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# 01. MESSAGE FROM THE SECRETARY GENERAL

After nearly 13 years as Secretary General, I will be retiring from SEAISI and this will be my last message for this Newsletter.

I officially assumed the post of Secretary General of SEAISI in January 2007, being the first from the ASEAN member countries to hold this position. Prior to that, all the Secretaries-General of SEAISI were seconded from the Supporting Member countries of SEAISI i.e. Australia, Japan, South Korea and Taiwan.

As I reflect over my years of service with SEAISI, I can't help but feel grateful for the privilege of being part of the SEAISI family and being able to witness first-hand the tremendous growth and development of the ASEAN steel industry over the last decade or so.

From 2007 to 2018, apparent steel consumption in ASEAN-6 (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam) grew at a compound annual growth rate (CAGR) of 5.7%, from 43 million tonnes in 2007 to 80 million tonnes in 2018. Production of hot-rolled steel products also increased from 25.5 million tonnes to 42.8 million tonnes over the same period. To-date, ASEAN is one of the few regions in the world that is expected to see continued healthy steel consumption growth rates into the foreseeable future. It is also one of the biggest steel importing regions in the world.

The growth of the steel industry in the region did not come about without its challenges. One of them is the 2008 global financial crisis which led to a sharp drop in regional steel consumption of more than 9% year-on-year in 2009. However, steel demand in the region quickly recovered the following year and has been on the growth path ever since.

The biggest challenge to hit the steel industry in ASEAN and also the world came in 2014 and 2015. During that period, the global economy was going through a difficult phase as the markets tried to adjust to slower levels of growth in the Chinese economy, which saw China's apparent steel consumption contracting by as much as 3.3% and 5.4% year-on-year in the two years respectively. As China was the single largest steel producing and steel consuming country in the world, the impact on the global iron and steel industry was profound.

Struggling with weak domestic demand, China's steel producers turned to exports. As a result, China's finished steel export to the world surged from 62.2 million tonnes in 2013 to 93.8 million tonnes in 2014 and reached a record high of 112.4 million tonnes in 2015.

South East Asia, being in China's backyard, had to bear the brunt of this surge in Chinese steel export. As a consequence, ASEAN absorbed almost one-third of the total Chinese steel export volume to the world. Even more damaging was the sharp drop in steel prices which fell to record lows in October 2015. The influx of low-priced steel products from China into ASEAN forced many steel companies in the region to curtail their production and many of them were in dire financial straits while a few even had to cease production altogether.

Thankfully, the global steel market started to recover in 2016, spurred by the rebound in domestic steel demand in China following the implementation of stimulus measures and supply side reform by the Chinese government. The steel market in ASEAN also gradually returned to normalcy, enabling the steel companies in the region to turnaround.

While the steel industry in ASEAN is in a better footing now, many developments in the region and around the world will continue to bring new challenges to the industry. The ongoing U.S.-China trade war, the uncertainties surrounding Brexit and the expected slowdown of global economic growth will all have impact on steel consumption growth.

Additionally, a recent development will have even bigger long-term impact on the steel industry in ASEAN and it is the surge in steel investment interests in the region, particularly from China. Chinese steel investments have been present in ASEAN for some time now but up until recently, they were confined mainly to the smaller players and the projects were relatively modest in scale. However, in the last two to three years, there has been a sudden surge of integrated mega steel projects (3-10 million tonnes capacities each) from China, with some of the biggest steel producers in the country such as HBIS Group, Baowu Steel Group and Jianlong Steel Holdings all entering the fray. So far, the Chinese steel companies have been focusing their investment interests mainly in the three ASEAN countries of Indonesia, Malaysia and Philippines.

It is estimated that if all the Chinese steel projects were to be implemented and come on stream, more than 50 million tonnes of new crude steel production capacity would be added in the region. This will certainly bring about significant changes in the iron and steel industry landscape in ASEAN.

Going forward, it is going to be an exciting and challenging time for the iron and steel industry in ASEAN. Thus, while I will no longer be in the thick of all the happenings in the steel industry in the region, I will still follow all the developments closely and I wish the industry well.

Now, it is time for me to finally say goodbye. I must mention that I have enjoyed my time with SEAISI and that it has been a great privilege for me to be associated and work with all the wonderful people in the steel fraternity, in the region and across the globe.

All my very best wishes to each and every one of you.

**TAN AH YONG**

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## AUSTRALIA

**Australia hikes Q&T plate duties**

Australia's Anti-Dumping Commission has recommended that anti-dumping duties on quenched and tempered steel plates imported from Finland, Japan and Sweden be extended at a significantly higher rate, Kallanish learns.

The request to review and extend the duties came at the request of local producer Bisalloy. The commission found that dropping the duties would lead to continued dumping from Japan and Sweden and renewed dumping from Finland. The investigation, which covered the full year 2018, found significantly higher dumping margins than the investigation in 2014, and so higher duties have been set (see table).

The duties cover hot rolled Q&T plate 600-3,200mm wide, 4.5-110mm thick and up to 14 metres in length. The duties were first imposed in 2014 and were due to expire after 5 November 2019.

Australian revised Quenched & Tempered plate duties - October 2019

| Exporter | Original duty | New effective duty |
|---|---|---|
| All Finnish exporters | 10.80% | 58.60% |
| JFE Steel | 24.50% | 25.80% |
| All other Japanese exporters | 26.10% | 25.80% |
| All Swedish exporters | 9.60% | 58.60% |

*Source: Australian Anti-dumping Commission*

*Kallanish, October 9, 2019*

## INDONESIA

**South Korea, Indonesia reach preliminary trade deal to end steel tariffs**

South Korea and Indonesia have reached a preliminary consensus that will see the elimination of tariffs on steel products and automobile parts, South Korea's Ministry of Trade, Industry and Energy said Wednesday.

South Korean trade minister Yoo Myung-Hee and his Indonesian counterpart Enggartiasto Lukita announced the in-principle agreement at Tangerang, Indonesia, it said.

Their agreement deals with the Korea-Indonesia Comprehensive Economic Partnership Agreement, or KI-CEPA, which is equivalent to a free trade agreement but also focuses on a broader scope of economic cooperation.

Under the deal, South Korea and Indonesia will eliminate tariffs on 95.5% and 93% of products, respectively.

But major agricultural products will not be included under KI-CEPA in order to protect South Korean farmers, the Korean ministry said.

The countries plan to officially finalize KI-CEPA by end-2019 before conducting a signing ceremony some time in H1 2020. The trade agreement must be ratified by the respective legislatures of South Korea and Indonesia.

Exports of major steel products will benefit from the elimination of tariffs, including hot-rolled steel sheets (5% tariff), cold-rolled steel sheets (5-15%), plated steel sheets (5-15%), synthetic resins (5%), and automobiles and parts (5%), the ministry said.

In addition, synthetic resins used for automotive steel sheets are expected to be duty-free, it said.

Trade volume between South Korea and Indonesia amounted to $20 billion in 2018, up from $17.9 billion the year before, South Korean data shows.

South Korea is the sixth largest supplier of Indonesian imports and the seventh largest destination for the latter's exports. Indonesia's imports from South Korea include synthetic and natural rubber, steel and integrated electronic circuits while its exports to South Korea consist mostly of coal, copper ore, natural rubber, plywood and unforged tin.

In 2018, steel sheet exports to Indonesia were valued at $629 million, up 11% year on year, the ministry said.

*Platts, October 17, 2019*

## J A P A N

**Japan Oct-Dec crude steel output forecast to slip**

Japan's output of crude steel in the October-December quarter is forecast to fall 0.1% from a year earlier as trade tensions and uncertainty over China's economy curb exports, the Ministry of Economy, Trade and Industry (METI) said.

Crude steel output is estimated at 25.69 million tonnes versus 25.70 million tonnes a year earlier, the ministry said.

Output has fallen year on year for five quarters.

Output in the current quarter is expected to rise 0.8% from the previous quarter.

Demand for steel products, including those for exports, is forecast to fall 2.9% year on year to 22.92 million tonnes, the ministry said, citing an industry survey.

Exports, which typically account for about 40% of Japanese steel production, are predicted to drop 1.4%.

"Escalating trade tensions and uncertainty over the outlook for the Chinese economy are expected to keep weighing on exports and production," Noriyuki Kuroda, director of metal industries division at METI, told a news conference.

