The month of October saw the release of two reports which provide a good glimpse of the short term global economic growth prospects as well as global steel demand.

The International Monetary Fund (IMF), in its latest World Economic Outlook report, cuts its global economic growth forecasts for 2018 and 2019, attributing to the growing trade tensions between the U.S. and its trading partners which have started to hurt economic activity worldwide. Global economy is now projected to grow at 3.7% in both 2018 and 2019, down 0.2 percentage point from its earlier July forecast.

In advanced economies, IMF noted that economic activity lost some momentum in the first half of 2018 after peaking in the second half of 2017. Nevertheless, economic growth is expected to remain at its earlier projected rate of 2.4% in 2018, before softening to 2.1% in 2019.

Growth in emerging market and developing economies is forecast to maintain at a steady pace of 4.7% in 2018 and 2019, though down by 0.2 and 0.4 percentage point respectively compared to the earlier forecast. IMF noted that rising interest rates are pressuring some emerging markets with capital outflows, particularly in Argentina, Brazil, Turkey, South Africa, Indonesia and Mexico.

Growth in China is expected to remain strong but is projected to decline gradually. IMF maintained its projection of a 6.6% growth rate for China in 2018 but cut down its estimate for 2019 to 6.2%, down 0.2 percentage point from its July forecast. The country is projected to experience somewhat weaker growth in 2019 following the recently announced trade measures.

For ASEAN, worldsteel listed sluggish construction activity and stock adjustments as the main reasons for the slow growth in steel demand in the region in 2017 and 2018. Steel demand in ASEAN-5 dipped 4.3% in 2017 to 71.0 million tonnes but is expected to see a moderate recovery in 2018, registering a growth rate of 3.8% to 73.7 million tonnes. Steel demand in the region is expected to resume its growth momentum backed by infrastructure programmes in 2019 and beyond. Steel demand in ASEAN-5 is projected to grow by 6.2% year-on-year in 2019 to reach 78.3 million tonnes.

Looking ahead, worldsteel identified rising trade tensions between U.S. and China, currency volatilities and political instability as the main risks to ASEAN steel demand growth.

TAN AH YONG

02 | UPCOMING EVENT

Theme: 2018 ASEAN Iron and Steel Sustainability Forum
Date: 26-28 November 2018
Venue: Hotel Equatorial, Ho Chi Minh City, Vietnam

03 | NEWS HIGHLIGHTS

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S. Korean gov’t plans to inject 300 bill. won for steel industry innovation ... Pg. 4
Steel sector eyes domestic demand to ease trade woes ... Pg. 13
Thailand’s apparent steel demand in the first half of 2018 ... Pg. 15
BHP’s iron ore output dip flatter than expected

UK-Australian mining company BHP maintained iron ore production at a relatively high level during the July-September quarter, despite warnings that port and other supply chain maintenance would cut output.

BHP produced 69.34mn t during July-September on a 100pc basis, up by 10pc from a year earlier but down by 3pc from the previous quarter. The firm maintained its production forecast for the year to 30 June at 273mn-283mn t from mines it operates in the Pilbara region of Western Australia (WA). BHP’s share of the projected output will be around 241mn-250mn t.

The slight dip in production in July-September was less pronounced than expected when BHP announced maintenance at its port facilities at Port Hedland in July. The firm only has to maintain production at levels achieved in July-September to hit the middle of its production target for 2018-19. The wet season may cause disruption to shipments in November-April, although Australia’s Bureau of Meteorology is forecasting a milder than usual cyclone season for WA.

BHP’s share of iron ore shipments fell to 61.54mn t during July-September from 62.9mn t for April-June but was up on 54.63mn t in July-September last year. The firm maintained lump shipments at 15.01mn t from 15.17mn t in the previous quarter, while shipments of fines fell to 46.53mn t from 47.73mn t on the same comparison.

The ramp-up of the Jimblebar mine continued, with production reaching 16.33mn t during July-September, which is a run rate of 65.32mn t/yr and above the target of 55mn t/yr. All other mines had a fall in production compared with the previous quarter.

Mining and processing operations at Samarco in Brazil remain suspended following the failure of the Fundao tailing dam and Santarem water dam on 5 November 2015.

*Argus Metals, October 17, 2018*

**BHP’s iron ore output dip flatter than expected**

**INDONESIA**

**Indonesian plate firms merge**

Indonesian plate rerollers Gunawan Dianjaya Steel and Jaya Pari Steel announced last week they have officially merged into a new company, GDS. The transfer of shares between shareholders of the two companies was completed on Friday, Kallanish notes.

Both companies produce plate from slab but while Gunawan Dianjaya was focused on larger sizes Jaya Pari focused on smaller sizes. Gunawan Dianjaya had 450,000 tonnes/year of re-rolling capacity, while Jaya Pari had 60,000 t/y capacity. Both companies are majority owned by Gwie Gunawan.

GDS also has a plan to build a 1 million t/y plate mill but this is still under construction and a completion date has not been specified. The company has struggled against competition from Krakatau Posco which is now the dominant plate maker in Indonesia. From Gunawan Dianjaya’s 450,000 t/y capacity, it
only produced 146,600t in 2017 and 36,500t in the first quarter of 2018. From Jaya Pari’s 60,000 t/y capacity it produced 20,400t in 2017 and 3,300t in Q1 2018.

Gwie Gunawan owns 86.94% of GDS after the merger. He also owns 78.87% of 6-12mm round bar producer Betonjaya Manunggal.

Kallanish, October 2, 2018

Indonesia stops anti-dumping investigation on Vietnamese steel

The Komite Anti-Dumping Indonesia (KADI) under the Indonesia’s Ministry of Trade earlier this week announced the termination of an anti-dumping investigation on colour-coated steel products imported from Viet Nam, according to the Trade Remedies Authority under the Viet Nam’s Ministry of Industry and Trade.

On June 7, the KADI determined that steel sheet imports from Viet Nam were dumped into Indonesia at between 12.01 per cent and 28.49 per cent of the Indonesian market and caused significant injury to the domestic steel industry.

Based on this conclusion, the Indonesian Trade Security Committee (KPPI) proposed the application of anti-dumping measures on Vietnamese colour-coated steel products for a five-year period. KADI initiated the dumping investigation on December 23, 2016.

KADI said that from July 2015 to June 2016, Indonesia imported 224,120 tonnes of colour-coated steel, of which 196,191 tonnes came from Viet Nam and China, accounting for 87.5 per cent of the country’s total steel imports.

On January 9, 2018, KADI announced a statement of essential facts on the anti-dumping investigation and asked relevant sides to give comments on the statement. Indonesia held a public hearing on the anti-dumping investigations on January 26, 2018.

After considering impacts of anti-dumping measures to the socio-economy, KADI decided to terminate the investigation and not to apply anti-dumping duties on Vietnamese colour-coated steel, a representative from the Trade Remedies Authority of Viet Nam said.

Viet Nam News, October 4, 2018

Japan October-December crude steel output may rise on increasing local demand: METI

Japan’s crude steel output for the October to December quarter is expected to rise from a year earlier on solid local demand for automobiles as well as industrial and construction machinery, the industry ministry said.

The Ministry of Economy, Trade and Industry (METI) estimated crude steel output would rise to 26.45 million tonnes for the three-month period, up 0.2 percent from a year earlier. This follows a small year-on-year drop in the previous quarter.

Demand for steel products, including those for exports, is forecast to rise to 23.69 million tonnes in the October to December quarter, up 0.3 percent from a year earlier, the ministry said, citing an industry survey.

Exports, which typically account for about 40 percent of Japanese steel production, are forecast to increase 0.5 percent from a year ago during the period, the ministry said, shrugging off higher U.S. import tariffs on steel and an escalating U.S.-China trade spat.

METI’s forecast does not foresee any major impact from the tariffs, said Noriyuki Kuroda, director of the metal industries division at the ministry, at a news conference on Tuesday.

“Japan’s steel export to the United States are slightly weakening recently, but that’s because of strong domestic demand and not because of the U.S. tariffs,” he said.

He also said Asia’s steel demand is fairly healthy despite the U.S.-China trade conflict.

