

CUMIC

STEEL MONTHLY

Oct 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.

> Contents

Global Steel News Review: Sept 2023	02
Monthly Steel Price Snapshot	04
Steel Sustainability Dynamics	06
European Carbon Market	07
Statistics: Production & Steel Trading	09
Key Growth Drivers: Oct 2023 Market Forecast	10
CUMIC's Latest Projects	12

➤ Global Steel News Review: Sept 2023



India-US Steel and Aluminum Export Agreement

On September 13, India and the US finalized an agreement to establish a joint monitoring mechanism. This will allow India to annually export a minimum of 336,000 metric tons of steel and aluminum products to the US without incurring additional tariffs. As a reciprocation, India will lift retaliatory tariffs on certain US imports, including apples, almonds, walnuts, and lentils. To ensure smooth execution and address potential challenges, officials from both nations will convene biannually.

UAW Strike Affects Auto Parts Production in Mexico

The United Auto Workers (UAW) strike, targeted at the US's three major auto manufacturers, is adversely impacting auto parts production in Mexico. Given that Mexico is the world's fourth-largest auto parts producer and

holds a 42.9% market share as the US's primary supplier, the consequences are significant. Industry specialists estimate potential losses to Mexico's auto parts sector at \$12 million daily. Already, the strike has impacted three major auto plants in the US. If the strike widens its reach to over 150 plants, Mexico could face losses amounting to billions. The UAW's unique approach to simultaneously negotiating with all three automakers adds another layer of complexity, making the end date of the strike uncertain. The ripple effect on the auto sectors of both the US and Mexico is undeniable.

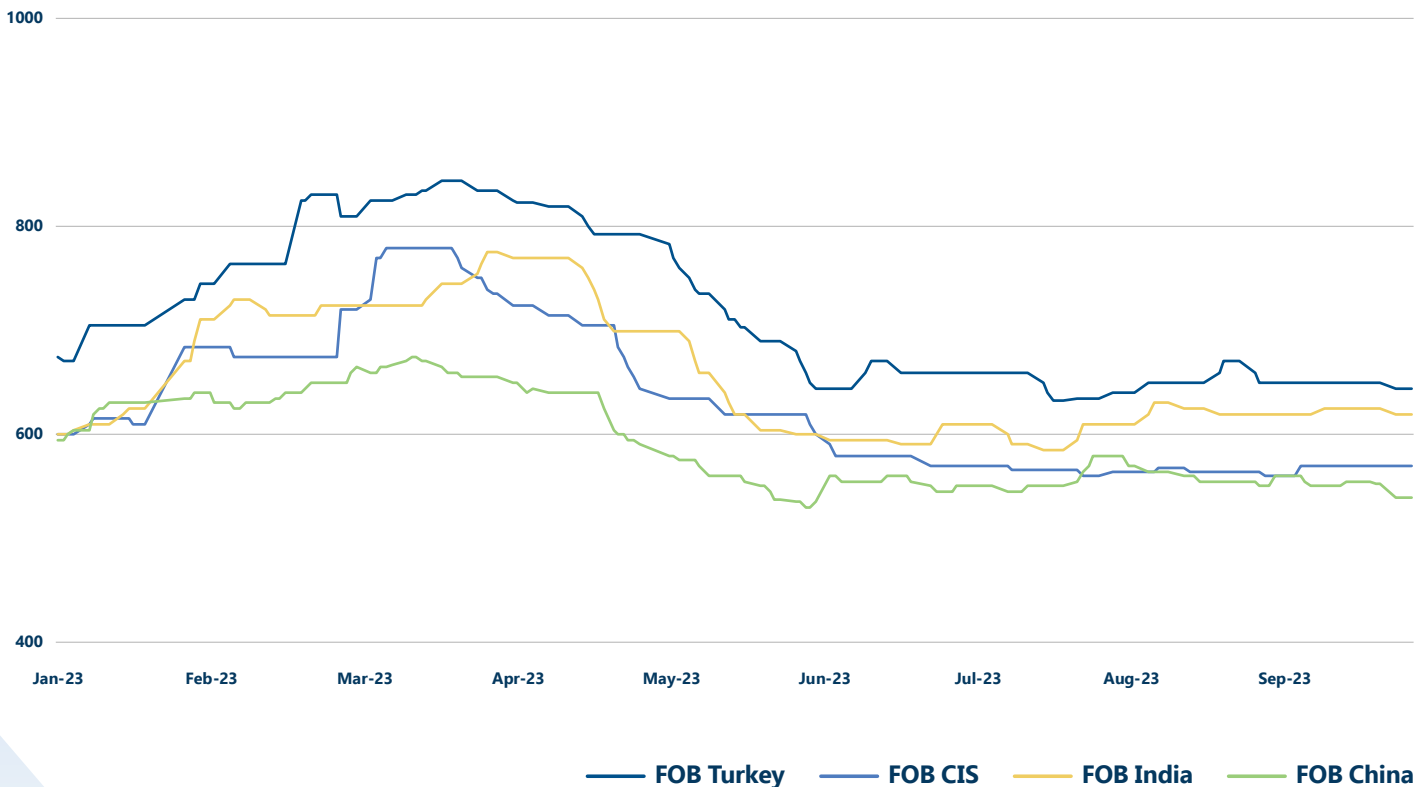
Russia Announces Export Duties on Crucial Commodities

