CUMIC

STEEL+ MONTHLY

February 2024

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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.

CONTENTS

GLOBAL STEEL NEWS REVIEW: JAN 2024

OECD: Surge in Global Steel Excess Capacity Signals Future Risks

The OECD's latest report underscores a concerning trend in the steel industry: global excess capacity surged to 2.49 billion metric tons in 2023, marking the fifth consecutive year of growth. Notably, Asia has been a major contributor, accounting for 53.3% of this increase. The gap between capacity and production is expected to widen further between 2024 and 2026, exacerbating to 610 million tons. Additionally, a downturn in Chinese steel demand adds to market uncertainties, while the environmental impact of excess capacity calls for urgent action.

China's Finished Steel Exports Reach a Six-Year Peak in 2023

China witnessed a remarkable 36.2% year-on-year increase in finished steel exports, reaching 90.264 million metric tons in 2023 – the highest since 2016, according to the General Administration of Customs. The surge is attributed to a slowdown in domestic demand and high production levels. Despite a slight expected decline in 2024, export levels are projected to remain significantly higher than those recorded between 2019 and 2022. Facing competition from non-VAT trading, Chinese mills are shifting their focus towards high-end products such as cold-rolled coil (CRC), plate, and other premium offerings. Despite a monthly dip in December, the annual figures indicate a robust growth in exports and a decline in imports.

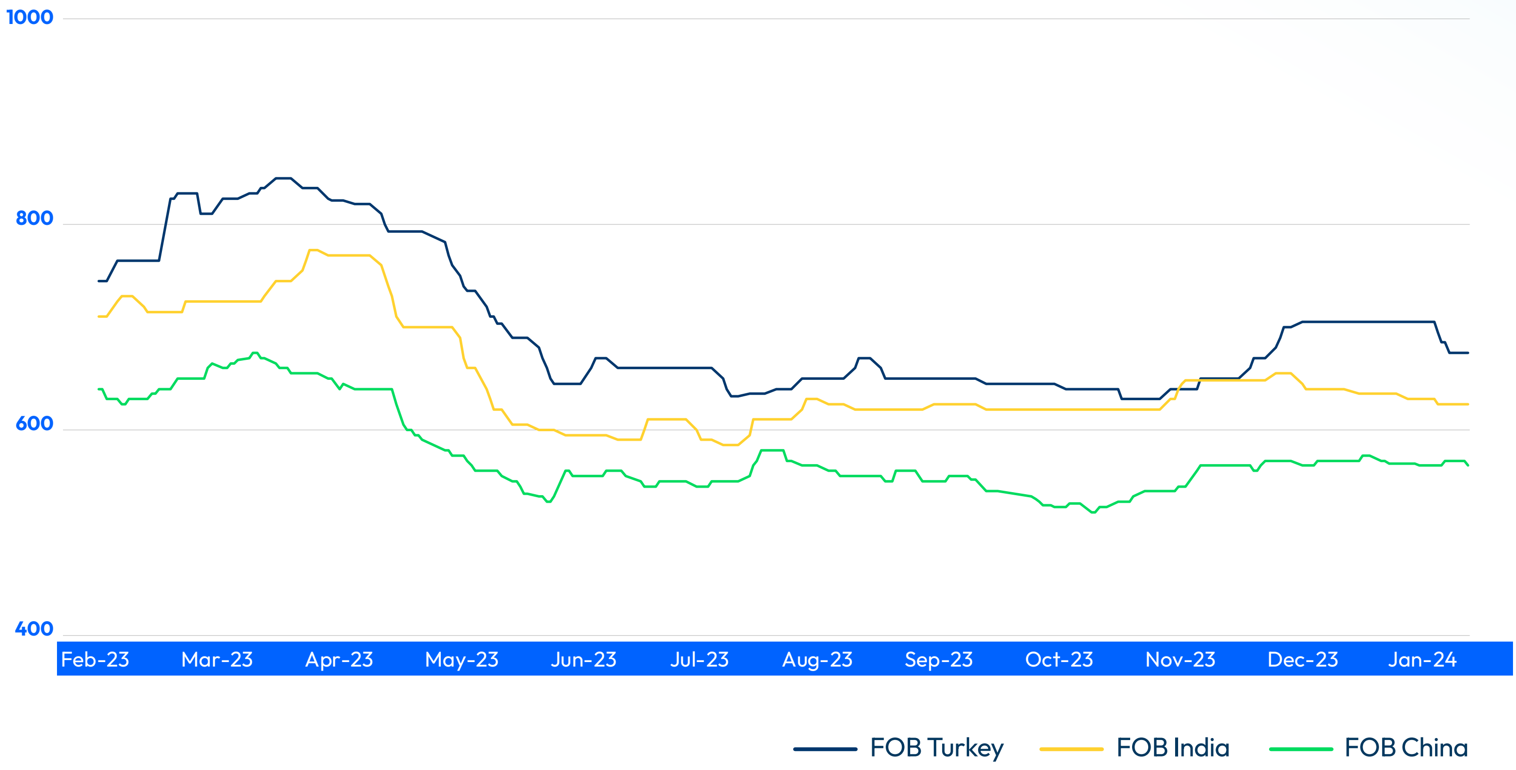
India Hits Five-Year High in Steel Imports and Six-Year High in Domestic Consumption

