

Chinese steelmakers starting to face cost pressure

- 09 Mar 2007

Steel prices on Chinese domestic market have ascended steadily by some CNY 600 to CNY 800 per ton for flat products and CNY 200 CNY 300 per ton for construction steels, which are rarely seen ever before. But at the same time, tight supply prices for raw materials and fuels has led to their price climb also.

Iron ore was revised up by CNY 50 per ton, billet per slab posted similar upturn pig iron recorded the widest upward scale of some CNY 300 per ton coke price was quoted generally above CNY 1200 per ton; and ferroalloy and scrap both advanced accordingly.

As cost effect often lags behind the up trending fuel and raw material price, it has just began displaying its impact and therefore the steel market is firm for the moment with few possibilities for drop nor sharp rise in near future.

The steel makers remain in bulk demand for raw materials and fuels, reflecting huge production scale while escalating output implies future price drop and may reach a climax for production hence supply and demand imbalance risks in future.

UBS sees firm global steel prices

- 08 Mar 2007

Analysts at UBS forecast that spot prices in the global steel market may remain firm for the foreseeable future.

The analysts mentioned that steel prices have been rising since the Chinese New Year and that US has also witnessed a price recovery, following lesser pressure on prices due to lower import prices.

UBS however added that the risk factors to steel prices remaining firm are an oversupply in China and a decline in global economic growth.

China to hold talks with US over WTO complaint

- 08 Mar 2007

According to the Ministry of Commerce, China will hold consultations with the United States later this month on industrial subsidies that Washington has complained about. The ministry told China Daily that "China has accepted the US request for consultation and the two sides will launch talks in Geneva in the last 10 days of this month where."

Mexico, Japan, the European Union and Australia will join the Sino US consultation as a third party. It also said China will accept the request for separate consultations filed by Mexico.

Chinese experts said that the US had not put forward evidence on China's industrial subsidies and the United States and other developed countries granted much higher subsidies such as export tax rebates to their own industries.

According to WTO regulations the two sides have to settle the issue within 60 days through consultations. If they fail the United States can appeal to a WTO dispute settlement panel.

ABARE forecast firm nickel prices in 2007

- 07 Mar 2007

Australian Bureau of Agricultural & Resource Economics forecast world nickel prices to rise by 52% on year to an average of USD 36,750 a metric ton in 2007 on demand growth and supply constraints.

It added that world nickel consumption is forecast to rise 5% YoY to 1.46 million tons in 2007, led by increased demand for stainless steel, especially in China and India.

On the supply side, the report notes that labor disputes in the nickel industry have been a common feature over the past few years and will remain that way, as high nickel prices strengthen the bargaining position of unions.

The report added that even in 2008, prices may remain high, despite some slowing in demand and some increase in mine output, as stocks would still remain low.

Review of 2006 and perspective of 2007 for Chinese steel sector

- 07 Mar 2007

2006, in addition to being the year of mother of all mergers, was greatly influenced by happenings in the steel industry in China, which witnessed crude steel output increasing to 420 million tonnes. Chinese steel sector witnessed many happenings including some unexpected ones.

At the beginning of 2006, China steel market was covered by the atmosphere of productivity surplus, China steel price ran at low level, still mills saw high stock and most of them suffered profit loss, after great ups and downs in 2005, China steel market was still unstable in early 2006. Many global steel companies cut production and digested inventory, meanwhile driven by rapid global economy growth and the

reestablishment stock, international steel price halted dropped and started to rise.

During 2006 China changed its role from a net steel import to a net steel exporter. When US steel price dropped after touching the peak, many industry insiders doubted the continuous growth in China steel export, while the fact is that China steel export reached 6.47 million tonne in Q1, 10.62 million tonnes in Q2, 11.51 million tonnes in Q3 and 13 million tonnes easing domestic market pressure. Despite of export jump Chinese mills faced price decline in H2.

Now, on one hand Chinese steel makers are facing threats if trade measures from various countries and on another their production of crude steel is forecast to reach 460 million tonnes in 2007, which is bound to result in surplus availability scenario. And the foremost question is that how will the China steel market be in 2007?

China's leading steel information provider SteelHome has prepared an Annual Report which analyzes China steel market for 2006 and perspective for 2007. The report addresses the burning issues being faced by Chinese steel makers and covers construction steel, plates, HR, CR, coated products, strips, seamless tubes, section, SS, iron ore, scrap, coke and ferroalloys.

If you are interested to know more about it please visit http://www.steelguru.com/steelhome/steelhome_annual_report.php or send a mail at research@steelguru.com

Change in Chinese steel export taxes imperative

- 12 Mar 2007

The rumors of export tax rebate cut or removal for steel exports has been circulating for a long period and there have been so many versions on specific range of adjustment. Though still in the air, the tax changes are imperative under the situation. It is clear that Beijing would announce the tax policy sooner or later. While the ever changing versions suggest the hard negotiations on specific extent of rebate cut between major steel makers and related department.

China's Iron and Steel Association confirmed last week that China would soon cut or remove tax rebates for some steel exports. Mr Luo Bingsheng vice chairman and secretary general of CISA, without disclosing the exact timing, told reporters "It will be announced very soon." The chairmen of Shougang Group also expressed the similar view.

