

Global Steel Trade Monitor

Steel Exports Report: China

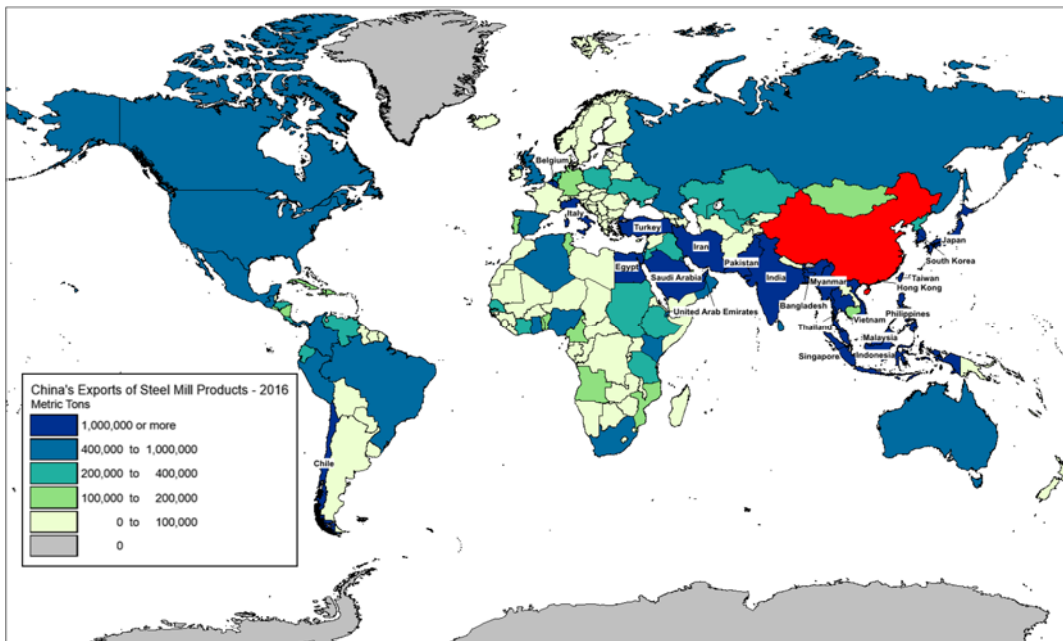
December 2017

Background

China is the world's largest steel exporter. In year-to-date 2017 (through September), further referred to as YTD 2017, China exported 57.9 million metric tons of steel, a 31 percent decrease from 83.6 million metric tons in YTD 2016. China's exports represented about 23 percent of all steel exported globally in 2016. The volume of China's 2016 steel exports was more than double that of the world's second-largest exporter, Japan, and more than triple that of the third- and fourth-largest exporters, Russia and South Korea. In value terms, steel represented just 2.4 percent of the total amount of goods China exported in 2016.

China exports steel to more than 220 countries and territories. The 22 countries labeled in the map below represent the top markets for China's exports of steel, receiving more than 1 million metric tons each and accounting for 76 percent of China's steel exports in 2016.

China's Exports of Steel Mill Products - 2016



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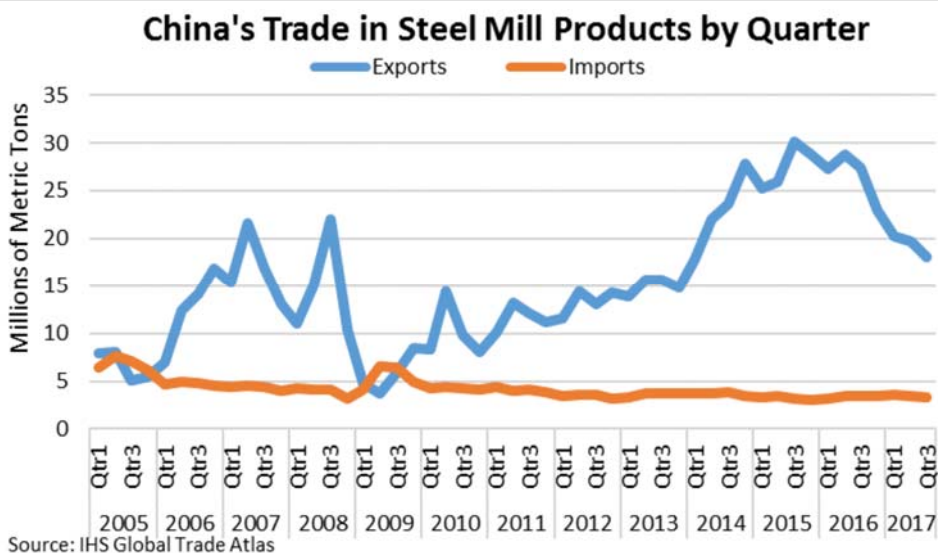
Quick Facts:

