

# **Chinese Steel Market and Export**

## **Capacity Reduction and Price Increase**

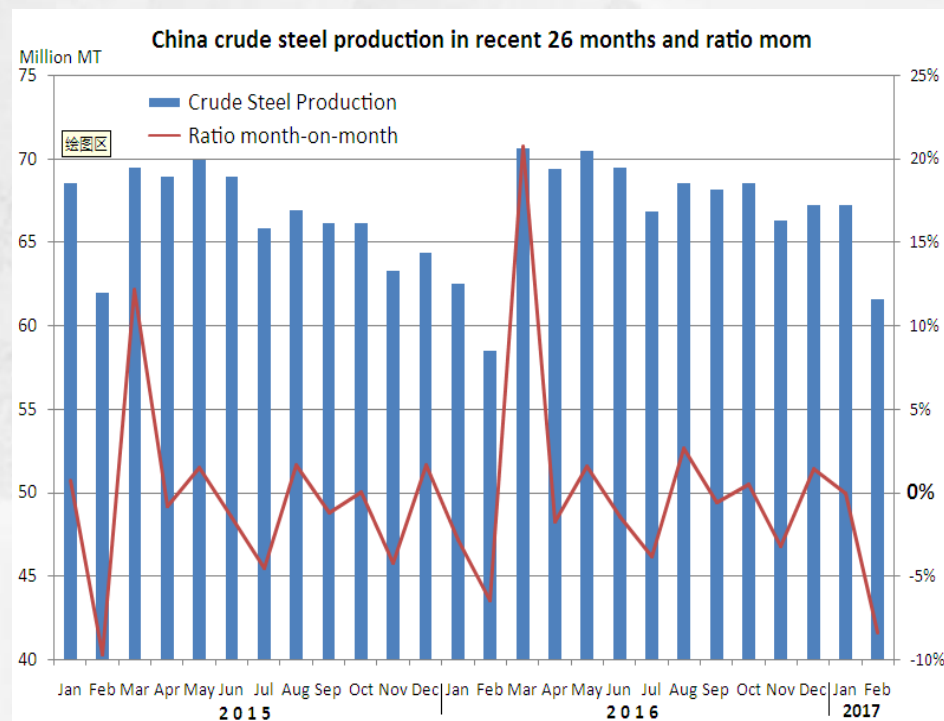
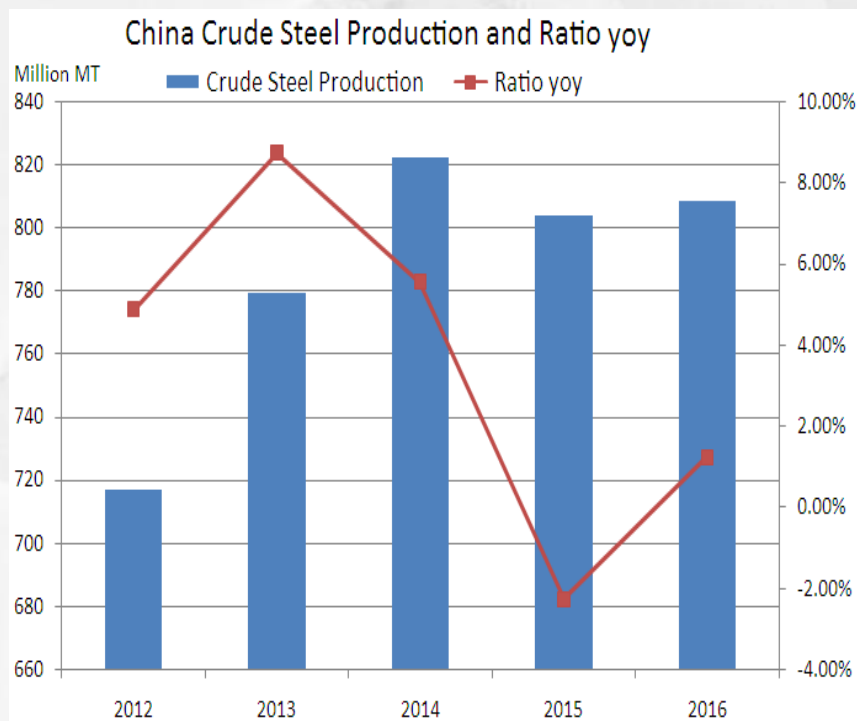
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- I. **Update to the Chinese Steel Market**
- II. China's Steel Export
- III. Outlook for Chinese Steel Industry
- IV. Brief Introduction of Yonggang Group