The United States last month slapped tariffs on $200 billion worth of Chinese goods, which prompted Beijing to retaliate with duties on $60 billion worth of U.S. products.

The United States and China had already imposed tariffs on $50 billion worth of each other’s goods.

Reuters, October 12, 2018

Korea

Chinese steelmakers penetrating deep into Korean steel market

Chinese steelmakers are penetrating deeper into the Korean steel market while Korean steelmakers are struggling to cope with strengthening U.S. protectionism. There is a possibility of cheaper Chinese products further expanding their share of the Korean steel market as an upturn in Korean shipbuilders’ order receipts has sparked off demand for steel plates.

According to the Korea Iron and Steel Association on October 17, thick plate imports to the Korean market in September amounted to 149,488 tons, a monthly high. Korea’s thick plate imports stayed at less than 100,000 tons until February, but have since grown steadily and rose nearly 60% from the beginning of this year.

In 2016, 220,164 tons of thick plates was imported per month on average, but last year, the volume dropped to an average of 102,205 tons per month. Recently, however, import volume has been on the rise again. In particular, imports of Chinese thick plates, which account for more than 60% of Korea’s total thick plate imports, are increasing significantly. In September, Korea imported 84,236 tons of Chinese thick plates, which means their import volume more than doubled from the beginning of this year (The average of the January to February period: 38,595 tons). This year, Korea’s average monthly thick plate imports from China already exceeded those of last year (63,947 tons).

The spike in the import of Chinese thick plates spells a big trouble for Korean steelmakers such as POSCO, Hyundai Steel and...
Dongkuk Steel Mill. The average price of Korean thick plates over the past one year stood at 600,000 won per ton. Korean steelmakers raised the price two times this year due to rising raw material prices. Currently, the price is standing around 700,000 won per ton.

Last year, steel plates produced by the top three Korean steelmakers amounted to about 9 million tons. Of the total, they sold 5.6 million tons in the domestic market, of which 60% were steel plates used for shipbuilding. The price of steel plates for shipbuilding surpassed one million won per ton ten years ago when the Korean shipbuilding industry was booming. But a slump in the shipbuilding industry more than halved the price.

Steelmakers explained that they marked up the price of thick plates this year as they needed to normalize it after suffering from loss during the slump in the shipbuilding industry. The hike in prices of Korean steel plates is one reason for the increase in Korea's imports of Chinese steel plates.

The increase in imports of Chinese steel products may have a negative impact on the Korean steel industry, which has such a long-awaited recovery in demand for steel plates. Korean shipbuilders such as Hyundai Heavy Industries, Samsung Heavy Industries, and Daewoo Shipbuilding & Marine Engineering, have put up a good fight in landing orders in the global shipbuilding market, outperforming their Chinese counterparts. In Korea, demand for steel plates is expected to rise, but in contrast, demand is projected to sink in China. China's steelmakers, which will face a decline in domestic demand for steel plates, are highly likely to seek out opportunities through exports.

Recently, the Chinese government’s policies for steel production cuts have shown a sign of easing. Some experts forecast that as China is experiencing difficulties due to the trade dispute with the U.S., it will allow steelmakers to ramp up steel production again, shifting its focus from solving environmental problems to vitalizing the Chinese economy.

“Chinese steelmakers have a production capacity about 15 times that of Korean steelmakers. Thus, if some of their products are exported to Korea, it will deal a big blow to Korean steelmakers,” said Hong Jeong-eui, head of the Trade Cooperation Office at the Korea Iron and Steel Association.

In particular, Korean shipbuilders, which are in a difficult management environment, are highly likely to choose Chinese products over Korean ones, if Chinese steelmakers wage a price war.

The Korean steel industry will be hard pressed to find a suitable countermeasure against Chinese steelmakers in the possible price war. This is because it is difficult for the Korean government to take actions such as imposing anti-dumping duties or initiating a safeguard, even though countries such as the U.S., EU nations, Canada, Turkey and India have lately been raising tariffs in order to cope with import steel products.

“It is not easy to address this issue as the Korean government’s sanction on Chinese products may ignite a friction between Korea and China in terms of politics and diplomacy and lead the Chinese government to retaliate against Korean steelmakers that have moved into China.”

Business Korea, October 18, 2018

S. Korean gov’t plans to inject 300 bill. won for steel industry innovation

The South Korean steel industry is struggling as it continues to experience oversupply excess globally, the downstream industry including automobile and shipbuilding is in a slump and protectionism is spreading worldwide.

BNK Finance Research Institute warned at the end of last month that the domestic mid-size steel companies would be caught in a negative growth due to the stagnation in both domestic demand and exports. In particular, these steelmakers’ operating margin decreased from 5.2 percent in 2016 to 3.8 percent in 2017 and the figure is forecast to fall below 3 percent this year. They are actually showing a loss, excluding the cost of operating fund supply and interest charges. The mid-size steel companies’ poor performance stems from a sluggish construction investment, which accounts for a substantial part of domestic steel demand, and a failure in recovery of major demand industries, including car and shipbuilding, in the short term. For export, conglomerates are seeking for outlets through the quota system, while small and mid-size companies have no means of export because of protective trade barriers. Given such difficulties, the government has decided to put 300 billion won (US$264.55 million) of emergency funds into the industry over the next five years but it’s still unclear whether it would work.

The industry believes that it is not easy to find other ways to break the slump for the present. The biggest headache is excess supply. According to the Korea Iron and Steel Association, the production capacity of steel producers across the world exceeds the demand by 30 percent as of last year. With an offensive supply of China, which is mainly responsible for global oversupply, and stronger trade barriers of many countries, including the United States, domestic companies’ exports are being blocked. What’s even worse, the domestic steel demand has been at a standstill for several years. The domestic consumption of steel materials has remained at the 55 million ton level from 55.8 million tons in 2015 and 57.1 million in 2016 to 56.4 million in 2017. High value added strategy is the only card left for now to overcome the structural industrial slump. The government has budgeted 200 billion won (US$176.37 million) for grouping industrial trends by sector and developing high value added steel materials accordingly. For instance, it will develop a steel plate, which has a high density but less than 20um thick, in the vehicle sector, keeping up with the era of environmentally friendly car, like electric vehicle. It will also invent a material that can resistant to low temperature for polar development in the shipbuilding sector as well as fire resistant rebar that maintain the intensity even in the temperature as high as 600 degree Celsius to brace for abnormal weather conditions in the construction sector.

The government is planning to develop innovative materials and help small and mid-size companies to secure processing technology at the same time. This is to make the effect of technology development reach not only major companies but
also the steel industry as a whole. An official from the steel industry said, “The majority of steel manufacturers sells products of POSCO after reprocessing. It will be just a pie in the sky even when POSCO develops innovative, next-generation steel plate because they don’t have a capability to deal with it.”

To this end, the government will designate Pohang as the outpost of the steel industry innovation and set up a test bed. This is because it will be easier to exchange technologies with small and mid-size steelmakers as technology development infrastructure based on POSCO, Pohang University of Science and Technology (POSTECH) and Research Institute of Industrial Science & Technology (RIST) has been sustained for decades and Pohang Steel Industrial Complex is in the area. It will also promote Gwangyang, Dangjin and Changwon as well as the capital area and Gangwon Province as a regional technology base in the future.

When the plan becomes a reality, the government expects to foster 322 small giants in the steel industry and create about 7,809 jobs. The economic ripple effect is forecast to reach 1.04 trillion won (US$913.23 million). An official from the steel industry said, “It will be impossible to completely wipe out difficulties in the steel industry as long as the problem of global oversupply is fixed. However, it can make small and mid-size companies, which are hard up for investment capital, catch breath.”

Business Korea, October 25, 2018

Hyundai Steel’s 3Q output falls on building slowdown

South Korean steel producer Hyundai Steel posted a 2.9pc fall from a year earlier in third-quarter production, largely amid slowing demand for rebar and other products from the domestic construction industry.

Output for July-September fell to less than 5.24mn t from over 5.39mn t in last year’s third quarter. The overall fall came as production of flat products rose by 1.8pc to 3.18mn t and production of long products, such as those used by building contractors, dropped by 9.4pc to 2.06mn t.

