

CUMIC

STEEL MONTHLY

Aug 2023





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> Introduction

CUMIC Steel Monthly is the most effective way to stay up to date on the latest steel market activity as well as CUMIC’s key projects. The report integrates the most recent news on the global steel market, monthly price movements, and aggregates data on global steel production and trade activity. In addition, it provides exclusive insights from the CUMIC Market Research Team regarding key market growth factors for the coming month to help you improve your bottom line and ensure that your business makes strategic sourcing decisions.

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➤ Global Steel News Review: July 2023



The US maintains AD & CVD duty orders on steel wire rods from 10 countries

On July 19, the US International Trade Commission (ITC) decided to uphold existing antidumping and countervailing duty orders on wire rod imports from 10 countries. The decision followed a five-year sunset review of the antidumping orders covering imports from Belarus, Italy, Russia, South Africa, South Korea, Spain, Turkey, Ukraine, the UAE, and the UK, as well as the countervailing duty order on imports from Italy and Turkey. The Commerce Department had previously concluded that removing the duties would likely result in the continuation of dumping and subsidies. In addition, Commerce provided a list of likely dumping margins if duties were revoked, ranging from 4.44% to 756.93%. Similarly, countervailing subsidies were estimated to range up to 44.18%. The US imposed these duties in 2018.

China's H1 steel exports surge 31.3% YoY, imports drop 35.2% YoY

In the first half of 2023, China's finished steel exports experienced a significant 31.3% YoY increase, reaching 43.583 million mt according to China's General Administration of Customs (GACC). The pace of decrease in exports slowed down compared to the previous period, which saw a 40.9% increase in January-May. In contrast, China's finished steel imports during the same period decreased by 35.2% year on year, with imports amounting to 3.741 million mt.

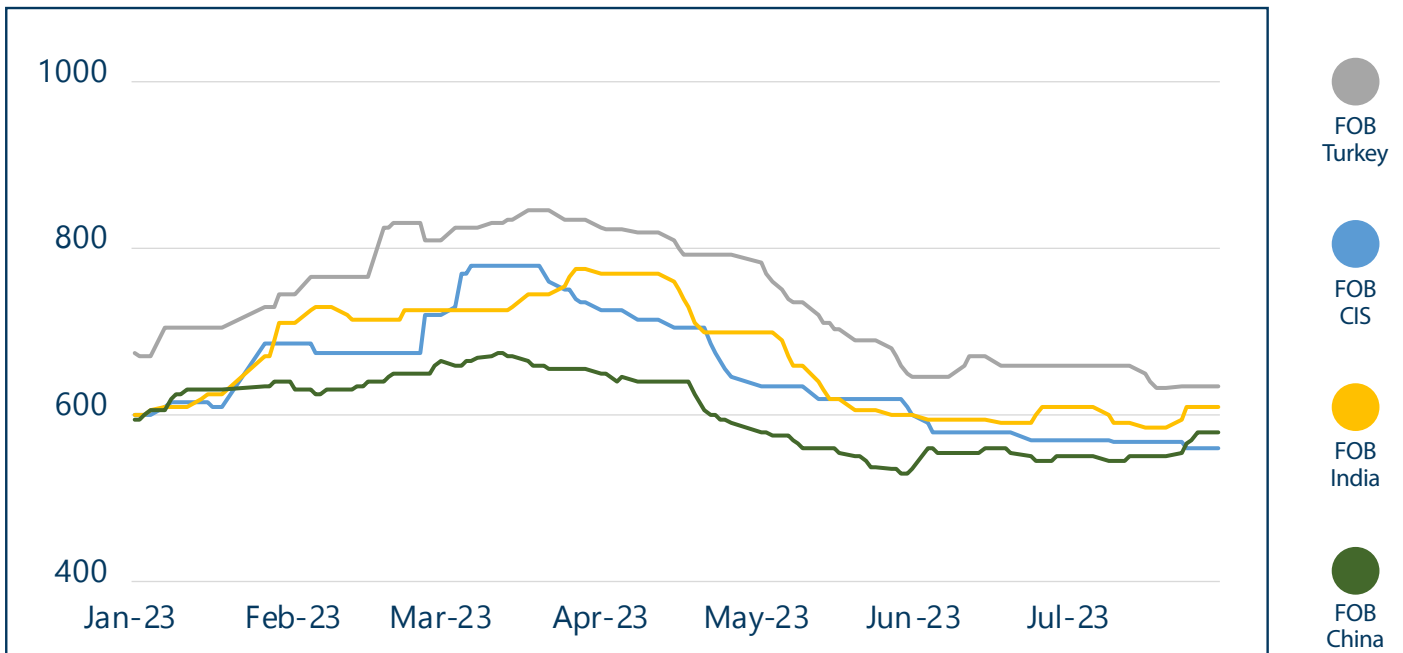
POSCO to expand annual steel production capacity to 52 million mt by 2030