Effective from October 1, Russia has declared its intent to levy export duties on several essential commodities, notably iron, steel, metals, and coal, with these duties slated to remain until the close of 2024. The duties will be contingent on the ruble-dollar exchange rate dynamics: a rate below 80 exempts from the duty, while an exchange rate bracket of 80-95 sees duties ranging from 4% to 7%. The Russian administration has rationalized this move as a strategy to fortify the domestic market and ensure steady supplies. The implications these duties might have on the global commodity market remain to be seen, but potential price hikes seem plausible.

Macquarie Downgrades EU Steel Production Forecast

Macquarie has revised its EU crude steel production projection for 2023, now anticipating a 2.3% dip, though forecasting a subsequent 5% resurgence in 2024. This downward revision stems from a probable eurozone recession, underscored by the manufacturing sector's widening decline and a deceleration in consumer services activity. The manufacturing PMI has plummeted, even dipping beneath euro crisis benchmarks, signaling a likely contraction in the manufacturing gross value added in upcoming months, which in turn dampens steel demand. Concurrently, surging imports exert downward pressure on native pricing. Macquarie projects steelmaking margins weaken in 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 \$645/MT, which is a \$5/MT decrease compared to the end of August.

CIS: The FOB price for HRC exports from CIS countries is \$570/MT, showing an increase of \$10/MT compared to the end of August.

India: The pricing landscape for HRC exports from India remained static, with the FOB price consistently standing at \$620/MT, mirroring the rates from the end of August.

China: The FOB price for HRC exports from China is \$540/MT, marking a \$20/MT decrease from the end of August.

In China, factors such as hot metal overproduction and a weakening yuan have been exerting downward pressure on steel prices. According to

Mysteel statistics, major Chinese steel mills recorded an average daily output of 2.482 million tons in September, marking a 1.73% rise from August and a 4.5% increase from September 2022. Despite this surge in production, market demand has not kept pace with expectations, resulting in a supply-demand imbalance. Additionally, influenced by a mix of domestic economic concerns and a robust US dollar, the offshore yuan touched a near-record low of 7.37 in September, exerting additional downward pressure on steel prices.

In India, although many local steel mills raised their quotations for the domestic market in September, primary export regions, such as the Middle East and Europe, kept export values in check. European buyers' anticipation of the fourth-quarter import quotas also played a role in moderating purchase intentions, leading steel export quotations from Indian producers to stabilize.

In Turkey, the economic environment has been marked by significant monetary policy shifts and currency fluctuations. The Turkish central bank, in its September assembly, raised interest rates sharply by 500 basis points to reach 30%. Yet, the Turkish lira's value continued its descent, registering an unprecedented low of 27.6 against the US dollar. Concurrently, the inflation scenario in Turkey worsened, with the annual rate marking its third consecutive monthly rise, hitting 61.5% in September 2023, up from August's 58.9%. These economic conditions have been instrumental in pushing down Turkey's steel export prices for the month.



