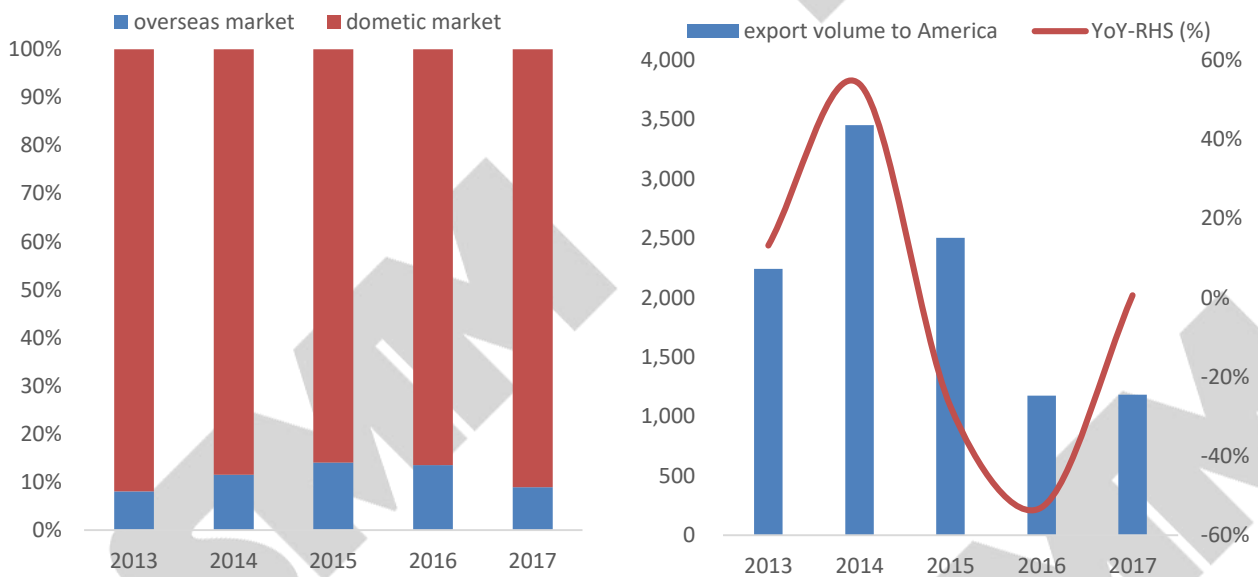


China Steel Industry is Domestic-Oriented, and the U.S. Accounts for a Low % of Exports

China's steel market is dominated by domestic sales, and the export volume in 2015/2016/2017 was 112/109/75 million tons respectively, accounting for 14/13.5/8.9% of total production. Exports surged in 2018 as the global economy recovered. However, according to SMM analysis, the recent export increment mainly came from the additions of south-east Asian countries. The amount of steel exported to the U.S. in 2015/2016/2017 was 2.5/1.18/1.18 million tons, accounting for 2.2/1.1/1.6% respectively. SMM views, on the one hand, the imposing tariff is not aimed for China; on the other hand, Chinese steel mills may disguise export shortfall by deep processing re-export and export could shift to other countries.

Chart 1. Overseas & Domestic Market Percentage (2013-2017) Chart 2. Export Volume to America & YoY (000 tonne %)



Source: SMM

Chart 3. 2017 China Export Volume (000 tonne,%)

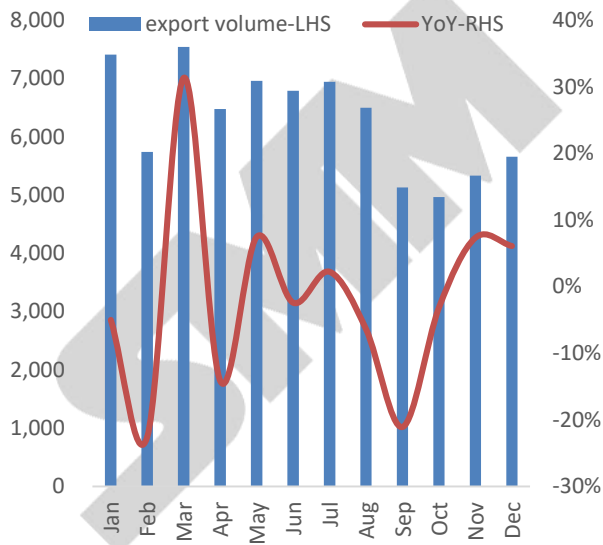
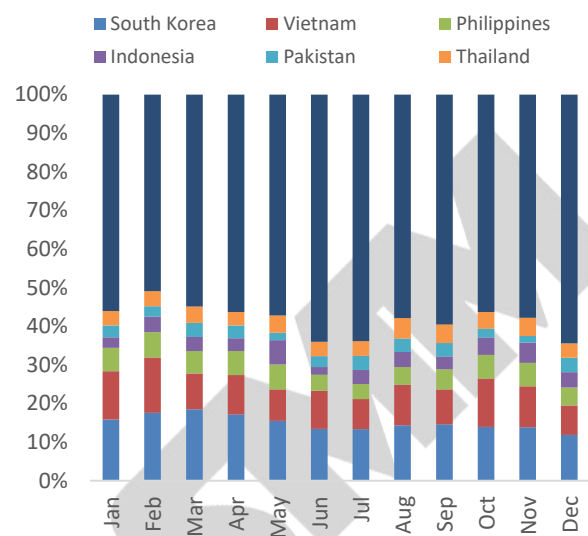


