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01. MESSAGE FROM THE SECRETARY GENERAL

Greetings from SEAISI. Mr. Tan Ah Yong retired end of October and I have since taken charge of SEAISI. Let me briefly introduce myself.

I have been in the Steel Industry for a couple of decades. My experience during my time with NatSteel, Singapore, was in two main areas:

- Corporate strategy, market research, strategic / feasibility studies, M&A, corporate planning, government relations
- General management of both local and overseas business units for steel fabrication and supply chain management

In addition to my work at NatSteel, I was also the Secretary of the National Committee (Singapore) of SEAISI for more than 4 years. I have actively participated in the various SEAISI Committees, an experience that can be described as eye-opening and fulfilling. Even prior to my term as the Secretary, I have been participating in SEAISI events as a delegate and a speaker for years.

Now that I am in SEAISI, I hope to continue to build SEAISI to add further value to all stakeholders. More details on the new SEAISI direction in the next issue of the newsletter.

<u>The 2019 SEAISI Forum</u>

The 2019 ASEAN Iron and Steel Sustainability Forum was held in the Ritz Carlton Mega Kuningan, Jakarta, Indonesia from 25 to 27 November 2019.

In his opening address, Mr. Win Viriyaprapaikit, Chairman of SEAISI, highlighted that with the new SEAISI direction, change is on the way. The first is SEAISI has a new Secretary General, Mr. Yeoh Wee Jin. Mr. Yeoh, with experience in the steel industry will focus on bringing SEAISI forward. The second change being implemented can be seen in the forum, such as the special session on Indonesia and the emphasis on special content in the area of steel construction.

The Board of Directors has approved the new budget and strategic plan. More resources will be put in to support all the stakeholders to move forward so to make the steel industry sustainable, relevant and of value to everyone.

In his welcoming speech, Mr. Silmy Karim, Chairman of the Indonesian Iron and Steel Industry Association (IISIA) spoke about the Indonesian steel industry:

- The steel consumption of Indonesia rose 11% to 15.1 million MT in 2018, due to growth of steel consuming sectors.
- However, demand is largely served by imports from China and other countries.
- The Indonesian Government has introduced policies to counter the impact of unfair trade and circumvention.
- A few steel industry clusters are being further developed to satisfy the growing demand. The one in Cilegon, led by Krakatau Steel and Krakatau Posco that will have 10 million MT capacity in the near future. Another is the 3.5 million MT Morowali cluster in Sulawesi.

Our keynote speaker is Mr. Dody Widodo, Senior Advisor To Minister For Deepening, Strengthening And Spreading Of Industry at the Ministry Of Industry. The key highlights are:

- The Indonesian Government is targeting a GDP 5.3-5.5% and construction growth of 5.68-5.72%.
- Steel is one of the contributors to the trade imbalance due to large quantities of imports
- The major steel consuming sector is construction (78%), followed by automotive sector at around (8%), Oil & Gas (7%).
- The Steel Industry Development Map targets to achieve a number of objectives in 2035, including a national crude steel capacity of 25 million MT using proven technology, developing the manufacturing industry to strengthen competitiveness and efficiency and producing high value steel products for the automotive, shipbuilding, manufacturing and machinery sectors .
- Many infrastructure projects are expected to complete in 2019, with many more coming up, especially to support industrial development outside of Jawa island.

The special session on Indonesia has four speakers, who discussed the wide-ranging topics on Indonesia, which includes the Indonesian Economy, Infrastructure Projects and Development and Steel Construction Engineering. The takeaways are:

- Apparent steel consumption for H1 2019 reached 7.2 million MT, up 6% from a year ago. Consumption is expected to reach 16.2 million MT in 2019 and eventually hit 22.7 million MT in 2024.
- Construction remains the largest steel consuming sector and will continue to grow. with many upcoming infrastructure projects
- However, the steel industry remains in an overcapacity.
- Indonesia continued to import significant amount of steel from China, especially sections, CRC, plates, wire rod and HRC.
- Proliferation of Induction Furnace is has resulted in unfair competition, quality issues and environmental issues. The Minister of Public Works has issued a letter concerning the quality of steel produced.
- The Indonesian Government is committed to control and restrict importation of steel product to prevent unfair trade.

The session on "Steel Market Developments" saw speakers from SEAISI, Iron & Steel Club of the Federation of Steel Industries, Kallinish and Mysteel covering topics on the ASEAN Steel Industry, ASEAN Construction Sector, Global Capacity and Trade Issues and the China Steel Industry. The key points are:

- ASEAN steel consumption for H1 2019 is 39.2 million MT, up 5.9% from last year. Total 2019 steel consumption for ASEAN is projected to reach 83 million MT
- ASEAN construction sector demand reached 58 million MT in 2018, up 17.8% from 2014. Many mega construction projects across the ASEAN region will sustain continuing steel demand growth in the near future
- Many proposed integrated steel projects in ASEAN will lead to a serious overcapacity and

Continue on next page....

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- it will take about 20 years for ASEAN steel consumption to catch with all these capacities.
- Globally, capacity growth could outpace demand growth, leading to export growth and eventually to narrow margins.
- China's GDP is slowing but steel consumption is still up mainly due to mismatch of supply and demand with oversupply in the flat steel sector while undersupply is ongoing in the long steel sector
- China is actively pursuing the supply reform in the steel industry through various policies on environment and on the steel industry

The Chinese steel mills are gearing up to meet the new emission standards and requirements of the government. They are upgrading their facilities, restructuring their businesses, growing via mergers & acquisition, strategic positioning and reaching out to customers more effectively.

The remaining sessions in the Forum were on the Construction and Construction related topics. The topics covered in the sessions were "Development on Building Construction System", "Development of Materials and Steel Products for Construction Sector", "Smart Factory Technologies for Steel Manufacturer", "Higher Value Delivery Through Digitization and Internet of Things" and "Steel Construction - Material, Technology and Design for Natural Disaster".

The plant tour after the Forum attracted about 25 participants who visited the facilities of PT Bukaka Teknik Utama Tbk, a steel fabricator producing steel towers, boarding bridges, steel bridges and various galvanize products and PT Bukaka Forging Industries, a manufacturer of automotive parts.

SEAISI would like to thank the Indonesian Iron and Steel Industry Association (IISIA) for its support and cooperation in co-hosting this year's event in Jakarta, Indonesia. To all delegates, speakers, chairpersons and the hosts of the site tour, we thank you for your support and participation.

<u>The 2020 SEAISI Forum will be in Myanmar</u>

For the first time, the 2020 SEAISI Forum will be held in Myanmar, a country often viewed as a mystic land shrouded in mystery.

Myanmar is the second largest country in ASEAN occupying a land area of 676,600 sqm. With 54 million in population, the Myanmar market is huge, presenting opportunities for both local and foreign investors to participate in the country's development.

This SEAISI forum will include a special session on Myanmar, covering the country, its economy, the construction industry, investment and other topics of interest. SEAISI will also work on bring you the relevant topics on construction, steel materials and other interesting content.

The forum will be useful for:
- Delegates who are interested in the country and its development
- Potential investors seeking opportunities related to the steel and construction industry in Myanmar
- Exhibitors who are looking at providing their equipment and technology to industry players

We will keep you posted on the details and development on the 2020 SEAISI Forum in Myanmar. I hope to see you there.

YEOH WEE JIN

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AUSTRALIA

China restricts Australian coking coal imports

China is restricting coking coal imports from Australia and prohibiting customs declaration of cargos containing Australian coking coal in Guangdong and Fujian provinces, Kallanish notes.

A Financial Review analyst said that China's restrictions on Australian coal are expected to remain in place into next year. Beijing is seeking to moderate a spike in foreign imports of the commodity to protect domestic supply which will also help to support domestic coking coal prices.

Tightening import restrictions on Australian coking coal will not have a large disruptive impact. This is because most Chinese steel companies' coking coal stocks are close to target, and coking coal import quotas at various ports are also running out,

Moreover, customs data shows that coking coal from Mongolia, Russia, the USA and Canada can also supplement insufficient Australian supply. In September, China imported 7.96 million tonnes of coking coal, down -12% from August but up 20% from the same period last year. Amongst this, imports from Mongolia and Australia were 3.59mt and 3.24mt, down by -3.9% and -28% month-on-month.

