
STEEL MONTHLY

July 2023





➤ 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: Jun 2023



EU Implements Stricter Sanctions on Non-Russia-Origin Steel Imports

The EU's latest sanctions package, implemented on June 23, now requires EU importers of sanctioned iron and steel goods processed in third countries to provide evidence that the inputs used are not of Russian origin. These stricter restrictions aim to prevent Russia from evading sanctions by utilizing other countries for processing steel goods. By scrutinizing the origin of steel inputs, the risk of Russian involvement in production can be eliminated, thus preventing inadvertent financial support to the country. This measure underscores the EU's commitment to combatting sanction circumvention and ensuring the effectiveness of its sanction regime.

Fitch Ratings Raises Iron Ore Price Forecast for 2023

International credit ratings agency Fitch Ratings has revised its iron ore price forecast for 2023. The new forecast raises the price assumption from \$100/mt to \$105/mt for 2023. However, the price forecasts for 2024, 2025, and 2026 remain unchanged at \$85/mt, \$75/mt, and \$70/mt, respectively. Fitch attributes the upward revision for 2023 to strong demand from Chinese steel production, driven by infrastructure spending. Additionally, iron ore exports from northern Brazil have been low, with shipments expected to increase only in June. Demand from Europe remains weak as anticipated. Fitch predicts a reduction in prices in the second half of the year as Chinese steel production is expected to moderate in line with government policies, and iron ore supply rebounds.

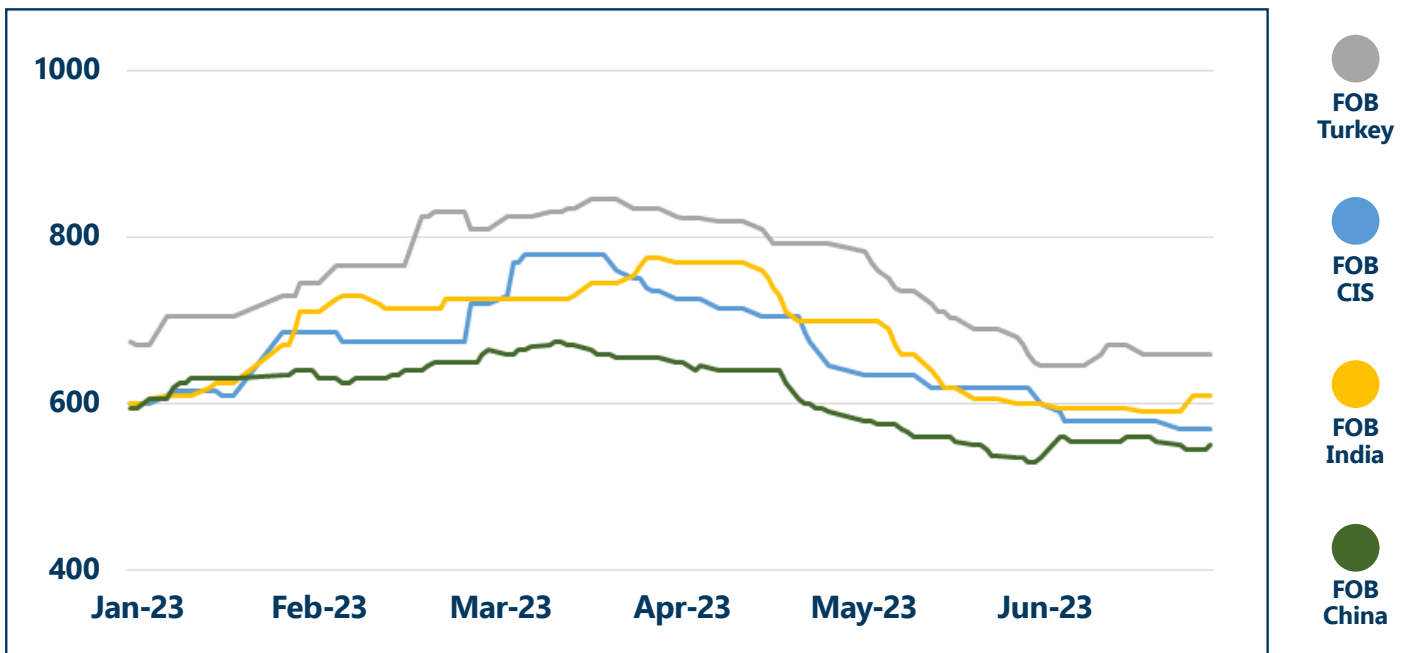
India and US Reach Agreement to End Retaliatory Tariffs on Steel and Aluminum