South Korean construction industry spending is projected to fall by 2.3pc this year to 246 trillion won ($215.6bn), with Hyundai Steel forecasting it to slide a further 2.5pc in 2019 to W240 trillion. South Korea’s government earlier this week said it will provide more funding assistance and tax incentives to boost facility investment.

The domestic auto steel segment is also slowing, with unit production forecast to fall by 2.8pc to 4mn cars and trucks this year and to drop by 1.8pc in 2019 to 3.93mn. But Hyundai Steel is seeing a rebound in South Korea’s shipbuilding industry. New vessel orders will rise by an estimated 30pc this year by tonnage and a further 12pc gain is forecast for 2019.

South Korea’s steel producers earlier this year negotiated higher prices from shipbuilders for heavy steel plates, reflecting increased costs for iron ore and coking coal. Hyundai Steel predicted that domestic plate demand will finish this year at 4.95mn t, up by 44pc from 2017 and an additional 9.3pc in 2019 to 5.41mn t.

The company also is seeing gains from customising advanced products for specific industries. Global sales of automotive steel sheeting during January-September rose by 87pc from 2017 to 463,000t. Sales of high-strength steel for large buildings during the same period rose by 9pc to 918,000t.

Overall third-quarter sales of premium products climbed by 10pc to 2.23mn t, with Hyundai Steel planning to expand its production of high-strength steel. Profit for the period rose by 7.2pc from a year earlier to W193bn as higher prices helped drive an 8.6pc increase in revenue to W5.23 trillion.

Despite the threat of a global economic slowdown amid an escalating trade war between the US and China, Hyundai Steel expects stable growth in steel demand to continue as aggressive economic stimulus programmes underpin steady prices. Hyundai Steel also expects the industry to avoid a supply glut, even after China eased environmental rules mandating winter production cuts, because it will possibly take a long time for provincial governments to set their regulations.

But raw material costs are also forecast to rise. Hyundai Steel said it expects short-term increases in iron ore prices because of high reserve demand in China. Coking coal is also trending upwards on supply disruptions in Australia and seasonal stockpiling in China, the company said.

Argus Metals, October 26, 2018

MALAYSIA

Tanggang compensates Ann Joo over project delays

Malaysia’s Ann Joo Resources has been awarded additional payments in an extended arbitration with Tangshan Iron & Steel International Engineering and Technology. This is for delayed operation of pulverised coal injection (PCI) and a top gas recycling turbine. The dispute is a continuation of a dispute over the commissioning of a blast furnace, which Tangang Intl. Engineering also supplied, Kallanish notes.

The MYR 25.21 million ($6.09 million) payment is MYR 24.1m for losses due to the late start up of the PCI facility, and MYR 1.11m for the late start up of the top pressure recovery turbines. The awards also include 6% annual interest charged since 28 February 2014, when Ann Joo first gave notice of arbitration.

Ann Joo had previously been told to pay $3.16 million in unpaid fees and CNY 1.36m ($197,506) for servicing a performance bond to Tangang Intl. Engineering. The Chinese engineer meanwhile had been ordered to pay Ann Joo CNY 4.28m for its failure to complete four of its contracted tasks, plus $523,738 for failing to deliver spare parts.

Tanggang Intl. Engineering supplied the entire blast furnace complex, including raw materials yard and sinter plant, to Ann Joo. The Malaysian firm says it has gained a competitive advantage by running both a 500,000 tonnes/year blast furnace and 820,000 t/y EAF, as it can vary its raw materials mix depending on market conditions.

Kallanish, October 2, 2018
Philippines lifts Saudi billet exports again

Saudi Arabia exported 33,102 tonnes of billet in June, up 36% on the previous month but still below the 2018-high of 51,783t in January, according to newly-published General Authority for Statistics data monitored by Kallanish. These exports only resumed in January after a ten-year hiatus.

The Philippines took in 30,191t in June, up 78%, but sourcing by Jordan declined -60% to 2,911t.

In January-June Saudi billet exports thus reached 186,927t. The Philippines overtook Indonesia as the largest market with 77,204t, with the latter sourcing 50,168t. Egypt and Jordan sourced 34,980t and 24,575t respectively.

On finished long products, Saudi rebar exports rose 24% in June to 20,302t, with Egypt sourcing 10,000t versus zero in May. Buying from Kuwait, however, fell -44% to 6,798t. Wire rod exports increased 34% to 15,661t, with Lebanon taking in 7,381t versus zero in May, although Bahrain sourced less.

SteelAsia starts P25-b wire rod mills

SteelAsia Manufacturing Corp., the country’s largest steel manufacturer, said it started the construction of two wire rod mills with estimated investments of P25 billion that will contribute to the country’s industrialization goal.

The projects will produce a combined 1 million metric tons of wire rods annually that could serve as the platform for the resurgence of the manufacturing industry in the country, the company said.

“At present, the Philippines has zero capacity for wire rods. That means we are importing all our wire rod requirements which have reached 800,000 tons a year and climbing. When operational, this import substitution will save the country around $600 million a year in foreign currency,” said SteelAsia chairman and chief executive Benjamin Yao.

Wire rods are used to manufacture various downstream products like machine parts, springs, cables, welding wires and rods, mesh, nuts and bolts, screws and other fasteners, tools, tire-cord and dozens of others.

Small and medium enterprises producing these items would develop and thrive as a result of a local wire rod supply, and in turn, link their supply to high value manufacturing such as the automotive and machinery sectors.

This steel-based model for industrialization was seen in the US, Europe, Japan and more recently in South Korea, Taiwan and China, SteelAsia said.

Yao said that because of the high cost of imported wire rods, many SME manufacturers that needed wire rods for their products had difficulty competing with the imported version of what they produced.

“Hence, the Philippines has been importing its nuts and bolts, wires or alambre, nails, welding rods, springs and even paper clips, staple wire and many other wire rod-based products while all these can actually be locally produced if only the Philippines had wire rod manufacturing,” Yao said.

SteelAsia is building two mills for its wire rod production with a capacity of 500,000 MT each.

The first one will rise in the Visayas to serve the requirements of central and southern Philippines and the second one will be in Central Luzon to serve customers in Metro Manila and the rest of the Luzon.

SteelAsia has eleven operating plants located across Luzon, Visayas, and Mindanao with various capabilities - upstream, midstream, and downstream steel manufacturing.

It is the country’s biggest steel company with over 2.6 million MT a year of output of various steel products.

SteelAsia earmarked more than P100 billion in investments in the next five years to quadruple its capacity which would help the country achieve 70-percent steel self-sufficiency, up from the current 40 percent.

Singapore rebar import prices drop further on lower offers

Import prices for rebar in Singapore fell further over the past week due to lower offers from sellers.

Fastmarkets MB’s assessment of import prices for rebar in Southeast Asia - which mainly looks at cargoes sold into Singapore on a theoretical weight basis - was $525-530 per tonne cfr for the week to Monday October 22, down from $530 per tonne in the previous week.

“The best offers now are all at $530 per tonne cfr Singapore, down from $530-540 per tonne cfr Singapore in the previous week,” a Singapore-based buyer said last Friday.

These offers were for mainly Middle Eastern and Turkish rebar.

Traders said negotiation levels were at $525-530 per tonne cfr Singapore this past week.
There was demand for around 10,000 tonnes of rebar from a Singapore-based fabricator, traders said. It is not clear whether the fabricator had concluded any deals.

There was market chatter that a Turkey-origin cargo was sold at $515 per tonne cfr Singapore on a theoretical weight basis. But this could not be confirmed by buyers.

The decline in Turkey import scrap prices toward the end of last week was also not a cause for any bullish in the spot market because Turkish long steel producers are not expected to lift their offers in the near term.

The MB fob China Rebar Index was stable throughout last week due to thin export trading, remaining at the $570 per tonne range.

In the Southeast Asian wire rod market, prices remained stable on unchanged offers from major mills at $575 per tonne fob China.

Traders said buyers continued to target $580 per tonne cfr Southeast Asia.