Kallanish, November 5, 2019

INDONESIA

Krakatau boosts HRC output

Indonesia's Krakatau Steel says it produced a record amount of hot rolled coil in October. It has yet to commission its new hot strip mill however and currently expects commercial production in early 2020, Kallanish notes.

Its existing plant produced 203,315.55 tonnes of HRC in October, beating the previous record of around 200,000t in December 2017. Shipments of finished steel increased to the year's high of 164,284t in October 2019, but the company says almost all the October production was for existing orders and so its inventories should remain stable. Krakatau has just reported growing losses in the last quarter (see separate article).

The new 1.5 million t/y No. 2 HSM has been planned for many years but is steadily approaching completion. Krakatau now expects the plant to be completed by the end of 2019, with operations to begin in early 2020. That will bring the company's HRC capacity to 3.9m t/y.

Krakatau Steel director Silmy Karim, quoted in Katadata, notes that Indonesia should then have enough HRC to fully supply its own market and imports would not be necessary. He hopes the government will intervene to support local investments by restricting competitive imports. Currently however, Krakatau's own joint venture with Nippon Steel also relies largely on imported HRC to produce autosheet.

Kallanish, November 6, 2019

Indonesia ore ban to hit China nickel pig iron, stainless steel output – analysts

A ban on nickel ore exports from Indonesia will sharply reduce top buyer China's output of stainless steel raw material nickel pig iron (NPI) and have a knock-on effect on production of the corrosion-resistant metal itself, analysts said on Wednesday.

Indonesia, the world's biggest miner of nickel ore, has brought forward a ban on exports to the start of 2020, prompting a scramble for supply before it takes effect.

As it looks to process more resources at home, Indonesia's own NPI production – chiefly from projects operated by Chinese companies including Tsingshan Holding Group – could surge well beyond China's.

"There are so many developments ongoing or proposed in Indonesia that the potential growth of NPI is mind-blowing," said Andrew Mitchell, head of nickel research at Wood Mackenzie. "We have already seen it grow from next to nothing in 2014 to an estimated 500,000 tonnes or so by 2020."

Mitchell, speaking at the China International Nickel and Cobalt Industry Forum in Yichang, sees China's NPI production also coming in at 500,000 tonnes next year, down 13% from an estimated 575,000 tonnes in 2019 because of lower ore supply.

"This could constrain Chinese stainless steel production. I think there is a real risk around whether … we will see production cuts in China," Mitchell added.

China's stainless steel output is set to rise by 13% this year to around 30 million tonnes, according to Xu Aidong, chief nickel analyst at Chinese research house Antaike, who sees output climbing by a slower 4% in 2020.

Xu also forecasts China's NPI output will drop to around 500,000 tonnes next year, believing it will be hard for new projects to launch for a lack of ore, and puts Indonesia's 2020 output at a higher 550,000 tonnes.

Combined, the two countries could account for 49% of global NPI production this year and 51% in 2020, she added.

Mitchell, meanwhile, believes any dent in China's NPI production in 2020 will be dwarfed by the impact the following year, since some Indonesian ore will continue to arrive in the weeks after the ban takes effect, sustaining production.

"So it's only by 2021 that we see a significant decline – and at that point it falls to about 340,000 tonnes."

Ricardo Ferreira, director of market research and statistics at the International Nickel Study Group, put China's nickel ore stocks at around 12.3 million tonnes as of Oct. 18, down from 17 million tonnes at the end of 2018.

Reuters, November 8, 2019

Indonesia's transshipment ban forces scrap traders to divert cargoes, seek out new supply

Traders are scrambling to divert their transshipped containerized cargoes of ferrous scrap bound for Indonesia to other destinations and find new supply sources in response to new import restrictions issued last month by the country's trade ministry.

"I'm working to divert my containerized scrap cargoes to other ports in Asia because the new regulations do not allow transshipment," a trader in East Asia said.

Regulation 84/2019 as seen by Fastmarkets stipulates that ferrous scrap imports must be shipped directly from the exporting country, and cargoes are not allowed to be transhipped through other countries. The registered seller also must be in the same country where the ferrous scrap is exported from. Any shipment landed by way of transshipment has to be re-exported.

The discharge of scrap imports is now restricted to just the ports of Tanjung Priok in Jakarta, Tanjung Emas in Semarang, Tanjung Perak in Surabaya, Soekarno Hatta in Makassar, Belawan in Medan, Batu Ampar in Batam, Teluk Lamong in Surabaya and Merak in Cilegon.

Apart from these, Regulation 84/2019 also stipulates that imported ferrous scrap cargoes be free from contaminants.

Some market sources are expecting Indonesian demand for Asian containerized scrap to increase following the latest restrictions since only a limited number of buyers can purchase deep-sea bulk cargoes. The regulations had no effect on the bulk cargoes segment because such shipments already adhere to them.

But the new rules do restrict Indonesian buyers' options.

"It will be hard for sellers to fulfill the conditions completely, especially when it comes to the purity of the scrap, so there is unlikely to be any sudden increase in the number of Asia-origin cargoes being offered in the market," a trader in Southeast Asia said.

Traders are working to source for materials from other sources such as Hong Kong, the Philippines or Australia to make up for a potential shortfall in the supply of containerized scrap.

Scrapyards on the United States West Coast have stopped loading containerized scrap for shipping to Indonesia in response to the new restrictions. A trader in the North American country does not expect any containerized cargoes to be loaded for Indonesian buyers from now on.

Meanwhile, scrap buyers in Indonesia are appealing to the trade ministry to reevaluate the new rules.

"The new regulations in their current form are not realistic, so it will take a while more to see more culpable effects on the market. The ministry may receive requests from the industry to amend the regulations or simply just delay their implementation," a second trader in Southeast Asia said.

Whether Indonesia increases its billet consumption to make up for the potential scrap shortage remains to be seen, with industry sources in the country estimating that such a scenario would take a longer time to emerge.

These developments have yet to have any apparent effect on scrap prices in Asia, with buyers in Taiwan keeping their bids stable.

"I haven't seen any increase in the number of offers for deep-sea cargoes of containerized scrap, although it could happen in the near term," a Taiwanese trader said.

Scrap suppliers are bypassing Taiwan because of the low prices there, a source at a steel mill in the territory involved in the procurement of the steelmaking raw material said.

"Demand remains stable, but Taiwan isn't receiving many offers from sellers now because the prices here aren't exactly exciting," the source said.

Metal Bulletin, November 21, 2019

JAPAN

Nippon Steel consolidating 5 steel units into Setouchi Works

Nippon Steel will put five steel works in western Japan under its Setouchi Works as part of an ongoing plan to reorganize its operations into six major ones to increase competitiveness, manufacturing, autonomy and efficiency.

This will happen alongside the integration of its other works under its East Japan Works and Kansai Works.

Hirohata Works
Location: Himeji city, Hyogo prefecture
Products: Hot-rolled steel sheet, cold-rolled steel sheet, coated steel sheet, tinplate, electrical steel sheet
Crude steel capacity: 650,000 tonnes
Employees: 1,303

Kure Works of Nippon Steel Nisshin
Location: Kure city, Hiroshima prefecture
Product: Hot-rolled steel sheet
Crude steel capacity: 2.73 million tonnes
Employees: 960

Sakai Works of Nippon Steel Nisshin
Location: Sakai city, Osaka prefecture
Products: Cold-rolled steel sheet, coated steel sheet
Employees: 704

Toyo Works of Nippon Steel Nisshin
Location: Saijo city, Ehime prefecture
Products: Cold-rolled steel sheet, coated steel sheet
Employees: 114

Osaka Works of Nippon Steel Nisshin
Location: Osaka city, Osaka prefecture and Amagasaki city, Hyogo prefecture
Products: Cold-rolled steel sheet
Employees: 249

Metal Bulletin, November 8, 2019

Nippon Steel sees about 400,000 mt production loss from plant stoppages

Nippon Steel, Japan's largest integrated steelmaker, expects to lose about 400,000 mt of crude steel production in fiscal 2019 as a result of stoppages this year at its plants at Kimitsu Works near Tokyo, and Nippon Steel Nisshin's Kure Works in Hiroshima, the company confirmed Thursday.

The company's fiscal 2019 runs from April 2019 to March 2020.

Production at No.1 steelmaking plant with 150,000 mt/year capacity at Kimitsu was suspended after a chimney at its gas-treating facility collapsed due to Typhoon Faxai, which hit eastern Japan on September 9, S&P Global Platts reported previously.

