



## CHINA STEEL INTELLIGENCE REPORT

# Chinese steel demand will still grow in 2023

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### Chinese steel demand will still grow in 2023



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# CHINESE STEEL DEMAND WILL STILL GROW IN 2023

BY TOMAS GUTIERREZ

Now that the panic in China's steel markets has subsided, it is time to re-evaluate our assumptions for 2023. There is a clear need for downward revisions to the more optimistic outlook at the start of the year. However, demand is not as bad as sentiment and revisions should not be exaggerated.

More important is the impact on the rest of the world, and on the long-term outlook for China. The trade balance should become much more supportive for steel markets outside of China, while some medium-term stability may also help reassure overseas markets..

China's steel markets in May continued the sharp loss of confidence which was examined in our previous issue. Assuredly, as sentiment began to bottom out at the end of the month, it began to be replaced by expectations of further government support for the economy. In light of underwhelming steel demand in Q2, Kallanish has revised its steel demand forecasts for the full year lower. However, we still believe that 2023 steel demand will be higher than in 2022. Demand so far for most of this year has been higher on-year, but y-o-y change could be slightly negative in the second half of the year. Despite this, markets could tighten as oversupply eases.

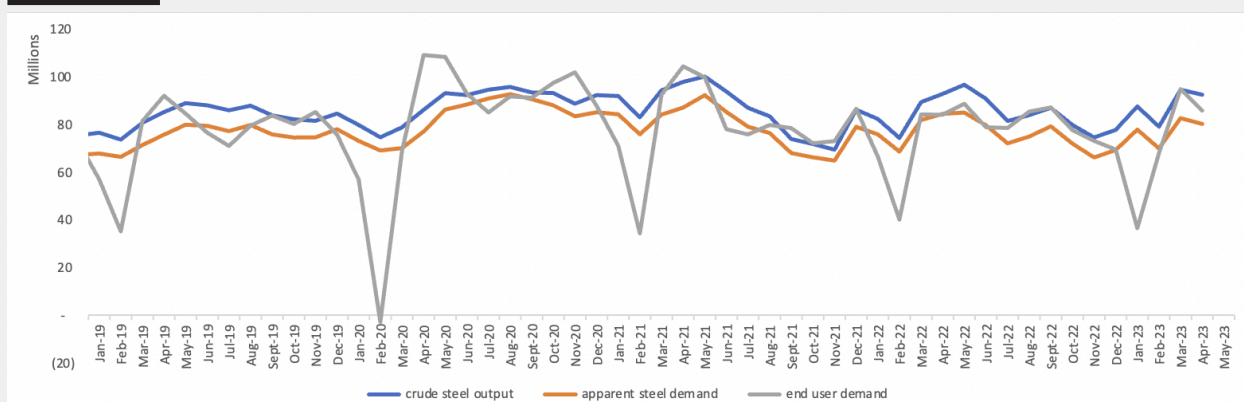
Headline end user steel demand is now expected to grow by almost 1% over the full year to over 924 million tonnes. This would still be below 2021-2022 levels, but still higher than in 2019. The figure should imply

TABLE 1. SUPPLY AND DEMAND

	2022	Jan-Mar2023	Y-o-y	2023 Outlook	Y-o-y
Official crude steel output	1,013	354	4.38%	1,027	1.30%
Apparent consumption	911	311	-0.05%	927	1.70%
End user demand	916	286	3.67%	924	0.90%

Source: Kallanish. Million Tonnes

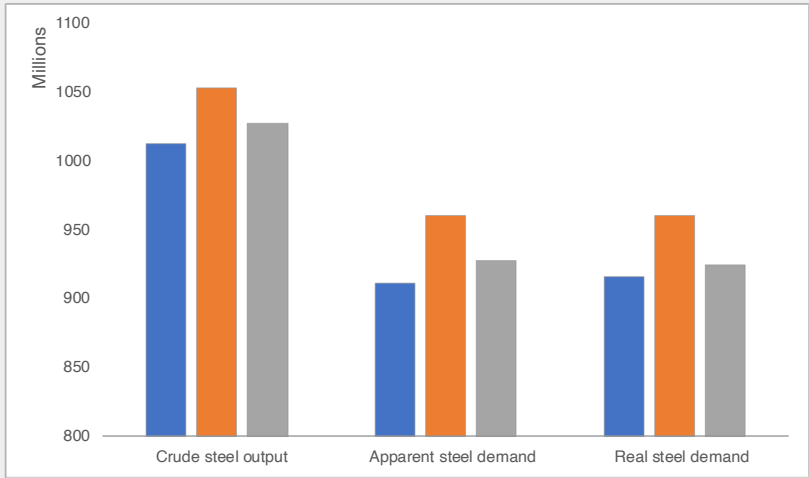
FIGURE 1. STEEL PRODUCTION AND DEMAND 2019-2021



Source: Kallanish. Million Tonnes



**FIGURE 2. 2023 FORECAST REVISIONS**



Source: Kallanish (tonnes)

**FIGURE 3. CONSTRUCTION SHARE OF STEEL DEMAND CONTINUES TO RETREAT**



around a 1.7% increase in apparent steel consumption to over 927mt, and a 1.3% increase in overall steel output to 1.027 billion tonnes.

The revision downwards was largely due to the weaker outlook for demand from the real estate sector, although infrastructure steel demand has in fact been revised slightly higher. Shipbuilding is also expected to see stronger demand this year. The revisions imply the consumer sector remaining very close to generating 10% of steel demand. The share of demand generated by capex would increase to 31.7%, even though the forecast for actual demand from capex has fallen very slightly to 293mt. the most significant change however is in

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