SOUTH EAST ASIA IRON AND STEEL INSTITUTE

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01. MESSAGE FROM THE SECRETARY GENERAL

Two major activities of the Institute will take place towards the later part of this year.

The first is the 2019 SEAISI Training Programme. This annual programme aims to provide a platform for the transfer of knowledge and skill from the Supporting Member countries of SEAISI and also Japan to the Regular Member countries of SEAISI in specific areas of steel production and management.

This year is Taiwan's turn to host the training programme. The theme chosen is "Smart Manufacturing in The Steel Industry" and the training will be conducted from 20 to 26 October 2019.

The training contents will cover:

- The Intellective Development of Steel Industry;
- Predictive Maintenance Technology and Use Cases;
- Intelligent RFID Logistics System;
- AI in Process Monitoring & Tuning Application;
- Intelligent Control for Reheating Furnaces;
- Creative Development Activities in CSC;
- Application of Computer Simulation in The
- Evaluation and Design of Hot Rolling Line Rectification;
- The Implementation of On-Line Monitoring in Feng Hsin Steel;
- EAFD & Slag Recycling for Taiwan EAF Plant; and
- Prediction Classification of Damage of Steel Rolling Process.

Training participants will also have the opportunity to visit the plants of China Steel Corporation (CSC) in Kaohsiung, Walsin Lihwa Corporation in Tainan, Feng Hsin Iron & Steel Co., Ltd in Taichung and Tung Ho Steel Enterprise Corporation in Taoyuan.

The number of places for the training is limited in order to ensure the effectiveness of the programme. The National Committees in the Regular Member countries will be responsible for the nomination of participants from their respective countries for this training programme.

The other major event of the Institute is the 2019 ASEAN Iron and Steel Sustainability Forum. This event will be co-hosted by The Indonesian Iron and Steel Industry Association (IISIA) and will be held in Jakarta, Indonesia from 25 to 27 November 2019. The Forum itself will take place on the first two days while the third day is set aside for plant visit.

For the Forum, other than a session on Steel Market Developments, the other sessions which are being planned will basically be devoted to discussing topics related to steel applications in construction, one of the three strategic themes under the new business plan of the Institute.

Some of the suggested topics on construction include:

- Development of Steel Business Model for Construction;
- Development on Building Construction System;
- New Technologies in Construction Sector;
- Life Cycle Approach for Building and
- Construction Sector;
- Steel Construction – Material, Technology, and Design for Natural Disaster;
- Design and Technology for Steel Structure;
- Civil and Assembly Works for Construction; and
- Innovative Steel Materials and Products for Construction Sector.

We will provide more information about the programme of the Forum as we go along. In the meantime, mark the dates on your calendar to make sure you do not miss out on this important year-end event of the Institute. Also, we welcome submission of expression of interest to present papers related to the above topics.

TAN AH YONG

02. UPCOMING EVENT

2019 ASEAN Iron and Steel Sustainability Forum

Date: 25 - 27 November 2019
Venue: The Ritz-Carlton Jakarta, Mega Kuningan, Indonesia

03. NEWS HIGHLIGHTS

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AUSTRALIA

BHP operational issues limit profit growth

BHP has reported strong profits for its financial year ending June 2019. Considering how far prices have moved though, the increase in profits was moderate, Kallanish notes.

The core iron ore segment performed well in the fourth quarter of the year, reaching a run rate of 290 million tonnes/year. Thanks to disruptions in Q1 and cutbacks earlier in the year however, iron ore output on a 100% basis actually fell -2% over the year to 270mt. In the current financial year BHP expects output to increase by 1-6% to 273-286mt.

The Western Australia iron ore segment saw C1 cash costs at $14.16/tonne, barely changed from $14.26/t the previous year despite favourable movements in exchange rates. In the financial year ending June 2020 it expects C1 costs to fall to $13-14/t.

The miner saw underlying attributable profit increase 2% year-on-year to $9.124 billion. Underlying attributable profit from continuing operations however fell -2% to $9.466 billion. Across all its units, the company saw a $1.2 billion boost to underlying Ebitda from higher prices, plus another $1 billion gain from exchange rates. However, it also took an $800 million hit from grade deflation and another $800m from production stoppages.

Kallanish, August 21, 2019

INDONESIA

Indonesia slaps anti-dumping duties on plate

Indonesia has slapped anti-dumping duties of between 10.24-12.5% on plate imports from China, Ukraine and Singapore, Kallanish notes. The duties are effective for five years from 14 August 2019.

The Indonesian Finance Ministry announced anti-dumping duties of 10.24% on plate imports from China, 12.5% on imports from Singapore and 12.33% on Ukrainian plate. The targeted plate products are of width of 600 mm or more, with thickness more than 10 mm under HS code 7208.51.00. It also applies to plate products of width of 600 mm or more, with thickness of 4.75 mm up to 10 mm under HS code 7208.52.00.

Krakatau Posco and Gunung Raja Paksi were the petitioners for the dumping case and Krakatau Steel and Gunawan Dianjaya Steel supported the suit, Jakarta-based industry sources say.

Indonesia's apparent consumption of plate reached 1.72 million tonnes and 1.53mt respectively in 2018, according to the Indonesian Iron & Steel Industry Association (IISIA). Both were lower year-on-year whereas imports rose for the past two years (see table below).

A large portion of Indonesian plate imports supports Batam's shipbuilding industry, which is the largest in Indonesia, trading sources note.

Since Batam is a free-trade zone (FTZ), the effect of the anti-dumping duties could be limited, a Jakarta-based trader says. As an FTZ, Batam benefits from free import duty for goods which are exported, and anti-dumping duties are also excluded for exports. But if vessels made from the targeted plate imports are shipped to Indonesia, anti-dumping duties apply.

Around 100,000t of plate from Singapore are exported to Batam for building new vessels (80%) and for ship-repair (20%), a Batam-based trader estimates. In addition to exporting vessels, Batam shipyards have been supplying to the local Indonesian market. "It was okay till now…" for the shipyards to pay import and value-added duties to sell locally, "... but with the AD, things may change," he said Wednesday. Singapore's plate are re-exports from China, Japan, Indonesia, South Korea and Ukraine.

Indonesian plate production, trade and consumption (million tonnes)

Indonesian plate production, trade and consumption (million tonnes)					
	2014	2015	2016	2017	2018
Production	1.54	1.33	1.5	1.89	1.72
Import	0.57	0.28	0.2	0.27	0.4
Export	0.33	0.37	0.38	0.5	0.6
Apparent consumption	1.78	1.24	1.32	1.65	1.53

Kallanish, August 8, 2019

JAPAN

Japan's Kobe Steel cuts FY profit forecast as trade war hits demand

Japan's third-biggest steelmaker Kobe Steel Ltd on Friday cut its recurring profit forecast for the year to end-March 2020 by 67% as the escalating U.S.-China trade war battered steel demand for automobiles and aluminium and copper demand for chips.

* The company's recurring profit for the year to March 31, 2020, is now predicted at 10 billion yen ($94 million), down from earlier guidance of 30 billion yen

* Weaker steel demand for overseas automobiles, lower sales of aluminium and copper products used in semiconductor and IT-related segments, and system glitches in a U.S. aluminium suspension unit, are also behind slumping profits, said a Kobe Steel executive

* Kobe Steel also expects lower sales of hydraulic excavators, mainly in China, the executive said

* The company said it will skip dividend payments this year due to the deteriorating profits

* Last year, Kobe Steel paid 10 yen per share

Reuters, August 5, 2019

KOREA

POSCO develops new construction technology to stack up three floors at a time

South Korea's leading steelmaker POSCO has developed a new building technology that can stack up three floors at one go.

The company announced on Aug. 7 that its "POSCO Box (P-Box) pillar and ferroconcrete beam bonding" technology has been designated as a new construction technology by the Ministry of Land, Infrastructure, and Transport.

Unlike the previous method of stacking up reinforced concrete by each floor, the 15-meter high P-Box steel pipe column filled with concrete allows builders to pile up three floors at a time, which significantly reduces construction period.

POSCO has developed the new technology together with builders.

A POSCP official said, "The new technology connects a horizontal reinforced concrete beam to P-Box steel pipe column filled with concrete. It can save construction costs by 10 to 15 percent and reduces carbon emissions by more than 1.5 percent."

Meanwhile, POSCO shows a high profitability compared to other global steel producers amid a prolonged global steel market slowdown.

