

CUMIC

STEEL MONTHLY

Sept 2023

C U M I C S T E E L L I M I T E D

> 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: Aug 2023



Mexico Introduces Temporary Tariffs on Steel Imports to Bolster Domestic Industry

To rejuvenate its domestic industry, which has been impacted by the Covid-19 pandemic, the Mexican government has imposed temporary tariffs on 201 steel-related imports from countries outside of its trade agreements. These tariffs, effective from August 16, 2023, to July 2025, range between 5.0% to 25.0%. The decree encompasses 392 tariff items, including steel, aluminum, and chemical products. Notably, steel-related tariffs account for 52% of the total. The Ministry of Economy's decision was influenced by the OECD's insights on global steel overcapacity. Additionally, protective measures for other sectors are forthcoming. Specific tariff items, such as 7210.70.02 and 7212.40.04, will experience fluctuating tariffs until 2025.

Goldman Sachs Adjusts Iron Ore Price Forecast Amid Anticipated Supply Glut

Goldman Sachs has downwardly revised its iron ore price forecast for the latter half of 2023. This adjustment, which predicts a 12% decrease to \$90/mt, is attributed to an expected oversupply of iron ore and a seasonal dip in China's steel production. The forecast anticipates a surplus of 68 million mt in iron ore supply during this timeframe.

EU's Iron and Steel Imports from Russia Witness Sharp Decline

During the first half of 2023, the European Union recorded a 47% drop in its iron and steel imports from Russia, compared to the same period in 2022. The imports totaled 2.92 million tons, valued at €1.51 billion, down 44.6% year-on-year. Steel semi-finished products dominated the imports, making up 62.1%, with Belgium and Italy being the primary recipients.

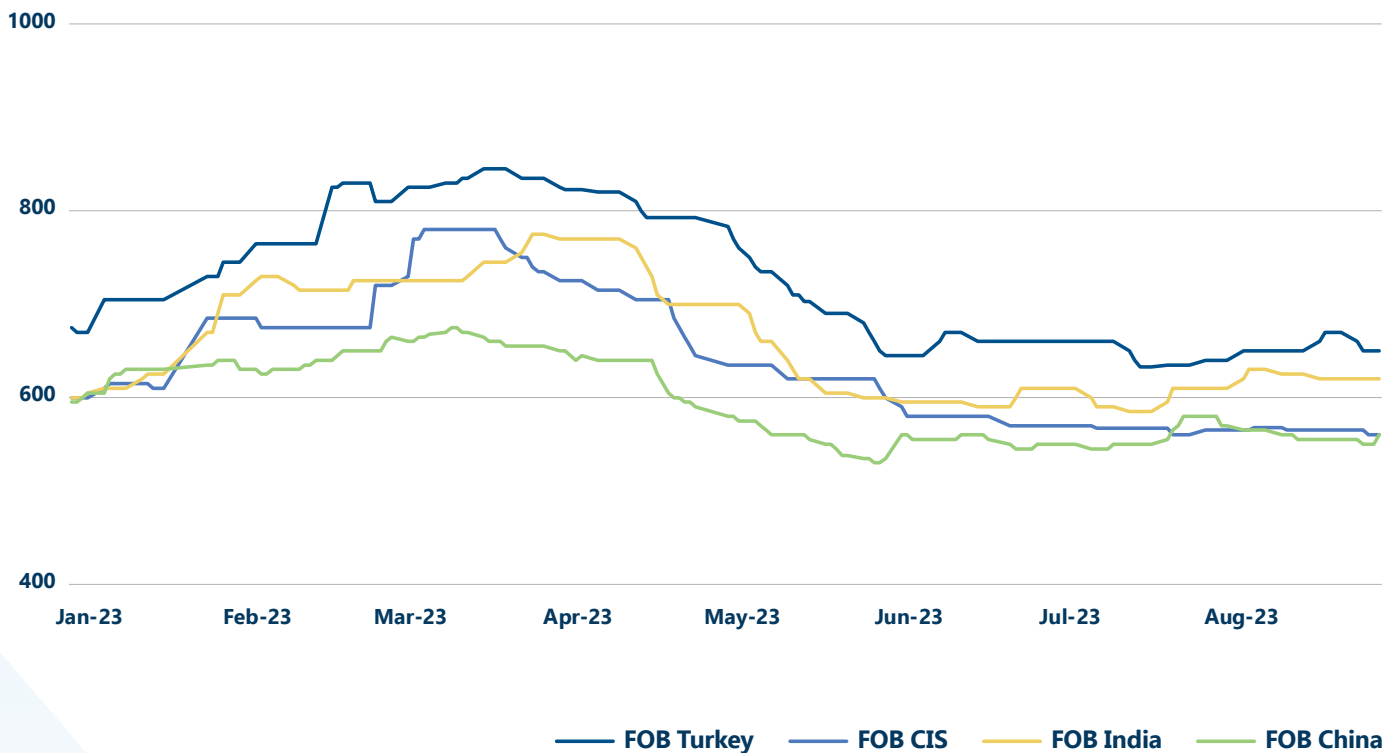
The EU observed significant reductions in imports of Russian metallurgical raw materials: 84.3% for iron ore, 77.5% for ferroalloys, and 76.8% for scrap metal in the first half of 2023.