At moment, many steel makers choose to share half of the cost if the tax rebate

changes and some even agree to assume all the loss themselves. While traders are more concerned about the availability of export allocations from steel makers than the announcement of tax policy given the robust overseas demand.

The underlined major reasons for the tax change are outstanding large exports and US leading overseas complaints to the World Trade Organization over the country's export subsidies. The earlier implementation of tax adjustment not only could show China's sincerity, but also could prevent the join of other countries on the complaint issue, giving relief to the possible trade frictions.

Under such circumstances, traders and steel makers seem not to be that anxious than before since they already have such expectations in mind for long enough. A Shanghai based trader, when asked about the influence of tax rebate adjustment, told MySteel "We believe the policy changes would only cast mild effect on the steel market. As far as the policy itself, it means nothing but higher export prices than before, which is known to everybody. Foreign customers also know the trend and steel prices are also slowly going up in overseas market. Regardless of the tax changes, steel exports would go on as long as importers could afford Chinese steels. But we are worried that steel prices would experience big drops or frequent fluctuations following the tax policy."

Another trader in expressed the similar idea. He expected China's 2007 steel products exports to be similar to the 43.01 million tones seen last year or slightly above that level as long as Chinese government does not control the momentum on purpose. He said "Of course it is easy for government to rein in the export volume with set of policies. In another word, the tax rebate change itself could only cast short-term effect on total export volume. Those suitable for export are bound to export, leading to a new balance at a new price levels."

In January 2007, Chinese steel product exports more than doubled from the year ago period to 4.38 million tones, although the exports were below the monthly record of 5.5 million tones in December 2006.

(Sourced from MySteel.net)

MEPS upgrades Asian steel prices forecast

- 12 Mar 2007

MEPS reported that in the flat products category due to mildly positive sentiment and escalating input costs b, due to the underlying because of momentum of Chinese industrial production and construction demand being still good, the Japanese market

becoming tighter as distributors' stocks of strip products fall, inventory overhang in the distribution sector in South Korea is taking time to clear and with Taiwanese market strengthening, it has upgraded its previous regional forecast and now predicts rising prices for several months ahead.

MEPS said that "We expect some oversupply to occur in China and South Korea during spring time. This could put negative pressure on selling values across the region to mid year and slightly beyond. The threat from Chinese exports could dull regional figures until the summer. As activity in the industrialized nations picks up further in the second half of this year we forecast a revival in the volume of Chinese exports to Western nations. This should take some pressure off the Asian markets and provide opportunities for price gains to near USD 600 per tonne for the MEPS Average Flat Products Price by the end of 2007."

MEPS however cautioned that the outlook is uncertain and heavily dependent upon the actions of the Chinese government in reducing the current export rebates available to local mills

MEPS concluded that "The threat of oversupply is likely to limit price gains up to mid year and into the weaker demand conditions during the summer months. Stronger export volumes from China as the producers target Western customers in the autumn, should take some of the pressure off regional prices in the second half."

LME to introduce steel contracts in 2007

- 12 Mar 2007

Bloomberg last week reported that the London Metal Exchange plans to introduce steel contracts this year making it the world's first major exchange to offer trading in such products.

Mr Martin Abbott CEO said that the LME may start with index based steel contracts and those traded over the counter. He said it is fairly obvious that the steel industry needs a better way to manage its price risk.

Mr Abbott added that the exchange may start listing steel contracts in some form possibly using the over the counter platform as an incubator by the end of this year.

China's domestic steel product prices to increase in March

- 12 Mar 2007

The Price Monitoring Center of China's National Development and Reform Commission said last week that China's steel product prices will continue to rise steadily in March due to an increase in consumption and as the exports are also

expected to increase due to strong international demand. The center also believes that Baosteel's Q2 price policy will boost market confidence in the next few months.

According to Price Monitoring Center's statistics the average price for major steel products in China stood at CNY 4,055 (USD 523.9) per ton in February 2007 up by 1.74% from January and up 9.94% from February 2006.

As per the Price Monitoring Center the domestic price pattern is as under

Category	Feb'07	Jan'07	Jan'06
Construction steel	3302	2.62%	7.90%
Plates	4823	1.92%	15.16%
SS plates	29348	3.93%	39.64%
Pipes	4859	0.75%	6.80%
Seamless tubes	4814	0.44%	-4.49%
Sections	3350	1.21%	3.90%

Price in CNY per tonne

Changes are with respect to January 2007 and January 2006 levels

CVRD claims to become top global nickel producer

- 11 Mar 2007

Cia Vale do Rio Doce announced that it has surpassed OAO GMK Norilsk Nickel as the world's biggest nickel producer in 2006. CVRD took the top spot in nickel production after it acquired Canada's Inco Ltd for USD 17.4 billion in October 2006 and had acquired all the shares by January.

Mr Fabio Barbosa CFO of CVRD told reporters that CVRD produced 250,600 tonnes of nickel in 2006.

Moscow based Norilsk announced earlier in January 2007 that it produced 244,000 tonnes of nickel in 2006.