The group had a consolidated operating margin of 6.5 percent in the second quarter, which is higher than 4.1 percent of ArcelorMittal, the largest steel producer in the European Union, and 1.6 percent of Nippon Steel. Baoshan Iron and Steel, the largest steelmaker in China, has not announced its second-quarter earnings yet, but it is expected to see a lower profitability than 5.6 percent in the first quarter.

The operating margin of POSCO's steel business, excluding its affiliates in other sectors, stood at 9.7 percent.

Business Korea, August 8 2019

POSCO's cryogenic high manganese steel approved for use in land LNG tanks

POSCO announced on Aug. 13 that its cryogenic high-manganese steel has been approved by the Ministry of Trade, Industry and Energy for use as a material for land LNG storage tanks.

POSCO has developed the high-manganese steel for the first time in the world. The new product can exhibit an excellent performance in a cryogenic environment of minus 196 degrees Celsius. It also excels current nickel alloy steel in terms of price competitiveness. POSCO expects high manganese steel to gradually replace nickel alloy steel in the LNG tank market.

POSCO began research on high manganese steel in 2008 and completed the development of mass-production technology in 2013. The Ministry of Trade, Industry and Energy and Korea Gas Safety Corp. provided technical consulting to POSCO to list POSCO's high manganese steel technology as a manufacturing standard.

POSCO forecasts that 890 LNG tankers and 4,700 LNG carriers will be ordered from 2019 to 2030 in the world. Accordingly, the company plans to expand the listing of its high manganese steel technology as material and manufacturing standards overseas and actively land orders for LNG-related projects.

Business Korea, August 15, 2019

MALAYSIA

Masteel's standalone credit profile vulnerable on steel prices fluctuations, MARC says

Malaysia Steel Works (KL) Bhd's (Masteel) standalone credit profile remains vulnerable to fluctuations in steel price, fluctuating cost of raw materials and increased competitive pressures in the Malaysian market, according to Malaysian Rating Corp Bhd (MARC).

In a statement today, MARC said given Masteel relatively modest market position in the production of steel billets and steel bars, which are mainly for local consumption, these factors have weighed on its profitability margins.

Nonetheless, the rating agency has affirmed its AAA IS(fg) rating on Masteel's RM130 million Sukuk Ijarah programme with a stable outlook.

MARC said the affirmed rating and outlook are based on the unconditional and irrevocable financial guarantee insurance provided by Danajamin Nasional Bhd.

"Noteholders are insulated from downside risks in relation to Masteel's credit profile by the guarantee provided by Danajamin. Any changes in the supported rating or rating outlook will be primarily driven by changes in Danajamin's credit strength," it said.

MARC noted that the challenging conditions in the domestic construction and property sectors have exerted pressure on steel suppliers.

"This was further exacerbated by the entrance of a major player in the steel sector in October 2018 which led to a price war resulting in domestic steel bar prices declining to RM2,225 per metric tonne (MT) by end-December 2018 (versus RM2,750 per MT in January 2018)," it said.

"Against this background, Masteel has increased its output and improved its product-mix to include a higher proportion of steel bars which generate higher margins compared to steel billets. For 2018, steel bar sales accounted for 87% of Masteel's total revenue of RM1.5 billion," it added.

During 2018, MARC said Masteel recorded a weaker operating margin of 1.4%, mainly attributable to a decline in gross steel bar margins, coupled with impairments in inventory and higher administrative expenses.

MARC pointed out that for the first quarter ended Mar 31, 2019 (1QFY19), Masteel continued to face weakening profitability, recording operating losses of RM11.4 million.

"MARC views that it would be challenging for Masteel to turnaround its performance over the near term," it said.

The firm commented that Masteel's liquidity position remains weak with RM35.7 million in cash and cash equivalents, against a short-term debt of RM297.6 million comprising mostly bills payable as at 1QFY19.

Masteel's working capital requirement, said MARC, has risen alongside an increase in sales volume and higher cost of raw materials.

"Inventory days have increased to over 150 days, partly due to holding a higher amount of scrap steel to offset rising input costs through larger purchases," it said.

Nonetheless, MARC said Masteel has improved its receivable days to below 40 days over the last three years.

"Masteel's investments in the more efficient induction furnaces have also somewhat prevented the group from incurring larger operating losses," it noted.

On Masteel's gearing level, MARC said it remains moderate at end-2018, as reflected by its debt-to-equity (DE) ratio of 0.59 times.

"However, MARC expects Masteel's DE to rise between 0.70 times and 0.80 times over the next two years. This is based on expectations that additional borrowings will be taken for the purchase of a second induction furnace and to bridge the funding gap due to margin compression," it said.

At 3.24pm, Masteel was trading unchanged at 44.5 sen, giving it a market capitalisation of RM190.12 million.

The Edge, August 7, 2019

PHILIPPINES

Phillippines billet market flattens out

The billet import market in the Philippines was relatively stable over the past week, Kallanish notes. Suppliers were giving in to small price cuts but buyers were still not showing much interest

A 12,000-tonne cargo of Russian 125mm square billet was ordered on Tuesday at $447/tonne cfr Manila. This is part of a 20,000t cargo which sold more than a week earlier at $450/t cfr, a trader said.

Indian blast furnace billet which was offered at $448/t cfr a week ago was offered at $445/t cfr, just after the Russian billet deal. But market participants did not hear of any takers. "The chemistry of the Indian billet is not flexible," an importer notes.

Other offers heard in the market were for Japanese EAF 5sp/ps 120mm square billet at $445/t cfr Manila and induction furnace 3sp 130mm square billet from India at $440/t cfr.

The market continues to be slow with thin buying interest due to weak market sentiment. "If there are bids, they will be very low," a Manila trader says.

On Friday, Kallanish lowered its weekly 5sp/ps or Q275120/125/130mm square billet price to $445/t cfr Manila, down $1 on week.

Kallanish, August 19, 2019

TAIWAN

Taiwanese steel mills appeal government to remain AD duty on cold-rolled stainless steels from China & South Korea

According to the report, the Taiwanese government was scheduled to determine whether or not to continue levying the anti-dumping duty on imported stainless steel cold-rolled products from China and South Korea on August 13th. Some market participants suggested to levy tariffs on those countries in order to protect the domestic industry.

Recently, the anti-dumping sunset review conducted by the Taiwanese government had a result. The government thought that the Chinese and South Korea have sold products into Taiwan at lower prices, plus the Chinese government has encountered a trade conflict with the US, if Taiwan stopped to collect the tariffs, the situation of dumping would become more serious.

It was understood that the Taiwanese International Trade Commission (ITC) and the Ministry of Finance (MOF) both inclined to continue to impose tariffs.

The case would have a final result on August 13th.

Yieh, August 6, 2019

Walsin Lihwa spends $80 million to build new mill in China

According to the news, Walsin Lihwa, one of the leading Taiwanese stainless steel companies, planned to spend US$80 million in Yantai, China, to expand its stainless steel industry.

In August 2nd, 2019, Walsin Lihwa announced that it would invest US$80 million to build an integrated production line in Yantai, even though the stainless steel industry was in a difficulty.

The current market environment prompted the firm to look for solutions, such as the continuous rising capacity of China and Indonesia, a new barrier caused by the trade war between China and the US, as well as China's tax rebate policy.

Walsin Lihwa's production line in Yantai would eliminate the need for outsourcing and further upgrade its stainless steel products' quality.

The construction of the plant was expected to be completed by the end of 2020 and begin to yield benefits in 2021.

Yieh, August 6, 2019

Taiwanese container scrap market falls back

The Taiwanese market for containerised scrap has returned to the level of three weeks ago, Kallanish notes. Deals have been less in number because of weak demand, whilst offers from the US have also been reduced.

A scrap trader in Taiwan tells Kallanish that very little HMS 1&2 80:20 is arriving from the US West coast, whilst another trader also confirmed this saying "... there are almost no offers from the US to Taiwan."

A major steel mill in Taiwan can accept $275/tonne cfr, but no deals have been heard so far this week. Buyers' enthusiasm continues to weaken, and Taiwanese traders believe that demand will not suddenly recover within a short period of one or two weeks.

Major Taiwanese EAF mill Feng Hsin Iron & Steel on Monday kept its scrap procurement prices and rebar sales prices unchanged again. Its purchase price for HMS 1 was at TWD 8,900/tonne ($286/t) and the ex-works list sales price for #5 (5/8 inches or 15.875mm nominal diameter base) rebar was TWD 16,800/t.

