SOUTH EAST ASIA IRON AND STEEL INSTITUTE

# NEWSLETTER

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## 01. MESSAGE FROM THE SECRETARY GENERAL

**COVID-19 Grows … Again …**

COVID-19 remains resilient and resistant against all global efforts to contain it. While the battle is raging on in most parts of the world, it appeared that the outbreak has been subdued in the Asia Pacific Region. However, the recent resurgence of cases in China, Australia, Japan, Korea, Hong Kong and many other APAC countries, the second (or third) wave shows how hard it is to contain this outbreak.

**2020 SEAISI e-Conference**

The inaugural 2020 SEAISI e-Conference was a resounding success with 377 registered delegates from 168 companies in 25 countries around the world.

Our notable delegates include participants from:

- Organization for Economic Cooperation and Development (OECD)
- World Steel Association
- Ministry of Finance, Ministry of Trade & Industry, MATRADE, Dept of Standards, Construction Industry Development Board, Malaysia Steel Institute, Malaysia
- Ministry of Planning, Finance & Industry, Ministry of Transport & Communication, Ministry of Education, Myanmar
- Board of Investment, Department of Trade & Industry, Philippines
  Economic Development Board, Singapore
- Yusof Ishak Institute of SEA Studies, Singapore

The SEAISI e-Conference (Part I: Market and Economics) was held online from 30 June 2020 to 2 May 2020, covering:

- Regional Developments
- Market Perspectives
- 10 Country Reports across APAC region
- Plenary Session with Steel Industry CEO's discussing about COVID-19 impacts

Dr Nae-Hee Han presented on the pandemic and the impact on the global steel industry. She spoke about the impact of lockdowns and its toll on the economy, with the major victim being the automotive sector.

While COVID19 crisis appears to be milder than the Global Financial Crisis, post COVID19, recovery is highly uncertain. Expectations is that 2020 will see a substantial reduction in steel consumption and 2021 is like to see some partial recovery.

My presentation on the ASEAN Steel Industry Outlook focused on COVID19 impact in ASEAN, which highlights a few key points. First, ASEAN's effort to contain the outbreak is a mixed bag. Lockdowns and other restrictions have impacted the economies severely, with the most affected sector being the automotive sector.

Second, ASEAN steel producers have been exporting a lot of semis and long products around ASEAN and to China (Jan-Apr 2020). Third, overcapacity remains a threat to the already fragile economic situation in ASEAN.

Fourth, while the Global Financial Crisis severely impacted ASEAN, it is not as bad as the Asian Financial Crisis. ASEAN governments have managed the past crisis well and recovery have become shorter.

Lastly, in 2020, steel consumption in ASEAN will be severely affected, with a recovery coming up in 2021, subject to successful containment of COVID19. More details in the Headline section of the newsletter.

Ms Li Hongmei gave us a history of the development of steel industry in China and the impact from COVID19. While the impact from COVID19 will impact the machinery, electrical, electronic products exports will be severe, China will continue to boost infrastructure projects and support auto and privately owned enterprises.

The restructuring of the coal and steel sectors will continue and China will make more capital available to grow the economy. New investments by Chinese Steel mills will continue to take place.

There are so many good presentations during this e-Conference. You can purchase them from the Secretariat.

The Plenary Session covered COVID-19 impact, with a discussion among:

- Mr Win Viriyaprapaikit, CEO, Sahaviriya Steel Industries, Thailand
- Mr Dinh Quoc Thai, Vice President, Vietnam Steel Corporation, Vietnam
- Mr Purwono Widodo, Director - Commercial, PT Krakatau Steel, Indonesia
- Dr Nae Hee Han, Director, Economic Affairs and Chief Economist at World Steel Association

We would like to thank all our guests, delegates, speakers, partners, SEAISI Directors and National Committees for making our inaugural e-Conference a success.

**Upcoming Events**

Upcoming events to be noted:

- 2020 SEAISI e-Conference (Part II): Technology & Operations Development
- 2020 e-Seminar on Strengthening Transformation on Digitalization through Reliability and Productivity Improvement
- 2020 e-Training on Enhancing Equipment Maintenance and Operation System
- 2020 e-Forum on Market, Economics and Technical Development in the Construction Sector (the is the online version of our usual November forum on Sustainable Construction)

Keep Your Distance. Stay Healthy. Stay Safe.

**YEOH WEE JIN**

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## AUSTRALIA

### Australia implements steel export quotas to Indonesia

The Australian government has called on domestic steel exporters to apply for steel export quotas to Indonesia. This call was issued after the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) came into effect on 5 July, Kallanish notes.

Under the agreement, Australian exporters can export up to a certain quota of these steel products each year. The steel products involved mainly include iron or non-alloy steel in coils with HS Codes of 7208.39.90, 7209.17.10 and 7209.18.99. Based on data from Indonesia Customs, Indonesia imported 4,895 tonnes of these steel products from Australia in February, but has imported very little in subsequent months.

In the ten years starting in 2020, Australia will approve varying quotas to allow exporters which comply with IA-CEPA to avoid export tariffs (see table below). The 2020 tonnage is a pro rata tonnage based on an implementation date of 5 July 2020, while the quota for the remaining years will increase by 5% every year from 1 January. In addition, the quota year runs until 31 December and resets on 1 January each year. Meanwhile, quotas are issued on a first come, first served basis.

Australia's steel export quotas to Indonesia in 2020-2029

| Year | Quantity of the tariff rate quota (tonnes) | In-quota tariff |
|---|---|---|
| **2020** | 122,267 | 0% |
| **2021** | 262,500 | 0% |
| **2022** | 275,625 | 0% |
| **2023** | 289,406 | 0% |
| **2024** | 303,877 | 0% |
| **2025** | 319,070 | 0% |
| **2026** | 335,024 | 0% |
| **2027** | 351,775 | 0% |
| **2028** | 369,364 | 0% |
| **2029** | 387,832 | 0% |

Notes: *2020 tonnage is a pro rata tonnage based on an implementation date of 5 July 2020.

*Kallanish, July 8, 2020*

## INDONESIA

### Indonesian steel demand could increase in 2020

Indonesia's steel demand is expected to rise by 3.1% year-on-year to 16.4 million tonnes this year, according to Widodo Setiadharmaji, executive director of the Indonesian Iron & Steel Industry Association. The main force driving demand is infrastructure construction, Kallanish notes from Widodo's report.

The Indonesian government is reported to be increasing spending by 10.2% in 2020. About 3mt of steel demand is estimated to be created by the infrastructure sector, Widodo says. This data is based on a "…positive situation," meaning the impact of Covid-19 is not fully considered. In this case, demand in 2021 will continue to grow to about 17mt. Earlier this month, the South East Asian Iron and Steel Institute (Seaisi) also predicted Indonesia's steel demand will rise this year (see Kallanish passim).

However, considering the uncertainty brought about by Covid-19, steel demand could also decline. In the "…worst situation," Indonesia's steel demand may drop to above 11mt, which is about -31% lower than the 15.9mt seen in 2019, Widodo notes. 2021 would then see a rebound in demand, but only to the same level as in 2019. This prediction is based on the experience of the financial crises in 2008 and 2015.

Indonesia produced 10.9mt of steel last year, and saw imports of 8.4mt during the same period, according to Indonesian Customs data.

*Kallanish, July 8, 2020*

**Indonesia's GRP advances with second-phase investment**

Indonesian state-owned steel producer PT Gunung Raja Paksi Tbk (GRP) has signed the second-phase investment contract to increase production efficiency and expand market share, Kallanish notes. GRP has 2.8 million tonnes/year of steel capacity, mainly producing hot rolled coil.

The overall investment over two phases is $850 million, including $370m in funds disbursed for 2019-2021 under the first phase and $480m for 2021-2023 in the second phase. GRP chief technical officer Biplab Kumar Dutta says the first phase was for the development of H-beam and U-channel production, and transformers. The second phase will see the installation of pipemaking mills, coil-cutting machines, and a hot rolled coil mill.

This investment will be completed in cooperation with Chinese steel firms (see Kallanish passim). China's Guangdong B&C International Operations Management joined GRP's daily operations at the end of 2019. Guangdong B&C was established by MCC-CISDI and Baosteel's Shaogang Steel.

Earlier in 2018, MCC-CISDI signed an agreement with GRP on various production equipment including the No.2 blast furnace, and signed a project management service contract in March 2019.

*Kallanish, July 14, 2020*

## JAPAN

**Japan July-Sept crude steel output to drop to 11-yr low on COVID-19 shock**

Japan's crude steel output is forecast to fall 27.9% in July-September to an 11-year low as the coronavirus pandemic continues to weigh on demand from key buyers such as automakers, the Ministry of Economy, Trade and Industry said.

"We don't know whether output and demand would hit the bottom this quarter as the coronavirus cases are still rising in Japan and abroad," Tomoya Hasui, director of the METI's metal industries division, told a news conference.

The ministry estimated crude steel output to be 17.70 million tonnes in July-September, compared with 24.55 million tonnes a year earlier. The previous eight quarters also saw year-on-year declines.