Scrap prices increasing in Turkey

- 11 Mar 2007

It is reported that due to the strong market demand the scrap prices imported to Turkey have reached to around USD 360 per tonne CFR. The scrap prices have been about USD 80 per tonne up since mid December 2006.

As per reports, the CFR prices to Turkey in recent contracts concluded were as ex

Europe USD 359 per ton for HMS1, USD 364 per ton for shredded scrap and USD 339 per ton for HMS1&2 (60/40) respectively.

EU sets higher targets for fighting climate changes

- 10 Mar 2007

Europe has embarked on a path to fight climate change after agreeing that a fifth of the energy used by the 27 nation bloc by 2020 will come from renewable sources like the sun and the wind and challenging the rest of the world to follow. The plan goes beyond the 35 nation Kyoto Protocol in setting targets for cutting emissions of greenhouse gases but it still faces problems over how to share the burden among its coal and oil dependent countries and what to do about nuclear power.

The leaders agreed that the EU will produce 20% of its power through renewable energy an increase from the current figure of around 6%. They also pledged to cut greenhouse gas emissions at least 20% from 1990 levels but said the EU could go to 30% if other countries join. The plan also called for one tenth of all cars and trucks in the EU nations to run on biofuels made from plants.

The agreement, which does not have an enforcement mechanism yet, means more windmills, solar panels and energy efficient light bulbs for Europe and certainly changes in lifestyle, business and the economy.

EU deal was a compromise between nations that had demanded mandatory targets on clean energy and eastern European nations led by Poland and Slovakia that say they cannot afford to develop alternatives to meet such high targets. Those nations said they prefer to stay with cheaper but more polluting options such as coal and oil.

The reference to the role of nuclear power was a demand of the French, Czechs, Slovaks and others who argued nuclear power could play a crucial part in helping Europe move away from carbon fuels. It says each EU nation should decide whether to use nuclear power, but takes note of a Commission report that says nuclear energy could contribute to reducing greenhouse gas emissions and help alleviate worries about security of energy supply. It also stresses the need to improve nuclear safety. Austria, Ireland and Denmark did not want the EU to sanction nuclear power, and the German government is split over whether to develop atomic energy.

The EU leaders hope their commitment to tackling climate change will encourage other leading polluters, such as the United States, Russia, China and India to agree on deep cuts in emissions of the gases that contribute to global warming.

StanChart raises nickel price forecast for 2007

- 10 Mar 2007

Standard Chartered has raised its nickel price forecast for 2007 as it continues to see delays in new mining projects expected to come on stream this year. The bank now sees benchmark LME nickel contracts for 3 month delivery averaging USD 32,200 a tonne this year from a previous forecast of USD 29,875 a tonne.

Mr Tariq Salaria an analyst with Standard Chartered said that "There's a lot more risk to upside if planned projects don't come on line." He added that while demand for stainless steel should slow in the second half, this will not be enough to cushion nickel prices should new supplies not come on stream as expected.

He further added that "The ability of the market to quickly substitute away from grades of stainless steel which are highly nickel intensive and bring new supply to market is limited and therefore prices have solid support near term."

Nickel stocks in LME warehouses are at critically low levels at present equivalent to only one day of consumption. Stainless steel demand accounts for about 70 % of total nickel consumption.

MEPS forecast for SS in North America

- 10 Mar 2007

UK based steel industry analysts MEPS has reported that stainless transaction values are expected to rise in March 2007 and surcharges will increase at least up to April 2007.

According to MEPS surcharge is predicted to represent a staggering 74% of stainless selling prices by April and if nickel continues on its upward path this percentage could become even higher. This could put mills under even greater pressure to reduce basis values further than anticipated.

MEPS said "The price of nickel has again broken new record highs during February and stocks are as yet not arriving back onto the market and remain at critically low levels with less than one day's worth of global usage currently available to the market. This may keep nickel prices elevated in the short term. However high nickel prices are beginning to take their toll on the stainless steel industry with stainless demand expected to slow over the coming months. This could help to alleviate the current nickel supply shortages and bring prices down as the year progresses. The current elevated nickel prices are causing problems for both stainless steel consumers and producers."

MEPS added that in the longer term they forecast a decline in stainless selling values as nickel prices reduce with demand slowing down and de stocking continuing. MEPS said "Both basis figures and alloy surcharges should begin to decline into quarter four of this year before stabilizing as stock levels come under control. These factors would bring our prediction for grade 304 cold rolled coil transaction values in February 2008 to approximately USD 1150 below the anticipated high point in March 2007 which is a reduction of around 21% from current levels."

Mr Buffet's firm Berkshire Hathaway owns 4% POSCO stake

- 03 Mar 2007

Shares of POSCO surged on news that Mr Warren Buffett controlled Berkshire Hathaway Inc owns 4% stake in it. Mr Buffett in a letter to shareholders of Berkshire Hathaway a holding company that oversees and manages a number of subsidiary companies said that the company spent USD 572 million last year to buy 3.48 million shares of POSCO, which equals a 4% stake.

POSCO shares closed at KRW 364000 (USD 386) up by KRW 11,000, or 3.12% after falling as low as KRW 343,500 won. The share price rose as high as KRW 367,500.

