CRUDE STEEL OUTPUT

END USE SECTORS REVIEW

TRADE DATA ANALYSED

CHINA RESCUES STEEL DEMAND

CHINA'S STEEL OUTPUT IN THE FIRST HALF GREW RAPIDLY YEAR-ON-YEAR, BUT REVISIONS SHOW THAT IT IS STILL ONLY REGAINING HISTORICAL HIGHS. THE GROWTH IN DEMAND MEANWHILE HAS BEEN DRIVEN INCREASINGLY BY STATE SPENDING AS CONSUMER DEMAND FALTERS.

THIS MONTH WE REVISE OUR FORECASTS FOR THE YEAR IN LIGHT OF THE LATEST DATA AND POLICIES. THAT INCLUDES THE CRUCIAL TRENDS IN GOVERNMENT BONDS, IMPORTS OF SEMI-FINISHED STEEL AND POLICY ON LENDING TO REAL ESTATE DEVELOPERS.

THE QUESTION NOW IS, CAN THE STATE SUSTAIN STEEL DEMAND AT CURRENT LEVELS?

CHINA STEEL INTELLIGENCE

JULY 2019

China rescues steel demand

China's steel output in the first half grew rapidly year-on-year, but revisions show that it is still only regaining historical highs. The growth in demand meanwhile has been driven increasingly by state spending as consumer demand falters.

This month we revise our forecasts for the year in light of the latest data and policies. That includes the crucial trends in government bonds, imports of semi-finished steel and policy on lending to real estate developers.

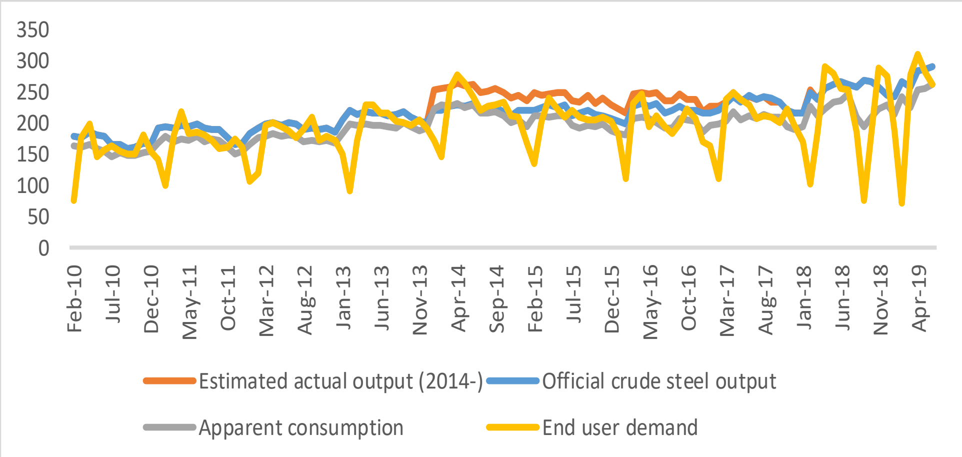
The question now is, can the state sustain steel demand at current levels?

Table 1: Supply and Demand (million tonnes)

	2018	2019 ytd	Y-o-y	2019 outlook	Y-o-y
Official Crude Steel Output	928.3	404.9	10.20%	975.0	5.00%
Apparent Steel Demand	825.5	360.4	10.50%	872.3	5.70%
Real Demand Est	827.6	338.9	9.50%	869	5.00%

Source: Kallanish

Fig. 1 Daily steel production and demand 2010-2018 (tonnes)