POSCO, the South Korean steelmaker, revealed its ambitious plan to ramp up its annual steel production capacity to 52 million mt by 2030 aiming to substantially increase its annual sales revenues to KRW 100 trillion (\$79.05 billion) and triple its operating profit from 2022 levels.

BHP billiton reports production results for FY 2022-2023

Australian miner BHP Billiton reported a 1.5% YoY increase in its iron ore production for the financial year 2022-2023, reaching 257 million mt. The April-June period saw a notable rise of 9% in iron ore production compared to January-March, attributed to increased output at Western Australia Iron Ore (WAIO) despite adverse weather impacts. BHP Billiton anticipates its iron ore production to range between 254 million mt and 264.5 million mt in the next financial year.

➤ Monthly Steel Price Snapshot



The global steel market in July saw an overall slump in demand, resulting in a decline in steel prices. However, positive macroeconomic expectations have driven an upward trend in steel prices in China. As of the end of July, the Turkish HRC export price stood at \$635/MT, down \$25/MT compared to June. The CIS (Commonwealth of Independent States) HRC export price was \$560/MT, down \$10/MT compared to June. The Indian HRC export price remained unchanged at \$610/MT, while the Chinese HRC export price increased by \$30/MT, reaching \$580/MT compared to June.

In China, the steel mills continued to raise steel prices in July, influenced by the rising prices of steel raw materials such as iron ore and coke, the Chinese government's requirement for steel mills to limit crude steel production compared to the previous year, and market expectations for stronger economic stimulus policies in China. The market is increasingly confident that the Chinese economy will rebound significantly in the second half of the year, supported by the series of measures taken by the government to relax real estate purchase and loan restrictions and to boost demand.

In India, the steel export demand saw a notable decline in July due to the slowdown in demand from European end-users and the automotive industry. Additionally, Italy, one of India's major export destinations, was about to enter its summer shutdown period. On the domestic front, the monsoon season in India suppressed steel demand. Consequently, Indian steel prices experienced a slight decline in July.

In Turkey, remains under stress due to a significant depreciation of the Turkish Lira Despite the Turkish Central Bank raising interest rates twice, the magnitude of the rate hikes was lower than market expectations, providing limited support to the lira. As a result, the USD to TRY exchange rate reached a new low of 27, contributing to a continued decline in Turkish steel export prices in July.



➤ Steel Sustainability Dynamics



H2 Green Steel in a 1.5 billion Euro agreement with ZF Friedrichshafen AG

H2 Green Steel has signed a 7-year binding agreement with ZF, one of the world's largest automotive suppliers. The deal, which commences in 2026, will provide ZF with near-zero emission steel, supporting its sustainability targets.

