



STEEL+ MONTHLY

January 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.

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GLOBAL STEEL NEWS REVIEW: DEC 2023

Turkey Turns to Net Importer of Steel for the First Time Since 2015

During the first 11 months of 2023, Turkey's steel exports fell by 28.8% year-on-year to 13.05 million mt and its steel export value decreased by 31.2% to \$13.54 billion. This downturn is primarily attributed to several factors: the implementation of safeguard measures, the emergence of North African countries like Egypt and Algeria as net steel exporters, and the re-entry of Far Eastern countries into the market, spurred by reduced freight and container costs.

On the other hand, Turkey's steel imports in the same period increased by 14.8% year-on-year to 17.64 million mt. As a result, Turkey has become a net importer of finished steel products, especially wire rods, for the first time since 2015.

The Turkish Steel Exporters' Association (ÇİB) chairman, Adnan Aslan, expressed concerns over the rising imports' impact on Turkey's local steel producers. He highlighted the disparity in market protection, noting that while other countries are fortifying their steel industries with protective policies, Turkey remains an open market.

UK to Impose Carbon Levy on Imports of Carbon-Intensive Goods by 2027

The UK government will impose a carbon levy on imports of iron, steel, aluminum, ceramics, and cement from countries with lower or no carbon pricing schemes. This levy will be calculated based on the carbon emissions incurred during the production of these goods and the difference in carbon pricing between the exporting country and the UK's Emissions Trading Scheme (ETS).

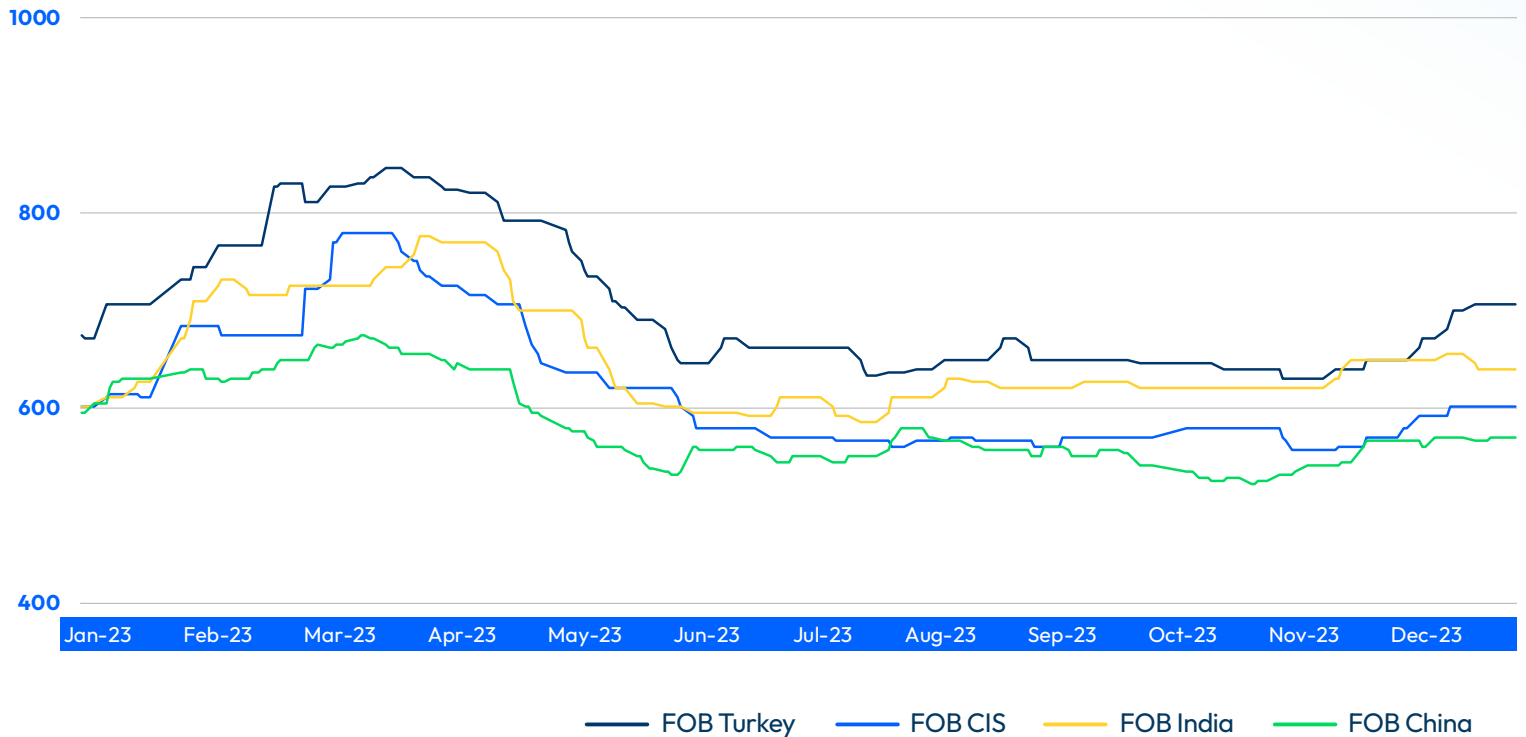
The primary objective of this levy is to create a level playing field for UK producers, who are subject to more stringent domestic carbon pricing regulations. It will also help to reduce the risk of carbon leakage, as imported goods will be required to bear the cost of their carbon emissions. The precise scope of products covered by the levy will be finalized through further consultations in 2024.