Kallanish cuts its weekly HMS 1&2 80:20 container scrap assessment to $275/t cfr Taiwan on Wednesday, down $3/t week-on-week.

Kallanish, August 19, 2019

THAILAND

Dubai fund agrees to acquire Tata Thailand stake

Tata Steel has signed a memorandum of understanding to divest 70% of its shareholding in Tata Steel Thailand to Synergy Metals and Mining Fund. The Dubai-based metals and mining private equity fund will now carry out due diligence before definitive agreements are concluded.

The move follows the termination of Tata Steel's definitive agreement to sell the 70% stake in its South-East Asia business to HBIS Group (see separate Kallanish article).

Once the sale to Synergy is finalised, Tata Steel will retain a 30% stake in Tata Steel Thailand. The firm did not specify what will happen with its other Southeast Asia-based subsidiary, NatSteel Singapore.

Tata Steel's consolidated sales rose 5% on-year in the June quarter to 6.34 million tonnes, while revenue was up 1% to INR 35,947 crores ($5.05 billion) and net profit slumped -64% to INR 702 crores. The steelmaker says it expects global steel demand to remain weak due to broader economic weakness and trade barriers.

On its website, Synergy says it has been responsible for assets producing 125 million tonnes/year of steel, 100mt of various types of mined products, and 4GW of power. It has executed over $100 billion worth of mergers and acquisitions, and capital markets transactions in natural resources.

Kallanish, August 7, 2019

VIETNAM

MoIT delays anti-dumping probe on steel imports from China

The Ministry of Industry and Trade (MoIT) has extended the time to decide the launch of an anti-dumping investigation on cold-rolled carbon steel coils and sheets imported from China by another 30 days.

The MoIT's Trade Remedies Authority of Vietnam said it has received a request for the investigation on May 3.

On June 20, the agency issued an official dispatch to affirm that the document is complete and in line with regulations set in the Law on Foreign Trade Management.

According to Clause 2 of the law's Article 70, 45 days after the document is announced as valid, based on the request from the investigation agency on trade remedies, the Minister of Industry and Trade decides if an investigation into the case will be conducted or not.

In some special occasions, the decision can be delayed one time and for no longer than 30 days.

In case of the cold-rolled carbon steel imports from China, the postponement has been issued so that the ministry could have more time to examine the document and related information.

The decision will be issued on September 3.

Vietnam Plus, August 8, 2019

Steel companies post low profits on rising iron ore prices

Second-quarter earnings of steelmaking companies showed signs of deterioration as prices of iron ore continued to increase, leading to higher production costs and lower profit.

Hòa Phát Group (HPG), the biggest listing steelmaker, reported revenue of VNĐ15.3 trillion (US$656.7 million) in the second quarter, up 6 per cent year-on-year, but its profit after tax declined 7 per cent in the reviewed period, reaching VNĐ2.05 trillion.

Ending June, the company's revenue increased 10.3 per cent on-year to more than VNĐ30 trillion, but its net profit dropped 12.8 per cent to VNĐ3.86 trillion.

Hoa Sen Group (HSG) reported its net revenues slumped by 30 per cent to VNĐ7.2 trillion ($309 million) in the third quarter for the fiscal year 2018-19 (April 1- June) but its net profit rose 94 per cent year-on-year to VNĐ161 billion.

It said it managed to cut management costs by 50 per cent thanks to installing the enterprise resource planning (ERP) and focus on exploring new export markets.

Sharp increases in iron ore prices were attributable to unenthusiastic business results of steel companies, according to analysts at Vietinbank Securities JSC.

The price of iron ore, which account for 30-40 per cent of the cost of steel production, rose to $130 per tonne in some future contracts, the highest since 2016. Higher cost of production accompanied by increasing capacity of domestic enterprises is driving up competition, a July report on the steel industry of Vietinbank Securities JSC showed.

"The increase in capacity is happening faster than in consumption which has pushed many businesses into losses since 2018 and early 2019," the report said.

Except Hòa Phát which has a high profit margin, other businesses in the industry have very low profit margins and therefore are quite vulnerable when there are adverse developments in the industry, according to the report.

Investment in expanding capacity of large enterprises such as Hòa Phát would create competition and put pressure on many businesses in the coming years, it said.

A number of steel companies have posted their second-quarter and first-half earnings with lower revenues and profits. They included SMC, Vietnam Germany Steel Pipe (VGS), Thái Nguyên Iron and Steel (TIS) and Tien Lên Steel (TLH).

For SMC, its revenue grew 8.7 per cent in the first six months but its cost of capital increased by 10.56 per cent, resulting in a decrease of 22 per cent in gross profit.

VGS's first-half revenue dropped just 1.3 per cent year-on-year to VNĐ3.46 trillion but its profit after tax fell 11.7 per cent to just VNĐ28 billion. Meanwhile, revenue and net profit of TLH declined 16.4 per cent and 72 per cent, respectively.

TIS reported a 5.4-per-cent decline in revenue and 10.5 per cent drop in net profit in the first half to VNĐ5.5 trillion and VNĐ38 billion, respectively.

According to analysts, the steel industry is facing many challenges, including the trade war between the US and China, intense competition in the domestic market from cheap low-quality imports and slump of the property market.

In addition, the US imposition of anti-dumping tax on steel sheet products imported from Viet Nam using materials imported from South Korea and Taiwan has also forced steel exporters to seek new material sources.

Viet Nam News, August 9, 2019

Vietnamese HRC market bleeds further

The Vietnamese hot rolled coil market has continued to suffer from negative sentiment, Kallanish notes. Offer prices continued to spiral downward after dipping below the $500/tonne level earlier in the week.

Aggressive suppliers are unloading position cargoes, mostly for prompt August shipments, trading sources say. Several leading traders were previously heard to have booked large volumes.

Offers for Indian SAE 1006 2mm and up thickness SAE 1006 HRC have fallen to $490-492/t cfr Vietnam at the end of the week, Similar offers were at $495-496/t cfr Vietnam at the start of the week. SAE 1006 2-2.5mm thickness HRC from a leading Chinese mill is currently offered at $493/t cfr Vietnam, compared to $500/t cfr earlier in the week. A lower tier Chinese mill's SAE 1006 2.5mm and up thickness HRC is now offered at $488/t cfr Vietnam.

Brazilian SAE 1006 is now offered at $500/t cfr Vietnam, $2-3/t lower from earlier week and South Korean HRC is currently offered at $518/t cfr Vietnam.

Market sentiment in Vietnam essentially dived due to the escalating US-China trade war, Vietnamese trading sources say. The market is also reeling from weak demand in the ongoing rainy season and global economic slowdown. Vietnamese buyers are nervous, a regional trader says. "There could be a blood bath soon," he said, noting that the Chinese and Indian steel markets are "... bad."

Meanwhile, the domestic HRC market in Vietnam is also suffering. Certain traders are currently offering material from sole local producer, Formosa Ha Tinh, at the equivalent of $560-569/t inclusive of 10% VAT, during the week of 16 August. Formosa is due to release its new HRC monthly prices during the same week. “Some market participants expect a $30/t drop,” the regional trader says.

In mid-July, the mill announced a $25/tonne hike for its September HRC shipments, which raised the steelmaker’s SAE1006 HRC base price to $541/t cif. But traders said the mill later on privately conceded $5-10/t due to buyers’ resistance.

Kallanish assessed 2-2.7mm SAE1006 HRC on Friday at $490-495/t cfr Vietnam, down $10 on-week.

Kallanish, August 12, 2019

Vietnam considers HRC import tax

Vietnam is considering its most-favoured nation import tax rate for hot rolled coil from 0% to 5%, according to a Ministry of Finance document seen by Kallanish. However, key suppliers will be able to avoid paying this tax, the document reveals.

The ministry document discussed proposed revisions to the country’s import tax regime. It mainly focusses on reducing taxes, including as a result of the free trade agreement with the Eurasian Economic Union. It also says however that it has discussed the reliance on imports of HRC with the Vietnam Steel Association (VSA).

VSA told the ministry that by the end of 2018, Vietnam’s nominal HRC capacity had reached 4 million tonnes/year, and effective capacity had reached 3.4m t/y. This is dominated by the HRC mill at Formosa Ha Tinh.

With estimated domestic HRC consumption of around 10m t/y, domestic supply is less than 50%. By the end of 2019, when Hoa Phat’s Dung Quat plant is largely commissioned, domestic supply could increase to around 70% of domestic demand, it estimates.