Fastmarkets MB’s assessment of import prices for wire rod in Southeast Asia - which mainly looks at low-carbon mesh-quality material sold into the Philippines and Vietnam from China - was $580-595 per tonne cfr Southeast Asia, unchanged from the preceding week.

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**TAIWAN**

**Taiwan’s ferrous scrap imports fall 14% in August**

Taiwan’s ferrous scrap imports dropped by 14% on the year in August, according to the territory’s customs agency.

Taiwan import ferrous scrap HMS 1&2 (80:20 mix) (USA material) $ per tonne cfr main port

The island imported 245,579 tonnes of ferrous scrap during the month, 38,931 tonnes lower than the 284,510 tonnes it took in a year earlier, data from the Taiwanese Customs Administration showed.

The United States remained the largest supplier of ferrous scrap to Taiwan, accounting for 104,058 tonnes of the steelmaking raw material in August.

Japan was the second-largest supplier, with 46,419 tonnes.

The Dominican Republic, in third place, shipped 13,982 tonnes of scrap to Taiwan while Hong Kong, which came in fourth, accounted for 12,811 tonnes.

Metal Bulletin’s import price assessment for US-origin heavy melting scrap 1&2 (80:20) in Taiwan decreased from $325-330 per tonne on August 3 to $318-320 per tonne on August 31.

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**THAILAND**

**Steel makers demand dumping measures**

The Federation of Thai Industries (FTI) is calling on the government to speed up new measures to protect local steel makers after seeing Chinese steel dumping become a serious problem.

The reaction came after China started its new tax rebate structure for up to 397 exports, including 85 steel items such as cold-rolled iron plate, colour-coated steel, steel pipe, nails and iron scaffold.

China’s new tax rebate for steel exports has increased from 0% to 9% and 9% to 13%, depending on the steel products. The new structure has been effective since Sept 15.

“These measures are leading to unfair export conditions and encouraging Chinese steel traders to increase their shipment volume to other countries to enjoy the tax rebates,” said Wikrom Vajragupta, Chairman of FTI’s iron and steel industry club.

“Many of those steel products are dumped in Thailand and local steel makers are concerned about this issue because it is destroying the country’s supply chain.”

The club is teaming up with the Iron and Steel Institute of Thailand as both parties agree the government should accelerate the country’s anti-dumping measures to protect the local steel industry.

Mr Wikrom said the country could lose much value while steel producers would suffer in the near term if the government ignores the problem and does not enact protection measures.

The origin of the problem for the global steel market was when the US applied import duties on March 23 of 25% for steel products under section 232 of the US Trade Expansion Act of 1962.
Vietnam

BlueScope Lysaght expands business in the northern market

NS BlueScope Lysaght Vietnam, a member of Australian corporation BlueScope Steel Limited, announced the company’s new development strategy with a focus on expanding its market in northern Viet Nam.

As part of the strategy, NS BlueScope Lysaght Vietnam opened a new factory in Quat Dong Industrial Zone in Thuong Tin District, Ha Noi. It will shorten product delivery time to the northern market.

“We consider northern market, with two major cities and other big industrial zones, a potential market for our high-quality construction solutions,” said NS BlueScope Lysaght Vietnam president Nguyen Cao Tri. “We decided to promote business here under the expectation that our unique solutions will be present in more buildings, thereby changing the construction industry.”

To realise its business strategy, Lysaght will focus on setting up new standards for industrial plants with roofing andwalling solutions, contributing to the development of high-tech agriculture with Lysaght Agrished and modernising urban areas through skyscrapers with Bondek II.

After entering Viet Nam in 1993, the firm is now a leading supplier of steel for major industrial and commercial projects nationwide. Its customers include Coca Cola, Vinamilk, Unilever, Yamaha and Panasonic. Lysaght’s Bondek II is in several iconic skyscrapers in Viet Nam including the country’s tallest building, Landmark 81 in HCM City.

Vietnam News, October 15, 2018

Vietnam’s steelmaker Hoa Sen to purchase hot-rolled coil from Formosa Ha Tinh

Vietnamese steel producers are looking toward domestic hot-rolled coil (HRC) in order to avoid more anti-dumping duties that could be imposed by the US.

Vietnam’s steelmaker Hoa Sen Group has reached an agreement to purchase HRC from major Vietnamese integrated steel producer Formosa Ha Tinh (FHS) amid fierce competition, local media reported.

HRC is a major raw material for the production of steel sheet and steel pile. In the first nine months of 2018, HRC import prices increased by 16% year-on-year, causing a decrease of 55% in Hoa Sen Group’s profit to VND512 billion (US$21.99 million).

Under this context, the deal is expected to improve the group’s financial situation in 2019. According to Nhip Cau Dau Tu, Tran Duong, analyst at KIS Vietnam Securities Corporation, stated that an agreement to purchase HRC between FHS and Hoa Sen Group would temporarily relieve pressure on importing the product and keep a stable domestic market.

In addition to having a better price compared to the import price (US$610 per ton compared to US$618 per ton), purchasing HRT from local source would help Hoa Sen minimize impacts from the volatility of exchange rate in the world market.

Meanwhile, the deal gives FHS a steady stream of income as Hoa Sen currently is the largest producer of steel sheet and second of steel pile, holding market share of 34% and 18%, respectively. Moreover, Hoa Sen also owns the country’s largest distribution network with 410 stores and branches as of present, which is expected to increase to 450 by the end of the year.

This year, FHS expects to provide 3 - 6 million tons of HRC to the market, which is considered a viable alternatives for local steelmakers. In fact, the escalation of a trade friction between the US and China could have a positive impact on FHS. As reported by the Metal Bulletin, Vietnamese re-rollers are looking toward domestic hot-rolled coil in order to avoid more anti-dumping duties that could be imposed by the US.

The US Commerce Department on Wednesday August 1 launched duty-circumvention probes into Vietnamese cold-rolled and coated flat steel imports produced using South Korean or Taiwanese substrate. This restricts the sources of HRC from which Vietnamese re-rollers can purchase. The US already has imposed high duties on Vietnamese flat steel produced using China-origin substrate.

Vietnam’s steel industry in 2018 is forecast to grow by 20 - 22%. Additionally, with the economic growth target of 6.5 - 6.7% and a growing number of infrastructure development projects, the demand for steel is expected to increase, according to the Vietnam Steel Association (VSA).

However, the risk of oversupplying steel sheet in the market remains. Over the last two years, Hoa Sen Group has increased its steel sheet production capacity by 1.5 million tons, Nam Kim Steel by 800,000 tons and Hoa Phat 400,000 tons, not to mention other projects from other steel producers such as Dong A Steel or Pomina.

According to VSA, annual demand for consumption of domestically produced steel sheet is 2.5 - 2.8 million tons, however, the capacity of the industry has reached 3.2 - 3.5 million tons, putting pressure on companies to reduce operation cost and maintain competitive advantages.

VietnamNet, October 25, 2018

Tata Steel Thailand EAF remains out for two weeks

Tata Steel Thailand says it will take around two weeks to restore production at an EAF that saw an explosion last week. The company is reported to be in the midst of a sales process, although no bidder has been confirmed, Kallanish notes.

The recently relined EAF at subsidiary Siam Construction Steel in Rayong was rocked by an explosion as it was reheated. Tata Thailand says finished steel output has so far not been affected as it is running its rolling mills using billet stocks.

Tata Thailand has a capacity of around 1.7 million tonnes/year and in the financial year ending March 2018 it shipped some 1.217mt of steel, down from 1.262mt the previous year. Tata Steel is reportedly considering a sale of both Tata Thailand and NatSteel in Singapore.

Kallanish, October 11, 2018

SEAISI Newsletter, October 2018
**Vietnam initiates AD probe on colour coated steel**

Vietnam has initiated anti-dumping investigations on prepainted galvanized and Al-Zn steel from China and South Korea, Kallanish notes. This is despite ongoing safeguard measures on the same products.

Vietnam’s Ministry of Industry & Trade started an antidumping investigation on colour coated steel on 15 October. The targeted products are classified under HS codes 7210.70.11, 7210.70.19, 7210.70.91, 7210.70.99, 7212.40.11, 7212.40.12, 7212.40.19, 7212.40.91, 7212.40.92, 7212.40.99.

