



CURRENT TRENDS IN THE CHINESE ECONOMY AND STEEL INDUSTRY

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Contacts:
Luciano Giua: Luciano.Giua@oecd.org



Contents

- Overview of China's economy
- Steel downstream sectors
- Growing steel exports
- The high-quality transition
- Government support to the steel sector

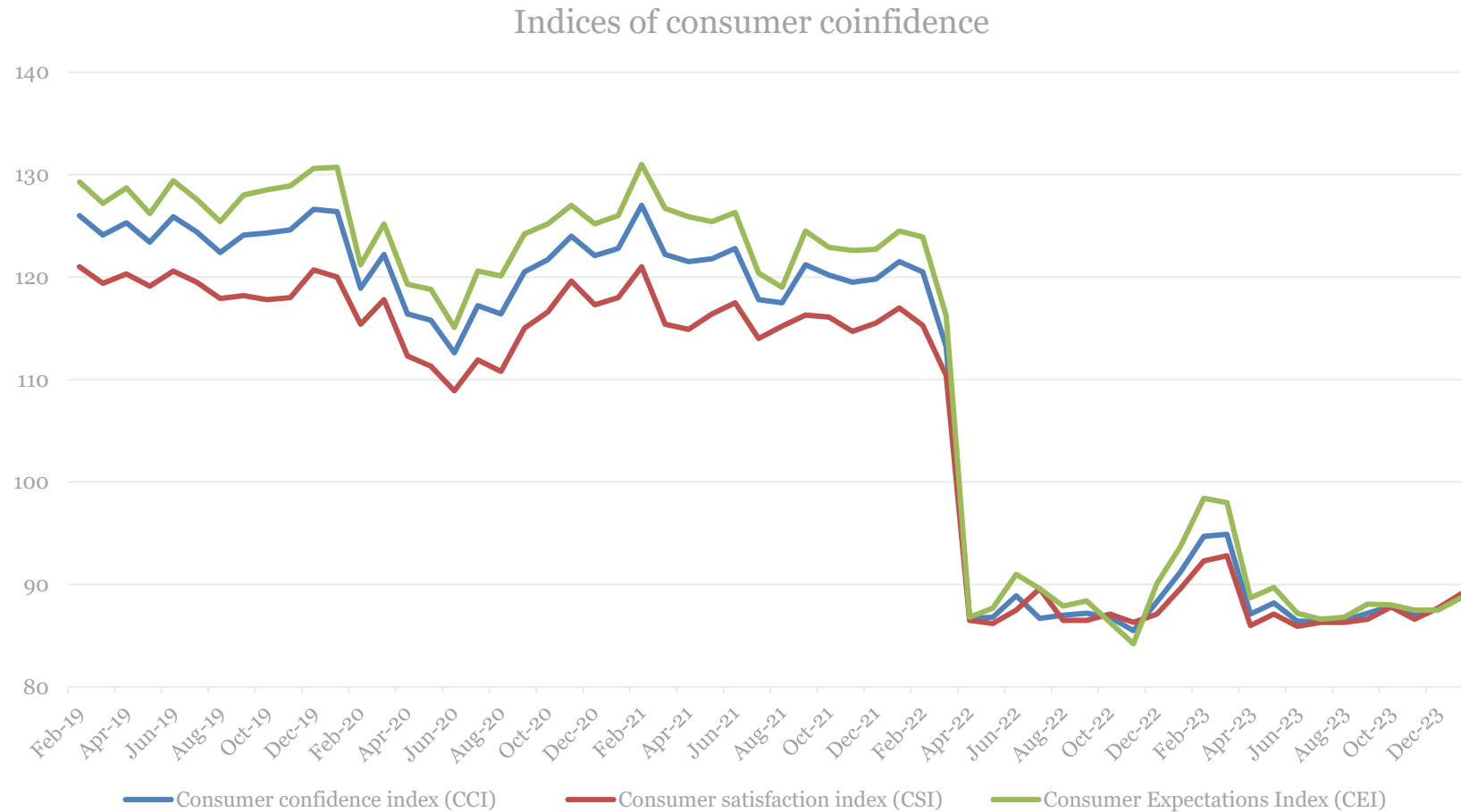


GDP is expected to grow, but at a slower pace

- ↳ In China, **GDP growth** is expected to increase to 4.7 % in 2024 before slowing down to 4.2% in 2025
- ↳ **Industrial output** rose 7% in January-February from the same period a year earlier.
- ↳ **Exports** rose by 7.1% In January and February combined, reaching a trade surplus of \$125 billion.



