



China: Driver of the Change in Global Raw Material Supply

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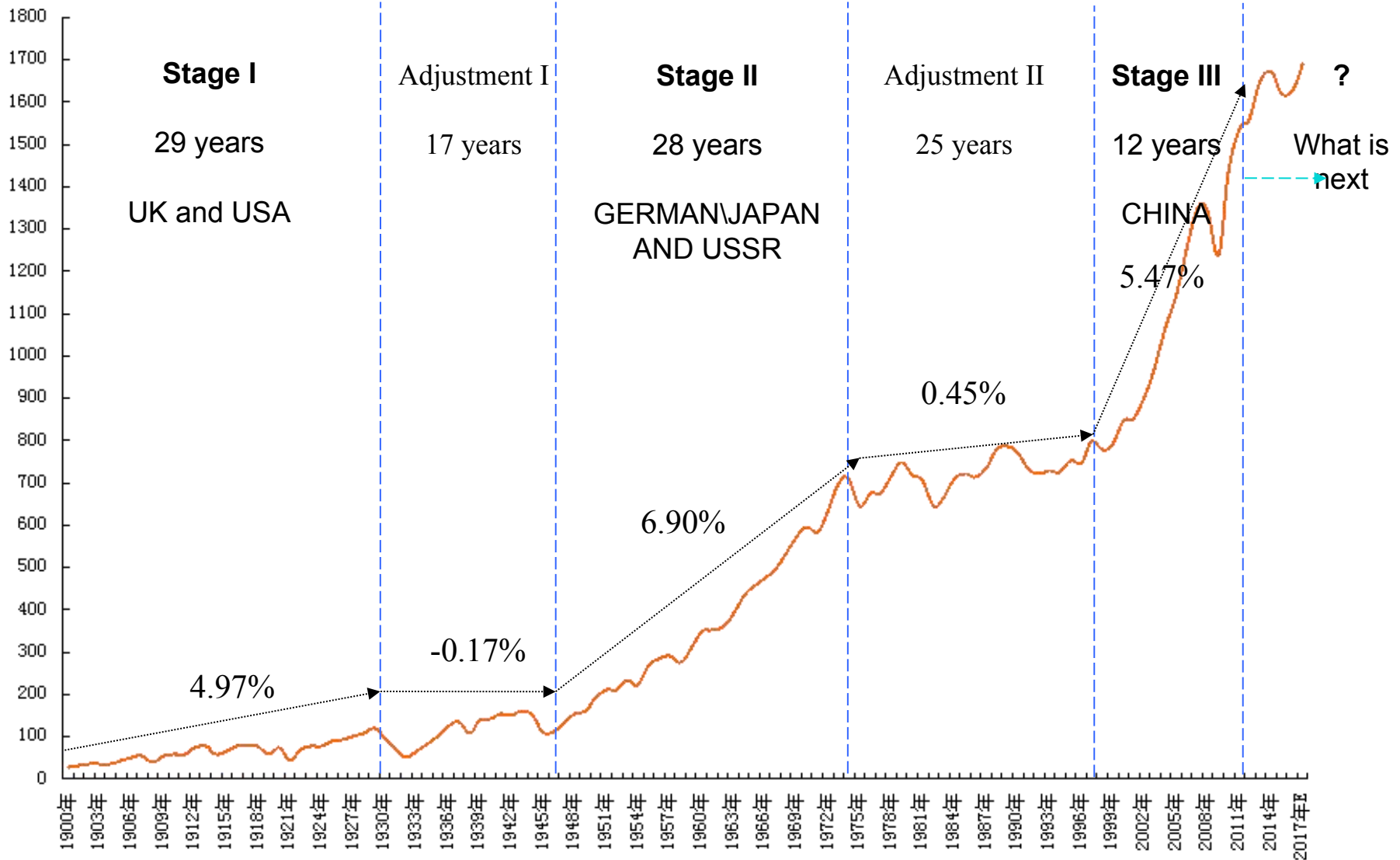
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WHERE WE ARE? Glimps of Global Steel Industry

million tonnes



WHAT WE HAVE DONE? Glimps of Global Steel Industry



From the World Steel Association:

World crude steel production was 1691 million tonnes (Mt) in 2017, a 5.3% increase compared to 2016.

While China's crude steel production was 831.7 Mt, an increase of 5.7% compared to 2016 and 49.2% of the total production of the world.

The crude steel capacity utilisation ratio of the global in November 2017 was 70.7%. This is 1.5 percentage points higher than November 2016. But compared to October 2017, it is 2.2 percentage points lower due to China's first cut-down production in heating season.

