



Kallanish



KALLANISH ASIA STEEL MARKETS 2019

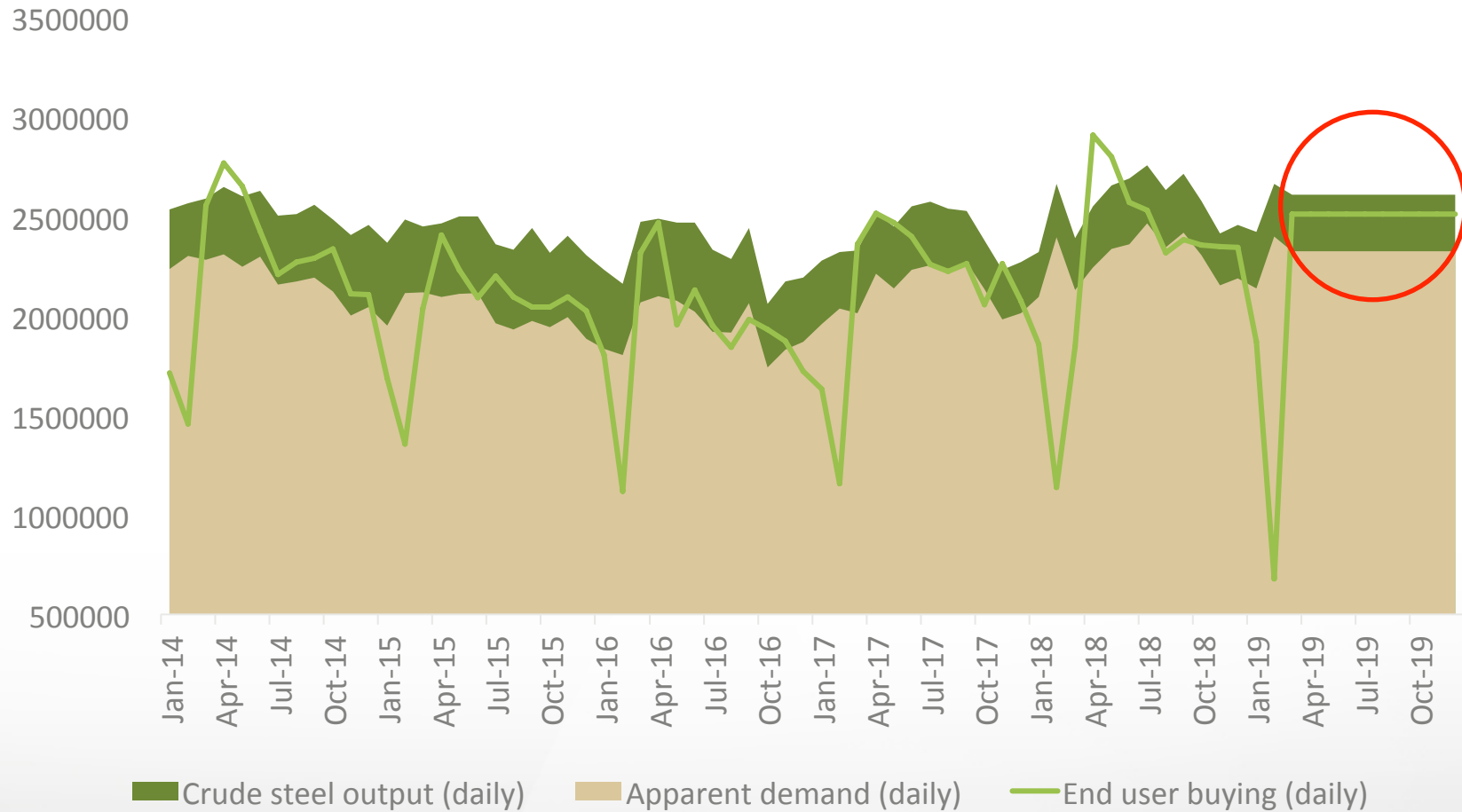
Tomas Gutierrez
Asia Editor

Setting the scene for Kallanish ASM2019

- What's happening in China?
- Where does that leave SEAsia?
- What are the implications for global trade?
- What role will raw materials volatility play?