- World's largest steel exporter: 57.9 million metric tons (YTD 2017)
- 378% steel export growth since Q2 2009
- YTD 2017 export volume down 31% and export value down 2% since YTD 2016
- Exports as a share of production down from 13.8% in YTD 2016 to 9.1% in YTD 2017
- Top three markets: South Korea, Vietnam, Philippines
- Largest producers: China Baowu Group and HBIS Group
- 121 trade remedies in effect in 18 countries involving steel mill imports from China

Steel Exports Report: China

Steel Trade Balance

For most of the last decade, China has maintained a trade surplus in steel products. After a brief deficit in 2009, when exports fell due to the global recession, China's exports have increased dramatically, growing 378 percent between Q2 2009 and Q3 2017. Imports decreased by 49 percent over the same period. A dip in exports in 2016 caused the

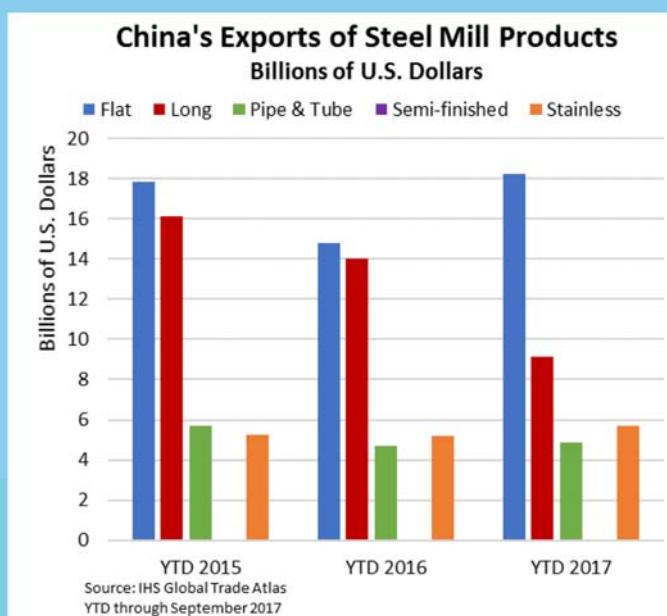
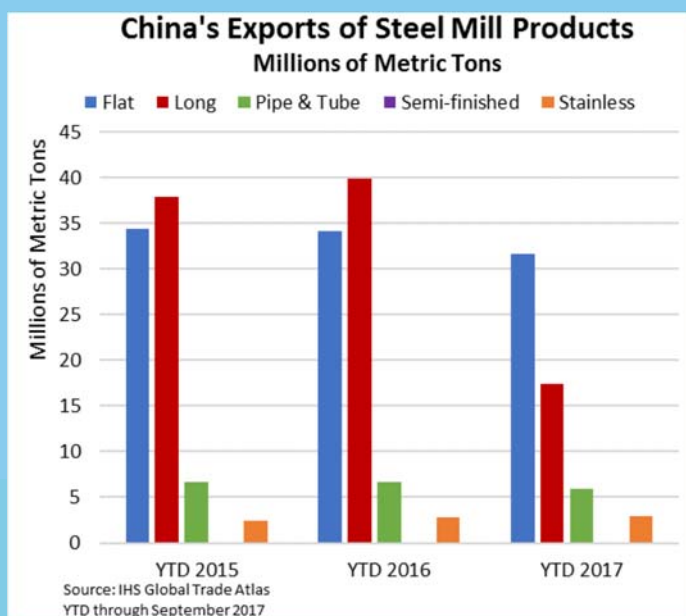


trade surplus to narrow by 4 percent to 93.1 million metric tons from 97 million metric tons in 2015. In YTD 2017, the trade balance continues this downward trend falling by 35 percent to 47.6 million metrics tons, down from 73.6 million metric tons in YTD 2016.