It suggests that MFN import tariff rates are increased from 0% to 5% for HS codes under 7208. There are two key sets of suppliers that could avoid the tax increase however. Firstly, countries with tariff agreements which specify a 0% tax rate will not pay the 5% rate. That includes China, South Korea, India and Asean countries. Secondly, alloy HRC exported under HS codes 7225 will also avoid the tax increase as it has been suggested.

Historically, the cost of labelling HRC under an alloy steel HS code has been low and this has been a popular option to avoid both export and import taxes in different regions.The ministry estimates that it could raise $137.15 million in revenue from raising the tax on annual imports of $2.74 billion. Considering that the exemptions include most major suppliers however, the impact on the market and on the national accounts is likely to be minimal.

Kallanish, August 12, 2019

Vietnam’s Formosa Ha Tinh lowers HRC offers by $10 per tonne for October

Major Vietnamese integrated steel producer Formosa Ha Tinh Steel Corp has lowered its offers for hot-rolled coil by $10 per tonne due to falling spot prices in Asia.

The increases are applicable to cargoes to be shipped and delivered in October.

The steelmaker’s latest offers are as follows:

- Skin-pass SAE1006 HRC: $531 per tonne cif (compared with $541 per tonne cif previously)
- SS400 and pipemaking-grade HRC: $521 per tonne cif (previously $531 per tonne cif)
- SPHT3, S235JR, SG255 and SS490 HRC: $551 per tonne cif (previously $561 per tonne cif)
- Non-skin-pass hot-rolled band: $526 per tonne cif (previously $536 per tonne cif)

Its lower offers are in line with falling spot prices since July amid an ample supply of Indian materials, and more recently, declining iron ore prices.

HRC from major Indian steel mills such as JSW Steel, Tata Steel and Essar Steel are still being offered at low prices by traders due to weak domestic demand in India.

Falling spot prices in China have also made Chinese products increasingly competitive in the past two weeks.

About 50,000 tonnes of Indian HRC were sold at $475-479 per tonne cfr Vietnam in the past week by “aggressive traders,” who are betting on prices to fall further in the coming weeks.

A few market sources said Formosa Ha Tinh’s new prices were still much higher than current spot prices, though it counts delivery time and product quality as among its advantages over its competitors.

The company is also said to be reimbursing buyers by up to $15 per tonne for materials to be shipped and delivered in September due to recent weeks’ price falls, but this could not be confirmed at the time of writing.

Formosa Ha Tinh has also lowered its wire rod offers by $15 per tonne for cargoes to be shipped and delivered in October.

- Grade-2 mesh-quality mild steel wire rod: $512 per tonne cif (previously $527 per tonne cif)
- Mesh-quality wire rod: $530 per tonne cif (previously $545 per tonne cif)
- General-cold-work-quality wire rod: $544 per tonne cif (previously $559 per tonne cif)

Metal Bulletin, August 19, 2019

ASIA HRC: Furious short-selling sparks chaos in Vietnam

A spike in short-selling activity among traders turned the Vietnamese hot-rolled coil import market chaotic in the past week.

Fastmarkets' price assessment for steel HRC import, cfr Vietnam - which mainly looks at Chinese 2-3mm re-rolling-grade SAE1006 HRC and equivalent products sold into Vietnam - was $475-479 per tonne cfr for the week ending Monday August 19, down $18-20 per tonne from $495-497 per tonne a week earlier.

Transactions involving up to 50,000 tonnes of September- and October-shipment Indian HRC were heard concluded at $475-479 per tonne cfr Vietnam during the week. At least 20,000 tonnes of these were sold to buyers in northern Vietnam.

Numerous traders who tried to offload their cargoes before prices fell further issued a wide range of offers, at $475-490 per tonne cfr Vietnam.

A cargo to be delivered in 2020 - the month of delivery could not be determined - was offered at $460 per tonne cfr Vietnam. It was not known at the time of writing whether the cargo was sold.

Buyers were mainly bidding at $470-475 per tonne cfr Vietnam.

"Buyers are bargain-hunting and hoping to secure cheap materials before Formosa Ha Tinh Steel Corp releases its offers," a Vietnamese trader told Fastmarkets last Friday.

Formosa Ha Tinh went on to release its new offers toward the end of the working day on Friday. It lowered its HRC offers by $10 per tonne, putting that for October-shipment and -delivery SAE1006 product and equivalent grades at $531 per tonne cif.

Taiwanese mills were offering HRC at $510-515 per tonne fob Taiwan. Market sources pegged freight rates for the Taiwan-Vietnam route at $15 per tonne.

Vietnam's Ministry of Finance last week said that it was looking into the initiation of an anti-dumping investigation into HRC with the view of imposing a 5% import duty on inbound shipments. The announcement has not had much of an effect on the spot market so far.

"It is still being drafted and under consultation, so there hasn't been any real impact to the market yet," a trader told Fastmarkets.

Efforts to initiate the probe are expected to have greater momentum once domestic producer Hoa Phat Group starts up its hot-strip mill and starts producing HRC as part of the second phase of its development of its Dung Quat integrated blast furnace-based production facility.

Lower Chinese offers

Chinese steel mills had initially lowered their offers at the start of last week due to falling raw materials prices and a weakening domestic market.

A major exporter in eastern China had lowered its list price for base-grade HRC by $15 per tonne to $490 per tonne fob China.

Chinese traders said that Indian HRC remained more competitive compared with Chinese materials. A weakening of the yuan and China's domestic market should make Chinese cargoes be more competitive in the export market soon, they said.

But Chinese mills started to raise their offers again toward the end of last week after domestic prices stabilized.

Fastmarkets' price assessment for steel HRC domestic, ex-whs eastern China was 3,720-3,730 yuan ($529-531) per tonne last Friday, up 80 yuan per tonne from 3,640-3,650 yuan per tonne a week earlier.

Fastmarkets' steel HRC index export, fob main port China was at $482.17 per tonne last Friday, down $7.71 per tonne over the same period.

Metal Bulletin, August 19, 2019

Chinese firm to invest in $2b factory in Thanh Hóa

Chinese steel firm Mintal Group Co. Ltd has expressed a desire to build a US$2 billion Ferocrom, stainless steel and non-ferrous metal factory in central Thanh Hóa Province's Nghi Sõn economic zone.

The issue was discussed during a recent meeting between Mintal Group's representatives and the Provincial People's Committee (PPC).

Specifically, the group will invest in a Ferocrom factory with a capacity of 1.5 million tonnes per year in the first phase and a stainless steel factory with a capacity of 1 million tonnes of steel and 1 million tonnes of non-ferrous metal per year in the second phase.

It is estimated that 80 per cent of raw materials for production will be imported from South Africa, while the remaining 20 per cent is expected to be purchased in Viet Nam.

If the investment plan is approved, Mintal Group will lease 300ha of land in Nghi Sõn Economic Zone, near the port area, to construct the factory.

Speaking at the meeting, chairman of Thanh Hóa People's Committee Nguyen Đình Xung required Nghi Sõn economic zone's management board, provincial departments and agencies to instruct Mintal Group to survey the location and quickly complete relevant documents and procedures, to soon receive the investment policy decision by the provincial People's Committee at the end of September or the beginning of October, when Thanh Hóa Province held 2019 investment promotion conference.

However, Xung noted that when investing in this factory, Mintal Group must commit to Thanh Hóa Province on investing and applying the most advanced and modern technology to minimise the impact on the environment, as well as complying with Vietnamese laws on environmental protection.

At the meeting, Mintal Group and management board of Nghi Sõn economic zone and industrial zones also signed a memorandum of understanding (MoU) on investing in the Ferocrom, stainless steel and non-ferrous metal factory.

Mintal Group is one of the world's leading corporations in manufacturing Ferocrom, stainless steel and non-ferrous metals. Currently, the group has one factory located in China and the second one is planned to be built in Nghi Sõn economic zone.

Viet Nam News, August 21, 2019

BRAZIL

Brazilian steel consumption falls 7% in July on weak economy

Brazilian apparent steel consumption fell in July on an annual basis, while weak economic performance pushed down domestic sales and imports alike, national steel association Aço Brasil said on Monday August 19.

Consumption totaled 1.76 million tonnes in July, 7.1% lower than 1.89 million tonnes a year before, Aço Brasil data showed.