Source: NBS, Kallanish
Unit: million tonnes/day

China in 2019 at a glance



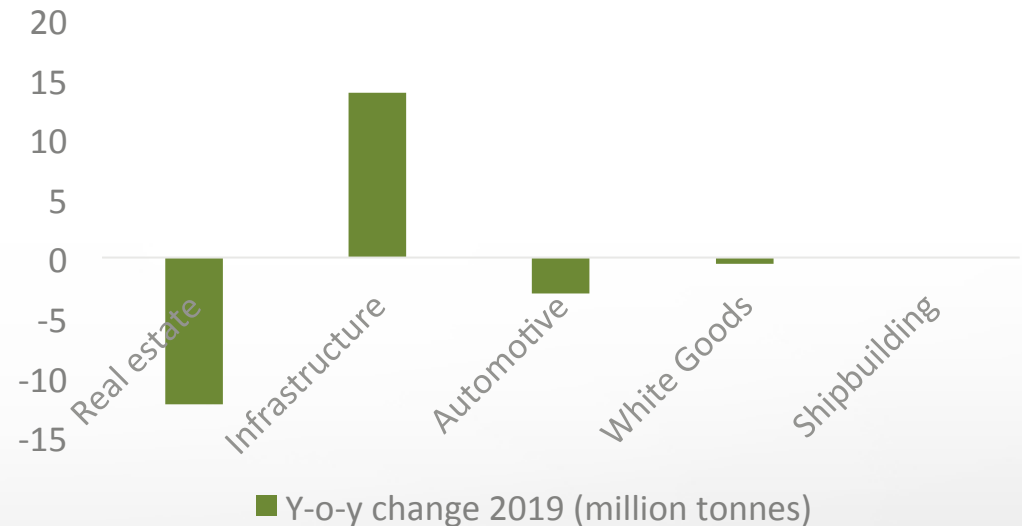
Source: NBS, Kallanish
Unit: million tonnes/day

China in 2019 at a glance

	2017	2018e	2019f
Consumer	9.5%	9.4%	9.2%
Corporate	56.3%	55.5%	54.4%
Govt	34.2%	35.0%	36.5%

Proportion of demand generated by the state keeps growing while corporate and consumer sectors fade

Weak real estate and automotive sectors balanced out by strong infrastructure sector



