Trade Monitor

SEPTEMBER 2016

Monitoring and Analysis of South African Steel Imports

Overview

South Africa imports of all steel products decreased by 11.5 per cent to 207.8 million kilograms in the second quarter of 2016 from 234.8 million kilograms in the first quarter. Second quarter 2016 steel imports were down 16.3 per cent from second quarter 2015, and 28.8 per cent from the 2015 quarterly average volume of 291.8 million kilograms.

More than 80 per cent of the South Africa total steel imports in the first half of 2016 were in Hot rolled (46%), Coated steel products (22%), Sections (9%) and Large bore steel pipes (6%), of which:

- More than 96% of imported Hot rolled came from China (67.5%) and Japan (29.1%)
- 68% of imported Coated steel products came from China (49%), Germany (12%) and France (7%)
- About 70% of Sections came from China (53%) and Spain (17%)
- 53% of Large bore steel pipes came from China alone.

Through June 2016, there were 71 Anti-dumping duties (AD) and 18 Countervailing duties (CVD) in effect in seventeen countries against Chinese steel imports, 24 AD in nine countries against Japan, 5 (3) AD in four (three) countries against Germany (European Union), and Safeguards in effect in nine countries.

The gap between steel production (domestic production plus imports) and consumption (domestic demand plus exports) in China was 49.5 billion kilograms in the second half of 2016, with its economy slowing down and less focus on rapid growth, China would have to find extra external markets for the excess steel over the period ahead. Similarly, Japan would need to source more markets for its 17.4 billion kilograms of excess steel production. In contrast, German steel exports are expected to remain stable since its steel production was on par with demand.

The steel sector is a critical industry and steel products are a heavily traded commodity. The South African steel industry is a key strategic industry, directly representing 1.5 per cent of the country's gross domestic product (GDP) and indirectly supporting strategic sectors of the economy, the top five of which, it is estimated, support 15 per cent of GDP and employ 8 million people.

However, in recent years, market changes, shifts in import and export levels, and weakness in the global demand for steel have negatively impacted the steel industry in South Africa. Along with shifting trade patterns, world benchmark steel prices have been trending downward since early 2011, and the financial outlook for South African steel companies has declined. The loss of domestic steel production capacity would constitute a threat to the growth drivers set out in the New Growth Path and the Industrial Policy Action Plan.

To support and secure this strategic sector, the International Trade Administration Commission of South Africa increased the general rate of customs duty between 2015 and 2016 on various steel products from free of duty to 10 per cent ad valorem, conditional upon reaching agreement with the producers that such tariff protection does not lead to inflated increases in steel prices which could be highly detrimental to downstream users. The tariff increases on zinc coated and flat steel was implemented on 25 September 2015; large bore steel pipes was implemented on 4 December 2015; wire rod and rebar products on 18 December 2015; semi-finished steel products, plate, cold rolled and sections on 12 February 2016; hot rolled on 10 June 2016; and other bars and rods on 24 June 2016 (see **Appendix A**).

Of course South Africa is not the only country that has been affected by global trends. Steel-making has been the subject of significant trade frictions across the globe. In managing the problem, this report aims at monitoring steel trade trends both in South Africa and globally. It provides an interpretation of currently available statistical data concerning South Africa's steel imports and the countries that play a large role in it.

GLOBAL STEEL PRODUCTION AND TRADE

Global steel production totalled 1.1 trillion kilograms in 2005 and by 2015 had grown 41.4 per cent to 1.6 trillion kilograms. In 2014, global production hit a record high of 1.67 trillion kilograms. Weak global demand for steel in 2015 caused a slight contraction in global production, decreasing by 2.8 per cent from the previous year. The World Steel Association has forecasted relatively stagnant steel demand levels for 2016 and 2017, which could mean that production may hold steady at current levels in the near future. With respect to 2016, global steel production decreased by 1.5 per cent to 133.7 billion kilograms in July from 135.7 billion kilograms in June.

China accounted for nearly half of global production in 2015 at 49.5 per cent (or 803.8 billion kilograms, followed by Japan at 6.5 per cent or 105.2 billion kilograms, India at 5.5 per cent or 89.4 billion kilograms, the United States at 4.9 per cent or 78..8 billion kilograms and Russia at 4.4 per cent or 70.9 billion kilograms.