Despite existing sanctions, Russia has managed to continue its steel exports to the EU, primarily through semi-finished products. However, this might change as tighter restrictions are anticipated by September 30, 2023, as per the 11th package of sanctions.

EU Sets Transitional Rules for CBAM

The European Commission has greenlit regulations for the interim phase of the Carbon Border Adjustment Mechanism (CBAM). This phase, which spans from October 1, 2023, to the end of 2025, details the reporting requirements for EU importers of CBAM goods and provides a framework for calculating the emissions embedded in their production. Importantly, during this period, traders are only mandated to report emissions without any financial implications, offering businesses a grace period for adaptation. This transitional phase aims to fine-tune the methodology by 2026.

➤ Monthly Steel Price Snapshot



The global steel market experienced fluctuations in August. As of the end of August, Turkey's FOB HRC export price reached 650 USD/MT, marking a 15 USD/MT increase compared to July's conclusion. The CIS FOB HRC export price remained unchanged at 560 USD/MT when compared to the end of July. India's FOB HRC export price witnessed a 10 USD/MT rise, reaching 620 USD/MT by the end of August, whereas China's FOB HRC export price declined by 20 USD/MT, reaching 560 USD/MT.

Within China, the price surge observed in steel during July encouraged Chinese mills to maintain elevated production in August. Yet, the persistent domestic economic slump made it tough to boost overall steel demand. On the international front, demand waned, especially in Europe, where operations paused for the summer recess. This led to a monthly drop in both direct and indirect Chinese steel exports. Consequently, Chinese steel prices largely showcased a fluctuating, weak trend throughout August.

The monsoon season continued to dampen local market demand, leading to a muted trend in domestic steel prices. On the export front, Indian steel mills increased their quotations, driven by limited export quotas and anticipated European market demand resurgence in September.

Meanwhile, in Turkey, a swift rise in imported scrap prices from the onset of August prompted many steel mills to adjust their steel prices upwards. However, the absence of competitive pricing compared to other Asian regions meant actual sales were scant.



➤ Steel Sustainability Dynamics



GMH Supplies More than 1000 Steel Variants with Precise PCF Calculation Methodology Validated by TÜV SÜD

GMH has tailored an algorithm to calculate the Product Carbon Footprint (PCF) that meticulously tracks CO₂ emissions from raw materials to the final product, adhering to the "cradle to gate" approach. As a vanguard in Germany's Green Steel production, GMH is spearheading decarbonization initiatives in the steel sector. Their meticulous PCF calculation, compliant with ISO 14067, 14044, and the Greenhouse Gas Protocol, now encompasses over a thousand steel variants, a testament to GMH's digital evolution. TÜV SÜD's endorsement of GMH's PCF methodology underscores its precision and transparency. Frank Düssler from GMH and Andreas Schubert from TÜV SÜD both expressed pride and support for this monumental stride in sustainability and decarbonization.

The Global Steel Climate Council (GSCC) Unveils the Steel Climate Standard for Low-Emission Steel

The Global Steel Climate Council (GSCC) has introduced The Steel Climate Standard, a pivotal tool designed to curtail GHG emissions in the steel sector, in alignment with the Paris Climate Agreement's 1.5° C objective. This standard presents a unified, technology-neutral protocol for steel producers worldwide, facilitating a clear understanding and comparison of steel products' carbon footprints. While some champion varied standards based on production techniques, the Steel Climate Standard provides a consistent benchmark, emphasizing science-backed emission goals. This initiative streamlines the selection process for steel purchasers, enabling them to pinpoint steel with minimal embodied carbon. SMA President Philip K. Bell emphasized its significance for industries and governments in assessing carbon content in their endeavors.

Danieli and Meranti Steel Collaborate on Green Steel Plant Initiative in Thailand

Meranti Steel has announced plans to develop a green steel business under the Meranti Green Steel brand. The company is orchestrating the establishment of a state-of-the-art integrated DRI and EAF facility, complete with continuous casting and a hot strip mill, in Thailand. This venture aims to cater to Thailand's domestic flat steel market, with an anticipated capacity of up to 2mt annually of green HRC.

Production is set to kick off in the second half of 2027. Meranti Steel is confident that this project will amplify Thailand's domestic steel production prowess while fostering a modern, efficient upstream operation with a certified green stamp.

> European Carbon Market

EU Allowances Price Trend in 2023



In August 2023, the EUA futures DEC23 contract exhibited price fluctuations, commencing the month at €85.1 per ton and reaching an intra-month peak of €89.87 per ton on August 22. However, by the end of the month, these prices had retraced to €85.76 per ton, as reported by EEX.

The EUA market experienced a relatively sluggish start in August but gained momentum in the middle of the month. This upward trajectory was influenced by factors such as the reduction in auction volumes and unusually high temperatures across Europe. Additionally, increased electricity prices driven by the heatwave, as well as elevated gas and LNG prices amid the threat of a strike by LNG workers in Australia, contributed to the bullish sentiment observed in the EUA market.

