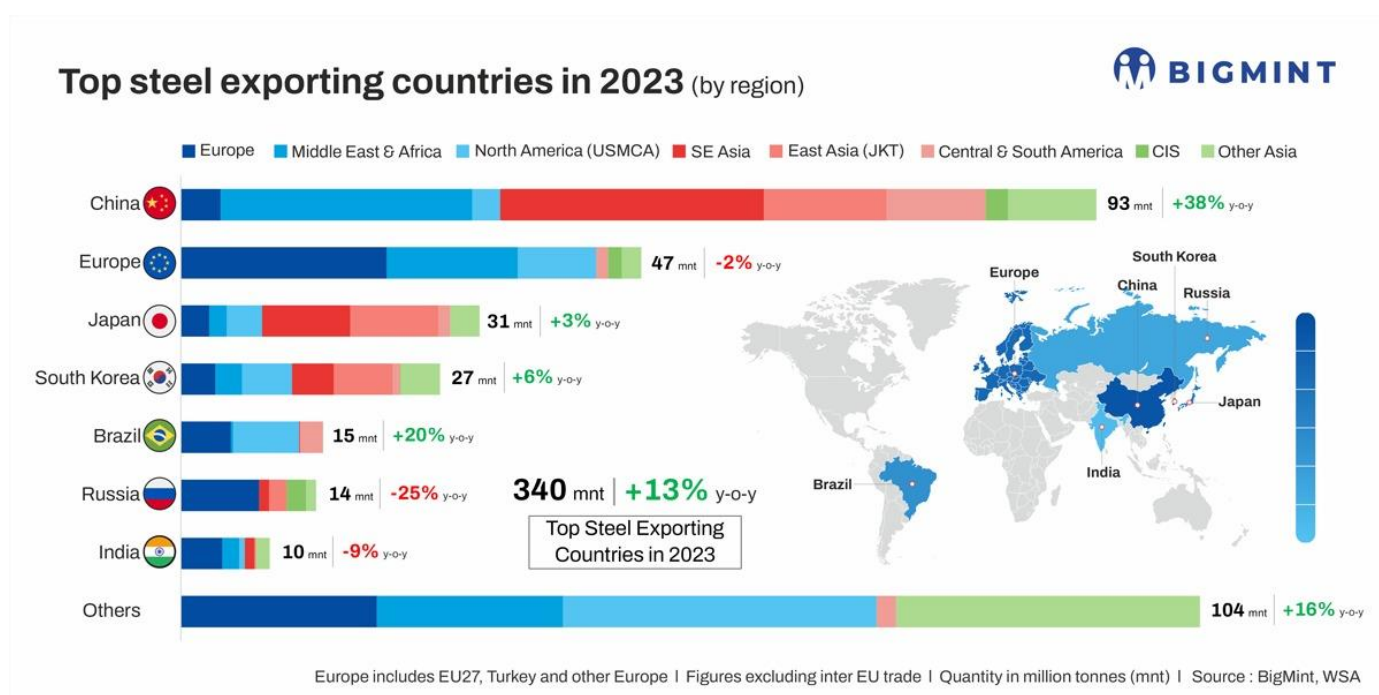


Global steel exports rise over 10% in CY'23. What lies ahead?

Big Mint Bureau

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- *China, EU, Japan top 3 exporting geographies*
- *India, Russia witness decrease in volumes*
- *Will protectionism exert downward pressure?*



Morning Brief: Global steel exports went up a moderate 13% in 2023, as per data collated by BigMint. The global seaborne trade volume was at around 340 million tonnes (mnt) compared to 302 mnt in 2022.

China, of course, led the charts, with a hefty 38% increase to 93 mnt last year against 67 mnt in 2022. On the other hand, India's volumes fell 9% y-o-y while Russia saw a significant 25% decline. Other exporting geographies volumes remained more or less stable in this period.

Europe (excluding the EU intra-trade) was a distant second with 47 mnt and Japan followed with 31 mnt.

Factors that impacted global steel exports last year

China disrupts global steel trade balance: China upset global steel trade dynamics with a 38% y-o-y increase, propelled by several factors. One was the drastic fall in its home demand amid overcapacity. Crude steel production increased 0.1% in 2023 to 1.02 billion tonnes against 1.018 bnt in 2022. Secondly, the slow collapse of real estate mammoth Evergrande from 2021 onwards, with the culmination of its liquidation in January 2024, had severe ramifications on China's domestic steel industry. The real estate market represented, as per some sources, a quarter of China's economy before the collapse. Evergrande fall, along with several other real estate biggies, brought to fore the deep liquidity crisis that gripped China. A depreciating yuan, mounting debt burdens, lack of consumer confidence, falling steel prices and squeezed margins colluded to keep Chinese mills, already ravaged by the pandemic, fighting with their back against the wall. Thirdly, other factors like an aging population-which has slowed the per capita steel consumption-also played a role in squeezing out domestic demand. Under such circumstances, exports were the only option before mills and traders to keep the cash registers jingling. China snatched away some key markets from India-Vietnam and the Middle East-with rock-bottom pricing. In fact, Chinese HRC export offers fell 16% to \$595/t FOB in 2023 from \$703/t in 2022. Naturally, buyers, especially from Southeast Asia (27 mnt) and the Middle East (26 mnt), found these offers very attractive. Exports to these countries boosted China's overall volumes.

India hit by Chinese onslaught, dull EU demand: Indian steel exports were impacted mainly by two factors. One was the active global dumping of Chinese steel. Indian mills found it unviable to export at China's rock-bottom price levels. India's FOB prices dropped 12% to \$628/t in 2023 from \$712/t in 2022. But mills were unable to go down any further and stepped back over October-December, 2023. Volumes to a traditional market like Vietnam fell to 0.32 mnt in 2023 from 1.13 mnt in 2022 and to the UAE, to around 600,000 tonnes from over 900,000 tonnes in this period.

Secondly, Europe, which had evolved into a lucrative market during the pandemic, became moribund in the post-Covid period, with the onset of the Russia-Ukraine war. Sky-rocketing power tariffs amid Russia's gas politics, depreciating currencies and runaway inflation dented demand from Europe. Still, volumes to this geography were at 4 mnt, up from 2.43 mnt in 2022 but down from 2021 levels.

Russia explores other markets amid sanctions: Volumes from Russia fell significantly to 14 mnt (18 mnt) amid the western sanctions in the wake of its invasion of Ukraine. Turkiye was one of its key billet buyer but sanctions disrupted this market. Thus, it turned the spotlight on other geographies. Notably, its exports to East Asia (Japan, Korea, Taiwan) touched almost 2 mnt.

Outlook

Chinese steel exports will continue to upset the global trade equilibrium since the economy's fundamentals are not likely to change sharply, as already perceived in 2024. However, the pace of exports is slowing down amid the slew of anti-dumping probes initiated across geographies.

Protectionism will gain ground in the medium-to-long term as importing countries will try to give preference to their domestic mills amid geo-political upheavals. This may create downward pressure on global steel exports.