ArcelorMittal, formed through the merger of Luxembourg-based Arcelor and Indian-based Mittal in 2006, has been the world's largest steel-producing company, producing 97.1 billion kilograms of steel or 6 per cent of global production. China's Hesteel, formerly Hebei Iron and Steel, ranked second with 47.7 billion kilograms of steel production, followed by Japan's Nippon Steel and Sumitomo Metal Co., which merged in 2012, with 46.4 kilograms (see Table 1). Five of the top ten companies are headquartered in China, and nine of the top ten are headquartered in Asia and Oceania. ArcelorMittal is the only company headquartered outside Asia and Oceania region.

With the exception of 2013, global steel exports increased every year since 2010, reaching 456.1 billion kilograms by 2015. In year-to-date 2016 (through June), China exported 56.1 billion kilograms of steel, an increase from 51.2 billion kilograms in the first half of 2015. The volume of China's 2015 steel exports was more than double that of the world's second-largest exporter, Japan, and more than triples that of the third-largest exporter, South Korea. About half of the global steel exports were in flat products. Long products accounted for a quarter. The remaining quarter was comprised of semi-finished products, pipe and tube products and stainless products. The gap between global exports and imports has grown larger since 2014. In 2015, global steel supply has outpaced demand by 82.1 billion kilograms.

Fig 1: Global Production Annual Growth Rates

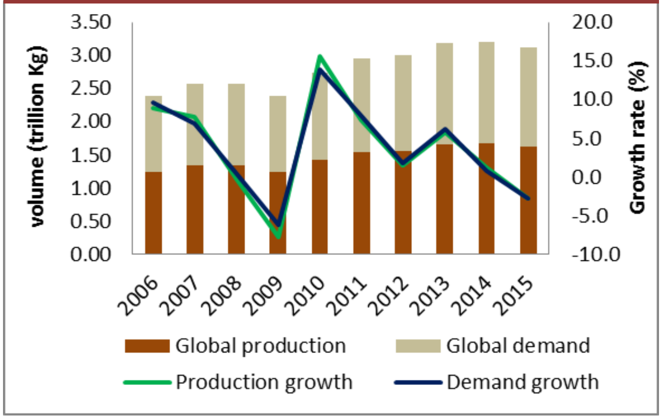
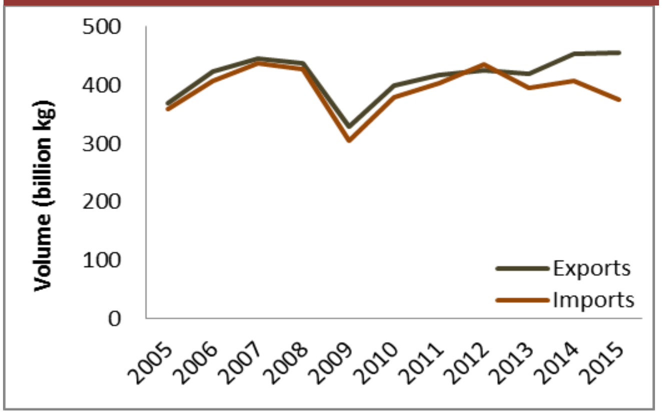


Table 1: Top 10 Steel Producing Companies in 2015

	Company	Production (billion kg)
1	ArcelorMittal	97.1
2	Hesteel Group	47.7
3	Nippon Steel & Sumitomo Co.	46.4
4	POSCO	42
5	Baosteel Group	34.9
6	Shagang Group	34.2
7	Ansteel Group	32.5
8	JFE Steel Co.	29.8
9	Shougang Group	28.6
10	Tata Steel Group	26.3

Fig 2: Global Steel Exports and Imports



TOTAL – SA IMPORTS OF STEEL PRODUCTS

From the first quarter (January-March) to the second quarter (April-June) of 2016, South Africa imports of all steel products decreased by 11.5 per cent to 207.8 million kilograms from 234.8 million kilograms.

