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CHINA'S  
REVISIONS

END USE  
SECTORS  
REVIEW

TRADE DATA  
ANALYSED

# CHINESE OUTPUT DATA IS WILD AND UNTAMED

IN A QUIET MONTH FOR CHINESE DATA, WE WILL TAKE THE OPPORTUNITY TO LOOK AT SOME OF THE REVISIONS IN OFFICIAL DATA, ESPECIALLY A MAMMOTH CHANGE IN HEBEI. WITH A LACK OF QUALITY DATA ON THE CHINESE STEEL SECTOR, THE QUIRKS AND QUANDARIES ARE KEY TO UNDERSTANDING THE MARKET.

WITH INVENTORIES STARTING TO TURN MEANWHILE, WE ALSO LOOK AT THE RELATIVE TIGHTNESS OF THE MARKET COMPARED TO LAST YEAR.



# Chinese output data is wild and

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In a quiet month for Chinese data, we will take the opportunity to look at some of the revisions in official data, especially a mammoth change in Hebei. With a lack of quality data on the Chinese steel sector, the quirks and quandaries are key to understanding the market.

With inventories starting to turn meanwhile, we also look at the relative tightness of the market compared to last year.

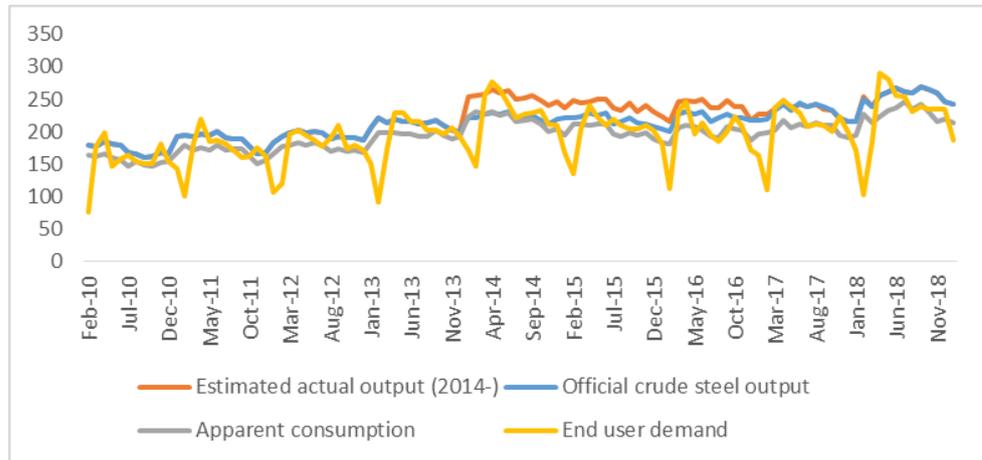
The question now is, has production been tamed enough to suit weaker demand?

**Table 1. Supply and Demand (million tonnes)**

	2017	2018 ytd	Y-o-y	2019 outlook	Y-o-y
Official crude steel output	831.7	928.3	8.20%	947.0	1.30%
Apparent consumption	737.4	825.5	6.58%	844	1.60%
End user demand	745.5	827.6	5.75%	845	1.00%

Source: Kallanish

**Figure 1. Daily steel production and demand 2010-2018 (tonnes)**



Source: NBS, Kallanish

# Chinese output data is wild and untamed

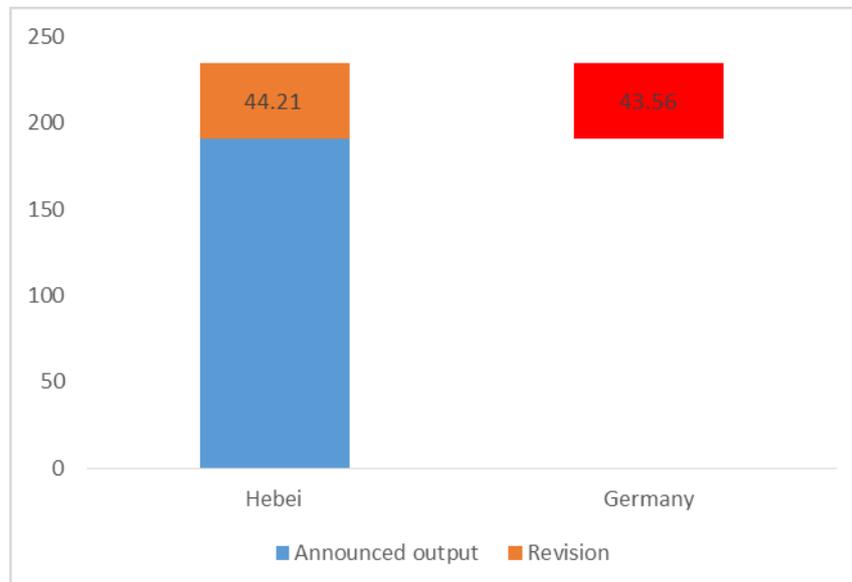
## China's revisions are out of hand

China's revisions are out of hand. China produced 928.27 million tonnes of steel in 2018, 6.6% higher year-on-year, the National Bureau of Statistics told us this year. But a year ago it told us that China produced 831.73mt in 2017. That would put 2018 growth at 11.53%, not 6.6%. NBS has revised 2017 output up by around 39.06mt. It is hardly unusual for NBS to revise its data without showing its working. In fact, its year-to-date and year-on-year numbers are changed every single month, which is why we use a formula to correct for this when we calculate implied demand. 39.06mt however is not a small adjustment. Even if it is only a 5% increase on the original 2017 figure, it is 90% of what Germany produced in the same year.

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The figure is even more remarkable considering the revisions comes from a single province. Hebei reported crude steel production of 237.3mt in 2018 and had reported output of 191.21mt in 2017. The 2018 data however was

**Figure 2. Hebei adds a Germany to 2017 output (million tonnes)**



Source: NBS, worldsteel, Kallanish

reported as being up only 0.8% y-o-y. That left implied 2017 production at 235.42mt, 44.21mt higher than first reported, or 1.01 Germanies. That is more than the national revision, implying that all other provinces combined actually revised their 2017 output slightly lower on balance.

The revisions mark another stage in the political process of reforming Hebei's steel industry. Hebei, due to its size, was an early focus for president Xi Jinping when starting out on supply-side reform. In 2013, just months after taking the top position in the Communist Party of China, reports suggest Xi surprised Hebei's leadership by walking in on a high level government meeting unannounced. In September that year he led a criticism session which made very clear that Hebei party secretary Zhou Benshun was out of favour. He later became the first sitting provincial party secretary to be investigated for corruption. Zhou had reached his position via the top position at Hebei Iron and Steel (Hegang) but the chairman in 2013, Wang Yifan fared little better. By the end of the year he had resigned. Hegang said that he had "... missed an opportunity by simply adding capacity at a time when others like Baosteel were developing product quality." By this point it was clear that the large SOEs



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