Export Volume, Value, and Product

In 2015, China's steel exports reached a record high of 110 million metric tons — an increase of 21 percent from 2014 — before declining by 3 percent in 2016 to a total of 106.6 million metric tons. In YTD 2017, exports have fallen 31 percent to 57.9 million metric tons compared to YTD 2016. The value of China's steel exports have decreased by 2 percent from \$38.7 billion in YTD 2016 to \$38 billion in YTD 2017.

Flat products accounted for just over half of China's steel exports in YTD 2017 at 55 percent (31.7 million metric tons). Long products accounted for 30 percent (17.4 million metric tons), followed by pipe and tube products at 10 percent (5.9 million metric tons), stainless steel at 5 percent (2.9 million metric tons), and semi-finished steel at 0.02 percent (10 thousand metric tons).

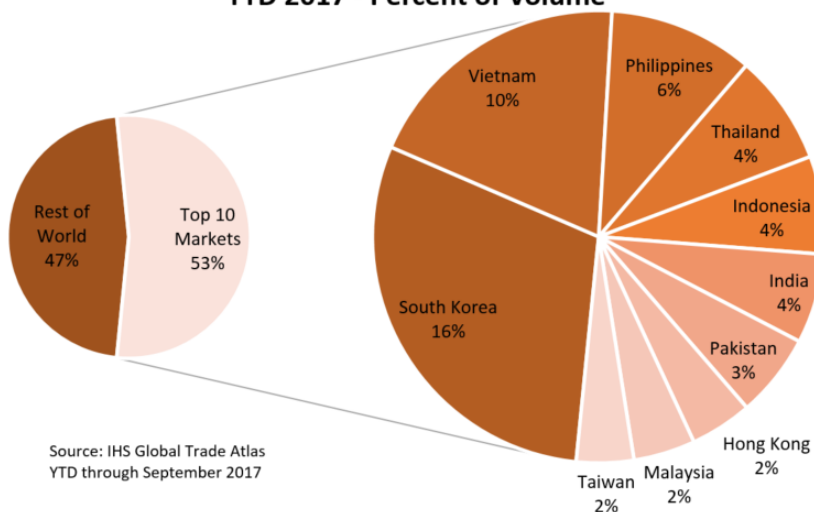


Steel Exports Report: China

Exports by Top Market

Exports to China's top 10 steel markets represented 53 percent of China's steel export volume in YTD 2017 at 30.8 million metric tons (mmt). South Korea was the largest market for China's exports at 16 percent (9.2 mmt), followed by Vietnam at 10 percent (6.0 mmt), the Philippines at 6 percent (3.2 mmt), Thailand at 4 percent (2.4 mmt), and Indonesia at 4 percent (2.2 mmt).

China's Steel Exports - Top 10 Markets
YTD 2017 - Percent of Volume



Source: IHS Global Trade Atlas
YTD through September 2017

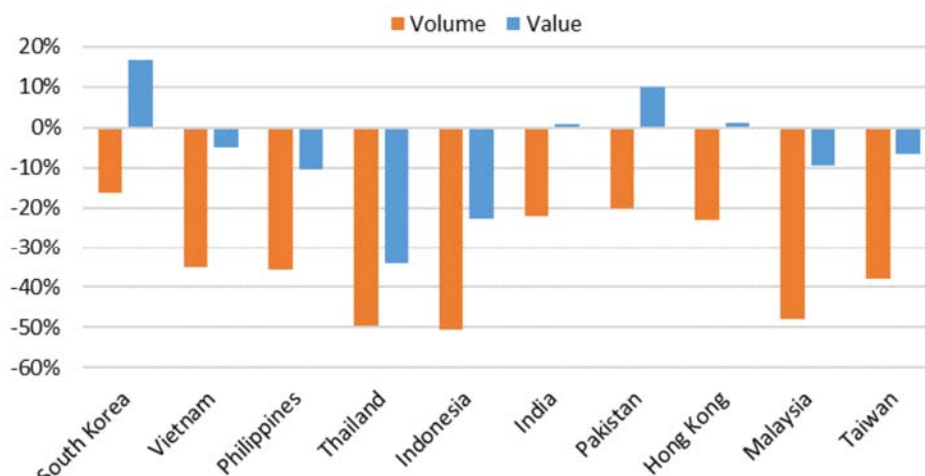
The United States ranked 26th as a destination for China's steel exports, receiving 610 thousand metric tons in YTD 2017, a five percent decrease from YTD 2016.