- ✓ Second quarter 2016 steel imports were down 16.3 per cent from second quarter 2015, and 28.8 per cent from the 2015 quarterly average volume of 291.8 million kilograms.
- ✓ Steel imports in second quarter 2016 were down 50.6 per cent from the most recent highest import volume peak in first quarter 2015.
- ✓ South Africa has imported 204.3 million kilograms of hot rolled products in January-June 2016, accounting for 46.2 per cent of total steel imports, followed by coated and flat steel products at 97 million kilograms or 21.9 per cent of total imports. Wire rod (0.03 per cent), semi-finished products (1.8 per cent) and Plate (2.1 per cent) are the least imported steel products into the country.
- ✓ Although South Africa total steel imports has declined in the second quarter of 2016, imports of Wire rod, Rebar and Other bars and rods steel products have grown (after expiring negative growth in the first quarter following the implementation of the tariff support in December 2015). Sections imports have slowed in the second quarter of after the implementation of the tariff support in February.
- ✓ China accounted for the largest share of South Africa's total steel imports in January-June 2016 at 60 per cent, followed by Japan (14 per cent) and Germany (5 per cent). Although South Africa total steel imports from Spain remained relatively small, there was rapid growth in the first half of 2016.

Through June 2016, there were global Safeguards in effect in nine countries (see Table 2).

Table 3: Global Steel Safeguards in effect

Country	Product(s)
Chile	Steel wire rod
India	1) Seamless pipes, tubes and hollow profiles of iron or non-alloy steel (other than cast iron and stainless steel); 2) Hot-rolled steel in coils
Indonesia	1) Articles of finished casing and tubing; 2) Articles of iron or steel wire; 3) Flat-rolled products of iron or non-alloy steel; 4) I and H sections of other alloy steel
Malaysia	Hot-rolled steel plate
Morocco	1) Cold-rolled sheets and plated or coated sheets; 2) Reinforcing bars and wire rods
Philippines	Steel angle bars
Thailand	1) Hot-rolled steel flat products with certain amounts of alloying elements; 2) Unalloyed hot-rolled steel flat products in coils and not in coils
Ukraine	Casing and pump compressor seamless steel pipes
Vietnam	Semi-finished and certain finished products of alloy and non-alloy steel