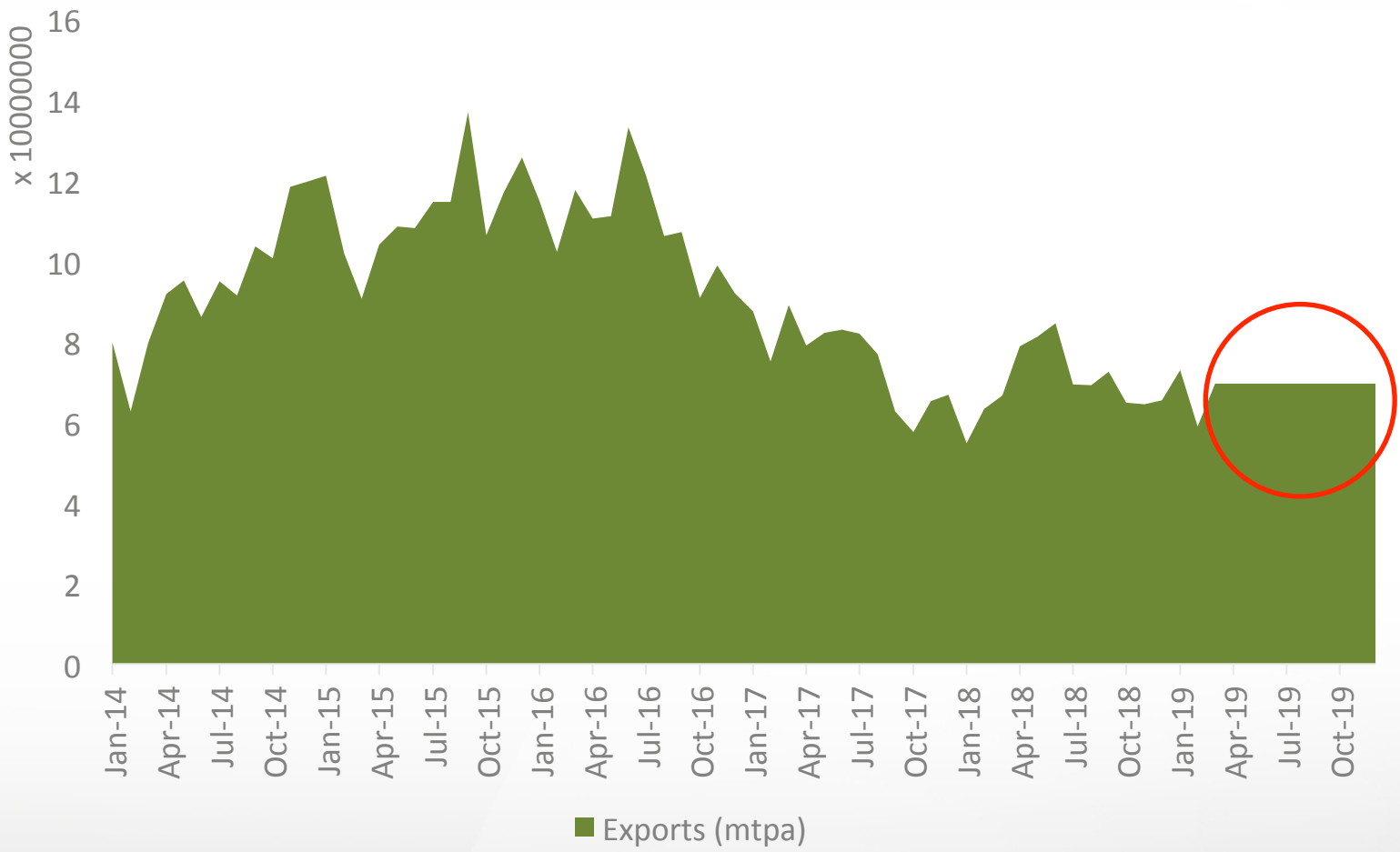
Source: Kallanish

China in 2019 at a glance

- China's economy is slowing, but China is also fighting the slowdown
- A shift in urbanisation away from top tier cities means construction could remain at high levels for many years, if without the strong growth seen since 2000
- This is supported by looser household registration, a policy focus on investment in rural areas etc.
- But China's big picture problems remain. Weak demographics, poor local government finances, a heavy debt burden, a struggling private sector

