



## CHINA STEEL INTELLIGENCE REPORT

# China's deepest downturn

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### China's deepest downturn



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# CHINA'S DEEPEST DOWNTURN

BY TOMAS GUTIERREZ

With official data from the National Bureau of Statistics not due until later in March, this issue seeks to put some perspective on the current Chinese steel market. The years since Covid emerged have been among the most disruptive for Chinese steel markets in recent history. Looking back at previous downturns can help point to a clearer outlook for the coming years.

China's steel industry has grown enormously since the turn of the century, driving the global commodity boom. The downturn in the 2020s is not its first. The industry's trajectory has been bumpy. It is, however, unique. The impact of China's decisions are likely to be felt globally by the industry in the coming years.

To see the big picture, we can look at total apparent steel demand. There have been four distinct steel demand downturns since the early 2000s: the 2008 financial crisis, the 2014-2016 real estate bubble, the first wave of Covid in 2020, and the 2021-2022 Zero Covid and real estate squeeze.

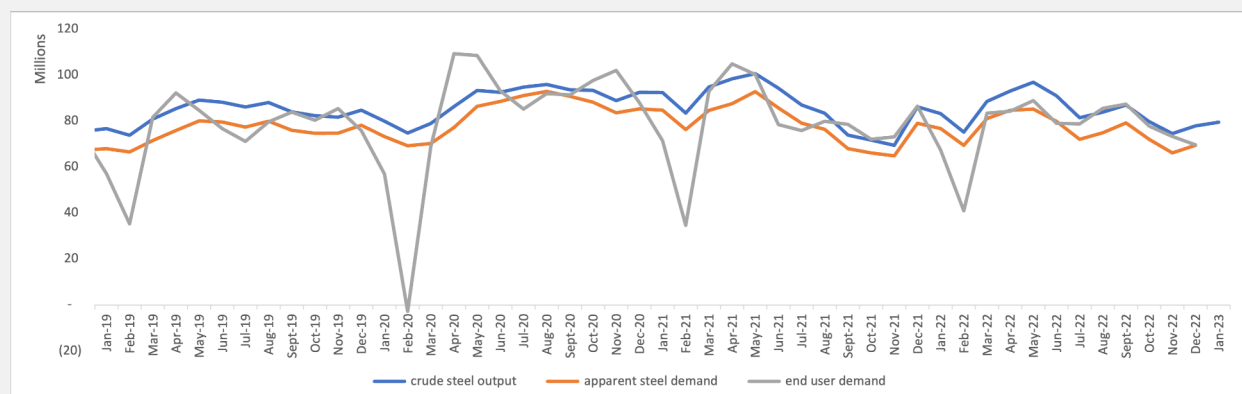
The chart clearly shows the dip and rebound around the global financial crisis, and a smaller but significant dip in early 2020. The dip in 2020 is subdued because this is only apparent demand, and does not show inventory build. In fact, for a couple of weeks in February demand was near zero, with all production going into inventories. Nevertheless, these instances share two things in common. They were

TABLE 1. SUPPLY AND DEMAND

	2021	Jan-Dec2022	Y-o-y	2023 Outlook	Y-o-y
Official crude steel output	1,033	1,018	-1.70%	1053	4.00%
Apparent consumption	943	911	-3.64%	960	5.50%
End user demand	946	916	-3.39%	960	5.00%

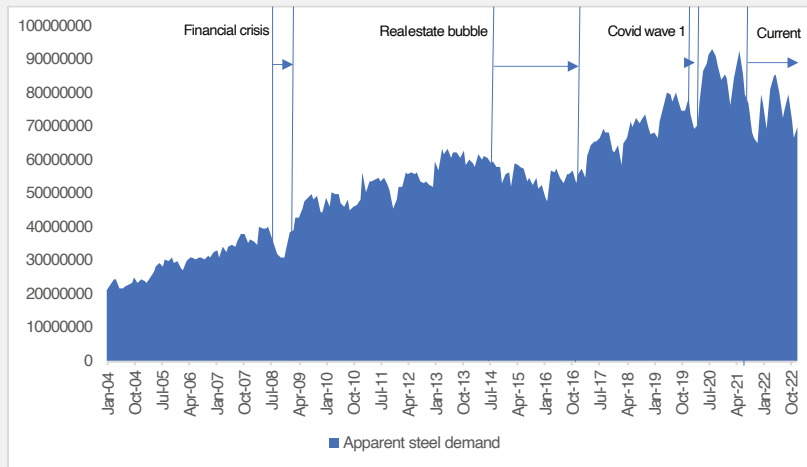
Source: Kallanish. Million Tonnes

FIGURE 1. STEEL PRODUCTION AND DEMAND 2019-2023



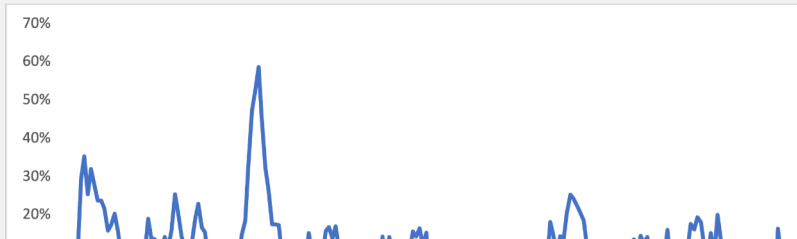
Source: Kallanish. Million Tonnes

**FIGURE 2. FOUR DISTINCT DEMAND DOWNTURNS**



Source: Kallanish (tonnes/month)

**FIGURE 3. INTERNAL DOWNTURNS SEE LONGER NEGATIVE GROWTH**



unexpected external shocks, and they were both rapidly followed by a stimulus-fuelled rebound.

In both cases, the rebound far outweighed the negative impact off the initial event. In 2009, massive stimulus set of a chain of investment which sustained rapid growth in apparent steel demand. From a then-record of 40.22mt of demand in March 2008, the rebound broke a new record in March 2009 and in March 2013 demand topped 60mt in a month for the first time. After a weak February 2020, demand surged to new consecutive records in May, June, July and August, reaching 92.879mt that month.

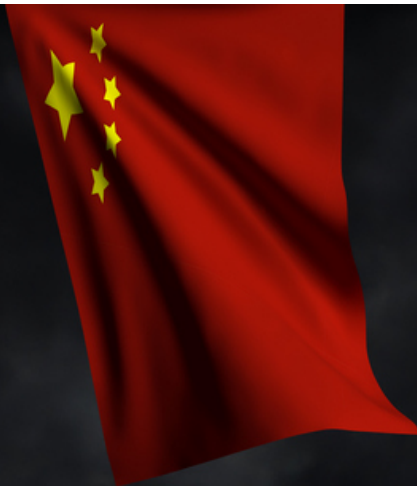
The other two downturns are

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