Fig 3: SA Imports of All Steel Products from World

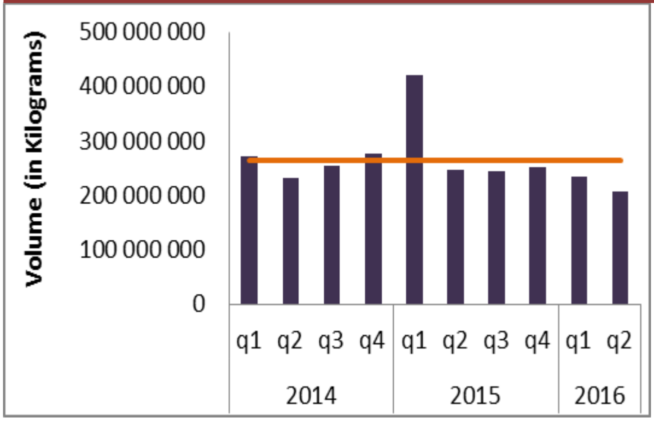


Fig 4: SA Imports of All Steel Products by Product Category January-June 2016

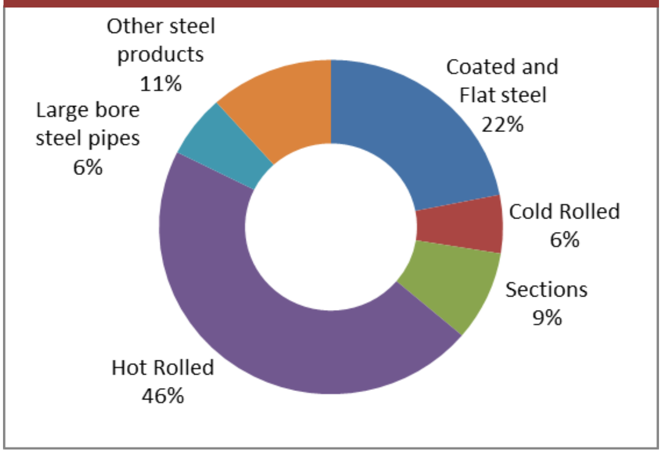
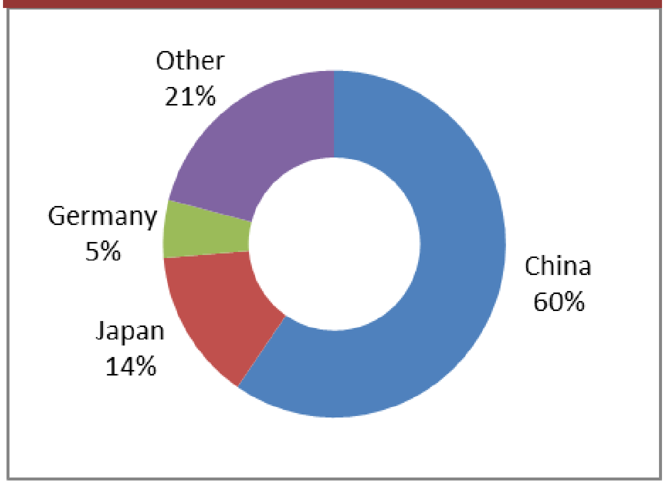


Fig 5: SA Imports of All Steel Products by Country January-June 2016



CHINA

China is the world's largest steel exporter and the origin of about 60 per cent of South Africa's total steel imports. In the first half of 2016, South Africa received about 0.5 per cent (265 million kilograms) share of China's total steel exports. The country's total steel imports from China decreased in the second quarter 17.5 per cent to 119.7 million kilograms from 145.2 million kilograms in the first quarter.

- ✓ Total steel imports from China in the second quarter of 2016 were down 16.6 per cent from one year ago and down 35 per cent from the 2015 quarterly average.
- ✓ Second quarter 2016 imports from China represented 57.6 per cent of all South Africa steel imports, down from 61.8 per cent in the first quarter.
- ✓ About 68 per cent of South Africa total steel imports in the first half of 2016 were in Hot rolled and Coated steel products, of which 57 per cent came from China.
- ✓ Although South Africa total steel imports from China has declined in the second quarter of 2016 (mainly driven by Hot rolled, Coated steel products and Large bore steel), imports of Wire rod, Rebar, Other bars and rods, and Sections steel products have grown. China exported a negligible amount of semi-finished steel products, only 0.8 per cent of South Africa total steel imports in the second quarter of 2016.

Through June 2016, there were 71 Anti-dumping duties (AD) and 18 Countervailing duties (CVD) in effect in 17 countries against imports of Chinese steel (see Table 3).

The gap between production (domestic production plus imports) and apparent consumption (domestic demand plus exports) in China, which was nearly non-existent in 2009, has grown steadily larger. In the first half of 2016, production has outpaced demand by 49.5 billion kilograms, an increase of 11 per cent from the first half of 2015. Meanwhile, China's economy is slowing down. The latest five-year plan focused on moving the economy from a focus on industrial production to consumption. The country wants more focus on improving living standards and dealing with its environmental problems. With less focus on rapid growth there is less incentive to invest in construction. This has driven down the demand for steel (more than the production), with the result being global steel prices slumping to a 10-year low.

