

MONTHLY FORECASTING REPORT

September 2023

Dry Cargo

A review of the fundamental demand changes to the global forecast

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ECONOMIC NEWS

CHINA – China’s imports and exports fell further than expected in July. According to customs data, imports fell 12.4% year-on-year while exports were down 14.5% year-on-year. Other indicators also pointed to a weakening economy. Construction, manufacturing and services activity, foreign direct investment and industrial profits were all down.

China’s property sector continues to struggle following on from the high-profile financial problems of major property construction groups Evergrande and Country Garden Holdings. The floor space of new home construction starts fell 30.2% month-on-month in July according to the National Bureau of Statistics. Over the first seven months of this year new home starts were down 24.5% year-on-year and down 52.1% on the same period in 2021.

INDIA – India’s GDP grew by 7.8% year-on-year in 2Q23, the highest rise in a year helped by strong services activity and robust demand according to government data.

STEEL INDUSTRY FORECASTS

WSA – The latest July 2023 crude steel production data from the World Steel Association had global output across 63 reporting countries at 158.5 million tonnes, up 6.6% compared to July 2022. Chinese output for the month was reported as 90.8 million tonnes, a rise of 11.5% year-on-year. There were notable year-on-year falls in South Korea (-9.0%), the EU (-7.1), Brazil (-4.7%), and Iran (-1.5%). These losses were offset by year-on-year gains in India (+14.3%), Turkey (+6.4%), Russia (+5.8%), Japan (+0.9%) and the US (+0.5%). The WSA estimated Chinese crude steel output in the first seven months of 2023 at 626.5 million tonnes, up 2.5% year-on-year. India’s output over the same period totalled 79.9 million tonnes, up 9.0% year-on-year.

AUSTRALIA – BlueScope is to spend 1.15 billion Australian dollars to reline and upgrade its No.6 Blast Furnace at its Port Kembla Steelworks. The relined furnace is expected to be commissioned in mid-to-late 2026 and replace the company’s current blast furnace.

BOLIVIA – Empresa Siderurgica del Mutun says that it has completed 75% of the work in constructing Bolivia’s first integrated steel plant. The project includes

iron ore concentration and direct reduced iron units which will process locally produced iron ore. Startup of the 200,000 tonne/year steel plant is set for 2024.

CHINA – Baosteel reported at the end of August that China will continue to implement a cap on growth of steel output this year. The state-owned company confirmed that China will need to cut back on steel production over the remainder of the year to match last year’s output.

FINLAND – Sweden’s SSAB said that it will furlough steel workers at two plants in Finland which produce paint-coated steel products due to weak demand in the construction sector.

GERMANY – Salzgitter has taken its 2 million tonnes/year unit A blast furnace offline for relining work which is expected to take 100 days. The company has three blast furnaces and is planning to decommission one of these by 2026 as it moves its steelmaking over to using the direct reduction/electric arc furnace route.

The German government has pledged 2.5 billion euros in funding to decarbonise steelmaking at ArcelorMittal’s Bremen and Eisenhüttenstadt plants subject to approval by the European Commission. The project aims to start using green hydrogen-based direct reduced iron feedstock initially produced at Bremen.

GUINEA – Rio Tinto and a consortium of Chinese state-owned enterprises have announced that they had reached key agreements with the government of Guinea to build a trans-Guinean railway. Over 600 kilometres of rail with port facilities would unlock the world’s largest undeveloped deposit of high-grade, low-impurity iron ore in the Simandou mountain range. It has been agreed that the cost of the railway will be shared equally between the groups developing blocks 1 and 2 in the north and blocks 3 and 4 in the south. The Chinese decision to support the plan can be seen as a move to wean itself off reliance on Australian iron ore supply and signals a long-term boost to Capesize bulk carrier demand.

HUNGARY – Liberty Steel is reported to be planning to idle the last operational blast furnace at its recently acquired Dunaferri mill for at least three months. The Dunaferri plant has two blast furnaces with a total capacity of 1.2 million tonnes/year. The takeover has still to be approved by the European

Commission and the plant is currently under the control of the liquidator. The plant's rolling mills continue to process steel slab stocks.