It is estimated that the global steel industry uses about 2 billion tonnes of iron ore, 1 billion tonnes of metallurgical coal and 550 million tonnes of recycled steel to produce 1.6 billion tonnes of crude steel annually.

CHINA:THE ENGINE OF THE GLOBAL STEEL INDUSTRY

Glimps of Global Steel Industry



ESTIMATED SUPPLY&DEMAND OF 2017-2018 (MILLION TONNES,%)

		CHINA	WORLD	RATIO
2017	SUPPLY	831.7	1691.2	49.2
	DEMAND	765.7	1622.1	47.2
2018	SUPPLY	810.0-830	1680.0	49.4
	DEMAND	730-765.7	1648.1	46.5

FROM:WORLD STEEL ASSOCIATION & MINMETALS RESEARCH INSTIITUTE

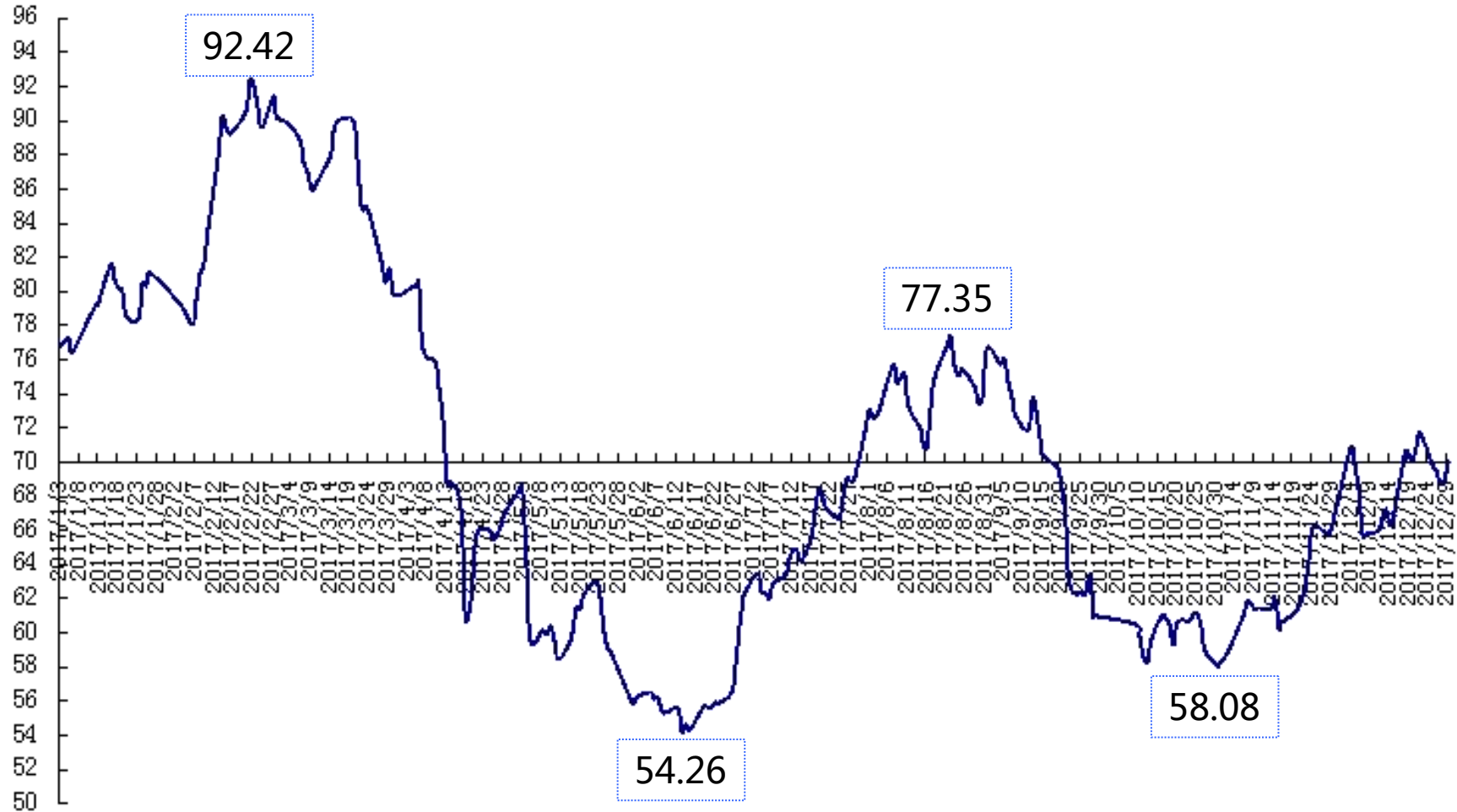
Due to the lack of strong growth engine that can be the substitute of China, China will still be the engine that drive the global steel industry forward and play a significant impact on the global steel supply and demand.