Crude steel output in the world's third-biggest steel producer is forecast to have dropped to 18.29 million tonnes in April-June from 26.12 million tonnes a year earlier, missing METI's April forecast of 19.36 million tonnes.

The estimated output for the current quarter is down 3.2% from the previous quarter and will mark the lowest since January-March 2009, during the depths of the global financial crisis.

Demand for steel products, including those for exports, is forecast to drop 24.3% from a year earlier to 17.28 million tonnes in July-September, the ministry said, citing an industry survey.

Steel used for automobiles, shipbuilding and industrial machineries will be the hardest hit, slumping by 24-33% from a year earlier.

Exports are forecast to decline 28.6% to 5.3 million tonnes, the lowest since April-June 2009.

To cope with dwindling demand, steelmakers have been cutting production.

Japan's top two steelmakers, Nippon Steel Corp and JFE Steel, owned by JFE Holdings Inc, have announced plans to temporarily shut a total of seven blast furnaces by end-July, reducing capacity by 25% to 30%.

*Reuters, July 10, 2020*

**Vale, Kobe Steel, Mitsui plan low-carbon steelmaking technologies venture**

Japanese steelmaker Kobe Steel and Japanese trading company Mitsui & Co. to collaborate on providing low-CO2 iron metallics and steelmaking solutions for the global steel industry.

According to Vale, agreement establishes preliminary terms and conditions for the creation of a new venture with the objective of delivering low-CO2 metallics. "An evaluation period has already begun to deepen the cooperation and to gauge market demand for several existing and new steelmaking solutions prior to a final agreement for the creation of the new venture," it said.

ANALYSIS: Green steel DRI deals continue as Vale joins ArcelorMittal, SAAB in lowering emissions

Vale has committed to contribute with its steelmaking customers in this challenge of reducing carbon footprint. "The new venture will use existing and new low-CO2 iron making technology such as Tecnored Technology and Midrex Process," it added.

Tecnored is a 100% Vale subsidiary in Brazil's Minas Gerais state focused on developing a low-CO2 pig iron process through the use of alternate energy sources, such as biomass, syn-gas and hydrogen, that emit less CO2 than the coal and coke the tradition iron-making process uses. "Using biomass, the path to economic carbon neutrality may be achieved in the medium term," Vale said.

The Midrex process - Kobe Steel's wholly owned US subsidiary - is the world's leading direct reduction ironmaking technology, with Midrex plants producing more than 60% of the world's direct reduced iron (DRI).

"Because the Midrex process uses natural gas [or gas derived from coal] to reduce iron ore for use in steelmaking, its CO2 emission level is lower than the blast furnace route," the Japanese steelmaker said.

Together with these processes, the new joint venture would utilize Mitsui's marketing and business development know-how to offer the low-CO2 metallics and iron making solutions to the global steel industry.

Steelmakers are suffering growing pressure to reduce emissions and having a range of iron ore-based products may help them.

"In five years the seaborne market will start to contract and in ten years it will be very contested," Vale CFO Luciano Siani said at the Vale Day London event late last year. "We are beefing up our technological market and resources to be ready for what will happen next."

In Europe and the US a faster rate of change is seen from use of blast-furnaces (using coal and iron ore) towards use of EAFs, which typically use steel scrap as their main raw material, but are also increasingly using HBI and pig iron.

HBI - an easily-transportable form of DRI - and pig iron can also be used as alternatives to iron ore in the blast-furnace steelmaking process. They are high-iron-content products that allow integrated steelmakers to reduce their use of metallurgical coal to make coke, thus reducing their carbon emissions.

Midrex CEO Stephen Montague said of the accord that the company is "excited to provide Midrex technology using both natural gas and hydrogen to help steelmakers mitigate CO2 emissions and transition from aging blast furnace technology."

*Platts, July 15, 2020*

## KOREA

**U.S. slaps no antidumping duty on S. Korean steel products**

The U.S. Department of Commerce has decided not to impose antidumping duty on cold-rolled steel from POSCO and Hyundai Steel Co., in a move that could help boost their exports to the U.S.

The department said it determined that South Korea's two biggest steelmakers did not sell cold-rolled steel in the United States at prices below normal value during the period of review, from September 1, 2017 through August 31, 2018.

"For these final results, we have calculated 0.00 percent weighted-average dumping margins for both Hyundai and POSCO," the department said in the final results of antidumping duty review. The move came eight months after the department published its preliminary results of the administrative review in the case.

POSCO and Hyundai Steel said the U.S. decision could have a positive effect on exports of their steel products to the U.S., but Hyundai Steel said any increase in the volume of its exports of cold-rolled steel to the U.S. could be limited by an export quota under Section 232 of the U.S. Trade Expansion Act.

POSCO and Hyundai Steel shipped 40,000 tons and about 30,000 tons of cold-rolled steel to the U.S. during the review period, respectively.

Cold-rolled steel is used in the manufacture of cars and electronic products.

*Yonhap, July 9, 2020*

**Dongkuk Steel Mill to expand investment in high-end color steel plates**

Dongkuk Steel Mill will strengthen its strategy of leading the market by expanding investment in high-end color steel plates.

Dongkuk Steel Mill Co. decided to expand its production line of high-end color steel plates in Busan to an annual production capacity of 70,000 tons on July 9. It is planning to invest about 25 billion won and strengthen its high value-added color steel plate business with the goal of starting the operation of the production line in the second half of 2021.

Dongkuk Steel Mill plans to further streamline its color steel plate production lines and expand its color steel plate production capacity from the current eight production lines (750,000 tons) to nine (850,000 tons) by the second half of 2021. It is the world's largest, compared with its competitors producing up to 100,000 to 400,000 tons at one to four lines.

For the first time in the world, the new color steel plate line will be composed of a wide line (1600mm) that combines laminate steel plate and UV coating processes. Dongkuk Steel Mill is planning to make customized high value-added color steel sheets such as fluorine lamina steel plates and new products via the combination of digital printing and UV coating technology at this line.

The decision is part of super-gap strategy that further strengthens the color steel plate business, its competitive advantage in production infrastructure, quality, sales power, R&D capabilities and services, as well as leads the market.

The proportion of color steel plate sales in Dongkuk Steel Mill's total sales (on an unconsolidated basis) expanded from 11.5 percent in 2012 to 17.6 percent 2019. This investment is expected to push up the proportion to 20 percent in the future.

*Business Korea, July 13, 2020*

**POSCO restarts 3rd blast furnace despite virus**

South Korean steelmaker POSCO said Friday it has restarted its third blast furnace amid the global recession sparked by the coronavirus pandemic.

The move came 20 months after repair and maintenance work worth about 400 billion won (US$332.6 million) at the third blast furnace in Gwangyang, about 420 kilometers southwest of Seoul.

The repair work raised the annual production of crude steel at the third blast furnace by 25 percent to 4.6 million tons, according to the company.

The resumption, which had been pushed back twice, in May and June, came as demand from automakers, construction companies and shipbuilders declined due to the COVID-19 pandemic.

POSCO has five blast furnaces in Gwangyang and four blast furnaces in Pohang, about 375 kilometers southeast of Seoul.

POSCO said some of its 18,000 employees began taking paid leave on June 16, though it declined to elaborate.

*Yonhap, July 14, 2020*

## MALAYSIA

**Ann Joo's quarterly net loss widens to RM30.6m**

Ann Joo Resources Bhd's net loss widened to RM30.56 in the first quarter ended March 31, 2020 (1QFY20), from RM6.60 million a year ago.

In an exchange filing, the steelmaker said the loss was due to lower sales and selling prices of steel products amid the Covid-19 pandemic, which resulted in temporary business closures and global supply chain disruptions.

It added that net loss was also due to written down allowance of inventories amounting to RM7.43 million and overhead cost of RM5.21 million, due to plant stoppage during the movement control order (MCO) period.

Revenue fell 17.18% to RM445.67 million from RM538.12 million in the year-ago first quarter, due to lower sales tonnage for both domestic and export markets.

On prospects, Ann Joo said domestic steel demand continues to be affected by a low resumption rate of construction activity.

The pace of recovery in steel demand, the group said, will depend heavily on the government's spending on infrastructure projects, which will have a significant multiplier effect on the country's economy.

To mitigate the impact of weak domestic demand, Ann Joo is strengthening its strategy on the export markets, particularly China, where demand is boosted by fast-track infrastructure investments.

"This will be more visible in the second half of 2020, as China's planned new local government special bonds of 3.75 trillion yuan (RM2.27 billion) are expected to further support its infrastructure development," it added.

However, the group noted construction activities in China are expected to be partly affected by seasonal weather conditions, as the monsoon season in southern China and East Asia is typically from June till August.

Given the uncertain market conditions, Ann Joo said it will continue its focus on cash flow management and cost down programmes to remain resilient and responsive to market changes.

Also, the group will readjust to appropriate strategy, depending on future market direction both domestically and internationally.

Shares price of Ann Joo closed 0.5 sen or 0.69% lower at 72 sen today, bringing the group a market capitalisation of RM388.51 million.

The stock has gained 71% from its recent low of 42 sen on March 19, despite having plunged 55% over the past one year.