ITALY – Acciaierie d'Italia is to idle its blast furnace 1 for the month of August to install filters. The company also plans to start refurbishment work on its blast furnace 5 which has been idled for several years and to begin construction of an electric arc furnace.

MEXICO – The Federal Government has raised tariffs on steel product imports from countries without a trade agreement with Mexico from 15 to 25 percent. The move is expected to hit shipments from South Korea, which unlike the US, Canada and Japan, has no such deal.

POLAND – ArcelorMittal Poland has completed the revamp of its Dombrova-Gurnych plant's blast furnace no.2 which started in March. The company plans to operate both its blast furnaces which have a combined capacity of 2.3 million tonnes/year.

SAUDI ARABIA – The Essar Group has signed an agreement with Bahrain Steel to source high-grade iron ore pellets for its greenfield integrated steel plant being set up in Ras Al Khair, Saudi Arabia. Bahrain Steel will deliver 4 million tonnes/year of direct reduction-grade pellets. Essar's Green Steel Arabia project will have two direct reduced iron plants with a combined capacity of 5 million tonnes/year.

SPAIN – ArcelorMittal has taken the decision to go ahead with its plan to partly decarbonise its Spanish steel operations in Gijon. The project will include the construction of a 2.3 million tonnes/year green hydrogen-based direct reduced iron unit and a 1.1 million tonne/year hybrid electric arc furnace which will replace one of its two existing blast furnaces. The EAF plant is expected to be operational in the second half of 2025. The project includes a financial contribution from the Spanish government approved by the European Commission.

SWEDEN – Sweden's H2 Green Steel said that it has signed multi-year deals with Rio Tinto and Vale to supply iron ore pellets from Canada and Brazil to its low-carbon steel plant in Boden in northern Sweden which is due to start production in 2025. The company was unable to secure long-term pellet supplies from the nearby LKAB iron ore mining operations. LKAB is planning its own green hydrogen-based directly reduced iron plant and aims to eventually

cut out supplying pelletised ore in a switchover to supplying directly reduced iron.

UNITED KINGDOM – The UK government is reported to be in advanced talks with Tata Steel to provide a rumoured £500 million aid package to build electric arc furnaces to replace blast furnace operations at the company’s Port Talbot steelworks. The deal is also expected to result in major job losses.

USA – Grupo Simec has announced that it is to idle steelmaking operations at two Republic Steel mills in Canton, Ohio, and Lackawanna, New York. During the shutdown, Republic Steel’s customers will be serviced via Grupo Simec’s steel plant in Tlaxcala, Mexico.

POWER COAL FORECASTS

IEA – The International Energy Agency has released its latest Coal Market Update which noted that trade is approaching record levels seen back to 2019 led by Chinese imports. The resurgence in coal trade is aided by the decline in coal prices and the end of the La Nina weather pattern which hampered coal production in Australia. China and India are projected to use almost 75% of the world’s coal in 2023. The IEA expects a decrease in global coal-fired power generation in the second half of 2023 more than offsetting the first half gains. Global coal demand is projected to remain flat in 2024, with declines in power coal for the electricity sector offset by increases in industrial sector coal demand as economic conditions improve.

CHINA – The National Statistics Bureau reported that China’s coal production totalled 377.54 million tonnes in July, down 6.3% month-on-month when measured on an average daily tonnage basis and the lowest level since last October. The drop in output has been attributed to increased government mine safety inspections and to pricing of seaborne coal imports remaining competitive.

COLOMBIA – Coal exports have been hit by a rail blockade on the route linking the Glencore-owned Cerrejon mining complex with its ship export hub at Puerto Bolivar.

CZECH REPUBLIC – The Czech Republic produced 35.2 million tonnes of hard coal and lignite in 2022, up 10% year-on-year due to the energy crisis and the industry’s recovery from the Covid-19 pandemic. A spokesperson for the coal

producer said that coal production is falling again this year and is likely to return below 2021 levels.

FRANCE – The Energy Transition Ministry has announced that it is extending a plan to allow electricity producers to burn more coal this coming winter at the country's two remaining coal-fired power plants. The coal plants will be able to operate for up to 1,800 hours this winter, down from the maximum of 2,500 hours last winter.