HIGHS AND LOWS IN CHINA MARKET Iron Ore in 2017



USD/T

IMPORT PRICE (62%)

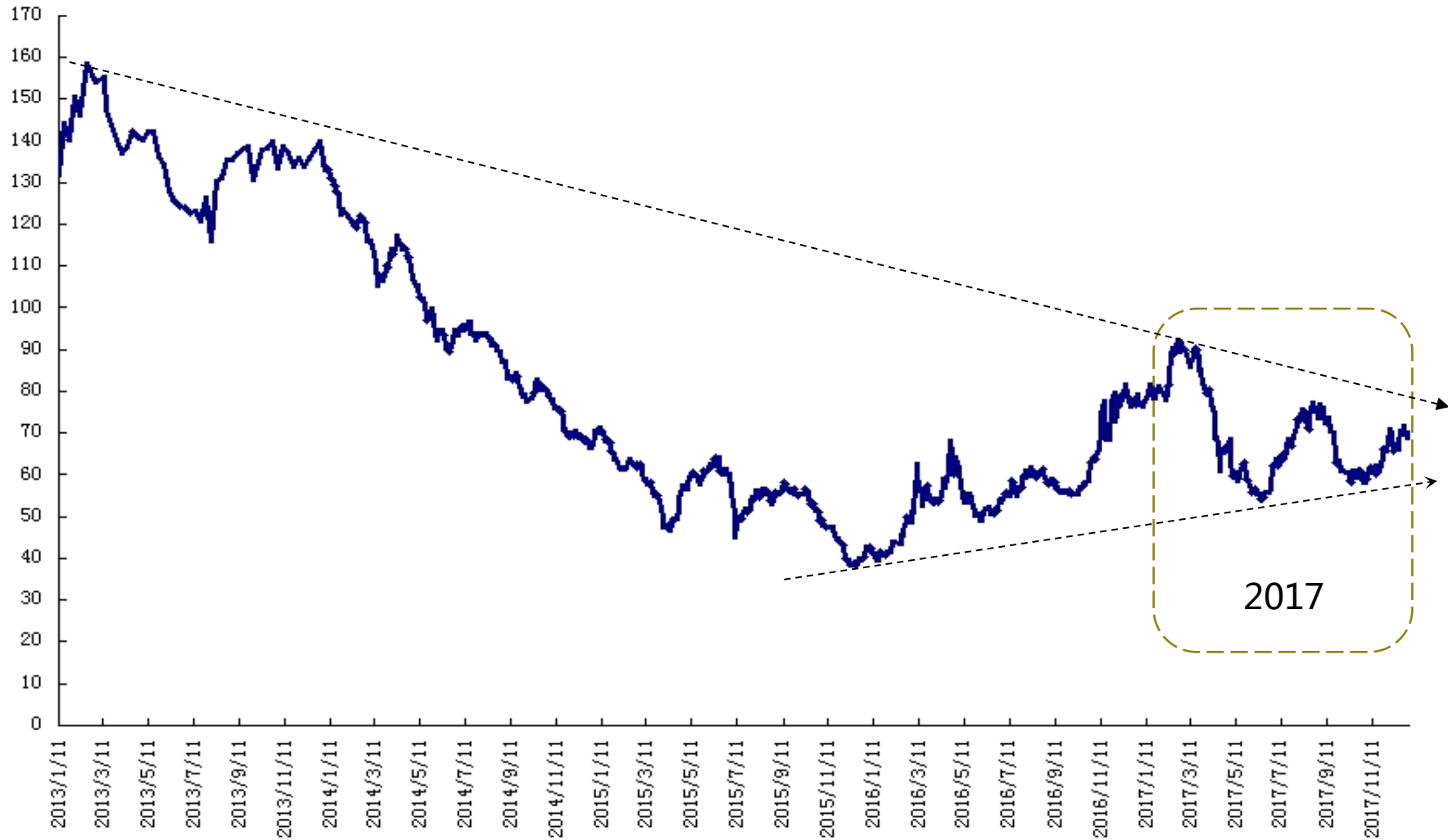


FROM: COIPI

TRENDS OF PRICE OF CHINA MARKET Iron Ore in 2017



IMPORT PRICE (62%)

