
STEEL MONTHLY

Dec 2023



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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: Nov 2023



Iron Ore Prices Reach Seventeen-Month High

In November, iron ore prices escalated to a seventeen-month high of US\$138 per tonne, driven by anticipated strong demand and supply disruptions. China's government has pledged to invest CNY 1 trillion in infrastructure, which is expected to boost demand for iron ore. Meanwhile, the mining giant BHP has authorized industrial action, halting operations for approximately 400 train drivers in Australia. This disruption in Australia's iron ore supply further bolsters price momentum.

EUROFER Report: EU Construction Faces Ongoing Challenges

The Economic Committee of the European Steel Association (EUROFER) highlights a concerning trend in its Economic and Steel Market Outlook 2023-2024/Q4 2023 Report. In the second quarter, EU construction output declined by 2.5%, following a 0.5% decrease in the previous quarter. This downturn is linked to

continuous monetary policy tightening, which adversely affects housing demand. Additionally, the report notes a 1.2% fall in gross fixed investment in construction across EU countries. Consequently, EUROFER anticipates a 1.7% contraction in the sector for 2023, revising its initial forecast of a 0.5% decline, with a modest 0.2% recovery expected in 2024.

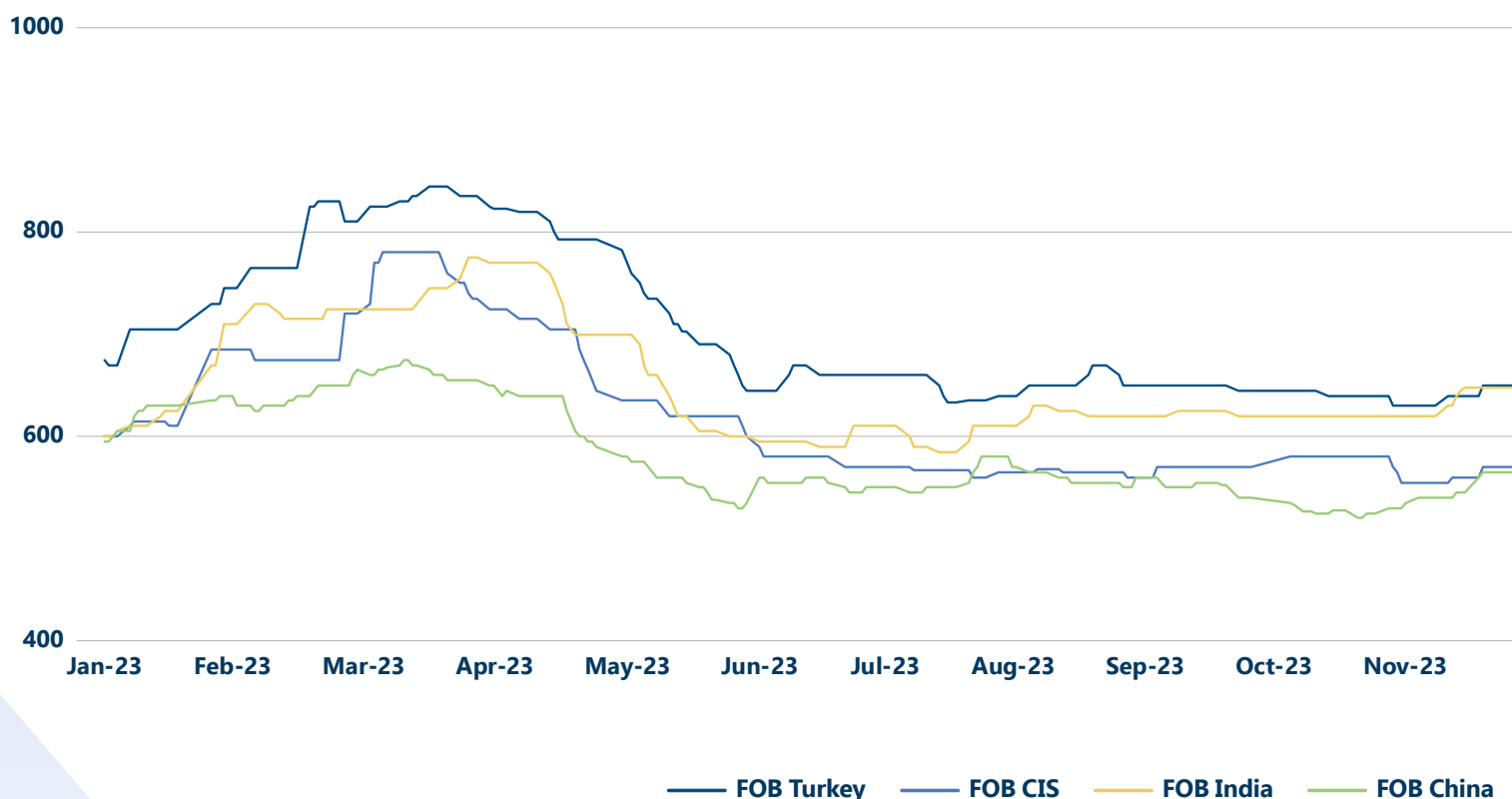
Alacero Addresses Chinese Steel Imports' Impact on Latin America