*The Edge, July 1, 2020*

## MYANMAR

**Myanmar to restructure Myingyan Steel**

The Ministry of Planning, Finance and Industry of Myanmar has shortlisted five companies being considered to restructure state-owned steelmaker Myingyan Steel, Kallanish notes from local government news.

The five steel companies involved are Go Excellent Myanmar Co., Ltd., Direct Investment Ltd., Millcon Thiha Co., Ltd., IMR Resources India Pvt. Ltd., and Sinosteel Equipment & Engineering Co., Ltd.

The steel plant, formerly No.1 Steel Mill, is located near Sar Khar village, Myingyan Township in Mandalay Region. It has about 1.8 million tonnes/year of steel capacity. Due to constant losses, the plant was temporarily suspended by the government. It has two electric arc furnaces and an attached power plant which was recently built before being suspended in a wide-ranging budget review in 2017. South Korea's Posco Daewoo and Thailand's Millcon Steel had been linked to the project in 2019, but are no longer involved.

The South East Asia Iron and Steel Institute estimates that Myanmar's steel demand will continue to expand at an average growth rate of 8% year-on-year. Demand in the country is seen exceeding 3mt in 2020 and reaching 5mt in 2025.

*Kallanish, July 10, 2020*

**Myanmar govt announces 5 short-listed firms for steel plant JV**

The Ministry of Planning, Finance and Industry has shortlisted five companies to apply to form a joint venture with state-owned No (1) steel plant (Myingyan). The ministry intends to restart the steel plant with the help of the private sector.

The companies selected to participate in the tender are: Sinosteel Equipment & Engineering Co Ltd, Go Excellent Myanmar Co Ltd, Millcon Thiha Co Ltd, Direct Investment Ltd and IMR Resources (AG) India Private Ltd.

The ministry began seeking expressions of interest from both domestic and foreign investors interested in participating in the recommissioning of the Myingyan steel plant in January.

The steel mill, located near Sar Khar village, Myingyan Township in Mandalay Region, is reported to have a production capacity of 1.8 million tonnes a year. Due to mounting losses, the plant was temporarily suspended by the government.

A spokesperson from No. 1 Heavy Industrial Enterprise, which controls the Myingyan steel plant, said in January that an estimated K225 billion is required to restart the plant and investors are being sought to help operate it.

The government is reviving efforts to restart the local steel production industry at a time when Myanmar's steel consumption is expected to grow in the next five years with more government spending on infrastructure and foreign direct investments expected to rise.

The South East Asia Iron and Steel Institute estimates that Myanmar's steel demand will continue to expand at an average growth rate of 8pc a year, with steel demand in the country exceeding 3 million tonnes in 2020 and reaching 5 million tonnes in 2025.

In comparison, Singapore currently consumes nearly 5million tonnes of steel, while Thailand users about 11 million tonnes.

Consequently, the authorities are raising efforts to produce more steel domestically to reduce costs. This is because Myanmar imports 90pc of its steel requirements.

The government recently also renewed its commitment to support the local construction industry in the wake of COVID-19. Due to the outbreak of the pandemic, many construction projects had come to a standstill as a result of cash shortages and delays in the import of construction materials.

In response, the government said it would ensure the construction sector remains open and supported. "Construction work cannot be suspended as this involves the country's infrastructure development. We've permitted them to resume work as long as they abide by health guidelines," said State Counsellor Daw Aung San Suu Kyi.

The government will continue to roll out new infrastructure projects using state funds and international loans and approve property developments in cooperation with the private sector, she said.

Myanmar is also seeking assistance from the international community to facilitate the imports of building machinery and construction materials.

Myanmar will set standards to ensure the quality of locally produced and imported steel and iron, U Kan Chun, managing director of No.1 Heavy Industries Enterprise under the Ministry of Planning, Finance and Industry, told The Myanmar Times in February.

"Myanmar is the only country in ASEAN with no standards for iron and steel," he said during a forum on the emerging metal industry in Mandalay.

The main problems for the industry now are low-priced and low-quality imports which do not last long. Local steel businesses have also expressed concern about the ability of the local industry to compete with the cheap imported products.

"Our association is helping the government set such criteria. We advised the technical committee of the government by cooperating with Myanmar Iron and Steel Association. The Department of Research and Innovation under the Ministry of Education leads the operation. It has taken longer than expected but soon we will have some basic quality guidelines," he told The Myanmar Times in February.

*Myanmar Times, July 9, 2020*

## PHILIPPINES

**SteelAsia postpones new Philippine section mill project**

The Philippines' SteelAsia Manufacturing has delayed the implementation of a new section mill project in Batangas, Kallanish understands. Like other regional steel mills, the re-roller has slowed down production amid the Covid-19 pandemic.

The company, which is the country's largest rebar producer, is currently looking for another site for its section mill project. The original site located at Lemery in the province of Batangas was adversely affected after the Taal volcano eruption which occurred in January. The proposed sections mill will have a rated 500,000 tonnes/year capacity of 100-240mm sections including beams, piles and shapes for the construction sector.

There is no fixed schedule for this project because of the uncertainties brought about by the Covid-19 pandemic situation, a company official says. Philippine steel demand, like other regional countries, has been rattled by the pandemic.

While the national government's infrastructure construction projects are proceeding, their execution will be affected by the mandated Covid-19 health protocols, the official says. At the same time, many private-investment led construction projects related to tourism, leisure and entertainment are being put on hold by big developers, he adds.

All of SteelAsia's five plants nationwide are operating at 50-60% utilisation of their combined full capacity of 2.1 million t/year. The company announced in January 2019 it had entered into a memorandum of understanding to take up a stake in a new integrated $4.4 billion steelworks being planned by China's Hebei Iron and Steel at Misamis Oriental.

*Kallanish, July 9, 2020*

## TAIWAN

**Taiwan CSC halts blast furnace operation**

Taiwan's China Steel Corporation (CSC) has begun maintenance on its No.2 blast furnace. The unit is expected to resume production towards the end of this year, Kallanish notes.

The No.2 blast furnace has a volume of 3,276 cubic-metres and a design capacity of 3.15 million tonnes/year.

CSC originally planned to begin maintenance in October of this year, but Covid-19 caused a drop in demand and the steel plant therefore advanced the overhaul. In addition, the steel mill believes the impact of Covid-19 will weaken in the fourth quarter, and local steel demand will resume at that time. Early maintenance will enable the steel plant to maintain high production levels when the peak demand season arrives.

CSC's supply is not expected to be affected during the maintenance period, as orders received in the second and third quarters decreased and billet stocks are sufficient, according to the steelmaker.

*Kallanish, July 2, 2020*

## THAILAND

**Thai billet imports fall sharply in May**

Thailand's imports of billet plunged in May, Kallanish notes. Billet imports fell by -45.4% on-year to 62,127 tonnes.

During January-May, billet imports reached 554,446t, which was -7.6% lower than the 600,169t of imports registered during the corresponding period of 2019.

The average value of Thai billet imports in May also registered a -10% year-on-year fall to THB 12,189/tonne ($394/t). The billet market in the region has been at a standstill due to measures imposed by governments to stem the spread of Covid-19. The Thai government started imposing a partial lockdown in mid-March.

Oman is the top billet exporter to Thailand. Trading sources believe billet imports from Oman are actually from Iran. Thailand is a regular importer of Iranian billet.

Iranian billet for July/August shipment is currently offered at $405-407/t cfr Thailand, up from $400/t cfr a week ago. Some deals took place at $398-400/t cfr Thailand in the past two weeks, Thai trading sources report. The suppliers involved resold the July-shipment cargoes of Iranian billet which were originally destined for China because they made margins, says a Thai trader.

Thailand's HS code 720711 billet imports, Jan-May 2020 (tonnes)

| Origin | 20-Apr | May 20 | 19-May | May y-o-y | Jan-May 20 | Jan-Dec 19 |
|---|---|---|---|---|---|---|
| **Total** | **117,407** | **62,127** | **113,723** | **-45.40%** | **554,446** | **1,443,419** |
| Oman | 40,001 | 0 | 0 | - | 195,609 | 532,821 |
| India | 21,255 | 42,086 | 33,232 | 26.60% | 159,452 | 109,439 |
| Russia | 20,204 | 19,981 | 50,083 | -60.10% | 80,065 | 423,788 |
| Vietnam | 20,918 | 0 | 0 | - | 73,411 | 30,292 |

*Kallanish, June 26, 2020*

**SSI upgrades HRC mill**

Thai steel producer Sahaviriya Steel Industries (SSI) has signed a contract with Italian technology supplier Danieli to replace a downcoiler reel for its hot-strip mill located in Bang Saphan, Danieli tells Kallanish.

This is expected to improve the mill and reduce maintenance requirements. The gearbox will also be refurbished at Danieli Thailand workshops in January 2021 while the plant continues normal operation.

The SSI Bang Saphan Steelworks is a mid-stream steel manufacturing plant, with a capacity of 4 million tonnes/year for hot rolled coil and 1m t/y for HRC pickled and oiled. This serves the growing demand of the region in various sectors such as automotive, energy, electrical appliances, packaging, transportation, and construction.

