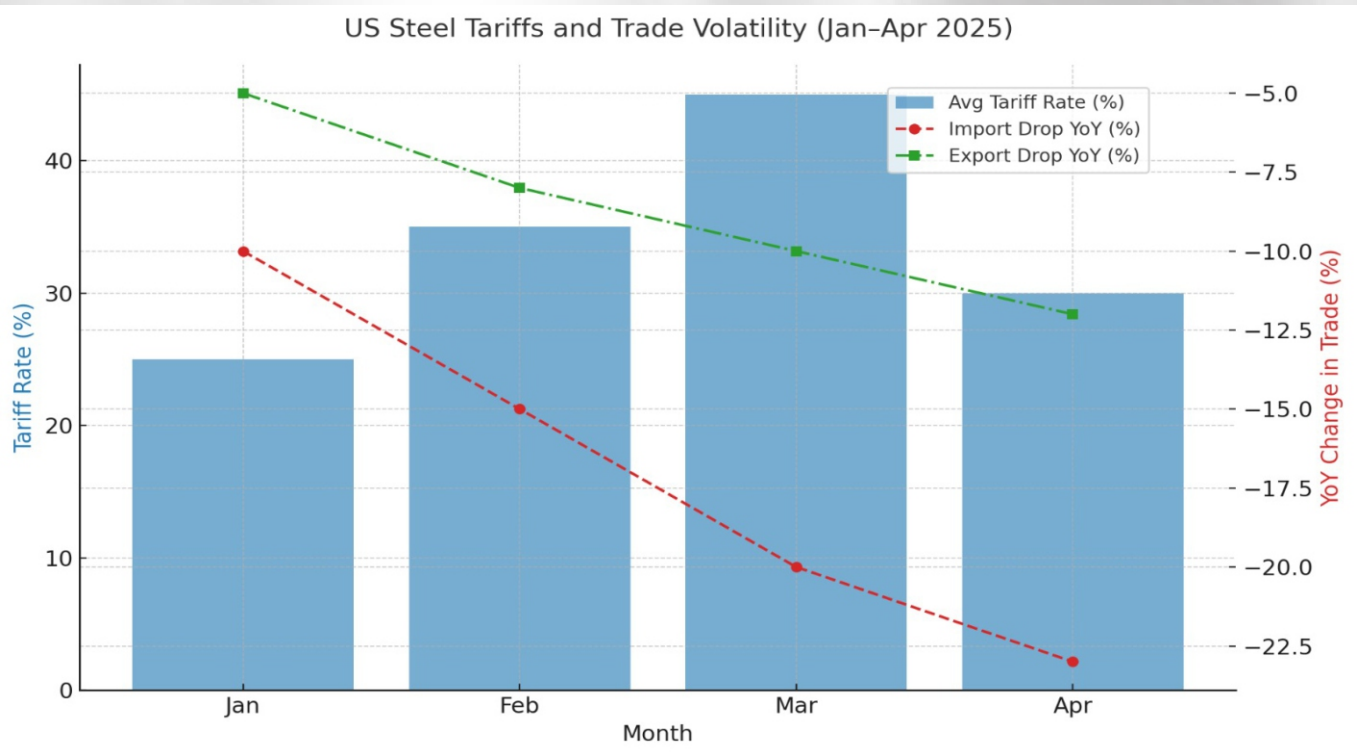
Simultaneously, U.S. steel trade volumes dropped across both imports and exports. Imports declined from **2.5 million tons (Mt)** in January to **1.7 Mt in April**, reflecting the impact of steep duties on suppliers such as China, South Korea, and the EU. Exports also fell from **1.1 Mt to 0.9 Mt**, due to retaliatory tariffs and weakening overseas demand, particularly from construction-slowed Asia.

This imbalance — rising prices but falling volume — is a clear signal of supply chain friction, protectionist policies, and regional substitution. The U.S. market, while buoyant in pricing, is becoming increasingly inward-looking, with ripple effects on maritime freight patterns, especially for bulk carriers handling finished steel and semi-finished billets.