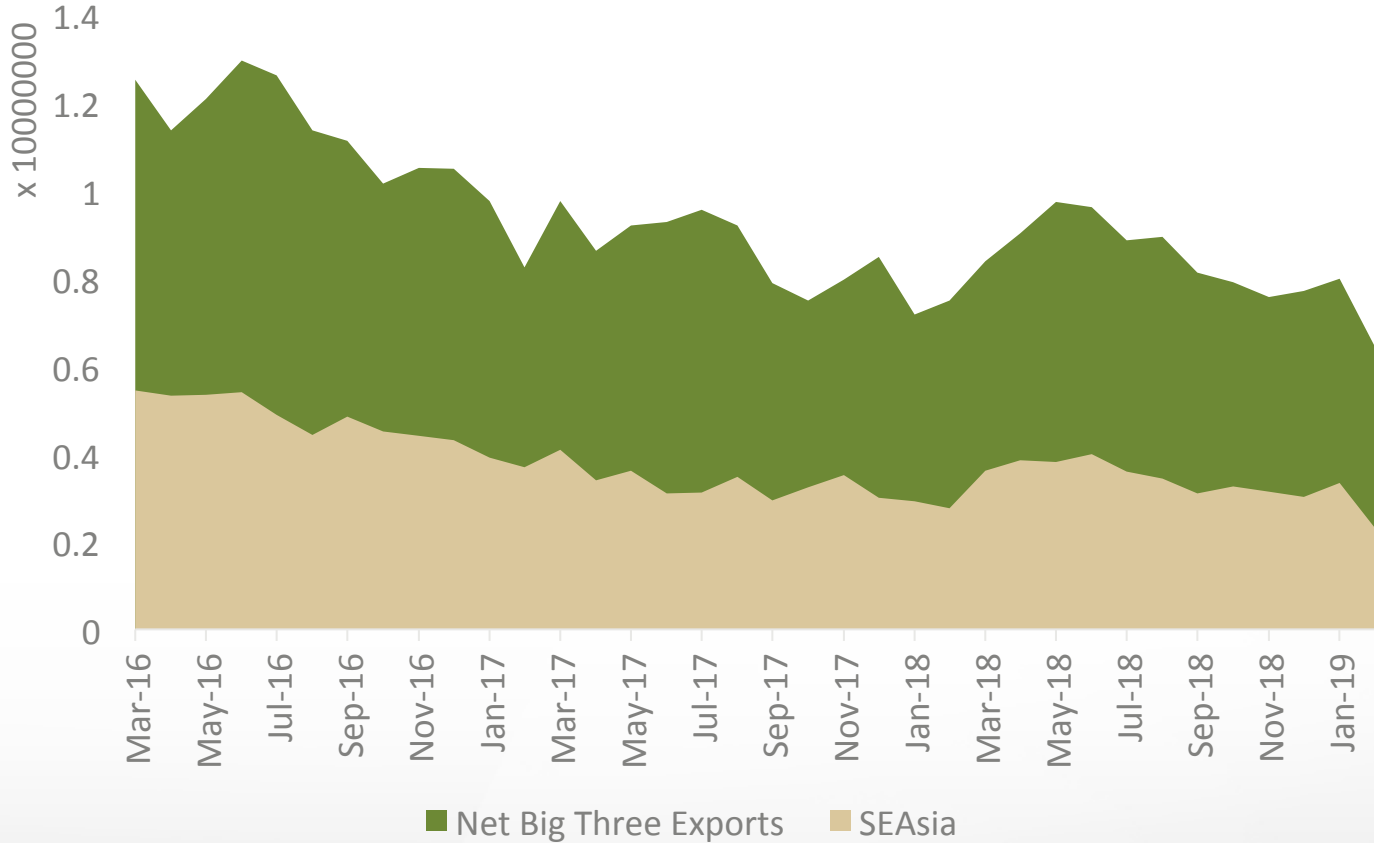
Source: Kallanish

China in 2019 at a glance



Source: Chinese Customs, Kallanish

Export trends for the big3 2019

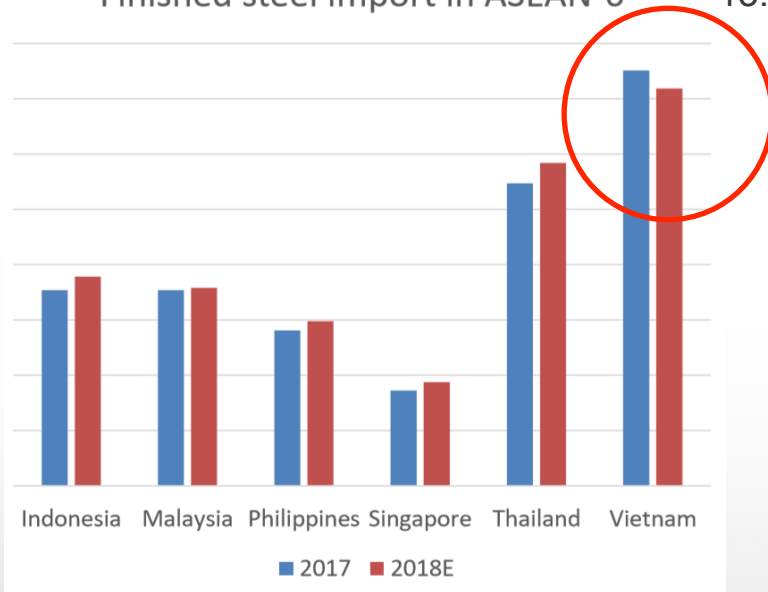


Source: Japan, Korea, China customs, Kallanish

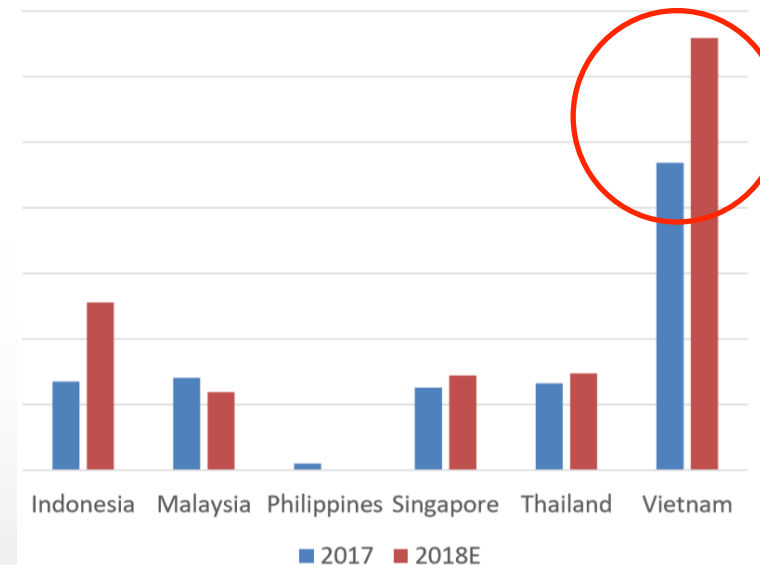
Where does that leave SEAsia?

