

CUMIC

STEEL **M**ONTHLY

May 2023



➤ 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: Apr 2023



ArcelorMittal warns of delivery delays due to fires in two blast furnaces

ArcelorMittal informed its customers in early April of probable delivery delays across Europe due to fires that impacted blast furnaces in Spain and France in the previous two weeks. Blast furnace A in Gijon and the main blast furnace in Dunkirk are currently idled following the accidents on 22 March and 30 March, respectively. The company is assessing the damages and the time required for repairs as well as the impact on production plans. The Flat Carbon Europe unit of ArcelorMittal has sent a letter to customers, acknowledging that delays in the existing order book are likely to be unavoidable and that allocations for fresh order book may also be reduced. The accidents primarily affected furnaces that produced pig iron for slab and flat steel.

Worldsteel forecasts steel demand rebound in 2023 and 2024 despite challenges

The World Steel Association has updated its Short Range Outlook for 2023 and 2024, projecting a 2.3% rebound in steel demand to 1.82 billion mt in 2023 and a 1.7% growth to 1.85 billion mt in 2024. The previous forecast expected a 1% growth to 1.81 billion mt in 2023. Manufacturing will most certainly drive the rebound, but high-interest rates and persistent inflation will limit steel demand. Growth is expected to accelerate in most regions in 2024, but deceleration is anticipated in China.

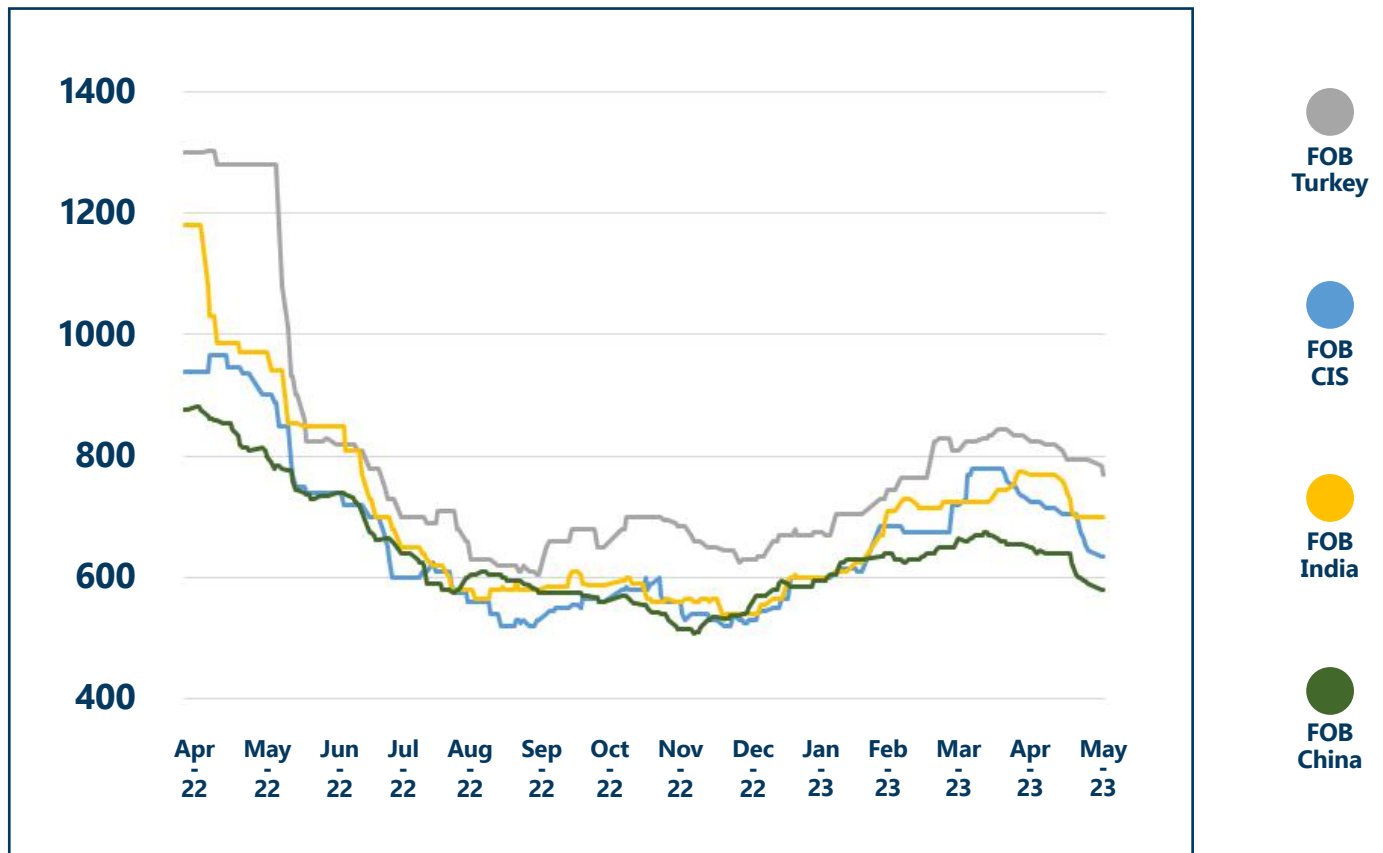
India's Ministry of Steel rejects industry demand for increase in basic customs duty on imports