Trade reconfigurations are underway, with Latin America and India emerging as secondary steel routes. However, this is not yet enough to offset losses from curtailed transpacific and transatlantic flows. Going into the next quarter, both steel producers and shippers must brace for a slow, policy-driven realignment of the global steel economy.



US Tariffs and Trade Volatility : A Deeper Dive (Jan–Apr 2025)



From January through April 2025, U.S. trade policy around steel underwent a highly disruptive cycle, defined by aggressive tariff implementations and subsequent market retaliation. The average tariff rate on steel imports climbed from **25% in January** to a peak of **45% in March**, before moderating slightly to **30% in April**. While intended to bolster domestic production, the escalation had a chilling effect on both imports and exports.

Impact on trade :

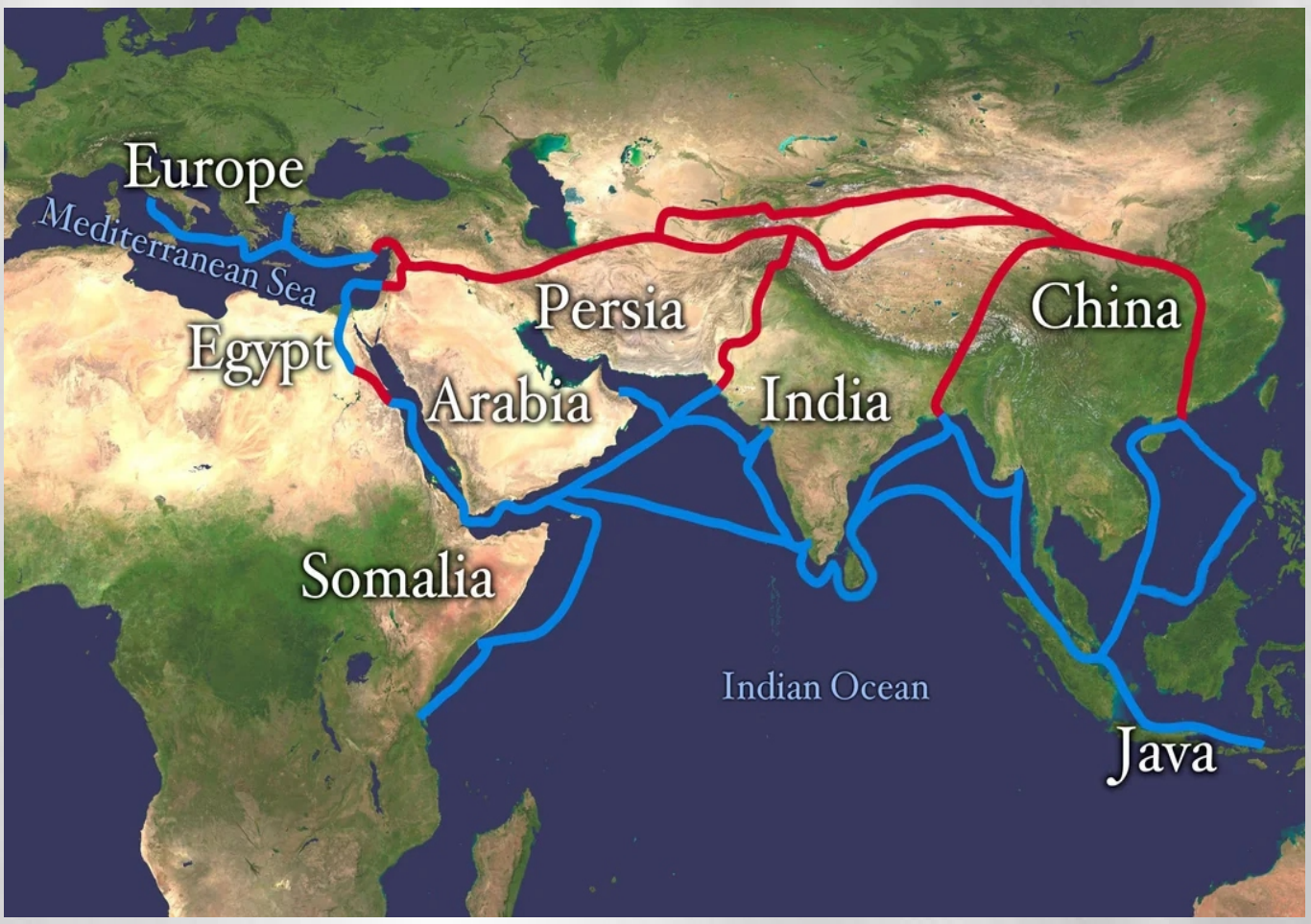
- Imports plunged by 23% year-over-year in April, reflecting the highest trade distortion within the first quarter.
- Exports also fell by 12% YoY, showing global blowback and retaliatory measures from trading partners like China and the EU.