Trends in Exports to Top Markets

Between YTD 2016 and YTD 2017, China's exports decreased in volume to all of its top 10 export markets. Export volumes to Indonesia showed the largest decrease, down 51 percent from YTD 2016, followed by exports to Thailand (down 50%), Malaysia (down 48%), Taiwan (down 38%), Philippines (down 36%), Vietnam (down 35%), Hong Kong (down 23%), India (down 22%), Pakistan (20%), and South Korea (down 16%).

In value terms, China's exports declined to the majority of its top 10 export markets in YTD 2017. Thailand had the largest decrease, falling 34 percent. This is followed by Indonesia (down 23%), Philippines (down 10%), Malaysia (down 9%), Taiwan (down 6%), and the Vietnam (down 5%). China's exports increased in value in four of its top 10 export markets with South Korea showing the largest increase in value, up 17 percent from YTD 2016. This is followed by Pakistan (up 10%), India (up 1%), and Hong Kong (up 1%).

Percent Change in Exports to Top 10 Markets (YTD 2016 to YTD 2017)



Source: IHS Global Trade Atlas
YTD through September 2017

Outside the top 10 markets, other notable changes in China's export volume included exports to Turkey (down 59%), Canada (up 40%), and Russia (up 35%).

Steel Exports Report: China

Top Markets by Steel Product Category

China's top export markets by volume vary across types of steel products with South Korea capturing the largest share in two product categories. South Korea received the largest share of China's flat products in YTD 2017 at 16 percent (5.1 million metric tons), long products at 19 percent (3.3 million metric tons).