A Nippon Steel spokeswoman said that the company expected the repair would be completed by end of December and the plant could restart from January.

"We have arranged alternative productions at other works such as Muroran Works, Kashima Works, Yawata Works and Wakayama Works, also asked other steel mills to support, but those supports wouldn't be able to cover all losses," she said. She also said total loss of finished steel product productions affected by the stoppage would reach around 340,000 mt in fiscal 2019.

Nippon Steel also forecast the loss from the stoppage of Kure No.2 steelmaking plant at its subsidiary Nippon Steel Nisshin to reach 100,000 mt over the same period.

Nisshin's Kure No.2 steelmaking plant has been closed due to a fire which occurred on August 30, S&P Global Platts previously reported. The company expected it would be difficult to restart before the end of current fiscal year.

The Nippon Steel spokeswoman said total production loss from Nisshin was expected to reach 450,000 mt but Nippon Steel would cover 280,000 mt for Nisshin, and 70,000 mt of stocks could be used, so the total loss would be around 100,000 mt.

"Our other works have been operating below full production levels so those could use available capacities to support Kimitsu and Kure," the spokeswoman said.

Meanwhile, the company expected the business impact loss — which includes both volume loss and cost loss — from Kimitsu Steelmaking stoppage to reach Yen 25 billion ($229.23 million), and those for Nisshin's Kure to be Yen 15 billion.

Platts, November 8, 2019

Japanese steel mills to lift Oct-Dec finished output by 2.2% on quarter: survey

Japanese steelmakers plan to lift finished steel production to 21.73 million mt over October-December, down 4% on the year but up 2.2% from July-September, the latest survey by Japan's Ministry of Economy Trade and Industry showed.

Crude steel production is seen at 24.73 million mt, down 3.8% on the year but up 0.7% on the quarter, the survey revealed.

The production for domestic supply is planned at 14.60 million mt, down 6.5% on the year but up 2.4% from July-September while those for export at 7.13 million mt, up 1.7% on the year but down 3.6% on the quarter, according to the survey.

"Domestic demand is improving slowly but export movement by manufacturers are very concerned," steel mill sources said Monday.

An integrated mill official said domestic manufacturers, including machinery makers, were concerned about the global economic uncertainty amid the US-China trade dispute. "They are adjusting their export plan lower, and their actual steel orders in previous months have also decreased," he said.

The ordinary carbon steel orders booked by Japan's machinery sector during July-August stood at 241,573 mt, down 8.8% on the year, while those for special steel were at 227,887 mt, down 28.3% on the year, according to the latest data by the Japan Iron & Steel Federation.

"We heard that production activities by overall manufacturers for domestic supply were stable, but it won't compensate for a drop in their exports," the integrated mill official said.

Meanwhile, an official from an electric arc furnace mill said the construction steel demand from the civil engineering works was expected to stay firm during the current quarter, but demand from building construction would be lower compared to last year because of all the projects related to the 2020 Tokyo Olympics.

"We haven't included in our plan but there were several disasters hit Japan after summer, we will to see more of construction steel demand for recovery work, we have to put priority to supply to these works when those are ordered," he said.

Platts, November 13, 2019

KOREA

Posco sees weak Korean demand

South Korea is likely to see demand in the current quarter fall sharply year-on-year, according to the Posco Research Institute (Posri) quoted in Posco's latest quarterly results. Shipbuilding completions have soared, but automotive and construction markets are weaker, Kallanish notes.

Demand in the fourt quarter is expected to fall by -7.4% year-on-year to 13.2 million tonnes, Posri forecasts. Over the full year 2019 however that would still leave demand up 0.2% at 53.8mt. Weak demand has also hit steel output, which in Q4 is expected to be down -1.6% y-o-y at 18.5mt. Over the full year, production is expected to be down -1.6% at 74mt.

The balance has left Korea exporting less and importing more over the year, but this trend is being reversed in Q4. Exports are expected up 5.8% y-o-y in Q4 at 7.4mt, while imports (including semis) are expected to be down -9.9% to 3.7mt. Over the whole year however, this would leave exports down -1% at 30.1mt, while imports would be up 7.1% to 16.5mt.

Shipbuilding has rebounded strongly after 2018 output was hit by weak orders from 2016. Completions are expected to be up 78.8% y-o-y in Q4 at 4.5 million gross tonnes. That was in part driven by a number of orders from 2018 taken with short delivery times, Posri notes.

Automotive output meanwhile will continue to slump despite government attempts to revive the market this year. Q4 completions are expected to be down -3.6% y-o-y at 1.088m units. That would mean y-o-y growth in output has been negative for three of the four quarters of 2019.

In the construction sector, a weak private sector is being supported by more government-led civil engineering projects. Overall construction investment however has remained negative for the whole year. After recovering from a -7.2% y-o-y drop in Q1, Q4 investment is forecast to be down just -2.2% y-o-y.

Kallanish, October 28, 2019

MALAYSIA

Gradual steel demand recovery likely from mid-2020

Building material sector

Maintain underweight: In view of the challenging industry prospects arising from the lacklustre demand and intense competition from a relatively new entrant, the government is encouraging local steel sector players to consolidate. The export market represents a huge opportunity to tap, especially the Asian region. A key external risk arises from China not setting a blanket winter output cut for its steel producers (unlike in previous years). We maintain our “underweight” rating on the sector, “sell” on Ann Joo Resources Bhd with a target price (TP) of RM1.04 and “hold” on Malayan Cement Bhd (previously Lafarge Malaysia Bhd) with a TP of RM3.28.

We attended the 2019 Trade Forum on the Malaysian Iron and Steel Industry, walking away slightly disappointed as we felt the forum did not address structural issues faced by domestic steel players.

We understood from the forum that the ministry of international trade (Miti) will present its proposals to the ministry of finance for consolidation incentives (which may include, among others, tax incentives) to foster sector consolidation. Miti will also produce a White Paper on the steel industry to protect local players, including imposing a moratorium on licences granted to foreign steel manufacturers which intend to set up manufacturing facilities in Malaysia.

The forum panel suggested that local steel players explore opportunities outside of Malaysia, in particular markets in Asia given the region’s high steel consumption. We note that Asia consumed more than 15.9 billion tonnes of steel in 2018, higher than in other regions.

Apart from the conference’s highlights, which we deem “neutral” for the sector’s near-term prospects, we remain negative on the steel sector on the back of: i) renewed concerns over dumping from China; and ii) weak near-term demand prospects locally.

Also discussed at the forum was the subject of China directing local governments to set limits based on manufacturers’ emission level. We feel there is renewed concern that Chinese steel producers may dump their steel.

Domestic steel consumption remains weak given subdued construction activity. We believe the weak domestic demand will be protracted at least into the end of the first half of 2020, no thanks to delays in project implementation arising from past reviews. Based on our channel checks, some industry players expect a gradual recovery in steel demand to only materialise by mid-2020 largely on the back of a pickup in megaprojects, such as the Sungai Buloh-Serdang-Putrajaya Mass Rapid Transit Line, the Light Rail Transit Line 3, the East Coast Rail Link, the Johor Baru-Singapore Rapid Transit System and Bandar Malaysia. — Hong Leong Investment Bank Research, Nov 5

The Edge, November 7, 2019

PHILIPPINES

Manila billet market rises on suppliers’ price spike

The Manila billet market has risen on higher-priced deals in the region amid hiked offers from suppliers, Kallanish understands. However, buyers in the Philippines are slow to close deals because sellers are seeking large price increases.

Billet import offers have gone up sharply. Certain Russian suppliers are indicating $430/tonne cfr for fresh offers. “No one will take such sudden spikes,” a Manila trader said last Friday. This is a $25/t increase from the last-heard Russian booking at $405/t cfr Manila the previous week. He believes it is now possible for buyers to accept $410-415/t cfr.

Offers had jumped to $425-430/t cfr on Thursday, from $415-416/t cfr Wednesday, says another trader who has not heard of recent deals. “Suppliers are trying to stampede the market into buying,” he says. He personally believes that “…underlying demand is still weak all over the world.”

Elsewhere, Russian 150mm billet for January shipment was booked at $410/t cfr Taiwan, Taiwanese trading sources say. A regional trader for a Russian mill says that $410/t cfr is “…a workable price.” “Prices are going up. But I don’t think that it is possible to be higher than $420/t cfr,” he adds.

