

What is driving billet & slab imports to China?

China has aggressively resumed imports of semi-finished steel products – billet, pig iron and slab. Recovering economy and pick-up in construction activities continue to keep imports supported, said Mr YK Shin, CEO Pan Korea Metal Company, South Korea. Below is an edited excerpt from his recent interview to SteelMint.

What is driving billet and slab imports to China? How much quantity Chinese traders would have booked in March?

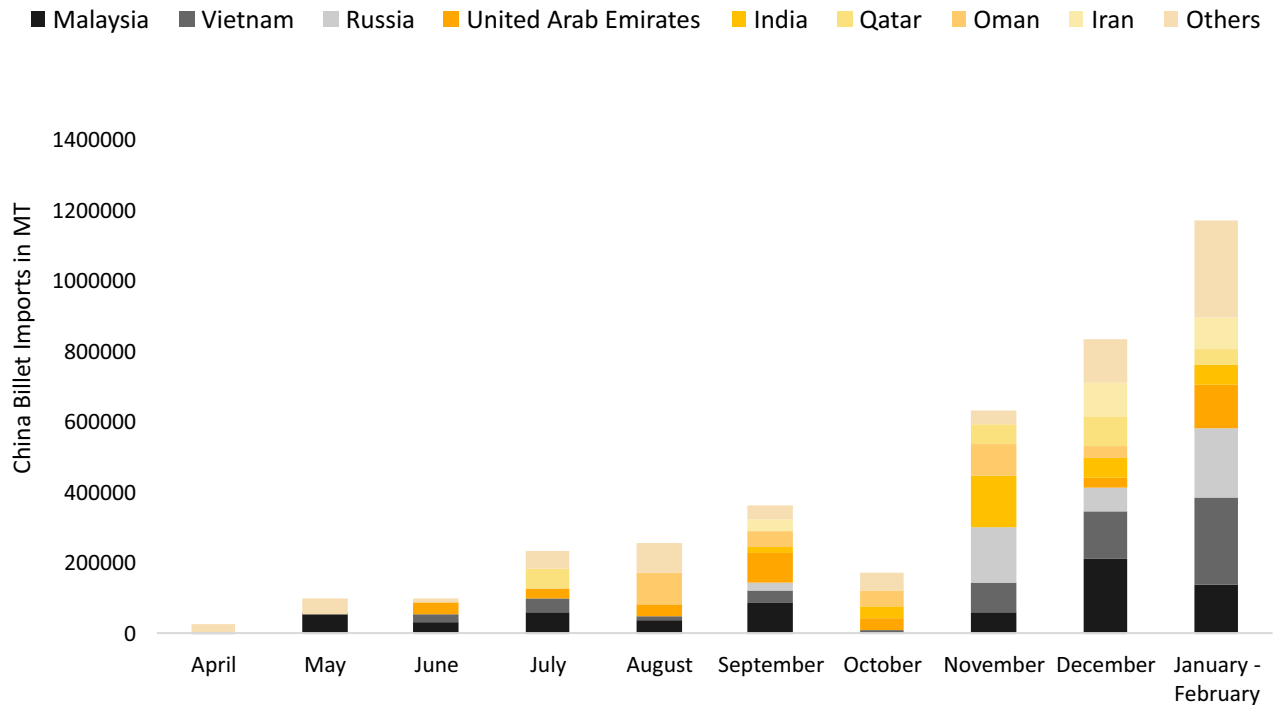
The demand for semi and finished products in many countries is getting slow amid the COVID-19 outbreak. While on the contrary, China is in a totally different situation as-

- China is the only economy, which is recovering from the pandemic. With the resumption of construction activities, trades have gained momentum in the country.
- China has better control over its demand-supply system than any other country. Currently, the country is focusing on domestic stimulus especially on SOC and construction, for maintaining the growth rate. They are facing slow demand from the overseas market.

China has a humongous steel supply-demand. The country produces 58% of the world steel and has 53% consumption of the world steel. Depending upon the situation, the country is so competent and flexible that it may switch to imports if prices turn cheaper than in domestic market.

