



## CHINA STEEL INTELLIGENCE REPORT

# Summer stimulus disappoints

## IN THIS MONTH'S ISSUE

### Summer stimulus disappoints

 <p><b>EDITORIAL</b> PAGE 2</p>	<p>Figure 1. Steel production and demand 2019-2023            Figure 2. Private investment slumps            Figure 3. China's RRR in line for another cut            Figure 4. China's real estate recovery was short-lived            Figure 5. Production trends (y-o-y) in China's top steelmaking provinces            Figure 6. Steelmaking margins incentivise production</p> <p>Table 1. Supply and Demand            Table 2. Q2 economic data disappoints</p>
 <p><b>SUPPLY &amp; DEMAND</b> PAGE 9</p>	<p>Figure 7. Steel output recovers in June            Figure 8. late July sees short drop in production</p>
 <p><b>END USERS</b> PAGE 10</p>	<p>Figure 9. Real estate investment growth            Figure 10. Automotive steel demand            Figure 11. White goods demand            Figure 12. Shipbuilding completions            Figure 13. Construction machinery steel demand</p>
 <p><b>TRADE</b> PAGE 14</p>	<p>Figure 14. China's cross-border steel trade            Figure 15. Chinese exports by region            Figure 16. Chinese exports to top 15 countries            Figure 17. Chinese exports by product            Figure 18. Chinese HRC exports            Figure 19. Chinese plate exports            Figure 20. Chinese bar exports            Figure 21. Chinese imports by region            Figure 22. Chinese imports by region            Figure 23. Chinese imports by product            Figure 24. Chinese HRC imports            Figure 25. Chinese semis imports</p>
 <p><b>MARKETS</b> PAGE 20</p>	<p>Table 3 &amp; Figure 26. Chinese Longs prices            Table 4 &amp; Figure 27. Chinese Flats prices            Table 5 &amp; Figure 28. Chinese Raw Materials prices</p>





## SUMMER STIMULUS DISAPPOINTS

BY TOMAS GUTIERREZ

Summer is fading fast and autumn is approaching. With steel markets now focussed on the seasonal autumn recovery, there remain big questions hanging over the Chinese economy. China's leaders were meant to be putting doubts to rest after their mid-summer meeting, but policy options remain limited and confidence has not been restored. Further stimulus is still expected, and production cuts could help tighten steel markets, but there is little doubt that further action is needed.

July saw a steady ramp up in sentiment-building activity. July typically sees a major economy-focused meeting of the Politburo set out the economic agenda for the rest of the year. This year, the focus is firmly on restoring confidence in the economy.

Ahead of the July Politburo meeting, major figures including premier Li Qiang held widely-publicised meetings with economic experts to gather views on what needs to be done. Sectoral associations and financial experts were also consulted.

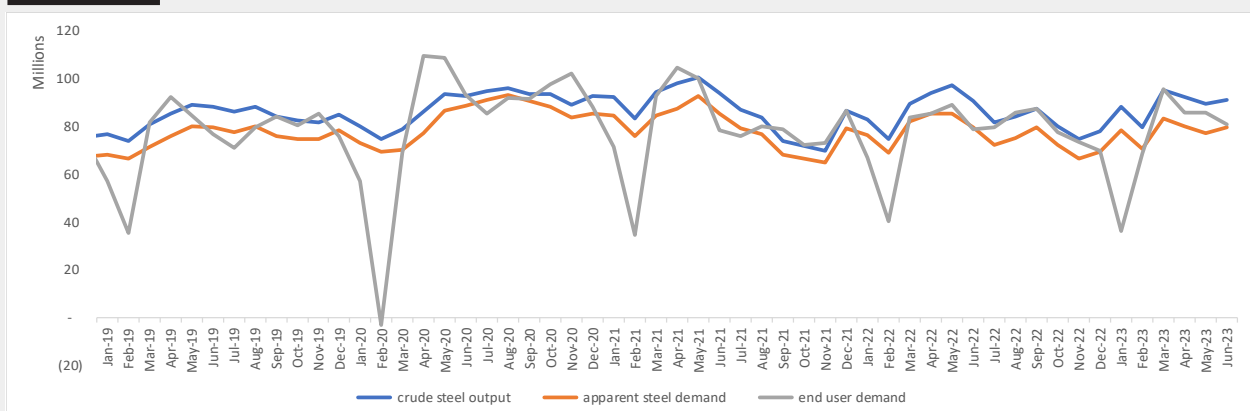
These moves are seen as an important way to erode pessimism, especially among consumers. The People's Bank of China's quarterly urban household survey for Q2 showed negative responses for employment sentiment and confidence, and for current and future income sentiment. In other words, urban households are not confident in their employment and income, and so are not likely to engage on any consumption spree.

TABLE 1. SUPPLY AND DEMAND

	2022	Jan-Jun 2023	Y-o-y	2023 Outlook	Y-o-y
Official crude steel output	1,014	536	1.30%	1,027	1.30%
Apparent consumption	912	469	-1.94%	927	1.70%
End user demand	917	452	1.84%	924	0.90%

Source: Kallanish. Million Tonnes

FIGURE 1. STEEL PRODUCTION AND DEMAND 2019-2023

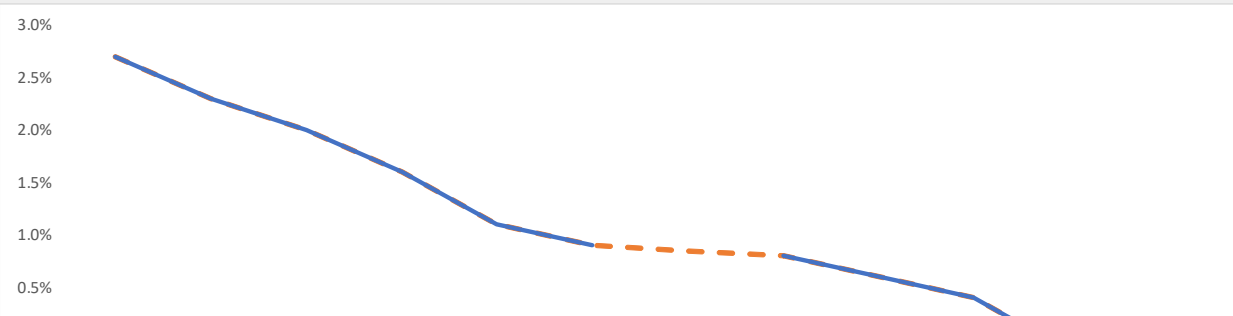


Source: Kallanish. Million Tonnes

TABLE 2. Q2 ECONOMIC DATA DISAPPOINTS *Source: NBS*

	Q2
GDP y-o-y	6.3%
GDP q-o-q	0.8%
Secondary industry value added y-o-y	5.2%
Construction value added y-o-y	8.2%
Real estate value added y-o-y	-1.2%

FIGURE 2. PRIVATE INVESTMENT SLUMPS



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