- Combined big three exports to SEAsia increased 1.39% to 42.82mt in 2018
- Net big three exports to SEAsia fell 1.57% to 40.44mt on Indonesia stainless

Finished steel import in ASEAN-6 13.6mt

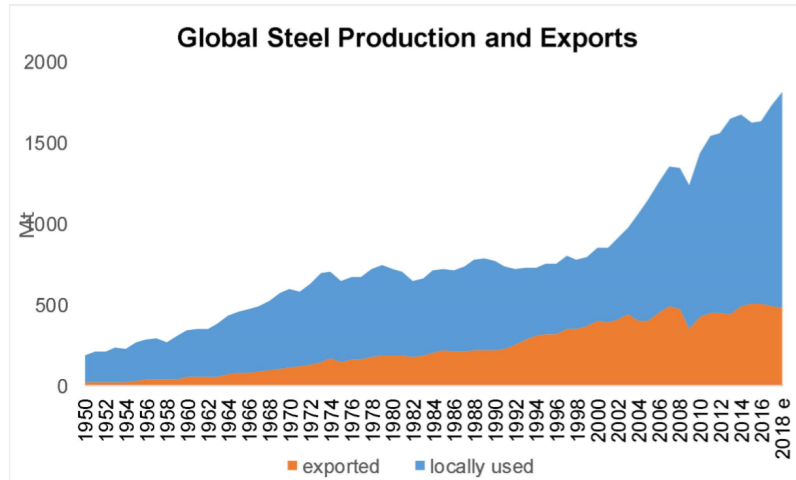


Finished steel export in ASEAN-6 6.3mt



Source: AISC, customs data

Is the global decline in steel trade ready to reverse?

