



STEEL+ MONTHLY

March 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: FEB 2024

Brazilian Government Considers Raising Steel Import Taxes

Brazilian government officials have acknowledged reviewing the possibility of raising steel import taxes, following a request from the Brazilian steel industry's institute IABR to increase the tax from 12% to 25%. Marcio Elias Rosa, from the Ministry of Development, industry, trade, and services, indicated the government's openness to the steel sector's concerns but cautioned that a tax hike could have negative impacts on other sectors fuel inflation due to higher domestic steel prices.

European Flat Steel Imports Decrease in 2023

In 2023, the European Union experienced an 8% decline in flat steel imports, totaling 20.11 million tons. The primary sources of these imports were Asian countries, with significant contributions from South Korea (3.1 million tons, up 9.3%), India (2.73 million tons, up 15.5%), Taiwan (2.38 million tons, up 11.6%), Vietnam (2.12 million tons, up 36.5%), and Japan (1.75 million tons, up 23.2%). Conversely, Turkey's exports to the EU drastically fell by 52.2% to 1.39 million tons, attributed to its less competitive production costs. Notably,

hot-rolled coils were the most imported flat product in the EU in 2023, reaching 10.4 million tons (a 9.2% increase), while the imports of finished materials decreased by 12% to 27.07 million tons.

Turkey's Ambition to Lead Europe's Steel Production

The Turkish Steel Producers Association (TCUD) has set a goal for Turkey to reclaim its status as the top steel producer in Europe by 2024, with ambitions to surpass South Korea as the sixth-largest global steel producer. Turkey's crude steel production decreased to 33.7 million tons in 2023, down from 40.4 million tons in 2021, primarily due to heightened energy costs post the Russia-Ukraine conflict and a devastating earthquake in early 2023. Despite these challenges, TCUD remains optimistic about Turkey's steel industry resurgence in 2024, supported by new capacity initiatives, increasing demand, declining energy prices, and recent protective measures.

Speculation on China's Potential Billet Export Limits

Speculation arose near the end of February regarding China's consideration to impose an export tax on billets, which are currently untaxed. This speculation led to a halt in billet export orders from several Chinese steel producers and traders, with some planning to reduce their billet exports. According to the China Iron and Steel Association, China's billet exports in 2023 reached 3.279 million tons, marking a significant rise of 2.252 million tons from the year before.



MONTHLY STEEL PRICE SNAPSHOT



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

- Turkey: The FOB price for HRC exports from Turkey is \$670/MT, which is a \$5/MT decrease compared to the end of January.
- India: The FOB price for HRC exports from India is \$615/MT, which is a \$10/MT decrease compared to the end of January.
- China: The FOB price for HRC exports from China is \$555/MT, marking a \$10/MT decrease from the end of January.

In China, February saw steel prices fluctuate before and after the Spring Festival, influenced by a mix of demand contraction, uncertain post-holiday expectations, and weak input costs. Despite these challenges, proactive macroeconomic measures, like the central bank's injection of 1 trillion yuan to lower financing costs and boost confidence,

were implemented. Initially, the market lacked clear direction, leading to minor fluctuations. Post-holiday, cold weather and slow construction restarts heightened concerns about demand, causing prices to dip in late February.

India experienced a downturn in steel prices and profitability from December 2023, following highs in the previous autumn. By February, prices for key steel products had dropped significantly from their October highs, with profits shrinking dramatically. This was driven by financial constraints at the fiscal year-end, competition from cheap imports, and seasonal slowdowns. Indian steel producers are now looking to exports to mitigate the impact of these low-cost imports.

In Turkey, despite the ongoing rise in scrap steel costs and a strong inclination towards restocking, the finished steel market is competitive, marked by scarce demand. Mills are reducing prices to secure orders and market share amidst divergent expectations for future demand, adding to the pricing pressures in the sector.



STEEL SUSTAINABILITY DYNAMICS

Vestas and ArcelorMittal's Low-emission Steel for Wind Turbines

The low-emission steel is crafted from 100% recycled steel scrap in an electric arc furnace, uniquely powered by wind energy at ArcelorMittal's Industeel Charleroi facility in Belgium. The resulting steel slabs are fashioned into heavy plates at ArcelorMittal's Gijon mill in Spain, intended primarily for onshore wind turbine towers and the top sections of offshore towers. Notably, this eco-friendly steel comes with an Environmental Product Declaration (EPD), certifying its minimal environmental impact. Vestas's initiative marks a significant stride in reducing CO2 emissions within its supply chain, boasting a 66% reduction in emission intensity per kilogram of steel compared to traditional steelmaking methods.

Hydnum Steel applies to Iberia's first green steel plant

Hydnum Steel, in partnership with Russula, Siemens, ABEI Energy, and Primetals Technologies, is setting up Spain's innovative green steel plant leveraging non-fossil energy and green hydrogen to slash carbon emissions. Targeting Spain's booming automotive sector with flat steel production, the facility promises over 1,100 jobs, igniting economic growth. Scheduled to commence in 2026 with an investment exceeding €1.65 billion, it aims for an initial output of 1.5 million tons of hot-rolled coils annually, expanding to 2.6 million tons by 2030.