Chart 4. China Steel Exported Countries Breakdown (%)



Source: SMM

Imposing Tariffs Has Little Impact on Aluminum Export, Focusing on the Affirmative Preliminary Countervailing Duty Determination on Aluminum Plate

The import tariff on aluminum is increasing, and SMM sees limited impact on Chinese aluminum market. According to SMM's analysis, the China aluminum export volume in 2015/2016/2017 was 4.76/4.59/ 4.83 million tons, accounting for 15.56/14.43/13.34% of the annual total output. The amount of aluminum exported to the U.S. in 2015/2016/2017 was 0.76/0.79/1.03 million tons, accounting for 15.89/17.29/21.28% of the export volume. Among which, the product subdivision is dominated by aluminum plate, aluminum foil and aluminum products, accounting for 24.2%, 12.8% and 16.7% of the total exports respectively.

Chart 5. China AI Export Volume & U.S. Proportion (mn tons, %)

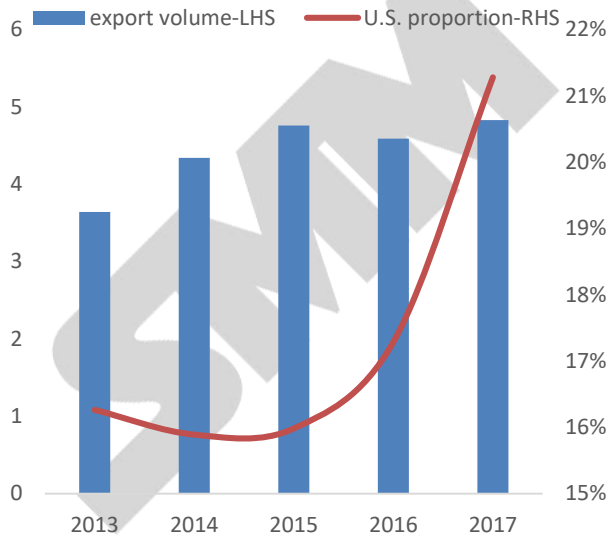
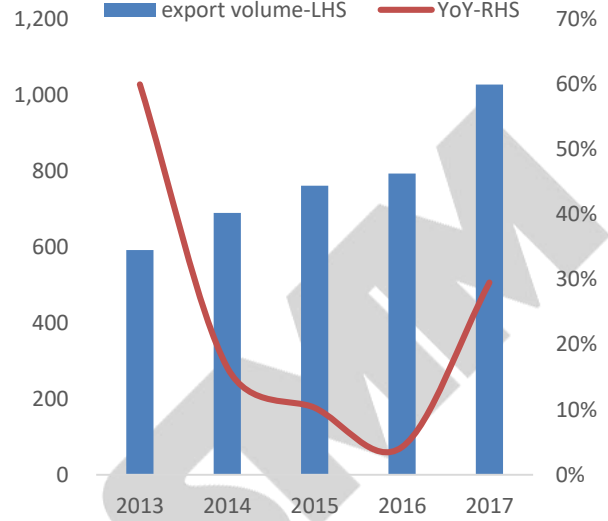


Chart 6. China AI Export Volume to U.S. & YoY (mn tons, %)



Source: SMM

Chart 7. AI foil Export Volume to U.S. & YoY (000 tonne, %)