India and the US have mutually agreed to lift retaliatory tariffs on various products, including steel and aluminum, according to government officials. This decision follows the state visit of Indian Prime Minister Narendra Modi to Washington. Under the agreement, the US will exempt 70% of steel requests and 80% of aluminum requests from additional scrutiny for imposing import taxes of 25% and 10%, respectively, under Section 232 on the grounds of national security measures. In response, the Indian government has announced the removal of retaliatory tariffs on eight product categories imported from the US.

People's Bank of China Cuts Loan Prime Rates, Outlook Clouded for Property Market

China's central bank, the People's Bank of China (PBOC), reduced the one-year and five-year loan prime rates by 10 basis points on June 20, 2023. This move aims to inject liquidity into the market and alleviate repayment pressure. However, market analysts find the cuts to be lower than expected, leading to a clouded outlook, particularly for the property market. Sentiments in the steel and iron ore markets range from stable to bearish.

➤ Monthly Steel Price Snapshot



In June, the global steel market deviated from the downward trend observed in May, experiencing a slight rebound in steel prices. By the end of June, HRC prices in Turkey stood at \$660/MT, reflecting a \$10/MT increase compared to the beginning of the month. Similarly, in India, HRC prices reached \$610/MT, showing a \$10/MT increase from the beginning of the month. In China, HRC prices were quoted at \$560/MT, indicating a \$30/MT increase from the beginning of the month.

In China, the persistently weak economic data and the performance of the property market heightened market expectations for proactive economic stimulus policies from the government. The recent lowering of the Loan Prime Rate (LPR) by the People's Bank of China, along with the relaxation of housing purchase restrictions in certain cities, further strengthened these expectations.

Additionally, the positive news of the Federal Reserve's decision to pause interest rate hikes in June had an impact on the Chinese market, leading to a rebound in steel prices and some improvement in trading conditions. However, despite these favorable factors, the fundamentals remain weak due to sluggish demand caused by adverse weather conditions (hot and rainy), coupled with an increase in steel production

amid the rebounding steel prices and improved profitability for steel mills. As a result, the extent of the price rebound has been limited.

In India, the construction of many projects has slowed down due to the monsoon season, resulting in a decline in steel demand. Consequently, domestic steel prices experienced a slight decrease in June. However, in the export market, Indian steel export prices showed a slight increase due to the rebound in steel prices in China. Nonetheless, local participants in the Indian market hold a generally pessimistic view of the future, anticipating a continued decrease in iron ore and coal prices, coupled with further weakening of steel demand as the monsoon season progresses, thus keeping steel prices on a downward trajectory.

In Turkey, on June 28th, the Turkish lira reached a historic low of 26.1 lira per US dollar, exerting significant pressure on steel prices. However, domestic steel demand in Turkey is expected to increase to meet the reconstruction needs following the earthquake in February 2023.

➤ Steel Sustainability Dynamics



Swedish Court Grants H2 Green Steel Full Environmental Permit for Boden Plant

On June 1, 2023, the Land and Environmental Court in Umeå, Sweden, approved H2 Green Steel's application for a full environmental permit for its plant in Boden. This significant milestone allows the company to commence operations at its state-of-the-art manufacturing facility. With an impressive annual production capacity of 5 million tonnes of green steel, H2 Green Steel aims to make a notable contribution to sustainable development in the steel industry.