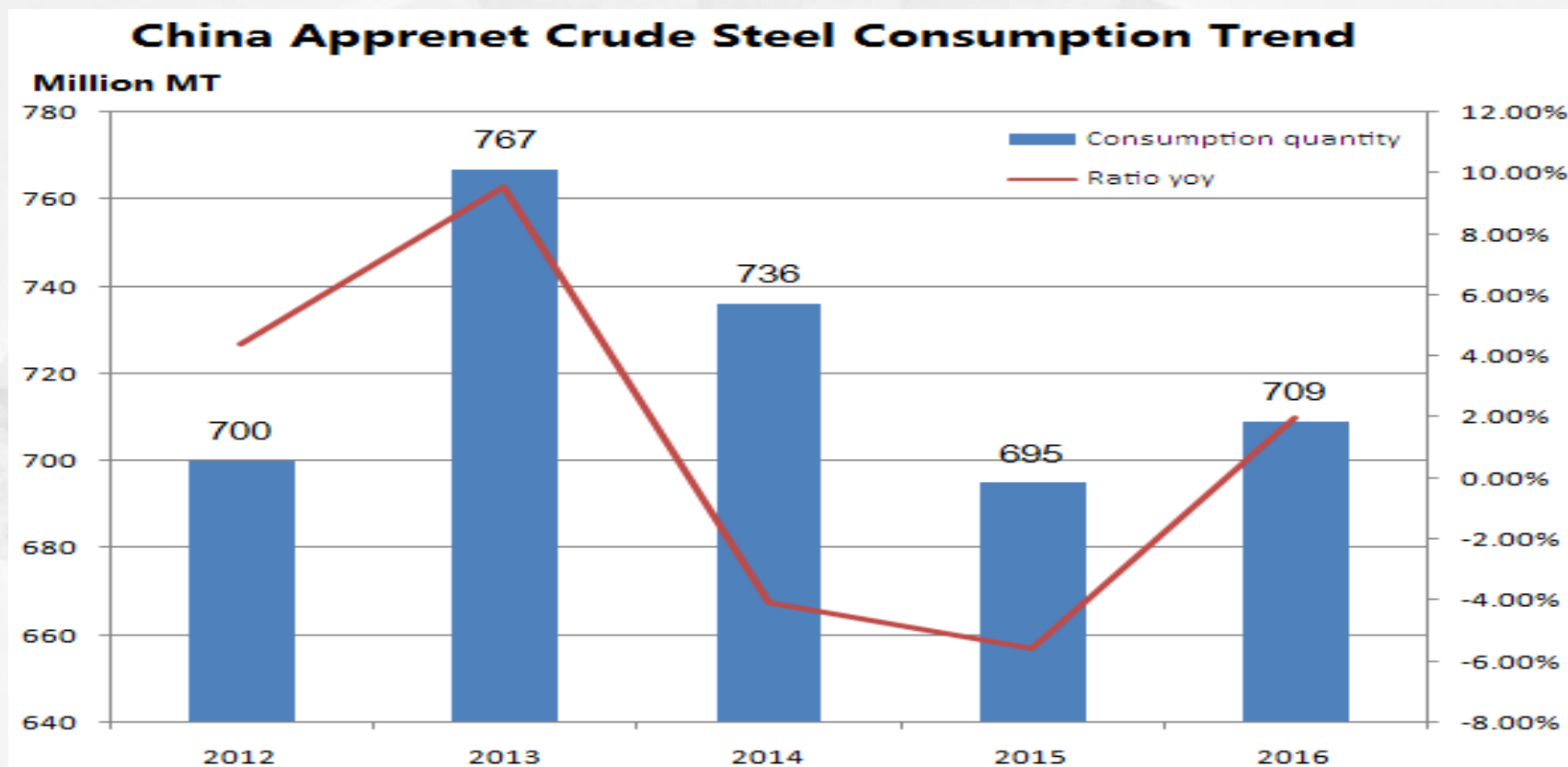
# 1. Crude Steel Production

- ✓ China's crude steel **production** in 2016 reached 808 million tons, returned to a **growth of 1.24% yoy** after 2015(decreased by 2.3%), accounted for 49.6% of world crude steel production.
- ✓ China's crude steel production in Jan-Feb 2017 reached 128.77 million tons, **up by 5.8% yoy**.



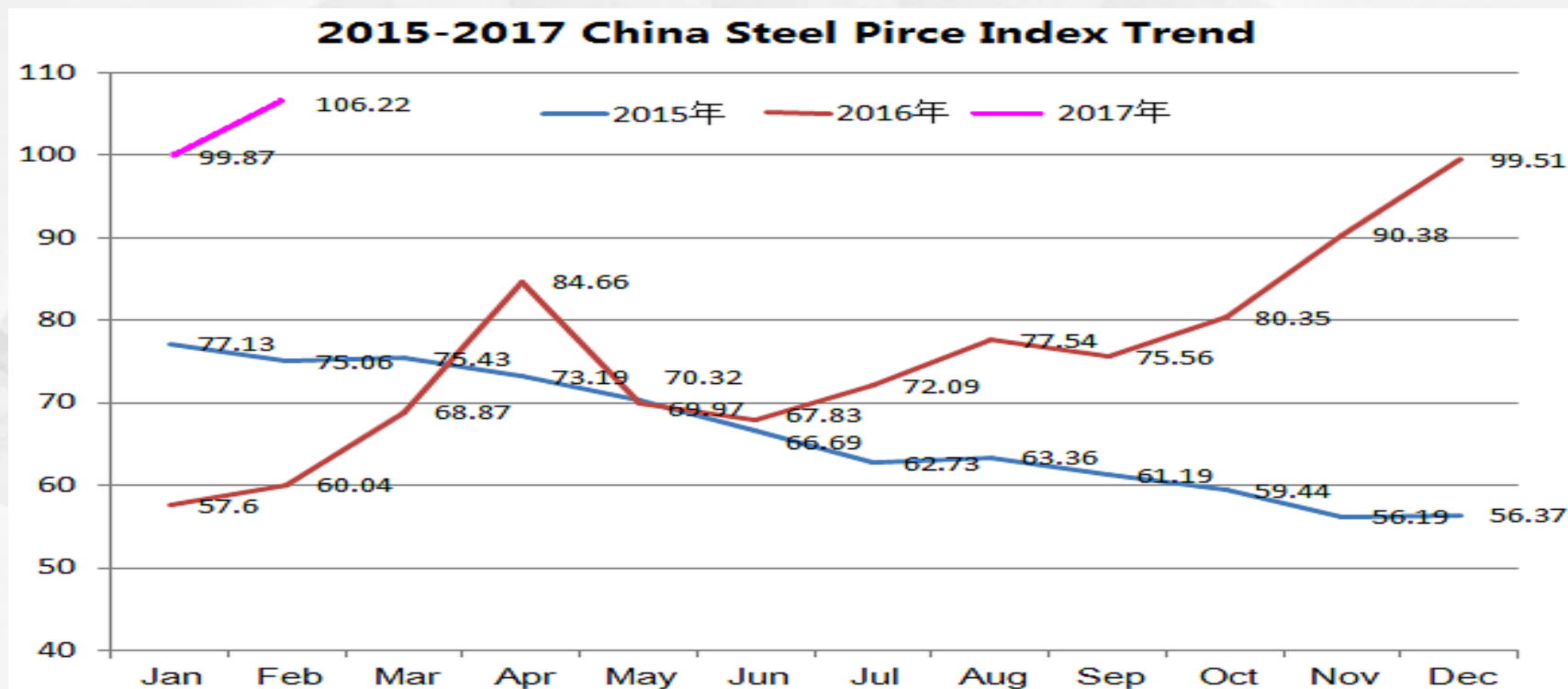
## 2. Apparent Crude Steel Consumption

- ✓ China's apparent crude steel **consumption** reached 709 million tons in 2016, registered a **growth of 2.08%** yoy, returned to the positive growth after 2013. (2014 as -4% and 2015 as -5.5%)