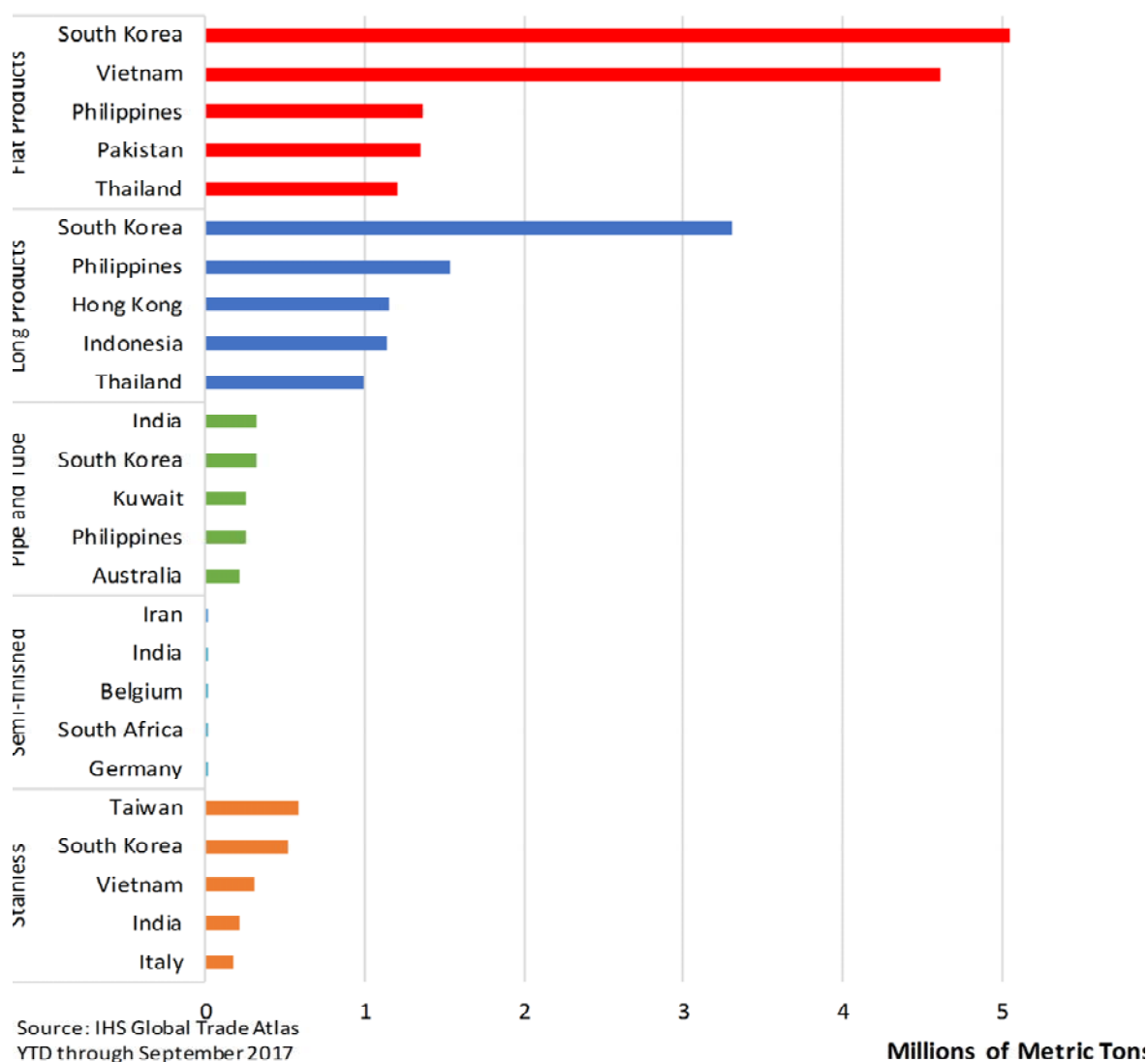
India received the most of China's pipe and tube exports at 5 percent (327 thousand metric tons). South Korea followed close behind at 5 percent (324 thousand metric tons).

Iran received the most of China's semi-finished exports at 47 percent (5 thousand metric tons).

Taiwan received the most of China's stainless steel exports at 20 percent (587 thousand metric tons). South Korea followed close behind at 18 percent (519 thousand metric tons).

The United States was not a top-five export destination in any product category in YTD 2017.

China's Top 5 Export Markets by Product - YTD 2017



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China's Import Market Share in Top Destinations

In 2016, the import market share for China's steel products increased in the majority of China's top export destinations for which data are available. The share of Thailand's steel imports from China showed the largest increase in 2016, up 5.1 percentage points from 2015, followed by import shares in the Philippines and Indonesia, up 3 percentage points and 2.6 percentage points, respectively.

The share of imports from China in Singapore showed the largest decrease in 2016, down 4.7 percentage points, followed by import shares in Malaysia (down 3.8 percentage points) and South Korea (down 0.7 percentage points)