Flat-rolled steel consumption was 1.03 million tonnes, down by 8.5% year on year compared with 1.13 million tonnes on year earlier, and long steel demand totaled 723,000 tonnes, a 5% decrease from 761,000 tonnes in July 2018.

Weaker figures in July followed the stagnant performance seen in the first half of the year. Lower-than-expected demand for steel prompted the national association to cut its full-year consumption forecast to 21.66 million tonnes, off from a previous 22.05-million-tonne estimate.

Faltering demand has prevented steelmakers from increasing domestic prices in Brazil, and market participants have even been reporting discounts.

Fastmarkets' price assessment for steel hot-rolled coil domestic monthly, exw Brazil, was 2,470-2,517 Reais ($646-658) per tonne on August 2, compared with 2,517-2,565 Reais per tonne a month before. This marks the price's lowest since the assessment hit 2,425-2,470 Reais per tonne on March 1.

Domestic sales volumes from local mills totaled 1.56 million tonnes during the month, Aço Brasil added. Those figures were a 6.9% year-on-year decrease from 1.68 million tonnes in July 2018.

Imports were also lower in that period. The country imported 201,000 tonnes of steel in July, falling by 6.9% on an annual basis from 216,000 tonnes in July 2018.

Brazilian customers are currently delaying any significant order for steel from abroad, as volatility hit the foreign exchange rate and consumption is not recovering momentum. Given that scenario, coupled with less expensive offers from China, prices were caught in a downturn.

Fastmarkets' price assessment for steel hot-rolled coil import, cfr main ports South America, was $520-535 per tonne on Friday August 16, down from $530-540 per tonne a week before and its lowest so far this month.

On the other hand, overall apparent consumption was slightly higher sequentially. The association reported a 0.2% rise when compared with 1.75 million tonnes in June this year.

Total apparent consumption was 12.06 million in the January-July period, falling by 1.5% from 12.24 million tonnes in the same months of 2018, Aço Brasil noted.

Crude steel production reached 2.82 million tonnes in July, 5% less than 2.97 million tonnes a year before, the data showed. Output was down because of lower slab production and halted blast furnaces undergoing revamps in the country.

Metal Bulletin, August 19, 2019

INDIA

India becomes second largest scrap importing country

In the first half of 2019, India surpassed South Korea to be the world's second-largest scrap importing country.

According to the data provided by the Ministry of Commerce and Industry of India, Indian scrap import volume soared by 35% to around 3.9 million tons in the first half of 2019. As its two largest scrap suppliers, the United Arab Emirates and the United Kingdom's scrap export volumes to India increased by 27% and 117% year on year respectively. However, the US' scrap supply to India slowed by 7% to around 300,000 tons.

Separately, South Korean scrap import volume increased by 11% only to 3.6 million tons roughly, according to South Korean customs' data.

With the slowdown of Turkish economic growth and the sluggish demand for rebar, Turkish demand for scrap in the first half this year declined, which impacted its suppliers such as the US, the United Kingdom, Russia and Belgium.

Yieh, August 5, 2019

Tata Steel takes scrap route to scale up long products business

With limited scope for organic expansion of long products capacity, Tata Steel, the country's oldest producer of the alloy, will be setting up multiple recycling units in the West, South and North to grow in the segment.

"We will be using the distributor-production modal to scale up long product capacity and hence will not be putting any capital. We will be underwriting the capacity and hence there will be no risk but at the same there is a brand promise," T V Narendran, chief executive officer and managing director, told Business Standard.

Currently, of the total consolidated capacity of 33 million tonnes, Tata Steel has only 3-million tone long-capacity at Jamshedpur and another one million tonnes via the recently acquired insolvent asset of Usha Martin. Jamshedpur could see an addition of another 2 million tonnes long product capacity leaving no further room to add more capacity at the facility.

Steel long products are used in infrastructure and construction segment, an area where the government is laying immense thrust to up investments.

“The plan is to build steel long product centers where iron ore is less and scrap is in abundance. Also, the unit should be closer to the market as it will keep logistics cost lower,” said Narendran. “We already do a million tonnes rebar through this model and to ensure quality, we have our people at those plants,” he added.

Apart from total 10 million tonnes (of which 3 million is long product capacity) at Jamshedpur, Tata Steel’s Angul (5.6 million tonnes) and Kalinganagar (8 million tonnes) facilities in Odisha produce only flat steel, meant for auto sector.

“The East (part of the country) allows us to build integrated steel plants at the existing plants and we can build up to 35-40 million tonnes as land and opportunities are available,” said Narendran.

Naveen Jindal-led Jindal Steel & Power and state-owned SAIL are the two other large steel long product producers in the country but with integrated steel plants.

India’s scrap steel market is scattered with ship-breaking, construction, auto and power sector, among others being the contributors to the same. “We are setting up the first plant in the North next year. If that one becomes a success, we can scale up this project,” said Narendran.

Business Standard, August 7, 2019

Vendanta Limited has sights on being a top steelmaker in India

Vendanta is planning to expand their steel capacity within the next five to six years, according to the Financial Express newspaper.

Currently, the company’s capacity is 1.5 million metric tons per year. They want to increase it to 10 million per year to be among the top four steelmakers in India.

Earlier this year, the company acquired Electrosteel Steels (ESL), a primary producer of steel and downstream value-added products with a capacity of 1.5 million metric tons per year. Vendanta plans to ramp-up ESL’s capacity by doubling it to 3 million metric tons within the next two years, beginning with rebranding initiatives.

“The tactical initiatives were aimed at operational excellence, commercial excellence, debottlenecking and employee focus, whereas the strategic initiatives targeted new product development, leadership in chosen segments and leveraging of group synergies,” Pankaj Malhan deputy chief executive officer of ESL said in a statement, according to the Financial Express.

AIST, August 20, 2019

India turns down steel body’s move to impose safeguards on imports

The Indian Steel Association’s move to get the government to impose a 25% safeguard duty on steel imports has been turned down, several sources belonging to the ISA told S&P Global Platts Wednesday.

“The mail from [the] DGTR [Directorate General of Trade Remedies] was received by our lawyer late in the evening [Tuesday],” an official at ISA said.

The DGTR, which falls under India’s Ministry of Commerce and Industry, deals with anti-dumping, countervailing duty and safeguard measures.

The association sought the duties to restrict cross dumping of products after the US and the EU established tariff and quota limits. Also, the association said imports are rising in India due to an ongoing tariff dispute between the US and China.

Indian mill sources had told Platts they were asking the government for a suo-moto action in the form of provisional safeguards duty to the tune of 20%-25% on an ad valorem basis for six months on imports of all major steel products.

But the ISA’s move has been opposed by steel consumer groups such as the Steel Users Federation of India, or SUFI.

“We had met the DGTR last week and it seemed that DGTR had questions around how to define ‘surge in imports’,” an official with SUFI said, adding that imports of several steel imports had declined in the past few months.

Data published by state-run Joint Plant Committee showed that steel imports fell 6% year on year over April to July 2019.

A New-Delhi based mill source, however, discounted the DGTR communication as rejection of the plea made by mills.

“This is part of the detailed enquiry process at DGTR,” he said. “It is not rejected as yet.”

“Seems like DGTR will only act on actual injury and not perceived threat of injury,” a Mumbai-based mill source and member of ISA said.

Following the DGTR’s response, ISA is expected to file an appeal with additional data to make its case for the safeguards, the sources said.

S&P Global Platts, August 22, 2019

Low-priced Indian steel exports engulf SE Asia

The continuous fall in Indian export prices in Southeast Asia is attracting the attention of market participants, Kallanish notes. While low-priced Indian hot rolled coil has already depressed the Vietnamese market, Indian long products exports are now starting to affect the region.

Indian blast furnace billet from two mills is currently offered at $435/tonne cfr Manila, Manila-based importing and trading sources say. “India seems to be really hungry,” a Manila importer observes. Current Indian prices are much lower than offers at around $456/t cfr Manila in the second half of July and $448/t cfr in the first week of August.

Finished steel prices are low in India, so there is still room for Indian blast furnace billet to fall to $430/t cfr SE Asia “…anytime,” says an Indian trader. While offers for Indian wire rod are not widespread, some Manila buying sources report an offer at $470/t cfr, which Indian traders say is possible (see separate story).

“It’s more than just the seasonal lull,” another Indian trader says. “Finished steel is not moving, rebar is not selling. A lot of infrastructure projects are on hold," he adds. Various sectors have been affected by a slowdown in the Indian economy including the automotive, and the real estate and property sectors.