*Kallanish, June 30, 2020*

## VIETNAM

**Vietnam imports less steel in first 6 months**

Vietnam spent more than four billion U.S. dollars importing roughly 6.8 million tons of steel and iron in the first six months of this year, down 16.3 percent in value and 5.4 percent in volume against the same period last year.

The major market supplying steel and iron to Vietnam in the six-month period included China, Japan and South Korea, according to the Vietnam Steel Association on Tuesday.

In June alone, the country imported nearly 1.3 million tons of the products worth 670 million U.S. dollars, up 20.4 percent in volume and down 6.9 percent in value on-year, according to the association.

In 2019, Vietnam poured nearly 9.5 billion U.S. dollars into importing roughly 14.6 million tons of steel and iron, up 7.6 percent in volume but down 4.2 percent in value against 2018, according to its General Statistics Office.

Meanwhile, the country reaped approximately 4.2 billion U.S. dollars from exporting almost 6.6 million tons of the products, seeing an increase of 5.4 percent in volume and decrease of 8.5 percent in value, said the office.

*Xinhua, July 7, 2020*

**VN asks to be excluded from Philippines' investigations on steel**

The Trade Remedies Authority of Viet Nam has asked the Philippines to exclude Viet Nam from three safeguard investigations on some steel products.

The proposal was stressed in the Trade Remedies Authority of Viet Nam's consultation letter recently sent to the Philippines' Department of Trade and Industry.

In the letter, the Trade Remedies Authority of Viet Nam expressed concern about the Philippines' initiation of three safeguard investigations on steel products imported into the country, including aluminium zinc sheets, coils and strips, pre-painted galvanized iron and pre-painted aluminium zinc, and galvanized iron sheets, coils and strips.

Viet Nam also asked the Philippines to strictly abide by rules for safeguard investigations and imposition in accordance with the World Trade Organisation's safeguard agreement.

In addition, the Philippines needed to use the most updated import date when analysing and assessing the injuries caused by the imports on its domestic industry.

According to the Trade Remedies Authority of Viet Nam, the Philippines' imports of the products from Viet Nam were not considerable and it was eligible for Viet Nam to be excluded from safeguard measures following the WTO's rules.

The agency would continue to cooperate with the Vietnamese Embassy in the Philippines, Vietnamese Trade Office in the Philippines, the Viet Nam Steel Association and producers to keep a close watch on the investigations to protect the legitimate rights of Vietnamese producers and exporters.

The steel industry of Viet Nam has recently faced increasing pressure due to investigations for trade defence measures.

In February, Thailand issued the final conclusion of an anti-dumping investigation on iron steel piles originating or imported from Vit Nam, with the imposition of anti-dumping duties from 6.97 per cent to 51.61 per cent.

At the end of March, Malaysia initiated anti-dumping duty on galvanised steel from Viet Nam with the alleged dumping margin of up to 39.27 per cent.

Canada in March also imposed temporary anti-dumping and anti-subsidy duties on corrosion-resistant steel from several countries, including Viet Nam, at the rates ranging from 36.3 per cent to 91.8 per cent, depending on each enterprise.

Also in March, Australia initiated anti-dumping and anti-subsidy investigations on steel pipe originating from Viet Nam, China, the Republic of Korea and Taiwan.

On May 13, the US Department of Commerce initiated an investigation for tax evasion measures against stainless steel sheet products imported from Viet Nam.

*Viet Nam News, July 15, 2020*

## INDIA

**India's Steel industry benefits from rise in exports to China**

The domestic steel industry, which has been facing headwinds for the past couple of months due to dull domestic demand and the COVID-19 woes, has benefited from increase in exports to China, though at lower margins, according to a report by India Ratings.

Small and mid-sized steel players, especially those in the micro, small and medium enterprises (MSME) category, have been impacted more and are likely to face tight liquidity due to delays in the receipt of receivables and payment of fixed charges towards labour, electricity, among others, said the rating agency.

"The increase in Chinese imports benefited domestic steel players, especially the large steel players who were operational at lower utilisation levels during the lockdown and who compensated for the dull domestic demand by increasing steel exports (majorly to China) albeit at lower margins," the report said.

Domestic realisation per tonne of steel by raw material cost for both hot-rolled coil and rebar are expected to fall further in the second quarter of the financial year 2020-21 with a further fall in steel prices due to oversupply as the production is expected to gradually increase with the easing of lockdown restrictions along with no corresponding increase in steel demand.

Both hot-rolled coil and rebar prices were down 3 per cent and 4 per cent, month-on-month, respectively, in mid-June 2020.

In May 2020, steel prices temporarily rose although higher inventories were available with steel players, mainly due to logistical constraints and manpower availability issues, resulting in limited supply to end-use industries which gradually re-opened after relaxations in the lockdown.

India Ratings, however, noted that timely policy support from the government would help bolster the demand for the domestic steel sector.

"Steel producers have already raised a plea for the waiver of fixed demand charges and surcharges on electricity bills and charging of the actual units consumed during the lockdown period by the respective state electricity boards as well as relaxation in terms of payments of electricity bills, till the situation is favourable for the smooth running of steel plants," it added.

*PTI, July 6, 2020*

**India's large steel export volumes not sustainable in near term: Icra**

Lack of domestic demand following the countrywide lockdown amid the Covid-19 pandemic has prompted Indian steelmakers to look at the export markets

Though weak domestic demand has prompted Indian steel producers to look at exporting the commodity, rating agency Icra is of the view that large volumes of steel exports from India are not sustainable in the near term.

India's finished steel exports grew 76 per cent during April-May 2020 and stood at 1.71 million tonne, as against the domestic demand, which contracted by 69 percent during the same period.

In fact, export of semis from India has also risen significantly by 281 per cent to 1.29 million tonne during April-May 2020 with China being the largest beneficiary (78 per cent share). If both finished steel and semis are combined China became the largest export destination for India during Apr-May 2020 with a nearly 48 per cent share, said Icra.

Lack of domestic demand following the countrywide lockdown amid the Covid-19 pandemic has prompted Indian steelmakers to look at the export markets, it said.

Meanwhile, when compared with China's average import purchase price of $972 per tonne, India's export realisation to China remain much lower at $357 per tonne, implying low value-added products such as semis being majorly exported by India.

Despite low export realisations, domestic steel mills have remained profitable due to low iron ore prices, said Icra.

"Despite sharply lower HRC (hot-rolled coil) export realisations during April and May 2020, a significant drop in iron ore fine prices, as reflected by a drop in NMDC's prices from Rs 2,860 per tonne ex-mine in March 2020 to Rs 1,960 per tonne in May 2020 provided some relief to domestic blast furnace players," Jayanta Roy, senior vice-president & group head, corporate sector ratings, Icra, was quoted as saying.

"When compared with the international prices, domestic iron ore prices remained significantly lower even after witnessing an increase in July 2020, giving a cost advantage of $103/MT of steel produced," Roy added.

Despite this, Icra is of the view that large export volumes from India are not sustainable. India's steel exports were a stop-gap arrangement during the period of subdued domestic demand, where domestic steelmakers preferred to export at less remunerative prices to liquidate the existing inventory and keep their mills running.

Alongside, even the wide gap between India's steel prices, especially for HRC, during Apr-May 2020 in the domestic and export markets have started reducing in June and July 2020. This, coupled with a nascent recovery in domestic steel demand and the recent strengthening of the rupee against the US dollar points at a possibility of reduction in steel exports in the coming months.

*Business Standard, July 14, 2020*

**India: Steel to see demand for long products pick up faster than flats**

Long steel products, which go into building, construction and capital goods sectors, are expected to see a faster recovery than production of flat steel, where the demand is consumer-driven through end user segments like automotives and domestic appliances.

Mint reported in May and June that construction demand kept steel mills running, even as demand from end-user segments like automotives and consumer durables fell significantly.

"Recently, we have seen early signs of some pent-up demand in the long product segment, where some of the projects, which had stopped near their peak execution cycle at the end of the last fiscal, following the lockdown, have gradually restarted. With many of the secondary steel producers yet to resume full-fledged operations, long product prices have consequently seen a healthy increase of late," Jayanta Roy, Senior Vice-President & Group Head, Corporate Sector Ratings, ICRA, said.

"Given the benefit of lower operating costs and better realisations, the sequential recovery from the first quarter lows is expected to be stronger for the long product players compared to the flat product ones," added Roy.

While demand for auto has seen an uptick in rural India, weak demand for heavy commercial vehicles and premium cars remains a big concern for flat steel makers.

Sachit Jain, Vice-Chairman and MD, Vardhman Special Steels, a Ludhiana-based autograde steel manufacturer, said the automotive industry's demand for steel took a sharp fall in the first quarter. "We're seeing each month now doing better than the one before," Jain told Mint in a phone conversation. "We're seeing demand from the rural economy pick up, so tractor, motorcycle, small car sales are encouraging. Heavy commercial vehicles and luxury car segments will take a while to recover. It depends on how and when the lockdown will be lifted – some states are going back into a lockdown now, so that (forecast) may change. It all depends on consumer demand and whether there are second and third waves to the virus."

