



CHINA STEEL INTELLIGENCE REPORT

China's steel outlook remains positive, but bumpy

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China's steel outlook remains positive, but bumpy

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CHINA'S STEEL OUTLOOK REMAINS POSITIVE, BUT BUMPY

BY TOMAS GUTIERREZ

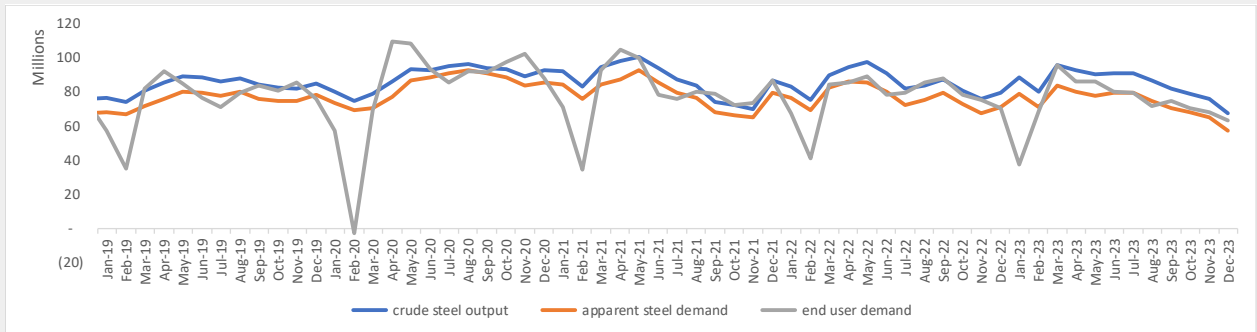
China's policy settings for 2024, released in the Government Work Report on 5 March, disappointed markets. Although the government will continue to expand fiscal support for the economy, targets were viewed as too conservative to engineer a strong rebound, especially for traditional steel-intensive sectors. This suggests that China will not buck a global slowdown in steel markets this year. Fundamentals for key steelmaking raw materials suggest falling prices this year, and if production costs fall, weak demand suggests steel prices will also drop.

TABLE 1. SUPPLY AND DEMAND

	2022	Jan-Dec 2023	Y-o-y	2024 Outlook	Y-o-y
Official crude steel output	1,019	1,019	0%	1,027	1.30%
Apparent consumption	917	885	-3.48%	927	1.70%
End user demand	921	882	-4.22%	924	0.90%

Source: Kallanish. Million Tonnes

FIGURE 1. STEEL PRODUCTION AND DEMAND 2019-2023



Source: Kallanish. Million Tonnes

TABLE 2. CHINA SETS KEY ECONOMIC TARGETS

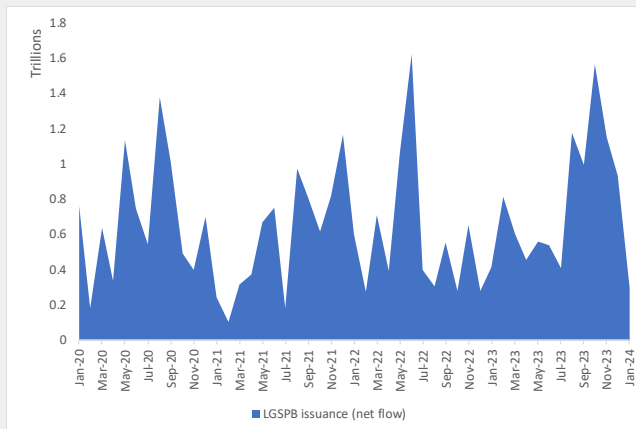
	2024 target	2023 actual	2023 target
GDP	~ 5%	5.20%	~ 5%
Fiscal deficit	3.00%	3.87%	3.00%
Local Government Special Bonds	CNY 3.9 Trillion	CNY 3.8 Trillion	CNY 3.8 Trillion
National Special Bonds	CNY 1 Trillion	CNY 1 Trillion	N/A

Source: Government Work Report

The “Two Sessions” in Beijing, which started on 4 March, are typically the first major public forum of the year to announce any major new policies. Considering the weak economy however, the main focus has been on the Government Work Report and its key economic targets. These signal support for the economy, but continued restraint on the growth of credit.

The headline figure for GDP is the target of “around 5%.” This is the same target as in 2023, when actual reported growth reached 5.2%. However, considering Covid-induced

FIGURE 2. LOCAL GOVERNMENT BOND ISSUANCE GROWS SLOWLY



Source: PBoC

base effects the target is likely to be harder to achieve than last year. The IMF expects Chinese GDP growth of 4.6% this year. There had been debate among economists over whether China would set a target as high as 5.5%, signalling confidence and strong fiscal support, or as low as 4.5%, signalling realism and a focus on restructuring at the risk of undermining confidence. 5% would suggest fiscal expansion and confidence that China can maintain growth, but without setting expectations too high.

For the steel industry, it is worth bearing in mind the nature of Chinese GDP growth

targets. While 4.6% may be a more realistic growth rate, China is likely to end up meeting its targets. This is because, unlike western economies, it can invest its way to additional growth. This is a problem for the overall economic future of the country, but is positive for steel demand. When all other investment options are used up, China can just build.

Other key targets announced in the report were also conservative. The fiscal deficit is projected to be 3%, slightly below expectations but still confirming more central government support. This will largely take the

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