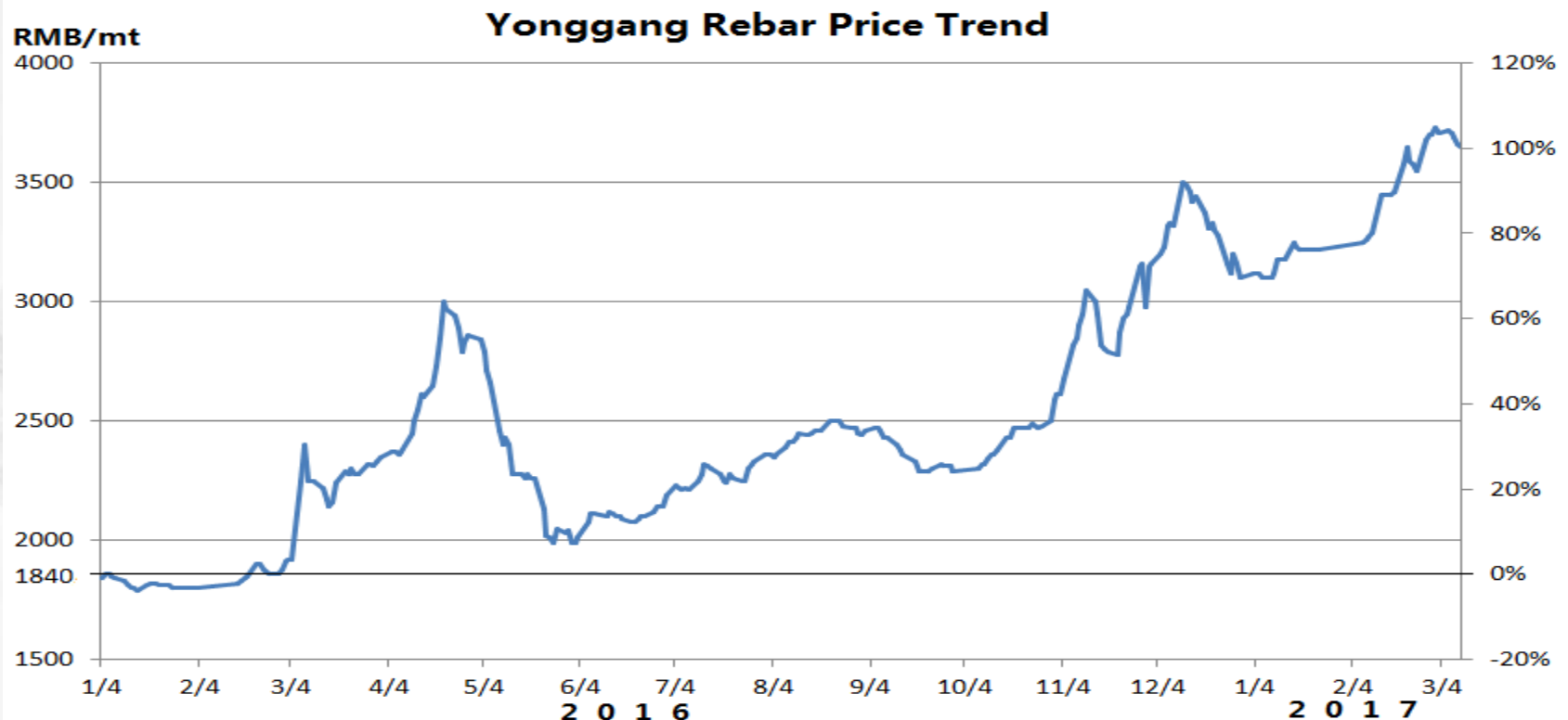
### 3. Steel Price

- ✓ In 2015, steel price in Chinese market declined continuously owing to various factors such as excess capacity and reduced demand.
- ✓ In 2016, China's steel price began to rebound, mainly in two periods, March to April, and Oct. to Dec. And it was further up in early 2017.



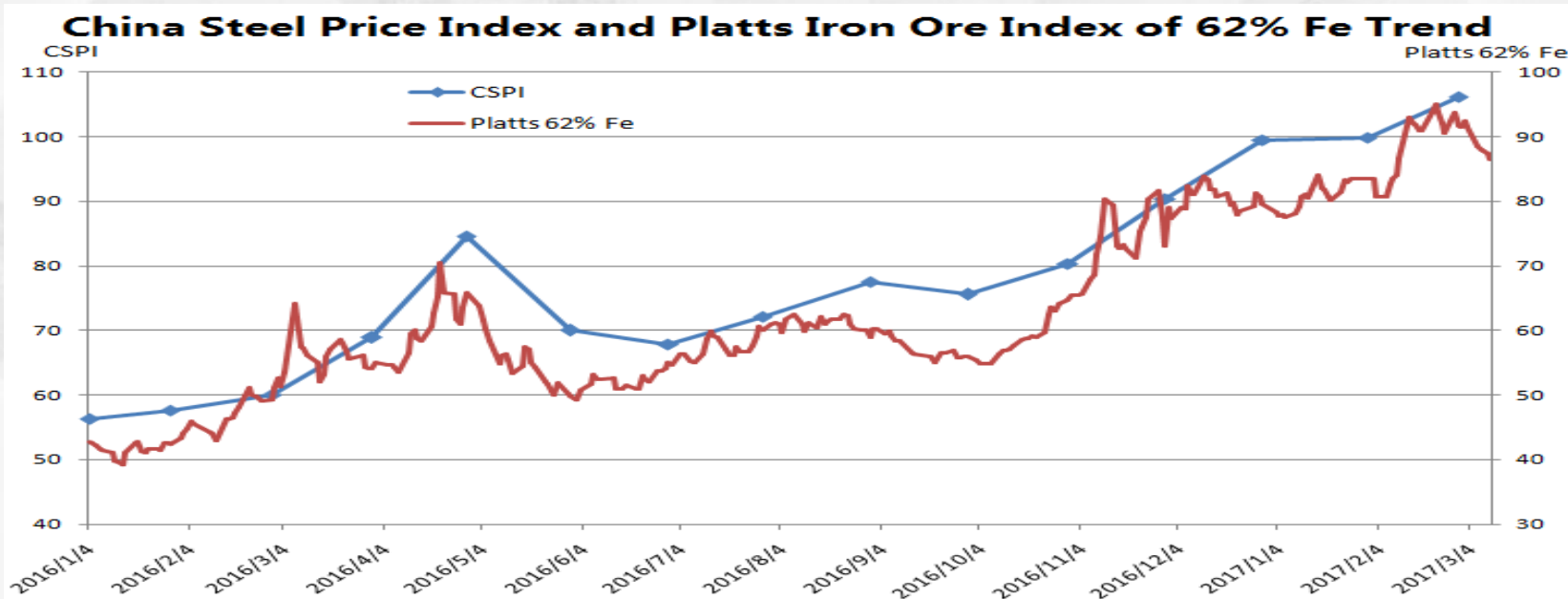
## 4. Steel Price - Rebars

- ✓ Yonggang's Rebar **price increased by 68.5%** in 2016 (from RMB1840/mt in early Jan. into RMB3100/mt in end Dec.).
- ✓ Yonggang's Rebar **price further increased by 17.7%** in the past time of 2017 (into RMB3650/mt on 10th March).



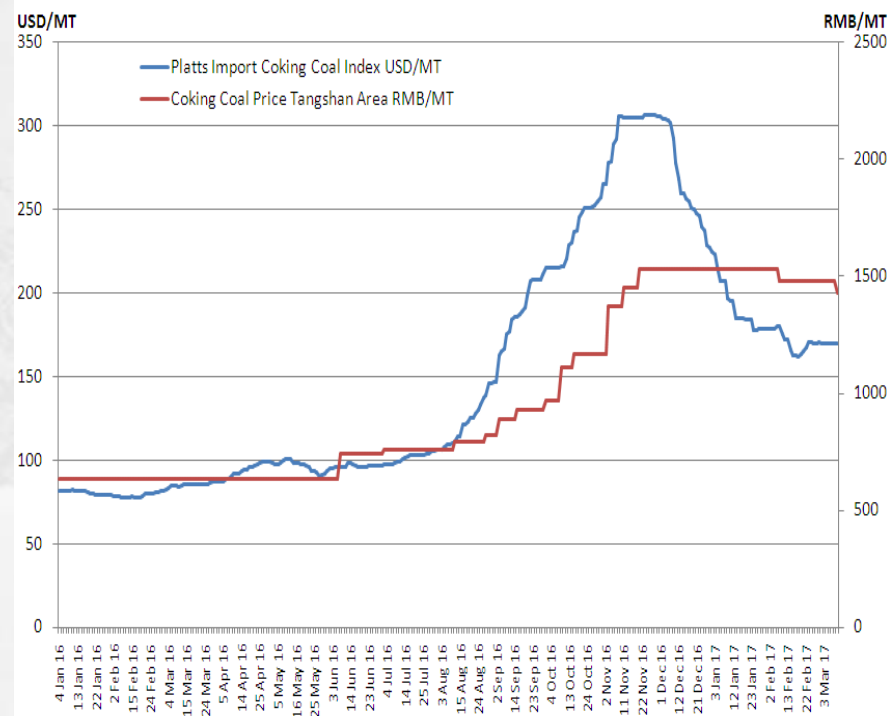
## 5. Iron Ore

- ✓ China's domestic iron ore production in 2016 reached 1.281 billion tons, down by 3% yoy;
- ✓ China imported 1.024 billion tons iron ore in 2016, up by 7.5% yoy, which set record high. The average import iron ore price was \$56.42/dmt, down by 0.5% yoy.
- ✓ In 2016, the Platts Iron Ore Index **price** of 62% Fe CFR North China **increased by 86.5%** (from \$42.7/dmt early Jan. into \$79.65/dmt end Dec.). It was further **up by 8.5%** into \$86.4/dmt till 10th March 2017.