Car sales numbers bear out this trend. In June, Maruti Suzuki reported a 53.8% decline in local passenger vehicle sales to 51,274 units from a year ago; but this was a sharp improvement from May when the automaker sold 13,865 vehicles. Maruti reopened its plants in a staggered manner in May and gradually ramped up production. Hyundai reported a 49% drop in domestic sales in June at 21,320 units but better than May's performance of 6,883.

Demand for consumer durables like ACs, washing machines and home appliances, another key segment that uses high-end flat steel products, also fell by 12-15% year-on-year, according to market estimates.

The fall in demand from the auto sector is expected to have a downward pressure on profitability of steel makers.

"We expect an EBITDA (earnings before interest, tax, depreciation, amortisation) to plunge 40% on average..Subdued demand in high-margin products, especially automotive, are likely to depress EBITDA/tonne for Tata Steel and JSW Steel," said brokerage firm Edelweiss in a 9 July report.

Overall, the first quarter of the fiscal is expected to see deep cuts in profitability of steel makers. Production estimates from the two large listed private sector steel companies show that production fell by upto 40% during the 75-day national lockdown.

Tata Steel India's provisional production in Q1FY21 was 2.99 million tonnes (mt), down from 4.5 mt in the year-ago period. Sales fell from 3.96 mt in the June quarter of FY20 to 2.92 mt this year. Tata Steel told stock exchanges that capacity utilisation of upstream facilities was adjusted to about 50% level in April while downstream units were closed at the start of the lockdown. Utilisation levels were ramped up gradually to around 80% level by the end of June.

For JSW Steel, the second largest private producer, production fell from 3.96 mt in June 2019 to 2.45 mt this year, down 38%. Through June, operations at JSW Steel's flagship VIjayanagar plant were affected by an outbreak of covid-19, which has so far seen about 500 cases.

Jindal Steel and Power Ltd, the outlier among the three large listed private entities, reported a 12% rise in steel sales in the June quarter to 1.56 mt.

*Live Mint, July 15, 2020*

## C H I N A

**China's steel PMI decreases in June**

China's steel sector purchasing managers' index (PMI) decreased by 1.6 points from May to 49.3 in June, reflecting slow recovery in the steel industry, according to the China steel logistics professionals committee (CSLPC).

Sub-indexes showed that steel production increased but steel demand softened in June, leading to higher steel inventories at mills. Prices for raw materials kept rising while mill purchases slowed on the expectation of lower prices. Steel demand is likely to weaken in July but strengthen later, while steel production would continue to rise on the month but feedstock prices may fall in July, the CSLPC forecasted.

The Argus 62pc Fe index has averaged at $102.58/dry metric tonne (dmt) each month to date, down from an average of $92.29/dmt in May. The month-to-date average of Argus' domestic China rebar price stood at 3,594.76 yuan/dmt, up 2.1pc from the May average.

The steel PMI's sub-index for new domestic orders dropped by 6.5 points to 46.4 on weak downstream demand from heavy rainfall in southern China, including floods in some areas since mid-June. The sub-index had been rising for three consecutive months prior to June. The export orders index was at 31.9, down by 0.7 point from May, and below 40 for a fourth consecutive month because of weakening overseas demand as the spread of Covid-19 accelerated.

The steel production sub-index rose by 1.1 points from a month earlier to 57.5, a fourth straight month of gains. China iron and steel association data showed that steel output at its key member mills averaged 2.1257mn t/d in June, up by 2.89pc on the month and higher by 3.05pc from a year earlier.

Finished product inventories jumped quickly at mills as steel demand decreased but steel production rose, with delivery of products delayed in the rainy season. The inventory sub-index gained 15.1 points to 44.3 in June.

Higher prices of raw material in June resulted from stronger demand from mills and tighter supply for imported iron ore with shipments affected by the global spread of Covid-19.

The higher prices are pressuring margins across steelmakers, CSLPC said. Prices for imported iron ore are likely to trend down in the second half of this year with supply expected to improve, it forecasted. Brazilian supply remains uncertain given the rapid spread of Covid-19. Steel demand would continue to increase in the second half of this year, and steel production is also likely to extend gains. This could increase oversupply under restocking pressure. There is limited room for gains in steel price, CSLPC forecasted.

China's manufacturing PMI rose to 50.9 in June from 50.6 in May, according to the national bureau of statistics. This was the fourth month of expansion in factory activity after it cratered to 35.7 in February.

*Argus, July 1, 2020*

**China steel rebar inches higher on government stimulus plans**

Steel rebar on the Shanghai Futures Exchange snapped three straight sessions of losses to inch up on Thursday, as government financial support sparked hopes for a demand increase, although the sector is still in the midst of its off-peak rainy season.

China's finance ministry has said it is planning to sell more special treasury bonds to fund public health-related infrastructure facilities and aid a virus-hit economy, part of a proposal to issue 1 trillion yuan in such bonds this year.

The most-traded October contract of construction steel rebar closed 0.3% higher at 3,573 yuan ($505.89) per tonne, rising for the first time this week.

Stainless steel futures on the Shanghai bourse, for August delivery, jumped 1.8% to 13,355 yuan per tonne.

However, hot-rolled coils, used in the manufacturing sector, dipped 0.2% to 3,563 yuan a tonne.
FUNDAMENTALS

* Benchmark iron ore futures on the Dalian Commodity Exchange, for September delivery, closed 0.4% lower at 739 yuan a tonne.

* Spot prices of iron ore with 62% iron content for delivery to China, as tracked by SteelHome consultancy, held at $101.50 per tonne on Wednesday, unchanged from the previous session.

* Dalian coking coal increased 1.5% to 1,193 yuan a tonne. Coke edged down 0.2% to 1,873 yuan a tonne.

* China's vehicle sales for June are set to rise 11% year-on-year to 2.28 million units, the country's top auto industry body said in a post on its official WeChat account.

* China will allow local governments to use part of the money they raise from special bonds this year to recapitalise some small banks, the cabinet said on Wednesday, seeking to shore up banks and support struggling small firms amid the coronavirus crisis.

*Reuters, July 3, 2020*

**China's infrastructure push set to provide sustainable support for steel demand**

China has been speeding up infrastructure project approvals this year in a bid to support an economy still impacted by the coronavirus pandemic, with work on most projects starting in the second half of 2020, helping to boost steel demand.

Over January-June, China approved 13 airport projects with a total investment of Yuan 103.96 billion ($14.71 billion), equivalent to 57% of total approvals in 2019, according to S&P Global Platts analysis.

Meanwhile, 19 railway and urban rail transport projects were approved over the same period, with 12 more expected to be approved soon. The length of these projects combined is 4,638 km, equivalent to 77% of the total length approved last year, Platts analysis showed.

Construction of the projects, which will mainly last from 2020 to 2025, will require 23.8 million mt of steel in total, Platts estimates.

China has also been boosting its fiscal support to help speed up infrastructure construction.

It is set to issue Yuan 3.75 trillion of local government special bonds in 2020, up from Yuan 2.15 trillion in 2019. Over January-June, about 60% of the annual quota had been issued.

The special bonds must be invested in infrastructure rather than in property related projects. Some 64% of special bonds issued in 2019 found their way into the property sector, and thus failed to boost infrastructure growth. The Chinese government is being stricter this year, according to industry sources.

Infrastructure construction has already generated strong steel demand since April, due to improved fiscal support, and because developers and builders have been rushing to make up for lost time over February-March when the country was in lockdown.

The construction rush is expected to be completed by June, but continuous fiscal support and sufficient newly approved projects will ensure sustainable strong steel demand in the infrastructure sector in H2 2020.

Some steel market sources expect China's infrastructure investment to increase by around 10% year on year in 2020, from minus 6.3% over January-May. Steel demand from infrastructure construction, therefore, is likely to grow even stronger in H2 than in Q2 2020.

China's major transportation projects and investment

| | 2019 (construction mainly in 2019-2025) | Jan-Jun 2020 (construction mainly in 2020-2025) |
|---|---|---|
| Approved length of railway/urban rail traffic projects | 6,014 km | 4,638 km |
| Approved investment value of airport projects | Yuan 182.68 billion | Yuan 103.96 billion ($14.71 billion) |
| Steel consumption of the approved projects | 31.14 million mt | 23.8 million mt |
| | 2019 | 2020 |
| Issuance of new local government special bonds | Yuan 2.15 trillion (64% invested in property) | Yuan 3.75 trillion |
| Infrastructure fixed asset investment y-o-y change | 3.80% | Market expectation: 10% |
| Source: NDRC, MOF, NBS, S&P Global Platts | | |

*Platts, July 7, 2020*

**Toyota sources crucial steel product from China's Baowu**

Toyota Motor will procure some of its electrical steel sheet from China Baowu Steel Group, China's largest steel supplier, in a move that could presage an era in which Japanese steel-makers will have to compete on price as well as quality, Nikkei has learned.

Steel sheet is a high-performance product and a crucial electric vehicle material, the production of which requires sophisticated technology. Because high quality is critical, Toyota has mainly sourced it from Japan's leading steel-makers.

The deal is seen as a sign Chinese steel-makers, reliable suppliers of large quantities of general-purpose products, are catching up with Japanese rivals in terms of quality.