According to government sources on April 28, India's Ministry of Steel has declined requests from industry representatives for an immediate increase in basic customs duty on steel imports. The industry, led by the Indian Steel Association (ISA), had suggested that an increase in basic customs duty was necessary to curb the sharp increase in steel imports. However, after conducting an assessment, the government led by Minister of Steel Jyotirditya Scindia concluded that such a measure was unnecessary and would lead to an increase in the prices of crucial alloys in the domestic market, contributing to inflationary pressures. India's steel product imports increased to 7 million MT in the fiscal year 2022-23, a 45 percent YoY increase, reaching the highest level in four years.

EUROFER: Apparent steel consumption decline in EU to reverse in H2

As per the report "Economic and Steel Market Outlook 2023-2024/Q2 2023" by the Economic Committee of the European Steel Association (EUROFER), it is anticipated that the apparent steel consumption downtrend will continue until the second half of the current year. In 2023, due to high uncertainty, apparent steel consumption is projected to decline by 1 percent before a rebound of 5.4 percent in 2024. The validity of these projections is conditional on the market outlook and steel demand.

➤ Monthly Steel Price Snapshot



In April, steel prices on the international market saw a sharp decline.

China's manufacturing PMI dropped by 2.7 percentage points in April, falling below the PMI threshold, amid sluggish domestic steel demand. Trade activity in many overseas markets also slowed during Ramadan, leading to fewer purchases of Chinese steel by overseas buyers. Coupled with falling iron ore and coke prices, this resulted in a decline in steel costs. Chinese HRC export prices fell from 660 USD/MT at the beginning of the month to around 590 USD/MT at the end of the month.

In the Turkish market, local steel mills resumed normal production after being shut down by the earthquake. However, steel demand for post-disaster reconstruction was lower than expected, with market participants choosing to take a cautious approach due to the upcoming presidential election, resulting in low demand in both domestic and export markets.

Ex-works HRC prices for local producers were at 730-770 USD/MT, down 50-90 USD/MT compared to the beginning of April.

In India, poor demand performance was observed due to tight downstream cash flow and the impending rainy season. Export orders from Indian steel mills has also been affected by Ramadan and Easter holidays. Current export offers are maintained at 770-780 USD/MT CFR EU.

➤ Statistics: Production & Steel Trading

	Unit: 10000 tons	Mar-23	% change Mar 23/22	Jan-Mar 2023	%change Jan-Mar 23/22
Crude Steel Production	World	16510	2.7	45930	-0.1
	China	9570	6.9	26160	6.1
	India	1140	2.7	3320	3
	EU	1190	-5.6	3310	-10.1
	Japan	750	-5.9	2160	-6
	US	670	-2.1	1940	-4

	Unit: 10000 tons	Feb-23	%change Feb 23/22	Jan-Feb 2023	%change Jan-Feb 23/22
Import	US (net tons)	225.5	-3.59	486.4	-4.79
	South Korea	202.2	14.3	370.8	9.4
	Turkey	130	-10.7	250	-10
	EU	162.28	-20.93	391.94	-37.64
	Thailand	116.4	14.3	246.9	93.4
	Vietnam	84	-6.1	143.3	-25.15
	China	63.5	-33.5	123.1	-4.2
	Japan	58.64	57.29	122.84	-0.12
	Italy	47.81	-15.93	108.67	-28.75
	Germany	5.57	-8.09	11.84	-17.32
Export	China	616	70.1	1219	49
	Japan	262.79	2.2	509.37	25.9
	South Korea	231.5	6.8	450	3.4
	EU	120.2	-17.91	237.37	-19.79
	Turkey	67.5	-47.3	140	-4.9
	Vietnam	79.6	31.79	142.5	68.5
	Germany	25.83	-12.91	51.08	-6.9
	Thailand	13.96	-24.8	31.66	-3.32
	Italy	14.03	14.91	23.34	0.56

➤ **Key Growth Drivers:** **May 2023 Market Forecast**

CUMIC believes that global steel prices will continue to decline in May. The main reasons for this are as follows.