"Weaker demand after consumers' last-minute purchases before the sales tax hike may also hurt manufacturers," he said, after Japan last Tuesday rolled out a twice-delayed increase in the sales tax to 10% from 8%.

Higher public spending on infrastructure to guard against big disasters might mitigate some negative impact, he said.

Kuroda warned output might fall short of the latest forecast as it does not reflect the recent shutdown of some steelmaking plants.

The higher sales tax is seen as critical for bolstering the country's finances but that could tip the economy into recession by dampening consumer sentiment.

Rising steel exports to Asia from Russia and India are also putting pressure on steel prices in the region, hurting exports from Japan, Shinichi Nakamura, executive vice president of Nippon Steel, told reporters at a separate news conference.

"Cheap steel products coming from India and Russia to Asia are disturbing factor for the market," he said.

Nippon Steel said last week one of two steelmaking plants at its Kimitsu Steel Works would be shut until the end of December to repair a chimney that collapsed in a typhoon last month.

Two more steelmaking plants in the Nippon Steel group have also suspended operations due to fire, though one of them is scheduled to restart by Oct. 10, a company spokesman said.

*Reuters, October 10, 2019*

**Japan July-Sept crude steel output falls to lowest in 10 yrs**

Japan's crude steel output in the July to September period fell to its lowest in 10 years after some plants were shut following typhoons and fires, while construction delays reduced demand, the Japan Iron and Steel Federation said on Wednesday.

Crude steel output slid to 24.55 million tonnes in the three months to Sept. 30, down 4.3% from the same period a year earlier, and the fifth consecutive quarterly drop, a researcher at the federation said.

Japan's biggest steelmaker, Nippon Steel Corp, said earlier this month one of the two steelmaking plants at its Kimitsu Steel Works will be shut until the end of December to repair a chimney that collapsed in a typhoon last month.

Another steelmaking plant at Nippon Steel's subsidiary in Hiroshima, Kure Works, has also suspended operations since a fire damaged its operating room in late August.

"In addition, some construction projects have been delayed due to a shortage of labor, slowing output at electric-arc furnaces," the federation's researcher said.

Crude steel output in September declined 4.5% from a year earlier to 8.05 million tonnes, a third straight monthly loss. Output, which is not seasonally-adjusted, decreased 0.9% from August.

Crude steel output in the April to September period fell 3% from the same period a year ago.

Despite a weakening Asian steel market amid the U.S.-Sino trade war, Japanese steelmakers are seeing solid local demand from automakers and the construction sector, which has been driven by higher public spending on infrastructure to guard against big disasters.

But natural disasters and glitches at aging steel facilities have prevented them from producing as much steel as they had planned, weighing on their profits.

*Reuters, October 25, 2019*

## KOREA

**South Korea's greenhouse gas emissions hit new high in 2017**

The Greenhouse Gas Inventory and Research Center of the Ministry of Environment announced on Oct. 7 that South Korea's greenhouse gas emissions totaled a record high of 709.14 million tons in 2017, up 2.4 percent from a year earlier. The previous high was 696.7 million tons in 2013.

Specifically, greenhouse gas emissions for electricity and heat production, the steel industry's emissions, and fluorine gas emissions increased 3.5 percent, 6.5 percent, and 20.6 percent, respectively. "When it comes to electricity and heat production, emissions from coal increased by no less than 12.6 million tons from the previous year," the ministry explained, adding, "This is because new facilities approved by the previous government were installed while some old coal-fired power stations were shut down by the current government in 2017 in accordance with its policies."

The emissions from the steel industry increased along with crude steel production with steel product exports recovering and fluorine gas emissions increased as a result of an increase in refrigerant gas imports. The energy, industrial process, agricultural and waste disposal sectors accounted for 86.8 percent, 7.9 percent, 2.9 percent and 2.4 percent of the total emissions, respectively. The emissions from the industrial process sector added up to 56 million tons with a year-on-year increase of 6 percent.

In 2017, South Korea's greenhouse gas emissions per one billion won in GDP decreased 0.7 percent year on year to 456 tons, the lowest level since 1990. This means its greenhouse gas emission efficiency improved although its total emissions increased.

*Business Korea, October 8, 2019*

**South Korean competition undercuts Chinese plate exporters**

China's plate export prices continued to weaken over the past week amid thin trading, with competitive South Korean products gaining a bigger share of the market.

Fastmarkets' weekly price assessment for November shipments of steel heavy plate export, fob China main port was $455-460 per tonne for the week ended Tuesday October 15, narrowing downward by $5 per tonne from $455-465 per tonne a week earlier.

A trader in eastern China bought a small quantity of plate from a mill in northern China earlier this week at $455 per tonne fob. These are to be delivered to buyers in Southeast Asia who placed bookings several weeks ago.

The trader did not disclose the exact tonnage involved, but merely said it was within 1,000 tonnes.

Few traders said they were able to conclude deals over the past week because not many buyers were making inquiries.

The trader in eastern China said this was because global demand was weakening, and lower offers from other countries were worsening the situation for Chinese sellers.

He said one of his customers in Vietnam had told him that buyers in the country were able to secure plate at prices as low as around $460 per tonne cfr from South Korea. A transaction involving 5,000-10,000 tonnes of plate was concluded at that level, he added.

That price is equivalent to around $450 per tonne fob China.

A source at another mill in northern China said the steelmaker was offering its product at $465 per tonne fob this week. This is down $5 per tonne from $470 per tonne fob a week earlier.

But the reduction failed to generate much interest. The mill is shifting its attention to the domestic market due to the narrower profit margins from exporting, the source added.

Fastmarkets weekly price assessment for steel plate domestic, delivered whs eastern China was 3,670-3,790 yuan ($518-535) per tonne last Friday, widening from 3,700-3,770 yuan per tonne the week before China's October 1-7 holiday to mark its National Day.

Market participants said domestic steel prices were also weakening and would continue to drop amid rising supply following the resumption of production to normal rates by mills after the week-long break. But despite that, China's prices remain higher than in many other countries.

Chinese plate producers are faring better than those that produce other flat steel products such as hot-rolled coil due to fewer competitors abroad.

The trader in eastern China said the country's largest competitors in the global plate market were South Korea and Japan. In contrast, competition for the HRC segment comes from India, Turkey, Russia, Japan and South Korea, among other countries.

Most plate producers are expected to be willing to negotiate as low as $455-460 per tonne fob over the next few days amid a scarcity of bids.

"But at least there is a chance for deals to be concluded. HRC exporters are seeing much fewer inquiries," the trader said.

*Metal Bulletin, October 16, 2019*

## MALAYSIA

**Analysts cautious on Ann Joo's outlook despite JV with Southern Steel**

ANALYSTS remain cautious on steel manufacturer Ann Joo Resources Bhd's earnings' outlook despite its proposed joint venture (JV) with Southern Steel Bhd.

Southern Steel has been a loss-making company for the last three financial quarters, with a net loss of RM119 million, Kenanga Investment Bank Bhd (Kenanga IB) wrote in a report yesterday.

"The immediate impact on the second half of 2020 (2H20) could be negative if the environment does not pick up.

"We shall update our forecasts once we get clarity on the management's plans on turning around the business," it said.

On Monday, Ann Joo and Southern Steel told Bursa Malaysia they had inked a memorandum of understanding to form a JV company to capitalise on opportunities in the long product steel manufacturing business.

Ann Joo will sell its entire interest in Ann Joo Integrated Steel Sdn Bhd, Ann Joo Steel Bhd and Saga Makmur Industri Sdn Bhd to the JV company for RM907.5 million.

Southern Steel will also release its entire interest, including assets and liabilities, in Southern Steel Rod Sdn Bhd, Southern Steel Mesh Sdn Bhd, Southern PC Steel Sdn Bhd and Danstil Sdn Bhd to the JV company for RM742.5 million.

Under the RM1.65 billion deal, the JV company will be 55%-owned by Ann Joo, while the remaining 45% will be held by Southern Steel.

"Through the formation of the JV, Ann Joo could integrate into downstream industrial grade wire rod products which Southern Steel has been doing, while on the other hand, Southern Steel could utilise billet products from Ann Joo to replace imported billets.