The chart above illustrates the growing volatility:

- The blue bars depict the tariff trajectory.
- The red dashed line shows the year-over-year drop in steel imports.
- The green dotted line tracks the export decline.

Interpretation:

- As tariffs increased, import volumes dropped proportionally. The largest import contraction (–23%) coincided with peak tariffs in March–April.
- Export declines, while less sharp, signaled that U.S. steel became less competitive globally due to elevated domestic pricing and reciprocal trade barriers.
- By April, the tariff softening to 30% prevented further collapse, but the damage to established trade flows had already set in.

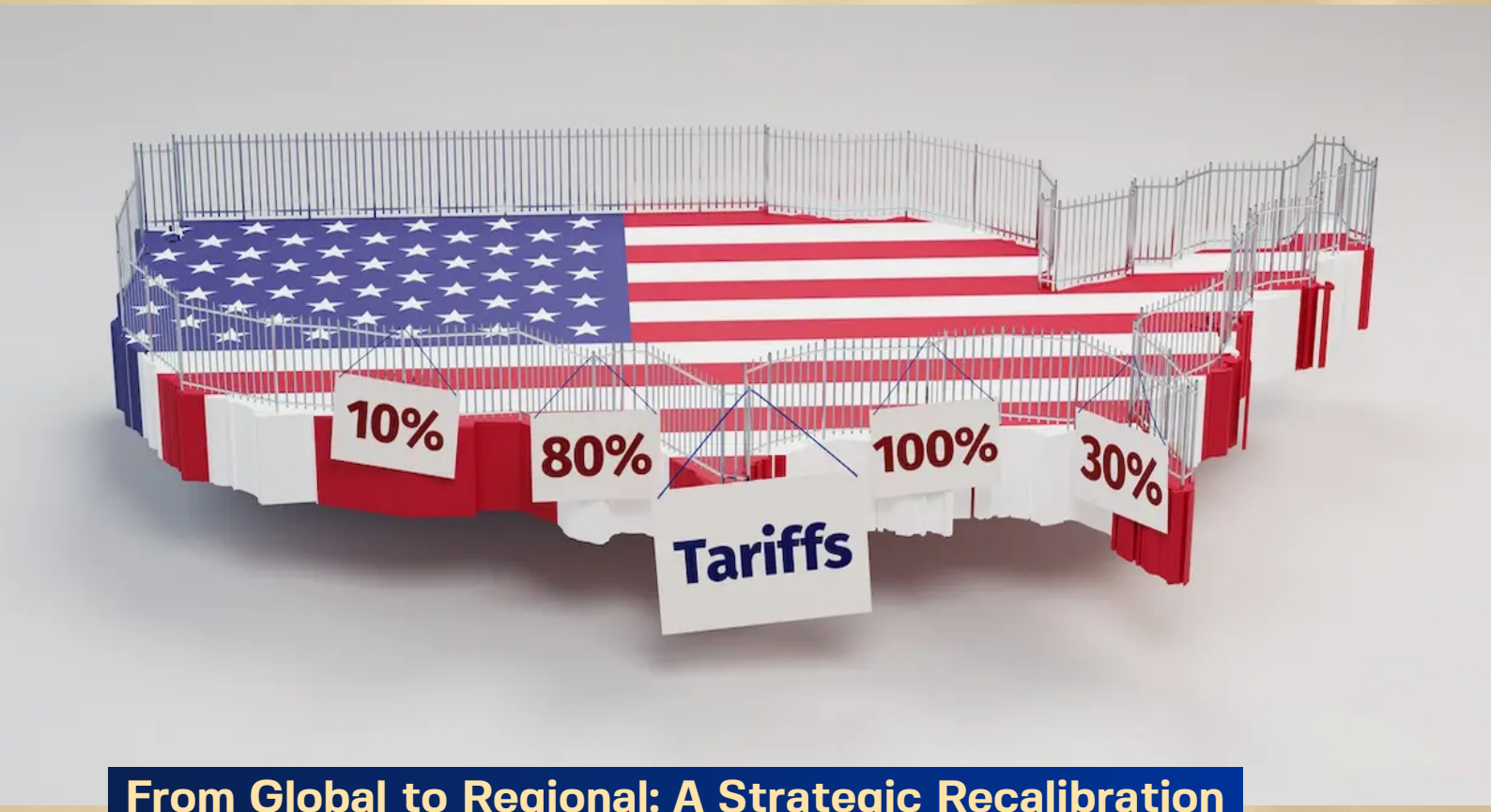


The immediate result for maritime logistics was a **reshuffling of steel trade routes.** Panamax and supramax vessels, traditionally handling finished steel and scrap, reported reduced U.S.-Asia and U.S.-Europe traffic. Freight volume instead began to reorient toward lower-tariff destinations such as Latin America and parts of Africa, though not at the same scale.

As the market digests these tariff maneuvers, volatility in tonnage allocation, rate structures, and port rotations will likely persist through Q2.

Steel in Maritime Trade: New Patterns Emerging

In 2025, steel is not just shaping skylines — it's reshaping shipping routes. The fallout from U.S. tariff policies and global demand realignment has initiated a structural transformation in how steel moves across oceans.



From Global to Regional: A Strategic Recalibration

Historically, steel trade has depended on long-haul routes — Asia to the U.S., Europe to South America, and vice versa. But Q1–Q2 2025 has witnessed a strategic pivot toward regional clustering. With the U.S. imposing steep tariffs (peaking at 45% in March), traditional exporters like China, South Korea, and the EU scaled back shipments to American ports. Instead, China ramped up exports to Southeast Asia, the Middle East, and Africa, while U.S. buyers turned toward Mexico, Brazil, and Turkey, creating new intra-hemispheric steel corridors.