## 6. Coking Coal

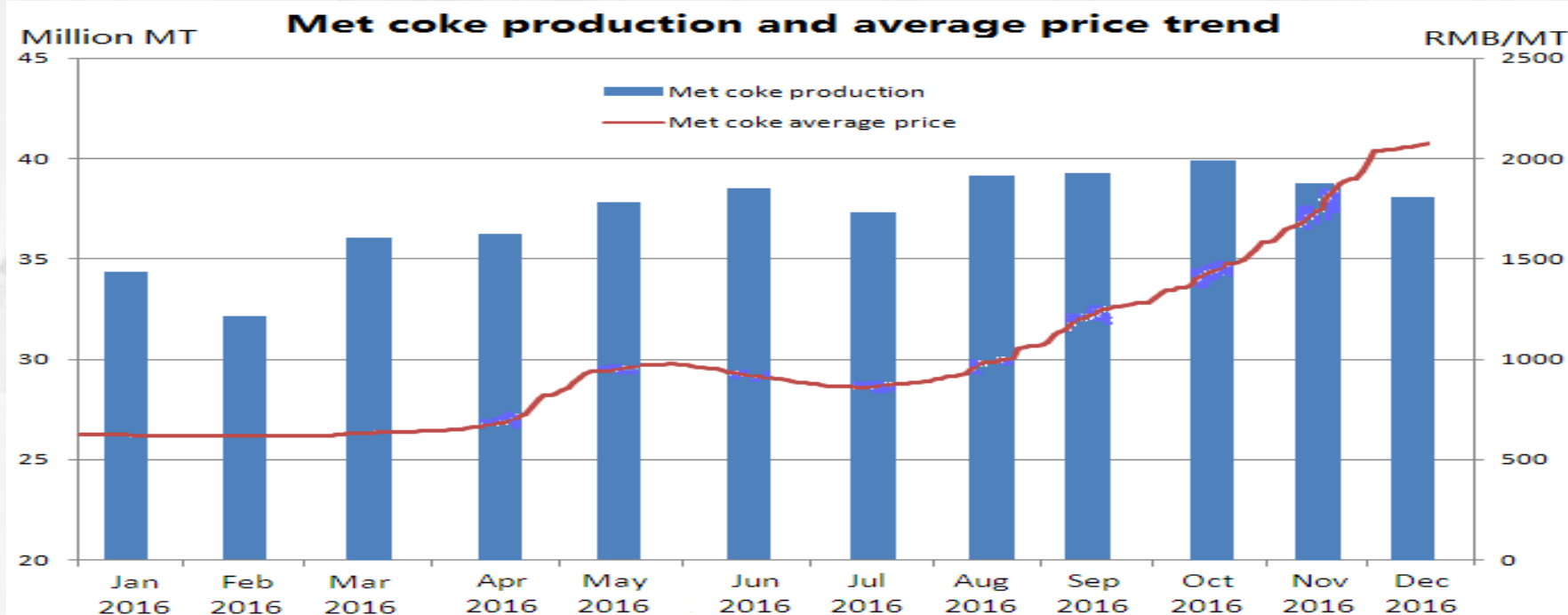
- ✓ In 2016, China's coal **production** stayed at 3.36 billion tons, **down by 9.4% yoy**. China **reduced** more than **290 million tons** of inefficient coal mining capacity.
- ✓ In 2016, China imported 59 million tons coking coal, up by 23.4% yoy.
- ✓ Coking coal **price** at Tangshan area **increased by 141%** in 2016 (from RMB635/mt in early Jan. into RMB1530/mt in end Dec.).





## 7. Met Coke

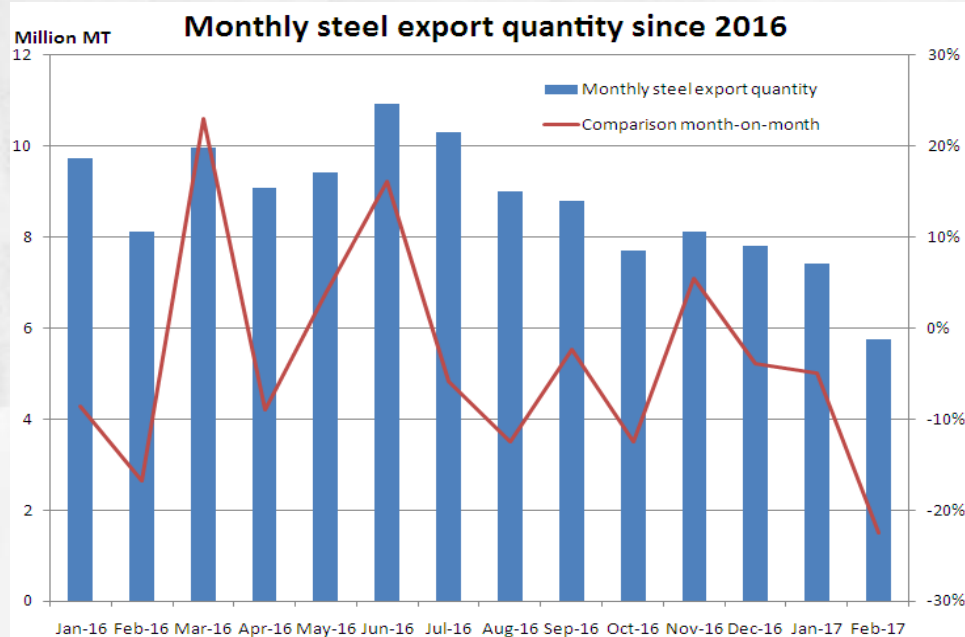
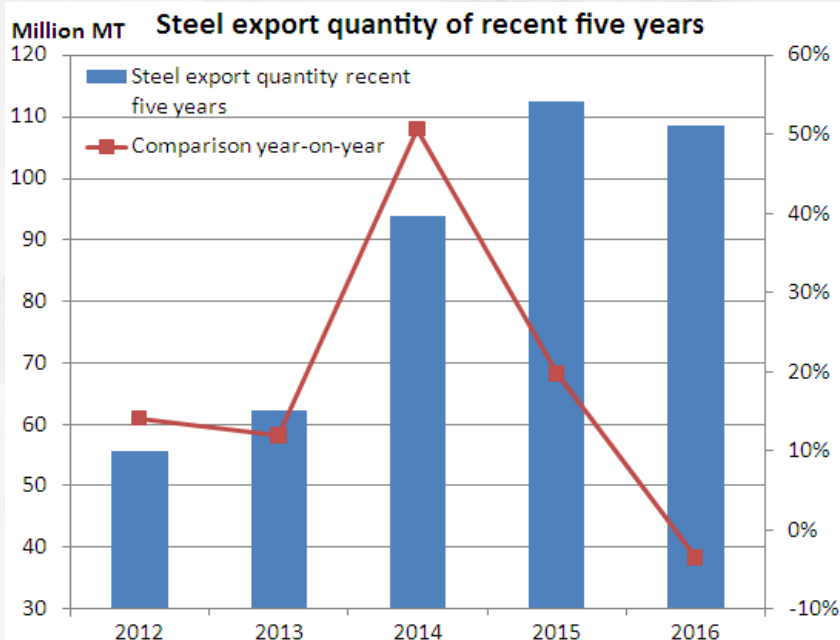
- ✓ In 2016, China's Met Coke production stayed at 447.63 million tons, up by 0.3% yoy compared with a 0.74% growth of pig iron.
- ✓ Chinese met coke **price** in Tangshan area **increased by 183%** in 2016 (from RMB690/mt early Jan. into RMB1950/mt end Dec.).
- ✓ During Jan-Feb 2017, the met coke price showed a decreasing trend but still stayed at high level.