The Indian economy has slowed down in recent months, with gross domestic product growth falling from 6.6% to 5.8% in the quarter ended March. Nomura has forecast for India's economic growth to slow further in the April-June quarter to 5.7% amid a contraction in consumption, weak investments and an under-performing service sector, according to Indian press reports. India's Central Statistics Office is due to release June-quarter GDP figures on 30 August.

Meanwhile, Indian HRC export prices are still under pressure in Vietnam. SAE 1006 grade 2mm and up thickness HRC from a leading Indian mill is offered at $472/t cfr. "The supplier is welcoming bids at $470/t cfr," a Vietnamese trader says. A deal for 20,000t of the same grade and thickness Indian HRC concluded at $475/t cfr Vietnam on Wednesday last week.

Kallanish, August 23, 2019

CHINA

China's steel output shows signs of slowdown in July

Chinese output of hot metal, crude steel and finished steel all fell on a month-on-month basis in July amid weakening demand and steelmaking restrictions in the country's production hub in northern China.

CHINA STEEL OUTPUT
(million tonnes)

	July volume	year-on-year change	month-on-month change	January-July volume	year-on-year change
hot metal	68.31	▲0.6%	▼2.6%	473.44	▲6.7%
crude steel	85.22	▲5.0%	▼2.6%	577.06	▲9.0%
finished steel	105.82	▲9.6%	▼1.2%	697.76	▲11.2%

Source: National Bureau of Statistics

Demand in China's domestic market weakened last month amid bad weather - heavy rain in some regions and sweltering heat in most of the country - which was a major contributing factor for July's lower steel production in comparison with that in June.
For instance, the newly construction starts totaled 1.26 billion square meters in the January-July period, up 9.5% from the corresponding months of last year. But this year-on-year growth is 0.6 percentage point lower than that for January-June's (10.1%), according to the country's National Bureau of Statistics.

The weakening demand also caused steel prices to fall, which narrowed steel mills' profits and led some of them to cut production.

Fastmarkets' price assessment for steel reinforcing bar (rebar) domestic, ex-whs eastern China was 3,920-3,940 yuan ($555-558) per tonne on July 31, down 110-130 yuan per tonne from 4,030-4,070 yuan per tonne on July 1.

Fastmarkets' assessment for steel hot-rolled coil domestic, ex-whs eastern China was 3,830-3,840 yuan per tonne on July 31, down 170-180 yuan per tonne from 4,000-4,020 yuan per tonne on July 1.

Rebar producers' gross profits were around 250-300 yuan per tonne at the end of July, down 200 yuan per tonne from 450-500 yuan per tonne around the start of the month. But some HRC producers were already losing money at the end of last month, compared with gross profits of around 300 yuan per tonne at the start, an industry analyst in Shanghai said.

Steelmaking restriction in Tangshan to improve air quality was another reason for the month-on-month production drop, sources said.

The city's municipal government were enforcing these restrictions strictly toward the end of the July after loosening some curbs in the earlier part of the month.

July's steel output remained higher than a year earlier, however, NBS says.

Some idled capacity from last year also returned to production this year following equipment upgrades under a capacity replacement program, which contributed to the year-on-year rise in steel output, market sources said.

Industry analysts estimate, for instance, that this year's crude steel capacity from electrical-arc furnaces is about 145 million tonnes, up 15 million tonnes from 130 million tonnes last year.

Metal Bulletin, August 14, 2019

China's July steel output eases on environmental curbs, shrinking margins

China's monthly crude steel output fell for a second straight month in July, official data showed on Wednesday, as steel mills trimmed output amid heightened environmental measures and record raw material prices.

The world's top steelmaker produced 85.22 million tonnes of crude steel last month, data from the National Bureau of Statistics (NBS) showed, down from 87.53 million tonnes in June but still well above 81.24 million tonnes a year earlier.

China's steel production has been strong this year despite relatively thin margins, supported by firm demand from sectors such as property and infrastructure as Beijing looks to bolster its economy amid a trade row with Washington.

Average daily output of the industrial metal was 2.75 million tonnes in July, down about 6% from 2.92 million tonnes in June, according to Reuters calculations.

The decline came as local governments in northern China, including the top steelmaking province Hebei, stepped up production restrictions to improve air quality.

Hebei is set to impose tougher emission requirements on industrial firms after warning three cities for their failures in controlling air pollution over the first half of this year.

At the same time, the price of iron ore, a key steelmaking raw ingredient, surged to a peak of $126.5 a tonne in early July, data tracked by SteelHome showed, squeezing profit margins at steel mills. [SH-CCN-IRNOR62]

Weekly utilisation rates at steel mills across the country fell to around 66.44% in July from 70.41% a month earlier, data compiled by Mysteel consultancy showed. However, an easing of production restrictions at some cities, such as Handan, led utilisation rates to rise to 69.48% in the week to Aug. 8.

Steel stocks held by Chinese traders have been increasing for nine straight weeks since early June, indicating weak demand over summer as construction activities slow down due to hot weather and frequents rains.

In the first seven months, China churned out 577.06 million tonnes of steel, up 9% from the same period last year, the NBS data showed.

While iron ore prices have come off sharply in recent weeks, rating agency Fitch Ratings expects steel production in China to decline in the second half due to a slowdown in housing construction, environmental measures and market-driven production cuts on shrinking steelmaker margins.

"We expect weaker domestic demand and increasing trade friction to lead to a decline in average selling prices as steel margins continue to be squeezed for the rest of the year," it said in a report.

Reuters, August 15, 2019

Analysis: China's rising steel output in balance with domestic property demand

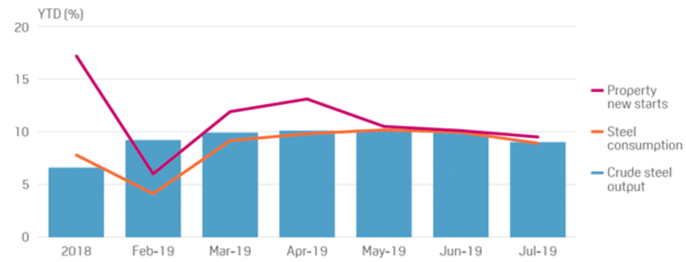
China's apparent consumption of crude steel over January-July rose 8.9% on year to 526.76 million mt and will be robust enough to absorb the surge in domestic steel production this year, according to S&P Global Platts estimates.

The consumption growth rate grew in tandem with new property construction starts, suggesting that strong domestic demand was the core driver behind soaring steel output this year.

China's loosening of environmental protection constraints on production, along with steel capacity expansion, have also contributed to steel output rising by around 10% to date in 2019.

Property construction accounts for more than 30% of Chinese steel consumption and is the biggest driver of steel demand. The sector is expected to slow over the remainder of 2019 — but so will the growth rate of crude steel production.

CHINA PROPERTY NEW STARTS, STEEL APPARENT CONSUMPTION AND OUTPUT



Source: China National Bureau of Statistics, S&P Global Platts

As a result, steel supply and demand will remain in balance, while mill profit margins will retreat in relation to the high levels seen in 2018. Iron ore prices have also corrected to below $90/mt CFR after touching a five-year high of $126/mt in July, which will also help steel margins.

A slower growth rate of new property starts in 2019 is in line with market expectations, after land purchases and home sales decreased by 29.4% and 1.3% on year respectively over January-July 2018. However, the slower growth rate of new housing starts is not expected to adversely impact demand for steel — although it may seem weaker compared with last year, 2018 was particularly strong.

The decline in land purchase and home sales is mainly because demand from home buyers had been pulled forward to 2015-2018 because of Beijing's monetary and fiscal stimulus measures.

On the supply side, the yearly growth rate of China's crude steel production over January-July decelerated to 9% from a peak of 10.2% over January-May. The dip in production was due mainly due to strengthened output cuts in a bid to improve the air quality in northern China over June and July.

Production rates will also be lowered in the run-up to China's National Day on October 1, which this year will be more important than ever as it will mark the 70th anniversary of the People's Republic of China. Local governments in northern China will be told to reduce industrial activity, including steel production, to ensure blue skies over Beijing on the landmark occasion.

China's steel output in 2019 has been catching up with strong steel demand from the property sector, rather than exceeding it. In fact, the pace of steel demand outstripped supply in 2018, as property new starts increased by 17.2% while crude steel rose 6.6% on year. This resulted in rebar profit margins averaging at a very healthy $132/mt in 2018, according to Platts analysis.

