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A PERIOD OF PEAK STEEL DEMAND

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CHINA'S SCRAP IMPORTS MAY TIGHTEN GLOBAL STEEL MARGINS

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CHINA STEEL INTELLIGENCE

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Table 1. Supply and Demand (million tonnes)

	2019	Jan-Oct 2020	Y-o-y	2020 outlook	Y-o-y
Official crude steel output	996	874	5.50%	1020.0	3.00%
Apparent consumption	896	819	10.10%	954.6	7.00%
End user demand	897	793	7.54%	944.1	5.20%

Source: Kallanish

Figure 1. Daily steel production and demand 2010-2020 (tonnes)
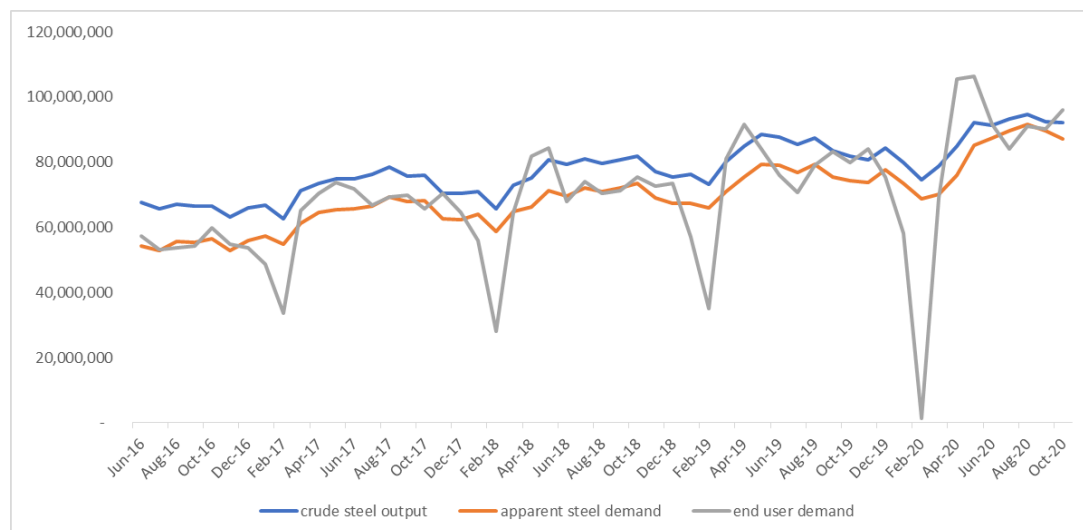
Source: NBS, Kallanish

While global steel markets have been set on fire by news of vaccines and a recovery from the Covid-19 pandemic, China is coming out of a period of peak steel demand.

China produced 92.2 million tonnes of crude steel in October, up 12.7% year-on-year, according to the National Bureau of Statistics (NBS). That brought crude steel output over January-October to 873.93mt, up 5.5% y-o-y. October output was marginally lower than September, but overall output has remained at high levels. Unlike September however, October saw real demand firm to the highest level since May. Apparent steel demand was actually slightly lower as China's trade balance shifted towards exports again. Once the rapid decline in steel market inventories is taken into account however, end user demand in October hit just over 96mt, up 20% from the disappointing October 2019. The drawdown in inventories also meant that the inventory rate fell to the second lowest level of the year at 75%. This remains higher than 67.6% in October 2019 but this was a marked contrast with September when the inventory rate actually increased slightly. Overall, these spot market trends in October helped set up a sharp rally in market prices which continued through November.

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