

News Headlines	Pricing Movements	Steel Cost Index	Anti-Dumping News	Key To Prices
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STEEL MARKET SUMMARY – April

When it’s raining heavily outside on Australia’s east coast, people look to Perth on the weather map to see if sunnier times are coming. Likewise, New Zealanders suffering inclement weather look across the ditch for hopeful signs of improvement. Steel market watchers could be forgiven for adopting a similar approach, such has been the dull global mood of late. As pundits ponder whether the United States may fall into recession during 2019 – taking the rest of us with them – China’s slowing rate of growth has been persistent. Europe is in political turmoil. Meanwhile, Australia had a miserable GDP rate of 0.2% in the December quarter and the 2.3% total achieved for 2018 was well below the RBA’s forecast. Indirectly, the steel industry has felt the pain of falling house prices across the nation and a level of consumer spending which has been flatter than the wicket at the WACA.

Speaking of Perth.....not only is the weather looking good, but the city has contributed to an economic indicator which suggests better times are indeed nigh. The total number of dwellings approved in Australia in February 2019 reversed the downward trend of previous months by being up 0.4%, according to the Australian Bureau of Statistics. The increase was driven by a 2.3% rise for total dwellings in NSW and 2.0% in Western Australia, offset by declines in some other states. Federal Treasurer, Josh Frydenberg, who wants to win an election, has also said the imminent future is brighter than any of us can imagine. And if his budget pledge of \$100 billion for roads and railways infrastructure over the next 10 years turns out to be true, steel producers and consumers will be a long way towards believing him. Frydenberg also predicted a private investment upswing and wages growth of 3.5% by 2021/22.

But it is China which has provided the biggest antidote to global economic blues with its manufacturing purchasing managers’ index (PMI), which rose to 50.5 in March, up 1.3 points from February and thus reaching its highest level since last October. The non-manufacturing PMI also rose slightly in March to 54.8. These increases suggest China’s growth decline may have bottomed out. So too do sales of excavators, which are a strong pointer to construction activity and which were up 59% in February to 18,745 units, according to the China Construction Machinery Association. The central government’s VAT reduction effective from April 1st is also expected to benefit infrastructure-related steel demand. All of which is encouraging news for the global economy: and if the trade talks between China and the US conclude with a positive agreement in the coming weeks or months, the world economy might indeed commence a robust period of growth.

Whilst steel manufacturers have been pushing for higher prices on increased input costs, they have met with resistance from buyers who have rightly said the demand fundamentals are not yet in place. But still the mills keep churning – and why wouldn’t they? China’s ferrous smelting, rolling and processing industry saw profits rise 37% in 2018, according to data from the National Development and Reform Commission. Little wonder that China’s crude steel output over January to February this year was up 9.2% at 149.58 million mt. Looser environmental protection measures combined with a slew of major iron and steelmaking projects will no doubt keep crude steel production at a high level for the rest of this year at least. Platts reports that in 2019 China will commission about 34 million mt/year of crude steel capacity via the basic oxygen furnace/blow furnace route, while about 15 – 17 million mt/year of capacity will also begin with new EAFs. As a counter point, the OECD Steel Committee in March warned that this approach creates a high degree of risk for over-capacity. Interestingly though, in Australian dollar terms, the blast furnace and EAF/Scrap costs indexes have fallen around 4 – 5% over the past month.

Domestically, Fairfax Media has reported that Liberty will be looking for a value of \$3-5 billion when it lists its east coast steelmaking, national scrap, reo and distribution business: the IPO expected mid year. The assets are believed to represent 30-40% of Liberty’s Australian operations. Not a bad return for a business it bought a couple of years ago for \$700 million. And further so, given the alleged terrible “material injury” caused by import competition since that purchase. With local production having been ramped up and a pressing target to show prospective investors how many tonnes can be produced, one can surmise that serious local price rises are not on the near horizon.

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CURRENCY CHANGES

Movement since March 1st, 2019
AUD is up 1.4% against USD
AUD is up 1.6% against the Euro



STEEL NEWS HEADLINES

- April 1 – Platts**
[China steel margins rise on higher export prices](#)
 - April 1 – SEAI**
[Supply glut and tariffs weigh on Korean steelmakers](#)
 - March 31 – Bloomberg**
[China's factory rebound a boost to global outlook](#)
 - March 29 – MEPS**
[Global stainless steel price upturn anticipated](#)
 - March 29 – Platts**
[India may return to being net steel importer](#)
 - March 28 – CNBC**
[China plans to cut waste imports to zero next year](#)
 - March 27 – Platts**
[Eurofer says excess capacity forum should continue](#)
 - March 27 – SEAI**
[Steel pricing and market absorption capacity factors](#)
 - March 27 – Reuters**
[OECD claims new steel plant will add to supply glut](#)
 - March 26 – World Steel Association**
[February 2019 crude steel production](#)
 - March 26 – MEPS**
[Steelmakers struggling to implement price hikes](#)
- For more steel news headlines, [click here](#)

PRICING MOVEMENTS - Since March 1st, 2019

STEEL RAW MATERIAL	USD Change	AUD Change
- Blast Furnace costs ¹	-3.3%	-4.8%
- EAF/Scrap costs ²	-2.4%	-3.8%
STEEL FINISHED PRODUCT		
- China Rebar pricing ³	-1.1%	-2.5%
- Turkey Rebar pricing ⁴	+2.3%	+0.9%
- Non-Ferrous Metals (Cu/Al/Ni/Zn) ⁵	+0.4%	-1.0%

STEEL COST INDEX (The cost of scrap, iron ore, coal in one tonne of steel)

