

CUMIC

STEEL MONTHLY

April 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: Mar 2023



Global Banks in Crisis, Metal Prices Drop

Global banks are currently facing the biggest crisis since 2008, triggered by the recent collapse of two US lenders, and both of these occurred within a 10-day span. Fortunately, Credit Suisse's request for a government lifeline and a \$30 billion rescue deal from America's top banks were supplemented in time to limit the negative effect but it remains to be seen if these actions would be sufficient to contain the damage. As a result, the resulting turmoil has raised concerns about contagion and prompted intervention from the US Federal Reserve, US Treasury, and private sectors. Moreover, the global banking crisis has had significant negative effects on public sentiment, leading to a drop in metal prices worldwide. For instance, in China, the hot-rolled coil price declined by 2% to \$630/tonne, while the SHFE also witnessed a week-on-week drop of RMB 142/tonne (a decrease of 3%).

Fed hikes rates by 25 basis points in March

The Federal Reserve has raised interest rates for the ninth consecutive time, bringing the benchmark rate to its highest level since 2007. The rate hike aims to curb inflation by increasing borrowing costs, which could potentially slow down the economy and lead to a recession. Consequently, the move has also increased the cost of credit cards, auto financing, and loans. Despite recent banking failures, the Fed has remained focused on price stability as its primary objective.

OECD Steel Committee: Outlook for 2023 remains weak

OECD's Steel Committee discussed about the steel industry's tough year in 2022 due to global economic slowdown, inflation, and supply chain disruptions. The committee expressed concerns about the impact of the war between Russia and Ukraine on global steel markets, which has led to stagnation in the global steel trade, disruptions in raw material markets, and increased market uncertainty. Global steel demand, production, trade, and prices decreased significantly in 2022, leading to a weak outlook for 2023. Thankfully, the committee agreed to monitor steel demand and capacity developments to mitigate potential future surges of steel exports and trade frictions.

China's steel sector PMI decreases in Mar

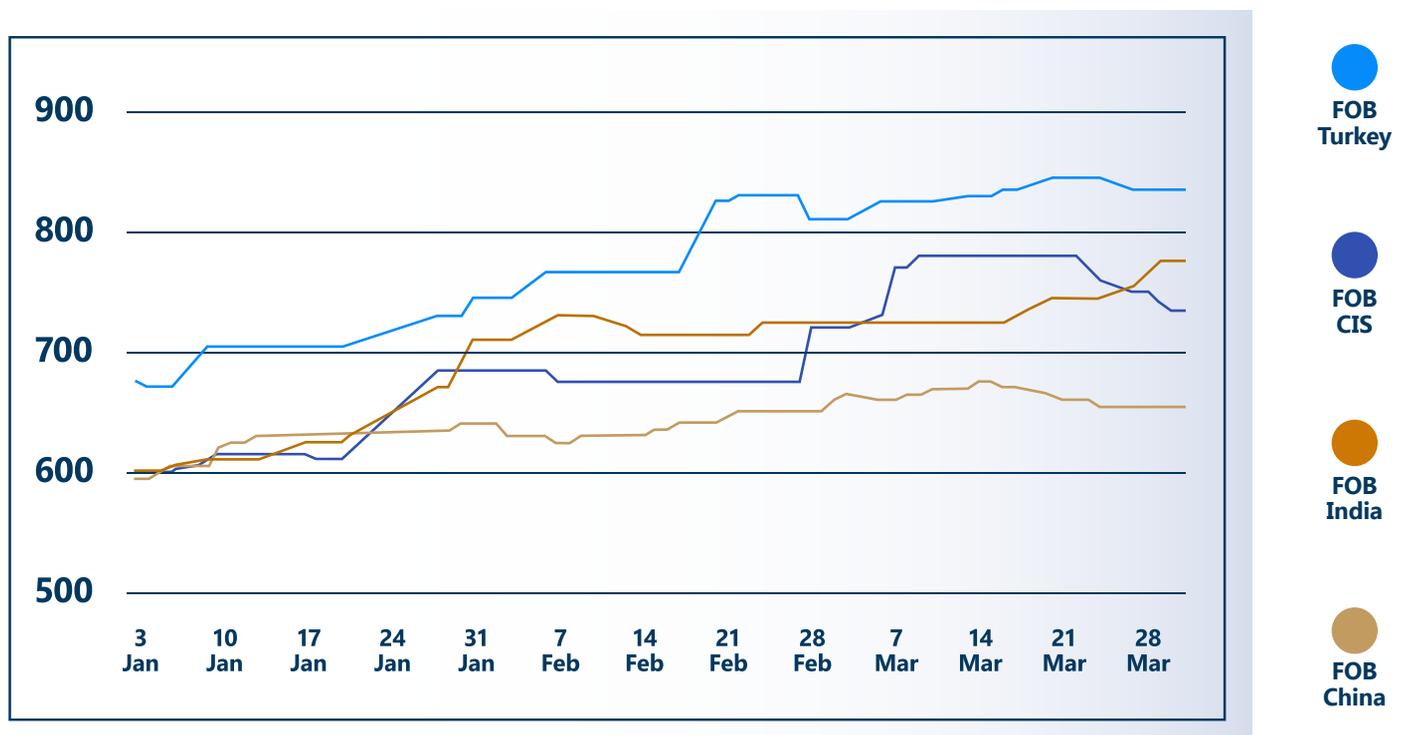
Chinese steel industry saw a decline in PMI in March to 48.4%, but production and new order indices increased to 51.8% and 50.2% respectively. The raw material purchase price index declined to 59.2%, leading to a decrease in production costs. Inventories of finished steel decreased to 38.2%. Therefore, demand is expected to improve in April with slight production increases and improved profitability due to decreasing raw material prices.

