

This week: China stimulus firms 2024 steel outlook, iron ore anticipates excitement

Steel supply and demand is in balance towards the end of the year, with global EAF-based production having been curtailed as Chinese exports increased this year, while expectations for Chinese stimulus are firming sentiment into 2024, according to Cargill Metals managing director Lee Kirk.

Over 100 million tonnes fewer of scrap were consumed this year globally excluding China, but with no resulting downward pressure on scrap prices. This has prevented EAF mills from increasing their margins and ramping up steel production. China has meanwhile exported 19 million tonnes of steel more on-year so far in 2023, with the year expected to end at 25mt up on-year.

The Chinese market is “starting to get excited about 2024,” Kirk said during last week’s Capital Markets Update hosted by Cargill partner and iron ore miner Rana Gruber. “Sentiment is starting to shift. What we haven’t yet seen is a real increase in demand. We are in a situation where iron ore prices are starting to improve to the kind of highs we’ve seen in the last 24 months but largely because of expectations.”

Last week Kallanish KORE 62% Fe index touched \$132.60/t CFR Qingdao, the highest level registered since June 2022. The latest rally of iron ore prices should secure an overall average price for iron ore close to \$120/t CFR, more or less in line with the average level recorded in 2022.

“If we get a continuation of the stimulus rhetoric that turns into a real demand increase and we come out of Chinese New Year with stronger demand, then I think we have a very positive outlook for next year,” Kirk added during his presentation.

The risks to this outlook are two-fold. The words around stimulus may not really turn into real demand, and the US may end up with some form of recession, he continued.

As for future low-emission steelmaking, although there is still uncertainty over the cost of producing hydrogen, the cost of coal-based production will simultaneously increase due to carbon taxes and reduced coal production. On the other side, green premiums are being established to account for the delta in steel, said Cargill customer and sustainability lead Leon Davies.

Davies continued, “We’ve seen, anecdotally, green steel traded, which is not green steel of the future but mass balanced green steel where steelmakers lower their overall carbon footprint by, say, 5% and then sell 5% of their steel as mass-balanced green steel ... You’ve seen this trading in the market at around €150/tonne [premium] but with limited liquidity and transparency. But you’re also seeing clear established green premiums in some of the new green steel projects for the future as well. So, you’re getting both a cost impact on traditional steelmaking and a green premium for low-carbon steelmaking of the future.”

In this weeks Issue:

- ▶ **PAGE 3**
Will Chinese steel prices continue recovery despite weak fundamentals?
- ▶ **PAGE 5**
Will Russian semis be allowed into Europe beyond October 2024?
- ▶ **PAGE 6**
When can US infrastructure spending translate to higher steel consumption?
- ▶ **PAGE 7**
Will new EU sanctions hit Russian pig iron supply into EU?
- ▶ **PAGE 10**
How is crude steel production performing in China?

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	3.14%	2.14%	2.70%
17 Nov	119.06	129.97	140.34
16 Nov	122.67	132.60	143.60
15 Nov	121.71	131.80	141.93
14 Nov	117.49	130.24	140.22
13 Nov	117.49	128.91	138.65
	119.68	130.70	140.95
10 Nov	116.89	128.55	138.15
09 Nov	116.37	128.30	137.77
08 Nov	114.40	128.31	137.50
07 Nov	114.15	126.42	135.44
06 Nov	118.37	128.23	137.36
	116.04	127.96	137.24

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CHINA STEEL INTELLIGENCE

China Steel Intelligence is a monthly report put together by our expert team of analysts based in Shanghai. The report is filled with market information, charts and graphs, and supplied in PDF with an excel statistical supplement.