Example:
Brazil's outbound shipments of slab and HRC to U.S. Gulf ports jumped 18% QoQ, offsetting part of the drop from East Asia. In contrast, Chinese bulk steel shipments into West Coast U.S. ports declined nearly 25% in the same window.

Tonnage Imbalance and Rate Divergence

This fragmentation has created a new problem: tonnage imbalance. Ships are now making longer or less optimized return journeys, especially where alternative backhauls don't match the steel volume outbound. This is especially true for panamax and supramax vessels, which once enjoyed regular steel volumes in roundtrip Asia–Americas lanes.

Additionally, freight rates for steel cargoes have bifurcated:

- Rates in the Asia–EU corridor have held up due to consistent demand for semi-finished products and green steel in the EU.
- Meanwhile, transpacific rates have weakened due to lower outbound tonnage from Asia to the U.S., particularly in the supramax class.

Green Steel & ESG in Maritime



Another emerging pattern is the link between green steel demand and low-carbon shipping. As Europe and parts of Asia accelerate their push for ESG-compliant infrastructure, shippers are being asked not only to deliver “clean” steel — but also to do it via low-emission vessels. This has prompted interest in LNG- and methanol-ready bulk carriers and is beginning to impact charter premiums for certified vessels, especially in EU-bound steel trade.

Key Trends to Watch:

- China's westward push: More steel moving to MENA and Sub-Saharan Africa.
- U.S.–Mexico integration: Surge in Mexican long product exports via Gulf Coast routes.
- Recycling flows: U.S. scrap exports rising to offset slab imports, creating new loop dynamics.
- Port congestion shifts: Former hotspots like Long Beach have cooled, while Brazilian and Mediterranean ports are busier.