The average rebar profit margin to date in 2019 is $67/mt as supply and demand have rebalanced.

China's July crude steel and pig iron output stood at 85.22 million mt and 68.31 million mt respectively, up 5% and 0.6% on year, data released by the National Bureau of Statistics on August 14 showed. China's pig iron output over January-July increased 6.7% on year to 473.44 million mt, the data showed.

Platts, August 19, 2019

China's domestic stainless steel prices dip on weakened demand

Domestic stainless steel prices in China dropped slightly over the past week on soft demand and high inventories.

Stainless steel cold-rolled coil 2mm grade 304 domestic, ex-whs China, yuan/tonne

Fastmarkets' price assessment for stainless steel cold-rolled coil 2mm grade 304 domestic, ex-whs China in the country's major market of Wuxi was 15,000-15,400 yuan ($2,125-2,181) per tonne including value-added tax for the week ended Wednesday August 21, down 100 yuan per tonne from a week earlier.

Weakness in downstream industries led to these stainless steel consumers buying less materials, sources said.

For instance, washing machine production totaled 4.92 million units in July, down 7.3% from a year earlier, while that for air conditioners was 16.86 million units, down 3% year on year, according to the country's National Bureau of Statistics.

Stainless steel inventories have risen as a result of the weak demand, weighing on prices.

There were 280,000 tonnes of stainless flat steel products in Wuxi in mid-August, up 14,000 tonnes compared with at the end of July, an industry analyst said, quoting a local industry information provider.

"Stainless steel mills are unlikely to cut production because they are still profiting, so market inventory levels might rise further and push down prices," a trader in Wuxi said.

Metal Bulletin, August 22, 2019

WORLD

US import permit applications up 31% for July

Based on the Commerce Department's most recent Steel Import Monitoring and Analysis (SIMA) data, the American Iron and Steel Institute (AISI) has reported that steel import permit applications for the month of July totalled 3.57Mt (net tons). This was a 31% increase from the 2.72Mt (permit tons) recorded in June and a 75.1% increase from the June final imports total of 2.04Mt. (All figures are net tons).

Import permit tonnage for finished steel in July was 1,88Mt, up 8.9% from the final imports total of 1,72Mt in June. For the first seven months of 2019 (including July SIMA permits and June final imports), total and finished steel imports were 19,21Mt (net tons) and 13.5Mt (net tons), down 8% and 16.2%, respectively, from the same period in 2018. Estimated finished steel import market share in July was 19% and is 21% year-to-date (YTD).

Finished steel imports with large increases in July permits versus June final imports included cut lengths plate (up 56%), line pipe (up 33%), plates in coils (up 28%), hot rolled bars (up 25%), sheets and strip hot dipped galvanised (up 22%), hot rolled sheets (up 18%), mechanical tubing (15%), heavy structural shapes (up 14%), wire rods (up 14%), and standard pipe (up 13%). Products with significant year-to-date (YTD) increases versus the same period in 2018 include black plate (up 64%), steel piling (up 43%) and tin free steel (up 19%).

In July, the largest finished steel import permit applications for offshore countries were for South Korea (202kt), up 24% from June final, Japan (96kt) down 15%, Taiwan (81kt) down 6%), Germany (78kt) down 22% and Brazil (75kt) up 391%. Through the first seven months of 2019, the largest offshore suppliers were South Korea (1,65Mt), down 15% from the same period last year, Japan (819kt), down 6%, and Germany (694kt), down 8%.

Steel Times International, August 9, 2019

EU proposes modifications to steel import safeguard measure

The European Commission is proposing to reduce an automatic increase on its steel import quota-and-tariff safeguard measure as domestic producers face headwinds from a softening market and surging import levels.

In a statement, the commission said that although its safeguard measure has worked well overall, adjustments are warranted to reflect the current market.

The European Union imposed the reciprocal measure following the Trump administration's imposition of a 25% tariff on imported steel. The measure first sets a cap on imports of 26 steel products; imports that exceed the cap are then assessed a 25% duty.

The plan includes automatic increases to cap and is to rise by 5%. But the commission said Wednesday that a 3% increase would be more proper. It said the reduction would keep about 1.5 million metric tons out of the market.

"This lowered liberalization pace is in line with the most-recently published general economy and industrial outlooks, which foresee a growth reduction for the union and the world economy," it said.

The European Steel Association last month called on the commission to halt the automatic quota increase.

"The stepped increase is out of line with the size and direction of the market. Coming from 2018, when imports boomed by a record 12%, bringing their share of the market to an all-time high, it is extraordinary that the commission would not act to at least postpone this pre-programmed change until a review of the measure has been completed," said Axel Eggert, the association's director general.

AIST, August 15, 2019

Global steel demand to enter low growth period: worldsteel

Global steel demand is continuing to grow in the short term against a backdrop of great uncertainty as only a mild deceleration in global growth is now expected, World Steel Association Chairman Andre Gerdau Johannpeter told the Brazilian Steel Institute's annual congress in Brasilia Wednesday.

However, in the long term, global steel demand is moving into a low-growth zone as new megatrends shape the industry, Johannpeter warned.

"Steel demand is at another inflection point which may be followed by a prolonged period of low growth," said Johannpeter, also a board director of Brazil-based steelmaker Gerdau Group. "Steel demand is facing new challenges: the deceleration of population growth and aging populations in developing economies, rising income inequality threatening growth and the middle-class base."

Environmental concerns are also affecting the global steel sector, with sustainable development now "the crucial concept," he said.

Global steel demand remains concentrated in China, which uses almost 50% of global steel production, but the market for steel in China is expected to grow just 1% this year to 843.3 million mt, while its steel production rate is expected to reach 930 million mt, up nearly 2%, Johannpeter said. In 2020, China's steel demand is expected to fall to 834.9 million mt, he added.

Politically driven uncertainties point to downside risks outside China: while steel demand from developed economies is moderating, emerging nations have a positive but mixed demand outlook, he said. In this scenario, India is expected this year to overtake the US to become the world's second biggest user of steel but will still remain far below Chinese levels. Worldsteel forecasts Indian steel consumption at 110 million mt in 2020, followed by the US on 101 million mt and Japan on 64 million mt.

Global steel production capacity was put at 2.235 billion mt in 2018, with consumption at 1.840 billion mt and overcapacity of 395 million mt, which remains the subject of international discussions and negotiations, the worldsteel executive said. The location of this overcapacity was: 154 million mt in China; 81 million mt in the Commonwealth of Independent States; 80 million mt in Asia (outside China); 47 million mt in Europe; 26 million mt in Central and South America; 13 million mt in Oceania and the Middle East and North Africa; and minus 6 million mt in NAFTA.

GOVERNMENTS SHOULD HELP ELIMINATE 'INEQUITIES'

While the use of steel, which is highly recyclable, may enable CO2 mitigation in other sectors, inequities introduced regionally by carbon pricing mechanisms could jeopardize fair competition within the steel sector, and it is in this area that government participation is needed, according to Johannpeter.

"Governments should promote and encourage a circular economy approach," the worldsteel chairman said. "Progress in breakthrough technology development in steelmaking and its implementation must be maintained or accelerated, requiring the financial burden to be shared."

The steel sector should be able to take "a great leap forward when it manages to reduce emissions via technology," he said.

Platts, August 22, 2019

HEADLINES

Analysis of Steel Import and Export in ASEAN Member Countries in 2018

- **Indonesia**'s finished steel import increased 7.9% y-o-y to 7.6 million tonnes in 2018. Long steel import surged significantly, by 19% y-o-y to 2 million tonnes and import of flat steel increased moderately, by 4.3% y-o-y to 5.6 million tonnes in 2018. Import volume of section in 2018 was not significant, at 255,690 tonnes. However, the growth rate was at a high of 51% y-o-y. Import of bar registered a double-digit growth rate of 16% y-o-y to 513,811 tonnes in the same period. Meanwhile import of wire rod was stagnant, at nearly 700,000 tonnes in the same period.
- Import of hot rolled plate in Indonesia rose 51% y-o-y to 402,775 tonnes in 2018. Import of hot rolled coil, on the other hand, declined 12.6% y-o-y to 1.64 million tonnes in the same period. Import of cold rolled coil increased significantly, by 24% y-o-y to 2.1 million tonnes while import of coated sheet dropped moderately, by 4% y-o-y to 1.24 million tonnes in 2018.
- Both long and flat steel export in Indonesia registered sharp increases in 2018. Indonesia is not a major exporter for long steel. Export volume, therefore, was not significant. However, the export surged 26% y-o-y to 360,077 tonnes in 2018. The bulk of the export was bar and wire rod.
- As for export of flat steel, the volume jumped significantly, by a million tonnes to 2.2 million tonnes in 2018. The increase was basically attributable to the export of hot rolled coil, from 340,681 tonnes in 2017 to 1.3 million tonnes in 2018. Export of cold rolled coil was minimum. However, the volume jumped more than 100,000 tonnes to 176,592 tonnes in 2018. Export of coated sheet, on the other hand, declined by half to 16,627 tonnes in the same period.