China imported 1.2 MnT of billets during in Jan-Feb'20. During Apr-Jun'20 it is expected that individually billet and slab imports may reach 1-1.5 MnT mark.

Country Wise China Billet Imports; Apr'19-Feb'20



Source: SteelMint

We understand these cargoes are booked largely by traders. How do traders cover their risk?

There are two ways to hedge the risk:

1. Traders cover their risk from future markets of deformed bar in case of billet and from HRC in case of slab. After they buy cargoes, they sell it from futures market depending upon the cargo arrival time.
2. Traders always carry some cash as a security deposit from re-rollers in RMB or USD. Future market trend is most important factor for the importers.

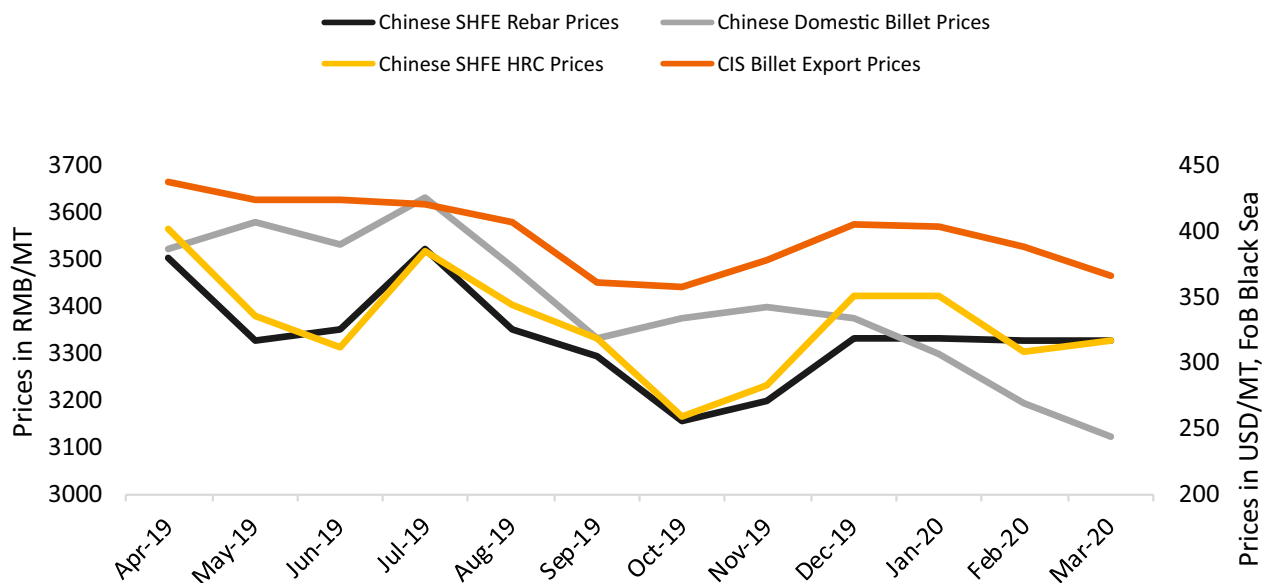
What are present price levels for billet imports to China? What are import taxes on importing billets/slabs from different countries?

In the current situation, the prices are quite buoyant in China. During 10-15 Mar'20, prices were noted at USD 400-405/MT CFR levels from the Asian counties. While during 23-37 Mar'20, it dropped to USD 381-382/MT CFR levels. And by the end of Mar'20-early Apr'20, Chinese customers started bidding at USD 345-350/MT CFR levels, due to the sharp decrease in future market. However, no deals were witnessed at this price level. After 6 Apr'20, billet import prices in China are expected to be USD 345-355/MT CFR levels.