Domestic mills, Dai Thien Loc, Ton Phuong Nam-SSSC, Nam Kim and TVP, are the main petitioners. The mills filed their complaint to the authorities because existing safeguard measures are not sufficient to prevent low-priced imports which are mainly from China, trading and mill sources tell Kallanish.

The quota for Chinese exports exempted from the 19% import safeguard duty is still large, a Vietnamese mill manager says. Chinese non-taxable export quotas for three years were set last year at 323,120t for 15 Jun 2017 to 14 Jun 2018, 355,432t for the following year, and 390,976 tonnes in the final year when the safeguard measure applies.

“The high quota for Chinese exports defeated the purpose of last year’s trade case,” a regional trader. He notes, however, that high-quality colored coated steel for special purposes are excluded from the current antidumping investigation because there is insufficient home production. These include PVDF coated steel sheet used for high corrosion and weather resistant applications such as power plants and PCM steel which are used for making electronic goods and home appliances. Vietnam mainly produces commercial coated steel products including those for roofing, he adds.

The non-exempt quotas set for coated steel from South Korea are far lower than China’s. These have been set at 34,451t during the year effective 15 Jun 2017-14 Jun 2018, 37,897t for the following year, and finally, 41,686t during 15 Jun 2019-14 June 2020. Kallanish, October 25, 2018

**Hoa Phat, Tai Hung vie for Thai Nguyen**

Vietnam’s Hoa Phat Group and Tai Hung Trading are reportedly both eyeing control of the new steelworks planned by state-owned Thai Nguyen Iron and Steel. The contest could pit a much larger but heavily-indebted steelmaker against a smaller firm which has recently boosted its cash position, Kallanish notes.

Thai Nguyen has long been planning a second phase 1 million tonnes/year integrated steelworks and construction longs plant but the project has been beset with difficulties. Vietnam Steel Corporation, which owns Thai Nguyen has said it plans to divest at least part ownership in the steelmaker to raise funds to push the project forward. It hopes initially to raise some VND 2 trillion ($86 million) in a new share issuance, which reports suggest could be directly in the second phase project.

Major Vietnamese steelmaker Hoa Phat Group has said it is interested in buying into the project. The group is a major producer, planning to make 2.3mt of steel products in 2018 and to start commissioning a 4m t/y steelworks at Dung Quat by the end of the year.

Hoa Phat has VND 62.08 trillion ($2.66 billion) in assets, according to Vietnambiz, compared to Tai Hung’s VND 9 trillion. Thai Hung already owns 20% of Thai Nguyen however and is represented on its board. It has also cashed in on its investment in Vietnam-Italy Steel, where it sold its majority holding to Japan’s Kyoei Steel. Hoa Phat on the other hand has higher debts and is already in the middle of a major investment in Dung Quat. Kallanish, October 27, 2018

**BRAZIL**

**Brazilian steel production, consumption rise in September, Aço Brasil says**

Production by Brazilian steelmakers increased by 2.5% year-on-year in September 2018, while national apparent consumption rose by 3.2% in the same month, according to figures published by local steel association Aço Brasil on Friday October 19.

The data showed that crude steel output was 3.03 million tonnes during the month, up from 2.96 million tonnes in the corresponding month last year. Rolled steel production was higher by 10.8% and reached 2.06 million tonnes, while output of semi-finished steel goods fell by 17.9% to 735,000 tonnes.

Most of Brazil’s semi-finished steel production sales to third-parties were exported, notably to the United States.

After the US imposed its Section 232 import tariffs, however, Brazil reached an agreement with the US to ship only a determined quota of such materials, which was lower than its exports to the country during 2017. If any US client wishes to import a volume that will take the total beyond that amount, it will need to receive approval from the US government.

Aço Brasil also said that apparent steel consumption in Brazil went up by 3.2% year-on-year in September, to 1.83 million tonnes. Flat steel demand rose by 5.9% to 1.11 million tonnes, while long steel demand fell by 0.8%, to 714,000 tonnes.

Local steelmakers sold 1.64 million tonnes to the domestic market, up by 5.7% from 1.55 million tonnes a year ago. Meanwhile, flat steel sales improved by 10.7%, to 954,000 tonnes, and long steel sales climbed by 0.5% to 649,000 tonnes.

Fastmarkets’ monthly domestic price assessment for hot-rolled coil in Brazil was 2,850-2,900 Reais ($768-781) per tonne ex-works on October 5, narrowing upward slightly from September. Rebar delivered in the domestic market was priced 2,650-2,730 Reais per tonne on October 5, up from 2,550-2,675 Reais per tonne in September.

Brazilian bank BTG Pactual reported that Gerdau, one of the country’s largest long steel producers, had already implemented part of its planned 10-15% price rise for the domestic market. Its products, however, were still being sold at a slight discount to imports, the company said in a meeting with BTG.
India-focused mining company Vedanta Resources were the other Russian investment bank VTB-funded consortium NuMetal and are at around $6bn. The value of the bid was not disclosed, but Essar’s total loans to the Essar Steel’s committee of creditors, which evaluated the bids. Sumitomo Metals in the bid, will now enter negotiations with ArcelorMittal, which partnered Japan’s Nippon Steel and ArcelorMittal the highest bidder in an auction to sell off the India’s Essar Steel, as the bankrupt company’s creditors declared Luxembourg-based ArcelorMittal is one step closer to acquiring India’s Essar Steel, as the bankrupt company’s creditors declared ArcelorMittal the highest bidder in an auction to sell off the company. ArcelorMittal, which partnered Japan’s Nippon Steel and Sumitomo Metals in the bid, will now enter negotiations with Essar Steel’s committee of creditors, which evaluated the bids. The value of the bid was not disclosed, but Essar’s total loans are at around $6bn.

Russian investment bank VTB-funded consortium NuMetal and India-focused mining company Vedanta Resources were the other bidders. ArcelorMittal’s acquisition path may not be smooth as it may face further legal challenges from the other bidders, especially Numetal.

The bankruptcy process for five heavily indebted Indian steel mills started in July 2017 under a new bankruptcy law that allows creditors to auction off such companies with the court’s permission to recover their dues. Three companies – Bhushan Steel, Monnet Ispat and Electrosteel – have found new owners, while the bidding process for Essar and Bhushan Power and Steel is ongoing.

The acquisition, if it goes through, will mark ArcelorMittal’s entry into India’s primary steelmaking business after a decade of failed projects. The company’s proposed steel plants in the east Indian states of Odisha, Jharkhand and south Indian state of Karnataka did not materialise because of various problems, including difficulty in acquiring land.

ArcelorMittal picked up a 29pc stake in secondary steel producer Uttam Galva in 2009, with the company currently in the middle of a bankruptcy resolution process. ArcelorMittal last week paid $1bn to the creditors of Uttam Galva and another Indian company, KSS Petron, to remain eligible as a bidder for Essar.

Essar has a nameplate capacity of 9.6mn t/yr and is operating at an annualised operation rate of 7.2mn t/yr, according to a senior Essar executive. The company is India’s largest iron ore pellet producer, with a total 20mn t/yr of capacity. Essar exports around 100,000 t/month of pellet, mostly to China.

Analysis: India’s steel industry trends change as imports/exports fall

Although India’s imports and exports of finished steel products both fell during April to September, countries affected by the US Section 232 tariffs have adjusted their shipment trends to India, data from the Joint Plant Committee showed.

Higher imports were seen from South Korea at 1.32 million mt, up 13.8% from 1.16 million mt on year but imports from China fell to 345,000 mt, down 33.4% from 518,000 mt. Imports from Japan fell to 541,000 mt, down 8.8% from 593,000 mt.

JSW Steel said Thursday that escalating trade measures resulted in a diversion of steel imports from steel-surplus countries into India.

In March, the US imposed an additional 25% tariff on steel from several countries, including Japan and China, along with a 10% additional levy on aluminum.

It said overall imports from China, Japan and South Korea to India rose to 1.58 million mt in July-September, up 560,000 mt or 54.9%, from 1.02 million mt in January-March.

