



DO CHINA'S PLANS BYPASS STEEL?

CHINA'S COMMUNIST PARTY HAS LAID OUT RECOMMENDATIONS FOR THE NEXT FIVE-YEAR PLAN (2021-2025), ALLOWING ANALYSTS AN INSIGHT INTO POLICY FOR THE COMING YEARS. THE ROLE OF STEEL REMAINS UNCERTAIN HOWEVER, AS THE FOCUS HAS BEEN ELSEWHERE. WILL STEEL BE HURT OR SUPPORTED BY SHIFTING TRENDS?

DOMESTIC MARKETS HAVE STRENGTHENED IN OCTOBER AND CHINA'S STEEL SECTOR HAS BEEN ENJOYING THE AFTEREFFECTS OF STRONG STIMULUS. THAT HAS EXTENDED STRONG DEMAND EVEN INTO NOVEMBER, BUT THIS COULD CHANGE IN THE COMING MONTHS AS POLICY NORMALISES.

Do China's plans bypass steel?

SAMPLE

China's Communist Party has laid out recommendations for the next Five-Year Plan (2021-2025), allowing analysts an insight into policy for the coming years. The role of steel remains uncertain however, as the focus has been elsewhere. Will steel be hurt or supported by shifting trends?

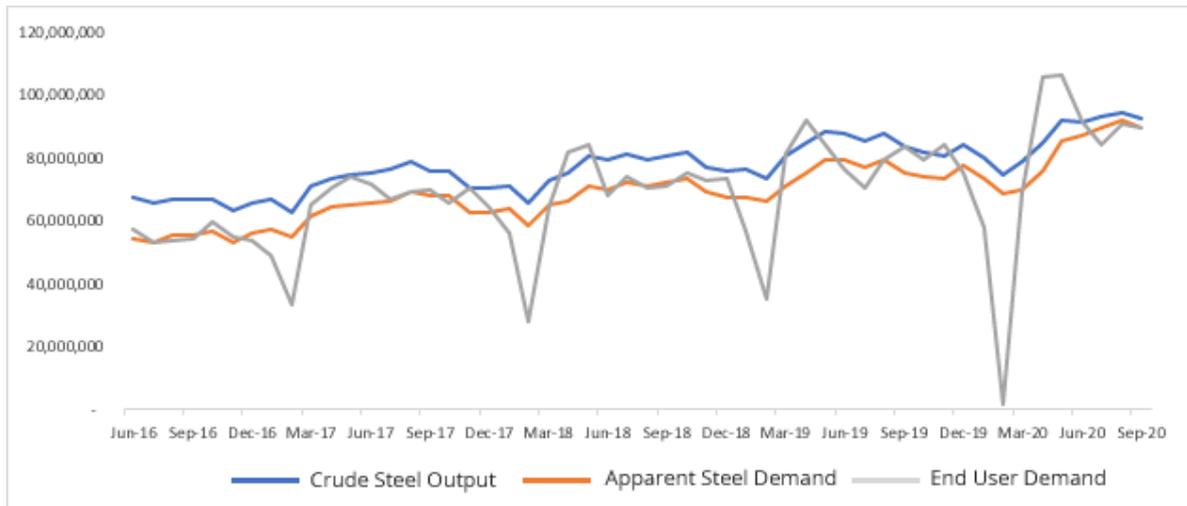
Domestic markets have strengthened in October and China's steel sector has been enjoying the aftereffects of strong stimulus. That has extended strong demand even into November, but this could change in the coming months as policy normalises.

Table 1. Supply and Demand (million tonnes)

	2019	Jan-Sept 2020	Y-o-y	2020 outlook	Y-o-y
Official crude steel output	996.3	782	4.50%	1020.0	3.00%
Apparent consumption	894.5	731.53	9.05%	954.6	7.00%
End user demand	894.5	696.2	5.71%	944.1	5.20%

Source: Kallanish

Figure 1. Daily steel production and demand 2010-2020 (tonnes)



Source: NBS, Kallanish

China's top political leadership met in late October to approve recommendations for the 14th Five-Year Plan (2021-2025). This will set the tone and direction for economic policy in the medium term, and analysts have been picking through the limited information available so far in an attempt to predict what is in the pipeline to be released over the coming months. The actual plan itself will not be released until at least March 2021. Although there is little detail available, there is enough official comment to outline key policy directions.

Much of the official report on the Party Plenum was predictable and unexceptional. It reiterated the government's commitment to boosting per capita GDP to the level of other "moderately developed" countries and achieving modernisation of industry, agriculture, technology and other sectors. More significant developments were hinted at however, both in the official read out and in comments made around the plenum. The 'dual circulation strategy', environmental targets, the drive to promote returns on investment and technological upgrading will clearly be of growing importance.

Dual circulation

The phrase 'dual circulation' has increasingly been peppering official documents, speeches and commentary since May 2019, without ever being fully defined. The term refers to two 'circulations.' The first and largest is the domestic circulation: a growing domestic economy driven by higher wages and consumption. The second is international: a smaller circulation where China continues to play a key



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