Red Sea Tensions Drive Up Freight Rates for Indian Shippers

The maritime security risks in the Red Sea region are causing a significant increase in freight rates for Indian shipments to Europe and Africa. Due to the heightened threat of anti-ballistic missile attacks by regional militants, insurance companies are either declining coverage or imposing a substantial \$5,200 war risk surcharge. The Federation of Indian Export Organisations (FIEO) has warned that if the situation persists, freight rates could jump to 25%, severely impacting Indian exporters. However, if the United States and other countries step up patrols in the region, the risk would be mitigated and freight rates could stabilize.



MONTHLY STEEL PRICE SNAPSHOT



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

- Turkey: The FOB price for HRC exports from Turkey is \$705/MT, which is a \$55/MT increase compared to the end of November.
- CIS: The FOB price for HRC exports from CIS countries is \$600/MT, which is a \$20/MT increase compared to the end of November.
- India: The FOB price for HRC exports from India is \$640/MT, which is a \$8/MT decrease compared to the end of November.
- China: The FOB price for HRC exports from China is \$575/MT, marking a \$10/MT increase from the end of November.

Despite a sharp price increase in November, the Chinese steel market failed to sustain further upward momentum. In December, steel prices remained volatile at elevated levels. Following the annual Central Economic Work Conference, the market entered a

phase of uncertainty, primarily due to the absence of clear indications of enhanced macroeconomic stimulus. This uncertainty diminished the influence of macroeconomic policies on the steel market. Consequently, market players refocused on the prevailing weak supply-demand balance, leading to a temporary dip in prices. However, robust iron ore prices provided substantial support, preventing a prolonged decline in steel prices. As a result, the Chinese steel market remained characterized by high-level volatility throughout December.

In India, steel prices fell slightly month-on-month in December mainly due to the impact of a surge in steel imports from China and a slowdown in demand from holidays. Statistics indicate a significant increase in India's imports of hot rolled coil and medium plate, reaching 1.08 million tons in November 2023 — the highest for the fiscal year. This marked a substantial rise from 0.585 million tons in October and 0.235 million tons in September. The increase in imports was mainly from China, with a small portion from Vietnam, which further exacerbated the supply and demand imbalance in the Indian domestic market, exerting downward pressure on steel prices.

In Turkey, steel prices rose sharply in December, driven by a surge in scrap steel prices. The landed price of HMS 1&2 80:20 in Turkey rose from around USD380/MT in November to USD420/MT in December and has remained high since then. This hike in scrap steel prices significantly elevated production costs for Turkish steel mills, leading to higher steel prices for consumers. Additionally, both steel production and demand in Turkey witnessed a slight uptick in the fourth quarter, further contributing to the rising prices.



STEEL SUSTAINABILITY DYNAMICS

British Steel Announces Historic £1.25 Billion Investment in Electric Arc Furnace Steelmaking to Pave the Way for Green Steel

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Schmiedag GmbH Announces Major Investment in Forging Plant to Boost Production and Expand Market Reach

Schmiedag GmbH invests €7 million to enhance its forging hammer plant, including a new 630-ton draw press and a 400 kJ forging hammer (DG 40 counterblow hammer). This upgrade boosts production capacity, enabling the creation of parts up to 750 kg, and expands the company's reach in industries like the food industry, which continues to grow strongly, components for modern power generation engines, and components for large mining machinery. Managing Director Heinz Klenen highlights improved flexibility and a positive impact on CO2 emissions.

EUROPEAN CARBON MARKET

EU Allowances Price Trend in 2023



December EUA futures prices showed a V-shaped trend, characterized by an initial decline followed by a significant rebound. From the beginning of the month at 72.49 euros/ton, it fell to 69.08 euros/ton on December 18 and then rebounded to 80.2 euros/ton on December 28. The average daily trading price of December EUA futures was 71.66 euros/ton, compared to 76.7 euros/ton in November, a decline of 6.57%.