During the São Paulo seminar, Alacero discussed the direct impact of Chinese steel imports on Latin American production in 2023. Despite a rise in local consumption, regional production is predicted to decline by 7.5% to 58 million mt, while consumption increases by 2.4% to 71 million mt compared to 2022. Alacero foresees a decrease in regional steel exports by 2.6 million mt to 7.9 million mt, coupled with a surge in imports by 2.1 million mt to 26.5 million mt. The association criticizes Chinese steel imports for alleged unfair market conditions and environmental concerns, noting that China's steel production emits 2.24 mt of CO₂ per mt of steel, exceeding both the global average of 1.91 mt and Latin America's 1.55 mt.

Russia Considers Extending Scrap Export Quota Until July 2024

The Russian Ministry of Economic Development has proposed to extend quotas on scrap exports outside of the Eurasian Economic Union (EAEU) until July 2024. The proposal, currently under review, aims to maintain the quota at 600,000 metric tons (mt) with an export duty for exceeding volumes at five percent or at least €15/mt. Under this proposal, 80% of the quota volume would be reserved for companies actively engaged in foreign trade, while the remaining 20% volume would be allocated to companies supplying scrap to system-critical organizations or Russian steel enterprises. This extension is designed to bolster the domestic scrap market's stability and foster growth in Russia's steel industry. In July this year, Notably, Russia had previously extended this quota until December 31, 2023.

➤ Monthly Steel Price Snapshot



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

Turkey: The FOB price for HRC exports from Turkey is \$650/MT, which is a \$20/MT increase compared to the end of October.

CIS: The FOB price for HRC exports from CIS countries remains unchanged at \$570/MT, in comparison to the end of October.

India: The FOB price for HRC exports from India is \$648/MT, which is a \$28/MT increase compared to the end of October.

China: The FOB price for HRC exports from China is \$565/MT, marking a \$35/MT increase from the end of October.

In China, Steel prices witnessed a significant surge during November. This upward trend was primarily driven by two factors: a record-breaking increase in iron ore prices and China's proactive fiscal policy measures introduced in Q4. Additionally, the implementation of various policies aimed at bolstering financing support for the struggling real estate sector instilled renewed

confidence in market demand. Furthermore, the thawing of China-US relations and the robust rebound of the renminbi exchange rate further propelled the rise in steel prices.

Steel prices in India also surged in November, mirroring the trend in China and driven by elevated iron ore prices. Nevertheless, unlike China, another factor propelling the price increase in India is exceptionally strong domestic steel demand. The country's infrastructure-related stimulus initiatives are poised to fuel demand for steel and iron ore. Meanwhile, increased steel imports, particularly low-cost steel from China, have altered India's market dynamics. According to data from India's Ministry of Steel, India's steel imports in October amounted to 570,000 tonnes, surpassing exports (290,000 tonnes), marking a shift from its usual status as a net steel exporter.

The surge in steel prices in Turkey was primarily driven by the escalation in scrap prices. In early November, the landed price of imported HMS I/II 80:20 scrap in Turkey stood around \$370/tonne, rising to \$388/tonne by the end of the month. Moreover, according to SteelOrbis's forecast, in the most favorable scenario, the price of imported HMS I/II 80:20 scrap in Turkey is anticipated to hover around \$395/tonne CFR in December, while in the least favorable scenario, the price is expected to reach \$380/tonne CFR, indicating a continued trend of high scrap prices in the near future.

➤ Steel Sustainability Dynamics



Voestalpine Opens World's Most Advanced Special Steel Plant in Kapfenberg

Voestalpine has inaugurated a state-of-the-art special steel plant in Kapfenberg, marking a pivotal moment in the production of high-performance materials for the automotive, energy, and aerospace sectors. This digitally advanced and sustainable facility, the first of its kind in Europe in four decades, is designed to produce 205,000 tons of special steel annually at full capacity. Emphasizing eco-friendly practices, the plant features an innovative heat recycling system, closed-loop cooling, and an electric arc furnace powered solely by green electricity. This plant is a part of Voestalpine's Greentech environmental initiative, which includes the construction of an electric arc furnace in Linz and the EDP project in Donawitz, together representing an investment of 1.5 billion euros.

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

British Steel has unveiled a £1.25 billion plan, focusing on the installation of two electric arc furnaces (EAFs) at its Scunthorpe headquarters and Teesside site, expected to be operational by late 2025. This strategic move aims to replace the company's existing iron and steelmaking operations in Scunthorpe, currently a major source of CO2 emissions. The adoption of EAF technology marks a significant step towards minimizing environmental impact and achieving sustainable steel production goals.