Toyota has not only approved the quality of China Baowu's steel sheet for use in hybrid and electric vehicles made in Japan, it is already taking delivery of the product.

It is believed to be the first instance in which a major Japanese automaker is using electrical steel sheet made by a Chinese company in passenger cars built in Japan.

Electrical steel sheet is magnetized through a special process. Its production requires sophisticated technologies, such as to remove impurities. The product goes into core components of electric vehicles, including motors.

The material is essential if motors are to operate efficiently. As such, it directly affects the mileage a vehicle can achieve. As high quality is key to the product, only a handful of steel-makers, including Nippon Steel, have been able to supply it to companies like Toyota.

China Baowu will supply a limited amount of the steel to Toyota, but a Toyota executive said the Chinese product "is as good as its Japanese-made counterparts. ... We're going to diversify the material's suppliers, as use of electric vehicles is expected to grow."

China Baowu has also started supplying its products to major U.S. electric carmaker Tesla, according to the Japan Iron and Steel Federation's research.

The deal shows that the steel industry is entering a new phase. China, which produces 60% of the world's crude steel, had primarily focused on low-grade steel used in construction materials and other general-purpose products. Its entry into the high-end side of production means that it is encroaching on one of the few big sources of revenue left for Japanese players.

China, the world's biggest seller of electric vehicles, plans to raise its target for electric vehicle sales to 25% of new car sales by 2025. In 2018, the figure was 4%.

The market for electric vehicles is expected to grow with China forecast to produce more than 10 million of the cars by 2035, 13.7 times the amount it produced in 2018. Europe will also be a major player, with the region expected to produce 6.7 million electric vehicles, 32 times more than in 2018.

China Baowu, which was formed when Baosteel Group absorbed smaller peer Wuhan Iron and Steel Corp. in 2016, intends to capitalize on rising demand for electrical steel sheet.

According to the World Steel Association, Baowu in 2019 was the second largest producer of crude steel, after ArcelorMittal Europe.

The company holds a 60% share in China's electrical steel sheet market and is moving forward with plans to invest over 2 billion yuan ($285.7 million) in its Shanghai factory to further increase its capacity for the product.

China has been consolidating its steel industry, creating bigger players that can eliminate overlapping costs and divert more resources to research and investment.

In 2019, Jiangsu Shagang Group, China's third biggest steel supplier, also started rolling out initiatives to increase capacity.

Japanese counterparts are becoming more vigilant amid the rise of Chinese steel companies supplying high value-added products to the automobile and other key industries.

*Nikkei Asian Review, July 14, 2020*

**China's steel exports fall to 7-year low of 3.70 million mt in June**

China's finished steel exports in June dropped 15.9% month on month and 30.3% year on year to 3.70 million mt, hitting the lowest level since February 2013, customs data released on July 14 showed.

Some market sources expected the steel exports to stay low in July and August, on a preference for local sales.

Finished steel imports into China in June increased 46.7% month on month and 98.7% year on year to 1.878 million mt due to strong local demand, making the imports highest since October 2009.

Steel exports over January-June dropped 16.5% year on year to 28.704 million mt, while steel imports grew 26.1% year on year to 7.343 million mt.

Net steel exports over the first six months of 2020 largely retreated 25.1% year on year to 21.361 million mt.

Some market participants said export orders had remained poor in July, as the Chinese steel prices, which had been driven up again by a strong domestic market, were uncompetitive in Asian market. The current orders were mainly for September shipments.

Some Chinese steel mills on July 13 offered hot rolled coil of SS400 grade at $460-$500/mt FOB, while Indian SAE HRC was offered at $450/mt CFR Vietnam and South Korean SAE HRC was offered at $470/mt CFR Vietnam.

Meanwhile, market sources said the strong Chinese domestic market had kept China open for imported steel, adding that the country's steel imports will remain on high levels at least through the third quarter.

Some sources expect overseas demand would gradually recover in the fourth quarter, which might end the surge in steel imports.

However, they added that the increase in steel imports had been negligible compared with China's steel production, and thus the impact on China's domestic market would be limited.

China's domestic market will continue to be supported by abundant liquidity and strong demand from the infrastructure and property sector in the second half of 2020, leaving little room for its steel exports to rebound, S&P Global Platts analysis showed.

*Platts, July 15, 2020*

## WORLD

**Crude steel output by Asian countries dipped 3.3%**

The steel production statistics published by the World Steel Association (worldsteel) suggests over 3.3% decline in output by Asian region during the month of May this year. This is despite notable production surge in China- the world'ds largest producer and Vietnam.

The Asian crude steel production totalled 113.456 million tonnes (Mt) during the month, down by 3.3% when compared with the production of 117.384 Mt in the same month a year before. The Chinese crude steel output totalled 92.267 Mt, recording a surge of 4.2% over the previous year. The country accounted for more than 82% of the total regional production. Japan continued to remain as the second largest producer in the region, with an output totalling 5.916 Mt, significantly down by 31.8% when matched with the previous year. In third place was India with yearly output of 5.767 Mt.

Apart from China, only Vietnam recorded increased production during the month. The Vietnamese production surged higher by 11.4% to total 1.949 Mt. The largest year-on-year decline in output was recorded in Pakistan, whose output plunged by 69% year-on-year from 290,000 tonnes to 90,000 tonnes.

The Asian crude steel production totalled 532.285 Mt during Jan-May '20. The leading producers during this period were China (411.751 Mt), Japan (36.604 Mt) and Indian (35.851 Mt).

*Scrap Monster, July 1, 2020*

**ASEAN's May vehicle output signals bottoming out for steel, gasoline demand**

ASEAN's automotive demand for steel and gasoline could have bottomed out as vehicle production in May grew 61.6% from 50,760 units in April, data from the ASEAN Automotive Federation showed.

The market sentiment was bullish, although the May output figure reflected a year-on-year plunge for the eighth straight month at 82,023 units, down 77.4% from May 2019, as COVID-19 destroyed automotive demand.

With the May numbers summed up, ASEAN's production for the first five months of 2020 stood at 1.08 million units, down 39.2% year on year.

Nationwide lockdowns slowed both vehicle production and sales in the region, consequently lowering demand for gasoline and raw material steel.

Carmakers' production plummet

ASEAN's leading carmaker Thailand projected production to fall to 1 million-1.4 million units in 2020, figures from the Federation of Thai Industries, or FTI, showed June 18. The range widened from its previous forecast in May for a 33.8% fall at 1.33 million units.

Local sales in May rebounded 34% from April at 40,418 units, though still 54% down from a year earlier, while annual sales in Thailand may drop 30%-50% from 2019's 1.01 million units, the FTI said.

Production could have bottomed out in April "if there is no second wave [of the pandemic]," the FTI said, with May's output at 56,035 units versus 24,711 units the month before.

Thai output in May and April marked a multiyear low that was unseen since 2009, when monthly production for the year averaged 83,282 units. This was also a far cry from the latest five-year average of 167,000 units/month.

Indonesia, ASEAN's second largest producer, too shared hopes of a bottoming out, as May's output totaled 2,627 units, down from 21,434 units in April and a 97.5% collapse year on year, the Indonesian Automotive Manufacturers, or Gaikindo, said.

Unlike its peers in ASEAN, however, Indonesia's vehicle sales did not bounce back in May. The month tallied at 3,551 units, down 55% from April, and a 96% contraction from a year ago.

April's output saw production retracting its way back to monthly averages last seen in 2006, but May's production was almost "wiped off from the board" entirely, Gaikindo said.

Recovery depends on pandemic containment

"Many attempts at forecasting, however, have since only resulted in downward revisions. How the industry is further impacted depends on successful containment of the outbreak," said Yeoh Wee Jin, secretary general of the South East Asia Iron & Steel Institute, or SEAISI, June 30.

SEAISI expects a steel demand recovery on the back of an estimated $332 billion worth of stimulus packages announced by Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, as of June 16.

Nevertheless, SEAISI projects ASEAN's flat steel production to dip to 41 million mt in 2020 from 41.8 million mt in 2019.

Industry participants said any production recovery would depend on the entire supply chain, adding that this was equally as important as the recovery needed in consumer demand for new vehicles.

"A shortage of components, disrupted logistics, and labor shortages may affect global supply chains, disrupting auto production," said Katsuyuki Nakai, a primary credit analyst at S&P Global Ratings, June 30. "We assume factories will restart operations within a short period, catching up on their production plans toward the year-end."

Gasoline demand tepid

Lower vehicle output also traced lackluster gasoline demand in May, as more vehicles kept off the road due to lockdowns, sources said.

Indonesia, the region's largest buyer of gasoline, saw state-run Pertamina's planned import volumes fall to around 9 million barrels in May, with most of the cargoes going into storage, S&P Global Platts reported earlier.

With Pertamina's lower import volumes, Indonesia is set to see a dip of imported gasoline in May, from 10.56 million barrels imported a year ago.

May also saw tepid demand from other Southeast Asian countries, namely Malaysia, Singapore and the Philippines, which have yet to fully ease lockdown restrictions.