GERMANY – Germany's economy minister said it had made a breakthrough in its talks with the European Commission on plans for new hydrogen and gas power plants, although it has yet to agree on how they will be subsidised. Germany will tender 8.8 gigawatts (GW) of new hydrogen plants and up to another 15 GW of plants initially running off natural gas before being converted to hydrogen by 2035 at the latest. The tender process for 10 GW of gas/hydrogen-ready plants is set for 2026.

INDIA – The power ministry has further extended the directive to imported coal-based power plants to operate at full capacity up to October 31 due to rising power demand.

The coal ministry has announced an ambitious plan to almost double India's coal production by fiscal year 2030, with a compound annual growth rate of around 7.7%. The plan includes the promotion of rail-sea and rail-sea-rail transportation. The use of coastal shipping is seen as a means to reduce logistics costs and to enable efficient transportation of more coal to power stations in Gujarat, Maharashtra, Karnataka, Goa, Tamil Nadu, Kerala, and Andhra Pradesh.

SPAIN – Spanish utility Endesa has received government approval to shut down and close the company's last remaining coal-fired power plant, the As Pontes station in Galicia.

ALUMINIUM INDUSTRY FORECASTS

IAI – The International Aluminium Institute reported that global primary aluminium production fell 0.48% year-on-year in July to total 5.861 million tonnes, with 59% produced in China. However, global production in the first seven months of this year totalled 40.07 million tonnes, up 1.5% year-on-year.

AUSTRALIA – Alcoa reported that it has signed a new nine-year agreement with AGL Energy Limited to supply Victoria’s Portland Aluminium Smelter with around half its necessary power requirements from mid-2026 when existing contracts end.

CHINA – China’s National Bureau of Statistics reported that the country’s primary aluminium production in July totalled 3.48 million tonnes, up 1.5% year-on-year. Output in first seven months of 2023 totalled 23.62 million tonnes, up 2.8% year-on-year.

VIET NAM – The Ministry of Industry and Trade announced plans to establish bauxite mining at three sites in the country’s northern region with the aim of producing 1.55 to 2.25 million tonnes/year by 2030. In addition, two currently operational mines in the central highlands are set to raise their production capacity. The government is looking at the potential to extract between 6.8 and 11.2 million tonnes/year from four provinces in the central highlands.

AGRIBULK FORECASTS

FAO – The UN’s Food and Agriculture Organisation’s world food price index fell in June to its lowest level in more than two years but rebounded in July by 1.3% influenced by the termination of the Black Sea Grain Initiative and India’s trade restrictions on rice exports. The FAO’s world rice price index in July jumped 2.8% month-on-month and 19.7% year-on-year to reach a near 12-year high.

ISO – The International Sugar Organization issued its first estimates for the upcoming 2023/24 season (October-September) with a forecast deficit of 2.12 million tonnes. Global sugar production was projected to fall to 174.84 million tonnes, down from 177.02 million tonnes in the current season primarily due to a decline in Brazilian output. Global sugar consumption was expected to grow by just 0.3% to 176.96 million tonnes.

USDA – The US Department of Agriculture’s August forecast updates contained a notable downward adjustment to 2023/24 grain season trade forecasts. Looking across export trade forecasts of the principal commodities (wheat, coarse grains, rice, soyabeans, and soyabean meal), net changes saw an overall trade decrease of 8.62 million tonnes, a fall of 1.16%. 2023/24 wheat export trade was marked down by 2.23 million tonnes with lower shipments out of Canada and the US only partially offset by a rise in the estimate for Russian

exports. Ukrainian wheat exports were held at 10.5 million tonnes despite the ending of the Black Sea Grain agreement. Ukrainian wheat supply was marked up by 3.5 million tonnes due to a higher area harvested and increased yields (the second highest on record). However, most of this additional supply was added to storage.

2023/24 season global exports of coarse grains were reduced by 2.63 million tonnes with forecast reductions in exports from the US, the EU and Canada. Following government restrictions on Indian rice exports announced in July, the USDA reduced its export forecast by 4 million tonnes, only marginally offset by small increases in shipments from other suppliers. There were only minor adjustments made to soyabean and soyabean meal trade forecasts.