"The managements expect the combined capacity for both iron-making and crude steel-making to increase to 0.5 million metric tonnes (MT) and 2.3 million MT respectively," Kenanga IB added.

It believes the two companies may also seek to explore additional synergies in the longer term by tying up other operations within their bounds to further enhance value.

The corporate exercise will be completed by 1H20. Kenanga IB has set a target price of RM1.10 on Ann Joo.

"We are concerned over the impact of macro factors toward steel demand, such as slower global growth which has restricted private spending, as well as uncertainty in future government policy," it said.

Separately, AmInvestment Bank Bhd has set a target price of RM0.73 on Ann Joo, while estimating its earnings for the financial year ending Dec 31, 2020 (FY20), will be eroded by about 60% from RM54.3 million to RM21.6 million.

It's also staying cautious on Ann Joo as the company's "fortunes as a long steel player" are inevitably tied to the construction sector, of which prospects have weakened.

"Over the longer term, assuming Ann Joo is able to help turn around Southern Steel, there could be a higher chance the merged entity could do better," AmInvestment said in a note yesterday.

Shares of Ann Joo closed 2.56% higher at RM1.20 yesterday, giving the company a market value of RM622.08 million.

Southern Steel plunged 5.88% to 96 sen at market close yesterday, giving the group a market capitalisation of RM416.3 million.

*The Malaysian Reserve, October 9, 2019*

**Malaysia considers delaying new steel projects**

Malaysia is considering suspending new steel projects which will duplicate steel products already made in the country, Kallanish understands.

The Malaysian government is seeking a cabinet mandate to freeze new manufacturing projects of the production of "like" steel, Dr Ong Kian Ming, Deputy Minister of International Trade & Industry, told delegates at a forum on Thursday organised by the Malaysian Iron & Steel Industry Federation.

Policies are being considered to temporarily suspend new projects which will yield steel products already made in Malaysia. It is feared additional steel output could lead to an excess supply situation.

This is part of 68 recommendations in a white paper which the Malaysian steel industry has put forward to the new Malaysian government to chart the industry's direction for the next ten years, Kallanish learns.

All new projects are required to apply for a manufacturing licence and apply for related tax incentives through the relevant ministries in the federal government, Dr Ong said.

A massive new project at Samalaju Industrial Park in Bintulu, Sarawak, has not yet received its manufacturing licence, delegates said on the sidelines. Wenan Steel announced that its project of 5 million tonnes/year could be expanded up to 10m t/y (see Kallanish 30 August 2019). "There has not been any official announcement so far," a delegate said. It is a wholly-owned Chinese project and there has not been much detail on whether it will be upstream or what type of products it will make.

Dr Ong also said the Malaysian government would like to facilitate the consolidation of the steel industry by providing fiscal incentives for mergers of two or more companies. These could include tax exemptions and waivers of stamp duties on a case-by-case basis. Earlier this month, two Penang-based longs mills, Ann Joo Resources and Southern Steel, entered into a memorandum of understanding to form a 55:45 joint venture company.

*Kallanish, October 25, 2019*

## Misif blames China-owned Alliance Steel for Malaysian industry's losses

The Malaysian Iron and Steel Industry Federation (Misif) has blamed Chinese steelmaker Alliance Steel (M) Sdn Bhd for the losses incurred by the local steel industry in the last three quarters.

Misif president Datuk Lim Hong Thye claimed that Alliance Steel had been crowding out the local steel bar manufacturing segment since October last year and producing only a small amount of beam and medium section products that were supposed to be Alliance Steel's mainstay as these are not commonly produced in Malaysia.

"We can see the results of every one (steelmakers) just gone down the hill. This is something that we've also discussed with Miti (Ministry of International Trade and Industry) for allowing such a big player to come in for like (similar) products. Even though they promised to produce beam and medium section, and only a small portion of bar and wire rod, it ended up that (bar and wire rod) is the majority of the products they are producing and it is causing a bad situation in Malaysia," Lim told reporters on the sidelines at the 2019 Trade Forum on the Malaysian Iron and Steel Industry here today.

He said Malaysia's rebar price today at slightly over RM1,900 per tonne is some RM300 below China's domestic price of RM2,200 per tonne.

"One month ago, the price was as low as RM1,800 in Malaysia. It's a bad situation. There's no reason why Malaysia's price should be so far below China's."

Alliance Steel is the largest steel plant in Malaysia with an annual production of 3.5 million tonnes. It is the largest investor in the Malaysia-China Kuantan Industrial Park. The steel company is owned by Guangxi Beibu Gulf Port International Group Co Ltd and Guangxi Shenglong Metallugical Co Ltd.

However, Lim, who is also Ann Joo Resources Bhd group managing director, stressed that Misif and Ann Joo are not against new investments into Malaysia.

"We're not against new capacity, but we hope the new capacity coming in to Malaysia will bring the industry forward. Alliance Steel is not a bad project. They're supposed to produce beam and medium section which are not produced in Malaysia, but the government needs to make sure they really produce what they said (they would)."

Meanwhile, Miti is mulling freezing the issuance of new manufacturing licences for steelmakers that want to produce like products in the market.

"This is an important decision that we're still undertaking consultation on and we have to seek the Cabinet's mandate. One of the major deliberations and considerations is the need to ensure the sustainability of our local industry," Miti Deputy Minister Ong Kian Ming said.

"Any new players coming in to the country is coming in with large capacity, which will have significant and severe impact on the local steel industry. Hence we have to evaluate each application carefully," he added.

The freezing of new manufacturing licences is one of many items in the White Paper on Iron and Steel, which Ong said Miti hopes to present to the Cabinet by year-end.

On April 30, 2019, the steel industry submitted the White Paper on Iron and Steel containing 68 recommendations under seven transformation drivers as a collaborative effort between stakeholders in the steel industry and various associations, including Misif.

"On the White Paper, Miti has developed a framework of actions where some short term measures will be instituted to ease the uncertainties faced by the industry while undertaking due diligence process in line with both the 12th Malaysia Plan and the new Industrial Masterplan under Miti," said Ong.

*The Sun Daily, October 25, 2019*

## Miti to work with steel industry on consolidation incentive

The International Trade and Industry Ministry (Miti) will be presenting a comprehensive proposal to the Ministry of Finance (MoF) on consolidation incentives for the local steel industry, said Deputy Minister Ong Kian Ming.

He said the ministry will work together with the parties concerned to evaluate their requests and work with the MoF to come out with win-win solutions for all parties.

"Two large public listed steel companies are going to merge this year.

"So we are waiting to see the details and see how we can support them, " he told reporters at the 2019 Trade Forum on the Malaysian Iron and Steel Industry.

ANN JOO RESOURCES BHD and SOUTHERN STEEL BHD recently announced the setting up of a 55:45 joint venture company to synergise opportunities in the long product steel manufacturing business.

Ong said that the consolidation incentive will be on a case-by-case basis.

"A merger is a complicated process and there will be certain tax incentives and exemptions that the parties will be looking for. For example, the waiver of certain stamp duties related to property transactions.. this is part and parcel of what needs to be presented to the MoF, " he said, adding that, as the ministry in charge of the steel industry, it will convey the industry's needs to the MoF.

Ong said Miti has outlined an action framework in a white paper on the iron and steel industry, which includes several short-term measures to ease the uncertainties faced by the industry while undertaking due diligence in line with the 12th Malaysia Plan and the new Industrial Master Plan under the ministry. The ministry expects to present the white paper to the cabinet by year-end.

*The Star Online, October 25, 2019*

## PHILIPPINES

**Man of steel**

BENJAMIN YAO has always dreamed of rebuilding the Philippine steel industry. He continues to build towards this dream through his work in SteelAsia Manufacturing Corp. (SteelAsia), the Philippines' flagship steel firm and among the largest rebar manufacturers in Asia.

When his father started SteelAsia in 1965, Mr. Yao recalls working for him seven days a week, while at the same time attending night school at the University of Santo Tomas.

The Philippine steel industry back in the early days hardly contributed to the country's economic development, burdening the construction and property development sector with its high cost of production. The steel factories' machines then were obsolete and inefficient but Mr. Yao was determined to modernize them. He believed that long-term sustainability was possible only with sound business fundamentals such as technology-based cost efficiencies.