The Ministry of Steel reports that India's steel imports soared to a five-year high of 5.6 million metric tons during April-December of the 2023-24 fiscal year, a 26.4% increase from the previous year. This period also saw domestic steel consumption surge to 100 million mt, the highest growth in six years at 14.8%. South Korea and China were the largest sources of imports, contributing 1.77 million mt and 1.75 million mt, respectively. Conversely, India's finished steel exports fell to a six-year low, while crude steel production experienced a robust 13.9% growth year-on-year to 106.10 million mt.

German Rail Strike Disrupts Industrial Supply Chains

A recent six-day strike targeting Germany's Deutsche Bahn has significantly disrupted supply chains across the metal, petrochemical, and power sectors. Initiated by the GDL union, the strike impacted freight services from January 23 and passenger services from January 24, concluding on January 29. Industries have been forced to seek alternatives in road and maritime transport, facing delays and additional costs. The automotive industry, highly dependent on rail, faces significant challenges, with Volkswagen expressing concerns over potential production disruptions. Steel producers like ArcelorMittal and Thyssenkrupp report minimal impact.

MONTHLY STEEL PRICE SNAPSHOT



As of the end of January, the FOB prices for HRC exports from various regions are as follows:

- Turkey: The FOB price for HRC exports from Turkey is $675/MT, which is a $30/MT decrease compared to the end of December.

- India: The FOB price for HRC exports from India is $625/MT, which is a $15/MT decrease compared to the end of December.

- China: The FOB price for HRC exports from China is $570/MT, marking a $5/MT decrease from the end of December.

In China, the steel market exhibited uncertain trends, with price fluctuations remaining subtle. A decision by the central bank to reduce the reserve requirement ratio in February aimed to inject approximately 1 trillion yuan in long-term liquidity into the market. This measure, coupled with relaxed regulations in the real estate sector and other positive economic indicators, offered a modest boost to market sentiment. However, a decline in the prices of raw materials such as iron ore and coking coal, together with weakening steel demand, has left the market's underlying fundamentals frail, leading to limited price movements within a narrow range.

In India, steel prices maintained their downward trajectory through January. Anticipation of the general elections contributed to a dip in market demand, as both consumer spending and investment retracted, softening the demand for steel. Additionally, the commencement of operations at NMDC's new steel plants has upped the supply, exacerbating the downward pressure on prices. The surge in steel imports further intensified the challenges faced by local steel producers.

In Turkey, the cost of scrap steel remained high due to seasonal supply constraints and increased shipping costs, providing some support to steel prices amidst high raw material and labor costs. However, the market faces significant pressure from sluggish demand, particularly from the export sector. Recent conflicts have notably diminished demand from Israel and Yemen, compelling Turkish steel manufacturers to focus more on domestic sales to offset the impact.