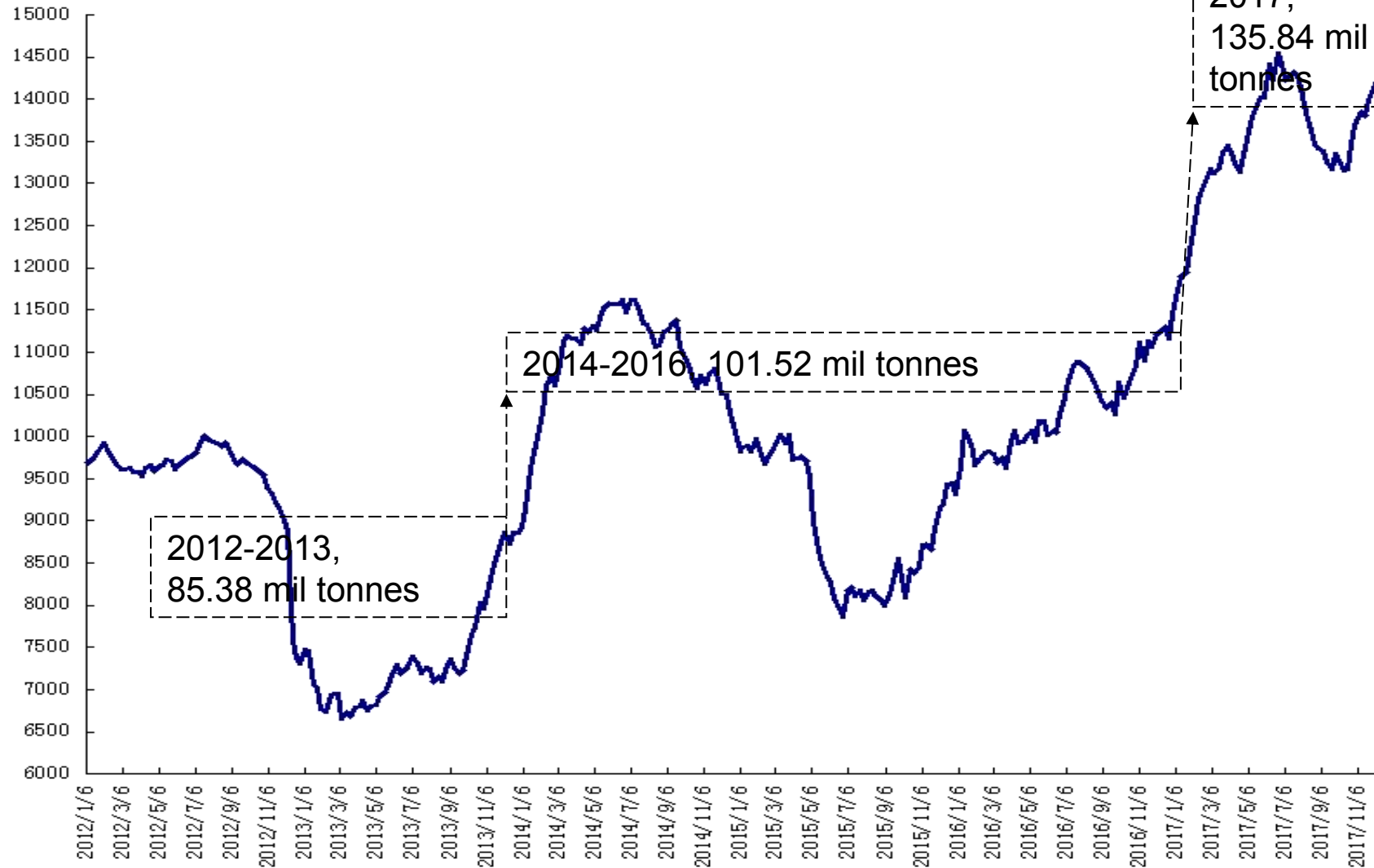


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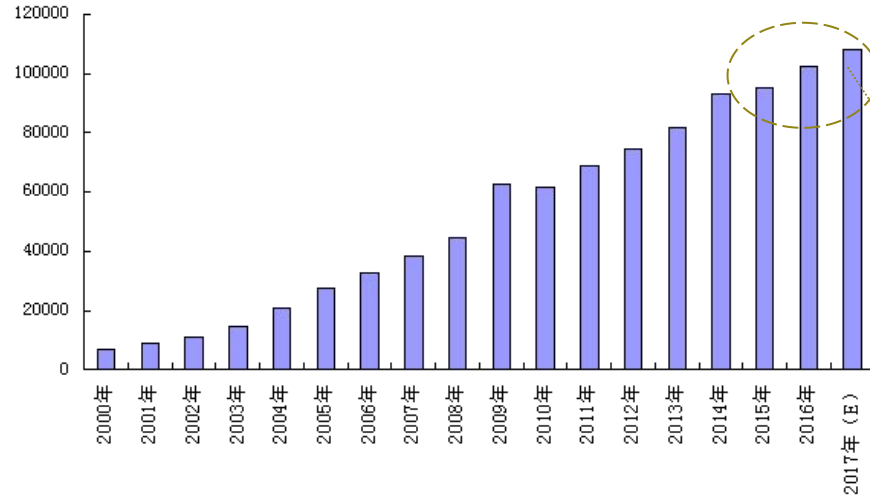
CHINA MAIN PORTS STOCKS IN 2017 Iron Ore in 2017