Determined to catch up with the rest of the world, Mr. Yao went to Singapore in 1996 to talk with the Singaporean government and partnered with The National Steel of Singapore. Soon after, he built the country's first modern rebar mill in Bulacan. This was a sizable investment that involved making significant changes in the business. "It wasn't simple because that was in the early 90s, when the state-of-the-art equipment was more than 10 times bigger than what we currently used and had space for," Mr. Yao explains.

Right after building the mill, the region was hit by the Asian crisis of 1997. SteelAsia then struggled to survive and dealt with multiple banks given that its loans were denominated in US dollars. While other companies ran away from their creditors, Mr. Yao declared that he would honor all the company's debts, to the extent of liquidating his own personal assets. "Basically, it was survival mode," he recalled, "Working capital was a major requirement for our continuity."

He then came up with the idea of offering a cost-plus-tolling arrangement with major property development companies. Tolling is an arrangement in which a company processes raw materials or semi-finished goods for another company at a fixed rate, basically providing the production service for a fee. This arrangement, while having very slim margins, allowed SteelAsia to operate at full capacity. The strategy paid off and the tolling arrangement was welcomed by major developers. By ensuring full utilization, Mr. Yao was not only able to keep SteelAsia operational, he was able to slowly raise the funds to pay off the company's debts.

Seeing the opportunity to further scale up operations, Mr. Yao decided to operate mills in Batangas, Cebu, Misamis Oriental and Davao. "That was part of our regionalization plan to lower costs for customers," he states.

This resulted in lower freight costs and faster response times. Mr. Yao said that, because of regionalization, SteelAsia is able to apply a uniform price for all customers, whether they are in Luzon, the Visayas or Mindanao, assuring them that the firm can supply the best products at a fair cost.

Mr. Yao describes SteelAsia as being disruptive. Through expansions and upgrades, SteelAsia continues to pioneer new technologies in the Philippines, bringing in the latest equipment from Japan and Europe. These have helped the company push down the cost of rebar through productivity, efficiencies and scale. As one of the largest rebar producers globally, SteelAsia claims to be the world's single largest buyer of billets (the material input for manufacturing steel bars). SteelAsia's growth has reshaped strategies of billet manufacturers and traders globally. "In the steel industry, you have to be more entrepreneurial," he says, "You have to make the decision not just for today but for the future. You have to be bullish on the Philippines and have faith in our country."

Recently, SteelAsia made the country's first steel bar export, consisting of a P300-million shipment to Canada.

Mr. Yao claims that SteelAsia's business model has built-in corporate social responsibility because of indirect employment it generates for the communities where the company's mills operate. Including businesses supporting operations and downstream linkages, an estimated 15,000 new jobs have been created. SteelAsia also gives back to the community and environment through their foundation that plans CSR activities with sustainability in mind.

Mr. Yao knows that his vision of building a Philippine steel industry similar to those of other countries is still far from being realized. He is envious that neighbors like Thailand, Vietnam, Indonesia and Malaysia are able to produce all steel requirements locally. In the Philippines, apart from reinforcing bars, or rebars, most steel products are imported, including those needed for infrastructure and industrialization. "It's a very basic thing. If our neighboring countries can do it, why can't we do the same?" Mr. Yao said. "There's a market already and it's just about making it happen."

Since steel is a basic infrastructure need, Mr. Yao envisions a steel industry that will lead to manufacturing resurgence in the Philippines. As part of his aim to elevate the steel industry and reduce dependence on imports, SteelAsia broke ground for a steel beam plant in Lemery, Batangas and a wire rod facility in Candelaria, Quezon. Materials for both products are currently 100% imported. Similarly, new projects are under way to manufacture H beams, sheet piles and channels — steel goods which the Mr. Yao said are imported. The company is likewise now pioneering reinforcing mesh line that will cut construction time and costs, particularly for road infrastructure. He is also working on a new joint venture with China's HBIS Group to bring in the Philippines' first blast furnace.

These projects bring the country closer to Mr. Yao's vision of building a robust Philippine steel industry. "It's a never-ending process. The Philippines is still behind and catching up," he said. "We need to have the humility and openness to learn and adapt from others who may be more advanced than us. We don't have to reinvent the wheel."

*BusinessWorld Online, October 8, 2019*

**Substandard PH steel products still proliferate**

It seems the Philippines is not yet ready to withstand powerful earthquakes. The 6.1 magnitude quake that rocked Pampanga and killed 18 people in April this year should have resulted in stricter construction rules to minimize damage to property and prevent the loss of lives.

But authorities so far have not delved into the structural defects of buildings that collapsed in the April temblor. The Chuzon supermarket in Porac, Pampanga caved in after that April earthquake. Until now, despite the fact that Chuzon building was only four stories high and clear evidence of substandard steel rebars was discovered by investigators at the site, no findings, or solutions against future stronger quakes, have been released by the relevant agencies.

The Department of Trade and Industry, the Department of Public Works and Highways and the Department of the Interior and Local Government have kept silent on the results of the investigation.

A lawmaker, however, has taken up the cudgels on behalf of the public. Rep. Lemuel Fortun (1st District of Agusan del Norte) filed a bill directing the House Committee on Trade and Industry to investigate the alleged smuggling and proliferation of substandard steel products in the Philippines due to the "collusion between large steelmakers and officials of the Department of Trade and Industry (DTI) and the Bureau of Customs."

Fortun urged the committee to look into the alleged connivance between the government and the biggest big steel manufacturer in the country.

Fortun's bill is anchored on fears expressed over the past two years year by consumer groups, specifically buyers of high-rise condominiums across the country, over reports of the continued selling of substandard steel rebars by big steel manufacturers. The unabated sale may render thousands of high-rise structures unsafe in the event of a powerful earthquake.

The Agusan del Norte lawmaker expressed suspicion that the collapse of the four-story supermarket in Porac may have been "due to the use of Quenched Steel (QT) bars used in constructing the building."

Investigators who combed the the Chuzon wreckage immediately after the quake found twisted remnants of QT rebars at the site with telltale markings of Steel Asia Manufacturing Corp., the biggest steel maker in the country.

Fortun said the committee should "determine the veracity of various reports to protect the welfare of the Filipino consumers, plug holes in the government revenue streams, clamp down on corruption, and if warranted, exact accountability on public officials involved in the aforesaid unscrupulous acts."

He singled out the alleged collusion of local steel manufacturers with "avaricious and unconscientious officials of the DTI and the BOC to cover up the rampant deceitful replacement of Micro Alloy (MA) steel bars with QT steel bars, and the large-scale smuggling of steel bars."

Fortunately, the BOC is now cracking down on undervalued steel importations amid reports that substandard steel products, which put the structural soundness of infrastructure in the country at risk, continue to flood the local market.

Assistant Customs Commissioner Philip Vincent Maronilla has conceded that four to five big steel companies were being audited by the bureau.

The BOC's investigation followed an announcement by the Presidential Anti-Corruption Commission of a parallel probe into alleged corruption between several big steel manufacturers and officials of the BOC, who may have deprived the government of billions of pesos in tax revenues.

The PACC claimed that Steel Asia imported two million tons of steel billets last year, and might be responsible for over half a trillion pesos worth of lost revenues for the government due to systematic misdeclaration of importation figures.

The PACC suspects that big steel importers, in collusion with BOC officials, have been manipulating the HS codes (the universal code for export and import goods). Specifically, the steelmakers have been describing the imports of cast and prime steel billets used for steel manufacturing as Grade 60, when in fact the orders under the same code are a mix of Grade 40 (5sp) and Grade 33 (3sp). They are then allegedly able to misdeclare the imported billets at a lower value.

Emilio Morales, former chairman of Association of Structural Engineers of the Philippines has questioned in a study the structural stability of locally made QT steel bars for high-rise buildings.

"Being near the Pacific Ring is the main reason why certain types of steel materials are not recommended for use in high-rise buildings in the country," he said. "Substandard construction materials, particularly QT rebars, would not withstand a magnitude 7.2 earthquake."

*Manila Standard, October 10, 2019*

## TAIWAN

**Taiwanese container scrap market maintains stability**

The Taiwanese market for containerised scrap this week is unchanged compared to last week, Kallanish notes. Local scrap traders report improved market sentiment ahead of the holiday starting 10 October.