Consumer confidence remains low impacting employment.





- **Consumer confidence** never recovered since the pandemic, worsen by a struggling real estate sector
- **Youth unemployment rate** of 14.9% for December, a substantial drop from the rate of more than 20% in June

Data source: China National Bureau of Statistic



Downtrend in steel demand

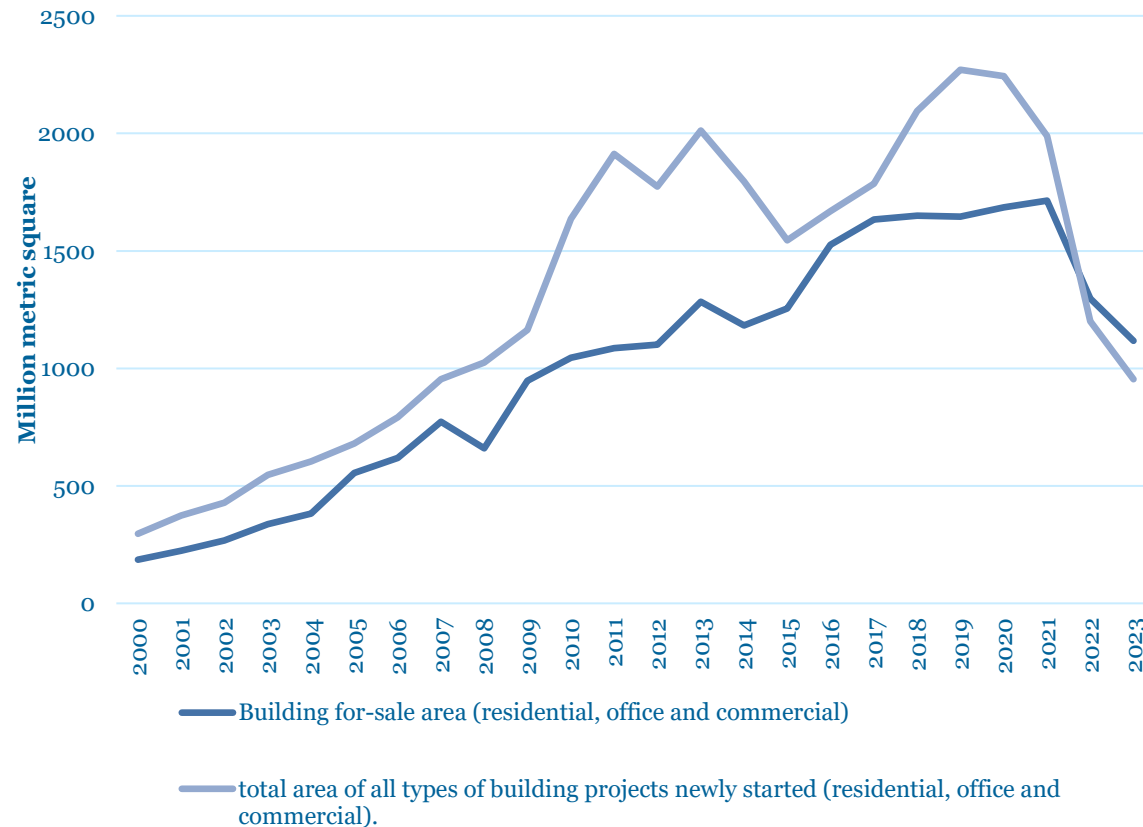
- The World Steel Association indicate that China's **steel demand for 2024 is on track for a modest reduction of approximately 15-20 million tonnes year-over-year**, given current trends and in the absence of further stimulus actions.

