

CUMIC

STEEL MONTHLY

Nov 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: Oct 2023



US, EU Fail to Reach GASSA Deal, Extend Deadline to End of Year

The US and EU, in their recent summit in Washington, were unable to finalize the Global Arrangement on Sustainable Steel and Aluminum (GASSA). This initiative seeks to establish shared trade rules for the steel and aluminum industries, with the dual goals of restoring market equilibrium and curbing CO2 emissions. A major point of contention has been the removal of tariff rate quotas. While the deadline for these negotiations has been extended to the end of the year, steel associations from both regions have voiced their dissatisfaction with the current pace. This extension, while allowing more time for consensus, also hints at the potential for prolonged discussions.

Suez Canal Announces Fee Hike, Steel and Raw Material Sectors to be Affected

The Suez Canal Authority (SCA) will implement a transit fee increase ranging from 5-15%. This decision follows a previous hike in January of the same year, where fees were raised by 15% for all vessels and 10% for select ships. The upcoming 15% increment will be levied on multiple vessel categories, with a 5% increase set for others, excluding certain container ships. This surge in fees is anticipated to escalate freight charges for ships traversing the canal, further exacerbating the already fluctuating transportation expenses. Additionally, the Mediterranean Sea's freight rates have witnessed a surge due to regional geopolitical tensions, presenting new challenges for the sector.

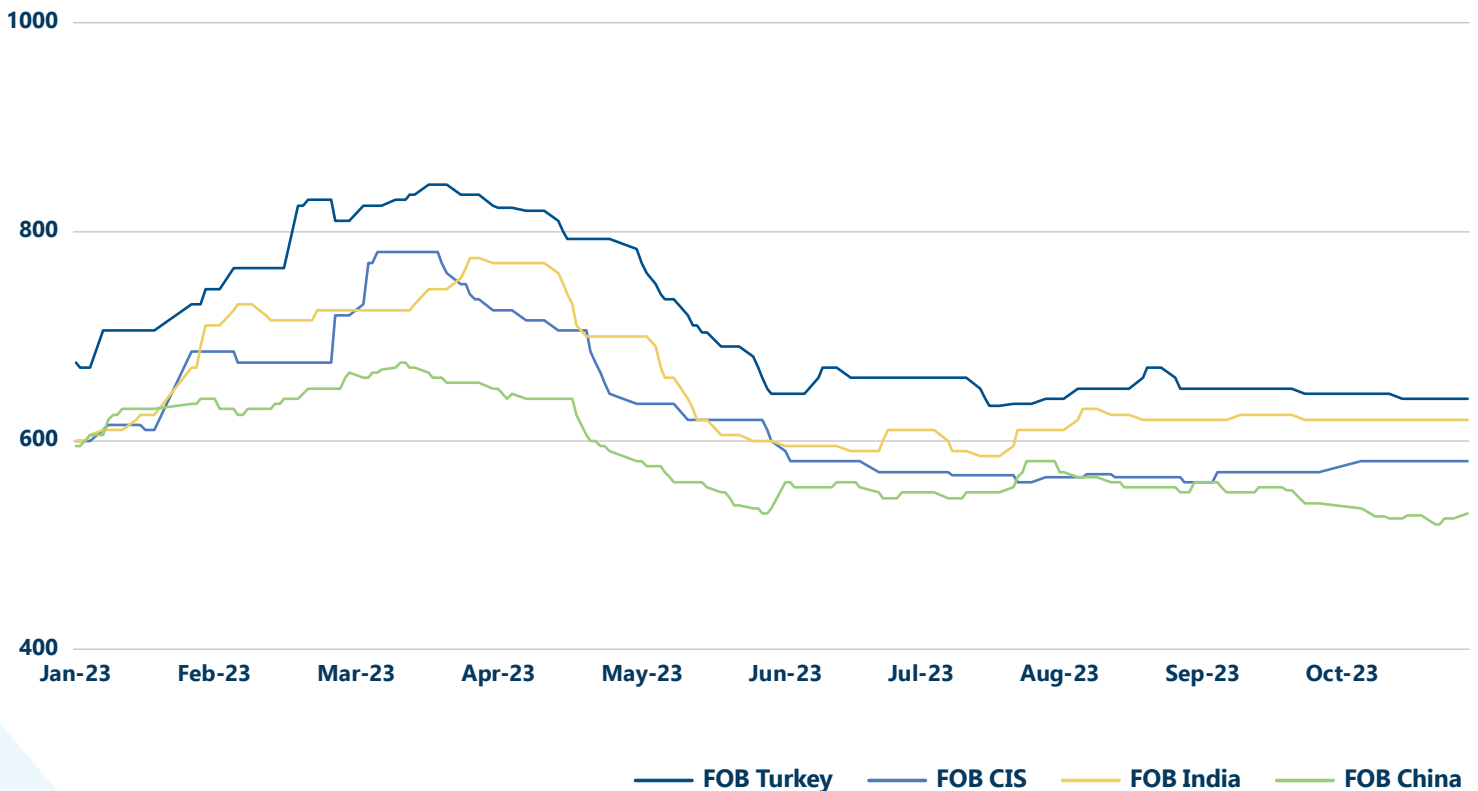
Brazil's Steel Imports to Hit New Record in 2023