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# 1. Steel Import and Export

- ✓ After consecutive six years' growth, China's steel **export** turned to decline in 2016. China exported 108.49 million tons finished steel products in 2016, with a decrease of 3.96 million tons, **down by 3.48% yoy**.
- ✓ China's steel import registered 13.21 million tons in 2016, with a increase of 0.42 million tons, up by 3.4% yoy.
- ✓ During **Jan-Feb 2017**, China's accumulative steel **export** registered 13.17 million tons, with a sharp decrease of 4.68 million tons, **down by 25.7% yoy**.
- ✓ From July 2016, the China's steel export showed a generally continuous decreasing trend.



## 2. Steel Export to Europe

- ✓ In 2016, China's finished steel products **export to EU decreased by 24.53%**, while export to the whole **Europe decreased by 20.1%**.

### Main destinations of finished steel products export and quantites

Unit: Thousand MT

No	Countries and Regions	Cumulative 2016	Cumulative 2015	YOY %	Porportion %
1	World Total	108491.54	112399.26	<b>-3.48</b>	/
2	ASEAN	38937.51	34575.40	<b>12.62</b>	<b>35.9%</b>
3	Middle East	15818.92	17069.11	<b>-7.32</b>	<b>14.6%</b>
4	Korea	14336.51	13492.29	<b>6.26</b>	<b>13.2%</b>
5	Africa	7996.41	8700.06	<b>-8.09</b>	<b>7.4%</b>
6	EU	6474.87	8579.74	<b>-24.53</b>	<b>6.0%</b>
7	South America	4718.32	5765.53	<b>-18.16</b>	<b>4.3%</b>
8	Central America	2368.34	2554.58	<b>-7.29</b>	<b>2.2%</b>
9	Other European Country	1181.62	1003.22	<b>17.78</b>	<b>1.1%</b>
10	USA	1169.38	2424.29	<b>-51.76</b>	<b>1.1%</b>

### 3. Steel Export to Europe

- ✓ In 2016, China's **long steel products** and **"square bars"** total **export** quantity **decreased by 4.02%** yoy, while the export to the **EU** and the whole **Europe** **decreased by 44.4% and 44%** respectively.

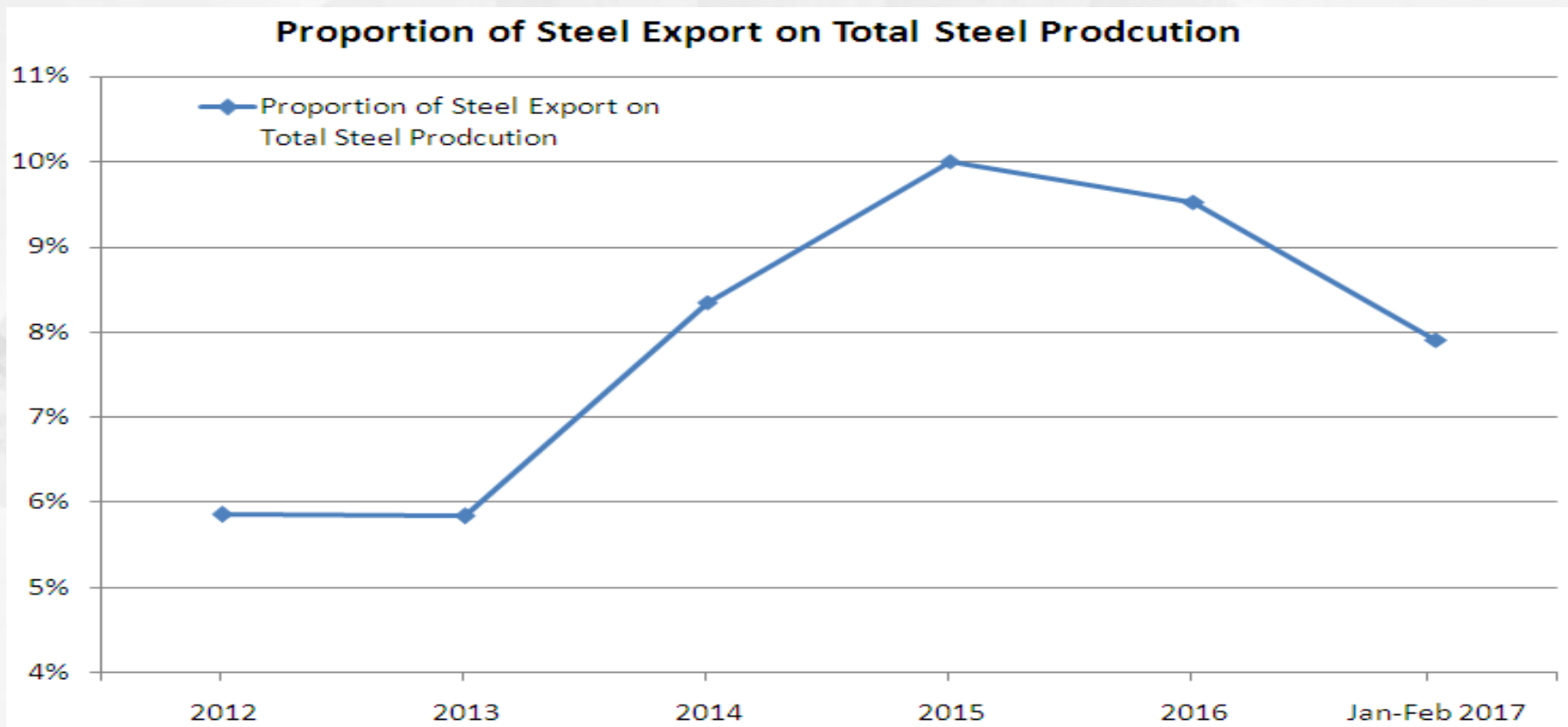
**Main destination of long steel products export and quantites**

Unit:Thousand MT

No	Countries and Regions	Cumulative 2016	Cumulative 2015	YOY %
1	World Total	29457.7	30691.4	<b>-4.02</b>
2	ASEAN	14193.4	12929.2	<b>9.78</b>
3	Middle East	4482.2	5185.5	<b>-13.56</b>
4	Korea	3281.3	2834.9	<b>15.75</b>
5	Africa	2169.6	2518.9	<b>-13.87</b>
6	Central America	688.5	800.5	<b>-14</b>
7	EU	579.3	1041.6	<b>-44.38</b>
8	South America	527.3	559.2	<b>-5.72</b>
9	USA	46.3	57.2	<b>-19.11</b>
10	Other European Country	38.6	61.6	<b>-37.29</b>