But the three countries’ exports to the US fell from 1.48 million mt (January-March) to 0.99 million mt (July-September), 490,000 mt or 33.1% lower, JSW Steel said, citing JPC data. State-run JPC is the sole Indian body authorized to collect data on the domestic steel and iron industry.
Japan and South Korea have free trade agreements with India and so enjoy duty reliefs. Market participants said the FTAs allow imported steel to be about 10% cheaper than domestic steel.

Amid concerns that the imports could lead to dumping, there have been calls from the steel industry to the government to curb steel imports using safeguard duties.

Notably, the higher imports come amid a weaker rupee. Typically a weaker currency tends to make imports more expensive while exports are less expensive.

This year, the rupee has performed badly against the US dollar due to global uncertainties and concerns over inflation. It touched an all-time low of Rupees 74.35 to the dollar on October 9.

Though it might be early to say if a long-term import trend will arise, the import and export data from the JPC points to a different effect.

The data also points to a shift in requirements of certain steel products.

By category, April-September imports of non-flat finished steel products reached 585,100 mt, up 30.5% from 448,510 mt while flat steel products amounted to 3.42 million mt, 11.6% lower from 3.87 million mt the year before.

Imports of semi-finished steel, which includes slabs, billet and re-rollerable scrap hit 552,130 mt, 10.7% more from 498,690 mt the year before.

“...increasing trade tensions, volatile currency movements and uneven growth are increasing uncertainty for sustainability of global steel demand growth,” JSW Steel said.

Platts, October 29, 2018

China’s daily crude steel output touches new high

China’s daily crude steel output touched a record high of 2.69mn t in September, above the previous record of 2.67mn t/d set in June.

Monthly crude steel output continued to remain above 80mn t, as it has done since May, posting 80.85mn t in September, up by 0.66pc from 80.32mn t in August. September output was higher by 7.5pc from a year earlier, according to the national bureau of statistics data.

Robust profits have driven mills to produce at near-peak rates using higher grades of iron ore and coking coal. Looser restrictions on steel output and construction activity during the autumn-winter months are expected to keep profit rates stable and encourage near-peak production levels. The impact of production restrictions will possibly be much lower than what it was last year. Steel mills are likely to step up scrap use to make up for any loss in pig iron output, so any drop in crude steel output will be even less than pig iron output.

January-September crude steel output increased by 6.1pc from the previous year to 699.42mn t.

The World Steel Association has revised its China’s crude steel demand growth estimates lower for 2017 and 2018, an acknowledgement that official estimates have over the years failed to capture the amount of demand being met by smaller, often illegal induction furnaces. China claims to have eliminated induction furnaces completely in 2017.

September pig iron output rose by 4.4pc from the previous year at 66.38mn t, while January-September output was higher by 1.2pc at 578.6mn t.

Economic growth slows

China’s gross domestic product growth slowed to 6.5pc in the July-September quarter compared with 6.7pc in April-June and 6.8pc in January-March.

Economic growth may slow further as a consequence of escalating tariff frictions with the US. Beijing is seeking to use a looser monetary policy and expand fiscal expenditure to shore up growth.

Concerns for steel sector emerged from slower manufacturing sector growth at 5.8pc from a year earlier in September compared with 6pc in August. Automobile manufacturing, among the biggest consumers of flat products, slowed to 0.7pc in September. Slower car sales in China are pressuring prices of flat products such as hot and cold-rolled coil. Rail, shipbuilding and aerospace manufacturing grew by 2.4pc and equipment manufacturing grew by 5.2pc.

Real estate investment growth slowed during January-September to 9.9pc from 10.1pc in January-August, which is still a robust growth rate and supportive of construction steel demand. There has been some anticipation of slower real estate investment growth for the rest of the year as Beijing has pledged to stabilise home prices, which may include steps such as banning pre-sales of apartments in some cities. This is essentially developers accepting money upfront for houses that have yet to start construction.

New housing project starts grew at a fast rate of 16.2pc, which will lead to additional steel demand as these projects enter construction stage in the next few months. Land purchase area for new projects increased by 15.7pc during January-September. Housing sales by area grew at a modest 2.9pc in this period.

Infrastructure investment growth slowed to 3.3pc during January-September from 4.2pc in January-August, despite China’s cabinet the state council announcing it will step up infrastructure investments for the rest of the year. The steel sector is hoping for a revival in infrastructure activity, which could offset any shortfall in demand from real estate over the next several months.

Argus Metals, October 19, 2018

Tangshan sets targets for winter blast furnace cuts

All but one of the 36 steel mills in China’s largest steelmaking city of Tangshan will have to reduce blast furnace output this winter, with almost two-thirds of the mills facing cuts of 30pc.
Tangshan has adopted a four-tiered system to control mill emissions from 1 October until 31 March. Mills that receive an A grade will not be required to make any cuts, while mills that are graded B, C and D will have to cut pig iron output by 30pc, 50pc and 70pc respectively. D-grade mills will also have to completely halt sintering.

Only one steelmaker, Shougang Qia’nan, has been assigned an A grade. Tangshan has awarded B grades to 22 mills, while nine mills have been given a C grade and three mills have been given a D grade. One mill has been asked to stop production completely, the city government said.

The decision to give a B grade to most of the mills means output cuts in the autumn-winter season are likely to be around 35pc of pig iron capacity, said the manager of a Hebei-based mill.

The Chinese government last year enforced a 50pc reduction in pig iron output in 28 cities in the north, east and central parts of the country. Only Handan and Tangshan in Hebei province have so far announced production cuts this year, while Xuzhou city in Jiangsu province has announced 50pc output cut for three mills, without giving many details.

Lower production cuts this year are supportive of iron ore prices but could pressure steel prices if real estate demand slows, as sometimes happens in the winter.

Tangshan has separately required iron ore sintering furnaces to operate at 50pc of capacity from the evening of 19 October after pollution levels triggered an orange alert in the city’s colour-coded system. The end-date for the restrictions will be notified later.

*Argus Metals, October 22, 2018*

**China raises steel export rebates**

China has announced a round of increases to export tax rebates effective on goods passing through customs from 1 November. Traders tell Kallanish that the move is not enough to make Chinese exports much more competitive but will help exporters make deals when international prices are more in line with China.

The biggest change in rebates lifts the rebate on exports of goods under HS codes 721030, 721041 and 721049 from 13% to 16%, meaning VAT will in effect be fully refunded. These are all for iron or non-alloy steel flats over 600mm wide and covers, electrogavanized coils and both corrugated and non-corrugated HDG. China exported 8.84 million tonnes of these products in 2017, down -5.53% year-on-year, Chinese customs data show. As one of the more robust products during the downturn in Chinese exports, there is some scope for exports to recover.

China has also increased rebates by 1% on all goods currently receiving rebates of 5%, 9% or 15%. The HS codes for steel products with a rebate of 9% currently are 722530, 722591, 722592, 722599, 722620, 722691, 722699, 722710, 722720, 722790 and 722860. These cover alloy HRC, cold rolled alloy steel narrow strip, alloy HDG, alloy steel wire rod and bar-in-coil and further-worked straight alloy steel bars.

Of these products, in 2017 China exported 11.92 million tonnes of flat products, down -15.3% y-o-y. China also exported 6.25mt of long products covered by the measure, down -42.2% y-o-y.

The small increase in rebates means they are unlikely to be the main factor in making Chinese steel exports more competitive. The strength of the Chinese domestic steel market currently means that export offers are only intermittently competitive compared to other regions. The large volume of goods shipped under the 9% rebate, or 10% from November, means that there is likely to be an increase in volumes at the margins.

China has also increased rebates on a number of other goods including manufactured metal goods and other commodities.

*Kallanish, October 26, 2018*

**Vietnam, Indonesia lead way in Southeast Asia steel exports in H1**

Vietnam and Indonesia led Southeast Asia’s steel exports in the first half of this year, according to the latest statistics from South East Asia Iron & Steel Institute (SEAISI).

Total steel exports from the region increased by 35% to 6.4 million tonnes compared with the same period last year as the region continued to see new capacities starting up, especially in Vietnam, Indonesia and Malaysia.