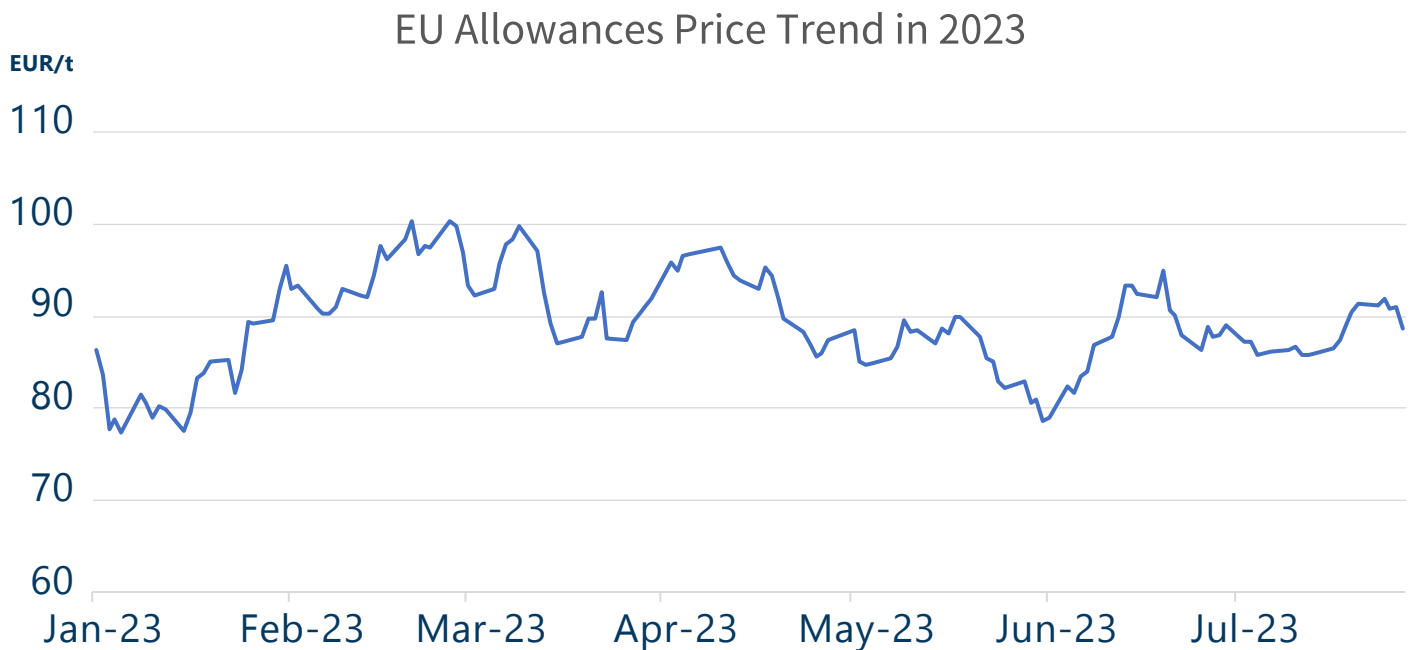
This agreement covers a substantial portion of ZF's annual steel consumption, which amounts to approximately 2.5 million tons worldwide. Meanwhile, through this agreement, H2 Green Steel will also collaborate with ZF's sub-suppliers, promoting an integrated approach to transform the steel industry across the supply chain.

SSAB and KIRCHHOFF Automotive start collaboration on carbon-neutral steel

Steel is the main component of cold-formed body parts such as those produced by KIRCHHOFF Automotive in South Westphalia, Germany. On the way to a green future, KIRCHHOFF Automotive is intensifying its cooperation with SSAB to reduce CO₂ in car body construction. KIRCHHOFF Automotive's crash boxes, lower beams, and closure plates, which weigh between 300 grams and 1.3 kg each, are produced by cold forming. By using SSAB Fossil-free Steel™, KIRCHHOFF Automotive reduces emissions by almost 40% in the production of a front bumper, paving the way for a greener future in automobile manufacturing.



➤ European Carbon Market



According to data from EEX, in July 2023, the EUA futures DEC23 contract increased from €87.32 per ton at the beginning of the month to a monthly high of €91.93 per ton on July 25th, ending the month at €88.68 per ton.