Berkshire's ownership of POSCO's stake was published because the aggregate value of the single stock owned by the investment firm hit USD 700 million. The company did not have to disclose its ownership stake when its investment stood at USD572 million, but as the price of POSCO's shares rose, the company disclosed the investment information according to the company's internal regulations.

POSCO shares climbed 53% in 2006 and another 19% so far this year, hitting a record KRW 384,000 on February 23rd 2007. POSCO's share price has surged recently on speculation that the steelmaker, which is more than 60% owned by foreign investors, may become a prime target for a hostile takeover attempt.

Chinese steel export prices moving up

- 13 Mar 2007

Chinese steel export prices continue to move up last week as many steel makers are fully booked till May shipment.

1. HRC

Export offers actually have been continuously on the rise. Now commercial HRC offers have risen to USD 530 per tonne FOB from USD 520 to USD 530 per tonne in last week. One steel maker has concluded its re rolling grade material at USD 550 per tonne FOB for May shipments. Also latest Chinese HRC offers to EU have

reached EUR 475 per tonne CFR.

2. HGD

A Shanghai based trader is offering 0.6m to 1.5mm HDG in Z120 at USD 810 to USD 820 per tonne CFR for shipments to Spain with 1.0mm to 1.5mm taking major part. While another East China based steel maker is tagging at high price level and is quoting its DX51D 1.2mm-1.5mm HDG in Z220 at USD 860 to USD 870 per tonne CFR for shipments to Europe. 0.5mm material in Z180 is even offered at USD 980 to USD 990 per tonne CFR in June shipment.

3. HR plate

Plate exports are so hot that most steel makers vie to raise export offers by great amount. A Major steel maker in East China is offering S235JR HR plate at USD 610 to USD 620 per tonne FOB up by USD 40 to USD 50 per tonne than this January. Also it has recently concluded S355JR exports at about USD 700 per tonne FOB for April May shipment. By comparison, a big plate producer in Shandong province is quoting SS400 or Q235 plate at about USD 600 per tonne CFR for shipments to South Korea. At the same time, a North China based steel maker are exporting SS400 or Q235 HR plate at USD 583 per tonne FOB and S275 material at USD 598 per tonne FOB May shipment, which compares with USD 550 to USD 560 per tonne FOB for March April shipment and USD 480 per USD 520 per tonne FOB for February shipment.

4. Long products

A central China based steel maker has concluded SAE1008/1010 wire rod at USD 465 to USD 470 per tonne FOB for shipments to Italy. This is reported to be the first wire rod exports that in large quantity. At the same time, a East China based steel maker is even reported to have raised SAE1008 grade 5.5mm wire rod to USD 490 to USD 500 per tonne FOB. Another steel maker in North China is offering 10mm rebar at USD 460 per tonne CFR for shipments to South Korea up by USD 20 per tonne than last month.

(Sourced from MySteel.net)

US SS makers increase alloy surcharges again

- 13 Mar 2007

YIEH reported that major US stainless steel makers announced a price increase for alloy surcharges to offset the increasing costs for nickel, chromium, unalloyed scrap and other inputs.

As per report the flat rolled stainless steel consumer in North US will face another price increase in raw material surcharges in April. Austenitic grades surcharge will hit a new record high level in April, in case of type 304 of USD1.7363 to USD 1.7421 per pound doubled since August 2006 and tripled compared to last March.

Ferritic stainless surcharges are also on the rise. Type 430 in April reaches the highest so far this year at USD 0.1323 USD 0.1382 per lb.

China's unyielding trade surplus growth

- 15 Mar 2007

Xinhua reported that China's rapidly swelling trade surplus in the first two months of this year astonished experts, who believed it was mainly attributable to the nation's trade structure and soaring exports in anticipation of lower tax rebates and appreciation of the RMB. According to customs data, the processing trade accounted for 80% of the surplus of which foreign funded enterprises made up an overwhelmingly large proportion. Given the sustained rapid growth in the global economy it is difficult for China to reduce the surplus in the short term.

Mr Yi Xianrong a renowned economist with the Chinese Academy of Social Sciences said "The situation will probably remain largely unchanged in the next decade." The Shenyin Wanguo Securities predicted that this year China's trade surplus would exceed USD 210 billion a growth of USD 40 billion from the 2006 level

Ms Mei Xinyu a research fellow with the Research Institute of International Trade and Economic Cooperation under the Ministry of Commerce said that appreciation of the yuan has in the short term meant increased revenues for exporters, while imported primary products, which were less costly led to a slower rise in the value of imports.

The relatively slow growth in arrivals was also ascribed to less demand for imports that have been substituted by domestically made products. Some other experts said the fast growth in exports was attributable to strong demand for China made products worldwide. Greater export activity by domestic enterprises in anticipation of lower tax rebates and RMB appreciation, also contributed significantly to the rapid growth, experts believe. Generally speaking, the RMB's sustained appreciation will help dampen Chinese exporters' earnings in the long run.