➤ Monthly Steel Price Snapshot

In March, China's steel prices showed a mixed performance as they rose at the beginning of the month, but fell rapidly in mid-March due to the banking crisis. Driven by seasonal demand, the price of hot-rolled coil (HRC) exports reached around 690 USD/MT, which is the highest point so far this year. However, the outbreak of the banking crisis caused risk aversion sentiment to heat up, leading to a dramatic drop in steel prices. At present, China's HRC export price is hovering around 660 USD/MT.

On the other hand, India's steel market has remained relatively stable despite the turbulence in the international steel market. According to Steel Minister Nagendra Nath Sinha, India's steel consumption has grown by 11% so far this fiscal year, which attributes to the government's infrastructure push and a pick-up in construction activity.

As for March 31, Turkey's domestic HRC price is \$830 per ton, stable from last week. But domestic CRC prices fell by \$10 to \$930/t and HDG prices fell by \$20 to \$1,070/t. The overall market is still calm, showing weak demand. Although manufacturers have lowered prices, buyers are still reluctant to make a purchase. It is expected that the market would remain weak ahead of Turkey's presidential election.



> Statistics: Production & Steel Trading

	Unit: 10000 tons	Feb -23	% change Feb 23/22	Jan-Feb 2023	% change Jan-Feb 23/22
Crude Steel Production	World	14240	-1	29780	-0.8
	China	8006	5.6	16870	5.6
	India	1000	-1	2130	1
	EU	1050	-12.6	2070	-14.3
	Japan	690	-5.3	1410	-6.1
	US	600	-5.3	1260	-5.6

	Unit: 10000 tons	Jan -23	%change Jan 23/22	Jan-Jan 2023	%change Jan-Jan 23/22
Import	US (net tons)	2607000	-14.4	2607000	-14.4
	South Korea	168.6	4.1	168.6	4.1
	Turkey	120	-9.1	120	-9.1
	EU	223.61	-47.17	223.61	-47.17
	Thailand	130.5	5.1	130.5	5.1
	Vietnam	59.2	-41.83	59.2	-41.83
	China	60	-52.4	60	-52.4
	Japan	64.2	-2.3	64.2	-2.3
	Italy	60.69	-36.55	60.69	-36.55
	Germany	6.28	-23.88	6.28	-23.88
Export	China	603	31.7	603	31.7
	Japan	246.6	3	246.6	3
	South Korea	218.5	-12.2	218.5	-12.2
	EU	106.68	-28.65	106.68	-28.65
	Turkey	73.3	-42	73.3	-42
	Vietnam	67.2	-17.53	67.2	-17.53
	Germany	25.25	-20.62	25.25	-20.62
	Thailand	17.7	19.3	17.7	19.3
Italy	8.95	-18.56	8.95	-18.56	

> Key Growth Drivers: Apr 2023 Market Forecast

China's high steel supply worries market

Based on Mysteel's data, during the week of March 31st, Chinese steel mills' average daily hot metal output was recorded at 2.4335 million tons, which indicated a growth of 172,500 tons in comparison to the corresponding period last year, surpassing last year's peak level. It is noteworthy that the current sample steel mills' average daily hot metal output is only marginally lower than the all-time high. Such high production levels on the supply side hinder inventory digestion, putting



increased pressure on steel prices due to high inventory. In accordance, if steel production levels remain elevated and demand does not show significant recovery, it is likely that steel prices would go down.

Regulatory Intervention May Curb Soaring Iron Ore Prices

In the past few months, the iron ore market has seen a steady rise in futures contract prices, with an increase of over 50% from less than 600 yuan/ton to over 900 yuan/ton in just four months. However, the price supervision department has issued multiple warnings to iron ore trading companies, urging them to comply with the law and avoid speculating or hoarding. Similarly, regulatory authorities have also announced their plans to take measures in controlling the rise in prices and ensure the smooth functioning of the market. As a result, if authorities intervene, it is likely that iron ore prices may experience a significant decline.



➤ CUMIC's Latest Projects



Cesar Educational Infrastructure Project



Product:
H Beam / Hollow Section



Quantity:
1,500 MT



Location:
Colombia

Project Story

We are thrilled to announce that our company was able to contribute to an incredible initiative that is making a real difference in the lives of the underresourced students in Cesar. From July to September of 2022, CUMIC supplied 700mt H-beam and 800mt hollow section to Colombia for the school project which are part of the progress of the Educational Infrastructure Plan. The work includes the construction of 160 new classrooms, which will improve the coverage and quality of academic training for children and young people in different municipalities of Cesar and we couldn't be more proud of our involvement in this project.



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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