Yet, as August neared its end, carbon prices dipped. This downturn was influenced by a combination of falling gas prices in Europe and profit-booking by some investors. Looking at the broader picture, several factors cast a bearish shadow on carbon prices for the foreseeable future: muted industrial data from the EU, heightened interest rates, and lackluster macroeconomic indicators from China.

➤ Statistics: Production & Steel Trading

	Unit: 10000 tons	Jul-23	% change Jul 23/22	Jan-Jul 2023	%change Jan-Jul 23/22
Crude Steel Production	World	15850	6.6 ↑	110320	-0.1 ↓
	China	9080	11.5 ↑	62650	2.5 ↑
	India	1150	14.3 ↑	7990	9 ↑
	EU	1030	-7.1 ↓	7670	-10.3 ↓
	Japan	740	0.9 ↑	5120	-3.9 ↓
	US	690	0.5 ↑	4680	-2.3 ↓
	Unit: 10000 tons	Jun-23	% change Jun 23/22	Jan-Jun 2023	%change Jan-Jun 23/22
Import	US (net tons)	279.08	-0.67 ↓	1500.39	-10.7 ↓
	South Korea	202.5	9.3 ↑	1173.5	0.6 ↑
	Turkey	150	12.1 ↑	950	23 ↑
	Thailand	112.7	-38.7 ↓	794.7	-3.73 ↓
	Vietnam	95.8	-7.55 ↓	556.4	-14.4 ↓
	China	61.2	-22.6 ↓	374.1	-35.2 ↓
	Japan	60.43	-10.2 ↓	366.88	-0.8 ↓
Export	China	750.8	-0.6 ↓	4358.3	31.3 ↑
	Japan	283.16	-8.4 ↓	1661.76	-2 ↓
	South Korea	250.1	16.9 ↑	1433.1	2.9 ↑
	Turkey	87.59	-40.8 ↓	450	-46.5 ↓
	Vietnam	100.7	32.4 ↑	539	18.2 ↑
	Thailand	16.4	-10.9 ↓	106.1	-5.52 ↓

➤ Key Growth Drivers: Sept 2023 Market Forecast

CUMIC projects an optimistic trajectory for the global steel market in September, anticipating a surge in demand and a rebound in prices.

China: A Favorable Climate for Steel Price Recovery

China's macroeconomic sentiment is on the mend, thanks to a series of policies targeting local government debt risks, equity mortgage interest rates, and easing restrictions on residential property loans in major cities. Furthermore, market stakeholders maintain an optimistic outlook, anticipating the introduction of robust policies and measures to reinvigorate both the real estate sector and the broader.

On the demand front, with the onset of September and the subsiding summer heat, the construction sector is poised for heightened activity. This is likely to spur construction projects, leading to a modest rise in steel demand and, in turn, a potential boost in steel prices.

European Markets: Post-Summer Restocking to Bolster Steel Prices

Despite the European economy's ongoing challenges and a stagnant construction industry, there's a silver lining. As the summer break concludes, European customers are re-engaging, evidenced by a spike in inquiries, potentially uplifting short-term market sentiment.

European steel producers, currently navigating tight profit margins, are hesitant to slash prices further. Instead, they are pinning their hopes on the post-summer restocking phase to provide impetus for price increases.

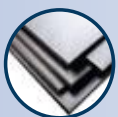
U.S. Federal Reserve: Steady Interest Rates Anticipated in September

Recent U.S. inflation data matches predictions, pointing to a discernible slowdown in the job market. This has considerably tempered expectations of the Federal Reserve raising interest rates further this year. According to CME's "Fed Watch," there is a 93% probability that the Federal Reserve will maintain interest rates at the current range of 5.25% to 5.50% in September, with only a 7% probability of a 25-basis-point rate hike, bringing the range to 5.50% to 5.75%.

> CUMIC's Latest Projects



Changhua Offshore Wind Energy Project



Product:
HRP S355M



Quantity:
450 Mt



Location:
Taiwan

Project Story

We are overjoyed to have played a role in a transformative project that is reshaping the renewable energy landscape in Changhua, Taiwan. From May to August of 2023, CUMIC successfully supplied 450MT of HRP for the Changhua Offshore Wind Energy Project. The project's magnitude and its potential impact on the environment and the community fill us with immense pride.

The Changhua Offshore Wind Energy Project is a part of the broader mission to harness wind energy with Changhua 1&2a Offshore Wind Far anticipated to be fully operational this year, boasting an impressive installed capacity of 900MW. It aims to establish a sustainable energy source for the region, reflecting unwavering commitment to sustainable energy solutions and ensuring a cleaner environment for the citizens.

Our client's vision of creating a sustainable energy source for Changhua and its surrounding regions is truly commendable. We are privileged to be a part of the Project, contributing to fostering a sustainable future. Collaborating with a partner who echoes our values has been an enriching experience. We are confident that our collective endeavors are paving the way for a greener tomorrow!



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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