Fig 6: SA Imports of steel from China

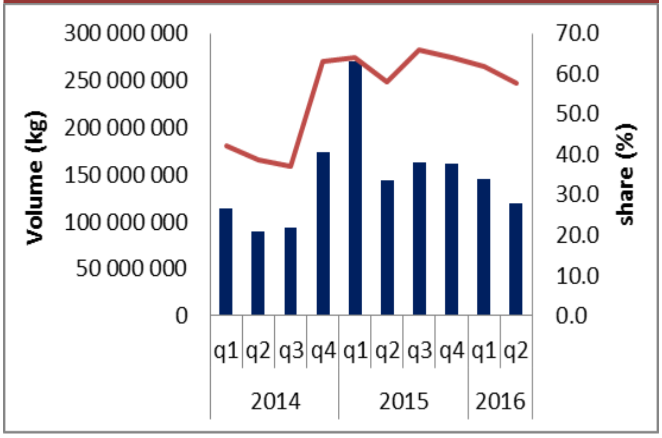


Fig 7: Share of SA steel imports from China by products

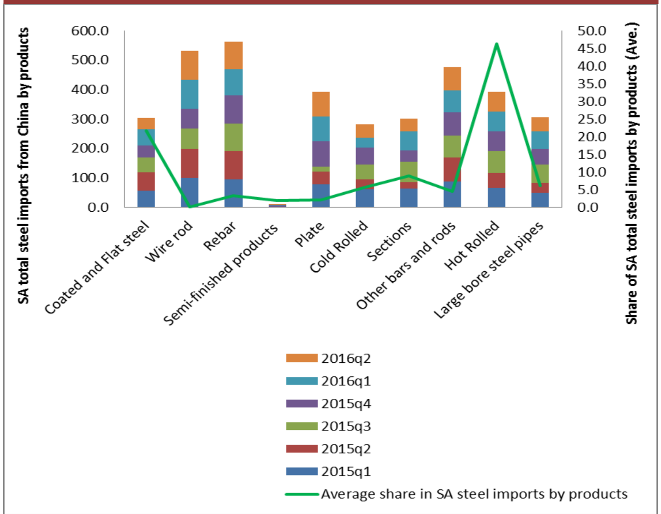


Table 3: Steel Trade Remedies in Effect Against China

Country	AD	CVD	Total
Australia	4	4	8
Brazil	7		7
Canada	7	5	12
Colombia	3		3
Eurasian Economic Union	3		3
European Union	7	1	8
India	2		2
Indonesia	5		5
Malaysia	3		3
Mexico	5		5
Peru	1		1
South Korea	1		1
Taiwan	1		1
Thailand	8		8
Turkey	1		1
United States	12	8	20
Vietnam	1		1
Total	**71**	**18**	**89**

Source: WTO

JAPAN

Japan is the second largest steel exporter in the world and the origin of about 14 per cent of South Africa's total steel imports. In the first half of 2016, South Africa received about 0.3 per cent (62.9 million kilograms) share of Japan's total steel exports. The country's total steel imports from Japan decreased in the second quarter 7 per cent to 30.3 million kilograms from 32.6 million kilograms in the first quarter.

- ✓ Total steel imports from Japan in the second quarter of 2016 were down 25.3 per cent from a year ago and down 14.1 per cent from the 2015 quarterly average.
- ✓ Second quarter 2016 imports from Japan represented 14.6 per cent of all South Africa steel imports, up from 13.9 per cent in the first quarter.
- ✓ Japan exported only four steel products to South Africa: Hot rolled, Coated steel, Cold rolled and Other bars and rods.
- ✓ About 46.2 per cent of South Africa total steel imports in the first half of 2016 were in Hot rolled, of which about 29.2 per cent of these imports came from Japan.
- ✓ Although South Africa's total steel imports from Japan has declined in the second quarter of 2016 (mainly driven by Hot rolled and Cold rolled steel products), imports of Other bars and rods and Coated steel products increased by 70 per cent and 47 per cent respectively. It should however be noted that Japan exported an insignificant amount of Other bars and rods.

Through June 2016, there were 24 Anti-dumping duties (AD) in effect in 9 countries against imports of Japanese steel (see Table 4).

Steel demand in Japan has consistently been outpaced by production, and the gap between the two stood at 17.4 billion kilograms in the first half of 2016, but because production has declined more than consumption (unlike in China where opposite was the case), the gap has narrowed by 2.2 per cent compared to the first half of 2015.