Hydnum Steel and Primetals Technologies Sign MoU for Green Steel Plant in Spain

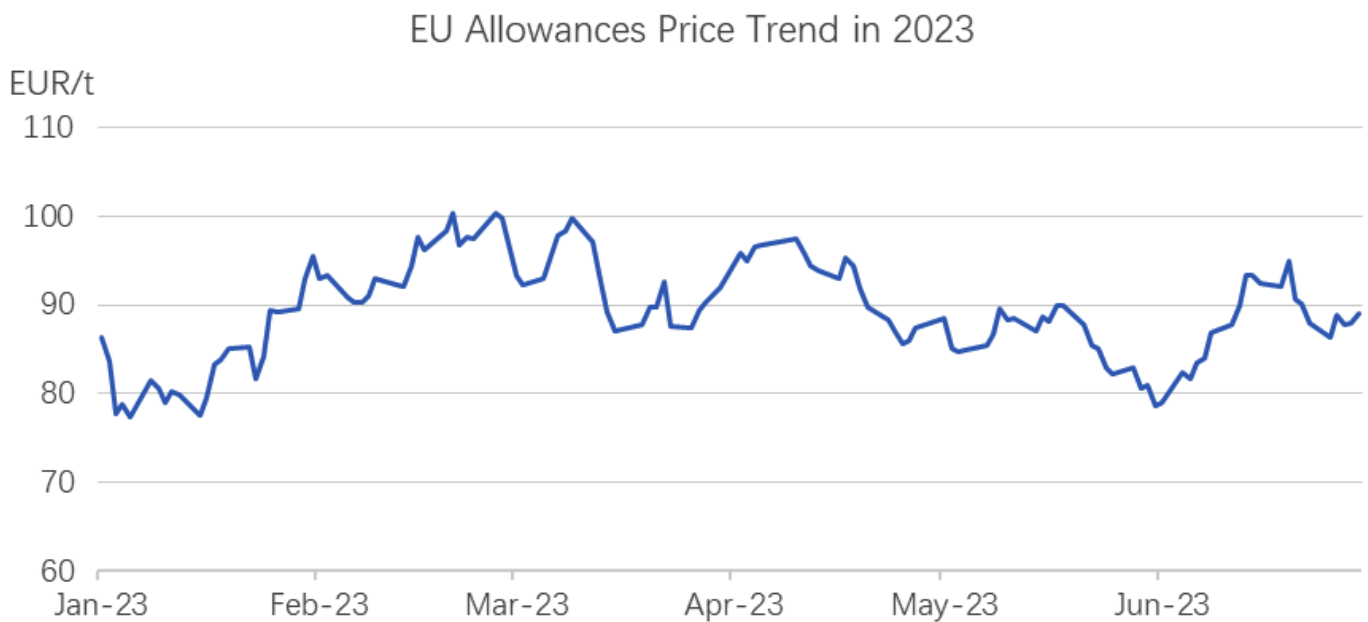
In June 2023, Hydnum Steel and Primetals Technologies entered into a Memorandum of Understanding (MoU) with the objective of establishing a greenfield plant for green steel production in Puertollano, Spain. This plant is set to become one of Europe's leading sites for green steel production.

Initially, the plant will produce 1.5 million tons of hot rolled coils, with a projected annual capacity of 2.6 million tons of hot and cold rolled coils by 2030. The facility will supply high-quality flat steel to various industries and applications, including high-strength grades for the automotive industry. In subsequent phases, the partners plan to implement a direct reduced iron (DRI) production unit and a complete cold rolling complex. The DRI plant will be powered by green hydrogen generated using local renewable energy.

Fortescue and China Baowu Collaborate to Reduce Emissions in Iron and Steel Making

Fortescue has signed a Memorandum of Understanding (MoU) with China Baowu Steel Group Corporation (China Baowu) to collaborate on reducing emissions associated with iron and steel making. This partnership will explore the use of lower emissions iron-making technology at one of China Baowu's operations in China, leveraging Fortescue's iron ore and green hydrogen. The collaboration will also involve research and development in iron ore beneficiation, as well as opportunities for cooperation in renewable energy and green hydrogen initiatives.