Remedies were suggested for mitigating the huge trade surplus, including taking tough measures to squeeze export bubbles, increasing domestic demand, readjusting export related taxes and expanding imports, particularly of new and high technology

products and energy efficient equipment. Mr Zhang Jiao, a national political consultant, believed the conditions were ready for scrapping tax rebates on exports. Other experts said it was necessary to further ease foreign exchange controls so as to encourage more Chinese firms to invest abroad. Some national legislators have suggested that monetary policy be readjusted to curb the inrush of hot money. Interest rates on deposits should be maintained at a low level, while interest rates on loans and the required reserve ratio for commercial banks should be kept high, they said.

According to customs sources the trade surplus for the first two months amounted to USD 39.6 billion, USD 27.6 billion higher than the same period last year. It exceeded the surplus for the Q1 in 2006 and amounted to 22% of the whole 2006 figure.

Hot band spot prices jump up in last fortnight

- 15 Mar 2007

SteelBenchmarker™ reported an overall jump in hot band prices for the last fortnight

The four benchmark prices for hot rolled band included in the March 12th report are

1. US

USD 611 per metric ton FOB the mill

Up by USD 14 per ton from USD 597 two weeks ago

Down USD 87 per ton from the peak of USD 698 on July 24th 2006

2. World Export Price

USD 583 per metric ton FOB the port of export

Up by USD 21 per ton from USD 562 two weeks ago

Down USD 27 per ton from the peak of USD 610 on June 12th 2006

3. Western Europe

USD 660 per metric ton ex works

Up by USD 36 per ton from USD 624 two weeks ago

Up by USD 29 per ton the previous peak of USD 631 on July 24th 2006

4. China

USD 440 per metric ton ex works

Down by USD 2 per ton from USD 442 two weeks ago

Down USD 24 per ton from the peak of USD 464 on June 12th 2006

SteelBenchmarker publishes steel benchmark prices for hot rolled band, cold rolled coil, rebar and standard plate in the US, Western Europe, mainland China and the world export market twice each month.

SSINA releases 2006 special steel market data for US

- 15 Mar 2007

The Specialty Steel Industry of North America has released the latest available statistical data on imports, US consumption and import penetration for 2006 as compared to 2005.

Imports of total specialty steel comprising stainless steel, alloy tool steel and electrical steel in 2006 were 1,010,892 tons, a 15% increase compared to 2005; US consumption was 3,108,118 tons, a 12% increase; import penetration was 33%, a one percentage point increase.

Alloy tool steel: Imports in 2006 were 101,010 tons, a 17% decrease compared to 2005; U.S. consumption and import penetration were not calculable.

Electrical steel: Imports in 2006 were 81,784 tons, a 1% decrease compared to 2005; U.S. consumption was 439,208 tons, an 8% increase; twelve-month import penetration was 19%, a one percentage point decrease.

Imports of total stainless steel (comprising the foregoing product lines) in 2006 were 828,098 tons, a 23% increase compared to 2005; U.S. consumption was 2,591,577 tons, a 15% increase; import penetration was 32%, a two percentage point increase.

Item	2006	Change	Consumption	Change	Penetration
Strips	515,017	36%	1,842,713	13%	28%
Plates	112,479	35%	358,406	41%	31%
Bars	120,456	-3%	233,278	-1%	52%
Rods	31,479	24%	71,361	8%	44%
Wire	48,667	11%	85,819	12%	57%

In tonnes

Wheeling-Pittsburgh announces raw materials surcharge

- 22 Mar 2007

Wheeling Pittsburgh Steel Corporation has announced that it will institute a USD 53 per ton raw materials surcharge on orders with effect from April 1st 2007.

To calculate the surcharge, Wheeling Pittsburgh Steel will subtract its surcharge baseline of USD 295 from the AMM Pittsburgh No 1 Busheling price and multiply that figure by the percentage of its combined scrap content for both its BOF and EAF operations. Current scrap content of the combined steel production is 70% and can change based upon operations.

The base period for scrap surcharge calculations will be February 20th 2007 for all sheet products as follows.

AMM Scrap Iron & Surcharge Scrap Scrap April 2007 Sheet Consumer Baseline
 Change Content Monthly Buying Price February 20, Surcharge (Pittsburgh No. 1
 2007 Busheling) USD 370 Per Ton USD 295 Per Ton USD 75 Per Ton 70% USD 53
 Per Ton

Mr Thomas E Mihelcic VP commercial of Wheeling Pittsburgh said that "The continued volatility of steel scrap has made it necessary for Wheeling-Pittsburgh to develop a methodology for administering a scrap surcharge. We believe our calculation provides a fair way for Wheeling Pittsburgh to capture the growing portion of our production that is influenced by the highly volatile scrap market."

IISI releases short term steel demand outlook

- 27 Mar 2007

International Iron & Steel Institute has released its latest forecast of apparent steel demand for 2007 to 2008, which was prepared by its Committee on Economic Studies and reviewed by the IISI's board of directors at their meeting in Delhi on March 25th 2007.

IISI said that 2006 was a particularly strong year for steel use with a growth of 8.5% for the world It has now forecast a growth of 5.9% in 2007 taking the total to 1.179 billion tonnes an increase of 65 million tonnes over 2006.

