

## Steel - China

## Expert call: low production, low demand and low inventory post CNY

Industry Overview

## Steel price likely to fluctuate between RMB4,150/t &amp; 4,350/t

We hosted Mr. Xiaowen Song from Mysteel for a post-Chinese New Year China steel market update. Overall, Mr. Song summarized the steel market during CNY holiday as low production, low demand and low inventory. In the short term, Mr. Song estimates that steel production will stay at low levels as resumption ramp-up is lower than expected and property market demand is weak. Meanwhile, raw material inventory restocked to a high level in 4Q23. However, Mr. Song expressed an optimistic view that the steel market may start rebounding in March 2024 after NPC and CPPCC sessions given that the economic stimulus package may be released and the 1 trillion-yuan special treasury bond should be implemented soon. He expects steel price to fluctuate between RMB4,150/t and 4,350/t.

## Material prices likely to drop before steel production rebounds

Mr. Song indicated that finished steel inventory in the 2024 CNY is averaging only 1mnt higher than last year, which implies that production levels are still low. It is also in line with weekly steel production data, which recorded 2024 CNY production as well as consumption at the lowest levels in four years. He expects a more noticeable steel production rebound in May if steel margins improve on the decline of raw materials prices as well as better steel demand if more supportive policies are announced. Regarding raw materials, Mr. Song expects raw material prices to decline in the short term due to low demand as steel makers already restocked in 4Q23. In the second week after CNY, inventory of iron ore was 136mnt (-4% yoy), coking coal 23.32mnt (+6% yoy) and coke 9.37mnt (-1% yoy). In addition, a coal mining security check is under conduction in Shanxi, which accounts for over 30% of domestic coal supply, until end of May, and Australian iron ore shipments are 16.17mnt/week, -6%yoy.

## Demand likely to be driven by manufacturing and export

On downstream, the work force resumption rate in the **property market** is not as good as expected, with 42% of property firms indicating cash flow difficulties and 36% of firms expecting to resume work later than last year, based on a Mysteel survey. The general real estate resumption rate was 13% in first week after CNY, +5% yoy, and non-real estate resumption rate was 13%, +1% yoy. However, 2023 CNY data was a COVID low base, and most of the resumed projects are continued projects instead of new starts. The **infrastructure sector** is also struggling as local governments are facing financial distress given declining land revenue brought about by the property market downturn, and infrastructure investment has been squeezed. On the other hand, the **manufacturing sector** is doing relatively well, with 80% firms having resumed work within 9 days after the CNY holiday and 85% of firms holding neutral to positive views about order status. In the long run, Mr. Song believes that exports will continue to support steel consumption in 2024, because he sees a low likelihood that steel makers will cut production under the economic stimulus package after “two sessions” and thus that supply surplus should eventually go to exports. Anti-dumping duty is an issue, but Mr. Song believes that it will not affect China steel export in 1-2 years.

28 February 2024

Equity  
China  
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CNY: Chinese New Year

CPCC: Chinese People's Political  
Consultative Conference

mnt: million tonnes

NPC: National People's Congress

t: tonne

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Timestamp: 28 February 2024 10:46AM EST

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