➤ European Carbon Market



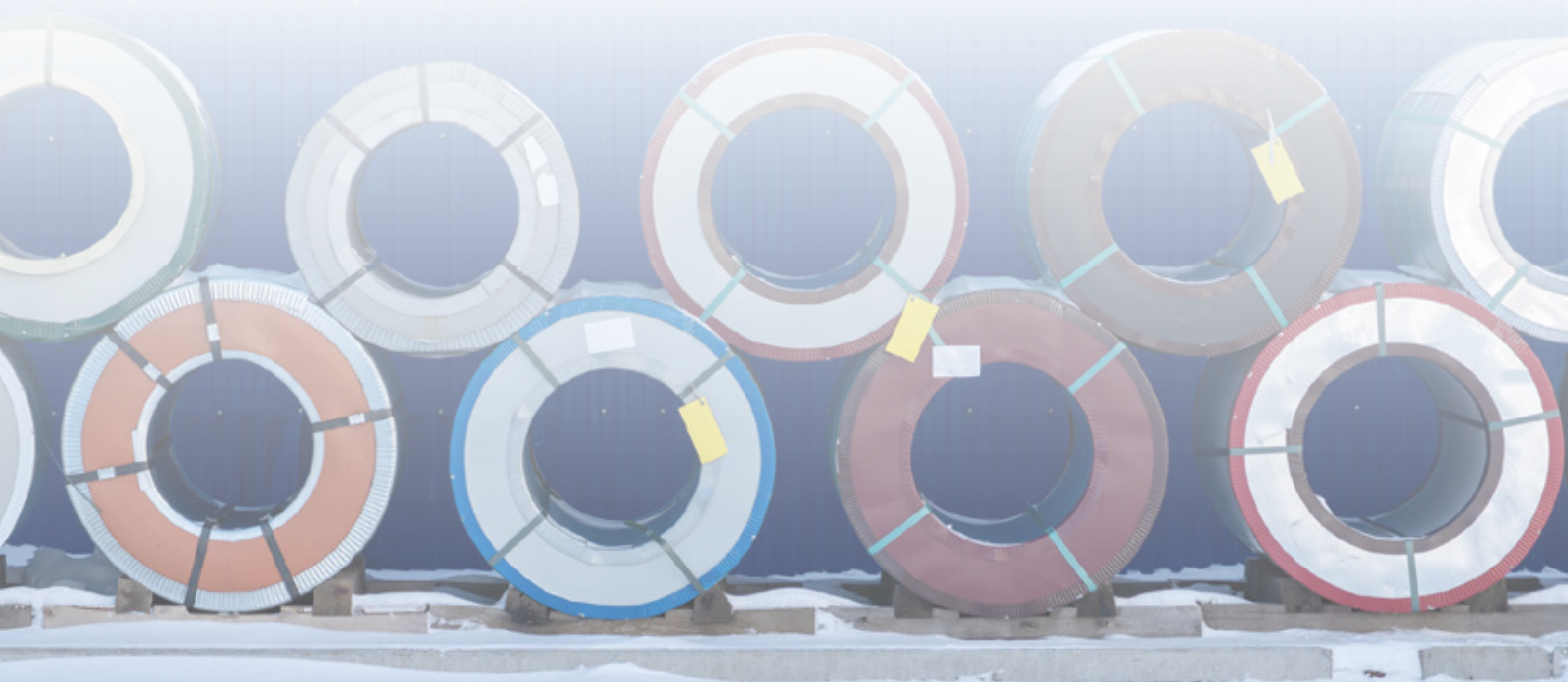
In June 2023, the price of the EUA futures DEC23 contract, as reported by EEX, showed a significant increase, rising from €78.82 per tonne at the beginning of the month to reach an intra-month high of €94.85 per tonne on June 20. However, the month concluded with a price of €87.89 per tonne.

Leading up to June 20th, carbon prices in the EU exhibited a general upward trend. The market became concerned about European gas supplies after the announcement that the largest natural gas field in the Netherlands would be closed this year, reducing a significant source of gas supply for Western Europe. Moreover, the persistently hot weather and reduced wind conditions in Europe resulted in heightened cooling demand and intensified competition for gas in both Asia and Europe. These factors contributed to a surge in European TTF gas prices and subsequent increased demand for coal power, driving up EU carbon prices. However, towards the end of June, as temperatures began to ease, gas prices experienced a moderate decline. This, coupled with weakened coal and electricity demand, led to a subsequent decrease in carbon prices within the EU market.

➤ Statistics: Production & Steel Trading

| Crude steel production | Unit: 10000 tons | May-23 | % change May 23/22 | Jan-May 2023 | %change Jan-May 23/22 |
|-------------------------------|------------------|--------|--------------------|--------------|-----------------------|
| Crude Steel Production | World | 16160 | -5.1 | 78600 | -1.2 |
| | China | 9010 | -7.3 | 44460 | 1.6 |
| | India | 1120 | 4.1 | 5640 | 5.7 |
| | EU | 1160 | -11.2 | 5600 | -10.4 |
| | Japan | 760 | -5.2 | 3650 | -5.3 |
| | US | 690 | -2.3 | 3310 | -3.4 |