EUROPEAN CARBON MARKET

EU Allowances Price Trend



In February 2024, EUA futures experienced a significant drop plummeting from an early-month peak of about 63 euros per ton to under 55 euros per ton by month's end, hitting its lowest since October 2021. The EUA futures averaged at 57.68 euros per ton in February 2024, a substantial 14.90% decrease from January's 67.78 euros per ton.

A combination of factors such as Europe's mild winter, ample natural gas reserves, and sluggish industrial demand has led to an expanding surplus in natural gas supply over demand, pushing gas prices to their lowest in three years and to the nadir since the 2021 energy crisis began. This scenario has contributed to the continued fall in EU carbon prices. The downturn in carbon prices primarily attributes to anticipations of the European economy decelerating more than expected under the weight of high interest rates, evidenced by the European Commission's revision of the EU and European Economic Area's GDP growth forecasts for 2024 down to 0.9% and 0.8% respectively on February 16. Additionally, A significant increase in renewable energy capacity across the continent has led to a considerable reduction in carbon emissions from the energy sector, adding to the fall in carbon prices. On the supply front, data from EEX indicates that around 684 million EU carbon allowances (EUA) and EU Aviation Allowances (EUAA) are set to be auctioned in 2024, an increase of approximately 161 million tons from 2023's 523 million tons, further contributing to the pressure on carbon prices.

STATISTICS: PRODUCTION & STEEL TRADING

	Unit: 10000 tons	Jan-24	% change Jan 24/23	Jan-Jan 2024	%change Jan-Jan 24/23
Crude Steel Production	World	14810	-1.6 ↓	14810	-1.6 ↓
	China	7720	-6.9 ↓	7720	-6.9 ↓
	India	1250	7.3 ↑	1250	7.3 ↑
	EU	1020	-1.8 ↓	1020	-1.8 ↓
	Japan	730	0.6 ↑	730	0.6 ↑
	US	680	-0.3 ↓	680	-0.3 ↓
	Unit: 10000 tons	Dec-23	%change Dec 23/22	Jan-Dec 2023	%change Jan-Dec 23/22
Import	US (net tons)	208.23	-4.7 ↓	2815.6	-8.7 ↓
	South Korea	163.2	3.1 ↑	2210.7	3.2 ↑
	Turkey	100	-15.3 ↓	1710	15.5 ↑
	Thailand	115.6	9.7 ↑	1508.2	-1.2 ↓
	Vietnam	117	22.7 ↑	1330	14.1 ↑
	China	66.4	-5.0 ↓	764.5	-27.6 ↓
	Japan	62.37	0.5 ↑	757.49	1.6 ↑
Export	China	772.8	43.1 ↑	9026.4	36.2 ↑
	Japan	256.22	-4.2 ↓	3268.96	1.2 ↑
	South Korea	249.1	13.0 ↑	2883.4	6.0 ↑
	Turkey	110	32.6 ↑	1050	-30.6 ↓
	Vietnam	108	34.4 ↑	1113	32.6 ↑
	Thailand	18.5	12.5 ↑	218	-0.6 ↓

KEY GROWTH DRIVERS: MAR 2024 MARKET FORECAST

CUMIC anticipates a revival in steel prices in March, with stronger prospects in the second half of the month.

After the Spring Festival, there was a noticeable delay in the resurgence of steel demand, putting steel mills under pressure due to growing inventories. This situation was compounded by a strategic decrease in iron ore procurement by Chinese steel mills starting in mid-February. To manage the surplus inventory and sluggish demand, steel mills have opted to postpone blast furnace operations and ramp up maintenance activities in March. This strategy has further diminished iron ore demand, contributing to a decline in its price. By the end of February, iron ore prices had reached a new four-month low of \$116.9 per ton, according to the Platts index.

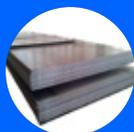
For early March, coinciding with China's "Two Sessions," we foresee the release of favorable macroeconomic updates. Nonetheless, with March-April being pivotal for confirming actual demand, the influence of macroeconomic expectations on market pricing is expected to diminish, giving way to fundamentals-driven market movements. The initial half of March is likely to see continued weak fluctuations due to tepid iron ore demand and gradual recovery in finished material demand.

Towards late March, a sustained recovery in steel demand and improved profitability for some steel mills are expected to bolster supply levels, in turn spiking iron ore demand. This period will also mark the peak production season for sectors such as home appliances and automotive, potentially leading to a synergistic upturn in both iron ore and steel demand, fostering a favorable environment for steel prices to rally.



CUMIC'S LATEST PROJECTS

Chile Biobío River Railway Bridge Construction



Product:
HRP

Quantity:
2,975.46 Tons

Location:
Chile

Project Story

The Biobío River Railway Bridge Project in Chile represents a significant milestone aimed at enhancing freight transportation between Biobio and Santiago. In this pivotal project, CUMIC supplied 2975.46 tons of premium HRP, underscoring our commitment to supporting global infrastructure with high-quality materials. This ambitious project features a railway bridge designed to accommodate speeds of up to 100 km/h, spanning 1883 meters with two tracks, including a 320-meter tunnel section.

Launched in December 2022 with a total investment of USD 257 million, the project is a testament to innovation in engineering, expected to significantly ease transport pressure and improve connectivity upon its completion in 2025. As the project progresses, we remain committed to delivering excellence and innovation in every endeavor, driving progress and connectivity across the globe.



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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