IISI said "The particularly strong positive trend is foreseen for both years in Africa, Asia and South America. Growth continues in Western Europe and after an inventory draw down in 2007 in North America a positive trend is forecast in 2008." The region wise forecast is as under

Region	2006	Change	2007	Change	2008	Change
EU 27	184.7	11.2%	187.4	1.5%	191.0	1.9%
Other Europe	28.0	14.9%	29.8	6.5%	31.7	6.4%
CIS	48.4	12.9%	51.3	6.1%	54.4	6.0%

NAFTA	154.9	11.1%	150.1	-3.1%	156.6	4.3%
Latin America	36.0	11.7%	38.2	6.1%	40.5	6.0%
Africa	21.6	9.7%	23.1	6.9%	24.9	7.8%
Middle East	36.8	10.3%	40.2	9.1%	43.6	8.4%
Asia	602.8	6.1%	658.5	9.2%	708.0	7.5%
WORLD	1113.2	8.5%	1178.6	5.9%	1250.5	6.1%
China	356.2	9.0%	402.5	13.0%	442.8	10.0%
Rest of the World	757.0	8.3%	776.1	2.5%	807.8	4.1%

In million tonnes

Source IISI

IISI added that “China remains the largest single market and the strongest growth area. Steel use will increase by 13% in 2007 followed by another 10% in 2008, taking the total to 443 million tonnes 35% of the world total.”

Region	2006	Change	2007	Change	2008	Change
China	356.2	9.0%	402.5	13.0%	442.8	10.0%
Rest of the World	757.0	8.3%	776.1	2.5%	807.8	4.1%

In million tonnes

Source IISI

2006 stainless steel production increases by 16.7% YOY

- 27 Mar 2007

The International Stainless Steel Forum has announced that stainless steel production rose by 16.7% YoY to 28.4 million tonnes in 2006 and that all major regions of the world contributed to this strong growth. It must be noted that 2005 saw a small decline in world stainless steel production of -1.1% YoY, however, the increase in 2006 growth more than just compensates for the production decline in 2005.

Crude stainless steel production in Asia grew by 20.6% YoY to 15.1 million tonnes. Asia now produces more than half of all stainless steel in the world. The driving force was China with production of 5.3 million tonnes of stainless steel, a growth of 68% compared to 2005. The strong increase in production is partially based on new capacity which came on stream during 2006.

Until now Japan has been the largest stainless steel producer in Asia. In 2006, total production in Japan was 4.1 million tonnes, an increase of 2.3%. All other stainless

steel producing countries in Asia showed growth rates of between 9 and 13%. However, production in South Korea remained flat.

The second biggest producing area in 2006 was Western Europe & Africa where 2006 SS production increased by 13.4% YoY to 10 million tonnes in this region.

The Americas increased their stainless steel production by 9.8% YoY to nearly 3 million tonnes.

Central & Eastern Europe production increased by 17% YoY to 363,000 thousand tonnes

Global stainless and heat resisting crude steel production in 2006

Region	2004	2005	Change	2006	Change
Western Europe/Africa	9,422	8,795	-6.6%	9,972	13.4%
Central and Eastern Europe	318	310	-2.5%	363	16.8%
The Americas	2,933	2,688	-8.3%	2,951	9.8%
Asia	11,897	12,498	5.0%	15,074	20.6%
World total	24,570	24,292	-1.1%	28,359	16.7%

In '000 tonnes

Source ISSF

BHP forecasts firm metal demand for decades

- 27 Mar 2007

Bloomberg reported that world's biggest mining company BHP Billiton forecasts that prices of copper, nickel and other metals will remain high for several decades as demand from China and India climbs.

Mr Chip Goodyear CEO of BHPB in an interview in Santiago said that "I'm excited about what we'll see over the next several decades as 2.5 billion people in China and India and other parts of the developing world enter the world economy. Is China and India the next reason for a multi decade increase in commodity prices? We're positive about that."

Mr Goodyear said that "The real driver in China is 15 million people a year moving from a rural or agrarian economy to an urban economy. We don't see that ending for a long time. People are striving for a better way of life."

Mr Goodyear said that a slowdown in the US economy won't hurt demand for metals and BHP will not change production plans on the basis of an economic slowdown in the US. He said "The fact is that the big drivers for commodity consumption in the world are taking place in other parts. For most of our commodities, the biggest consumer is China, not the US."

National Australia Bank forecast firm commodity prices in 2007

- 02 Apr 2007

National Australia Bank Ltd last week announced that global prices of commodities should remain stronger for longer with a decline in 2008. It has forecasted that the overall price index of 19 commodities in USD, after surging by 17% YoY in 2006 will rise a further 1.5% YoY in 2007 before declining 11% YoY in 2008.

National Australia Bank, in its March 2007 price outlook publication forecast that in the short term, non rural commodity market fundamentals will remain firm, with demand growth driven by the economic development of China and to a lesser extent India. It said "Although China is already either the largest or second largest consumer of most mineral and energy commodities, consumption broadly remains low on a per capita basis indicating the potential for sustained longer term growth."

The bank also noted that exchange traded commodities have been exposed to increased speculative pressure in recent years with investors lured by higher returns. It said that however, recent losses in natural gas, copper and zinc markets might refocus speculative market participants on the risks, not only returns, of commodity investments, resulting in a slowing or even withdrawal of investments, adding to price uncertainty.