Brazil's steel imports are projected to breach the 5 million MT mark in 2023, outdoing the prior record of 4.4 million MT from 2010. This data, as per the Brazilian steel institute, IABr, attributes the import surge to robust demand from the construction and manufacturing domains, coupled with intensified foreign steelmaker competition. China, as of September 2023, stands as Brazil's primary steel supplier, contributing to 56% of the month's total imports. In response, the Brazilian steel sector has petitioned the federal government to instate a 25% import tax on steel goods. Concurrently, the IABr has projected a 5% dip in 2023's crude steel production, estimating it at 32.4 million MT.

Worldsteel Adjusts 2023 Steel Demand Projections Downward

The World Steel Association (worldsteel) has revised its Short Range Outlook for 2023 and 2024. The updated forecast anticipates a 1.8% growth in steel demand for 2023, reaching 1.81 billion MT. For 2024, the demand is predicted to rise by 1.9%, amounting to 1.85 billion MT. This marks a deviation from the earlier projection, which had estimated a 2.3% growth for 2023 and a 1.7% increase for 2024.

➤ Monthly Steel Price Snapshot



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

Turkey: The FOB price for HRC exports from Turkey is \$640/MT, which is a \$5/MT decrease compared to the end of September.

CIS: The FOB price for HRC exports from CIS countries is \$580/MT, showing an increase of \$10/MT compared to the end of September.

India: The FOB price for HRC exports from India remains unchanged at \$620/MT, in comparison to the end of September.

China: The FOB price for HRC exports from China is \$530/MT, marking a \$10/MT decrease from the end of September.

In China, steel prices generally remained weak and volatile in October. From a micro perspective, the disparity between high hot metal production and subdued demand has been a key factor in suppressing steel prices. From a macro perspective, the sluggish property market continues to exert significant

downward pressure on steel demand, making it challenging for prices to ascend. However, a notable shift occurred towards the end of October when the government sanctioned a 1 trillion-yuan national debt, leading to a modest rebound in steel prices. The sustained high production of hot metal has bolstered raw material prices, thereby narrowing the profit margins for steel mills. As a result, several mills have curtailed production to equilibrate supply-demand dynamics and mitigate losses. Despite certain positive macroeconomic indicators, we anticipate that the subdued trajectory of China's steel prices will persist until a marked reduction in iron production materializes.

