


METALS & MINING

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KTAs from CRU's APAC Steel Updates

- We interpret near-term pressure points for India's steel majors as elevated steel exports and weak auto demand in India
- Watch political events over Nov'24 to Mar'25 for more clarity on China stimulus, sheet products have potential to benefit from stimulus
- Trump's win in the US could potentially impact indirect steel exports should trade barriers come up against consumer goods and appliances

Kirtan Mehta, CFA
 research@bobcaps.in

Near-term pressure points: (a) China's steel exports may remain elevated this year with front-running of exports to some markets ahead of potential trade barriers. (b) Flat products in India are facing pressure from weak automotive demand and may need to resort to aggressive exports.

Trade protectionism to pose challenge to China exports: With trade actions initiated by several of China's Asia Pacific (APAC) trade partners on a meaningful quantum of imports, there is a possibility that this could alter the trade flow. While the investigation on Vietnam could be concluded in the near term, investigations on South Korea and Malaysia are at an early stage, and progress on the India investigation has been slow so far. Other Asia accounted for ~45% of China's exports in CY23 (Source: World Steel Association).

China stimulus – Watch upcoming events: For a clear direction on stimulus, i.e., quantum, its allocation and timing, we need to watch – (a) Politburo meetings in Nov/Dec, (b) the Central Economic Conference H2 Dec'25, (c) Two-Sessions in Mar'25.

China's stimulus impact to differ by products: Sheet products are likely to see the most positive impact with expectations of continuing support for automotive, solar power and home appliances. The declining trend in long products is unlikely to alter due to the lower focus on new housing projects. While plate products could receive support from allocations to infrastructure, construction's decline will be a drag.

Capacity swap scheme – impact to take time: MIIT had previously taken a year to redefine the capacity swap scheme in CY20. An immediate impact from the recent announcements on the capacity in China will be limited.

Impact of Trump's win in the US: There could be an impact on China's steel consumption if trade barriers are put up against categories of indirect steel exports – automotive, air conditioners (ACs), freezers, washing machine, etc.



Key takeaways from APAC Steel Updates

We attended the Asia Pacific Steel Market Updates organised by CRU analysts – (i) Juliana Guarana, Analyst, Steel Trade and Emissions Markets, Sydney office, (ii) Linda Lin, Principal Analyst, Shanghai, (iii) Puneet Paliwal, Senior Analyst, India, and (iv) Shankhadeep Mukherjee, Principal Analyst.

Near-term pressure points

China's steel exports could remain elevated this year. With some front running of exports ahead of potential tariff bears, there is a possibility that exports could remain elevated and plateau or come down by the year-end.

India flat products facing near-term pressure. Inventory build-up in the automotive sector is weighing on flat steel demand. The Indian auto sector accounts for ~12% of steel consumption and ~30% of sheet consumption in India. Due to weak demand, steel restocking demand from the auto sector was low during the traditional peak season of September and October. Due to this low demand, Indian steel companies have cut production of downstream flat products, which resulted in a higher build-up of mill inventory for Hot Rolled Coils (HRC). Indian steel mills will need to participate aggressively in the export market to clear this excess inventory.

China's steel exports: Increasing protectionist measures

Exports surge outside EU and US

Unlike CY15-16, during the surge of exports in CY23-24, the share of Europe and US remained significantly low (<5% in CY23 as per World Steel Association). China's steel exports have been flowing into countries where import barriers are not high and inter-linkages with China exist. In CY23, Africa, the Middle East, Russia and Commonwealth of Independent States (CIS) countries, Ukraine, and South America accounted for more than 80% of China exports as per World Steel.

Fig 1 – China steel exports in CY23

Region	Steel exports (mt)	% of total
Japan	1.1	1.2
Other Asia	44.8	47.5
Africa	11	11.7
Middle East	11.6	12.3
Russia, CIS, Ukraine	2.3	2.4
South America	7.8	8.3
North America	5.8	6.2
EU 27	4.5	4.8
Other Europe	4.5	4.8
Oceania	0.9	1.0
Total	94.3	100.0

Source: World Steel Association, BOBCAPS Research

Asia market is resorting to trade protectionism measures

Other Asia or Asia Pacific is the region where trade actions have ramped-up since Aug'24. These actions are targeting meaningful quantum, which could have an

implication on trade flow should they succeed. While the investigation on Vietnam could close next month, those on South Korea and Malaysia are at early stages. While India initiated HRC imports from Vietnam in Aug'24, the progress appears to be slow. However, these trade investigations have turned Chinese exporters cautious.

Fig 2 – Anti-dumping investigations against China steel exports

Month	Initiating market	Against	Product	Imports quantum under investigation
Aug'24	Vietnam	China and India	HRC	69% from China
Aug'24	India	Vietnam	HRC	18% from Vietnam
Oct'24	South Korea	China	Plates of 6mm and thicker	50% from China
Oct'24	India	China	Cold-rolled non-oriented electrical steel	25% from China
Oct'24	Malaysia	China, Indonesia and Vietnam	Wire-rods	62% from these 3 countries

Source: CRU, BOBCAPS Research

China stimulus

Watch political events over Nov'24 to Mar'25 for clear direction

China has so far not clearly spelt out the quantum of planned stimulus or its allocations to different infrastructure projects and implementation timeline. We need to watch out for the following events for clear direction on stimulus:

- Two Politburo meetings to analyse and discuss economic policies in November and December.
- Central Economic Conference over the second half of December.
- National 'Two sessions' in Mar'25.

Stimulus impacts to differ by steel products

- **Positive for sheet products:** Stimulus measures are likely to be positive for sheet products with base expectations of continuing support for automotive, solar power and home appliances.
- **May not benefit long products:** Stimulus is not likely to alter the declining trend in long products (rebar, wire rod). For the housing sector, China's government is focusing on destocking and not new projects.
- **Modest support to plate products:** While plates may receive support from infrastructure investment commitment, it will still face decline in construction.

Risks to base expectations on stimulus

- **Upside risks:** Allocation of stimulus to steel-intensive sectors such as construction and manufacturing could be an upside risk to base expectations.
- **Downside risks:** Focus of stimulus on resolving debt issues in local governments over public spending or new investment could be a downside risk to base expectations.

China supply discipline

The Ministry of Industry and Information Technology (MIIT) in China suspended the new steel production capacity swap scheme in Aug'24. While this is a step in the right direction, this will take time to have an impact on market surplus. Earlier MIIT had suspended the capacity swap scheme in Jan'20 and took a year to come up with a new scheme.

Impact of Trump's win in the US on steel markets

Potential impact on indirect steel exports: China's exports of steel to the US are just 0.4% of its exports and, hence, not meaningful. However, China is indirectly exposed to the US through its exports of steel-containing goods. China's exports to the US comprise 11.3% of Automotive, 7.9% of ACs, 15.9% of freezers and 8.8% of washing machines. If the US erects trade barriers against some of these categories, this could have an impact on steel exports out of China.

Potential benefit for India: Main opportunities are likely to arise in steel-consuming sectors like white goods and consumer durables should trade barriers be put in place against China. This will represent opportunities for both India and South East Asia.

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