 Sectors driving steel demand	 Sectors with declining steel demand
Infrastructure	Real estate
Automotive	Manufacturing
Shipbuilding	
Energy	



Real estate: Growth engine no more

Residential, office and commercial buildings' construction and sales between 2000 and 2023



In 2024, a decrease of 15-20 million tonnes of steel in the **real estate sector** is expected.

The lengthy boom of the Real estate sector came to a halt in 2020 when the government, fearful of ballooning debt, **introduced policies known as the “three red lines”** that curtailed property developers’ access to easy credit.

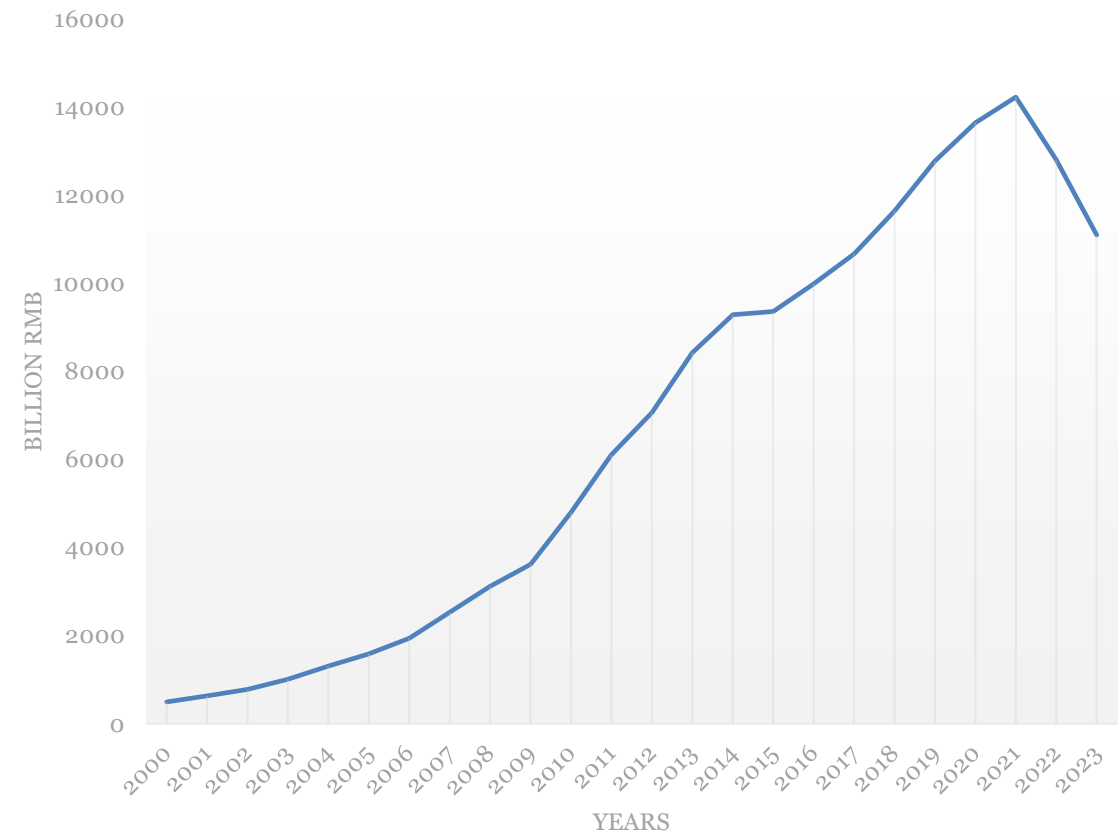
The result, made worse by pandemic-era restrictions on daily life and the economy, was a steep drop in home sales, new construction and investment.



Will the housing market stabilize in 2024?