India's steel sector is witnessing robust demand, with consumption surging by 15% year-on-year to 64 million tons in the first half of the fiscal year 2023-2024 (April-September). This follows a strong performance in the same period of the fiscal year 2022-2023, where consumption grew by 11.5% year-on-year, reaching 55 million tons. The Steel Secretary highlighted that per capita steel consumption in India has leaped from 77 kg in the fiscal year 2022-2023 to 87 kg in the fiscal year 2023-2024, propelled by the government's aggressive infrastructure development initiatives. As a result, India's steel imports surged in October, while exports declined significantly due to weak demand in Europe and strong domestic demand.

Turkey's steel industry is still struggling with high costs and diminishing demand. Currently, Israel, a main export destination of Turkish steel, is at war. The ramifications of the war on the steel market remain uncertain, introducing an element of unpredictability. The logistics challenges and rising freight rates caused by the conflict could lead to a significant decline in demand for Turkish steel exports. The duration of the war will play a major role in determining the eventual impact on Turkey's steel market, with port shipments expected to face delays and disruptions.

➤ Steel Sustainability Dynamics



Tata Steel Initiates Green Steel Production in Ludhiana

On October 20th, Tata Steel celebrated the groundbreaking ceremony for its upcoming 750,000-tonne per annum scrap-based electric arc furnace (EAF) plant in Ludhiana. With an investment of INR 2,600 crore, this facility is expected to be operational by March 2025. This venture represents Tata Steel's first foray into low-carbon green steel production in India. The plant will employ advanced technology, particularly electric arc furnaces. Ludhiana was strategically selected due to its closeness to the Hi-Tech Valley Industrial Park and an automotive hub, ensuring efficient steel scrap sourcing. This initiative is in line with the production of long steel products under Tata Steel's renowned Tata Tiscon brand.

Start of Construction for Voestalpine Greentec Steel in Linz

Voestalpine has outlined a two-phase strategy for its green steel projects. In the initial phase, the company plans to establish an electric arc furnace (EAF) at both its Linz and Donawitz sites. This development is forecasted to achieve a 30% cut in CO2 emissions by 2027, translating to an annual reduction of nearly 4 million tons of CO2—equivalent to 5% of Austria's total emissions. The subsequent phase, set to begin in 2030, envisions the replacement of two more blast furnaces at both locations. The combined investment for these projects stands at EUR 1.5 billion, with the Linz facility accounting for approximately EUR 1 billion. The Linz EAF, with construction kicking off in 2024, is projected to be fully functional by 2027, producing about 1.6 million tons of CO2-reduced steel each year.

Gestamp and Tata Steel UK Collaborate to Boost Recycled Steel Usage

Tata Steel has joined forces with Tier 1 automotive supplier Gestamp to substantially increase the recycled steel content in their automotive components. This alliance aims to raise the recycled steel percentage from the present 17% to an ambitious 30%. Gestamp's efficient scrap management, through its subsidiary Gescrap, ensures the traceability of high-quality steel scrap throughout its lifecycle. This collaboration will channel Gestamp's high-grade scrap to Tata Steel's Port Talbot steelworks for subsequent steel production. To maintain transparency, an independent audit will oversee the establishment of the Gestamp Recycled Content Bank, which will document the volume of quality scrap supplied and the corresponding CO2 savings.