BRAZIL – Brazil has overtaken the US as the world’s top maize exporter, as reflected in the USDA’s latest market forecasts. The continued expansion of exports through Brazil’s northern ports utilising the waterways of the Amazon River basin has eased the bottlenecks to shipping out of southern ports.

Brazil’s food supply and statistics agency Conab raised its 2023/24 sugar production estimate to 40.9 million tonnes, up from 38.8 million tonnes in its April forecast.

CHINA – China’s Ministry of Commerce said it would drop anti-dumping and anti-subsidy tariffs on Australian barley imports in another sign of an improving relationship between the two countries. The tariffs had been in place for three years. China and Australia agreed in April to try and resolve their dispute over barley imports.

Floods caused by storms that followed typhoon Doksuri have damaged corn and rice crops in China’s key northern grain-producing belt.

INDIA – Following on from its recent partial ban on rice exports, there were recent reports that the Indian government is now considering imposing a ban on sugar exports in the new marketing season starting in October. Back in May, the US Department of Agriculture forecast Indian sugar exports in the 2023/24 season at 7 million tonnes. TradeViews estimate that sugar exports in the current marketing season is likely to be just over 11 million tonnes. A decision on sugar exports will be taken when firm estimates of sugar production become available.

The Indian government was also reported to be mulling importing Russian wheat at discounted prices to boost supplies and curb food inflation ahead of state and national elections next year.

RUSSIA – Ukraine retaliated to Russian attacks on its ports by sea-drone strikes on a Russian tanker and a Russian warship at the Novorossiysk naval base next door to a major grain export terminal. This will make it more difficult for Russia to arrange vessels to export its grain out of the Black Sea and add to its freight costs. With grain traders growing reluctance to do business with Russia, the record pace of Russian grain exports may well slow putting more upward pressure on grain prices.

UKRAINE – Russia attacked Ukraine’s main inland port of Izmail across the Danube River from Romania in early August further restricting Ukraine’s ability to export grain following on from the termination of the Black Sea grain deal in July. Later in the month a Russian warship fired warning shots at a Turkish cargo ship heading for Ukraine. This was followed up by further Russian drone strikes on Ukrainian grain infrastructure near the Danube River.

Ukraine’s grain harvests this year are exceeding expectations and could be 5% higher than in 2022, according to a senior agriculture ministry official. On August 21, the Agriculture Ministry reported that Ukraine’s grain exports have totalled 3.6 million tonnes so far in the 2023/24 July-June season.

The Ukrainian government has expressed its opposition to bordering EU member states (Slovakia, Bulgaria, Poland, Romania, and Hungary) reportedly planning to extend the ban on Ukrainian grain imports to the end of 2023. The ban was due to end on September 15. The extension of the ban has now received support from the EU commissioner for agriculture.

VIET NAM – Viet Nam’s agriculture minister was reported to have said that the country has 7 to 8 million tonnes of rice for export this year after putting aside sufficient for national food security.

FERTILISER FORECASTS

ANGOLA – Minbos Resources announced that it has signed a 60-year lease for the site of the Capanda green ammonia project located in Malanje Province, Angola. The project plans to produce 112,000 tonnes/year of green ammonia to be used to provide 255,000 tonnes/year of high-density ammonium nitrate.

BRAZIL – Petrobras has announced that it aims to resume operations at its Araucaria Nitrogenados (ANSA) fertiliser plant in the first half of 2024. The plant can produce 1,900 tonnes of urea per day and 1,300 tonnes of ammonia per day. The plant was deactivated in 2020.

Unigel has suspended operations at its nitrogen fertiliser plant in Laranjeiras. The plant was idled for 90 days from 1 June, but the company has now decided to suspend operations until financial condition improve as it tries to negotiate lower natural gas prices. The plant has the annual capacity to produce 650,000 tonnes of urea, 450,000 tonnes of ammonia and 320,000 tonnes of ammonium sulphate. The company has another fertiliser plant in Camacari where production of urea has also been idled.

GERMANY – Yara Germany, the Bindewald & Gutting Milling Group and the bakery Harry-Brot have signed a cooperation agreement aimed at decarbonising German cereal production using green fertilisers on an area of around 1,600 hectares. The deal will see Norwegian ammonia produced using hydropower being processed into fertiliser at the German port of Rostock.