Traders reported hearing 40,000t of Vietnamese blast furnace billet for end-November/early-December shipment booked at $395/t fob for the China market earlier in the week. With freight at around $15/t, this would be equivalent to $410/t cfr, Vietnamese trading sources estimate.

However, there are unconfirmed reports that the Vietnamese cargoes were sold higher at $418/t cfr China because the shipment is prompt. Kallanish understands that ASEAN imports into China also enjoy a 2% import duty advantage.

On Friday, Kallanish assessed 5sp/ps or Q275 120/125/130mm square billet at $410/t cfr Manila, $6 higher on-week.

Kallanish, November 18, 2019

TAIWAN

Taiwanese container scrap prices stabilise

Sufficient scrap supply and competitive imported billet have stabilised the Taiwanese market for containerised scrap this week, Kallanish notes..

The local scrap market in Taiwan has been steady over the last seven days. One Taiwanese trader tells Kallanish that major steel mills in Taiwan have concluded deals for HMS 1&2 80:20 container scrap from the US West coast at $245/tonne cfr Taiwan, unchanged from last week's price. However, some scrap traders in Taiwan saw bids at $240-243/t cfr.

Taiwanese local scrap traders believe that scrap prices may have peaked already because mills have already booked enough scrap supplies. Major steel mills in Taiwan have purchased a large amount of scrap from Japan in the past few weeks.
Offers for Japanese H2 were heard at $260-263/t cfr level this week, Kallanish notes from a market source. Deals were concluded at $255/t cfr last week.

Some traders note that Taiwanese mills can directly buy billet imports, and that this route is cheaper than for them to run their meltshops to produce billet. A trader says that billet from "... everywhere" is around $395-400/t.

Kallanish maintains its weekly HMS 1&2 80:20 container scrap assessment at $245/tonne cfr Taiwan on Wednesday, unchanged week-on-week.

Major Taiwanese EAF mill Feng Hsin Iron & Steel left unchanged its scrap procurement price and rebar list price on Monday. Its purchase price for HMS 1 is now TWD 7,600/t ($250/t) and its ex-works list price for #5 (5/8 inches or 15.875mm nominal diameter base) rebar is TWD 15,700/t.

Kallanish, November 6, 2019

VIETNAM

Vietnamese scrap market moves up

The Vietnamese scrap market has risen in tandem with the uptick in international scrap markets, Kallanish notes. Vietnamese importing mills have to pay more for scrap because of increased buying prices in Taiwan and Turkey in recent weeks, importing sources say.

On Thursday, a Vietnamese EAF mill ordered 18,000t of Japanese H2 scrap at $262/tonne cfr Vietnam. On Tuesday, a deal for Japanese H2 scrap closed at $265/t cfr. These are up to $10/t higher compared to a previous H2 scrap order at $255/t cfr during the week beginning 21 October.

A trader sold HMS 1&2 70:30 scrap from the Philippines on Wednesday at $267/t cfr Vietnam. Hong Kong-origin 1/2 50:50 grade scrap was also ordered at $262-263/t cfr Vietnam.

At current scrap prices, EAF mills are facing difficulties because finished steel prices are still weak in Vietnam. We are reducing production and started buying blast furnace billet as well," a source with an EAF mill says. He expects the market to remain sluggish for the next 2-3 months. "Normally, finished product prices drop before the Lunar New year," he adds. The Lunar New year commences 25 January 2020.

"I think prices for H2 scrap can reach a maximum of $265-270/t cfr next week, and stay at that level," a Vietnamese scrap trader says.

Blast furnace mills are now more competitive than EAF mills in Vietnam because iron ore prices are stable. Domestic blast furnace billet for November shipment was ordered by an EAF mill at $398/t cfr southern Vietnam last week.

Kallanish, November 8, 2019

Vietnam imposes AD duties on color-coated steel from China & South Korea

Ministry of Industry and Trade of Vietnam decided on October 24th to impose the anti-dumping (AD) duties on the color-coated steel products from China and South Korea, the investigation was launched in October 2018.

The products involved belonged to HS codes 7210.70.11, 7210.70.19, 7210.70.91, 7210.70.99, 7212.40.11, 7212.40.12, 7212.40.19, 7212.40.91, 7212.40.92, 7212.40.99, 7225.99.90 and 7226.99.99. Vietnam set the AD duties on Chinese and South Korean imports at 2.53% to 34.27%.

However, some special color-coated steel products that Vietnam couldn't produce were excluded from the AD measure, including PCM and VCM products for the production of refrigerators and consumer electronics, and thermal power plant.

Yieh, November 11, 2019

Steel products experience slow consumption in October

Consumption of steel products, especially colour-coated steel, declined in October while production continued to rise, according to the Vietnam Steel Association (VSA).

The VSA said construction steel production of its members reached 914,520 tonnes in October, up 10.05 per cent compared to September and similar to to the same period in 2018. However, consumption reached 867,356 tonnes, up 9.42 per cent compared to September but down 3.2 per cent compared to the same period last year.

The association also calculated that production of hot rolled steel products reached 353,420 tonnes, up 17.28 per cent compared to September and up 3.4 per cent over the same period in 2018, but consumption was only 291,850 tonnes, down 7.83 per cent and 1.5 per cent compared to September and the same period last year, respectively.

Similarly, cold rolled steel production reached 331,365 tonnes, up 1.96 per cent compared to September and equal to last year. Consumption reached 184,920 tonnes, a decrease of 6.72 per cent compared to September but an increase of 4.3 per cent compared to the same period last year.

Colour-coated steel production saw the sharpest decline in October, reaching 348,902 tonnes, an increase of 4.51 per cent compared to September, but down 15.3 per cent compared to the same period last year. Consumption reached 325,998 tonnes, an increase of 4.32 per cent compared to September but down 5.3 per cent year-on-year.

Exports declined 18.8 per cent compared to the same period in 2018 to 130,158 tonnes. In recent years exports of corrugated iron products had been on the rise. The decrease in consumption and increased production had caused problems for many enterprises, forcing them to lay off employees.

Ninh Th Bích Thy, general director of TVP Steel Joint Stock Company, said the consumption of corrugated iron faced difficulties due to local competitive pressure between local and imported products as well as from the US-China trade war which affected exports with stricter trade barriers.

They told local media that tightened lending from banks for the realty market had also slowed down the construction industry, having a knock-on impact.

As of September 30, Viet Nam had exported more than 5.95 million tonnes of finished and semi-finished products, up 3.9 per cent in volume over the same period in 2018 but down 8 per cent in value, reaching over $3.9 billion.

Notably, exports of colour-coated steel products decreased by 22.5 per cent, while cold rolled steel dropped by 29 per cent.

According to the VSA, while exports fell sharply, imports had continued to increase year by year. As of September 30, imports of finished and semi-finished steel products reached more than 12 million tonnes, and total import turnover reached more than $8.2 billion. Most imported products came from China, Japan, South Korea, Taiwan and India.

A VSA leader said: “We are unable to see any improvements to current production and business.”

To help local steel producers, on October 29, the Ministry of Industry and Trade (MoIT) decided to apply anti-dumping duties on some colour-coated steel products originating from the Republic of Korea (RoK) and China.

The MoIT also extended anti-dumping duties on cold-rolled stainless steel products originating from China, Indonesia, Malaysia and Taiwan (China) for an additional five years, starting from October 26.

Viet Nam News, November 19, 2019

Myanmar offers big market for Vietnamese goods, say experts

Myanmar is considered a very promising market for Vietnamese companies because of factors like cultural similarities, similar consumption trends, low cost of market research, and easy export procedures, experts have said.

Pham Thiet Hòa, director of the Investment and Trade Promotion Centre of HCM City, said Myanmar was a great market for Viet Nam’s agricultural, iron and steel and dairy products, and auto and machinery spare parts.

This year Vinamilk, the country’s biggest dairy company, invested in its first factory in Myanmar to meet the increasing demand for milk and milk products there.

Milk consumption in that country, which has a population of 55 million, is 10 litres per capita per year. It is 17 litres in Vit Nam.

Consumers there are particularly fond of Vietnamese fresh produce and processed foods such as coffee and fruits, according to Nguyen Tien Minh, an economist.

The prices of Vietnamese goods are very competitive, especially compared to those imported from non-ASEAN countries, because ASEAN members have a free trade agreement with each other.
“But we face fierce competition from companies in the region, which requires Vietnamese enterprises to improve product quality and reduce costs to improve their competitiveness.”

