

China's Steel Wire Rod Export at New Record High?

Profit Margin Could be a Hidden Pitfall

中国钢铁线材出口创历史新高？ 获利空间恐有隐忧



China's steel industry has seen tremendous volatility over the past three years, with domestic demand declining at a compound annual growth rate (CAGR) of minus 1.3% year-on-year after peaking in 2020. In terms of steel export, although it hit a seven-year high of 90.26 million tons in 2023, up 36.2% over 2022, about 80% of China's steel companies suffered losses in the same year, indicating that **although China's steel poured in the global market, those companies didn't benefit significantly.**

Fluctuation of Chinese Steel Wire Rods

The fluctuation of steel also affects wire rods. How is this reflected in wire rod production volume, export volume, export value and export unit price? This article analyzes the statistics for the past six years, including the whole time line in and out of the pandemic, and gives our readers a glimpse of the fluctuation of Chinese steel wire rods.

Production Generally on the Decline

Steel wire rods fluctuate in line with steel. China's three major industries — real estate, infrastructure and manufacturing — have all been facing shrinking demand in recent years, with domestic steel demand peaking at 925 million tons in 2020 and then declining year-on-year. Domestic production of steel wire rod (Figure 1) also peaked at 165 million tons in 2020, and then fell 42% to 96.24 million tons in the next year, nearly halved. It rebounded 46% to 141 million tons in 2022 but didn't make it back to the peak volume, and then immediately fell in 2023. The trend line (dotted line) is generally still pointing down.

As observed in Figure 1, **although steel wire rod production rebounded after the end of the pandemic, it will take some time to get back in its heyday, given the shrinking demand from the three aforementioned industries and the challenge of a downward trend in China's macro-economy.**

6-Year Fluctuation of Chinese Steel Wire Rods

Items	2018	2019	2020	2021	2022	2023 (Jan.-Nov.)
Production Volume (10,000 Tons)	14,448.8	15,682	16,655.6	9,624.34	14,136.8	12,650.9
Export Volume (10,000 Tons)	207	206	203	206	204	222
Export Value (USD 100 Million)	23.91	25.1	27.5	46.1	60.55	32.01
Export Unit Price Change (%)	18.9	5.7	11.2	64.9	33.3	-51.11



Export at 6 Year High

Wire rod export volume (Figure 2) did not fluctuate much during the pandemic from 2018 to 2022, averaging 2.05 million tons, suggesting that China's wire rod export to the world remained stable during the pandemic. However, it is worth noting that the export grew 8.8% in 2023, reaching a new high in the past six years. This indicates **the world has higher demand for price-competitive Chinese wire rods after the pandemic ended**, which is in line with the fact that Chinese steel export reached at a seven-year high in 2023.

Export Value Halved After the End of the Pandemic

The change in export value (Figure 3) is divided into three phases. In the first phase, from before the pandemic to the beginning of the outbreak (2018 to 2020), the export value of wire rod remained stable at an average of US\$25.5 million, and here we can already see a slight increase. In the second phase from 2020 to 2022 when the pandemic was prevalent, export took a double jump, by 67% to US\$46.1 million and by 31% to a peak of US\$60.5 million. In the third phase, from 2023 onwards, export value dropped 47% to around US\$32 million, almost halved, suggesting that **China's wire rod export soared during the pandemic, but it lost significant profit margins after the pandemic ended, but in the long run, it just returned to the normal price level recorded in the first phase.**

Export Unit Price Down Significantly After the End of the Pandemic

The export value also fluctuated similarly with the export unit price. The unit price (Figure 4) increase surged to a new high in the second phase, with a significant price increase of 64.9%, but then began to plummet by half, and even showed a negative growth, down 51% in the third phase. **There was significant pressure of price cut after the end of the pandemic.**