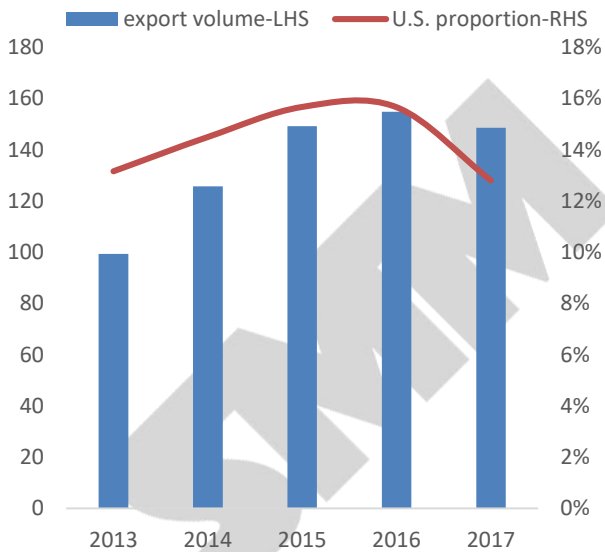
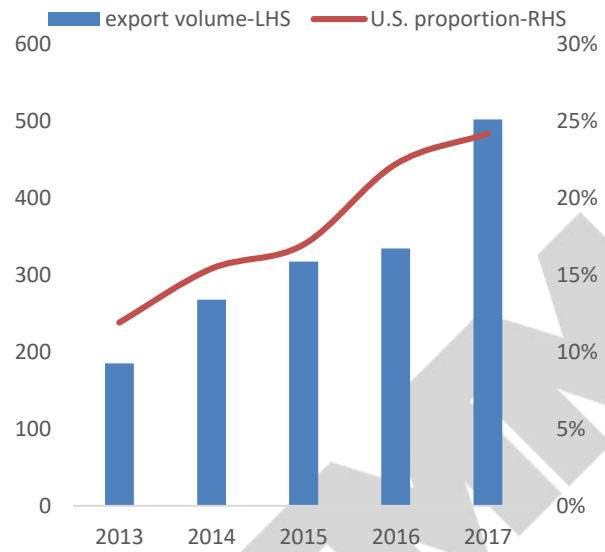


Chart 8. AI Plate Export Volume to U.S. & YoY (000 tonne, %)

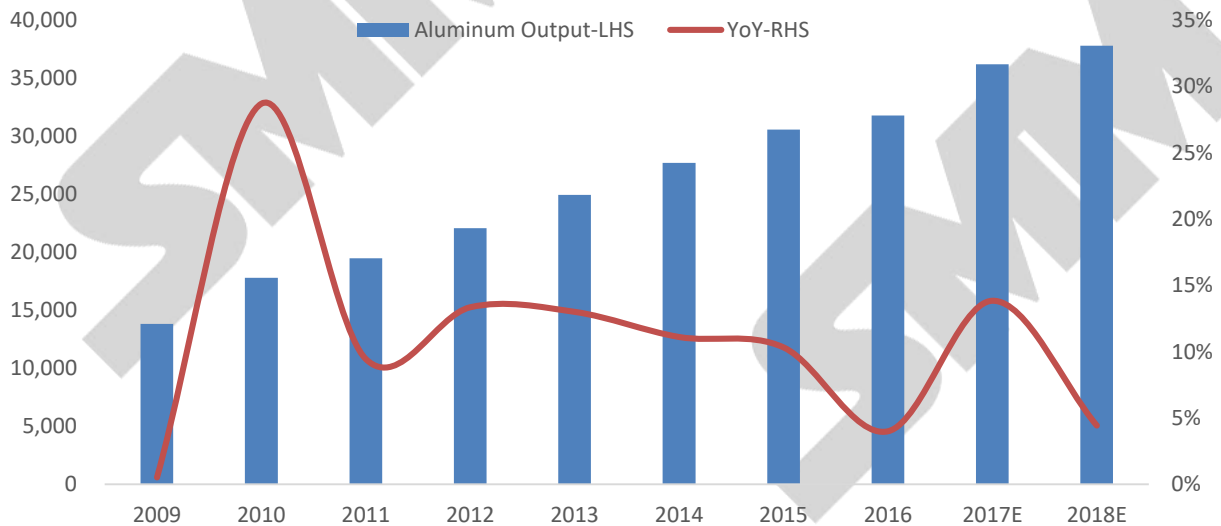


Source: SMM

SMM views, considering U.S. aluminum plate ‘double reverse’ (anti-dumping-and-subsidy) preliminary results will be released in April, tariffs with ‘double anti-tax’ will affect China’s aluminum exports to the U.S.. According to the U.S. Department of Commerce’s website data, SMM estimates around 0.43-0.45 million tons (accounting for 8.93-9.39% of total export volume to U.S.) is likely to be impacted by ‘double reverse’.

SMM sees that the U.S. 'double reverse' is a drag on China's overall aluminum export, however its impact needs to be re-evaluated based on the growth of other countries' demand as a result of the economic rebound.

Chart 9. 2009-2018E China Aluminum Output & YoY (000 tonne, %)



Source: SMM

SMM has a comprehensive **China Cost Database** for nonferrous and ferrous metals, by conducting regular field trips and interviews with a majority of Chinese metal producers, from large-scaled to small-scaled, from SOEs to private-owned. We collect their detailed cost breakdown for individual plants/mines and for the whole production process, and update the database regularly as well as keep close track of any updates/changes.

We also have the **Cost Database** for Steel, Iron Ore, Aluminum, Copper, Copper Mine, Nickel, Nickel-Pig-Iron (NPI), Tin, Manganese, Lead and Lead Ore, etc.

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