Fig 8: SA Imports of steel from Japan

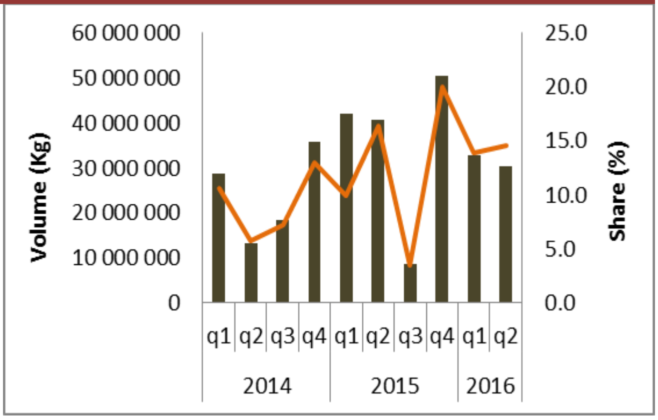


Fig 9: Share of SA steel imports from Japan by products

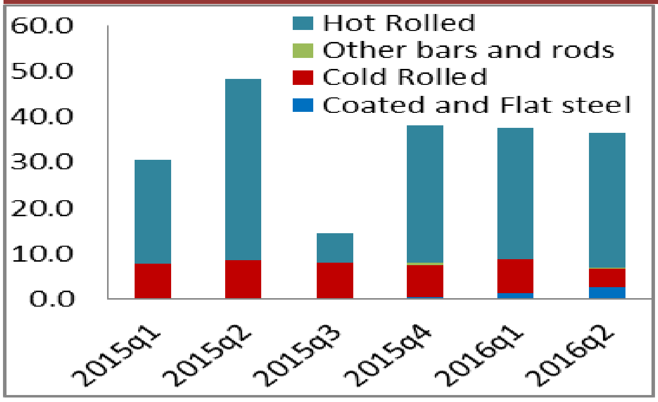


Table 4: Steel Trade Remedies in Effect Against Japan

Country	AD	CVD	Total
Australia	4		4
Canada	1		1
China	2		2
European Union	1		1
Indonesia	1		1
Mexico	1		1
South Korea	2		2
Thailand	2		2
United States	10		10
Total	**24**	**0**	**24**

GERMANY

Germany is the world's fifth largest steel exporter and the origin of about 5.4 per cent of South Africa's total steel imports. In the first half of 2016, South Africa received about 0.2 per cent (23.9 million kilograms) share of Germany's total steel exports. The country's total steel imports from Germany decreased in the second quarter 6 per cent to 11.6 million kilograms from 12.3 million kilograms in the first quarter.

- ✓ Total steel imports from Germany in the second quarter of 2016 (though down from the first quarter) were up 39.3 per cent from a year ago and up 31.3 per cent from the 2015 quarterly average.
- ✓ Second quarter 2016 imports from Germany represented 5.6 per cent of all South Africa steel imports, up from 5.3 per cent in the first quarter.
- ✓ About 27 per cent of South Africa's total steel imports in the first half of 2016 were in Coated and Cold rolled products, of which about 30 per cent of these imports came from Germany.
- ✓ Despite decline in South Africa total steel imports from Germany in the second quarter of 2016, imports of Semi-finished and Sections increased by more than 600 per cent and 300 per cent respectively, though these imports remained insignificant when compared to the South Africa's total imports of these products.

Through June 2016, there were 5 (3) Anti-dumping duties in effect in 4 (3) countries against Germany's (European Union which includes Germany) steel imports (see Tables 5 and 6).

Steel demand in Germany has consistently been either on par or with slightly less than production. In the first half of 2016, production was equal to demand. This suggests that steel exports from Germany may remain stable over the period ahead unlike in China and Japan where all steel produced has not been consumed either locally or through exports in the first half of 2016.