STEEL SUSTAINABILITY DYNAMICS

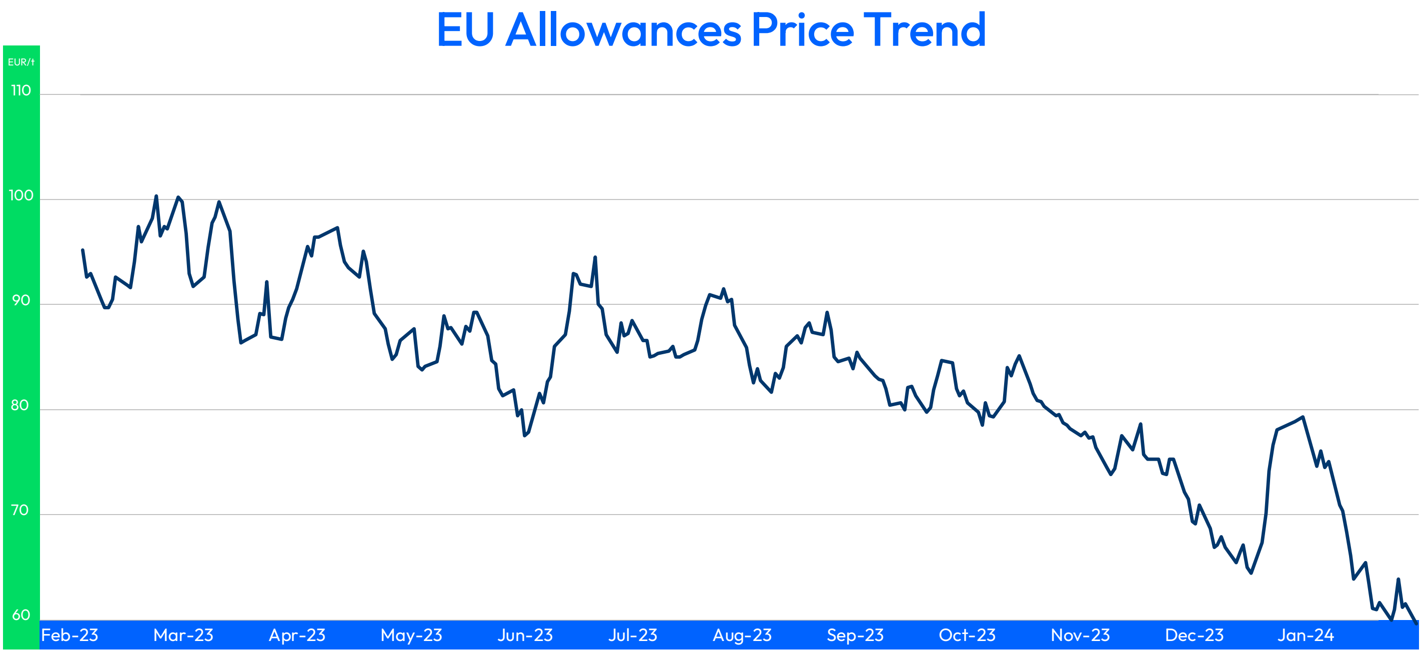
Vulcan Green Steel to Build Oman's First Green Hydrogen-Ready Steel Plant

Vulcan Green Steel commenced construction of Oman's first green hydrogen-ready steel plant in the Duqm Special Economic Zone. Scheduled for completion by 2026, with production starting in 2027, this $3 billion project is set to annually produce 5 million metric tonnes of green steel using renewable energy. Targeting the automotive, electrical tools, and wind turbine sectors, the Duqm plant is anticipated to significantly reduce CO2 emissions by an estimated 12 million tonnes per annum (mtpa). This initiative represents a major stride in sustainable steel production in the region.

DRI Production Starts at Baosteel Plant in China

Baosteel has commenced DRI production at its plant in Zhanjiang, Guangdong, China,introducing the world's largest hydrogen-based reactor with an annual capacity of 1million tons. Co-developed by Tenova and Danieli, the shaft furnace constructionbegan on February 15, 2022, and successfully commenced operation on December 23,2023. This represents a significant advancement in sustainable steel production,featuring up to 96% metallization and reduced CO2 emissions.

EUROPEAN CARBON MARKET



In January 2024, the European Union Allowance (EUA) futures witnessed a notable downtrend, with prices descending from an early-month high of approximately 77 euros per ton to a closing low near 61 euros per ton, marking a decline exceeding 15 euros per ton over the month. The average daily trading price settled at 67.78 euros per ton, reflecting a 5.41% reduction from December 2023's average of 71.66 euros per ton.

The trading momentum in the EU carbon market started off slow in January, partly due to the holiday season slowdown. The trend was exacerbated by a mild weather pattern across Europe, leading to diminished energy requirements. This decrease in energy demand, coupled with a fall in industrial activity, high levels of gas storage, and an increase in liquefied natural gas (LNG) supplies to Northwestern Europe, exerted downward pressure on natural gas prices, which in turn pressured carbon prices downward. Additionally, the EU's resumption of carbon quota auctions on January 15, after a suspension starting December 19, 2023, further expanded the supply of carbon quotas, contributing to the increase in carbon quota supply.