Vietnamese manufacturers must also make efforts to establish their brands in the global market and invest more in product packaging and labelling, he said.

“Foreign buyers require standardisation and uniformity in quality, weight and specifications.”

Minh was speaking at a conference on promoting Vietnamese exports to Myanmar in HCM City yesterday.

Bilateral trade was worth US$860 million last year, making Viet Nam the ninth largest trade partner of Myanmar.

Viet Nam is also the seventh largest investor in Myanmar with 18 large projects totally worth nearly $2.2 billion.

Major companies such as Hoàng Anh Gia Lai, the Bank for Investment and Development and Viettel have operations there.

To promote Vietnamese goods, the Vit Nam Trade Promotion Agency will host an annual goods fair in Yangon from December 19 to 22.

It will feature 100 stalls displaying processed foods, consumer products, machinery and equipment, electrical and electronic goods, and medical and chemical products.

Viet Nam News, November 20, 2019

BRAZIL

Brazilian steel demand set to grow by 6-8% in 2020, Gerdau says

Brazilian apparent steel consumption is set to grow by 6-8% in 2020 if current gross domestic product (GDP) estimates are met, Gerdau’s chief executive officer Gustavo Werneck said on Thursday November 7.

The long-steel sector could rise faster because construction, its largest consumer, was hit harder during the country’s recent economic crisis and has not yet started a significant recovery, the CEO added.

The Brazilian steelmaker calculated flat-rolled steel demand would have to increase by 11% to regain its 2013 peak, while long products could climb by 39%.

"The market is seeing a 2% GDP growth in Brazil for 2020, and surely steel consumption will be higher than that," Werneck told analysts and investors during a meeting in São Paulo. "There is not an official estimate yet, but we calculate consumption will increase by 6-8%."

Brazilian apparent steel consumption totaled 15.64 million tonnes in the January-September period, down by 2.8% from 16.09 million in the same months in 2018. Flat-steel demand was 9.29 million tonnes, falling by 2.6% from 9.54 million tonnes a year before, and long-steel consumption hit 6.36 million tonnes, 3.1% lower than 6.56 million tonnes one year earlier.

The construction sector recovery in mid-2019 resulted in more orders for long steel starting in July, the director of Gerdau's Brazilian unit, Marcos Faraco, said. This late improvement would translate to a small 0.7% construction GDP rise in 2019, but growth could accelerate to 4.2% in 2020, he added.

While residential and non-residential markets have been performing better in general, infrastructure has yet to pick up, the executive stated. In that segment, performance is expected to strengthen more robustly in 2021-22.

Almost half of the company's sales volumes are aimed at construction, Faraco said.

Long steel is also the space where Gerdau has more room to improve profitability. The company current uses 60-65% of its capacity in that sector, while its hot-strip mill is at 100% throughput. This room to supply more long steel will help the company to regain market share in the country, Werneck said.

New participants entered the Brazilian rebar market during this decade, acquiring a slice of the market that was previously shared by Gerdau, ArcelorMittal and Votorantim Siderurgia. Recently, this competition - coupled with weak demand - has made it harder for steelmakers to increase rebar prices.

Fastmarkets most recently assessed the price of steel reinforcing bar (rebar) domestic monthly, delivered Brazil, at 2,220-2,320 Reais ($556-581) per tonne on November 1, up from 2,165-2,300 Reais per tonne a month before but significantly lower than 2,800-2,860 Reais per tonne in early December 2018.

Metal Bulletin, November 7, 2019

INDIA

Indian steelmakers predict reduction in subsidies after WTO ruling on exports

Indian steel manufacturers expect the Indian government to trim its support for their exports following an adverse ruling by the World Trade Organization in a subsidy dispute brought by the United States.

"The [Indian] Ministry of Industry & Commerce was already looking at revamping trade and tax policies, which includes scrapping certain export incentive schemes that have now been termed as subsidies [by the US]," Arnab Kumar Hazra, the assistant secretary general of Indian Steel Association told Fastmarkets. "It might expedite the process after [the new] WTO announcement."

On October 31, a WTO disputes panel ruled that various export promotion schemes run by the Indian government violated global trade rules and should be withdrawn within 90-180 days. The ruling follows a March 2018 complaint from the US government, which claimed the subsidies were hurting American companies and were in breach of global trade laws.

Export promotion schemes benefiting the steel sector that could now come up for review highlighted in a written statement to the Indian parliament issued in July by Dharmendra Pradhan, India's minister of steel, include the 'Merchandise Exports from India Scheme', the 'Market Access Initiative' and the work of a government 'Export Promotion Council'.

However, according to Arun Kejriwal, director of Mumbai-based investment advisers, Kejriwal Research & Investment Services, the Indian government could appeal against the WTO ruling and could argue that these schemes are not outright and illegal subsidies. He also claimed the Trump administration was unlikely to push the Indian government hard on implementing the ruling because he needs the support of the US/Indian diaspora to win the 2020 elections.

Hazra said that the Indian government might, indeed, appeal against the WTO ruling, although it has yet to comment officially.

He added that, if the government was to cut subsidies, it could compensate the steel industry through tax breaks, such as withdrawing a royalty paid on iron ore, or by slashing contributions to district mineral funds.

The minister of steel said the government might take time to decide how to react, however, given that India's total steel exports have been performing unevenly. During the financial year ending March 2019, exports amounted to 6.36 million tonnes, which was 34% down on the previous year, Pradhan said.

The assistant secretary general of Indian Steel Association said that, since April, Indian steel exports have been rising because of slowing economic growth had dampened domestic demand for Indian steel. Hazra said that last month Moody's cut India's 2020 financial year growth forecast to 5.8%, down from an earlier 6.2%, and that the dip in demand had forced some manufacturers to use blast furnaces to sell below cost.

Domestic steel prices have fallen to $500 per tonne, he said, and after deducting local taxes this means they are almost same as in the international market.

India's steel exports are especially focused on the Association of Southeast Asian Nations (Asean), where it has the advantage of a free-trade agreement, Hazra added.

Kejriwal said that hot rolled coil was the main export item, in competition with Russian and Chinese manufacturers. He added that Indian expertise lay in making steel for automobiles and speciality applications such as wire ropes.

Fastmarkets' price assessment for steel hot-rolled coil domestic, exw India, was 32,000-32,500 rupees ($453-460) per tonne on November 1, while the price assessment for steel hot-rolled coil (commodity) export, fob main port India, was $405-410 per tonne on the same date.

Fastmarkets' price assessment for steel hot-rolled coil import, cfr Vietnam, was $420 per tonne on November 4.

Metal Bulletin, November 6, 2019

India scrap policy foresees 700 shredders by 2030

India has published its Steel Scrap Recycling Policy that envisages the country becoming self-sufficient in scrap supply to support the increasing share in steelmaking of EAF/induction furnace mills.

The report, a follow up to its draft policy report published in June (see Kallanish passim), is available on the Indian steel ministry website.

India's unorganised domestic scrap industry generates around 25 million tonnes/year of scrap, while scrap imports in 2017 totalled around 7mt at a cost of over INR 24,500 crore ($3.45 billion).

With the increase in consumption of steel in the recent past and end of life vehicles, the generation of scrap is likely to be increased considerably, the ministry says.

To generate an additional 7m t/y of scrap and eliminate imports, India will require 70 scrap processing centres each with the capacity of 100,000 t/y, without disturbing the existing dismantling centres. The 70 scrap processing centres will require about 300 collection and dismantling centres on the presumption that four collecting and dismantling centres cater to one scrap processing centre.

With India's plan to reach to reach 250m t/y of steel production by 2030, as part of its National Steel Policy, scrap requirement will increase to 70m-80m t/y. This will require around 700 scrap processing centres, or shredders.

The National Steel Policy aims to raise Indian steelmaking capacity to 300m t/y by 2030, with 35-40% of output coming through the scrap-based EAF/induction furnace route.

In September Metso said it will supply Tata Steel India with a Texas Shredder for its upcoming steel scrap recycling plant, marking the first steel scrap shredding facility in India.

Kallanish, November 8, 2019

Indian Steel Ministry announces plans to boost scrap steel availability

The Indian Steel Ministry made public on Wednesday, its new Steel Scrap Policy. The policy outlines tasks to be carried out by various other ministries to boost the steel scrap availability in the country by another 7 million tonnes. This is aimed at reducing its dependence on imported scrap.

