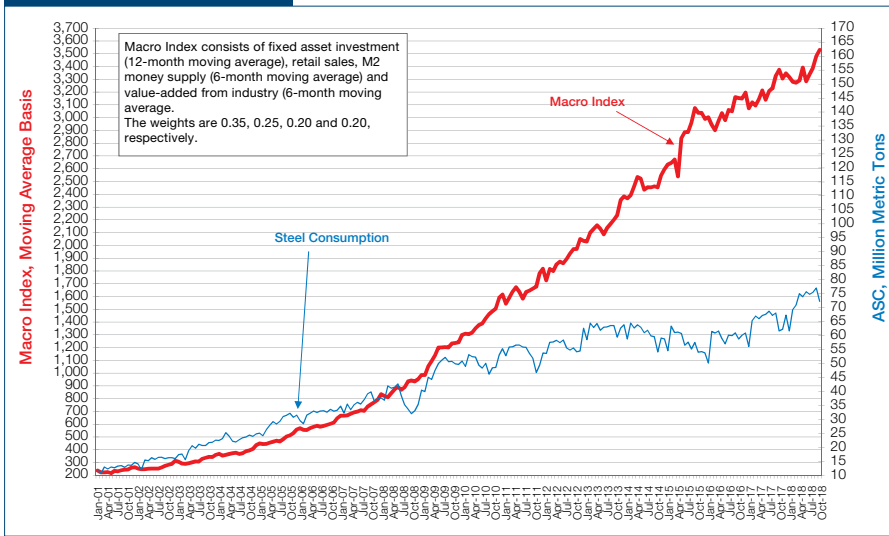


## Chinese steel industry and economic data: Varying reliability

In addition to the spurious steel industry data, there are major discrepancies in the Chinese reported monthly economic data. For sure, the country's macro-economic data series have a severe upward bias — that's well demonstrated when

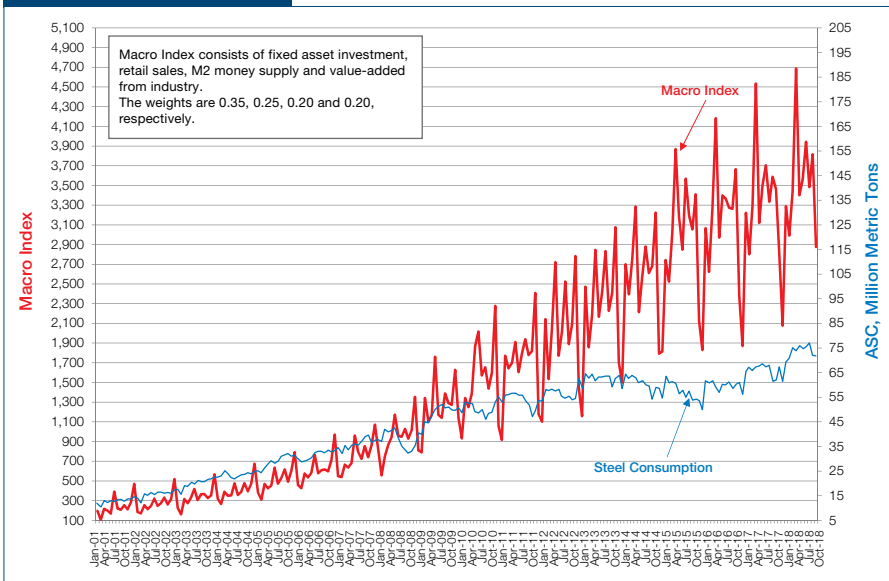
comparing the results of WSD's weighted four-component Chinese Macro Index of Steel Consumption to its weighted 11-component Micro Index of Activity in Steel-Consuming Industries.

Figure 1



WSD China Macro-Economic Steel Index (moving average basis) vs. Apparent Steel Consumption (ASC). Source: WSD estimates.

Figure 2



WSD China Macro-Economic Steel Index (non-moving average basis) vs. Apparent Steel Consumption (ASC). Source: WSD estimates.



is a leading steel information service in Englewood Cliffs, N.J., USA

WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.