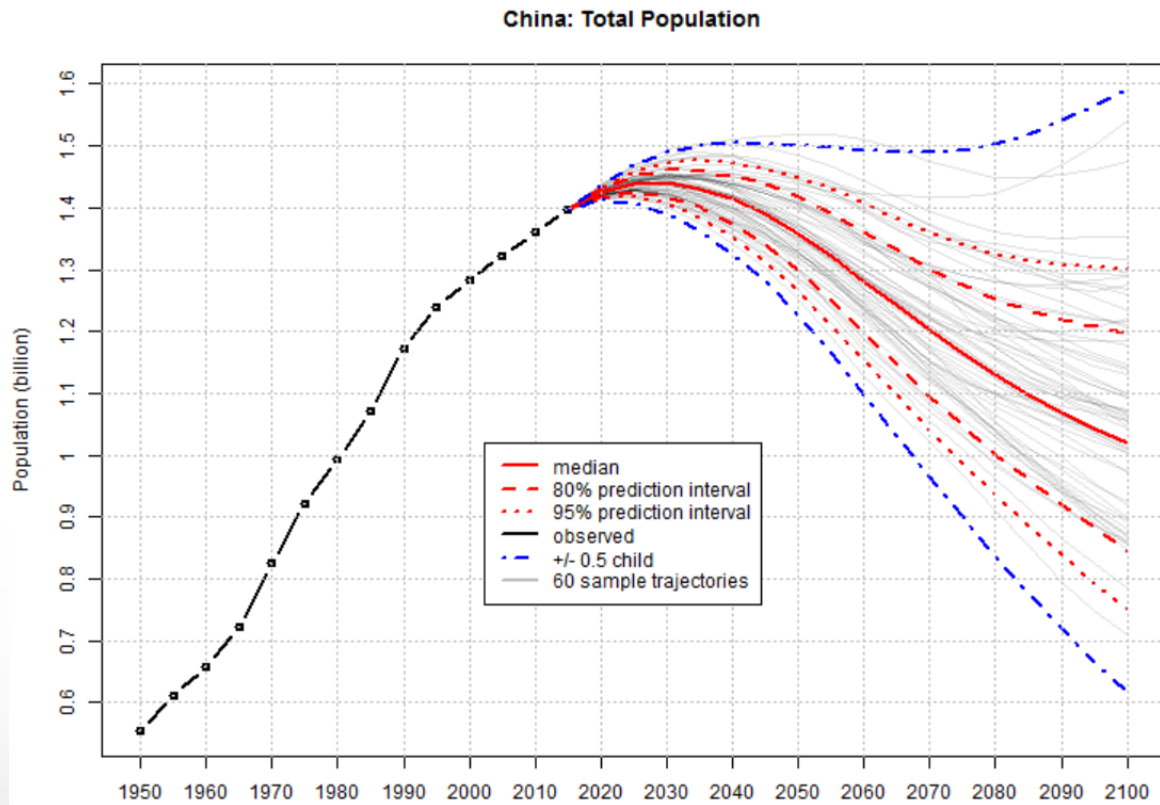


Output (and demand) grew faster than exports over 2000-2018

Because China's focus has been domestic, global exports as a share of production almost halved