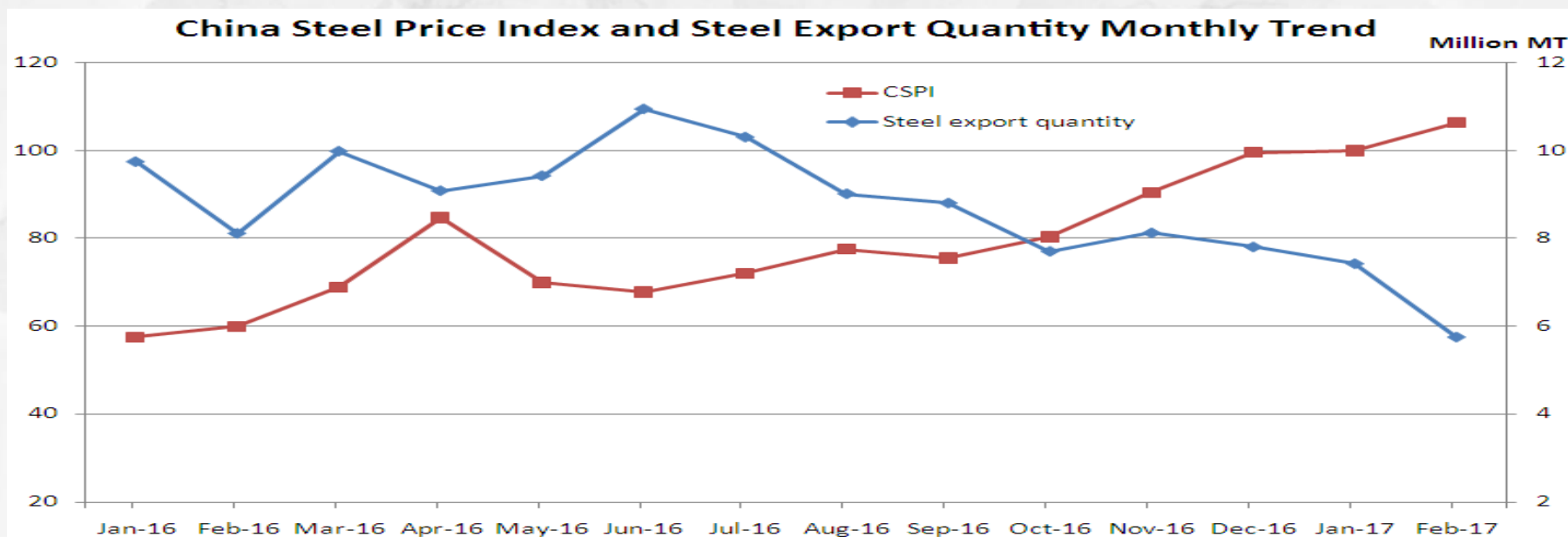
## 4. Proportion of Steel Export on Total Steel Production

- ✓ Proportion of China's steel export on total steel production reached high in 2015 and then became **decrease** in 2016, and it further significantly decreased in Jan-Feb 2017.



## 5. Analysis of Decreasing Export

- ✓ **The slowdown in the global economy growth.**
- ✓ **The continuous aggravation of International Trade Protectionism.**  
In 2016 China suffered 119 trade frictions. 49 trade remedy cases are against China's steel products, among which anti-dumping 32 cases, subsidy 10 cases, safeguard 7 cases.
- ✓ **China's steel price rebounded strongly from 2016, the competitiveness of export price has been weakened gradually.**



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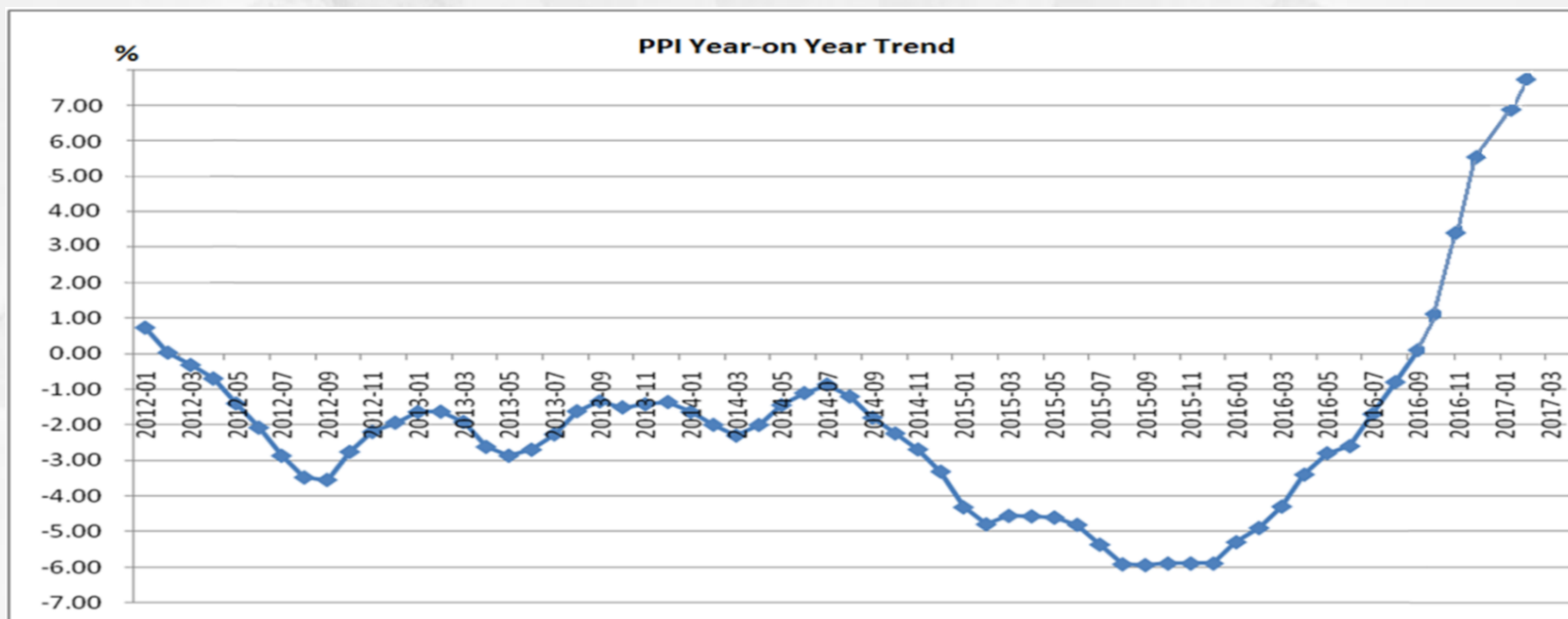
# 1. The Chinese Economy Remained Stable

- ✓ The Chinese economy rebounded in Q4 2016 with a **GDP** growth rate of **6.8%**, up slightly by 0.1 percentage points over Q3 2016, and to be flat with the same period one year ago.
- ✓ China has set the GDP growth **target** for 2017 of around **6.5%** and try to achieve better results. This will lay a solid foundation for development of China's steel industry this year.



## 2. PPI Strongly Rebounded

- ✓ **PPI** which measures costs of goods at the factory gate, hitting an over-eight-year high of **7.8%** in Feb 2017.
- ✓ Strong PPI rebound and turnaround in Chinese heavy industry have improved corporate revenue, profit growth and debt service capacity, leaving the real economy much better placed to tolerate higher nominal rates.



### 3. Domestic Steel Demand Forecast in 2017

- ✓ In 2017, As estimated by CISA, China's automobile industry will keep growing, the growth of real estate industry may slow down a little bit, but the investment in infrastructure construction will be a bright spot. China's domestic steel demand will remain stable in 2017.

Industry	2016 <sub>(MMT)</sub>	2017E <sub>(MMT)</sub>	Ratio yoy
Construction	366	362	-1.10%
Machinery	125	124	-0.80%
Automobile	57	59	3.50%
Shipbuilding	11.5	11	-4.30%
Home Appliance	9.5	9.5	0.00%
Railway	4.6	4.8	4.30%
Container	3.5	3.4	-2.90%
Energy	27.5	27.5	0.00%
Total of above industries	604.6	601.1	-0.60%
Other industries	72	71	-1.40%
Steel Consumption	677	672	-0.70%

## 4. Progress in Reducing Excess Capacity

### ✓ **Targets in 5 years:**

1. China will reduce another **100 to 150 million tons** of crude **steel** capacity in the coming 5 years starting from 2016.
2. China will reduce **500 million tons** of **coal-mining** capacity, and will reduce another **500 million tons** production through the mergers and reorganizations of the coal enterprises in the coming 3 to 5 years starting from 2016.