During last week, Chinese mills booked large parcels. Meanwhile, Slab offers from Russia are continuously declining the country, from USD 400/MT during early Mar'20 to USD 358/MT during the mid-Mar'20. Towards end-Mar, offers from Vietnam were assessed at USD 335/MT and further drop is expected, going forward in Apr'20. Clues can be witnessed with the above-mentioned deal.

In China, there is no Import tax on SE Asian origin billet and slab. While, there is an import tax of 2 % on non-SE Asian origin billet/slab like India, Russia, Turkey, etc.

Chinese Domestic Billet, SHFE Rebar and Global Billet Prices



Chinese Domestic Billet prices are inclusive of VAT

Source: SteelMint

How long will Chinese continue to import semi-finished goods?

It totally depends upon how quickly the COVID-19 affected countries get cured from the impact. Once the major billet exporting countries get free from lockdown guidelines, the billet imports in China will fall dramatically. At least 3-6 months from now is expected for trades to come to routine in the affected countries. This is made all the major billet exporting nations combative for supplying the billets to China, as due to the pandemic, other billet consumers are largely lockdown. China will have huge demand at a reasonable price than the Chinese future market.

What quality and size of billets is preferred by Chinese mills?

3sp (equivalent to Q235, Chinese spec): C .16-0.20, Mn 0.4-0.6, Si 0.2-0.4, P/S 0.045 max

4sp modified (equivalent to Q255): C 0.20-0.25, Mn 0.6-0.8, Si 0.2-0.4 or 0.4-0.6, P/S 0.045 max
20 MNSI: C 0.20-0.25, Mn 1.4-1.6, Si 0.4-0.6, P/S 0.045 max

Size: 150x150x12m only

Chinese customers don't prefer EAF billet since their billet is mostly coming from the BF route. That's why Turkish billet face some difficulty in penetrating into the Chinese market.

Do you see any impact of billet exports from Iran, country which is hit by Virus the most?

I don't see the active selling of Iranian billet lately. I don't know whether it is because of COVID 19 outbreak or not. I just heard some orders being canceled for China. Even in Thailand, the market has been too quiet due to reduced demand. Customers have adopted the 'wait and watch' approach with the expectation of price decrease.

Do you foresee Ruble depreciation to further increase Russian billet exports?

I can see only slab sales happening very aggressively from Russia. Billet exports are not so much aggressive since I saw last sales at USD 385/MT CFR ex OEMK on 50,000 MT billet(150x150x12mm) in Middle of March. Still, Black Sea billet ex EAF is insisting USD 380-385/MT CFR China, based upon USD 340/MT FOB around. However, they are having difficulty in collecting scrap at a cheaper price.

I expected price may be affected by Ruble Depreciation, but I don't see the influence. COVID 19 is having a much more critical impact than currency depreciation.

How are billet export sentiments from South Korea? Any recent deals if you could highlight

Not so much significant. Only two companies (KOSCO and Dongkuk) have an interest in exporting billet for Taiwan and China. Last booking of KOSCO for China was USD 403/MT CFR with 15,000 MT for May shipment, booking was made at the middle of March. Hyundai Steel and other mills would like to keep exporting of rebar and reducing production for keeping domestic prices maintained. They are not keen on exporting.

Disclaimer: SteelMint has taken due care and caution in compilation of content. Information is just for reference not intended for trading purpose or to address your particular requirement. The content includes facts, views, and opinions are of individuals and not that of the SteelMint management. We and our content licensors do not guarantee or warrant the accuracy, completeness or timeliness of, or otherwise endorse these views, and opinions. SteelMint and its affiliates, or their employees, directors or agents shall not be liable or responsible for any loss or costs or any action whatsoever arising out of use or relying on the spot prices disseminated.

Think

INTELLIGENCE
CREDIBILITY

STEELMINT

Your one trusted source for credible market intelligence, accurate price assessments and actionable insights, across commodities and regions encompassing the iron & steel industry.



Insights | Prices | Tenders | Reports | Events | Statistics | Historical Data

Give your business the **SteelMint** edge!

Contact us

+91 97700 56666

info@steelmint.com

www.steelmint.com