Major Taiwanese EAF mill Feng Hsin Iron & Steel announced unchanged scrap procurement prices and rebar prices on Monday. Its purchase price for HMS 1 is now TWD 7,600/tonne ($247/t) and its ex-works list price for #5 (5/8 inches or 15.875mm nominal diameter base) rebar is TWD 15,500/t.

A Taiwanese source reports that HMS 1&2 80:20 material from the US West coast is now offered at less than $230/t cfr, and indicated deals could take place at $220-222/t cfr. Another Taiwanese scrap trader said that US scrap was booked at $222-225/t cfr, the same as last week. The market could also see more movement as local scrap yard owners are willing to restock for the holiday period.

Kallanish has therefore maintained its weekly HMS 1&2 80:20 container scrap assessment at $222-225/t cfr Taiwan on Wednesday, unchanged week-on-week.

*Kallanish, October 10, 2019*

**EU launches investigation into Chinese/Indonesian stainless HRC**

The EU announced on 10 October that the European Commission (EC) is launching an investigation into subsidised imports of hot rolled stainless steel coil from China and Indonesia. This follows a complaint by regional steelmakers' association Eurofer on 25 August on behalf of four European producers, Kallanish notes.

The product subject to this investigation is flat-rolled products of stainless steel, whether or not in coils (including products cut-to-length and narrow strip), not further worked than hot-rolled. It excludes products, not in coils, of a width of 600mm or more and of a thickness exceeding 10mm.

The product allegedly being subsidised is originating in the People's Republic of China and Indonesia currently falling under HS codes 7219 11, 7219 12, 7219 13, 7219 14, 7219 22, 7219 23, 7219 24, 7220 11 and 7220 12.

The evidence provided by Eurofer shows that the volume and the prices of the imported product under investigation have had a negative impact on the quantities sold by the EU industry. This has resulted over a prolonged period of time, in continuous adverse effects on the financial situation, the employment situation and the overall economic performance of EU stainless steelmakers. According to the complaint, there is indication that further injury will crystallise from this situation of volume and price pressure, the EC says.

The investigation will be concluded within 12 months of the current notice, the EC adds. Provisional measures could also be imposed within 9 months of the publication of the notice.

A recent surge in both the output and export into Europe of Indonesian product has been of particular concern to regional stainless producers.

*Kallanish, October 14, 2019*

## V I E T N A M

**Imported steel floods into Vietnam**

Chairman of the Vietnam Steel Association (VSA), Mr. Nghiem Xuan Da gave a warning that global steel market has continued to face excessive production capacity at a recently held conference.

According to forecast of the World Steel Association, global steel growth outlook this year is expected to reach 1.82 billion tons, up 0.8 percent over the previous year. In China's market alone, in the first seven months of this year, raw steel production had reached 577 million tons, up 9 percent over the previous year and was expected to hit a production of 1 billion tons for the whole year, accounting for more than 50 percent of global steel production. Currently, steel production of Vietnam stood at the 17th place in the world with 14.5 million tons of steel in 2018.

'In recent years, Chinese government has closed old and outdated furnaces to reduce excess production and protect the environment. However, nearly 70 percent of new furnaces will be put into operation between the middle of this year and next year with additional capacity of about 61 million tons of steel this year and 62 million tons of steel next year. Although production capacity has dropped, unlike old furnaces, newly-built furnaces are able to operate at full capacity, so there is possibility that actual steel production will be higher,' said the representative of VSA.

Noticeably, globally, domestic steel consumption tends to slowdown, posing concerns about excessive steel supply to steel manufacturing industry. The same situation also occurred in the country which produces more than 50 percent of global steel production.

By August this year, steel sales for automobile manufacturing industry of China had been unable to achieve its target for 14 consecutive months. Sales of equipment made from steel also declined drastically. Therefore, the excess steel source caused by increasing production has been flooding into Southeast Asia and some other places, causing downward pressure on Asian steel market.

At this time, one of Vietnamese largest steel manufacturers located in Ha Tinh Province has to consider about halting its expansion plan due to concerns that the current situation might urge cheap steel products from China to Vietnam, causing the price of this material to plummet.

At the present, this steel plant are capable of producing 7.1 million tons of steel annually and has made a plan to build another furnace next year in order to raise capacity to above 10 million tons in the near future and 22.5 million tons in the future. For years, Vietnam imports more than 8 million tons of hot-rolled steel annually, of which 40 percent of steel comes from China. When steel is not being imposed tariffs, these cheap products will continue to land from China to Vietnam.

According VSA, steel manufacturing capacity has exceeded the demand of all kinds of steel, especially cold-rolled steel, corrugated galvanized iron and color coated roofing sheets and stainless steel. Currently, export of cold-rolled stainless steel has been facing difficulties because there are many large manufacturers in Southeast Asia and regional supply has already exceeded market demand.

In addition, export of steel to the US and the EU markets also encountered difficulties due to anti-dumping tax.

Domestic steel market, especially stainless steel, has been seriously affected by the landing of Chinese products. Therefore, in the near future, enterprises should not invest more into cold-rolled stainless steel projects because it will create fierce competition among manufacturers and lessen investment efficiency, the representative of VSA emphasized.

VSA recently also proposed authorities not to grant permission for new stainless steel projects in Vietnam so as to avoid imbalance between supply and demand as well as trade dispute among countries as steel manufacturers in the region tend to move production abroad, including Vietnam. They even agreed to sell their production at a loss to win more orders and cover fixed operating costs.

At the same time, VSA also recommended that the Government should only allow foreign investors to participate in high quality alloy and steel manufacturing projects which domestic market is short of.

Hot-rolled steel in Vietnam is listed at US$500 per ton, down 10 percent over the previous year. The price will decline further if steel imported from China increases. This will cause competition between domestic steel and imported one to escalate.

*sggpnews, October 4, 2019*

**<u>Hoa Phat grows construction steel output</u>**

Vietnamese steelmaker Hoa Phat continues to increase its construction steel output, despite this having flattened off month-on-month in September, Kallanish learns from the company.

In September 2019, Hoa Phat produced over 193,000 tons [... sic] of construction steel, equal to the previous month's output. Over the first nine months of the year, the steelmaker saw output rise to nearly 2 million tons, up 16.1% over the same period last year. This gives it the largest market share in Vietnam it says.

The Vietnamese construction market slowed in September due to rainy weather which had slowed major project activity.

The company aims to produce 2.7 million tons of construction steel in 2019, it confirms, supplying to both domestic and export markets.

In addition to finished steel, Hoa Phat also supplies billet to domestic rolling mills. The group signed a contract in September to supply 30,000 tons of billet to industry partners, it confirms. By the end of September, it had produced nearly 2m tons of crude steel for billet manufacture. The steelmaker's Hai Duong Iron and Steel Complex accounted for 1.71 million tons of this, up 20.4%. over the same period of 2018.

*Kallanish, October 7, 2019*

**<u>Viet Nam needs to do more to avoid trade fraud</u>**

The steel industry is facing lawsuits against tax evasion and dumping, according to information from the Viet Nam Steel Association.

The Trade Remedies Authority of Viet Nam said that anti-trade investigation measures against Viet Nam's exports were on the rise.

Products under investigation are mainly iron, steel, fibre, household appliances and electronics. In addition, domestic steel brands have been counterfeited.

Nguyen Vãn Sýa, a steel industry expert, said that many lawsuits against the domestic steel industry in recent years stemmed from the fact that foreign products were transferred to Viet Nam for processing and were then labelled as originating from Viet Nam. This example of trade fraud greatly affected Vietnamese goods when they were exported to other markets.

As they evade tax, many steel products imported into Viet Nam were cheap compared to domestic products. Therefore, co-ordination between related ministries and branches would be necessary, he said.

Sharing the view, Dr. Pham Sy Thanh from the Viet Nam Institute for Economic and Policy Research, said that it would be a disaster if foreign goods "borrowed" Vietnamese origin, then were exported to other markets.

This would have a long-term negative impact on the whole industry, he said.

How to combat fraud?

In order to effectively handle violations in the origin of goods, Minister of Industry and Trade Tran Tuan Anh directed the Trade Remedies Authority of Viet Nam to establish a standing team to increase state management on trade remedies and origin fraud and finalise action plans, co-ordinating with concerned ministries and branches in implementing them.