NDRC forecasts Chinese domestic steel price recovery in Q2

- 01 Apr 2007

China's top planning body National Development & Reform Committee in a recently released report estimated that China's domestic steel price has retreated slightly recently but is likely to stage steady gains in the second quarter bolstered by demand revival and slower output growth.

As per report, the average price of major steel varieties, during last week, lost 0.6% WoW to CNY 3969 per tonne as compared to the week before.

Products

Price

WoW

YoY

Wire rod	3334	-0.5%	8.0%
Rebar	3399	-0.3%	8.9%
Medium plate	4055	-1.1%	16.8%
CR sheet	5087	-0.4%	

Piece in CNY per tonne

Changes are with respect to previous week and corresponding period of 2006

NDRC noted that steel demand would strengthen in the second quarter as the construction activities set to be stimulated in the peak season.

However, the report also cautions that mooted rebate change, rising trade frictions and spiking raw material price would add uncertainties to domestic steel market. Chinese steelmakers therefore should keep production in tune with sales, upgrade product structure and diversify export destinations.

(Sourced from MySteel.net)

UBS forecasts steel prices drop in 2008

- 31 Mar 2007

UBS AG forecast that global steel prices are likely to fall through next year on rising inventories and increased exports from China.

Mr Peter Hickson an analyst with UBS in a recent report said that prices for benchmark steel product hot rolled coil peaked in the US last year and will drop 8.5% next year in Europe.

Mr Hickson said that steel plant expansion in Brazil, India and China will contribute to a 5.3% growth in production next year, swelling global inventories.

China's nickel output and demand to increase by 50,000 tonnes in 2007

- 31 Mar 2007

Platts reported that Beijing's Antaika has forecast China's nickel output at 190,000 tonnes to 200,000 tonnes in 2007 up from the around 140,000 tonnes produced in 2006.

Antaika also forecast China's demand for nickel to grow 20% YoY to 300,000 tonnes

in 2007 from 250,000 tonnes in 2006 on the back of higher demand for stainless steel with production expected to rise to 7.2 million tonnes in 2007 from 5.3 million tonnes in 2006.

In view of the strong demand of nickel for stainless steel production, the Antaike official expects domestic nickel prices to continue its upward trend in 2007 growing say about 12%

Hot band prices continue to increase in last fortnight

- 29 Mar 2007

The four benchmark prices reported by SteelBenchmarker for hot rolled band included in the March 26th 2007 are

1. US

USD 622 per metric ton FOB the mil

Up by USD 11 per ton from USD 611 two weeks ago

Down by USD 76 per ton from the peak of USD 698 on July 24th 2006

2. World Export Price

USD 596 per metric ton FOB the port of export

Up by USD 13 per ton from USD 583 two weeks ago

Down by USD 14 per ton from the peak of USD 610 on June 12th 2006

3. Western Europe

USD 674 per metric ton ex works

Up by USD 14 per ton from USD 660 two weeks ago

Up by USD 43 per ton the previous peak of USD 631 on July 24th 2006.

4. China

USD 432 per metric ton ex-works

Down by USD 8 per ton from USD 440 two weeks ago

Down by USD 32 per ton from the peak of USD 464 on June 12th 2006.

SteelBenchmarker publishes steel benchmark prices for hot rolled band, cold rolled

coil, rebar, and standard plate in the US Western Europe, mainland China and the world export market twice each month.

Macquarie forecasts tight nickel market until 2010

- 28 Mar 2007

Macquarie Commodities forecast that slow supply growth in the nickel market will keep the market tight until 2010 with average 2007 prices jumping up by 34% YoY. Mr Jim Lennon analyst at Macquarie Commodities told delegates at the Informa Australia nickel conference in New Caledonia that nickel cash prices will again raise sharply to average USD 32,518 a tonne during 2007 up from an average USD 24,271 per tonne last year. Delays at CVRD Inco's Goro and BHPB's Ravensthorpe project in Australia have been key drivers in nickel's meteoric price rise.

He said that "Total nickel demand would have grown by 4.8% a year and not 3.6% a year if not for the nickel shortage. Consumption growth will slow to 2.9% in 2007, down from 11.9% last year but is expected to rebound again to 7.4% in 2008. The market will move to a small surplus of 7,000 tonnes this year following a large deficit of 51,000 tons in 2006 but stronger demand growth of 7.4% during 2008 will absorb growth of 7.3% in output keeping the market tight."

He added that while nickel's outlook points to higher prices for a lot longer, Chinese production of nickel containing pig iron represented a wild card in nickel's supply and demand fundamentals.

He said that a slowdown in stainless steel growth could also offer some short term relief for the market but warned that Chinese demand might be even stronger than we assume as it always is. Chinese stainless steel production totaled 5.23 million tons in 2006 up by 59.2% YoY and forecast to grow another 40.7% this year.

He concluded that "Demand growth will also accelerate to an average of 5.5% between 2006-2011, on the back of urbanization and building of infrastructure in India, China and other developed countries, and possibly Africa unleashing huge pent up demand. But high prices will encourage scrap use and use of lower quality stainless steels with lower nickel content."