This overall upward trajectory in EU carbon prices can be attributed to 2 main factors. On the one hand, August is traditionally the holiday season in Europe, during which carbon allowances available for auction are halved. On the other hand, with the reduction in primary market supply, emission-capped enterprises have shown stronger willingness to purchase and stockpile carbon allowances in advance. As a result, this attracted more institutional investors to enter the market, driving carbon prices up.



➤ Statistics: Production & Steel Trading

Crude steel production	Unit: 10000 tons	Jun-23	% change Jun 23/22	Jan-Jun 2023	%change Jan-Jun 23/22
Crude Steel Production	World	15880	-0.1	94390	-1.1
	China	9110	0.4	53560	1.3
	India	1120	12.9	6790	7.4
	EU	1060	-11.1	6630	-10.9
	Japan	730	-1.7	4380	-4.7
	US	680	0.5	3990	-2.9

	Unit: 10000 tons	May-23	%change May 23/22	Jan-May 2023	%change Jan-May 23/22
Import	US (net tons)	231.77	-15.3	1221.07	-12.5
	South Korea	198.5	-6.9	971	-1
	Turkey	210	85.6	800	25.2
	Thailand	136.8	-1.2	682	6.263633531
	Vietnam	83.7	-34.54	460.6	-12.33
	China	63.1	-21.7	312.9	-33.1
	Japan	61.31	1.6	306.45	1.2
Export	China	835.6	7.7	3636.9	40.9
	Japan	302.34	0.1	1378.61	-0.5
	South Korea	244.9	0.9	1181.5	0.3
	Turkey	77.87	-36.1	360	-43.7
	Vietnam	113.3	52.6	438.3	10.12
Thailand	19.4	3	89.7	-4.675876727	



➤ Key Growth Drivers: Aug 2023 Market Forecast

CUMIC believes that the global steel market may show resilience in August:

The sustained rebound of steel prices in China has increased the market's acceptance of higher prices

As expectations for the Chinese property market and economic growth continue to strengthen domestically, the steel market's activity is also on the rise. Chinese steel mills are continuing to raise their export prices for global steel. Although there are still some buyers adopting a wait-and-see approach, we believe that more and more people will come to terms with this trend of rising prices and begin placing orders. With the increase in demand, steel prices are expected to continue their ascent.

The US dollar is likely to maintain a relatively weak trend in August

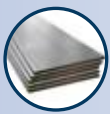
This month, major central banks such as the US Federal Reserve, the European Central Bank, and the Bank of Japan do not have interest rate meetings. We believe that the macro market's focus will still be on the inflation data of major economies. Based on the current market situation, we forecast the US core CPI to maintain a moderate level of around 0.2% month-on-month. Meanwhile, although core inflation in Europe may experience a slight decline, it is still likely to remain in the 'sticky' region. This environment could lead to the US dollar maintaining a relatively weak trend, providing some support to steel prices.



> CUMIC's Latest Projects



Quebrada Blanca Phase 2 Project



Product:
Hot Rolled Steel Plate



Quantity:
10,000 Mt



Location:
Chile

Project story

The Quebrada Blanca mine is located in the Tarapacá Region of northern Chile at an altitude of 4,400 meters. Teck holds an indirect 60% interest in the mine. Sumitomo Metal Mining Co., Ltd., and Sumitomo Corporation together have a collective 30% indirect interest in the mine. This open-pit operation utilizes a Solvent Extraction-Electrowinning (SX-EW) plant to leach ore and produce copper cathodes, which are then transported for shipment from Iquique.

To furnish this open-pit operation, we supplied 10,000 MT of Hot Rolled Steel Plate, a critical resource for the mine's extensive infrastructure. Despite the remote location and logistical complexities, our reliable supply helped support Quebrada Blanca's production of 21,100 tonnes of copper cathode in 2019, contributing to the operation's ongoing success.



About CUMIC

As an integrated steel trading solution provider, we, CUMIC Steel Limited, have long-term cooperation with 9 out of the top 10 steel-producing companies in the world. For the past 16 years, we have been consistently delivering high-quality integrated steel trading solutions to 2,000 regular clients in more than 70 countries.

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