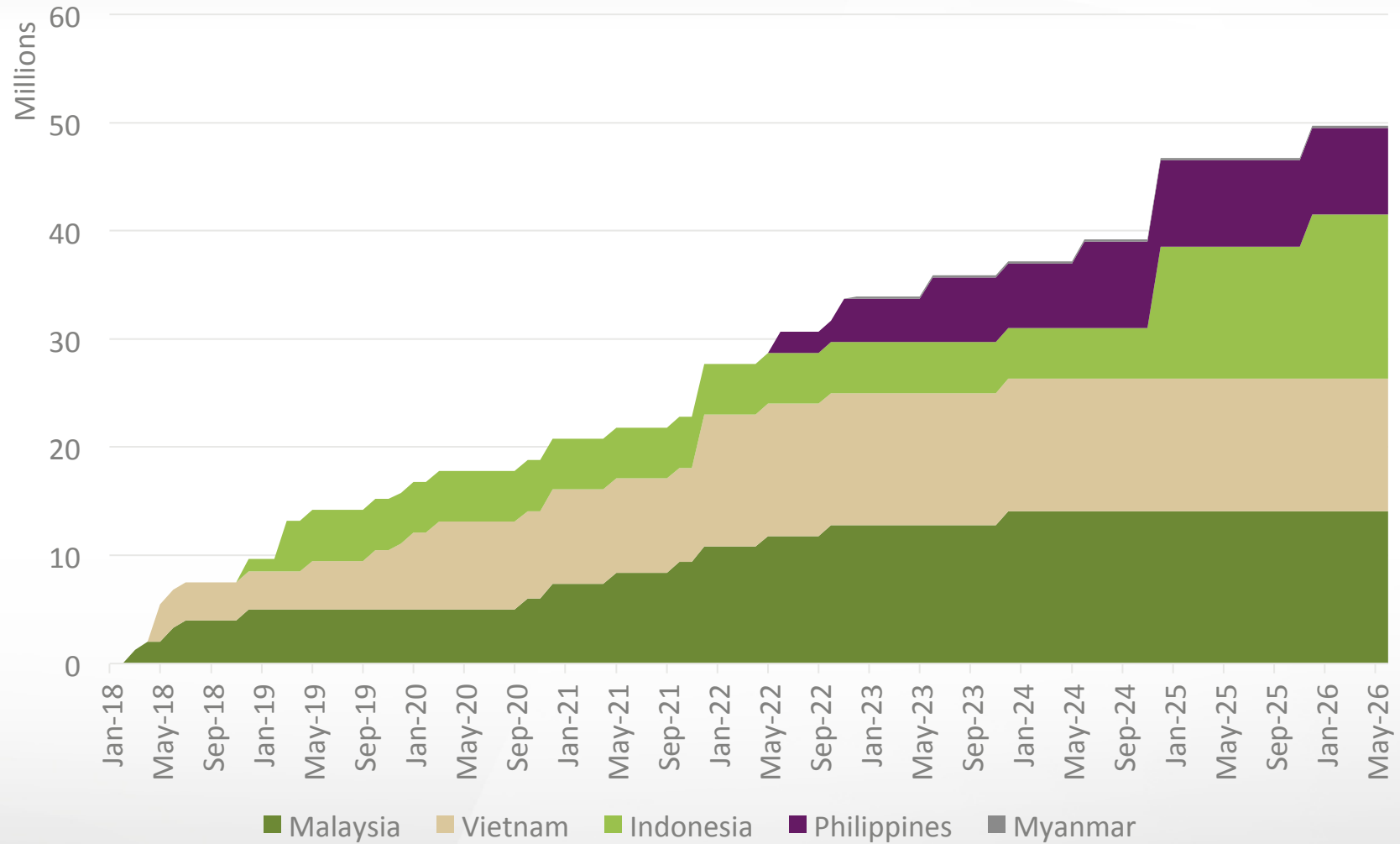
Is the global decline in steel trade ready to reverse?