NORWAY – Last month we reported that Norge Mining had assessed the extent of its phosphate rock deposit in Norway as a massive 70 billion tonnes, just below the 71 billion tonnes of proven world reserves assessed by the US Geological Survey. The company has now appointed ABB to design the complete electrification of a new phosphate rock mine and its downstream operations scheduled to start up in 2028.

UNITED KINGDOM – CF Fertiliser announced the permanent closure of its ammonia plant in Billingham, citing rising energy costs. Production of ammonia was paused ten months earlier. The company will now rely on imported ammonia. The National Farmers Union expressed its concern over the decision.

USA – Nutrien decided to indefinitely pause work on its 1.2 million tonne/year clean ammonia project at Geismar, Louisiana citing elevated costs and uncertainty on the timing of emerging uses for clean ammonia. As we have been reporting, fertiliser companies have been building ammonia plants along the US Gulf coast to take advantage of Inflation Reduction Act subsidies and existing port infrastructure.

FOREST PRODUCTS FORECASTS

EU – The USDA has released its annual assessment of the European Union wood pellets market. EU wood pellets consumption hit a record 24.8 million tonnes in 2022 and is expected to rise by 3.2% to 25.6 million tonnes in 2023. The growth in consumption has outpaced domestic production resulting in growing imports mainly from the US, Russia, Belarus, and Ukraine. The EU banned imports from Russia in summer 2022 creating an opportunity increased transatlantic trade. EU wood pellet imports from the US jumped 75% in 2022 to 3.125 million tonnes.

IRELAND – The government has launched a 1.3-billion-euro forestry programme aimed at new tree planting and expanding supplies of timber. The European Commission has approved 308 million euros of state aid targeting the planting of new forests. EU officials said the aid would support planting of 8,000 hectares of new forests every year, increasing tree cover in the Republic to 18% of its land by the end of 2027, up from 11.6% today.

VIET NAM – Vietnam’s forestry sector has reduced its export target from 18 to 14 billion dollars due to a slump in prices for wood materials and products.

CEMENT INDUSTRY FORECASTS

AUSTRALIA – The federal government is considering whether Australia should follow the European Union and impose tariffs on some imports from nations with less ambitious climate goals. Steel and cement would be the first two products to be considered for the imposition of a cross-border adjustment mechanism. The government is to consult on the matter.

EU – The European Union has enacted the implementing regulation for the carbon border adjustment mechanism (CBAM) under its emissions trading scheme. Under the CBAM, importers of cement into the EU will eventually pay taxes on embedded CO2 emissions equivalent to those levied on EU producers. Importers are required to start collecting emissions data in the interim period ahead of the startup of CBAM at the beginning of 2026.

MALAYSIA – Borneo Cement (Sabah) has contracted Sinoma Industry Engineering to build a 1.75 million tonne/year integrated cement plant at Pinangah, Malaysia for completion in the third quarter of 2025. The plant’s

capacity exceeds local Sabah cement consumption leaving room for exports to other markets.

NIGERIA – BUA Cement said that it expects to inaugurate its Okpella and Sokoto cement plants in early 2024. The two new plants will have a combined capacity of 6 million tonnes/year, raising the company's total Nigerian cement production capacity to 17 million tonnes/year.

PHILIPPINES – Taiheiyo Cement Philippines plans to install a second production line at its 0.8 million tonnes/year San Fernando cement plant in Cebu raising the plant's capacity to 3 million tonnes/year. The company will also build a new cement terminal in Calaca to service the Luzon market from San Fernando.

UAE – Pure Cement UAE and Thyssenkrupp Industries India signed a contract for a clinker production facility in Al Tawyeen, Fujairah. The contract covers the design, engineering, and supply of equipment.

UZBEKISTAN – Anhui Conch Cement has inaugurated its new 2.3 million tonne/year Tashkent cement plant at Kiziloy. The company plans to target 30% of production for export.

The Agency for Statistics of Uzbekistan reported that cement production in the first half of 2023 totalled 5.7 million tonnes, up 10% year-on-year.