Reflecting the general bearish demand in May, the FOB Singapore 92 RON gasoline crack against front-month ICE Brent crude futures averaged minus $1.46/b, weakening from the plus $4.17/b average in May 2019, Platts data showed.

Some optimistic participants said movement in private vehicles is likely to post a sharper recovery in the following months, as people favor private transportation over more crowded public transportation.

"The people that can afford to drive will drive. Not many people want to squeeze in buses or trains with the threat of infection still there," one Singapore-based source said.

*Platts, July 6, 2020*

**CRU: When should idled steel capacity be restarted**

The Covid-19 pandemic has generated significant uncertainty in the commodities market. Steel mill operators, for example, have responded by making capacity reductions, idling facilities or making full-blown closures.

Such tough decisions rest on assessments of a complex mix of market, asset and policy-related considerations. However, traditional scenario-based decision analysis does not take proper account of the value of flexibility associated with different approaches to managing excess supply. In this Insight we show how CRU Consulting's Real Options capabilities can be used to help quantify and evaluate the range of financial outcomes in a way which takes account of critical interdependencies, thereby enabling better informed choices that are fully aligned with the risk preferences of individual firms.

Producers are facing massive disruptions due to Covid-19

Covid-19 has led to massive disruption across the global economy, critically impacting steel and other commodity industries. Global steel sheet demand, for example, is set to fall by 20% y/y in 2020 Q2 and by around 8% for the year. Such unprecedented and adverse market conditions raise fundamental issues for steel makers and other commodity producers regarding the management of their assets and portfolios.

Steel mill operators have responded by making capacity reductions, idling facilities or full-blown closures. Most recently, ArcelorMittal have announced that it has stopped output at its Zenica works in Bosnia. As of mid-April, aggregate carbon crude steel disruptions reached ~115Mt. These operating responses are closely monitored by CRU's steel disruptions tracker.

*CRU, July 6, 2020*

**worldsteel Focuses on Steel Industry's Co-Products**

The World Steel Association (worldsteel) has published a new report highlighting the materials essential for steelmaking process. The policy paper recommends that legislation should encourage the sustainable use of steel industry co-products.

According to Asa Ekdahl, Head, Environment and Climate Change, the use of steel industry's co-products have increased significantly over the past 20 years. On an average, production of one tonne of steel via EAF route generates nearly 200 kilograms of co-products, whereas the production through BOF route produces almost double the volume of co-products. The key solid co-products produced are slags, dust and sludge. Apart from the above, process gases too are important steelmaking co-products. The co-products are either fed back into the steelmaking process or used in applications in other industries. The use of them helps to prevent landfill waste, increase resource efficiency, reduce carbon dioxide emissions, preserve virgin materials, create value and generate revenue. The steelmakers are encouraged to consider co-products as part of their product portfolio and maximize their use, the policy paper noted.

*Scrap Monster, July 7, 2020*

**Finished steel import permits slumped in the U.S**

The American Iron and Steel Institute (AISI) published most recent Steel Import Monitoring and Analysis (SIMA) data, which signals substantial decline in steel import permit applications in the month of June this year.

Based on Commerce Department data, the permit applications totalled 2.003 million net tons in June 2020. This is significantly lower by 12.3% when matched with 2.285 million net tons permit tons recorded in the same month a year before. When compared with May 2020 final imports of 1.500 million net tons, the May 2020 steel import permit tonnage was down by approximately 11%, AISI data said.

In June, the import permit tonnage for finished steel totalled 1.415 million net tons, down by 5.7% from the final imports total of 1.500 million net tons in the month of May this year. Light shapes bar reported largest increase in June permits over the prior month, surging higher by 77%, followed by hot dipped galvanized sheets and strip and cold finished bars, whose exports were up by 68% and 55% month-on-month respectively.

The total steel imports during the initial six-month period of the current year stood at 12.999 million net tons, down by nearly 17% from the prior year. Meantime, finished steel imports in Jan-May '20 were down sharply by 25.3% from the same period in 2019. The largest offshore suppliers through H1 this year were South Korea, Japan and Germany.

*Scrap Monster, July 10, 2020*

**Continuation of Global Forum on Steel Excess Capacity a pre-condition to intensified battle against trade distorting overcapacity**

With the Global Forum on Steel Excess Capacity (GFSEC) having been reactivated, the European Steel Association (EUROFER) has called for an intensification of its ongoing work. The GFSEC is a key forum to establish the transparency necessary to map global overcapacity – a pre-condition to facilitate capacity reductions globally.

"The EU steel industry had already reduced its steel capacity by over 22 million tonnes during the past ten years while at the same time other regions continued to install new, export-oriented capacity that the world simply does not need. EUROFER had therefore, been calling for the government-led Global Forum to be extended, as its mandate had come close to expiring. The vast majority of participating countries agreed and had also asked for it to be relaunched. We are glad that the work of the GFSEC is to continue", said Axel Eggert, Director General of EUROFER.

At the Global Forum's stakeholder consultation on 7 July, representatives of the worldwide steel industry explained to governments the impact of the COVID-19 on steel sectors and formulated clear recommendations to intensify the ongoing work of the Global Forum. The formal GFSEC meeting between members is taking place on 8-9 July 2020.

Both developed and developing economies are experiencing severe demand depressions ranging between 10 to 11% as a result of the pandemic. The crisis has caused the sharpest drop in steel demand since the global financial crisis. The expected global fall in steel demand is 6% for the year, with sharp drops during the 'lockdown' being contrasted with a more tentative recovery.

"The EU market was hit much more severely by the crisis, following already weak market conditions in 2019", said Mr Eggert. "As a result of the sudden collapse in EU steel demand, EU steel production has been cut drastically, by about 28% from mid-March to date, while at the same time cheap offers at our borders are depressing prices jeopardising any sustainable recovery."

"The depression in demand has worsened the existing problem of global excess capacity, particularly as some regions continued to increase production, notably China,", added Mr Eggert. "EUROFER, together with regional steel industries are calling on governments to intensify the ongoing work of the GFSEC, as its work is becoming more important than ever".

"Transparency in addressing capacity-related subsidisation and support measures should remain the policy focus of the Forum. China should come back to the table. Moreover, we ask for intensive monitoring of the evolving situation of global overcapacity in light of demand per region", said Mr Eggert. "Only if the global steel industry has reliable statistics on capacity and demand can informed investment and closure decisions be made".

The Global Forum on Steel Excess Capacity was formally established on 16 December 2016 in Berlin. The Global Forum brings together G20 members and interested OECD members, that represented around 90% of global steel production and capacity until China stepped out of the Forum at the end of 2019. China represents over 50% of the globe's steel capacity and production. The Global Forum meeting was on 8-9 July 2020, with steel stakeholders meeting earlier this week, on 7 July.

*European Steel Association AISBL (EUROFER), July 13, 2020*

## HEADLINES

**Performance of the ASEAN Iron and Steel Industry in 2019 and the Impact from COVID-19**

ASEAN steel consumption continued to increase significantly and reached 80 million tonnes in 2018. Steel consumption increased 1.2% to 81 million tonnes in 2019, as the construction sector slowed down in many of the ASEAN-6 countries.

Flat steel demand continued to expand more significantly, at the average rate of 8.1% from 1998 to 2019, while long steel demand has increased consistently, at an average growth rate of 5.7% during the same period. The continued increase in long steel demand was mainly due to the expansion of construction sectors in the six countries in ASEAN. However, share of long steel usage in the region still remained as significant as 71% compared to demand for flat steel, at 29% in 2019.

In 2019, steel production still increased significantly, by 5.7% y-o-y to 45.3 million tonnes. Import continued to rise, but at a lower rate of 1.3% y-o-y to 51.2 million tonnes in 2019. Steel export in ASEAN-6 countries recently has expanded significantly, at 16% y-o-y to 15.5 million tonnes in 2019. This was mainly due to the huge increase of 1.5 million tonnes of long steel export in 2019, especially export from Malaysia and the significant rising level of flat steel export from Indonesia.

Vietnam continued to be the largest steel producer in the region, with 15.4 million tonnes production, an increase of 6% y-o-y in 2019, followed by Indonesia, at 10.9 million tonnes or an increase of 8.8% y-o-y in the same year. Malaysia's steel production jumped from 3.8 million tonnes in 2018 to 5.6 million tonnes in 2019. This was mainly the robust increase of wire rod production which also resulted in a sharp rise in wire rod export in 2019. Thailand's steel production declined 14.1% y-o-y to 7.8 million tonnes due to a slowdown in steel demand.

Steel import in the region rose only 1.3% y-o-y to 51.2 million tonnes in 2019. Long product import dipped 5.4% y-o-y to 12.5 million tonnes while flat steel import continued to increase 3.7% y-o-y to 38.7 million tonnes in the same period. Major sources of long steel import were China (nearly half of total import), Japan, Korea and import among ASEAN countries. Almost of half of the flat steel import was hot rolled coil, followed by coated sheet and cold rolled coil. Japan and south Korea remained the major sources of import for flat steel. However, China has taken over to become the largest source of flat steel import and the share of the import from China registered 33%, followed by 24% from Japan and 14% from south Korea.