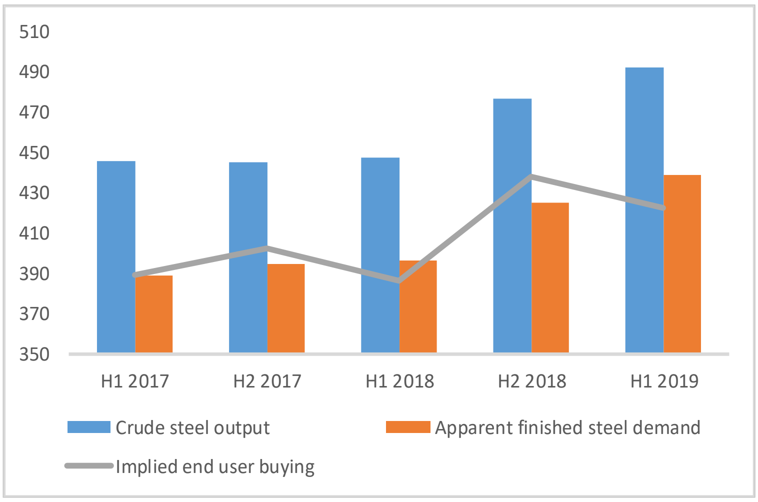
Source: NBS, Kallanish

China rescues steel demand

Historical revisions put production in perspective

China's official crude steel output jumped to a new record high in June. Output was up 10% y-o-y to 87.53mt. That left output over the first half up 9.9% at 492.17mt, with apparent steel demand up 10.67% to 438.98mt. As inventories have already begun to tick higher, implied end user demand was up 9.46% at 422.72mt. On a daily basis, crude steel output was up 10% year-on-year to 2.918 million tonnes/day. That's an annualised 1.065 billion tonnes/year. That is a huge number, and implies a nominal crude steel capacity of around 1.2 billion tonnes/year considering operating rates and maintenance. That number also needs to be put into context however. After all, how can that record output take place at the same time as moribund exports and high domestic steel prices?

Fig. 2 H1 output and demand push higher (million tonnes)



Source: NBS, Kallanish

The key is to go back to the data revisions noted earlier in the year (see Kallanish CSI February 2019). Remember that at the end of 2018, China revised upwards its data for steel production in 2017, adding production equivalent to the entire output of Germany. That revision made clear that China has been adding to the capacity that it has reporting into official production data. That capacity is not new capacity, but it was uncounted for many years. Considering that China does not release its revised historical data, how can we work back to see how much output was missed out in previous years?

Pre-revision data suggested total steelmaking capacity at the end of 2017 of roughly 1 billion t/y. That was roughly in line with our estimate at the time of 1.06 billion t/y. This suggests up to 150m t/y of capacity now being counted that was not being counted 2-3 years ago. Kallanish has created a set of historical data stretching back to 2014 which assumes that 135m t/y of uncounted facilities (the minimum implied additional capacity) operated at utilisation rates which moved in line with rates for the whole sector, with a discount for lower efficiency. This shows that conventional steelmaking capacity has indeed exceeded the previous peak in 2014. Once accounting for lost induction furnace production however, output is in fact still approaching a peak set in early 2014. Compared to 2014, when actual crude steel output is likely to have peaked at slightly over 1 billion tonnes, 2019 is actually still expected to come in around 3.7% below that figure.

ORDER FORM

Subscribe to China Steel Intelligence today

Get your copy of the monthly China Steel Intelligence report at a great price

China Steel Intelligence is a monthly report put together by our expert team of analysts based in Shanghai.

If you are already a subscriber to KallanishSteel you qualify for an additional discount. The pricing options for 12 month subscriptions are available below.

To sign up complete the form below and return to us.

Option 1:	CSI	US$ 3000	
Option 2:	CSI, KallanishSteel Subscriber Rate	US$ 2550	SAVE 15%
Option 3:	CSI + KallanishSteel Bundle	US$ 4249	SAVE 15%

CSI Content:

The report is filled with market information, charts and graphs.

- Supplied in PDF
- Excel statistical supplement
- 7-10 pages
- Supply and demand forecasts
- End use sector data
- Trade data
- Macro economic overview

Start my subscription

Yes, please start my subscription so that I can read the China Steel Intelligence. Please choose your option below:

- ☐ Option 1: CSI, US$3000
- ☐ Option 2: CSI, with KallanishSteel Subscriber 15% discount, US$ 2550
- ☐ Option 3: CSI and KallanishSteel Bundle, 15% discount, US$ 4249

Name

Job Title

Company

Address

City

Phone

Email

Payment type: ☐ Pay by invoice ☐ Pay by credit card

Credit card: ☐ Visa ☐ AMEX ☐ Mastercard

Card number

CCV Exp

Name on card

Signature

Please tick below:

- ☐ I confirm I am signing up for a 12 month subscription to CSI
- ☐ I have read and agreed to the Kallanish Terms and Conditions.

Signature: ______________________ Date: ______________________