### ✓ **Results achieved in 2016:**

1. China has already reduced more than **65 million tons** of inefficient **steel** capacity.
2. China has already reduced more than **290 million tons** of **coal-mining** capacity.

### ✓ **Target in 2017:**

1. Reduce **50 million tons** of inefficient **steel** capacity.
2. Phase out the production of low-quality steel made from medium frequency furnaces by scrap metal, or “**ditiaogang**”, before the end of June 2017.
3. Reduce **150 million tons** of inefficient **coal-mining** capacity.

# 5. Chinese Steel Industry Outlook In 2017

- ✓ **Efforts to reduce excess capacity will continue.**
- ✓ **Efficient supply level will continue to improve.**
- ✓ **Steel industry mergers and reorganizations will be further promoted.**  
Baosteel + WISCO = BAOWU Steel Group
- ✓ **Steel consumption will remain stable.**
- ✓ **Long products price will generally show a stable and may further up trend.**  
Phasing out the production of “ditiaogang” and increased investment in infrastructure construction is propping up the price of long products.
- ✓ **Steel export will show a significant decrease, especially long products.**  
Steel export decrease by 3.48% in 2016.  
Decrease by 25.7% in Jan-Feb 2017.  
Expected further decrease in coming months.

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# 1. Location

**Jiangsu Yonggang Group Co., Ltd.**  
 Located at Zhangjiagang City, Jiangsu Province, China



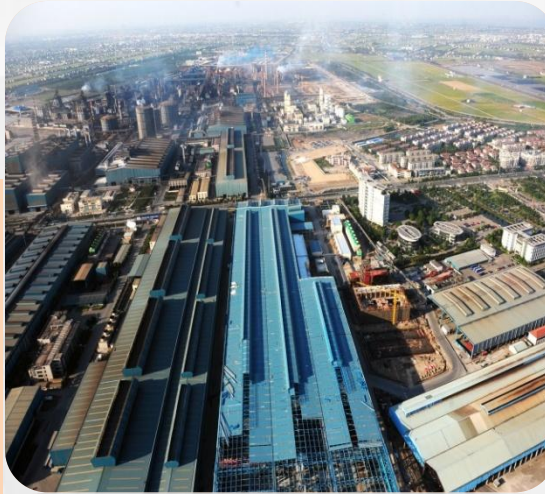
Shanghai → JSYG      100KMs

JSYG → Yangtze River      10KMs



## 2. Profile

- ✓ **Established:** In 1984
- ✓ **Capacity:** 9 million tons  
8 mmt from Blast Furnaces  
1 mmt from EAF
- ✓ **Employee:** 10,000
- ✓ **Sales:** 4.4 billion USD in 2016





# 3. Products

Products	Capacity (Million Tons)
Re-bar	4.5
Wire Rod	3.5
Round Bar	1
<b>Total</b>	<b>9</b>



## 4. Specifications

Products	Category	Grades	Main Sizes	Application
Re-bar	BS	B500B,B500C etc.	6-16mm coil 10-50mm straight	Construction
	ASTM	G40,G60S,G60W etc.	3/8"- 1-3/8"	
	DIN/KOMO	B500B	10-40mm straight	
	MS	B500B	8-12mm Coil 10-50mm straight	
	KS	SD400,SD500,SD600	10-41mm	
	ACIS	500N,500E	8-16mm Coil 10-36mm straight	
Wire Rod	Low Carbon	SAE1006-1022	5.5-26mm	Mesh,Nails,Bolts,Nuts,Steel Wire etc.
	High Carbon	SWRH42A(B)-82A(B),QS87Mn etc.	5.5-13mm	PC wire, PC Strands,Wire Rope etc.
	Cold Heading Quality	SWRCH6A-22A,10B21/33,15B25 SCM420,SCM435,SCM440 etc.	5.5-26mm	Various of Fastners, Bolts, Nuts etc.
	Welding Wire	SWRY11,ER70S-3/6/G etc.	5.5/6.5mm	Electrodes, Welding wire
	Prestressed Steel Bar	30MnSi,30Si2Mn	6-14mm	Prestressed Steel Bars for Concrete
	Steel Cord & Bead Wire	Y LX70A,Y LX80A C72DA,C82DA	5.5mm	Steel Cord & Bead Wire for Tires
Round Bar	Quality Carbon Structural Steel	C45E,C45R,C55 etc.	75-350mm	Machining,Forging,Crankshaft,Gear,Tube etc.
	Alloy Structural Steel	20CrMo,42CrMo,42CrMoS4 etc.	75-350mm	Machining,Forging,Crankshaft,Gear,Tube etc.
	Grinding Ball Steel	S-704,S-901,R25 etc.	75-130mm	Grinding Ball
	Bearing Steel	SAE52100	75-120mm	Bearing

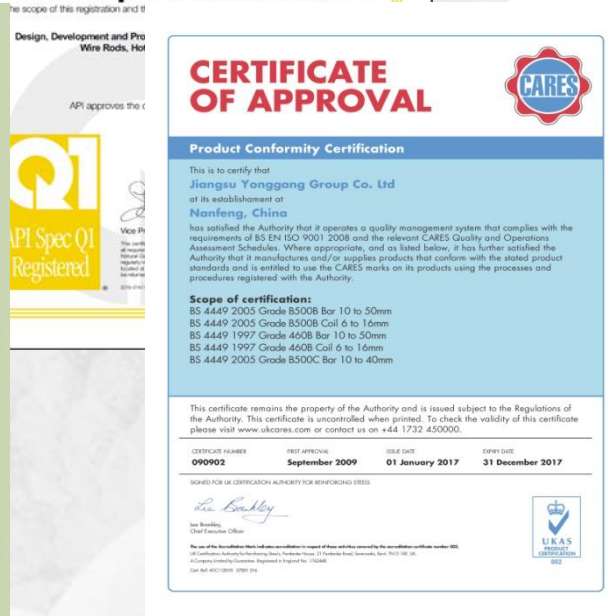


# 5. Certificates

TS16949

API

DCL



ISO14001

CARES

KIWA

## 6. Applications



Marina Bay Sands Hotel  
Singapore



Cambodia Tatai Hydroelectric  
Power Station



Shanghai Pudong  
International Airport



Steel Cord & Bead Wire  
for Tires



Various Fasteners



Shafts and Gears



## 7. Logistics

- ✓ Yonggang has its own **Yantze River Port** with 10.8m designed fresh water draft and available for berthing of capesize vessels. The port is about 10kms away from the mill and provides strong logistic advantages for raw material import and steel products export.