➤ Steel Sustainability Dynamics



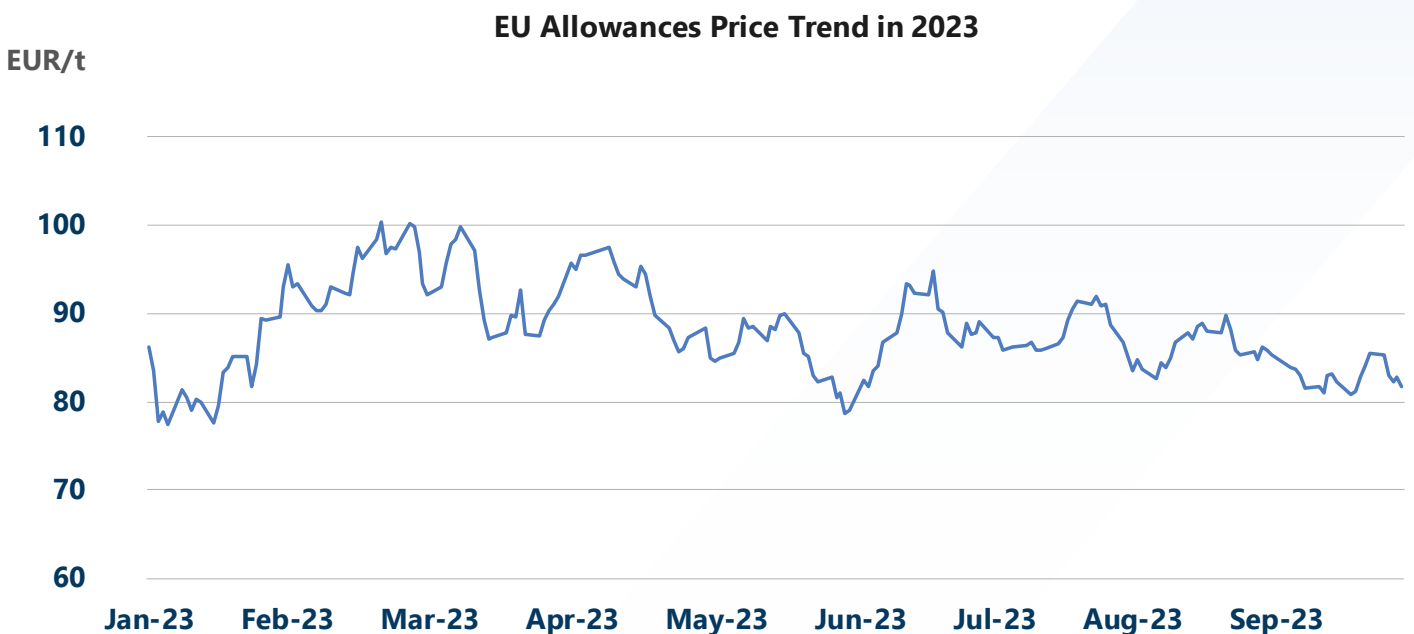
Volvo Group Joins Hands with H2 Green Steel in Near-Zero Emission Steel Production

In a pivotal move underscoring its environmental commitment, the Volvo Group has formed a strategic partnership with H2 Green Steel. This collaboration aims to reduce the carbon footprint in the production of commercial vehicles, emphasizing the importance of green steel as a primary material. The partnership entails a long-term agreement for the supply of eco-friendly steel from H2 Green Steel's upcoming facility in Boden, Northern Sweden. Production is anticipated to commence by the tail end of 2025, with the initial consignments of this sustainable steel set for delivery to Volvo by mid-2026.

Primetals Technologies Rolls Out Second Arvedi ESP Line in China Boasting 2.55 Million Tons Annual Capacity

Primetals Technologies has successfully launched ESP line No. 2 at a steel manufacturing facility in Hebei province, China, building on the achievements of the first ESP line operational since 2021. Notably, the novel line started rolling out its premier batch of hot-rolled coils in endless mode a mere nine weeks after the kick-off of cold commissioning. This state-of-the-art line is designed to craft hot-rolled steel of unparalleled consistency, with potential widths reaching 1,600 millimeters and the thinnest sections measuring 0.7 millimeters. Its production repertoire encompasses a spectrum, from carbon steel and high-strength low-alloyed (HSLA) grades to milder steel variants. With an eye on the premium strip and cold-rolled market segments, this line promises exceptional surface finish and uniformity. A standout feature is the Arvedi ESP technology, renowned for its zero-carbon production technique. It curtails energy usage by half and eradicates direct CO2 emissions from the manufacturing process, establishing a benchmark in both fiscal and ecological efficiency in steel production.

➤ European Carbon Market



The European carbon market witnessed softened price shocks in September 2023. EEX data reveals that the EUA futures DEC23 contract initiated the month at €85.27 per tonne, plummeting to a monthly trough of €80.84 per tonne on September 18. The month closed with the contract priced at €81.67 per tonne.

Several factors influenced this downturn in carbon prices:

- Increased supply of EU carbon allowances: September marked the resumption of the standard EU quota auction supply, rebounding from the routine halving in August. This surge in market quotas exerted downward pressure on prices.
- Falling natural gas prices: Natural gas prices experienced a notable drop in September, decreasing by over 10%. Several factors, such as the postponement of a strike in Australia's gas industry, contributed to this decline. Given the interconnection between carbon and natural gas prices, the drop in the latter reciprocally impacted the former.
- Short covering after the September option expiration: The latter half of September saw a slight rally in EU carbon prices, spurred by short covering succeeding the September option's expiration. Despite this, the overall trajectory remained subdued.