➤ European Carbon Market

EU Allowances Price Trend in 2023



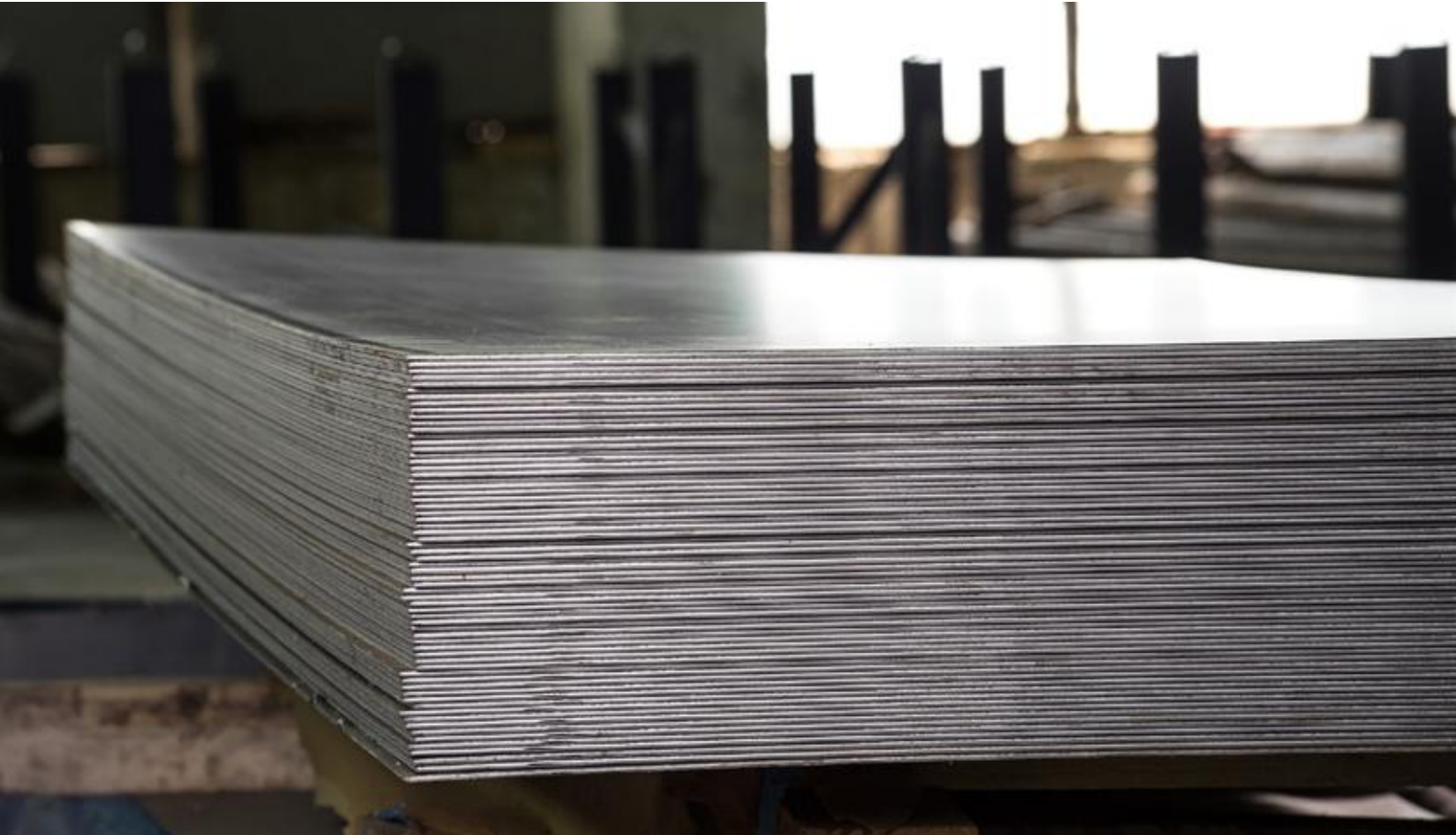
In October, the EU carbon price mirrored the trajectory of natural gas prices, initially surging before experiencing a decline. Based on EEX data, the EUA futures DEC23 contract climbed from 80.8 euros at the start of the month to its peak of 85.95 euros on October 13, before gradually dropping to 78.72 euros, marking the lowest point for the year by the month's end. During the first half of the month, several factors contributed to an upswing in expectations for increased natural gas demand, including the escalation of the Israel-Palestine conflict, damage to the Finnish natural gas pipeline, and a notable drop in expected temperatures across much of Europe. These dynamics propelled a rapid upturn in carbon prices.

However, as the month progressed into its second half, temperatures began to rise, and the resumption of natural gas supplies from Norway, Europe's primary fuel provider, alleviated some of the supply concerns that had recently affected the natural gas market. Consequently, natural gas prices retreated, and the EU carbon price followed suit in its descent.