The sluggish demand outlook for iron ore

Since the end of April, Chinese steel mills have proactively taken measures to increase maintenance and reduce production to stabilize prices by reducing supply, following the continuous decline in steel prices. However, this initiative has made market expectations for iron ore demand weaker, leading to a significant decline in iron ore prices. On the supply side, the latest quarterly results from major iron ore suppliers such as Rio Tinto, Vale, and BHP show a significant increase in first-quarter iron ore production, indicating that supply will be plentiful in the short term. As a result of the fundamental pressure of oversupply, iron ore prices are expected to continue to trend lower.

Central bank actions signal tighter monetary policy and dampened steel demand

After the Fed raised interest rates by 25 basis points in early May, the U.S. federal benchmark interest rate reached a range of 5.0%-5.25%, the highest level since 2007. While the market generally believes that the end of the interest rate hike cycle seems to have arrived based on statements by Fed officials, a rate cut remains unlikely. Similarly, the European Central Bank raised all three key interest rates in the Eurozone by 25 basis



points in early May and the ECB president hinted at the possibility of further interest rate hikes in the future. These radical monetary tightening measures are expected to contribute to a continued economic slowdown in the U.S. and Europe, which will also suppress the growth of steel demand.

China's struggling construction and manufacturing sectors pose threat to steel demand

Despite a round of government stimulus and liquidity injections amid China's economic reopening, the recovery of construction and infrastructure building in the country failed to materialize, which is now posing a threat to the balance sheets of metallurgists. This situation is reflected in both major Chinese PMI surveys, which showed an unexpected contraction in manufacturing activity in April, casting doubts on growth prospects for the quarter. Additionally, new construction starts decreased by nearly 20% year-on-year in the first three months of 2023, as authorities focused their efforts on supporting the services sector. This resulted in a 5.8% reduction in property investment, despite the 11.8% credit growth during the period.

Downward pressure on scrap market in Europe due to weak demand and price reductions

The European market as a whole has seen scrap price reductions. In Spain, scrap prices have fallen twice in one week, reflecting subdued domestic demand and scrap values have returned to levels last seen at the beginning of the third quarter of last year. The Italian scrap market has seen a decline in prices of over €30/tonne in May, with mills reportedly pushing for further price reductions. The scrap prices in Turkey are under pressure as buyers show no interest in purchasing. Baltic and European suppliers are targeting to sell at above \$380/tonne CFR Turkey, while most market participants see the current market level at no higher than \$375/t CFR Turkey. The lower scrap prices are expected to continue throughout the summer, driven by weak European orders for flat and long products.

➤ CUMIC's Latest Projects



UMC New Wafer Fab Facility Project



Product:
H-Beam S355J0



Quantity:
1,110Mt



Location:
Singapore

Project Story

In July 2022, CUMIC supplied a total of over 1,110 MT of S355J0 Hot Rolled Section Steel (H-Beam) from MAANSHAN IRON & STEEL COMPANY LTD to the world's fourth largest chipmaker, Taiwan's United Microelectronics Corp. United Microelectronics Corporation (UMC) Singapore branch. All H-Beam will be used in the construction of structures for the manufacturing facility in the UMC's new 22nm Wafer Fab Project.

As a world-leading semiconductor foundry, UMC provides high-quality integrated circuit (IC) fabrication services, focusing on logic and various specialty technologies to serve all major sectors of the electronics industry.

UMC announced in February 2022 that they had approved a plan to build a new advanced manufacturing facility next to its 300mm wafer fab in Singapore, which will be one of the most advanced semiconductor foundries in the country, producing UMC's 22/28nm processes. The planned investment will reach \$5 billion. Driven by the robust demand for a 5G network, IoT, and automotive mega-trends in the next future, the company expects the new fab to play a critical role in satisfying growing demand in these emerging sectors, while helping to alleviate the structural shortage of foundry capacity, especially on 22/28nm processes. The 1,110 tons of H-Beam supplied by CUMIC will be used in this future pointed facility.

The new wafer fab facility will have a monthly capacity of 30,000 wafers, with production expected to commence in late 2024, enabling UMC to further expand its manufacturing footprint while meeting global semiconductor demand. At the same time, the new Fab is likely to attract more high-tech talent and deepen Singapore's role in the global semiconductor supply chain.





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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