Vietnamese steel exports increased 46% from 2.16 million tonnes to 3.2 million tonnes and made up half of the region’s steel exports. This included 1.2 million tonnes of coated sheet and 432,773 tonnes of cold-rolled coil.

Hot-rolled coil exports volumes doubled to 244,000 tonnes in the same period, from less than 150,000 tonnes in the first half of 2017, with major domestic integrated producer Formosa Ha Tinh gradually increasing its operating rates since starting up its first blast furnace in 2017.

Formosa Ha Tinh’s offer prices are closely watched by regional market participants, as its HRC supply continues to fulfill a significant portion of domestic demand, with 250,000-300,000 tonnes of HRC going to the domestic market each month and 50,000 tonnes being shipped to neighboring countries.

However, Vietnam continues to import HRC to satisfy the requirements of local re-rollers, especially cargoes that are offered at prices lower than local material. Fastmarkets MB’s latest price assessment for HRC imports in Southeast Asia was $565-575 per tonne cfr on Monday October 8, unchanged from the previous week.

Vietnam’s wire rod export volumes more than doubled from less than 200,000 tonnes to 386,217 tonnes in the first six months of this year, while its steel bar export volumes increased by more than 25% year on year from less than 200,000 tonnes to 250,000 tonnes.

Indonesia’s steel export volumes reached 1.14 million tonnes in the first half of 2018, with flat steel accounting for most of the
exports at 939,148 tonnes. This total included 577,226 tonnes of HRC and 268,000 tonnes of hot-rolled plate.

It exported 201,889 tonnes of long steel in the same period.

Another significant statistic, published by SE AISI on October 8, was Malaysia’s spike in long steel export volumes, with steel bar exports almost doubling from under 30,000 tonnes in the first half of 2017 to 52,536 tonnes in the first half of 2018, while wire rod exports more than tripled from under 20,000 tonnes in the first six months of 2017 to 56,883 tonnes in January-June 2018.

Malaysia’s largest domestic integrated producer, Alliance Steel, started up its billet, rebar and wire rod mills in December 2017 and began ramping up exports in July.

Fastmarkets MB’s price assessment for wire rod imports into Southeast Asia was $590-605 per tonne cfr on October 8, unchanged from the previous week due to limited spot price negotiations.

The key markets for Southeast Asian producers are members of the Association of Southeast Asian Nations (Asean), mainly due to the short shipping times and ability to replenish inventories quickly. And buyers typically shy away from purchasing deep-sea cargoes unless they want to purchase large-quantity cargoes being offered at prices below offers from regional suppliers. Metal Bulletin, October 9, 2018

Steel sector eyes domestic demand to ease trade woes

Increasing trade protectionism is concerning several steel producers globally, with attention turning to domestic demand in many countries to support steel output and prices, said participants at the World Steel Association’s annual conference in Tokyo.

Protectionism and overcapacity remain the major issues in global steel business, said the top executive of a major global steel producer. “China’s winter steel output restrictions are heard to be softer this year. That is not great news, though China does not seem to have intention to increase exports,” he added.

China’s autumn-winter steel output restrictions are expected to be more relaxed than last year as China seeks to bolster economic growth amid a spiralling trade conflict with the US.

Several senior executives of global steel companies talked of trade challenges and domestic opportunities in growing their steel business. The conference too place amid a background of global events such as an escalating trade conflict between the China and the US, the depreciation of emerging market currencies and rising oil prices.

The US import duty of 25pc on steel imports this March did not have much impact on its steel business, but one of Japan’s large steel producers is concerned about US trade action affecting Japanese automobile export sales into the US that could affect its sales, said the chief executive of the company. Japan and the US are negotiating a trade agreement that may put limit on Japan’s auto exports to the US. It may also lead to appreciation in the yen versus the US dollar, both negative outcomes for the steel sector, said the president of the Japan centre of economic research Kazumasa Iwata.

South Korean steel producer Posco is concerned about moving about a million tonnes of steel that it exported to the US into other countries, said senior vice-president Ki-soo Kim. This includes steel it sold to a subsidiary company that sold oil and gas pipelines to the US. The hike in oil prices will increase investments in the US energy sector and expand demand for pipelines but the higher import duties will keep Posco mostly out of participating in that business, he added.

EU steel producers are concerned about increase in Turkish steel exports into Europe amid a sharp devaluation of the lira and slower Turkish domestic demand this year. “The Turkish steelmakers have been careful to not exceed EU import quotas which could attract tariffs,” said the senior executive of a steel producer with operations in the EU.

European steel demand has showed an increase this year but most of the increase was met with imports, said the managing director of the Finnish steel and metals producers association Kimmo Jarvinen.

European producers are also concerned about China’s export intentions. “The reduction in China’s steel capacity is a drop in the ocean. China can really quickly ramp up exports if there is a softening of demand,” said the director-general of UK Steel Gareth Stace. The UK could be especially vulnerable to higher exports as it may not have a trade remedies agency in place if a no-deal Brexit takes place next March as the country exits the EU.

Turkey’s steel market could be in the downturn for the next 9-10 months but government policies are expected to revive the economy and steel demand, said the senior executive of Turkish steel producer Erdemir.

“Rumors are being spread that Turkish hot-rolled coil is being offered into Vietnam. I do not think Turkish rollers are offering into Asia. Turkey is also not exporting so much steel that we should be in danger of exceeding EU quotas,” said the executive. Quality not cheaper prices will sustain Turkish steel exports into the EU, he added.

Protectionism around the world is unlikely to affect trade volumes much, with a third of global steel output continue to be traded, although steel prices could vary sharply across regions because of these barriers, said the director-general of the World Steel Association Edwin Basoon.

Domestic steel demand is expected to hold firm in Japan, China, India and the US at least in the short term.

Steel demand for infrastructure building for Japan’s staging of the 2020 summer Olympics has been strong, although labour shortages in Japan is a concern for the construction sector, said the president of Nippon Steel and Sumitomo Metal Kosei Shindo.

India’s rapidly falling currency has largely insulated the country from imports while making exports competitive, said executives of four large integrated steel producers.

“Infrastructure growth is a long-term story in India. It is no longer the federal government funding infrastructure, but provincial...
governments competing with each other to build infrastructure and drive investment higher,” said Tata Steel managing director TV Narendran.

“Infrastructure investments are on the upswing ahead of the general elections in 2019 as the government wants to show its work to the electorate,” said the senior executive of another Indian steel producer.

US steel producer are enjoying the higher tariffs supporting the steel business, adding that any capacity addition will be marginal, with one producer reporting a still-shut blast furnace despite the higher duties.

The US was always a steel importer, with volumes rarely going below 15pc of total consumption in the last few decades. This is unlikely to change, although the higher tariff has upended efforts by some countries to find new ways to beat trade action cases brought by the US to counter unfair trade practices, said the chief executive of a US steel producer, adding that the increase in automobile production is the strongest support for the company’s business.

China’s steel industry is expected to remain profitable amid stable to higher prices of long products in the domestic market for the remainder of the year, said an executive of Magang Steel. Magang’s profit margin has been 8pc this year. Autumn-winter steel output restrictions will drive long product prices higher, said an executive of fellow Chinese producer Shagang Steel.

Canada’s welded pipe provisional import duties

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Augus Metals, October 19, 2018

Eurofer urges national steel safeguard quotas

European steel association Eurofer is urging the European Commission to propose final EU safeguard measures based on national quotas, at least for major importers such as Turkey and Russia.

The EU imposed provisional safeguard measures on 23 steel products from 19 July, opting for a global quota on a first-come-first-served basis. The quotas are not based on individual-country exports. And a 25pc tariff applies only if global imports exceed three-year averages.

Eurofer trade director Karl Tachelet said the association is generally happy with EU safeguard measures, with the overall global quota filling up appropriately over time.

But he did point to a surge in Turkish imports as a problem and, to a lesser extent, Russian imports.

“We strongly promote the idea of final measures with some type of national quota sub-division, or at least a national quota for the major exporters to the EU,” said Tachelet. “That would provide more balance towards Turkey, which is desperately looking for export markets and undercutting European prices. It would also give predictability for traditional importers.”

Eurofer calculates a 57pc year-on-year increase in Turkish imports during January-September — based on a 40pc increase in flat product imports and a 100pc increase in long product imports.