### Authors

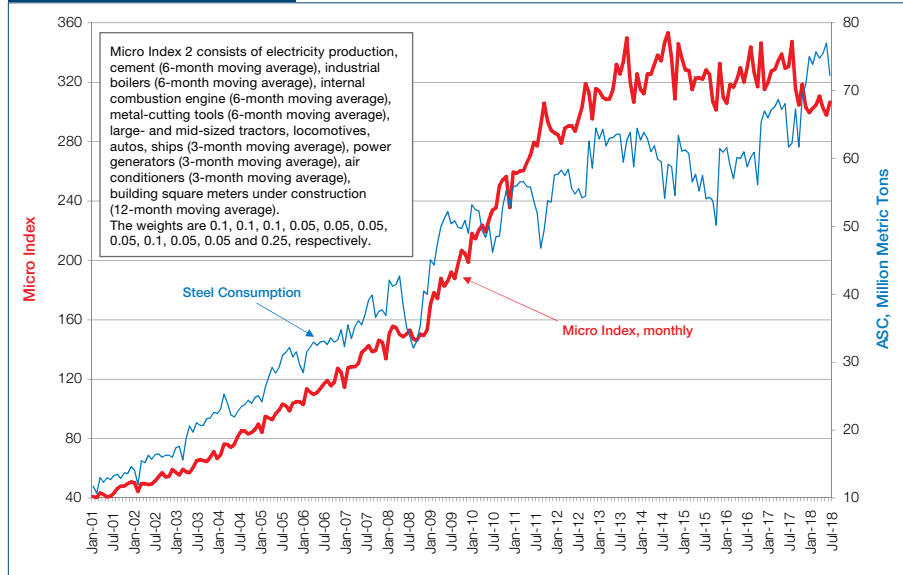
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- The Macro Index (Figs. 1 and 2) since 2015 is up about 35%; or about 10% per year. Its four components — entered on a 6-month or 12-month moving average basis — include fixed asset investment (FAI), M2 money supply, retail sales and value added by industry.
- The Micro Index (Figs. 3 and 4) since 2015 is down about 6%; or roughly 2% per year. Its components, often analyzed on a 6-month moving average basis, include electricity production, cement production, industrial boilers, internal combustion engines, metal-cutting tools, large- and mid-sized tractors, locomotives, auto production, power generators, air conditioners, and square meters of buildings under construction. The last item has a 25% weighting, and the others a 5–10% weighting in each case.

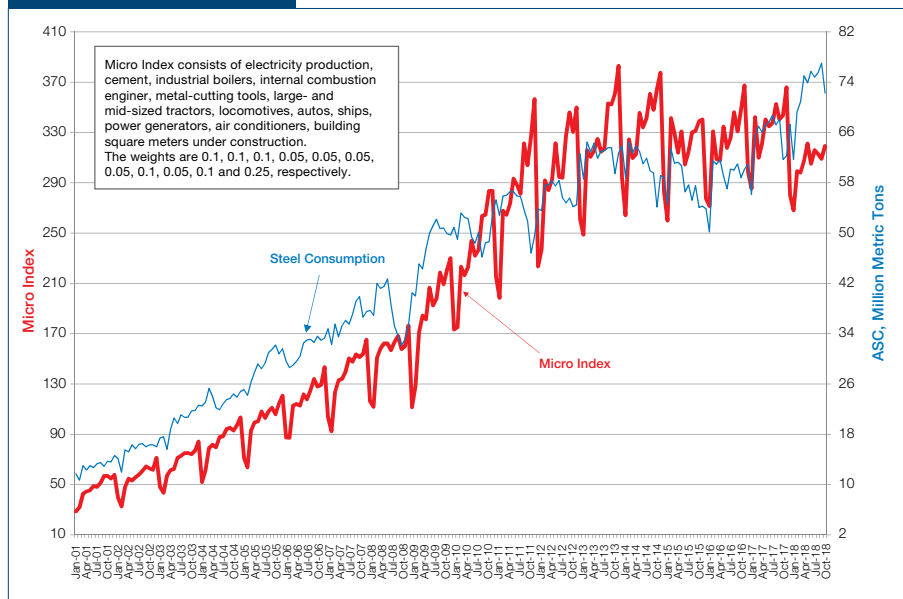
Perhaps WSD’s Micro Index has not sufficiently picked up the surge in housing construction that accounts for about 22% of the country’s FAI. Also, note that the reported monthly FAI figures include land sales and the value of M&A transactions — that, at times, may account for 40% of the reported total. Perhaps, in 2018, land sales and M&A transactions declined as a share of reported FAI. If so, construction activity and capital spending rose as a share of FAI.

Figure 3



WSD China Micro-Economic Steel Index (moving average basis) vs. Apparent Steel Consumption (ASC). Source: WSD estimates.

Figure 4



WSD China Micro-Economic Steel Index (non-moving average basis) vs. Apparent Steel Consumption (ASC). Source: WSD estimates.

This report includes forward-looking statements that are based on current expectations about future events and are subject to uncertainties and factors relating to operations and the business environment, all of which are difficult to predict. Although WSD believes that the expectations reflected in its forward-looking statements are reasonable, they can be affected by inaccurate assumptions made or by known or unknown risks and uncertainties, including, among other things, changes in prices, shifts in demand, variations in supply, movements in international currency, developments in technology, actions by governments and/or other factors. ◆