| | Unit: 10000 tons | Apr-23 | %change Apr 23/22 | Jan-Apr 2023 | %change Jan-Apr 23/22 |
|---------------|------------------|--------|-------------------|--------------|-----------------------|
| Import | US (net tons) | 236.92 | -13.19 | 998.19 | -1.19 |
| | South Korea | 182.3 | 3.9 | 772.5 | 0.7 |
| | Turkey | 170 | 30.4 | 590 | 11.9 |
| | Thailand | 134.9 | 5.3 | 545.2 | 8.33 |
| | Vietnam | 100 | 7.47 | 376.9 | -1.15 |
| | China | 58.5 | -38.8 | 249.8 | -40.1 |
| | Japan | 58.07 | 6 | 245.14 | 1.1 |
| Export | China | 793.2 | 59.4 | 2801.4 | 5.5 |
| | Japan | 267.15 | 2.2 | 1076.26 | -0.7 |
| | South Korea | 236 | 2.4 | 936.7 | 0.1 |
| | Turkey | 62.99 | -55.2 | 280 | -50.1 |
| | Vietnam | 97.3 | 0 | 325.7 | 0.48 |
| | Thailand | 17.5 | -35.3 | 70.3 | -1.62 |



➤ Key Growth Drivers: Jul 2023 Market Forecast

CUMIC anticipates a downward trend in the global steel market for July, citing the following factors:

Limited Prospects for Aggressive Economic Stimulus Measures in China:

Despite rumors circulating in the Chinese market, it is unlikely that the Chinese government will introduce strong economic stimulus measures to rescue the economy and property market in the short term. The government aims to gradually address the real estate bubble and avoid relying on the property market as the primary driver of economic recovery. Additionally, there are constraints on implementing aggressive monetary policies due to concerns over the depreciation of the Chinese yuan. As a result, the Chinese economy, particularly the property market, is unlikely to show significant signs of recovery in the near future.

Impact of Inflation and Expected Interest Rate Hikes

The global economy continues to be affected by inflation, and major economies are expected to raise interest rates. The US economy remains robust, with the Federal Reserve planning to increase interest rates twice more this year to control inflation. A 25 basis point increase in the federal funds rate is widely anticipated in July. In Europe, the European Central Bank (ECB) raised interest rates by 25 basis points in June, signaling a commitment to tackling elevated inflation. The ECB may continue raising interest rates in July to address persistent inflationary pressures.

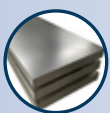
Potential Softening of Iron Ore Prices

Following a rebound in steel prices in China, there has been increased production enthusiasm among steel mills, leading to improved outlook for iron ore demand. Consequently, iron ore prices have surged, with the China CFR iron ore price exceeding \$110/MT. However, considering the current high prices and the expected shift from robust to weaker demand for iron ore in the latter half of the year, China may introduce policies to curb crude steel production. This could result in a softening of iron ore prices.

> CUMIC's Latest Projects



Equinor Bacalhau - Mooring System Project I&II



Product:
S355G10+N - Offshore
Steel Plate (EN10225)



Quantity:
890 Mt



Location:
Singapore

Project Story

We are proud to announce that our 890 tons of S355G10+N grade offshore steel plate produced from Wuyang Iron and Steel will soon be delivered to Singapore, the material will be used for the construction of SOFEC's new mooring system project.

In 2020, SOFEC, a renowned group specializing in the development and supply of Single-Point Mooring (SPM) systems, announced the commencement of its Mooring System Projects I&II. CUMIC had the privilege of supplying 890 MT of Offshore Steel Plates, specifically in grade S355G10+N, sourced from Wuyang Iron and Steel. These steel plates were utilized for the construction of the main mooring pad eye of the suction piles.

Mooring Systems are designed to facilitate the transfer of water, gas, oil, and condensate in water depths ranging from 30 meters to 1,500 meters. Suction piles serve as the primary foundation system for offshore engineering projects worldwide. Once positioned, the suction piles rely on the friction between the pile and the soil to secure them in place, enabling resistance against both vertical and horizontal forces.

Steel is a crucial material in the marine engineering sector, playing a vital role in the manufacturing of offshore structures. However, deep-water developments present significant challenges in material selection, as all activities must meet stringent safety and reliability requirements, even under severe sea conditions. S355G10+N steel plate, a normalized structural steel plate, possesses exceptional toughness and weldability, making it particularly well-suited for marine construction, allowing for continuous operation in demanding sea conditions.



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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