Domestic Demand Cools, Export Demand Increases

Maintaining Profit Margins will be a Priority

As seen from the above data, China is facing the challenge of downturn in three major industries and the domestic macro-economy, and the domestic production of steel wire rod is slowing down. On the contrary, export demand is at a record high. 2024 is a critical time to expand overseas market share. However, since both export value and unit price have been halved since last year, there is a hidden pitfall with profit margin. Profit margin is what relevant industry players need to keep stable. ■

Fig 1. Chinese Steel Wire Rod Production Volume in the Past 6 Years (10,000 Tons)

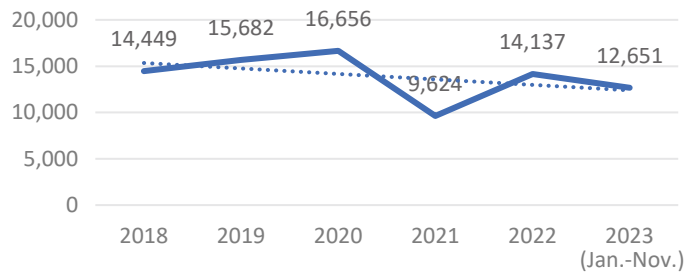


Fig. 2. Chinese Steel Wire Rod Export Volume in the Past 6 Years (10,000 Tons)

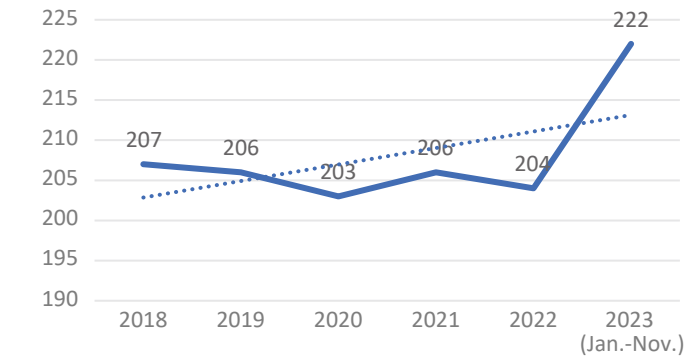


Fig. 3. Chinese Steel Wire Rod Export Value in the Past 6 Years (USD 100 Million)

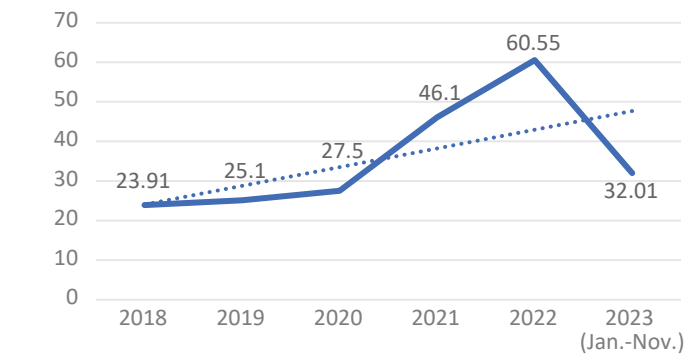
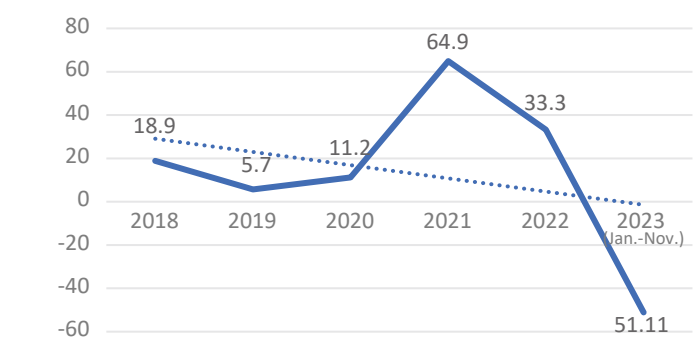


Fig. 4. Chinese Steel Wire Rod Export Unit Price Change in the Past 6 Years (%)



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Data source: Intelligence Research Group (Beijing), China Customs, China Metallurgical News