The Minister also asked C/O (certificate of origin) issuers and customs authorities to tighten the issuance of C/O, as well as strengthen inspections on enterprises with sudden export volume increases.

This was a necessary move to improve the control of goods origin and combat fraud, the minister said.

Nguyen Vãn Sýa said that authorities needed to have policies to protect the domestic market and restrict the import of domestically produced products. In particular, they need to promote the use of trade defence tools and prevent shoddy goods.

However, the core issue lay with the enterprises, which are under pressure from trade remedies, so the initiative in domestic raw material supply plays an important role, according to Sýa.

Nghiêm Xuân Đa, Chairman of the Vietnam Steel Association, said that enterprises must work together and provide information to the association to avoid surging export growth to new markets such as Canada and Mexico when the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) comes into effect. This would reduce losses when countries initiate investigations and apply trade remedies on Viet Nam's exported steel products.

In addition, the authorities needed to strengthen protection of domestic production with technical and trade barriers, he advised.

He advised preventing the transfer of foreign investment into the country with inappropriate technologies which consumed a lot of energy and caused environmental pollution.

*Vietnam News, October 9, 2019*

**<u>Vietnam hits Chinese and South Korea steelmakers with duties</u>**

Vietnam slapped five-year tariffs on Chinese and South Korean color-coated steel products after domestic producers said unfair pricing from overseas competitors caused them to shut down production lines.

Anti-dumping duties of 2.53% to 34.27% are being applied to steel products from China, Vietnam's Ministry of Industry and Trade said in a statement on its website. Tariffs of 4.71% to 19.25% are imposed on steel products from South Korea.

The tariffs are effective October 24, the ministry said.

The move follows a five-year extension of anti-dumping duties on some cold-rolled stainless steel products from China, Indonesia, Malaysia and Taiwan, effective October 26, the ministry said last week.

Vietnam is continuing to levy 7.94% tariffs on products from Shanxi Taigang Stainless Steel Co. and 31.85% duties on imports from other Chinese exporters, it said. Tariffs of 10.91% to 37.29% are being extended to products from Malaysian, Indonesian and Taiwanese steelmakers.

*Bloomberg, October 29, 2019*

## INDIA

**India's Apr-Sep steel output growth slows to 1% on year against 9% in 2018**

India's crude steel production over April-September rose to 54.59 million mt, up 1.3% year on year from 53.91 million mt, provisional data released late Friday by the Joint Plant Committee showed.

This was lower than the 9.3% growth posted in the corresponding 2018 period.

A similar situation was seen in hot metal production, which reached 36.59 million mt for the six months to September, up 1.3% from 36.13 million mt the year before. The six-month period represents the first half of the Indian financial year.

The H1 year-on-year increases were lower than that posted in H1 2018, when crude steel output rose 9.3% from 49.32 million mt in H1 2017, while hot metal production grew 10.2% from 32.79 million mt over the same period.

Finished steel production for H1 posted an increase to 51.66 million mt, up 4.9% from 49.24 million mt the previous year, while consumption grew to 50.87 million mt, up 5% from 48.45 million mt.

Although the H1 figures were positive, September's performance was mostly negative as the month's crude steel production fell 4.5% year on year to 8.42 million mt, while hot metal output dropped 3% to 5.64 million mt.

Year-on-year, September's finished steel production dipped 1.7% to 8.16 million mt, while consumption dipped 0.2% to 8.35 million mt, the JPC data showed.

On the trading front, finished steel imports rose 0.4% year on year in H1 to 4.02 million mt, while exports spiked 21.8% at 3.94 million mt.

But September's trading activity was mixed with imports down 16.3% at 565,000 mt, while exports grew 72.8% to 1.02 million mt.

September's weaker performance resulted from lower demand from major downstream industries such as the automobile and consumer durables sector amid less spending.

In September, goods and services tax collections sank to a 19-month low of Rupees 919.16 billion ($12.93 billion), which was down 2.7% year on year. The collections tend to indicate weak economic growth.

State-run JPC is the only body in India authorized to collect data on the domestic steel and iron industry.

*Platts, October 10, 2019*

**India launches anti-subsidy probe into flat stainless steel from Indonesia**

India has begun an anti-subsidy investigation into flat stainless steel products imported from Indonesia, the Ministry of Commerce and Industry said in a posting late Monday.

The probe resulted from a petition from the Indian Stainless Steel Development Association, Jindal Stainless, Jindal Stainless (Hisar) and Jindal Stainless Steelway, seeking a levy of countervailing duties on the imports.

A countervailing duty is a customs duty placed on goods that have received government subsidies in the originating or exporting country.

"All forms of the product are within the scope of the product under consideration," the ministry said, but razor blade grade steel and coin blanks used to make monetary coins are excluded.

The investigation period spans April 2018 to March 2019, which represents the Indian financial year.

During the year, India imported about 227,740 mt of finished steel products from Indonesia, up from 107,040 mt the previous year, data from India's Ministry of Steel showed. Of the total, alloy/stainless steel products made up about 73,000 mt.

The anti-subsidy probe comes amid ongoing anti-dumping investigations into flat-rolled stainless steel products from 15 countries/regions that began early July 2019. The anti-dumping probe covers China, the European Union, Hong Kong, Indonesia, Japan, Malaysia, Mexico, Singapore, South Africa, South Korea, Taiwan, Thailand, the United Arab Emirates, the US and Vietnam.

Also, there are market concerns that Indonesia may ship more stainless steel products to India after China imposed temporary antidumping measures on imports of stainless steel billet and hot-rolled stainless steel plate from the European Union, Japan, South Korea and Indonesia, effective March 23.

Indonesia is home to a stainless steel complex operated by China's Tsingshan Group at Morowali, Indonesia, which has a production capacity of about 3 million mt/year.

The country plans to turn the Morowali into a major stainless steel production area with about 4 million mt/year of capacity, which would make Indonesia the world's second-biggest producer of the metal.

*Platts, October 23, 2019*

### India's steel demand may get support from construction

India's construction and real estate sectors might see increased activity in the coming months, which could lift steel demand, although a broader economic slowdown might cap gains in sales volumes and prices.

A likely slowdown in new order inflows for construction companies from the road, bridge, highway and irrigation segments may be offset by increased spending on affordable housing, urban metro rail, water supply and sewage, and railway projects, said ratings agency India Ratings and Research (IRR).

Most construction companies are likely to see healthy revenue growth on the strength of their existing order books, the IRR said.

The construction sector accounts for over 60pc of India's steel demand and has been the key driver of India's steel demand growth over the past decade.

The real estate market is likely to see increased sales following a 200bn rupee ($3bn) fund set up by Delhi to jumpstart stalled projects, while a reduction in corporate tax rates will increase the ability of developers to have more funds to execute projects, said a report by property consultancy Anarock.

"With the government's aid to projects that are stuck because of last-mile funding, the coming quarters may witness an improvement in completion and availability of ready-to-move-in inventory," said Anarock. "The government's focus on affordable housing is expected to further provide an impetus to this segment." But it cautioned that new project launches may remain slow as developers are likely to be cautious about starting such projects in a slow economic environment.

The IRR said while large real estate developers may thrive in the next few months, small players may struggle with lower sales and their inability to raise funds from banks.

The sector outlooks for construction and real estate could be positive for the steel industry. But concerns over a slowing manufacturing sector, weak GDP growth, low domestic demand and the private sector's unwillingness to invest in new capacity are likely to persist.

Private-sector think-tank the Centre for Monitoring Indian Economy (CMIE) has forecast India's GDP growth for the April 2019-March 2020 fiscal year at 5.9pc, the slowest since 2012-13.

India's economic slowdown has largely been driven by a slump in domestic demand as job losses in several sectors have eroded the spending power of consumers, while corporates and real estate developers have slowed investments and new project starts.

Steel mills have responded with production cuts and increased exports, slashing offer prices in key overseas markets such as the EU and Vietnam to reduce their unsold inventories. Indian mills produced crude steel at a rate of 10.5mn-12mn t/month from January-May but have since reduced output rates to 8mn-9mn t/month.

"Consumption is unlikely to show a pick-up in the second half of 2019-20," said CMIE. Low farm incomes as a result of a fall in crop output during the summer sowing season and job cuts in sectors such as automobile, textile, gems and jewellery "have created an unfavourable environment for demand to rise", it said.