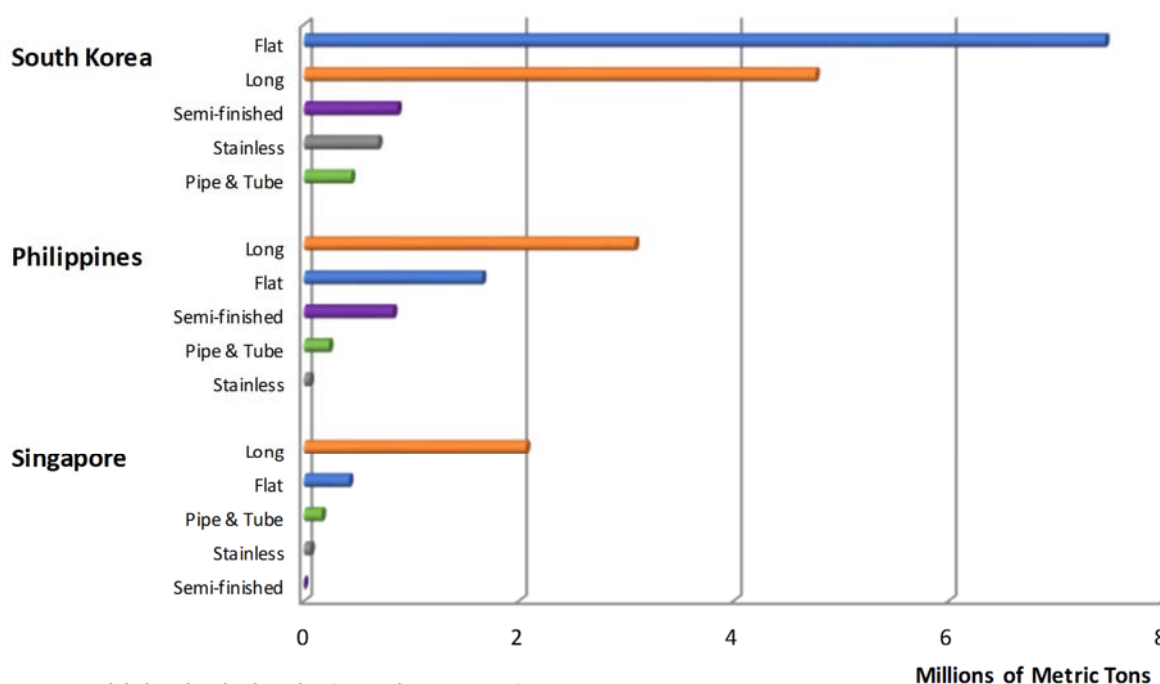
China's Steel Import Market Share				
Top 10 Export Markets	Share of Imports from China - 2015	China's Rank in 2015	Share of Imports from China - 2016	China's Rank in 2016
South Korea	62.3%	1	61.6%	1
Vietnam	60.7%	1	N/A	N/A
Philippines	69.7%	1	72.6%	1
Thailand	31.2%	2	36.3%	1
Indonesia	44.2%	1	46.8%	1
India	33.4%	1	34.0%	1
Malaysia	44.5%	1	40.7%	1
Saudi Arabia	28.8%	1	N/A	N/A
Singapore	69.9%	1	65.2%	1
Pakistan	70.0%	1	N/A	N/A

Source: IHS Global Trade Atlas, based on import data per reporting country

Note: 2016 data for Vietnam, Saudi Arabia, and Pakistan not available

Among China's top export markets, South Korea, the Philippines, and Singapore received more than 60 percent of their total steel imports from China in 2016. Long products accounted for the largest share of steel imports from China in both the Philippines (53% or 3.1 million metric tons) and Singapore (76% or 2.1 million metric tons), while flat products accounted for the largest share of South Korea's imports from China (52% or 7.5 million metric tons).

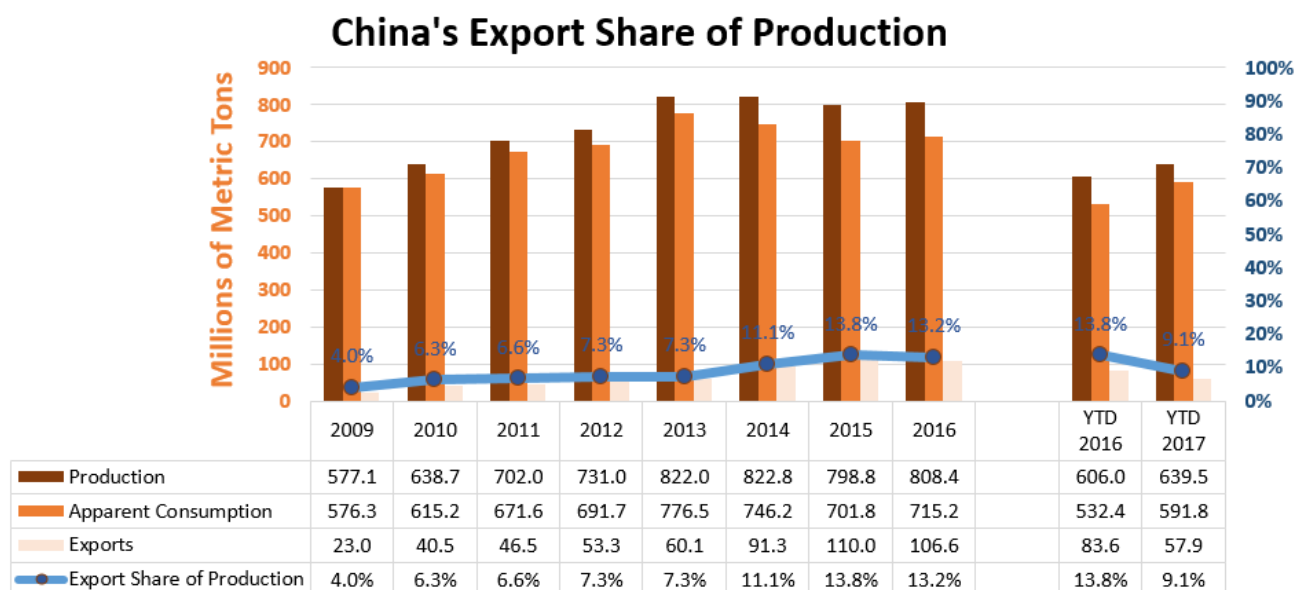
Steel Import Composition of Top Market-Share Countries - 2016