10,000TONNES

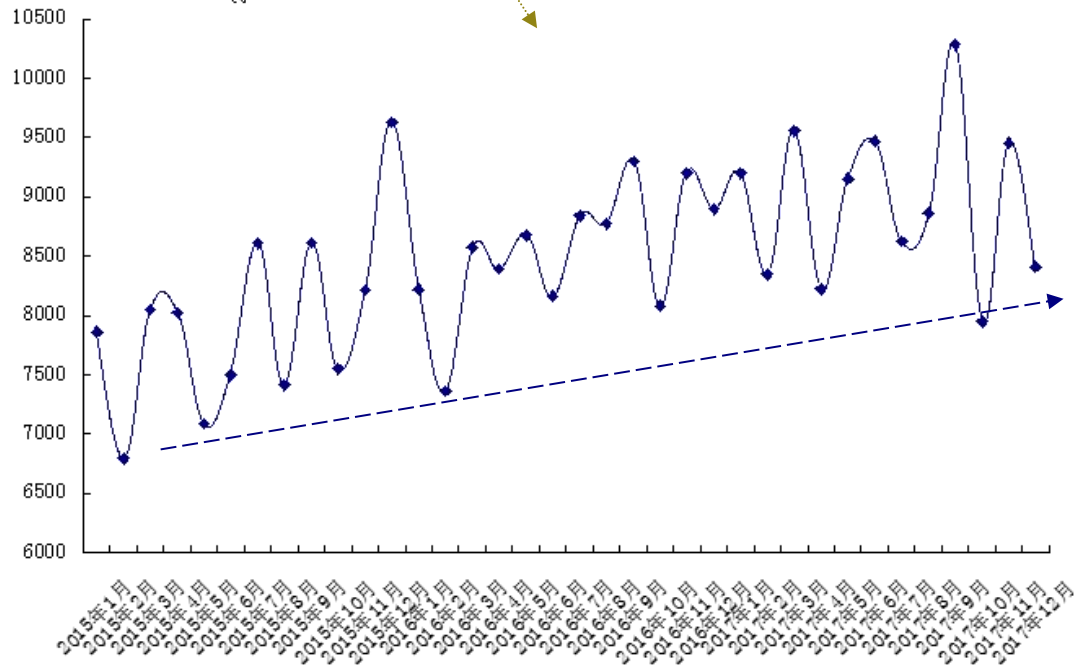


AMOUNT THAT CHINA IMPORT IN RECENT YEARS

Iron Ore in 2017



10,000 TONNES

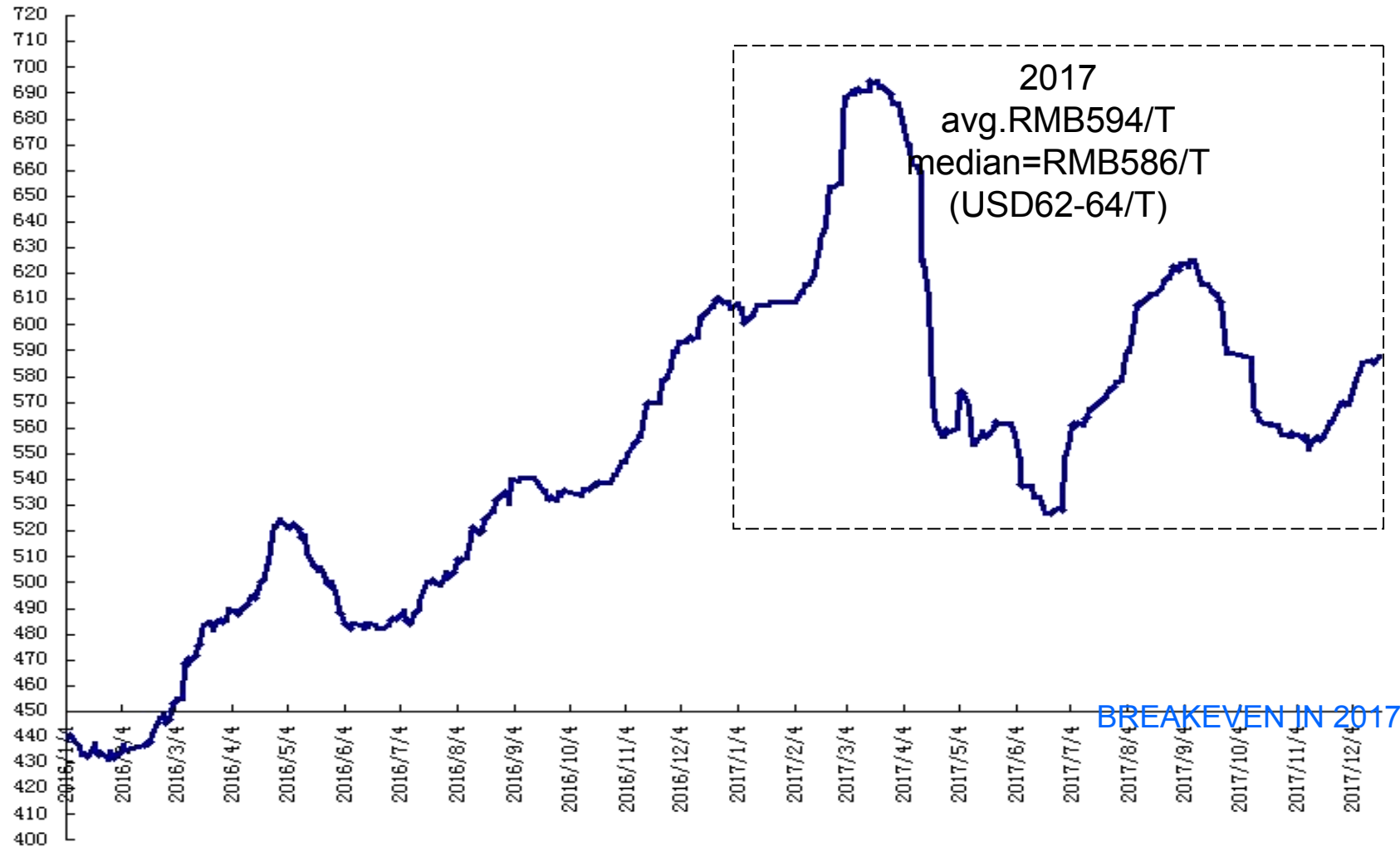


CHINA DOMESTIC MARKET PRICE SINCE 2015

Iron Ore in 2017



RMB/T



WHAT CHINA HAS DONE?

Factors that may influence China in 2017



From CISA, till the end of November,2017, the total profit of CISA members is almost 157.8 billion yuan, 346% up than 2016.Average profit margin is 4.7%.

In 2017,China has produced 831.7 million tonnes of crude steel, 710.8 million tonnes of pig iron and 1048.2 million tonnes of steel products. Among them, the net increase of crude steel is 47.4 million tonnes.