The EU carbon market price weakened along with the European gas price in the first half of December due to mild weather and good wind power generation in Europe, as well as low gas demand and sufficient gas inventories. This reduced investors' concerns about gas shortages during the heating season. In addition, the impending expiration of the DEC/23 contract led to further declines in EU carbon prices as investors rushed to sell the contract before expiration and delivery. However, after the delivery of DEC/23 was completed on December 18 and DEC/24 became the most traded contract in the market, the carbon price started to rebound.

In particular, major shipping companies suspended seaborne trade through the Bab al-Mandab Strait due to tensions in the Middle East. As a result of this disruption, there has been a notable shift in the energy supply and demand dynamics within Europe, leading to higher gas prices and a subsequent rise in carbon prices.

STATISTICS: PRODUCTION & STEEL TRADING

	Unit: 10000 tons	Aug-23	change% Nov 23/22	Jan-Nov 2023	change% Jan-Nov 23/22
Crude Steel Production	World	14550	3.3 ↑	171510	0.5 ↑
	China	7610	0.4 ↑	95210	1.5 ↑
	India	1170	11.4 ↑	12820	12.1 ↑
	EU	1060	3.2 ↑	11760	-7.8 ↓
	Japan	710	-0.9 ↓	8000	-2.8 ↓
	US	660	6.1 ↑	7390	-0.5 ↓
	Unit: 10000 tons	Oct-23	change% Oct 23/22	Jan-Oct 2023	change% Jan-Oct 23/22
Import	US (net tons)	218.19	-9.2 ↓	2402.81	-9.8 ↓
	South Korea	180.5	10.6 ↑	1878.5	4.1 ↑
	Turkey	120	3.1 ↑	1480	18.8 ↑
	Thailand	118.3	19.1 ↑	1266.3	-2.4 ↓
	Vietnam	127.9	54.0 ↑	1061	8.6 ↑
	China	66.8	-13.5 ↓	636.6	-30.1 ↓
	Japan	70.75	13.9 ↑	633.38	2.2 ↑
Export	China	793.9	53.1 ↑	7473.2	34.8 ↑
	Japan	269.69	8.6 ↑	2754.27	2.6 ↑
	South Korea	236.4	11.7 ↑	2405.1	5.6 ↑
	Turkey	110	3.9 ↑	850	-36.4 ↓
	Vietnam	90.8	71.5 ↑	913.7	30.7 ↑
	Thailand	17.4	7.1 ↑	179.7	-3.5 ↓

KEY GROWTH DRIVERS: JAN 2024 MARKET FORECAST

CUMIC believes that steel prices in January will remain high, with further upside potential.

Firstly, steel prices are receiving strong support from elevated raw material costs. Iron ore prices are hovering around US\$140/ton, which is near their highest level in approximately 18 months. Similarly, scrap steel prices are also at their peak in eight months. Despite these high raw material costs, finished steel prices remain undervalued relative to these inputs, leading to reduced profitability for steel mills. Consequently, steel mills are incentivized to either maintain or increase their prices, a move that could potentially result in further production cuts.

In China, there is anticipation that the central bank might reduce interest rates or reserve requirements before the Spring Festival, aiming to alleviate liquidity pressures and bolster steel prices. In the United States, the US dollar index experienced a 2% decline in 2023, marking its first downturn since 2020. With inflation showing signs of cooling, market expectations lean towards the Federal Reserve initiating monetary policy easing early in 2024. Such a move could result in a further weakening of the US dollar, which in turn, could support commodity prices that are denominated in dollars.

However, some headwinds could weigh on steel prices in the coming months. These disruptions have led to increased freight rates and a reduction in trade flows. The resultant higher transportation costs for steel, coupled with delayed deliveries and potentially lower trade volumes in certain regions, could exert downward pressure on steel prices. The extent of these headwinds' impact on steel prices remains uncertain, but they warrant close monitoring due to their potential to influence market dynamics significantly.



CUMIC'S LATEST PROJECTS

CR102-Bored Tunnel



Product:
H BEAM

Quantity:
302 Tons

Location:
Singapore

Project Story

For the CR102-Bored Tunnel project in Singapore. CUMIC supplied 302 tons of H BEAM S355JR, a material celebrated for its exceptional strength and adaptability. The CR102 project was a complex engineering challenge. It encompassed the design and construction of five bored tunnels and seven connecting passages.

The tunnel marks a new era in underground transportation in Singapore, slated to be the longest fully underground rail line in the country. Our involvement in this project is a testament to our commitment to supporting innovative and sustainable engineering solutions.



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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