Source: IHS Global Trade Atlas, based on import data per reporting country

Steel Exports Report: China

Overall Production and Export Share of Production



Sources: World Steel Association; IHS Global Trade Atlas
YTD through September 2017

China's crude steel production increased steadily between 2009 and 2014 but levelled off in 2015 and 2016. Production in 2016 increased 1.2 percent to 808.4 million metric tons from 798.8 million metric tons in 2015, and production in YTD 2017 increased 5 percent compared to the same period in 2016. The gap between production and apparent consumption (a measure of steel demand), which was nearly non-existent in 2009, has grown steadily larger. By 2016, China's production outpaced the country's demand by 93.2 million metric tons, though the gap narrowed by 25.3 million metric tons between YTD 2016 and YTD 2017. Between 2009 and 2016, China's steel exports as a share of production more than tripled from 4 percent to 13.2 percent. In YTD 2017, the export share of production decreased from 13.8 percent to 9.1 percent, a drop of 34 percent.

Top Producers

China Baowu Group (the result of a merger between Baosteel Group and Wuhan Steel Group) is China's largest steel-producing company. China's steel production is spread out across many companies, with the country's top 10 producers accounting for only 291.3 million metric tons, or 36 percent, of total 2016 production, based on available data.

China's Top Steel Producers in 2016			
Rank	Company	Production (mmt)	Main Products
1	China Baowu Group	63.8	Billets, tubes, pipes, bars, plates
2	HBIS Group (Hesteel)	46.2	Plates, sheets, wire rod, bars, sections
3	Shagang Group	33.3	Rebar, wire rod, slabs, coils
4	Ansteel Group	33.2	Wire rod, pipe, plates, cold-rolled
5	Shougang Group	26.8	Plates, strips, wire, pipes
6	Shandong Steel Group	23	H-beams, strip, plates, bars
7	Maanshan Steel	18.6	Sheets, sections, wire, bars
8	Jianlong Group	16.5	Sheets, strips, rebar, billets, pipes
9	Valin Group	15.5	Pipe & tube, wire, wire rod
10	Benxi Steel	14.4	Coils, sheets, plates

Source: World Steel Association; Hoover's; Bloomberg; Company websites

Steel Exports Report: China

Trade Remedies in the Steel Sector

Antidumping duties (AD), countervailing duties (CVD), associated suspension agreements, and safeguards are often referred to collectively as trade remedies. These are internationally agreed upon mechanisms to address the market-distorting effects of unfair trade, or serious injury or threat of serious injury caused by a surge in imports. Unlike anti-dumping and countervailing measures, safeguards do not require a finding of an “unfair” practice. Before applying these duties or measures, countries investigate allegations and can remedy or provide relief for the injury caused to a domestic industry. The table below provides statistics on the current number of trade remedies various countries have against steel mill products from China.