According to the Ministry, the country sources nearly 25 million tonnes of steel scrap domestically. This is much shorter than the actual requirement. Currently, it imports around 7 million tonnes of scrap per annum at an expense of nearly INR 24,500 crore. By boosting domestic scrap availability by another 7 million tonnes, the Ministry aims to save the money, it currently spends on imports from other countries. Incidentally, the set goal of 300 million tonnes per annum of steel production by 2030 would further elevate the scrap requirement by mills.

The Steel Ministry directed the Ministry of Road Transport to formulate a stricter fitness certification policy and voluntary vehicle scrapping policy, which in turn would lead to increased generation of scrapped steel.

Scrap Monster, November 8, 2019

Indian steel exports surge in October

India's October finished steel exports surged by 60pc to 950,000t from a year ago, according to initial estimates by the Indian steel ministry.

Year-to-date exports have risen by 27.7pc to 4.88mn t for April-October from the same period in 2018. India's fiscal year runs from 1 April.

A surge in hot-rolled coil (HRC) exports is driving much of the growth.

Indian mills are competing aggressively with Asian counterparts, especially into Vietnam, which has emerged as the biggest destination for Indian HRC in recent months.

That trend is borne out in breakout data current through September. Its steel exports to Vietnam jumped to 1.04mn t in April-September from a low base of 293,000t in same period last year. HRC makes up the greatest share of total exports in April-September, at 2.28mn t, up by 68pc on the year.

About 500,000t of HRC exports were booked in October, and 400,000t are likely to be booked in November, a Mumbai export agent estimated. Indian mills have raised offers this month, lifting sentiment in seaborne HRC markets.

"Indian mills are now turning speculative and raising their offers to Vietnam," he said. Mills have raised offers to $430-435/t cfr basis, but bids are likely to be only about $425/t levels.

Driving some of the demand is Indian mills' ability to deliver within one month of booking orders, faster than other suppliers. Indian HRC is also finding demand from buyers in Taiwan, the Middle East and Europe. India-based participants expect offers to be about $415/t fob Mumbai this month.

Indian mills, enduring low domestic demand, are finding better prices in export markets, a Mumbai steel trading firm said. India's domestic steel consumption in October rose by 0.2pc to 8.39mn t, and in April-October it rose by 4.2pc to 59.23mn t.

A prolonged monsoon from June-October and tightening of bank credit resulted in lower consumer spending, a Mumbai mill marketing manager said. Domestic demand from steel-buying sectors such as automotive, consumer durables, construction and real estate remained subdued throughout the monsoon months, resulting in falling prices.

On 1 November, Argus assessed the domestic India price for 3mm-thick HRC at 33,500 rupees/tonne ($472/t) ex-Mumbai, lower by Rs7,000/t since the first week of July.

Argus, November 8, 2019

Steel minister okays iron ore supply to Andhra for greenfield steel project

Union Minister for Petroleum and Steel Dharmendra Pradhan has assured the Andhra Pradesh government of iron ore linkage for the proposed steel plant in chief minister Y S Jagan Mohan Reddy's home district Kadapa.

Pradhan, who met chief minister Reddy at Amaravati on Friday, responded positively to the latter's request. Public sector iron ore miner NMDC would soon sign an MoU with the state government for the iron ore supply, chief minister's office said.

During the meeting, Reddy also requested Pradhan to consider setting up of a greenfield refinery at Kakinada through the public sector oil companies, as mentioned in the State Reorganisation Act. He also wanted the Centre share the royalty collected from the oil companies equally with the state, stating that oil and gas exploration activities have been posing various environmental risks besides depleting the fish population in the state.

Pradhan said AP was likely to get huge petroleum investments as several big players were looking to invest as much as Rs two trillion in the east coast during the next five years.

Business Standard, November 11, 2019

India may retaliate against US in steel dispute at WTO

India may retaliate against the US on the basis of issues that have been decided in India's favour by the World Trade Organisation compliance panel in the dispute over countervailing duties on steel imports. This can happen in case Washington does not appeal the ruling, which it can do over the next 60 days.

"In the compliance panel report issued by the WTO on Friday, there are some unfavourable issues for India, but there are other important ones where the ruling is favourable. The Indian team is studying the report and is looking at the possibility of moving for retaliation," an official familiar with the matter told BusinessLine.

However, India can ask WTO for retaliation only if the US does not appeal the ruling, he added. New Delhi is also examining if it should appeal against the rejection of some of its claims.

US actions reported

On Friday, a report was submitted by the WTO compliance panel set up to determine whether the US brought certain measures into compliance that were found to be inconsistent in its original dispute with India. The US' reinvestigation on whether to apply countervailing duties on imports of certain hot rolled carbon steel flat products from India, as well as a US legislative measure concerning assessments of injury to domestic firms were under the scanner.

"The most important ruling from India's point of view is that the panel upheld its contention that the US acted inconsistently with Articles 15.1 and 15.5 by failing to consider the impact of dumped imports from China, Kazakhstan, Romania, Chinese Taipei, and Ukraine on the injury suffered by the domestic industry and to separate and distinguish it from the effects of subsidised imports and of other known factors," the official said.

The observation on calculation of injury suffered is important because while determining whether countervailing duties, which are penal duties to counter the impact of imports that got subsidies in the home country, it is not just enough to show that the product was subsidised. The importing country also has to prove that the subsidised import caused substantial injury to its domestic producers.

"We recommend that the US bring its measures into conformity with its obligations under the SCM Agreement and the GATT 1994," the ruling stated.

In December 2014, the WTO had originally ruled against the US imposing countervailing duty on imports of certain Indian steel products.

"The fact that the US has not yet brought its measures into conformity with the SCM Agreement gives India a strong advantage in this case," the official said.

In case an appeal is filed by any of the two countries, a final decision on the matter could get indefinitely delayed as the WTO's Appellate Body is set to be dysfunctional from December 11. The US has been refusing to allow appointment of new judges because of certain reforms it wants in the functioning of the apex decision making body.

The Hindu Business Line, November 20, 2019

India: Steel Ministry proposes setting up integrated steel hubs

The Ministry of Steel has proposed setting up integrated steel hubs similar to the ones in Korea, China and Germany. The hubs would support the growth of the steel sector.

According to a Draft Framework Policy-Development of Steel Clusters in India, "The Ministry is proposing creation of 'Integrated Steel Hubs' based on the principle of availability of raw material, logistics support and/or proximity to demand centres. It will enable capacity expansion through provision of a cohesive ecosystem, with presence of effective forward and backward linkages, single-window mechanism for swift approval of clearances and best-in-class logistics infrastructure." The draft, uploaded on the Steel Ministry's Website on Tuesday, has sought comments on the proposed policy.

"A cluster will be a defined region with co-located units across the steel value chain along with the provision of basic infrastructure facilities and other relevant value-added services. The clusters will primarily include units from secondary steel sector and ancillary industry," the draft said.

The policy's focus will be on two types of clusters, one around the Integrated Steel Plants (ISPs) and the other near the demand centres. The cluster around ISPs will be called ancillary and downstream cluster. It will primarily have a steel plant as its anchor plant, with focus on ancillary units and may also entail downstream units. It will help create an integrated ecosystem for the industry with enhanced linkage for both the ISPs as well as the tenant units.

Growth of SMEs
In addition, it will facilitate growth of small and medium enterprise units. On the other hand, 'value-added steel clusters' are likely be set up near demand centres. It will enable capacity expansion of units producing carbon steel, alloy (including stainless steel) as well as other high grade and special steel by improving their cost competitiveness through effective raw material linkages and other interventions such as reduced cost of power.

The Ministry of Steel can provide the initial push needed to develop these clusters. A task force and a working group for setting up the clusters will also be formed. The working group will define the metrics against which a Special Purpose Vehicle will implement the project. The Ministry of Steel will also monitor the SPV on a semi-annual basis, post set-up of the cluster. A representative of the Ministry of Steel would be a part of the Board of the SPV, the policy said.

The Hindu Business Line, November 21, 2019

CHINA

China's Jingye Group agrees to buy British Steel, UK government confirms

Chinese steelmaker Hebei Jingye Group has agreed to acquire British Steel, including its Scunthorpe steelworks and other assets, the UK government's Official Receiver and the company's administrator, EY, said on Monday November 11.

The sale will also include British Steel's shares in TSP Engineering and Redcar Bulk Terminal in the UK, along with FN Steel in the Netherlands and British Steel France Rail.