	April 1, 2019	March 1, 2019	Feb 1, 2019	Jan 2, 2019
Blast Furnace Index in USD ¹	362	374	349	353
Blast Furnace Index in AUD ¹	509	534	485	512
EAF/Scrap Index in USD ²	358	362	373	314
EAF/Scrap Index in AUD ²	505	517	518	455

For a detailed explanation of ASN’s unique Steel Cost Index, [click here](#)



STEEL AND RAW MATERIALS PRICES (USD per tonne)

	April 1, 2019	March 1, 2019	Feb 1, 2019	Jan 2, 2019
Iron Ore ⁶	86	87	76	71
Coking Coal ⁷	196	207	198	220
Steel Scrap Turkey ⁸	317	320	330	278
Steel Rebar Turkey ⁴	488	477	480	449
Steel Rebar China ⁹	558	564	562	565

ANTI-DUMPING NEWS

- Measures already in place:
[ADC – Measures](#)
- Updates to the public record:
[ADC – Updates](#)
- Recent anti-dumping actions:
[ADC – Actions](#)
- Request a weekly update from the Australian Government ADC website: [here](#)



NON-FERROUS METALS PRICES (USD per tonne. Source: LME ¹⁰)

	April 1, 2019	March 1, 2019	Feb 1, 2019	Jan 2, 2019
Copper	6497	6570	6097	5838
Aluminium	1887	1890	1871	1857
Nickel	13,150	13,155	12,455	10,435
Zinc	3016	2839	2732	2460

FX RATES (Source: www.x-rates.com)

	April 1, 2019	March 1, 2019	Feb 1, 2019	Jan 2, 2019
USD / AUD	0.71	0.70	0.72	0.69
Euro / AUD	0.63	0.62	0.63	0.61
NZD / AUD	1.04	1.04	1.04	1.04

FUTURE FX RATES (Banks’ estimate of AUD value by the end of Q2 2019)

	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.70	0.67	0.70	0.71
Euro / AUD	0.59	0.62	0.62	0.62
NZD / AUD	1.04	1.08	1.04	1.04

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markm@caletablanca.com



SANWA CONTACTS

- Reinforcing Steels / David Roberts / droboters@sanwa.com.au
- Structural Steel / PC Strand / Mark Horwitz / mhorwitz@sanwa.com.au
- Special Steels / Tube and Pipe / Matt Gilpin / mgilpin@sanwa.com.au
- Stainless Steel / Howard Seligsohn / hseligsohn@sanwa.com.au
- Flat Products / Laurie Di Medio / ldimedia@sanwa.com.au
- Wire and Aluminium / Steve Wade / swade@sanwa.com.au

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Australia's Leading Metals Trader

Telephone: (02) 93624088



ARISTON WIRE
Wire, Galvanised Mesh, Fencing & Reinforcing Accessories

Ariston Wire Contacts

- Wire and Reinforcing Accessories:
[Fran Liebovitz / fran@aristonwire.com.au](mailto:Fran.Liebovitz@aristonwire.com.au)
- Galvanised Mesh and Fencing Products:
[Ian Jones / ian@aristonwire.com.au](mailto:Ian.Jones@aristonwire.com.au)
- Telephone: (02) 93874188
- Website: www.aristonwire.com.au

Top 10 Steel-Producing Countries*

Rank	Country	2018 Mt**	2017 Mt
1.	China	928.3	870.9
2.	India	106.5	101.5
3.	Japan	104.3	104.7
4.	US	86.7	81.6
5.	South Korea	72.5	71.0
6.	Russia	71.7	71.5
7.	Germany	42.4	43.3
8.	Turkey	37.3	37.5
9.	Brazil	34.7	34.4
10.	Iran	25.0	21.2

* Source: World Steel Association, Feb 2019
** Mt = million tonnes of crude steel

US Finished Steel Imports for 2018*

Tariffs have affected steel-producing countries: though the relative impact on China is minimal. Figures are expressed in '000s of metric tonnes.

Country	2018	2017	% Change
South Korea	2,764	3,753	-26.3
Japan	1,383	1,504	-8.1
Germany	1,339	1,405	-4.7
Turkey	1,153	2,191	-47.4
Vietnam	1,110	749	+48.2
Taiwan	1,069	1,245	-14.4
China	696	813	-14.4
Netherlands	613	658	-6.8
All Others	15,568	17,243	-9.7
Total	25,694	29,561	-13.1

* Source: American Iron and Steel Institute



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KEY TO PRICES

- Blast Furnace Index is: Iron Ore*1.6 mt + Coking Coal*0.9 mt + Scrap*0.15 mt in USD or converted to AUD. [Cost BOF](#)
- EAF/Scrap Index: Steel Scrap*1.13 mt in USD or converted to AUD. [Cost EAF](#)
- Chinese Rebar Pricing: Shanghai Futures Exchange converted to USD at 6.8 Yuan/USD. [HERE](#)
- Steel Rebar is: Turkey exports FOB Turkish Port – One Month USD / mt from LME. [HERE](#)
- The average price / mt for the non-ferrous metals Cu/Al/Ni/Zn. [HERE](#)
- Iron Ore Fines: Bloomberg indicative USD CFR prices for 62 Fe shipping to Qingdao. NAB sourced.
- HCC: Premium (low-volume) coking coal USD per tonne. NAB sourced.
- Steel Scrap (Turkey CFR): USD pricing per tonne from LME closing contract price. [HERE](#)
- Steel Rebar: Shanghai Futures Exchange Forward one month converted to USD at 6.8 Yuan/USD. [HERE](#)
- London Metal Exchange (LME) Cash pricing is quoted. [HERE](#)
- Australian Stock Exchange end of day quote in Australian dollars. [HERE](#)



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