Fig 10: SA Imports of steel from Germany

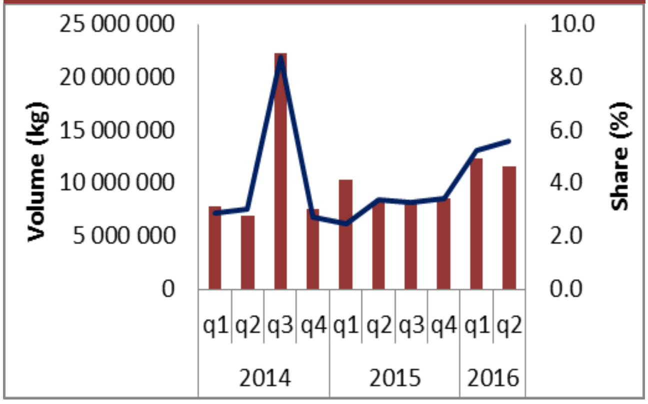


Fig 11: Share of SA steel imports from Germany by products

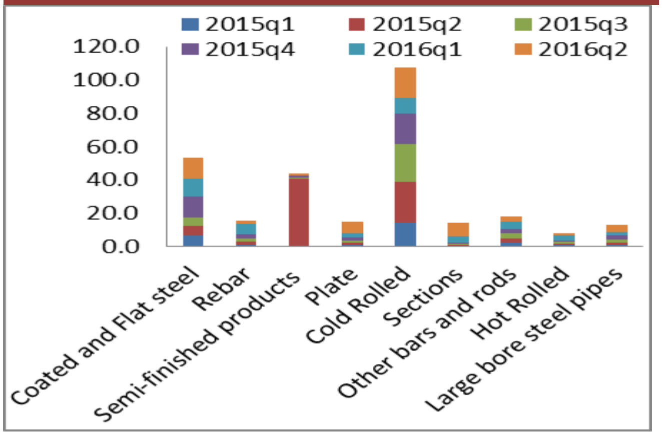


Table 5: Steel Trade Remedies in Effect Against Germany

Country	AD	CVD	Total
Brazil	1		1
Mexico	1		1
Parkistan	1		1
United States	2		2
Total	**5**	**0**	**5**

Table 6: Steel Trade Remedies in Effect Against European Union

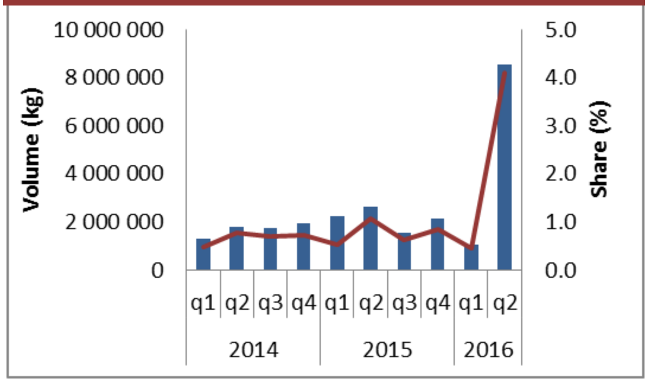
Country	AD	CVD	Total
China	2		2
India	3		3
Morocco	1		1
Total	**6**	**0**	**6**

SPAIN

Spain is the origin of about 2.3 per cent of South Africa total steel imports. The country's total steel imports from Spain increased in the second quarter 734 per cent to 8.5 million kilograms from 1 million kilograms in the first quarter.

- ✓ Total steel imports from Spain in the second quarter of 2016 were up 225 per cent from a year ago and up 300 per cent from the 2015 quarterly average.
- ✓ Second quarter 2016 imports from Spain represented 4.1 per cent of all South Africa steel imports, up from 0.4 per cent in the first quarter.
- ✓ Spain is the South Africa's second largest exporter of Sections after China. South Africa imported 6.8 million kilograms of Sections from Spain in the second quarter of 2016 from virtually nothing in the first quarter, accounting for 80 per cent of total steel imports from Spain.

Fig 12: SA Imports of steel from Spain

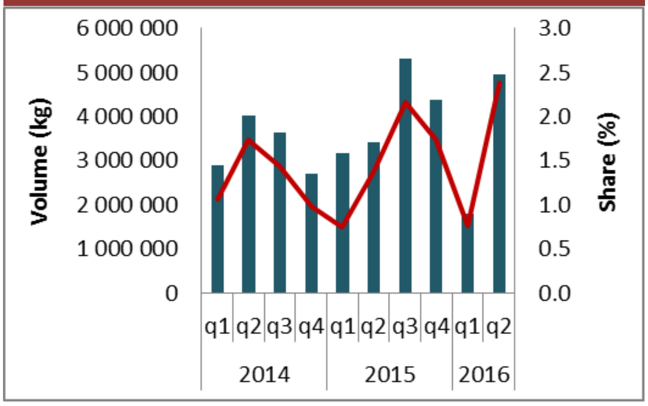


FRANCE

France is the world's tenth largest steel exporter and the origin of about 1.6 per cent of South Africa's total steel imports. The country's total steel imports from France increased in the second quarter 178 per cent to 5 million kilograms from 1.8 million kilograms in the first quarter.

