CURRENT TRENDS IN THE CHINESE ECONOMY AND STEEL INDUSTRY

95th session of the Steel Committee
Paris, 25 March 2024

Contacts:
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• Overview of China’s economy
• Steel downstream sectors
• Growing steel exports
• The high-quality transition
• Government support to the steel sector
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.

Indices of consumer confidence

- **Consumer confidence** never recovered since the pandemic, worsened 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
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.

<table>
<thead>
<tr>
<th>Sectors driving steel demand</th>
<th>Sectors with declining steel demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>Real estate</td>
</tr>
<tr>
<td>Automotive</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Shipbuilding</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
</tr>
</tbody>
</table>
Real estate: Growth engine no more

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.

Data source: China National Bureau of Statistic
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%.

Data source: China National Bureau of Statistic
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 “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.

- 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.

<table>
<thead>
<tr>
<th></th>
<th>Digitalisation and Green Transition</th>
<th>Capacity Replacement and Capacity Relocation</th>
<th>Innovation</th>
<th>Steel products</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Provinces</td>
<td></td>
<td></td>
<td>5 Provinces</td>
<td>7 Provinces</td>
</tr>
</tbody>
</table>

China's 2023 Government Programs: Key Objectives

- Digitalisation and Green Transition, 33.33%
- Capacity Replacement and Capacity Relocation, 16.67%
- Innovation, 20.83%
- Steel products, 29.17%
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.
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