CASS expects
population peak at
1.442bn in 2029

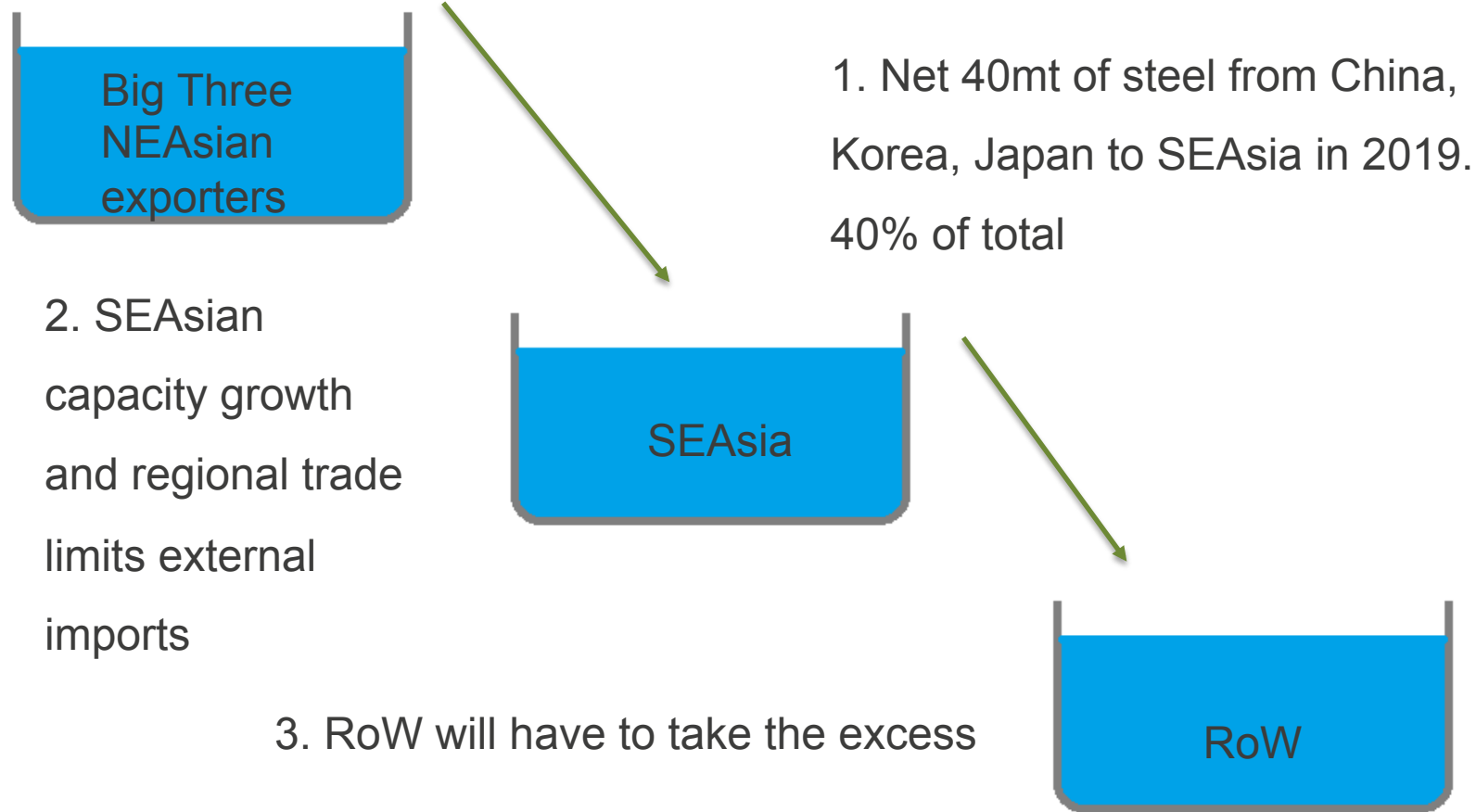
Demand will fall. So will
production fall to
match? Or will exports
increase?

SEAsian capacity build



Source: Kallanish
Unit: million tonnes/year

Will SEAsia 'overflow'?



Source: Kallanish, customs data

Raw material risks



Source: Kallanish
Unit: \$/t

plenty to worry about

- The end of demand growth, and slower capacity reductions suggest export competition
- SEAsia will increasingly trade within its own region and increasing capacity may hurt imports
- The rest of the world will have to bear the brunt of China's slowdown

plenty of opportunities too

- SE Asian and Indian demand growth mean investment opportunities
- Changing demand structure in Asia means opportunities for investment in shifting product mix
- Growing intra-regional trade implies SEAsian producers may be able to compete with imports
- Changes in trade flows mean traders can find new arbitrage opportunities

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