

**SUPPLY / DEMAND
BALANCE**

**END USE
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CHINA'S RESTRICTIONS LOOK TO DISAPPOINT

CHINA IS LEAVING IT TO THE LAST MINUTE TO GIVE CLARITY ON THE DEPTH OF OUTPUT RESTRICTIONS DURING THE WINTER HEATING PERIOD. DETAILS RELEASED IN LATE SEPTEMBER WERE ENOUGH TO UNDERMINE SENTIMENT AND SEND STEEL FUTURES PRICES SINKING HOWEVER. IN THIS ISSUE WE LOOK AT WHAT WE KNOW AND WHAT CONCLUSIONS WE CAN MAKE ABOUT PRODUCTION IN THE COMING MONTHS. WHILE NOT RETURNING TO THE OVERSUPPLY SEEN IN PREVIOUS YEARS, IT APPEARS THAT Q4 IS LOOKING MORE OVERSUPPLIED THAN Q4 LAST YEAR.

China's restrictions look to disappoint

China is leaving it to the last minute to give clarity on the depth of output restrictions during the winter heating period. Details released in late September were enough to undermine sentiment and send steel futures prices sinking however. In this issue we look at what we know and what conclusions we can make about production in the coming months. While not returning to the oversupply seen in previous years, it appears that Q4 is looking more oversupplied than Q4 last year.

Demand is also expected to be more supported than a year ago however, suggesting fluctuations in prices may be more contained than in recent years.

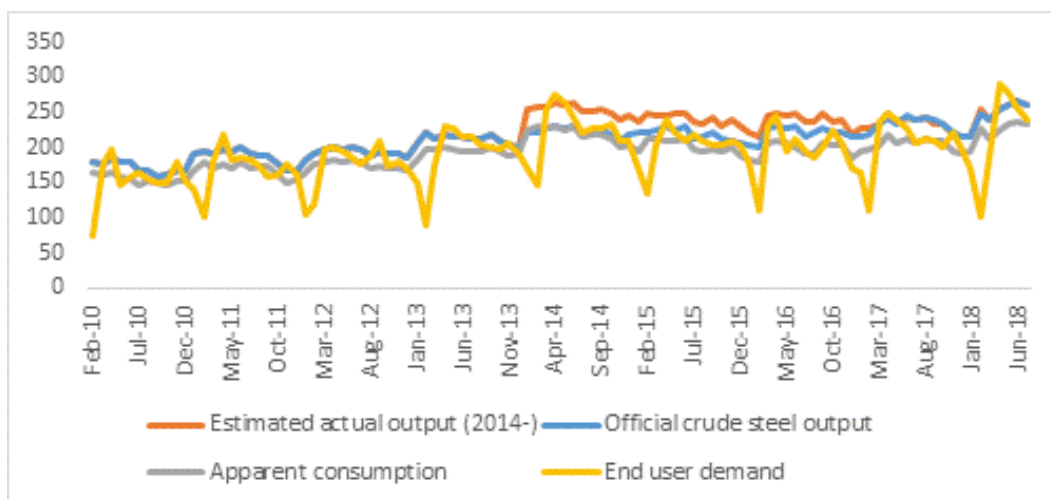
The question now is, how will the supply/demand balance and sentiment changes skew prices this year?

Table 1: Supply and Demand (million tonnes)

	2017	2018 ytd	Y-o-y	2018 outlook	Y-o-y
Official crude steel output	831.7	532.9	6.30%	848.7	2.04%
Apparent consumption	737.4	472.6	6.07%	762.9	3.46%
End user demand	745.5	464.2	4.06%	761.3	2.12%

Source: Kallanish

Figure 1: Daily steel production and demand 2010-2018



Source: NBS, Kallanish



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