As for export, Vietnam's steel export continued to rise rapidly to reach 1.2 million tonnes in 2010 and 6.59 million tonnes in 2018. However, the export volume increased slightly to 6.63 million tonnes in 2019. Steel export from other ASEAN-6 countries remained below a million tonnes in 2019. Steel export from Indonesia and Malaysia, on the other hand, increased significantly. Indonesia's export of hot rolled plate increased 30.3% y-o-y to 778,198 tonnes and export of hot rolled coil surged by half a million tonnes to 1.8 million tonnes in 2019. Malaysia's export of wire rod jumped from 100,997 tonnes in 2018 to 1.3 million tonnes in 2019. Bar export from Malaysia rose from below 100,000 tonnes in 2018 to 324,197 tonnes in 2019. Export of section increased from around 60,000 tonnes in 2018 to 194,018 tonnes in 2019.

The COVID-19 has hit every country very hard, including ASEAN countries. Many steel consuming sectors have been affected due to the lockdown and cease or slowdown in business activities. Indonesia, Malaysia and Vietnam still maintained its positive GDP growth in the first quarter of 2020 in spite of lockdowns and restrictions. Philippines, Singapore and Thailand experienced a decline in GDP growth rate to as low as -2.2% in the case for Singapore.

Construction is the key industry that drives steel demand in ASEAN-6 countries, with a share of as high as 73% of total steel demand in the region. Construction activities are moving forward with mega projects from government and a continued expansion of projects in private sector.

Construction growth rate in Vietnam, for example, expanded 9.1% in 2019. The construction sector remained positive at 5.2% in the first quarter of 2020. This could be because Vietnam government took action to lock down the country fast and this resulted in short period of lockdown, which has less impact to business activities when compared to other countries.

Philippines, with its Build Build Build projects from the government, enjoyed a positive growth rate of 9.4% in construction sector in 2019. However, due to lockdown and the impact from COVID-19, construction growth declined at 1.8% in the first quarter of 2020.

Thailand's some construction activities were still allowed to proceed with certain restrictions. However, the growth rate in the sector dropped significantly from +2.2% in 2019 to -9.9% in the first quarter of 2020.

Construction in Indonesia slowed down significantly in the first quarter of 2020, at -6.9%, from a positive 5.8% in 2019.

Malaysia's construction sector has been quiet and experienced a slowdown since 2019 and the situation got worse during the COVID-19 with a negative growth rate of 6.3% in the first quarter of 2020.

As for other sectors, including automotive sectors and manufacturing sectors, there were negative signs in the first quarter of 2020. Vehicles sales in ASEAN-6 dropped 19% in the first quarter of 2020. ASEAN manufacturing sector declined 3 months in a row (from March to May 2020). April figures showed the largest contractions with all the lockdowns and restrictions. Most hardly hit countries were Singapore and Indonesia. However, declines were less severe in May as countries relaxed the restrictions.

How fast will recovery take?

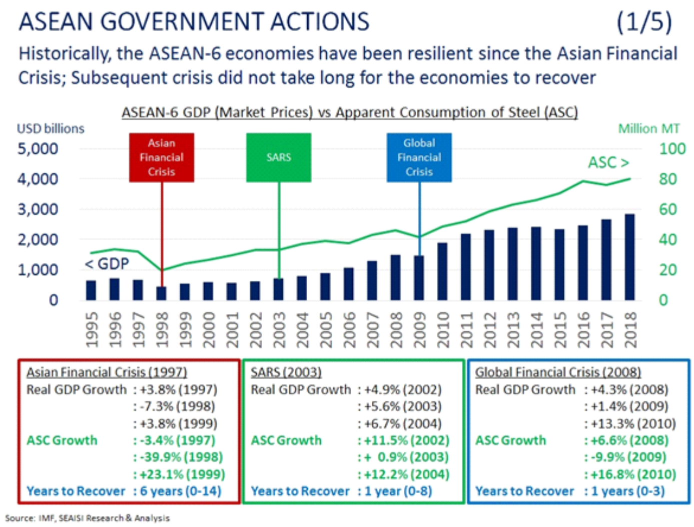
Since COVID-19 is still going on in many countries, it is hard to predict when it will be over. Although some countries, such as Vietnam and Thailand have handled the situation efficiently in terms of the control over infected cases within the country, these countries's economies and steel consumption still linked to the global economy.

Having looked at the historical crises and how well (fast) ASEAN government actions were, ASEAN government took six years to recover from the Asian Financial Crisis in 1998. However, subsequent crises from SARS in 2003 and Global Financial Crisis in 2009, ASEAN government took less than a year to recover the economy.

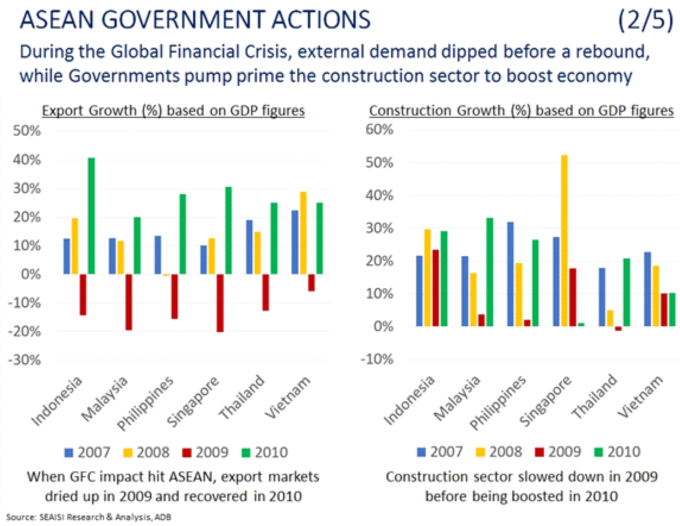
One of the core reasons for such quick recovery could be a big room for the government to pump prime the construction sector to boost economy. In 2009, during the Global Financial Crisis, the impact hit ASEAN badly.

Export market dried up in 2009 but recovered in one year in 2010. Similarly, construction activities slowed down significantly in 2009, especially in Malaysia, Philippines and Thailand. However, by 2010, government managed to boost back the construction activities.

There are many factors that could hold back construction activities in many countries in ASEAN-6 in the upcoming period. They are lack of demand, financial constraints, material shortage, intensified competition, labour shortage, material cost etc.




Nevertheless, there is a positive expectation that the government will boost up the infrastructure activities within 12 months time, especially for Philippines where the government has implemented some of Build Build build projects and Indonesia's mega projects to develop infrastructure in Jakarta region, and to expand cities and bridging Java island and other inhabited islands.




Another reason could be the structure of economic contribution within the country in the region. Indonesia and Philippines, in particular, do not rely their economy a lot on export. The countries are higher dependent on domestic market and for this it is expected that there should be faster recovery from global economic problem as well as the impact of COVID-19, provided if the government continues to manage to control the infection well within the country.

However, many countries in the region also partly are dependent on external markets such as tourism, in particular in Philippines and Thailand, would be strongly affected from the COVID-19 from the sharp drop in foreign tourists.

All in all, SEAISI forecast for the 2020 steel demand in the ASEAN-6 countries is -2.1%. The negative growth rate is mainly the result of the impact of COVID-19 on many sectors that are main drivers for the economy. However, the Institute predicted that there should be a fast kick off from the government to boost up economy by 2021 and for that steel demand would return to be positive of 5.1%. Nevertheless, the speed of recovery very much depends on the containment of COVID19 in the region, and the current resurgence of the virus around the world is a clear sign of the uncertainties affecting economic recovery in ASEAN and around the world.

*Remark: the analysis is extracted from SEAISI Secretary General's presentation at 2020 SEAISI e-Conference Part I (Market and Economics), which was held during 30 June – 2 July 2020*

*SEAISI, July 2020*

SEAISI
South East Asia Iron and Steel Institute

# e-Forum on Sustainable Construction Sector

**24-26 Nov & 1-2 Dec 2020**

# CALL FOR PAPERS

## Suggested Topics

1) Steel Market Developments
2) Towards Steel Infrastructural Development
3) Construction Industry Trends in 2020 and during COVID-19 Pandemic
4) Construction Sector as a Key Steel-Consuming Sector
5) Trade Measures and Impact on ASEAN Steel Industry
6) The Role of the Steel Industry to Enhance the whole Supply Chain of Construction Industry
7) New Technologies in Construction Sector
8) Development of the Steel Business Model for Construction
   - Supply Chain Management Models to Service the Current and Future Customers
   - Total Solution Marketing as a New Art for Construction Marketing
   - Digital Application for Construction Marketing
9) Development on Building Construction System
   - Smart Building Construction System
   - Green / ECO Building Construction System
   - Digital Application to Enhance Construction Methodology and System
10) Life Cycle Approach and Supply Chain Improvement on Construction Sector
11) Design and Technology for Steel Structure

**IMPORTANT DATES:**

**24 September 2020**
Last date of
Paper Synopsis Submission

**22 October 2020**
Last date of
Full Paper Submission

*Acceptance of papers will be on a first-come, first-served basis. Please note that to achieve a balanced programme, SEAISI reserves the right to accept or reject papers. The papers must be presented in English.*

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