➤ Statistics: Production & Steel Trading

	Unit: 10000 tons	Aug-23	change% Aug 23/22	Jan-Aug 2023	change% Jan-Aug 23/22
Crude Steel Production	World	14930	-1.5 ↓	140640	0.1 ↑
	China	8210	-5.6 ↓	79510	1.7 ↑
	India	1160	18.2 ↑	10410	11.6 ↑
	EU	1060	-1.1 ↓	9620	-9.1 ↓
	Japan	700	-1.7 ↓	6540	-3.6 ↓
	US	670	2.6 ↑	6060	-1.4 ↓
	Unit: 10000 tons	Jul-23	change% Jul 23/22	Jan-Jul 2023	change% Jan-Jul 23/22
Import	US (net tons)	227.68	-9.3 ↓	1965.48	-10.6 ↓
	South Korea	178.3	19.6 ↑	1526.6	1.9 ↑
	Turkey	130	17.0 ↑	1240	21.4 ↑
	Thailand	116.1	-22.1 ↓	910.8	-6.6 ↓
	Vietnam	115	46.4 ↑	779	-4.9 ↓
	China	64	-28.3 ↓	505.8	-32.1 ↓
	Japan	65.16	-1.1 ↓	496.18	-0.4 ↓
Export	China	730.8	34.6 ↑	5089.2	28.4 ↑
	Japan	277.93	11.6 ↑	1939.69	1.2 ↑
	South Korea	245.2	1.2 ↑	1678.3	3.4 ↑
	Turkey	85.17	-25.4 ↓	530	-41.8 ↓
	Vietnam	100.7	91.8 ↑	639.7	24.7 ↑
	Thailand	17	-11.4 ↓	123.1	-5.8 ↓

➤ Key Growth Drivers: Nov 2023 Market Forecast



CUMIC anticipates that the global steel prices for November will exhibit volatility, with minimal prospects for significant shifts.

The Contradiction between Rising Costs and Falling Demand has Put the Global Steel Market in a Dilemma

The global steel market currently grapples with a paradox. While steel consumption in major markets like Europe and China remains tepid, making it challenging to justify price hikes, escalating iron ore and energy prices are driving up production costs for steel mills. This conundrum implies that a significant drop in steel prices is also improbable. Presently, Chinese steel mills are incurring losses ranging from 200-300 yuan/ton, and European

counterparts find it tough to supply below 600 euros/ton. Steel producers around the world are willing to raise prices. However, the sluggish property market is dragging down China's steel consumption demand, and Europe is still at risk of recession due to high inflation and high energy prices. Many local steel mills only need a four-week delivery period, which shows that demand is very weak. Therefore, we expect that the global steel market will still be in this dilemma in November.

Stable Interest Rates Anticipated by the Federal Reserve

The market largely anticipates the Federal Reserve to maintain interest rates in November. However, given the robust performance of the US economy, traders remain wary of potential rate hikes by the Fed. The market awaits more data to gain clearer insights, fostering a cautious sentiment in the global steel market. As a result, no major price escalations or reductions are anticipated.

➤ CUMIC's Latest Projects



Nigeria OML 13 Project



Product:
Steel sheet pile
S430GP



Quantity:
6,308 Tons



Location:
Nigeria

Project Story

In 2019, NNPC and SEEPCO joined forces in a \$3.15 billion, 15-year deal to develop Oil Mining Lease 13 (OML 13) in Nigeria's Akwa Ibom State. This vast oil block holds over 900 million barrels of oil and 5 trillion cubic feet of natural gas. Backed by the Akwa Ibom state government, OML 13 is poised to boost Nigeria's oil production and reserves.

“OML 13 heralds a radiant energy future for Nigeria, with CUMIC playing a pivotal role by supplying 6,308 tons of steel sheet pile.”



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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