Steel Mill Trade Remedies in Effect Against China

Country	AD	CVD	Suspension Agreements and Undertakings	Total
Australia	6	4		10
Brazil	9			9
Canada	10	8		18
Colombia	4			4
Eurasian Economic Union	3		1	4
European Union	10	1	1	12
India	3			3
Indonesia	5			5
Malaysia	5			5
Mexico	7			7
Peru	1			1
South Korea	1		1	2
Taiwan	1		1	2
Thailand	10			10
Turkey	3			3
Ukraine	1			1
United States	14	10		24
Vietnam	1			1
TOTAL	94	23	4	121

Source: World Trade Organization, through June 1, 2017

Global Steel Mill Safeguards in Effect

Country	Product(s)
Egypt	Steel rebar
India	1) Hot-rolled steel in coils; 2) Hot-rolled steel flat sheets and plates
Indonesia	1) Articles of finished casing and tubing; 2) Flat-rolled products of iron or non-alloy steel; 3) I and H sections of other alloy steel; 4) Bars and rods, hot-rolled, in irregularly wound coils
Malaysia	1) Hot-rolled steel plate; 2) Steel concrete reinforcing bar; 3) Steel wire rod and deformed bar-in-coil
Morocco	1) Cold-rolled sheets and plated or coated sheets; 2) Reinforcing bars and wire rods
Philippines	Steel angle bars
Thailand	1) Hot-rolled steel flat products with certain amounts of alloying elements; 2) Unalloyed hot-rolled steel flat products in coils and not in coils; 3) Structural hot-rolled H-beams with alloy
Vietnam	Semi-finished and certain finished products of alloy and non-alloy steel

Source: World Trade Organization, through May 22, 2017

Steel Exports Report: Glossary

Apparent Consumption: Domestic crude steel production plus steel imports minus steel exports. Shipment data are not available for all countries, therefore crude steel production is used as a proxy.

Export Market: Destination of a country's exports.

Flat Products: Produced by rolling semi-finished steel through varying sets of rolls. Includes sheets, strips, and plates. Used most often in the automotive, tubing, appliance, and machinery manufacturing sectors.

Import Penetration: Ratio of imports to apparent consumption.

Import Source: Source of a country's imports.

Long Products: Steel products that fall outside the flat products category. Includes bars, rails, rods, and beams. Used in many sectors but most commonly in construction.

Pipe and Tube Products: Either seamless or welded pipe and tube products. Used in many sectors but most commonly in construction and energy sectors.

Semi-finished Products: The initial, intermediate solid forms of molten steel, to be re-heated and further forged, rolled, shaped, or otherwise worked into finished steel products. Includes blooms, billets, slabs, ingots, and steel for castings.

Stainless Products: Steel products containing at minimum 10.5% chromium (Cr) offering better corrosion resistance than regular steel.

Steel Mill Products: Carbon, alloy, or stainless steel produced by either a basic oxygen furnace or an electric arc furnace. Includes semi-finished steel products and finished steel products. For trade data purposes, steel mill products are defined at the Harmonized System (HS) 6-digit level as: 720610 through 721650, 721699 through 730110, 730210, 730240 through 730290, and 730410 through 730690. The following discontinued HS codes have been included for purposes of reporting historical data (prior to 2007): 722520, 722693, 722694, 722910, 730410, 730421, 730610, 730620, and 730660.

Global Steel Trade Monitor: The monitor provides global import and export trends for the top countries trading in steel products. The current reports expand upon the early release information already provided by the Steel Import Monitoring and Analysis (SIMA) system that collects and publishes data on U.S. imports of steel mill products. Complementing the SIMA data, these reports provide objective and current global steel industry information about the top countries that play an essential role in the global steel trade. Information in these reports includes global exports and import trends, production and consumption data and, where available, information regarding trade remedy actions taken on steel products. The reports will be updated quarterly.

Steel Import Monitoring and Analysis (SIMA) System: The Department of Commerce uses a steel import licensing program to collect and publish aggregate data on near real-time steel mill imports into the United States. SIMA incorporates information collected from steel license applications with publicly released data from the U.S. Census Bureau. By design, this information provides stakeholders with valuable information on the steel trade with the United States. For more information about SIMA, please go to <http://enforcement.trade.gov/steel/license/>.



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