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Global Overview

Americas:

- HRC climbs its way toward four-digits per short ton
- Plate, rebar pricing struggles in face of construction slump
- OCTG market awaiting fresh order flow for 2024

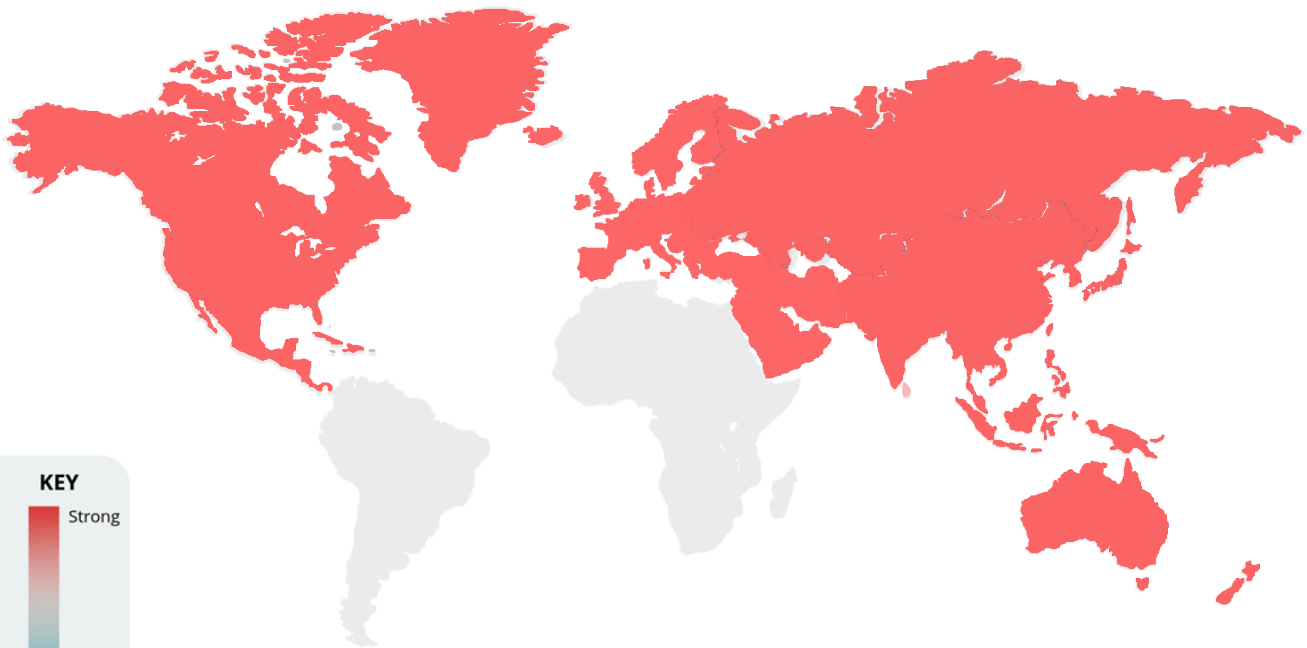
Europe:

- Italian HRC prices up
- German scrap prices inch up
- Tata Steel to cut 800 jobs in Netherlands

Asia:

- Iron ore in China up again
- Indonesia boosting steel capacity
- Chinese steel prices outlook uncertain

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



KEY



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CIS:

- Russian billet buyers resist price hike
- Russian iron exporters face hurdles

Middle East:

- Turkish scrap rise continues, market debates peak
- Turkish longs exporters find limited interest after hikes
- GCC sees higher imported HRC values

📍 Asia: China

Fundamentals slow steel price recovery

Chinese steel prices gained through most of last week but then began to lose confidence. The rally was primarily driven by improving sentiment, but short-term fundamentals remain weak. The meeting between Xi Jinping and Joe Biden gave some ephemeral support to markets, despite the absence of much concrete agreement.

In Shanghai on Friday afternoon, 20mm HRB400 rebar was trading at CNY 3,800-3,820/tonne (\$538-541/t), gaining CNY 20/t from a week before. 5.5x1,500mm Q235 HRC meanwhile was traded at around CNY 3,980-4,000/t, up CNY 10/t from the prior Friday.

The mood has turned towards next year. A possible RRR cut and increased bond financing has boosted the outlook for 2024. The meeting between Xi and Biden suggested eased tensions, and less of a risk to the expected 2024 recovery. Little of substance was agreed between the two, other than that lines of communication should remain open and discussions on key issues should continue. The fact that they met at all, and that Xi felt confident enough to have extended meetings with Biden on his home turf, suggested that both sides want to draw a line around the issues where tension remains between them.