STATISTICS: PRODUCTION & STEEL TRADING

	Unit: 10000 tons	Dec-23	% change Dec 23/22	Jan-Dec 2023	%change Jan-Dec 23/22
Crude Steel Production	World	13570	-5.3 ↓	184970	-0.1 ↓
	China	6740	-14.9 ↓	101910	0.0
	India	1210	9.5 ↑	14020	11.8 ↑
	EU	910	2.7 ↑	12630	-7.4 ↓
	Japan	700	1.1 ↑	8700	-2.5 ↓
	US	680	7.6 ↑	8070	0.2 ↑
	Unit: 10000 tons	Nov-23	%change Nov 23/22	Jan-Nov 2023	%change Jan-Nov 23/22
Import	US (net tons)	201.82	0.6 ↑	2606.16	-9.0 ↓
	South Korea	169	-6.3 ↓	2047.5	3.2 ↑
	Turkey	120	12.4 ↑	1600	18.3 ↑
	Thailand	126.3	1.2 ↑	1392.6	-2.0 ↓
	Vietnam	152	56.2 ↑	1213	13.0 ↑
	China	61.4	-18.4 ↓	698	-29.2 ↓
	Japan	61.75	-2.8 ↓	695.12	1.7 ↑
Export	China	800.5	43.2 ↑	8265.8	35.6 ↑
	Japan	258.47	-7.0 ↓	3012.74	1.7 ↑
	South Korea	229.4	2.7 ↑	2634.3	5.4 ↑
	Turkey	80	-3.0 ↓	940	-34.4 ↓
	Vietnam	91.3	56.3 ↑	1005	32.7 ↑
	Thailand	19.8	18.0 ↑	199.5	-1.7 ↓

KEY GROWTH DRIVERS: FEB 2024 MARKET FORECAST

CUMIC anticipates that in February, steel prices may see continued fluctuations with a minor trend towards strengthening.

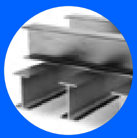
During February, the Spring Festival holiday will lead to a notable reduction in the Chinese market's activity, with an expected decrease in demand and a buildup of stock, resulting in a continued weak market condition. However, this anticipated slowdown aligns with market expectations and is unlikely to exert substantial downward pressure on prices. On the macro level, the relaxation of monetary policies and the easing of restrictions on real estate purchases are likely to uplift market sentiment. After the holiday season, it's expected that macroeconomic policies will align with market fundamentals, potentially supporting a rebound in steel prices. Even without an immediate improvement in the steel market's fundamentals after the holidays, significant price drops are deemed unlikely, thanks to new macroeconomic stimulus measures and their gradual impact.

As for raw materials, despite facing downward pressures, iron ore prices are not expected to plummet significantly. A pre-holiday restocking by several Chinese factories has led to a temporary decrease in iron ore demand, with prices retracting from over $140 per ton to around $130 per ton. Nonetheless, a further significant decrease seems improbable. Factors such as China's low iron ore inventory levels and government economic stimulus are expected to sustain iron ore prices above $120 per ton in February.

Adjustments to the anticipated Fed interest rate cuts could exert some pressure on steel prices. The market had largely anticipated the Fed to initiate rate cuts at its March meeting, a prospect now seeming increasingly slim following Chairman Powell's dismissal of a March rate cut, which led to a notable rise in the US dollar index. The impact of the dollar's movement on commodity prices warrants closer observation.

CUMIC'S LATEST PROJECTS

The Phase II Expansion of the Taiwan Power Company's Offshore Wind Farm



Product: HRP

Quantity: 2,096 Tons

Location: Taiwan

Project Story

In the Phase II expansion of the Taiwan Power Company's offshore wind farm, CUMIC supplied 2096 ton of HRP S355MLO. The impact of this project extends beyond its construction. Once operational, the wind farm is expected to generate 1GWh of power annually, sufficient to meet the electricity needs of approximately 270,000 households each year.

This project aligns with Taiwan's ambitious environmental goal of increasing renewable energy to 20% by 2025, simultaneously reducing carbon dioxide emissions by 403,611 metric tonnes annually. We eagerly anticipate the first power generation from this project in 2025, marking a significant milestone in sustainable energy development.

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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www.cumic.com cumic@cumic.com