Completion of the sale is conditional on a number of issues, including gaining the necessary regulatory approvals, the Official Receiver said.

Hebei Jingye Group was established in 1996, has a capacity of more than 10 million tonnes of steel and employs about 10,000 people producing semi-finished, long and flat steel products.

British Steel was placed into compulsory liquidation on May 22 following an order from the UK High Court.

In August, it was announced that Ataer Holding, part of Turkish army pension fund OYAK, had agreed to buy British Steel and the Turkish company was granted a 10-week exclusivity period to conduct detailed financial, legal, and operational investigations into the struggling steelmaker.

That exclusivity period finished before the end of October and the Official Receiver announced that it was prepared to open talks with other interested parties.

On November 11, OYAK announced that Ataer Holding had officially ended talks to acquire British Steel after deciding the move was not commercially viable.

The current incarnation of British Steel was set up in 2016 and has the capacity to produce 4.5 million tonnes per year of crude steel and produces a wide range of long steel products, including rails and wire rod.

Poor demand amid Brexit uncertainty and high raw materials costs were underlying factors in the company falling into insolvency.

Metal Bulletin, November 11, 2019

China's steel exports in Oct drop 13.1% y-o-y

Based on the statistics released by China's General Administration of Customs on November 8th, the total exports of steel were 4.8 million tons in October, which decreased by 13.1% year on year.

Moreover, the total exports of steel from January to October this year had come to 55 million tons, dropped by 5.8% year on year.

On the other hand, the total imports of steel in China in October was around 1 million tons, decreased by 10.1% year on year.

In addition, the total imports of steel in China from January to October were 9.8 million tons, which declined by 11.9% year on year.

Yieh, November 11, 2019

China iron ore, steel futures drop on weak demand

Iron ore futures in China closed at a two-and-a-half-month low on Monday, dropping for a fourth session, as demand declined amid a slowing manufacturing sector and as mills reduced their stockpiles.

The most-traded iron ore futures on the Dalian Commodity Exchange, for January 2020 delivery, closed down 2.4% at 592 yuan ($84.64) per tonne, the lowest since Aug.29. They had declined as much as 3.1% earlier in the session.

China posted its biggest decline in producer prices in more than three years in October, dragged down by cooling demand in the manufacturing sector and a knock from the Sino-U.S. trade friction.

The construction steel rebar on the Shanghai Futures Exchange, dropped 1.1% to 3,373 yuan a tonne.

Hot-rolled coil, used in cars and home appliances, for January delivery, slipped 1.0% to 3,321 yuan.

"The ferrous market is on the weakest front as steel mills are destocking for the end-of-year financial accounting," said Darren Toh, data scientist with Singapore-based steel and iron data analytics company Tivlon Technologies.

Steel inventories in China stood at 8.9 million tonnes as of Nov.7, the lowest level since Jan.11, according to data compiled by MySteel consultancy.

Reuters, November 12, 2019

China Steel optimistic on demand from SE Asia

China Steel Corp (CSC) yesterday gave a cautiously optimistic outlook for its business next year, citing growth from infrastructure demand in Southeast Asia and offshore wind farm development in Taiwan.

Sluggish market demand and fluctuating raw material prices have plagued the steel industry since the first quarter of this year. The state-run company has witnessed a 42.29 percent annual decline in combined pre-tax net income to NT$13.62 billion (US$447.7 million) in the first nine months of the year, while revenue fell 4.94 percent to NT$281.81 billion.

The company on Monday said revenue last month fell 24.04 percent annually to NT$27.68 billion.

While demand is expected to remain flat this quarter, the industry is showing early signs of recovery, as steelmakers are cutting production and raising prices, CSC executive vice president and spokesman Hwang Chien-chih told a news conference in Taipei.

"US steelmakers have taken the lead in propping up steel prices with the Japanese following suit... It has come to a point where we can't afford further declines," Hwang said, adding that European industry peers have also been cutting production.

Although a US-China trade spat has cast a pall over the industry, the trend of manufacturers relocating to Southeast Asia and demand for steel for plant construction would benefit the industry, he said.

"The Indian market is expected to demand 108.7 million tonnes of steel next year, second only to China ... and Vietnam, for once, would become one of the top 10 steel consumers globally, demanding up to 25.3 million tonnes next year," Hwang said, citing a report published by the World Steel Association.

Domestic demand for steel would also increase, as Taiwanese companies are steadily returning home to set up plants, for which CSC expects to ship 200,000 tonnes of steel plates and H-beams, he said.

The nation's developing wind energy industry would also help drive up demand for steel until 2025, he added.

"According to our estimates, Taiwan's offshore wind farms would need about 1.5 million tonnes of steel plates, of which we can produce about 750,000 tonnes over the next six years," Hwang said. "This equals to 125,000 tonnes per year, or about 15 percent of our overall production [of steel plates]."

CSC has invested NT$6.8 billion on a facility to produce underwater infrastructure components through its subsidiary Sing Da Marine Structure Corp (SDMS), which is to provide Danish wind farm developer Orsted A/S with 56 jacket foundations by 2021.

CSC is also codeveloping an offshore wind farm off the coast of Changhua County, the Site 29 project, with Copenhagen Infrastructure Partners K/S and Diamond Generating Asia Ltd.

The project is expected to be completed and join the power grid by 2024, generating NT$6.34 billion of revenue per year, CSC said.

Taipei Times, November 13, 2019

China's car output slump slows

China's automotive sector continued to see declining production in October despite some improvement for commercial vehicles. The sector is meanwhile looking for new policy support for sales, Kallanish notes.

In October, vehicle production was down -1.7% year-on-year at 2.295 million units, bringing production over January-October down -10.4% y-o-y to 20.444m units, according to the China Association of Automobile Manufacturers (CAAM). Commercial vehicle production however has now recorded its third straight month of y-o-y increase. October output was up 7.7% to 358,000 units, bringing output over the ten months to 3.432m units, down -1.3% y-o-y.

Implied steel demand from the sector was down -2.36% in October at 3.674 million tonnes, Kallanish calculates. The sharp y-o-y decline in steel demand from the sector in the first half of the year, -11.02%, has been easing steadily in the second half of the year. Over January-October, implied steel demand is now down -8.39% y-o-y at 33.61mt.

China's economic slowdown and weaker consumer spending has been important in dragging down car production this year. The car industry however is looking to expand developing rural markets. CAAM official Zeng Guang told Reuters that automotive sector executives met with government officials over the weekend to discuss policy to promote the growth in vehicle use in rural China. The government however made no commitments, and said stimulus policies would not be forthcoming, according to the Reuters report.

Kallanish, November 13, 2019

China's monthly steel output falls first time in almost 4 years

China's crude steel production dropped 0.6% on the year to 81.52 million mt in October, marking the first time output has fallen on an yearly basis since early 2016, according to data released late Thursday by the National Bureau of Statistics.

The decrease was mainly due to mandated production cuts in early October to ensure the skies around Beijing were clear ahead of celebrations for the 70th anniversary of the People's Republic of China.

Daily output in October fell by 4.7% on the month to 2.63 million mt/day, which annualized at 959.83 million mt.

Over January-October, China's crude steel output increased by 7.4% on the year to 829.22 million mt.

China's pig iron output in October dropped by 2.7% on the year to 65.58 million mt. But output over January-October remained 5.4% higher on the year at 675.18 million mt.

Market sources expected crude steel output to rebound in November on both a monthly and yearly basis because the production cut orders have been relaxed in northern China, where most steelmaking capacity is located.

Earlier in the week, China's government ordered mills to improve their environmental equipment to lower emissions in the Yangtze River Delta and Fen Wei Plain over the winter heating period, which normally lasts from mid-November to mid-March.

Baowu Group has been told to complete ultra-low emissions modernization on coke ovens and power plants at its Shanghai operations by the end of this year. Some 35 mills in Jiangsu province must complete upgrades relating to 82 million mt/year of production capacity.

Steelmakers in Shanxi and Shaanxi provinces will also be affected by the environmental push.

Market participants said it remained to be seen how serious the impact would be. One Jiangsu-based mill manager said the upgrade would add around Yuan 100/mt ($14.2/mt) to production costs.

Yangtze River Delta covers eastern regions of Shanghai municipality, Jiangsu, Zhejiang and Anhui province. Fen Wei Plain includes Shanxi, Shaanxi, and Henan province.