“We consider that deflection and not a traditional flow,” said Tachelet.

Eurofer also noted a 56pc year-on-year rise in Russian imports, with imports from China and South Korea rising less sharply. Imports from Vietnam were up by 138pc over the period, imports from Japan by 55pc, and imports from Taiwan by 46pc.
An industry source said he expected the commission’s trade directorate to decide on a proposal for final measures in November. But it is still unclear whether the commission will move towards more complicated quotas based on historical import levels from individual countries.

Following consultations with other departments, the commission is expected to formally propose the final safeguard measures from January 2019. EU member states would then decide on whether to adopt the commission’s proposal.

Eurofer’s latest outlook forecasts output in EU steel-using sectors growing by 3.5pc in 2018 and by 1.8pc in 2019. But imports continue to grow much faster than production with the EU. Eurofer noted a 1.4mn t/month trade deficit in January-August, against 0.8mn t/month in 2017.

Eurofer also fears that trade tensions could have a negative impact on business confidence and investment. Argus Metals, October 24, 2018

**Colombian steel sector plans investments and trade barriers**

The Colombian steel sector plans to invest some $620 million in the industry by 2020, says the general director of the local steel association María Juliana Ospina. Meanwhile the association is also calling for new trade barriers against unfair imports, Kallanish notes.

According to the executive, domestic steelmakers have spent up to $100m in environmental projects so far and have pushed up production significantly. “The Colombian steel sector has increased its production by 10% during recent years and represents 10.6% of industrial GDP,” Ospina says. “One of the main challenges of our steel sector is to encourage and promote compliance with technical regulations and quality standards, as well as to equalise the conditions of unfair competition with countries such as Turkey, China and Russia,” the ceo confirms.

The Colombian steel association has announced that it is working on a series of protective measures soon to be proposed to the national government to reduce the impact of steel diversion to Colombia. “Turkish-origin products have reached 62% of total Colombian steel imports. These are below international market prices and leave the national steel industry with very few options to be competitive,” Ospina adds.

According to the Colombian steel association, the country imports nearly 40% of its steel requirements of which 19% is from countries that do not have free trade agreements with Colombia.

Kallanish, October 25, 2018

**HEADLINES**

**Thailand’s apparent steel demand in the first half of 2018**

Thailand’s apparent steel demand dropped sharply, by 14% y-o-y to 16.5 million tonnes in 2017. It is believed that the significant decline in demand in 2017 was largely due to destocking activity in the country.

Thailand’s steel demand picked up slightly, by 1.5% y-o-y to 8.48 million tonnes in the first half of 2018. This is in line with the growth rate of two major steel consuming sectors in the country, namely construction and automotive sector.

The National Economic and Social Development Board of Thailand reported that in the first half of 2018, construction sector grew 1.6%, compared with a 1.4% contraction in the same quarter last year. Krungsri Research reported in April 2018 that in the long run, public construction will see strong growth, due to the increased spending on mega-projects, especially the EED project.

According to the Thai Automotive Institute, vehicle production grew by 1.35% y-o-y in the first half of 2018. Although domestic sales declined 1.56% y-o-y, Thailand’s automotive sector still continue to grow, with export increasing 2.22% y-o-y in the same period of 2018. According to Krungsri Research, demand for new vehicles would increase by 0.4-0.5 million units during 2018 – 2020.

Thailand’s domestic steel production was stable, with output maintaining at 3.46 million tonnes in the first half of 2018. Total steel import increased 4.4% y-o-y to 5.8 million tonnes from January to June 2018. Export, on the other hand, increased 15.2% y-o-y to 778,120 tonnes in the same period.

Long steel demand declined 6.5% y-o-y to 2.66 million tonnes from January to June 2018. Domestic production dropped by a double digit of 10.9% y-o-y to 1.9 million tonnes in the same period. Long steel import increased 10.9% y-o-y to 1.2 million tonnes. This was the result of a significant increase in the import of both bar and wire rod, at 19% y-o-y and 15.3% y-o-y respectively.

Export of long steel increased 21% y-o-y to 423,466 tonnes in the first half of 2018. Thailand is a major section exporter in the region. Export of section, however, declined slightly, by 0.9% y-o-y to 150,911 tonnes. Meanwhile, export of bar and wire rod rose significantly to 132,804 tonnes and 14,293 tonnes in the same period respectively.

Flat steel production increased significantly, by 16% y-o-y to 1.6 million tonnes in the first six months of 2018. Import of flat steel surged 2.8% y-o-y to 4.6 million tonnes in the same period. The increase in import was mainly due to the moderate increase in both cold rolled coil and coated sheet while import of hot rolled flat steel dropped slightly.

Export of flat steel in Thailand hiked 8.9% y-o-y to 354,654 tonnes in the same period of 2018. Export of hot rolled flat steel was normally not significant. However, the volume increased from less than 10,000 tonnes in the first half of 2017 to nearly 50,000 tonnes in the same period of 2018. According to the Thai customs, the bulk of the export for plates in the first half of 2018 was to Vietnam while the main destination of the export of hot rolled coil was Malaysia.

Export of cold rolled coil surged moderately, by 6.3% y-o-y to 108,864 tonnes in the first half of 2018. Meanwhile, export of coated sheet dropped by a double digit at 23.2% y-o-y to less than 100,000 tonnes in the same period.

SEAISI, October 2018
Please register me for the 2018 ASEAN Iron and Steel Sustainability Forum

Date: Wednesday, 28th November 2018
Registration Fee: US$ 100 per participant
Plant Tour: Visiting Southern Steel Company and Hoa Sen Group

**Note: Plant tour only applicable for Forum participants

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Family Name: __________________________ (Mr/Miss/Mrs/Dr)
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To register additional delegates in the same company (Family Name underline)

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For further information please contact the SEAISI team

Paper presentation: Ms. Pichsini Teep-Apirak email: pichsini@seaisi.org
Advertising and Sponsorship: Mr. Eric Lee email: ericlee@seaisi.org
Registration: Ms. Josephine Fong email: ylfong@seaisi.org

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Tel: 603 5519 1102 Fax: 603 5519 1159 Website: www.seaisi.org

REGISTRATION FEES (select the currency that you prefer)

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Cancellation and refund: Only written cancellation will be accepted. If you are not able to attend the Forum, a substitute delegate will be accepted. Delegate may substitute the seat with his/her colleague for the entire duration only from the same company at no extra cost. For cancellation made before 25 October 2018, total payment received less 20% for administration charges, may be refunded. No refund will be made for cancellation on or after 25 October 2018.

Total: ________________________________

PAYMENT METHOD

Please remit your payment to us soonerest possible and quote the name(s) of the delegate(s) and "2018 ASEAN Iron and Steel Sustainability Forum"

☐ I enclose a bank draft or cheque: Payee: South East Asia Iron and Steel Institute

☐ Telegraphic Transfer made payable to:
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OCBC Bank 65 Chulia Street
OCBC Centre, Singapore 049573
USD A/C No: 501-164321-301
Bank Swift Code: OCBCSGSG

☐ Please charge to my credit card: ☐ Visa ☐ MasterCard
Card Number: _____________________________
Expiry Date: ____________________________ CVV No. __________
Name on Card: ____________________________
Signature: ____________________________ Date: __________

HOTEL ACCOMMODATION

Favorable accommodation rates have been negotiated with Hotel Equatorial Ho Chi Minh City, Vietnam. The hotel room reservation has to be booked online. The online hotel room reservation weblink will be forwarded to you by the Secretariat upon receiving your completed registration form. Only limited number of rooms will be available. Please refer to the terms & conditions on the online room reservations regarding room cancellation.

Hotel Equatorial Ho Chi Minh City
242 Tran Binh Trong Street
District 5, Ho Chi Minh City, Vietnam
Tel: +84 28 3839 7777
Fax: +84 28 3835 9969

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<th>Room Category</th>
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<td>Club Deluxe</td>
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The above room rates are inclusive of breakfast(s) and in-room Internet access and subject to 5% service charge and 10% government tax.

Note: The registration fee does not include hotel accommodation.