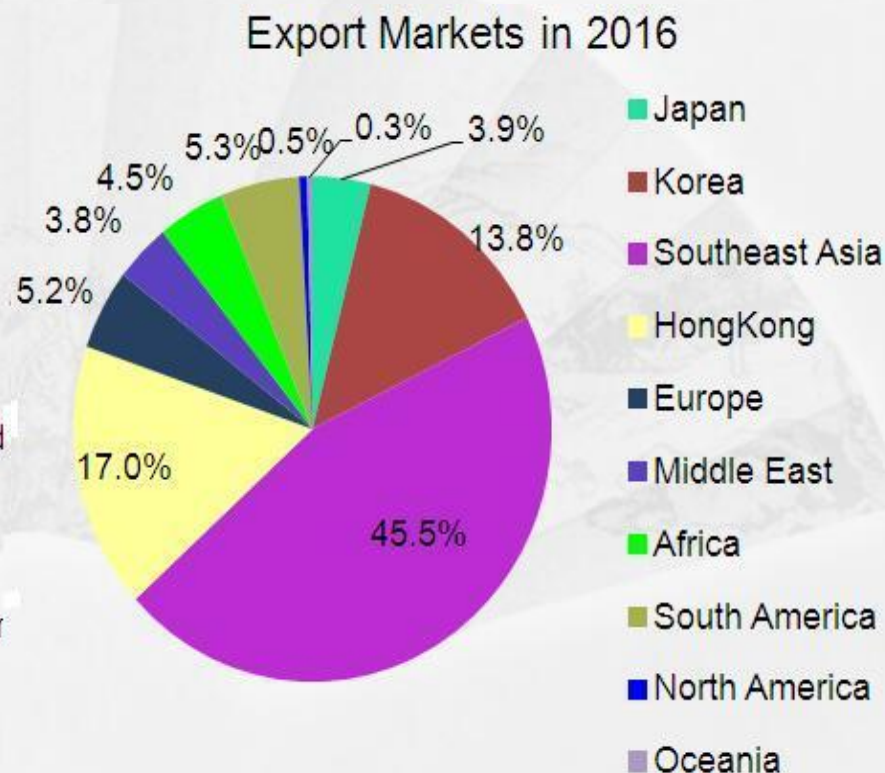
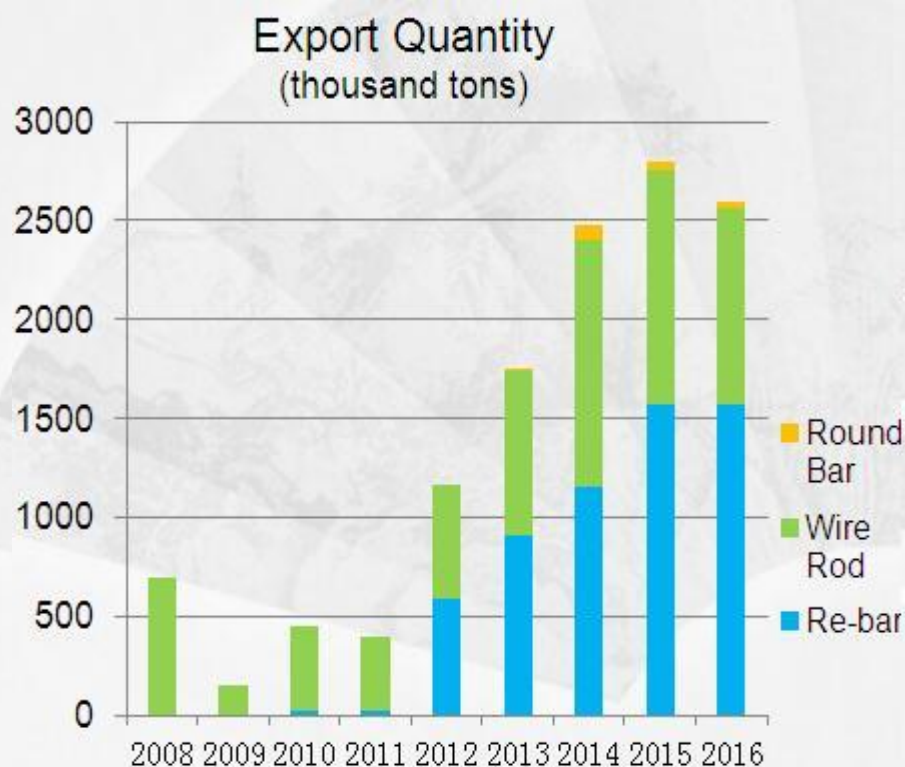
Indoor Warehouse



Loading of Wire Rods for Export

## 8. Export

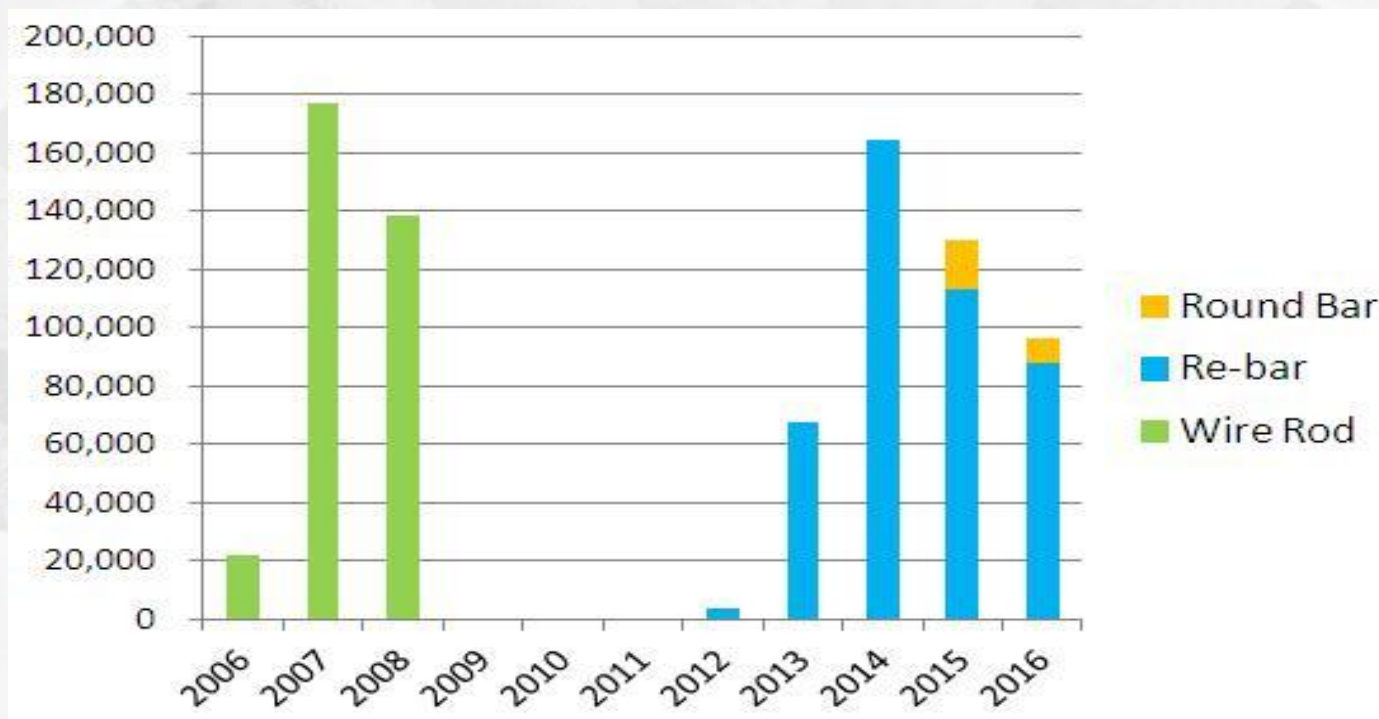
- ✓ Yonggang started to export from 2006, and exported **2.6 million tons** of steel products in **2016**, was always one of the main long steel products exporters in China.
- ✓ Yonggang's products have been exported to **101 countries and areas** worldwide.



## 9. Export to Europe

- ✓ Wire Rod : mainly to Spain, Italy, Portugal etc.
- ✓ Re-bar : mainly to UK, Germany, the Netherlands etc.
- ✓ Round Bar : mainly to UK, Spain, Italy, Portugal etc.

Export Quantity to Europe (tons)



# Thanks for your attention!

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