Chinese traders have been adding more scrap into the basic oxygen furnaces to keep production high and offset the loss of sinter feed. Therefore, steel production could remain at high levels over the coming months even if the environmental protection measures are strictly enforced.

Reuters, November 18, 2019

China launches probe into steel capacity amid surging output

China has started investigating production capacity at its steel mills amid increasing worries about the rapid growth in output this year, according to a notice circulated online on Monday.

The notice jointly issued by the National Development and Reform Commission, Ministry of Industry and Information Technology (MIIT) and the National Bureau of Statistics urges local governments and the State-owned Assets Supervision and Administration Commission (SASAC) to verify the steel firms' capacity, production and fixed-asset investments.

Local governments will check the mills under their administration while SASAC will look into national steel firms, the notice said.

All three government units confirmed the authenticity of the notice, dated Nov. 4, without commenting further.

China has eliminated more than 150 million tonnes of steel capacity over the past three years as part of its environmental crackdown and supply-side reforms.

However, the amount of steel churned out by the world's top steelmaker in the first ten months of 2019 rose 7.4% from the year earlier period, despite sluggish demand because of a slowing economy and a bruising trade war with the United States.

An official from the MIIT warned in September that China is still having trouble with rising illegal new capacity, including an increase in capacity swaps, in which companies move plants to other regions to reduce the concentration of production in polluted industrial areas.

Utilization rates at some steel firms soared to over 150% in 2019, data from the notice showed.

The investigation will review the changes in capacity and smelting equipment in China's steel sector since 2016, the notice said.

"For mills that have a capacity change, over 10% output growth in the Jan-Sept period, and more than 100% utilization rate, (the local governments and SASAC) should look into the causes," according to the notice.

The local governments and SASAC were asked to submit the results of their investigations by Nov. 29.

Reuters, November 19, 2019

WORLD

US steel mill capacity utilization dips to 80.5%

US raw steel capacity utilization declined to 80.5% last week from 81.6% the previous week.

Production fell 1.4% to 1.862 million st during the week that ended Saturday, down from 1.888 million st produced the previous week, according to data released Monday by the American Iron and Steel Institute.

Last week's production was down 2.2% compared with the same week a year ago, when capability utilization was at 81.2% and production totaled 1.903 million st.

The AISI calculated adjusted year-to-date production at 83.5 million st, with a capability utilization rate of 80.3%. This is up 2.4% from the same period last year, when the utilization rate was 78.1% on 81.5 million st of output.

Last week's production totaled 209,000 st in the Northeast; 670,000 st in the Great Lakes region; 178,000 st in the Midwest; 729,000 st in the Southern district and 76,000 st in the Western region.

The weekly raw steel production volume AISI provides is estimated. The figures are compiled from weekly production data provided by 50% of domestic producers combined with monthly production data for the remainder.

Platts, November 13, 2019

HEADLINES

Apparent steel demand for ASEAN-6 in the first half of 2019

Apparent steel demand in the first half of 2019 increased 5.9% y-o-y to 39 million tonnes for ASEAN-6 countries. Domestic production surged 9.7% y-o-y to 21.6 million tonnes. Import remained positive at 5.6% y-o-y to 25 million tonnes. Export continue to surge by a double-digit growth rate of 16.7% y-o-y to 7.5 million tonnes in the same period.

Indonesia

Indonesia's steel demand in the first half of 2019 registered 3% growth rate in the first half of 2019. This was due mainly to the increase of long steel demand while flat steel demand declined slightly in the same period.

Domestic steel production registered a double-digit growth rate at 11-12% in both long and flat steel. Long steel import declined moderately, while export dropped by half to 119,677 tonnes in the first six months of 2019. Import substitution had taken place as domestic producers stepped up production to supply to customers. Just as well, volume of imported steel from China fell as internal demand improves in China.

Flat steel import increased 7% y-o-y to 2.8 million tonnes and export jumped by nearly double in volume to 1.5 million tonnes in the first half of 2019. Export of hot rolled plate and coil continued to increase significantly, as Krakatau Posco and Tsingshan Steel ramped up output for export. Major destinations for hot rolled plate export were India, Europe and Malaysia. Major destinations for Indonesia's export of hot rolled coil were Taiwan, Malaysia and China.

Malaysia

Malaysia's steel demand remained somewhat steady with a slight increase of 1.4% y-o-y in the first half of 2019. Domestic production increased significantly, by 44% y-o-y to 2.4 million tonnes, as Alliance Steel continues to ramp up volume. Long steel production surged significantly from 1.6 million tonnes in the first half of 2018 to 2.3 million tonnes in the same period of 2019. Flat steel production was small in volume due to a shutdown of major hot rolled steel producer. However, the volume jumped to nearly double in the first six months of 2019.

Long steel import declined 18% y-o-y to below a million tonnes while export jumped by three folds to half a million tonnes during the same period of 2019. The significant increase was mainly in export of bar and wire rod, as the weak market was unable to absorb all the additional output.

Flat steel import declined moderately, by 6% y-o-y to 2.4 million tonnes. Export increased slightly, by 1.6% y-o-y to 429,838 tonnes in the first half of 2019. All these are due to the weak market situation.

Philippines

The increase in steel demand in Philippines has slowed down to 4.4% y-o-y from January to June 2019. Total demand registered 5 million tonnes. The bulk of demand was in long steel, and the volume increased slightly, by 2% y-o-y to 3.3 million tonnes during the same period, in line with the growing construction sector. Long steel production increased 7% y-o-y, partly to substitute import. There was no export of long steel. Flat steel demand increased 9% y-o-y to 1.7 million tonnes. There was no domestic production nor export for flat steel.

Singapore

Singapore's steel demand in the first half of 2019 declined significantly, by 16% y-o-y to 1.2 million tonnes. This was partly due to the destocking activity due to the merger between two large steel fabricators in the market. Production dropped 11% y-o-y to below 300,000 tonnes. Import declined 4.4% y-o-y to 1.8 million tonnes. This was due to the significant decline in long steel import, at 27% y-o-y from 1.2 million tonnes in the first half of 2018 to 844,752 tonnes. Long steel export dropped slightly, by 3.4% y-o-y to 416,197 tonnes.

Flat steel import into Singapore, on the other hand, surged by a double-digit growth rate at 34.3% y-o-y to 930,158 tonnes in the first half of 2019. Export surged by 100,000 tonnes to 439,394 tonnes during the same period. [why did it surge?]

Thailand

Steel demand in Thailand declined 2.7% y-o-y to 9.3 million tonnes in the first six months of 2019. Long steel demand dropped moderately, by 5.4% y-o-y to 3.4 million tonnes. Flat steel demand contracted slightly, by 1% y-o-y to nearly 6 million tonnes in the same period of 2019.

Domestic production for long steel in Thailand dropped 9% y-o-y to 2.6 million tonnes from January to June 2019. It could be a result from the going-on destocking activities in the country. Import increased 5.6% y-o-y to 1.3 million tonnes and export was steady with a slight increase of 1% y-o-y to 428,055 tonnes during the same period of 2019.

Flat steel's production, on the other hand, dropped significantly, by 20% y-o-y to 1.4 million tonnes. Import rose 4% y-o-y to 4.8 million tonnes. A bulk of import was hot rolled coil and coated sheet. Import of coated sheet registered a double-digit growth rate of 16% y-o-y while import of hot rolled coil declined 0.5% y-o-y in the same period.

Flat steel export dropped robustly, by 26% y-o-y to 267,133 tonnes in the first half of 2019. Thailand is not a major exporter for flat steel and export of almost all product groups declined.

Vietnam

Vietnam's steel demand recovered in the first half of 2019 with a double-digit increase of 22.6% y-o-y to 11.8 million tonnes, supported by the numerous construction projects in the country. Long steel demand grew 11% y-o-y to 5.7 million tonnes and flat steel demand rose by 1.5 million tonnes to 6 million tonnes during the same period.

Long steel production increased 10% y-o-y to 5.7 million tonnes. Import rose sharply, by 47% y-o-y to exceed a million tonnes. Export of long steel continued to increase significantly to 1.1 million tonnes. Half of the export was wire rod and the volume jumped 39% y-o-y.

Remark: More in-depth analysis was presented at the 2019 ASEAN Iron and Steel Sustainability Forum, on 25 November 2019 in Jakarta, Indonesia

SEAISI, November 2019

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