Bottom Line:

Steel is redrawing the maritime trade map. These are not temporary dislocations — they're the early signs of a structurally altered shipping landscape where geopolitical resilience, carbon credentials, and nearshoring will define the lanes that matter.



Steel Industry Outlook: Q3 2025 and Beyond

As we head into Q3 2025, the global steel industry finds itself navigating a confluence of competing forces — easing tariffs, volatile demand, decarbonization imperatives, and emerging market realignments. The following analysis breaks down the key factors that will influence steel pricing, trade flows, and shipping demand into the second half of 2025.



Tariff Softening & Policy Realignment

The biggest pivot in Q3 will stem from the rollback of U.S. tariffs — reduced from 145% to 30% on critical steel inputs as of May 2025. This policy recalibration, driven by diplomatic pressure and inflationary concerns, will:

- Restore some transpacific and transatlantic trade, particularly with China, South Korea, and the EU.
- Bring price moderation in HRC and CRC markets — expectations suggest Q3 prices may retreat 5–10% from April highs ($995/ton).
- Improve capacity utilization in export-driven producers such as Turkey and Brazil.

However, the market impact will not be immediate. Many shippers and traders remain cautious, awaiting clarity on future tariff structures and trade exemptions.



CN China's Structural Shift

China — historically the world's largest steel producer and consumer — continues its structural rebalancing:

- Domestic steel demand is softening due to real estate deflation and slower industrial activity.
- Steel output remains strong, but export volumes are increasing toward non-U.S. markets (MENA, Southeast Asia).
- Green steel pilot projects and consolidation of overcapacity are expected to curb aggressive price competition, providing stability to global prices.

China's steel exports to the U.S. are unlikely to return to 2018 levels, but secondary partners (Vietnam, Indonesia) may serve as regional intermediaries.



Green Steel & ESG Transition

Q3 will mark further acceleration in green steel investments, particularly in Europe and Japan. Key implications:

- High-emission steel faces growing import penalties under EU's Carbon Border Adjustment Mechanism (CBAM).
- There is increasing charter preference for low-emission maritime carriers, affecting bulk freight selection for ESG-sensitive cargoes.
- Expect a growing premium for direct reduced iron (DRI) and hydrogen-based steel — impacting input sourcing from iron ore producers.



Inventory Overhang & Demand Uncertainty

Steel inventories in major ports (e.g., Antwerp, Houston, Tianjin) remain above seasonal norms, due to:

- Over-ordering during Q1 price surge
- Logistic congestion spillover from Q4 2024
- Trade rerouting delays caused by Red Sea disruptions

Unless end-user demand rebounds significantly (e.g., automotive, construction), these inventories will weigh on Q3 prices.



Maritime Implications

Freight impacts will diverge by region and vessel class:

- Supramax and handysize rates may improve marginally with resumed U.S. steel imports from Brazil and Mexico.
- Capesize segment remains constrained, as iron ore and semi-finished steel demand stagnates.
- New charter preferences are emerging around ESG-aligned tonnage for intra-EU and Asia–EU green steel routes.

Conclusion:
Braced for Rebalancing

As we move into Q3 2025, the steel industry is entering a phase of strategic recalibration rather than recovery. The rollback of U.S. tariffs has eased immediate trade friction, but uncertainty persists — policy shifts have replaced predictability with risk premiums across global supply chains.

More importantly, regionalization and decarbonization are no longer emerging trends — they're market realities. Traditional long-haul steel corridors are fragmenting into resilient, intra-regional routes. At the same time, ESG-aligned practices are beginning to define competitiveness, with green steel and low-emission logistics influencing procurement and freight decisions.

Maritime operators, traders, and producers must now plan for fluid trade flows, regulatory flux, and environmental compliance. The winners in this new cycle will be those who invest in adaptability — not scale alone.

Q3 won't bring a full rebound — but it does signal the beginning of a global steel rebalancing that rewards agility, regional strategy, and carbon awareness.