- ✓ Total steel imports from France in the second quarter of 2016 were up 45 per cent from a year ago and up 22 per cent from the 2015 quarterly average.
- ✓ Second quarter 2016 imports from France represented 2.4 per cent of all South Africa steel imports, up from 0.8 per cent in the first quarter.
- ✓ France is the South Africa's third largest exporter of Coated steel products after China and Germany. South Africa has imported 4.8 million kilograms of Coated steel products from France in the second quarter of 2016 from 1.7 million kilograms in the first quarter. This product accounted for 97 per cent of total steel imports from France.
- ✓ Through June 2016, there were 2 Anti-dumping duties in effect in Mexico and Pakistan against France.

Fig 13: SA Imports of steel from France



BOTSWANA

Botswana is the origin of about 1.8 per cent of South Africa total steel imports, mainly in Semi-finished steel products. About 2 per cent of South Africa total steel imports in the first half of 2016 were in Semi-finished steel products, of which about 90 per cent of these imports came from Botswana.

Annexure A

	APPLICANT	TYPE	PRODUCTS	REQUESTED AMENDMENT	STAGE OF INVESTIGATION
1.	SACCA, represented by: ArcelorMittal SA (AMSA) Limited & Safal Steel (Pty) Ltd	Increase	Zinc coated, alu-zinc coated & Painted Flat Steel	Tariff subheadings 72107000,72124000, 72104100,72104900,72106100,72109000, 72123000 and 72259900,an increase from free of duty to 10% ad valorem	Presented the final findings to the Commission on 11 August 2015. **Implemented 25 September 2015 (Report 505)**
2.	Hall Longmore (Pty) Ltd	Increase	Large bore steel pipes	An increase from free of duty to 15% ad valorem and an increase from 10% to 15% ad valorem 7303, 7305, and 7306	Presented the final findings at the Commission meeting on 08 November 2015. **Implemented 04 December 2015 (Report 507)**
3	South African Iron and Steel Institute (SAISI): Represented by AMSA	Increase	Wire rod	Tariff subheadings 7213.91 and 7227.90,increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 29 October 2015. **Implemented 18 December 2015 (Report 509)**
4	South African Iron and Steel Institute (SAISI): Represented by AMSA	Increase	Rebar	Tariff subheadings 7214.20,722830, and 722860, increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 29 October 2015. **Implemented 18 December 2015 (Report 509)**
5	ArcelorMittal South Africa Limited (AMSA)	Increase	Semi-Finished products of iron or non- alloy steel	Tariff subheadings 72071100, 72071200, 72071900, and 72072000, Increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 30 November 2015. The Commission supported the application. **Implemented 12 February 2016 (Report 517)**
6	ArcelorMittal South Africa Limited (AMSA)	Increase	Plate	Tariff subheadings 72084000,72085100,72085200 and 72254000, increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 30 November 2015. The Commission supported the application. **Implemented 12 February 2016 (Report 517)**
7	ArcelorMittal South Africa Limited (AMSA)	increase	Cold Rolled	Tariff subheadings 72091600,72091700,72091800, 72092500,72092600,72092700,72099000, 72112300,72112900,72119000,72255000,72269200 and 72269900 ,increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 30 November 2015. The Commission supported the application. **Implemented 12 February 2016 (Report 517)**
8	ArcelorMittal South Africa Limited (AMSA)	Increase	Sections	Tariff subheadings 72161000,72162100,72162200 72163100,72163200,72164000,72165000,72169900, and 72287000,increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 30 November 2015. The Commission supported the application. **Implemented 12 February 2016 (Report 517)**
9	ArcelorMittal South Africa Limited (AMSA)	Increase	Other bars & rods	Tariff subheadings 72132000,72139900,72141000,72143000, 72149100,72149900,72159000,72283000,72284000,72286000 72288000 ,increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 29 February 2016. The Commission supported the application. **Implemented 24 June 2016 (Report 524)**
10	ArcelorMittal South Africa Limited (AMSA)	Increase	Hot Rolled	Tariff subheading 72081000,72082500,72082600,72082700, 72083600,72083700,72083800,72083900, 72085300, 72085400, 72089000,72111300,72111400,72111900 72253000,72259900, 72269100, increase in the general rate of customs duty from free of duty to 10% ad valorem	Presented the final findings at the Special Commission meeting on 29 February 2016. The Commission supported the application. **Implemented 10 June 2016 (Report 524)**