- **Real estate investments** has fallen on an estimated 18.71% in 2023 compared to its peak in 2020.
- Real estate companies have weak profitability, poor cash flow, and low enthusiasm for land acquisition, which directly affects local government land transfer income as local government land financial dependence on land transfer is about 50%. The decline in land transfer revenue has greatly affected the local comprehensive financial resources, thereby dragging down infrastructure investment.
- In late October announced the issuance of Yuan 1 trillion (\$139.6 billion) worth of sovereign bonds to **support infrastructure construction**. This stimulus could reduce the decline of real estate investment from 8-10% to 2-4%

China's real estate investments between 2000 and 2023

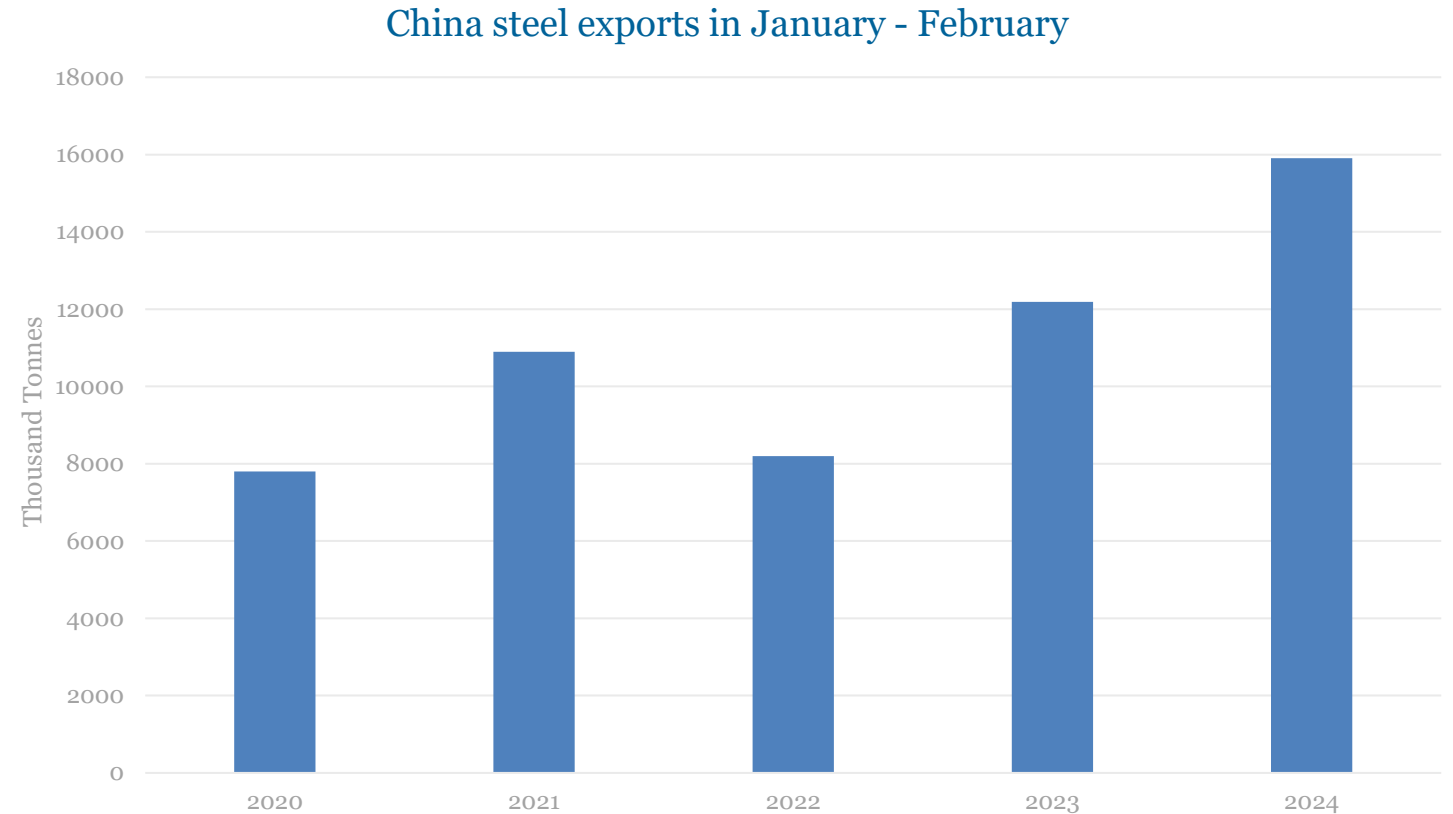


Data source: China National Bureau of Statistic



Chinese Steel Exports: Rising Amidst Domestic Challenges

- China's cumulative steel exports in January-February reached 15.91 million mt, a year-on-year increase of 32.6%
- The price advantage was also the major reason that had kept China's steel exports at high levels throughout last year