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

Schmiedag GmbH is investing €7 million to upgrade 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 emphasized the upgrade's contribution to improved flexibility and reduced CO2 emissions.

➤ European Carbon Market

EU Allowances Price Trend in 2023



In November 2023, the EU carbon price experienced a 7.1% decrease, from €78.54 per tonne at the beginning of the month to €72.96 per tonne at the end. The average daily price for the month was €76.7 per tonne, down 5.92% from October and up 0.59% from November 2022.

Several factors contributed to this decline:

- An increase in wind power generation in Western Europe in early November led to a lower demand for natural gas in the power sector.
- Concerns about the Middle East situation and the potential for severe cold weather in Europe this winter led to a slight rebound in carbon prices in mid-November.
- A relatively mild winter in Europe at the end of the month, as well as the European Commission's approval of a bill to extend national subsidies to help offset high energy prices.
- Uncertainty about future weather conditions, weak demand for auction allowances, and speculative selling.

➤ Statistics: Production & Steel Trading

	Unit: 10000 tons	Oct-23	change% Oct 23/22	Jan-Oct 2023	change% Jan-Oct 23/22
Crude Steel Production	World	15000	0.6 ↑	156730	0.2 ↑
	China	7910	-1.8 ↓	87470	1.4 ↑
	India	1210	15.1 ↑	11630	12.1 ↑
	EU	1060	-7.1 ↓	10680	-8.8 ↓
	Japan	750	2.6 ↑	7290	-3.0 ↓
	US	680	3.4 ↑	6740	-0.8 ↓
	Unit: 10000 tons	Sept-23	change% Sept 23/22	Jan-Sept 2023	change% Jan-Sept 23/22
Import	US (net tons)	218.5	-2.3 ↓	2184.2	-9.8 ↓
	South Korea	171.4	20.2 ↑	1698	3.5 ↑
	Turkey	120.0	10.9 ↑	1360	20.4 ↑
	Thailand	115.3	23.8 ↑	1148	-4.1 ↓
	Vietnam	140.0	89.0 ↑	933	4.4 ↑
	China	64.0	0.0	569.8	-31.7 ↓
	Japan	66.5	11.1 ↑	562.6	0.8 ↑
Export	China	806.3	61.8 ↑	6681.8	31.8 ↑
	Japan	265.6	9.3 ↑	2484.9	2.0 ↑
	South Korea	247.6	19.0 ↑	2168.2	5.0 ↑
	Turkey	110.0	-23.3 ↓	750	-39.7 ↓
	Vietnam	86.4	63.6 ↑	823	27.4 ↑
	Thailand	17.9	7.3 ↑	162.3	-4.5 ↓

➤ Key Growth Drivers: Dec 2023 Market Forecast



CUMIC believes that there is further potential and room for steel prices to rise in December.

Rising Costs are Likely to Remain the Main Driver of Steel Price Increases in the Coming Months

In November, the price of 62% iron ore reached a high of \$136 per ton, up more than 10% from October and nearly 40% from the low point of the year in late May. Additionally, coke prices have also risen by more than 100 yuan per ton. Furthermore, with positive expectations for the Chinese economy and demand, iron ore prices may still have room to rise. Therefore, we believe that the escalation in raw material costs observed in November is likely to be

reflected in the production costs of steel mills in December, subsequently pushing steel prices upwards.

The End of the Rate-hike Cycle and the Decline of the US Dollar from its Highs Suggest that the Renminbi May Remain Strong

Market sentiment indicates a possible conclusion to the Federal Reserve's rate-hike cycle, with potential rate cuts anticipated next year. Simultaneously, buoyed by China's more proactive monetary and fiscal policies, the market has also bolstered its confidence in the Chinese economy's recovery and demand. Consequently, in November, the US dollar against the renminbi embarked on a rapid and substantial appreciation. This weakening of the US dollar index, coupled with the renminbi's strong rebound, is predicted to influence import and export steel prices in the international market, as these are primarily denominated in US dollars.



➤ CUMIC's Latest Projects



Shema Power Lake Kivu



Product:
HRP Q235B



Quantity:
2,565 Tons



Location:
Rwanda

Project Story

In Rwanda, the Shema Power Lake Kivu Project is pioneering a groundbreaking initiative. It harnesses the energy potential of Lake Kivu by capturing methane gas from its depths, generating a remarkable 56MW of clean power. These platforms gather methane, which is then pressurized, purified onshore, and utilized for electricity generation. This project symbolizes innovation harmonizing with nature, providing Rwanda with a brighter, cleaner future.

“CUMIC supplied HRP anchor 4 gas collection platforms positioned 5.5 kilometers from the shore.”



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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