Delhi has reduced corporate tax rates to spur private investments, but this may not materialise because of significant excess capacity in sectors such as automobile and cement. India's industrial production shrunk by 1.1pc in August, a pace of deceleration not seen since November 2012, according to government data.

*Argus, October 25, 2019*

## CHINA

### China's crude steel output up 9.3 pct in August

China's crude steel output rose 9.3 percent year on year in August, a faster growth than the 5-percent increase recorded in July, official data showed.

Crude steel output reached 87.25 million tonnes in August, bringing the total output in the first eight months of 2019 to 664.87 million tonnes, up 9.1 percent year on year, according to the National Bureau of Statistics (NBS).

China is the world's largest crude steel producer. Last year, its output stood at 928.26 million tonnes, up 6.6 percent year on year.

In August, China's crude iron output gained 7.1 percent year on year to 71.17 million tonnes, the NBS data showed.

During the month, rolled steel output in the country climbed 9.8 percent year on year to 106.39 million tonnes, according to the data.

*Xinhua, October 7, 2019*

### China completes major railway transporting coal from north to south – reports

A major railway in China transporting coal from the country's northern production hub to consumers in the south has gone into operation, state owned news agency Xinhua reported on Wednesday.

The Haoji railway, which links China's biggest coal production region Inner Mongolia to Jiangxi province in the south via central provinces including Hubei and Hunan, will significantly cut coal transportation times, Xinhua said.

Construction of the line, which has a planned capacity of 200 million tonnes a year, began in 2015 and involved a total investment of over 193 billion yuan ($27.1 billion), according to a report in the China Daily newspaper.

The railway is also expected to help reduce transportation of the commodity by trucks on the road, part of Beijing's campaign to fight air pollution.

*Reuters, October 11, 2019*

**China leads global steel scrap consumption growth**

Higher pollutant emission standards for China's steel industry continued to drive the country's steel scrap usage for steel production higher in the first six months of this year.

Chinese steel scrap consumption rose significantly, by 20.7pc on the year to 103.28mn t in January-June from 85.57mn t in the same period in 2018, statistics from global recycling association BIR show.

China remained the largest steel scrap consumer in the world — using more than double the volume consumed by the EU and almost five times higher than the US in the same period.

Stricter emission standards drove Chinese basic oxygen furnace (BOF)-based mills to increase their average scrap charge rate to 20.2pc.

A further increase in steel production and Beijing's encouragement to boost electric arc furnace (EAF)-based steel production capacity also helped China to increase scrap usage. China's crude steel production totalled 492.169mn t in January-June, up by 9.9pc on the year.

But China's scrap:crude steel output ratio is still significantly lower than other key steelmaking geographies. China's scrap:crude steel output ratio was 20.98pc in January-June while ratios in other key regions were all above 30pc.

"China's scrap consumption is big but they are probably still another 10-20 years away from achieving a scrap:steel output ratio of a minimum of 50pc like the US and Europe," one European scrap supplier told Argus at the BIR World Recycling Convention in Budapest on 14-15 October.

"The problem with China is that it still needs massive development on various sections in its scrap supply chain," one US scrap supplier said.

For example, the number of automotive shredders in China soared to 317 at the end of 2018, up by 247 from 70 a year earlier, BIR said in its world shredder list released in May. But many of the shredders are said to be operating at a rate that is far from nameplate capacity.

"It is deemed normal and viable for a shredder to operate at 20-30pc of its capacity in China, which is a mystery to many US and European suppliers that have a much higher processing efficiency and capacity," the US scrap supplier said.

China also lacks a workable end-of-life vehicle recycling system and infrastructure that allows recyclers to establish an effective collection network that generates sufficient inflow, other market participants said.

A lack of stable supply of scrap suitable for steelmaking, high inland transportation costs that curb efficient interprovincial movements of scrap and an import quota that means purchases from overseas are virtually zero has made the Chinese domestic scrap price one of the highest in the world. This may dent Chinese mills' appetite to consume more scrap, particularly while iron ore is still a more cost-effective raw material for BOF-based mills.

The Chinese government issued a scrap metal import quota in September that allowed for 1,770t of ferrous scrap imports in October-December.

The Argus daily delivered east China Shagang mill assessment for #3 heavy melt scrap was 2,760 yuan/t ($390.05/t) today, including value-added tax (VAT), compared with the daily HMS 1/2 80:20 cfr Turkey assessment at $236.30/t yesterday and the October Germany national average delivered to mill assessment for E1 at €164.97/t ($183.30/t).

The Argus daily China blast furnace ferrous feed unit cost estimates today were $219.62/t for a BOF using only iron ore and coking coal and $256/t for a BOF with a 15pc scrap charge rate.

Scrap consumption in other regions

Scrap usage for steelmaking in other key countries and regions in the first half of 2019 was mostly down on the year on lower steel output.

Consumption in the EU fell by 1.3pc on the year to 46.783mn t in January-June as the region's steel output fell by 2.5pc to 84.744mn t in the same period.

Turkey cut steel production sharply at the beginning of the year. Its crude steel production dropped by more than 10pc on the year to 16.994mn t in January-June, which drove down scrap usage by 12.2pc to 13.959mn t in the same period.

The US was the only key steelmaking region outside China that registered an increase in scrap usage. Scrap consumption rose by 5.1pc on the year to 24.9mn t in the first half of this year, supported by a 5.4pc year-on-year rise in crude steel production that was boosted by the country's section 232 steel import tariffs.

*Argus, October 18, 2019*

## WORLD

**Domestic steel mill shipments rise**

Steel shipments from American steel mills increased 4.4 percent in August compared to July,vaccording to the Washington, D.C.-based American Iron and Steel Institute.

U.S. steel mills in August shipped 8,472,088 net tons, up from 8,115,103 net tons shipped in July. Shipments in August were also up 0.4 percent from the 8,441,597 net tons shipped in August 2018.

Year-to-date 2019 steel shipments were 64,810,436 net tons, a 1.8 percent increase versus year-to-date shipments of 63,656,882 net tons for the first eight months of 2018.

Hot rolled shipments in August were up 10 percent, hot dipped and galvanized sheets and strip, up seven percent, and cold rolled sheets, up three percent.

*Business North, October 14, 2019*

## Typhoon Hagibis fails to lift Asian scrap prices despite disrupting supplies in Tokyo

Typhoon Hagibis has failed to have any immediate impact on the Asian scrap market, with key overseas buyers of Japanese scrap still aiming for stable or lower prices this week in the aftermath of the tropical cyclone.

Steel scrap HMS 1&2 (80:20 mix) US material import, cfr main port Taiwan, $/tonne

Sources at major scrapyards said Typhoon Hagibis had disrupted scrap collection after passing over the Tokyo area on Saturday October 12, with buyers expecting reduced supplies as a result.

"Some Japanese steelmakers are looking for prompt-delivery cargoes and are willing to bid higher, so some sellers have increased their offers," a seller at a Japanese scrapyard said.

However, overseas demand has been weak due to the poor downstream steel markets in Asia and this could put a cap on price hikes.

"Much will depend on price negotiations this week after the situation pans out and traders and end users decide whether they have sufficient inventories to meet demand," a Japanese seller at another scrapyard said.

One major scrapyard in Japan maintained its offer at ¥23,500-24,000 ($216.51-221,11) per tonne fob Tokyo Bay, while a major South Korean buyer is looking to lower its bid from last week's ¥ 22,000 per tonne.

Vietnamese buyers received offers at $242-246 per tonne cfr Vietnam for bulk Japanese H2 cargoes and sources said transactions had been concluded at $240-245 per tonne cfr Vietnam this week.

The situation is the opposite in Taiwan, where buyers of containerized HMS 1&2 (80:20) from the United States West Coast increased their bids to $227 per tonne cfr on Wednesday October 16, bucking expectations that they would maintain bids at $225 per tonne cfr this week.

"There have been fewer offers for containerized HMS 1&2 (80:20) from the US. Sellers are holding on to materials as long as they can before they sell," a trader in Singapore told Fastmarkets.

Fastmarkets' daily price assessment for containerized cargoes of steel scrap HMS 1&2 (80:20 mix), US material import, cfr main port Taiwan, was $227-230 per tonne cfr on October 16, up $2-5 per tonne from a day earlier.