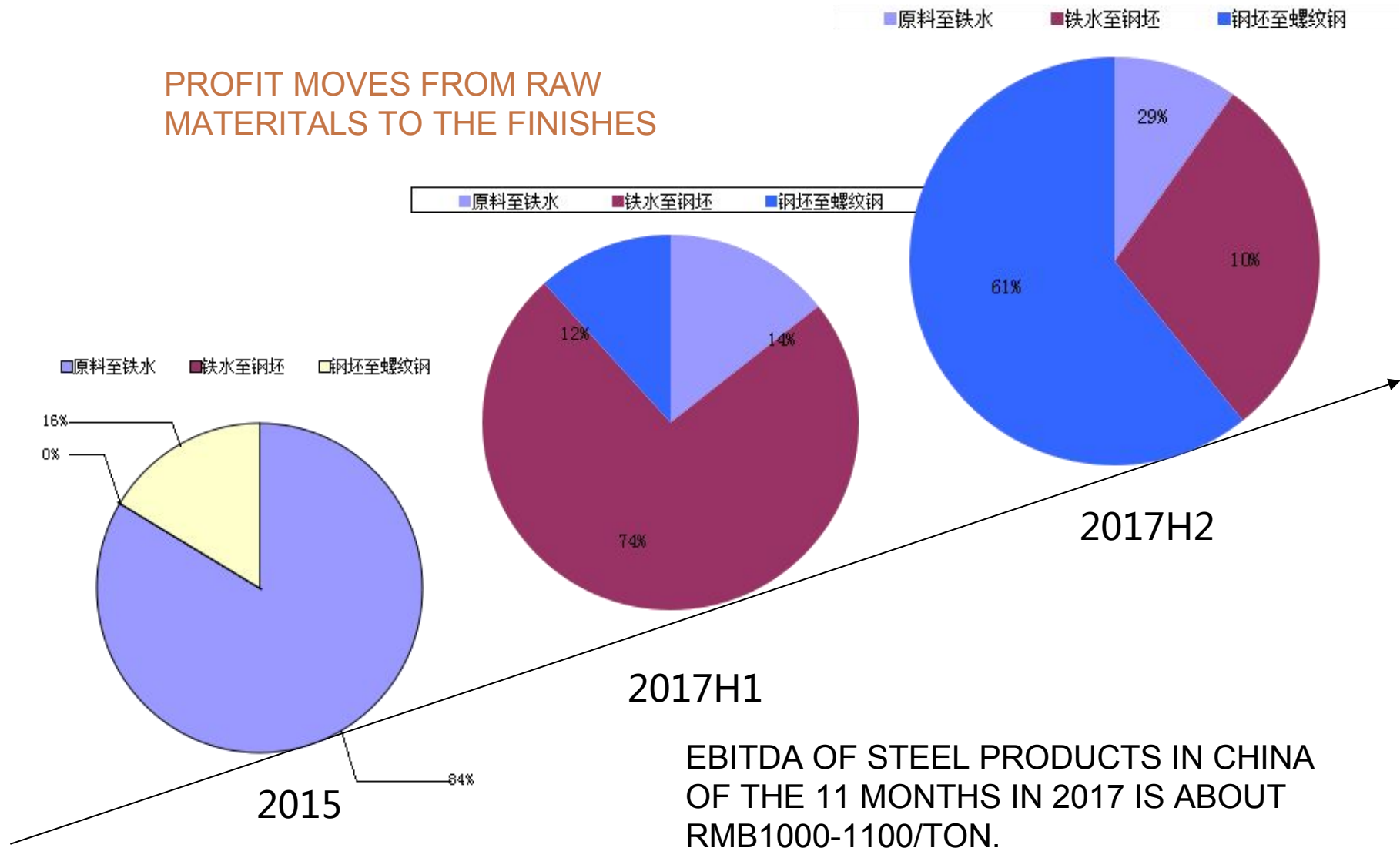
China has export 75 million tonnes of steel products in 2017, 30.4% decrease (32 million tonnes) compared to 2016.

WHAT CHINA HAS DONE?

Component of the profit in steel industry



PROFIT MOVES FROM RAW MATERIALS TO THE FINISHES





The Key Factors of China Steel Industry

1. China's Policy of Clean-up IF furnance and the production and sale of substandard steel products is strictly carried in 2017. 140 million tonnes capacity of IF furnance is closed. The real production influenced maybe is around 70-80 million tonnes. And strict supervision on resurgence of that is on top priority in 2018.
2. The most strict policy and regulation on Environmental Protection: Limit production and Cutting production in time of heating season in northern China and temporary stoppage under the heavy pollution. Probably all those methods will be normalized actions in the future
3. Make the replacement of production capacity and new-launched projects in breach of regulations is under strict supervision and inspection
4. Deleveraging and prevent financial risks, the target is to drop asset liability ratio of steel industry as a whole under 60% in 3-5 years.
5. Consolidation of steel enterprises and high quality development requirement of the steel industry in coming years



Forecast of Steel Industry

1. The incremental in EF production in 2018 will not be as high as expected for the strict ban on the replacement or newly added capacity. The purpose is to avoid a new round of capacity expansion.
2. Continuous improvement in operation will maintain the market stability
3. Deleveraging in the industry and efforts to prevent financial risk will keep steel industry in the boom for at least 5 years. But a certain risk of uncertainty still be there.
4. Structural adjustment of China's steel industry will continue. The force that leads the market will be gradually changed from billet and wire rod to the high value-added steel products such as cold-rolled sheets. The appropriation of profit in the steel industry as a whole will move gradually from raw materials and semi-finished to the finished products.



Forecast of Iron Ore

1. Reduction of supply worldwide on high-quality iron ore for the decreasing of natural resources
2. The large gap between the High-grade and low-grade will continue. Also are the Premiums of pellet and lump for the large capacity BF in China. Together is other raw materials such as Coking Coal.
3. Pellet maybe an extension of iron ore industry in the coming decades.