On a broader scale, the average cost of EU carbon allowances in September settled at €82.95 per tonne, marking a €3.11 reduction from August's average of €86.06 per tonne.

➤ 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	15260	2.2 ↑	125640	0.2 ↑
	China	8640	3.2 ↑	71290	2.6 ↑
	India	1190	17.4 ↑	9220	10.5 ↑
	EU	910	-4.4 ↓	8570	-9.8 ↓
	Japan	710	-2.9 ↓	5840	-3.8 ↓
	US	700	1.1 ↑	5380	-1.9 ↓
	Unit: 10000 tons	Jul-23	change% Jul 23/22	Jan-Jul 2023	change% Jan-Jul 23/22
Import	US (net tons)	236.98	-11.33 ↓	1737.73	-10.7 ↓
	South Korea	174.7	-4.9 ↓	1348.2	-0.1 ↓
	Turkey	150	16.1 ↑	1100	22 ↑
	Thailand	116.1	-22.1 ↓	910.8	-6.55 ↓
	Vietnam	108.9	19.9 ↑	665.3	-7.2 ↓
	China	67.8	-14.1 ↓	441.9	-32.6 ↓
	Japan	64.14	-2.6 ↓	431.02	-0.2 ↓
Export	China	730.8	9.5 ↑	5089.2	27.9 ↑
	Japan	277.93	2.4 ↑	1939.69	-0.2 ↓
	South Korea	245.2	8.9 ↑	1678.3	3.8 ↑
	Turkey	85.17	-27.4 ↓	530	-44.2 ↓
	Vietnam	100.7	65.3 ↑	639.7	19.8 ↑
	Thailand	17	0.3 ↑	123.1	-4.72 ↓

➤ Key Growth Drivers: Oct 2023 Market Forecast



CUMIC believes the global steel market is facing significant pressure in October, but there are also signs of a potential rebound.

Strong US Economy, Interest Rates, and Dollar

The US economy remained strong in September, with non-farm payrolls increasing by 336,000, well above market expectations. Such resilience suggests that the US economy can withstand higher interest rates for an extended duration, which is likely to lead the Federal Reserve to continue raising rates in November, which would fortify the dollar, subsequently exerting a downward pull on steel prices.

Depressed European Industrial Production

The European industrial landscape is being stifled by soaring interest rates, escalating energy expenses, and persistent inflation. While inflation across Europe has recently slowed down, market confidence remains low, and there are fears that the EU could fall into recession, which in turn casts a shadow on European steel demand.

Positive Signs

However, there are some positive signs in the market. Elevated raw material prices, especially commodities like iron ore and coke, have kept steel costs on the higher side. As a result, steelmakers are reluctant to continue cutting prices. A predominant consensus within the industry projects that European hot-rolled coil manufacturers will hold their ex-factory price thresholds above the 600 euros per ton benchmark. Simultaneously, some steel mills in China are gearing up to curtail their October production as a strategy to mitigate financial setbacks. This suggests that steel prices may not see a sharp decline in the short term.

Overall, the global steel market is faced with challenges in October, but there are also signs of a potential upswing. Over the forthcoming weeks, critical determinants shaping the market's trajectory would be the robustness of the US economy, interest rate trends, and the performance of European industrial output.

> CUMIC's Latest Projects



SCA Salvage Tugboat Shipbuilding Project



Product:
HRP BVA/LRA



Quantity:
3005 Mt



Location:
Egypt

Project Story

In a landmark collaboration, the Egyptian military-owned Alexandria Shipyard is set to construct two advanced anchor handling tug supply vessels for the Suez Canal Authority (SCA). Designed by Norway's esteemed Kongsberg Maritime, these tugboats boast a bollard pull of 190 tons, a top speed of 16 knots, and the resilience to operate at sea for 35 days. In this grand project CUMIC supplied 3,005 tonnes of premium Hot-rolled steel plate, ensuring the tugboats' robustness and durability.

The tugboats' heart lies in the HRP BVA/LRA propulsion system, promising unparalleled maneuverability and safety. As these vessels navigate the challenges of towing and pushing, CUMIC's contribution stands as a testament to our commitment to quality, reinforcing the Suez Canal's position as a global maritime hub.



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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