The direction of the cfr Taiwan scrap price is in line with bellwether market in Turkey, where prices have been increasing since October 8 due to increased buying by Turkish steel mills.

*Metal Bulletin, October 16, 2019*

## China drives global steel demand growth in 2019 despite economic headwinds

China will remain a hotspot for growth in demand for steel in 2019, buoyed by a strong real estate sector, and will continue to drive global demand, according to the commodity's top trading association.

Global steel demand will grow 3.9 per cent this year to 1,775 million tonnes. Demand from China will grow by 7.8 per cent to 900.1m tonnes, or just over half of the total. Demand from the rest of the world is expected to be tepid, registering 0.2 per cent growth to reach 874.9m tonnes, according to the World Steel Association's short run outlook. Demand growth from China this year is largely being fuelled by expansion in the real estate sector, but is forecast to lose steam next year as the world's second-biggest economy decelerates.

Chinese steel demand in 2020 is expected to slow to 1 per cent, with the rest of the world catching up, growing at 2.5 per cent, fuelled by a 4.1 per cent expansion in emerging and developing economies, excluding China. Overall global steel demand growth for 2020 is expected to be 1.7 per cent, reaching 1,805m tonnes.

Global demand for steel took a hit last year following the White House's imposition of 25 per cent tariffs on steel to protect domestic producers. The protectionist policy of the US administration has affected global producers of steel such as India, who imposed retaliatory tariffs, leading to a depressed market for the commodity. Global economic growth is now wobbling, weighed down by trade disputes. The International Monetary Fund revised its forecasts lower for the fifth time in a row on Tuesday , forecasting global growth of 3 per cent this year.

"While the global economic outlook is highly unpredictable, we expect to see further growth in steel demand in 2020 of 1.7 per cent, with emerging and developing economies excluding China contributing more," Saeed Al Remeithi, the association's chairman and Emirates Steel chief executive said in a statement.

"This forecast faces significant downside risks if the current level of uncertainty prevails," he added.

The Chinese real estate sector reported the strongest performance in five years for the first seven months of the year, due to a relaxation of government policy on construction in lower-tier cities.

However, the outlook for other sectors such as manufacturing and the automotive industry looks bleak. China's automotive sector has contracted for 13 months in a row, the report added, with the association expecting the Chinese economy to weaken during the latter part of 2019.

Demand from developed economies, meanwhile is expected to contract by 0.1 per cent this year, after growing at a rate of 1.2 per cent in 2018. Manufacturing in these economies slumped due to a poor environment for export and investment, the association added.

Developing economies, other than China are also expected to see a slowdown due to contractions in Turkey, the Middle East and North Africa region as well as Latin America. However, growth is expected to rebound to 4.1 per cent next year, largely due to infrastructure investments, the report said.

*The National, October 17, 2019*

**Steel industry associations request further overcapacity tackling efforts**

Nineteen steel industry associations from across the globe have called in an open letter for governments to step up efforts to tackle overcapacity.

To achieve some results, the associations believe authorities should continue to fight against market-distorting subsidies, uphold effective trade remedies to ensure a level-playing field, and facilitate the exit of inefficient firms.

As part of the requests, the associations specifically require members to extend further the mandate of the G20 Global Forum on Steel Excess Capacity past its current expiration in 2019, Kallanish notes.

“We are grateful for the efforts made to date by the G20 and OECD governments to address excess capacity, and to support a playing field at the G20 Global Forum on Steel Excess Capacity and OECD Steel Committee,” the industry groups say.

“Unfortunately, effective reductions in capacity and concrete actions to remove government measures that distort markets, including raw materials markets, have not been adequate to date,” they continue. “Efforts by governments to eliminate practices that lead to excess capacity should be redoubled. We are hopeful that the diligent efforts of Japan, the current G20 Chair, are successful in extending the G20 Global Forum on Steel Excess Capacity beyond 2019, and we urge all G20 and OECD steelmaking economies to pursue all vigorous means to obtain substantive results on the critical problem of steel excess capacity.”

Eurofer, the European steelmakers association, voiced its request to continue operating through the G20 Global Forum. It underlined that excess capacity in the world still stands at some 500 million tonnes and the OECD expects it to rise again in 2020.

*Kallanish, October 23, 2019*

## HEADLINES

**ASEAN-6 steel trade in the first half of 2019**

ASEAN-6’s finished steel import growth rate increased 5.6% y-o-y to 25 million tonnes in the first half of 2019, compared to the rate of 2.8% in 2018. Long steel import declined 3.4% y-o-y to 6 million tonnes while import of flat steel grew 8.9% y-o-y to nearly 19 million tonnes in the same period.

Finished steel export from ASEAN-6 surged significantly, by 16-17% y-o-y, to exceed 7 million tonnes in the first half of 2019. Both export of long and flat steel registered double digit growth rates during the same period.

Indonesia’s finished steel import increased moderately, by 4% y-o-y to nearly 4 million tonnes in the first half of 2019. However, import of long steel declined to below a million tonnes in the same period. Flat steel import, on the other hand, continued to register a positive growth rate of 7% y-o-y. This was a result of a significant jump in the import of hot rolled products and cold rolled coil.

Finished steel export from Indonesia continued to increase at a significant rate, at 42% y-o-y to 1.6 million tonnes in the first half of 2019. This was mainly due to the robust increase in the export of flat steel which nearly doubled in volume to 1.5 million tonnes. Meanwhile, export of long steel declined slightly.

Malaysia’s finished steel import in the first six months of 2019 declined by nearly 10% y-o-y to 3.3 million tonnes. The bulk of import was for flat steel, but the volume declined slightly to 2.4 million tonnes while import of long steel increased by a double digit of 17% y-o-y.

Export, on other hand, increased robustly, by 55% y-o-y, to 897,601 tonnes. This was due to a huge expansion in long steel export, which increased by three folds compared to the same period of 2018. Export of bar doubled in volume while export of wire rod increased by more than five folds.

Philippines’ finished steel import was somewhat stable, with a slight increase of 2% y-o-y to 2.7 million tonnes from January to June 2019. There is no export recorded in the same period. Import of long steel declined 7% y-o-y while import of flat steel increased 9% y-o-y to 1.7 million tonnes during the same period of 2019.
eeSingapore’s finished steel import decreased 8% y-o-y to 3.7 million tonnes in the first half of 2019. Both long steel and flat steel registered negative growth rates. Long steel import dropped 11% y-o-y to 2.3 million tonnes and flat steel shrank 3% y-o-y to 1.4 million tonnes during the same period of 2019.

Finished steel import in Thailand expanded moderately, by 4.5% y-o-y to 6 million tonnes in the first half of 2019. Both flat and long steel importcontinued to grow at 4-5% y-o-y. Import of hot rolled plate and coated sheet registered double digit growth rates from January to June 2019. This was partly due to the substitution for the slowdown in domestic supply.

Finished steel export from Thailand, on the other hand, declined 11.3% y-o-y to 695,188 tonnes in the first half of 2019. Export of long steel was stable, with a marginal growth rate of 1% y-o-y. On the other hand, export of flat steel declined 26% y-o-y in the same period of 2019.

Vietnam’s finished steel import increased robustly, by 21% y-o-y, to more than 7 million tonnes in the first half of 2019. The bulk of import in Vietnam was the import of flat steel with the volume registering a double digit growth rate of 17-18% y-o-y in the first half of 2019. Import of long steel rose significantly, by nearly 50% y-o-y in the same period.

Export from Vietnam continued to increase, but at a more moderate growth rate of 8% y-o-y in the first half of 2019. Export of long steel surged around 300,000 tonnes to 1.1 million tonnes in the same period. Meanwhile, export of flat steel slowed down by 2.5% y-o-y to 2.3 million tonnes.

Remark: More details of steel demand and supply in the first half of 2019 will be presented in the 2019 ASEAN Iron and Steel Sustainability Forum on 25 November 2019 in Jakarta, Indonesia.

For more information please visit www.seaisi.net

*SEAISI, October 2019*

# SEAISI

## 2019 ASEAN Iron & Steel Sustainability Forum

25 - 27 November 2019 • The Ritz-Carlton Jakarta, Mega Kuningan, Indonesia

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## Who should attend?

- Steel Producers and Manufacturers
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