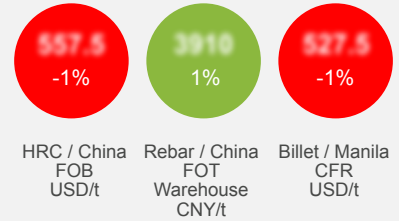
Steel market fundamentals however remain weak in the short term. Winter is biting, and more material is being shipped south from northern producers. Restocking activity before the Chinese New Year is expected, thanks to the more positive outlook for 2024. It is unclear when this will kick in however. Traders are likely to wait until prices are more favourable.

Raw materials prices are still providing a floor for steel however. The Kallanish KORE 62% Fe index ended last week at \$129.57/dry metric tonne (t) Qinghai, down \$2.63/t from Thursday but up \$1.42/t on-week. Chinese coking coal prices meanwhile were supported last week by an industrial accident. A fire at the offices of a coal mine triggered a suspension of production at coal mines in a key part of Shaanxi province. By Friday however, the suspension had been limited to the subsidiaries of the affected company.

Iron ore, coking coal, and coke have been vying for a greater share in steelmakers' limited margins. Between them however, they have kept steelmaker margins thin despite higher steel prices. Production levels continue to fluctuate depending on margins, with little sign of either a large-scale resumption or a sustained decline. Steel markets may be trapped between weak fundamentals and a more optimistic outlook until the emergence of restocking demand after in the year.

By: Tomas Gutierrez, Editor Asia - Steel

Prices to watch:



In the news this week:

PLATE
Indonesia to see new strip production next year
Indonesia's steel industry is growing in line with the economy. However, the Indonesian government hopes that the domestic industry will continue to expand in order to reduce dependence on imported steel. The Indonesian steel industry expanded by 15.8% year-on-year during the first quarter. Coordinating Minister for the Economy Ariefandi Hartono recently said at the Indonesia Tin & Steel Industry Association Business Forum last week in Tangerang. "The demand of 1.2 million tonnes for the automotive industry is a potential that we can exploit because only 800,000 of automotive steel needs have been met by national steel producers," he commented at the Forum. "It is hoped that the steel industry can try to generate more foreign exchange for the country," Hartono continued. The value of national steel exports rose to \$28.46 billion from around \$8 billion in 2019. National steel consumption reached 1.6 million t but this was only partly (1.1 million t) locally produced steel, he added. This shows that the opportunity for the Indonesian steel industry to grow is still very large.

LINER
Large exporters take offers cheaply in ASEAN
Rebar and wire rod exporters to ASEAN have recent offers in line with the surge in the Chinese steel futures market. Regional buyers continue to take stock of the price rises because there has been no change in domestic demand. A Malaysian mill offer for 10mm HRB400 rebar is prevailing at \$245/dry metric tonne delivered by truck (DMT), which would be equivalent to \$245/dmt at Singapore. A week ago its offers were at \$245/dmt but this last week, a 15,000-tonne cargo of 10mm HRB400 rebar from the mill was heard to have been concluded at \$245/dmt at Hong Kong. Prices are moving up a Singapore importer says. But most buyers are holding and not asking for additional premium. However, \$245 is above domestic rebar at \$240/dmt at Singapore. Domestic rebar, up \$2.5 on-week.

COMMENTS
Indonesia targets higher steel production to support growth
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PLATE
Vietnamese HRC market rises on higher Chinese prices
The Vietnamese hot rolled coil import market continued to rise in tandem with the surge in Chinese steel futures. The re-rolling HRC segment has finally risen after being flat in recent weeks. The import market for commercial quality material has been rising steadily. Offers for 542 1000 HRC from China have risen to a minimum of \$240-245/tonne at Vietnam, up from \$235-240/t in recent weeks. There are also higher priced offers at up to \$250/t. Traders are offering 542 1000 2+2 75mm thickness HRC from various Chinese mills, at seller's option, at \$240-245/t. These are for new orders for shipment in January 2024, says trader says.

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Word of the week

Case Hardening

This is a method of heat treatment which increases the hardness of the surface of low carbon steels, while leaving a softer interior which is tougher and more fracture resistant. The hardness is usually achieved by dissolving either carbon or nitrogen in the surface layer of the steel.

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