Forecast of Iron Ore in China

- 1.The production of China Domestic Iron ore will decline year by year.
- 2.The year 2017 can be called "The First Year that scrap compete with iron ore for the raw materials markets in China steel industry."
- 3.In the future, together with domestic iron ore, scrap will become an important "ballast" for reducing the dependency rate of China on iron ore importing and become an important tool to balance the turbulence of iron ore market prices.
- 4.The consolidation of domestic iron ore industry and the Ultra deep underground mining will be the trend of China domestic iron ore mining in the future.



Forecast of Iron Ore

The oversupply of Iron Ore in 2018 is above 20 million tonnes.

2019 maybe the most tough year in recent years.

The balance will be changed better till the end of 2019.

We Give the forcast of Iron Ore as,

IN 2018, \$55-\$65/T, AVG \$58/T

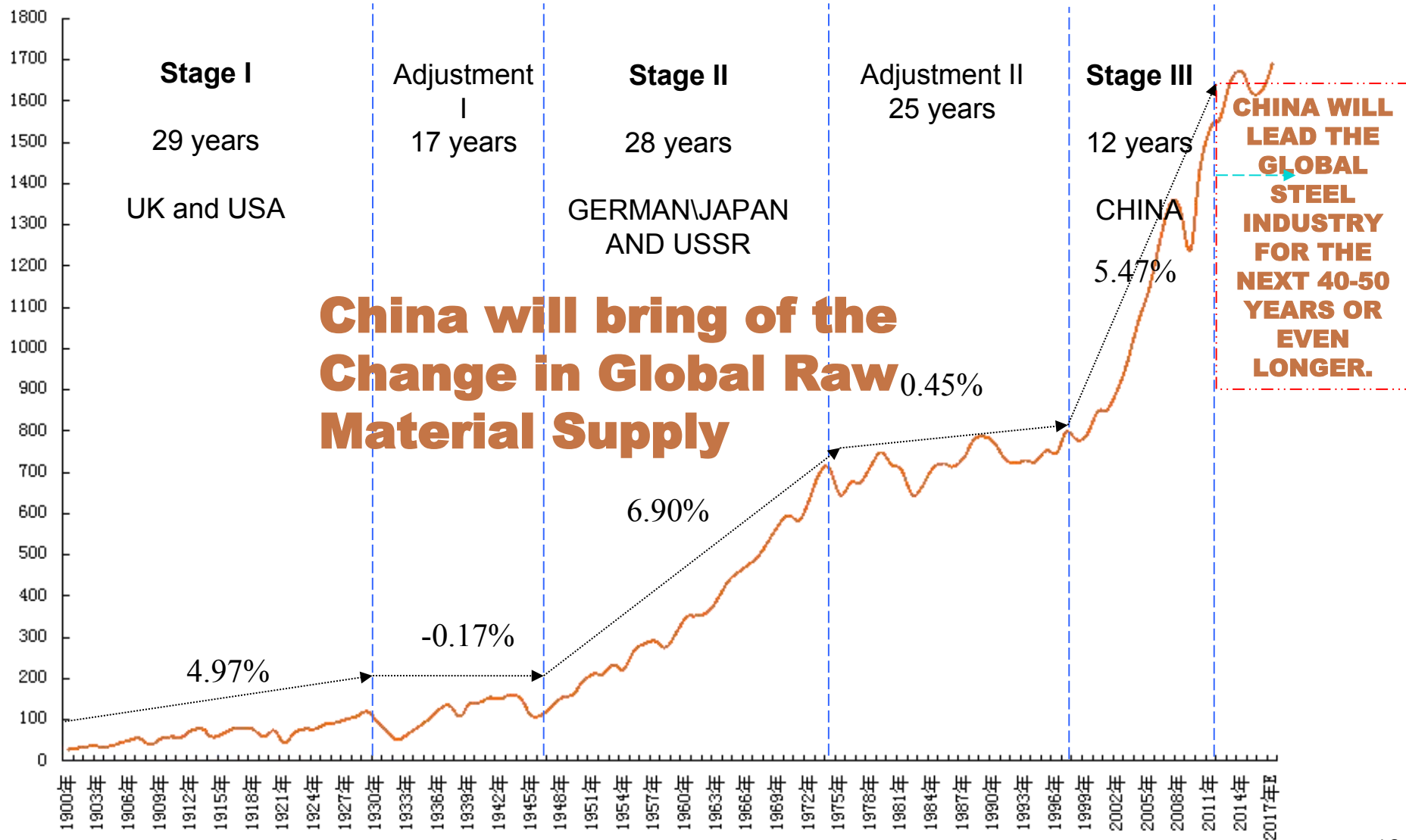
IN 2019, \$35-\$65/T, AVG \$50/T

IN 2020, \$45-\$80/T, AVG \$57/T

CONCLUSION



million tonnes





THANK YOU!

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