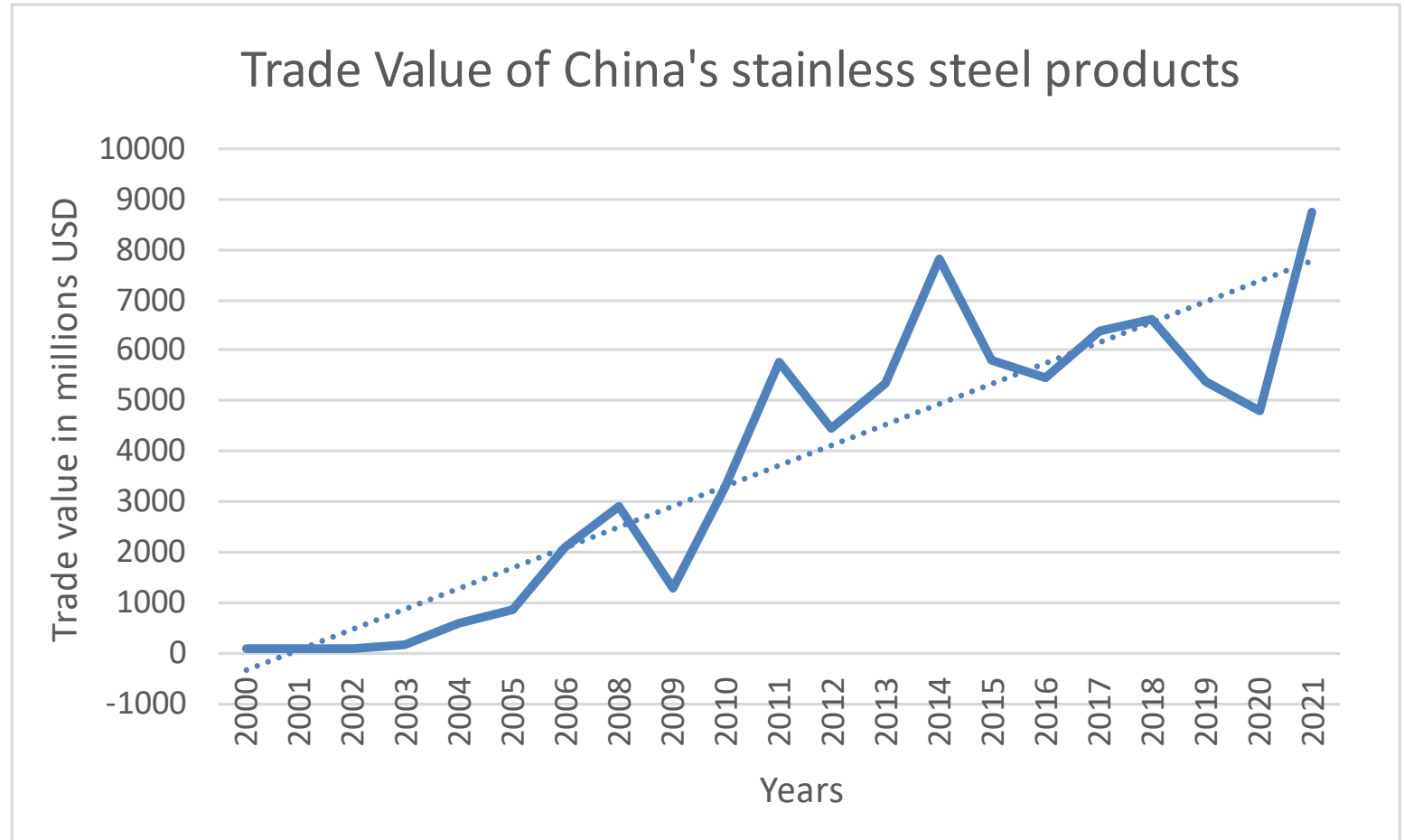


Source: General Administration of Customs of the PRC



The Evolving Nature of Steel Exports: Moving up the value Chain

- The “**High Quality development**” policies supported firms to ascend the value chain through an array of instruments including grants, awards, tax credits and regulation.
- There has been some important improvement reflected in exports of high-value steel such as stainless.



Source: The Observatory of Economic Complexity (OEC).



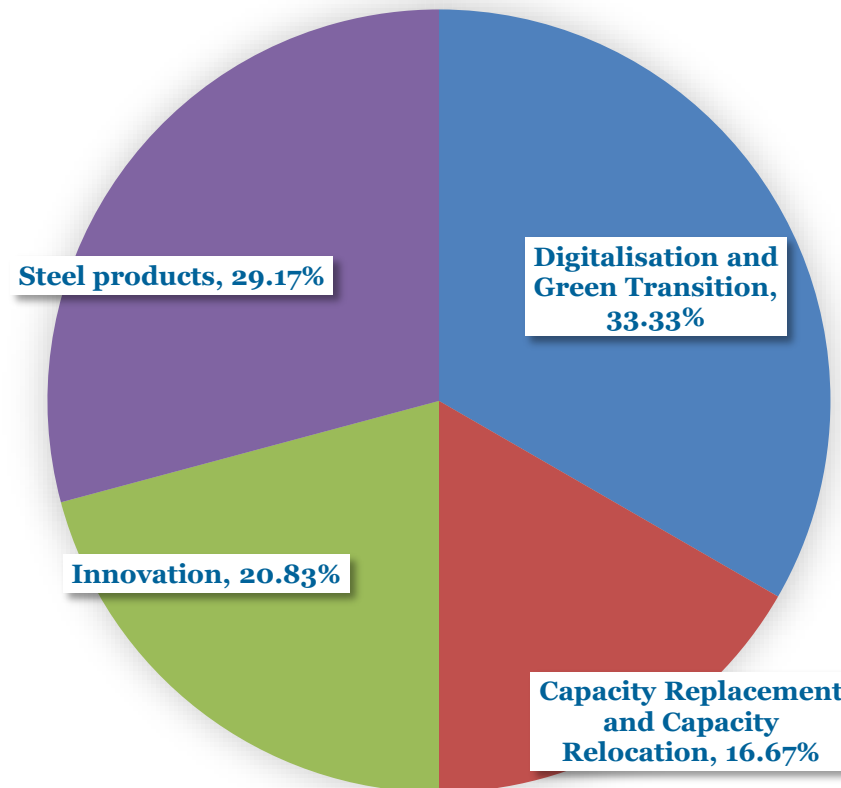
China's 2023 Policy Directions: Provincial level

- Emphasis on green transition, digitalisation and high-quality development.

Digitalisation and Green Transition	Capacity Replacement and Capacity Relocation	Innovation	Steel products
8 Provinces	4 Provinces	5 Provinces	7 Provinces

- Provinces programs are supporting the production of specific steel products based on the advantages that the local steel sector has.
- This could create market distortions and challenge the level playing field domestically and internationally.

China's 2023 Government Programs: Key Objectives





Concluding remarks

- Steel demand is expected to decrease, this forecast may be impacted by different factors including **geopolitical uncertainties, trade tensions and government willingness to increase fiscal stimulus** to support key sectors such as infrastructure and real estate.
- Specialised provincial support can lead to significant variations in production capabilities and cost structures across regions within China. **This disparity may result in uneven competition in the global market**, where some provinces might gain unfair advantages due to localised subsidies or support mechanisms.



THANK YOU FOR LISTENING

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