- **Malaysia**'s finished steel import increased slightly, by 1.2% y-o-y to 7.16 million tonnes in 2018. Import of both long and flat steel registered a small increase of around 1% y-o-y. Bar import, however, increased significantly, by 31% y-o-y to 483,899 tonnes. Import of section rose moderately, by 4.6% y-o-y to 716,440 tonnes while import of wire rod declined significantly, by 19% y-o-y to nearly 600,000 tonnes in the same period.
- Total flat steel import registered a slight increase of 1.4% y-o-y in 2018. Import of welded pipes dropped sharply, at 43% y-o-y to 131,037 tonnes while most of other flat steel products registered positive growth rates in 2018. Import of hot rolled plate registered a significant growth rate of 29% y-o-y to 478,951 tonnes while import of hot rolled coil stagnated at 2.2 million tonnes in 2018. Cold rolled coil import also registered a positive growth rate of 5.7% y-o-y to 1.36 million tonnes.
- Malaysia's finished steel export dropped 15.5% y-o-y in 2018. This was due to a significant decline in export of flat steel, at 22.6% y-o-y in 2018. Both hot rolled plate and hot rolled coil export dropped by 5-6% y-o-y. Coated sheet export registered a sharp decline of 24.4% y-o-y to 211,599 tonnes in 2018. Meanwhile, export of cold rolled sheet increased significantly, by 23.3% y-o-y to 370,605 tonnes in the same period.
- Long steel export from Malaysia registered a double-digit growth rate of 16.3% y-o-y to 300,844 tonnes. This was due to the significant increase in export of section and wire rod. Flat steel export, on the other hand, dropped significantly, by 22.6% y-o-y, from 1.14 million tonnes in 2017 to 887,043 tonnes in 2018. Export of most of flat steel products declined, except cold rolled sheet, of which the export volume hiked 23.3% y-o-y to 370,605 tonnes in 2018.

- **Philippines**' import of finished steel grew moderately, by 6.1% y-o-y in 2018. This was mainly due to the import of long steel, which increased substantially, by 23.2% y-o-y to 2.4 million tonnes in 2018.
- Import of section surged robustly, by 29% y-o-y, from 741,718 tonnes in 2017 to 957,745 tonnes in 2018.

Meanwhile import of bar dropped by half to 58,954 tonnes in the same year. Wire rod import rose 4.9% y-o-y to 813,540 tonnes in 2018.

- Import of hot rolled plate in Philippines dropped by nearly half from the volume in 2017 to 549,851 tonnes in 2018 while import of hot rolled coil jumped 21% y-o-y to 666,300 tonnes in the same year. Cold rolled coil import increased slightly, by 1.6% y-o-y to 1.2 million tonnes. Coated sheet picked up to the 2016 level of 1.46 million tonnes in 2018. This was mainly to the significant increase in import of coated sheet for construction.
- The only steel product exported from Philippines in 2018 was estimated at around 100,000 tonnes.

- **Singapore**'s import of finished steel increased moderately, by 8.7% y-o-y to 3.75 million tonnes in 2018. Import of long steel recovered with a 5% y-o-y increase to 2.3 million tonnes in 2018. However, the level was still lower than the normal import volume of above 3 million tonnes in previous years.
- Flat steel import surged significantly, by 15% y-o-y to 1.45 million tonnes in 2018. The level, however, was still lower than the import volume in the previous years. Import of hot rolled plate and hot rolled coil registered significant increases while import of cold rolled coil stagnated while coated sheet import dropped in 2018.
- Singapore is a free-trade country and the bulk of the steel export from the country is re-export trade. Long steel export increased robustly, by 25% y-o-y. Export of bar and wire rod registered double digit growth rates and part of this could be contributed by the export from the sole local steel producer.

- **Thailand**'s import of finished steel grew moderately, by 6.6% y-o-y to 11.68 tonnes in 2018. Most of import was for flat steel and the volume increased moderately, by 4.6% y-o-y. Thailand's import of hot rolled coil remained significant and the volume increased moderately, by 4.3% y-o-y to 3.89 million tonnes in 2018. Import of hot rolled plate declined 16% y-o-y to 373,977 tonnes in the same period.
- Cold rolled coil import surged 7.9% y-o-y to 4.26 million tonnes in 2018. Coated sheet also increased 7.8% y-o-y to 1.7 million tonnes in the same year.
- Import of long steel picked up with a double digit growth rate of 14.5% y-o-y to 2.57 million tonnes in 2018. The bulk of the import was wire rod and bar. Import of wire rod increased slightly, by 2.7% y-o-y to 1.33 million tonnes and import of bar rose significantly, by 31% y-o-y to 829,346 tonnes in 2018. Meanwhile, import of section, of which the volume was not significant, declined 5.3% y-o-y to 18,905 tonnes in the same year.
- Thailand's finished steel export increased significantly, by 19.7% y-o-y in 2018. However, Thailand is not a major steel exporter. Export of long steel started to increase since 2016 and the volume registered 827,702 tonnes, an increase of 29.2% y-o-y in 2018. The bulk of the export was section and the volume increased 23.4% y-o-y. Export of bar showed a significant increase of 24.2% y-o-y to 223,708 tonnes in the same year. Thailand's export of wire rod was not significant. However, the volume doubled to 29,756 tonnes in 2018.
- As for flat steel, the export volume also increased 9.4% y-o-y to 648,896 tonnes in 2018. Export of hot rolled coil jumped significantly, by six folds to 64,018 tonnes and hot rolled plate export rose around 10 folds to 18,745 tonnes in the same period.
- Export of cold rolled sheet, on the other hand, declined marginally, by 0.4% y-o-y to 179,883 tonnes in 2018. Coated sheet export declined 8.4% y-o-y to 188,926 tonnes in the same year.

- **Vietnam's** finished steel import declined moderately, by 4.4% y-o-y to 14.4 million tonnes in 2018. Around 85% of the import volume was flat steel and the volume declined 3.3% y-o-y to 12.6 million tonnes. Long steel import dropped by a double digit of 11.3% y-o-y to 1.8 million tonnes.
- Vietnam's import of hot rolled coil registered the highest volume of 8 million tonnes in 2018. However, the volume continued to decline for three consecutive years. Import of hot rolled plate, on the other hand, increased 11% y-o-y to 1.67 million tonnes.
- Cold rolled import declined 3.6% y-o-y to 1.1 million tonnes while coated sheet import rose 2.3% y-o-y to 1.5 million tonnes in 2018.
- Vietnam's finished steel export has been increasing continuously since 2013. The export volume jumped by nearly 2 million tonnes to 6.6 million tonnes in 2018. Export of both long and flat steel registered double digit increases. In particular, long steel export increased 56.2% y-o-y to 1.9 million tonnes in 2018.
- Export of wire rod nearly doubled in volume to 878,000 tonnes in 2018 and export of bar increased 63% y-o-y to 610,000 tonnes in the same year. Meanwhile, section export rose more moderately, by 9.7% y-o-y to 396,000 tonnes in 2018.
- Flat steel export rose 35% y-o-y to 4.7 million tonnes in 2018. Hot rolled coil export doubled in volume to 499,000 tonnes while export of hot rolled plate declined 16% y-o-y to 105,000 tonnes, in 2018. Cold rolled coil export picked up significantly, by 27% y-o-y to 913,000 tonnes in 2018.
- Vietnam's export of coated sheet registered 2.28 million tonnes, an increase of 28% y-o-y. Half of the export was galvanized sheet, of which the volume increased 33.5% y-o-y and the half of the export volume was other coated sheet for construction, registering an increase of 24% y-o-y in 2018.

Note:

- There is no access to trade data for Vietnam and Philippines. Therefore, the analysis on import and export was based on mirror statistics.
- The report was extracted from 2019 SEAISI Statistical Yearbook

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