MEPS sees surge in international steel prices

- 28 Mar 2007

As per the latest price analysis by UK based steel consulting group MEPS, a worldwide surge in steel prices has been noticed. Their analysis for different markets is given below.

MEPS said that a proportion of the recent transaction price rises announced by the US producers are slowly working their way into the market place, in many instances driven by escalating scrap surcharges and mill order books for April have filled up quickly and several suppliers are now quoting mid May as import offers are few at present, due to the weak dollar and good demand elsewhere. It added that although inventories at the service centers are coming down they have still not reached the desired level and resale margins are holding steady for now but some resistance to higher prices has been noted. Distributor business is steady.

MEPS said that “Canadian transaction values are above those of February and price pressure in the coming weeks is expected to be positive. Mills want a CAD 30 to CAD 50 per tonne rise in May. Service centre inventories are reducing in a climate of better demand. Some distributors report that stocks are down to 2 to 2.5 months supply.”

MEPS said that Chinese players are cautiously optimistic following the resumption of business after the New Year holidays and that the domestic demand is good and export business continues to flourish. It said that “After Baosteel announced its intention to ramp up period two prices by an average of 7%, market values have started to respond. An additional boost came from news that India would impose a duty of more than USD 6 per tonne on iron exports from the beginning of March.”

MEPS for Japan said that the domestic and export demand is strong and this scenario, combined with higher input costs has led to a number of price rises, however, total domestic inventories of strip mill products held by steelmakers and service centers, at end January, were up 3.3% as compared to December.”

In case of South Korean, sales continue to be dull amidst increased capacity and inventory depletion in the distribution sector is still not in its final stages. But the Taiwanese market appears quite strong after the Lunar New Year and encouraged by the price hikes proposed by the major mills in mainland China, CSC has followed the trend with announcements of higher prices for the second quarter.

MEPS said that the Polish economic situation is progressing well creating excellent demand conditions for steel and the producers hope to boost prices in the second trimester. It said “The economy is also very positive in Slovakia and the Czech

Republic. Manufacturing industry is booming and the early onset of spring has been good for business. Prices are expected to continue on an uptrend over the next few months, although no substantial movements are likely. Imports pose no problems.”

MEPS said that the majority of period two business has yet to be settled in Western Europe and a number of steelmakers have announced plans to lift April prices by around EUR 20 to EUR 30 per tonne but many customers believe the amounts to be too ambitious, given the availability of cheaper third country imports adding that the number of offers have declined recently and price wise they are less interesting than at the end of 2006.

MEPS forecasts decline in SS prices by the end of 2007

- 06 Apr 2007

As the hot rolled stainless steel transaction values went up significantly in Asia and North America to reflect higher nickel costs, offset by declining basis values in the EU. MEPS see scope for further substantial increases in the short term in Asia and North America with more modest figures expected in the EU.

MEPS said that “Basis values are forecast to decline in both the EU and North America over the next few months. However, lower alloy surcharges should help to alleviate the downward pressure in the medium term.”

MEPS added that “Higher stocks and lower demand will put pressure on the mills to discount prices in all regions during the second half. This will lead to an inventory depletion phase which will further exacerbate price erosion. In the longer term, we expect stainless transaction values to decline in all regions to the end of 2007.”

MEPS upgrades its carbon steel price forecast

- 09 Apr 2007

UK based steel consulting house MEPS has modified its carbon steel flat products forecast in line with the new market conditions under which further gains are now anticipated into the second half of this year as the threat from competitively priced imports from China and Russia diminishes.

MEPS said that “However, substantial quantities of new capacity are reported to be coming on stream in China in the coming months. This is likely to put negative pressure on local prices which will already be suffering from lower volumes of business into foreign markets as a result of the loss of the export tax rebate on certain products. Reduced export prices could follow thus reversing the current

positive sentiment around the world. Lower Asian values could extend into the autumn and winter in the northern hemisphere.”

In the long products sector, MEPS expects scrap prices to remain buoyant for a few more months ahead as Chinese steel production continues to be strong and has adjusted its last months forecast accordingly. MEPS said “Decreases in the export tax rebates are likely to limit sales to foreign markets and slow the growth rate in steel output in the country. As a consequence, we believe that scrap prices will start to decrease before the middle of the year. Traditionally strong steel market demand in the late springtime, could delay the decline in global steel prices until the third quarter of 2007 and into 2008.”

MEPS forecasts 1.6% increase in global SS output in 2007

- 04 Apr 2007

MEPS have forecast that global crude stainless steel production in 2007 would be 28.5 million tonnes in 2007 up by 1.6% YoY. MEPS said that high prices in recent months prompted overbuying by customers through 2006 and the early months of this year and an inventory depletion phase is predicted for the next 3 quarters.

As per MEPS, US is anticipating 5% decrease in its output this year and demand is starting to slow down and import volumes are likely to remain at high levels. EU output is predicted to decline by 6% in 2007 and both domestic and export demand is expected to be lower and mill output curbs are anticipated.

MEPS said that Japanese consumption is fair and a modest improvement in supply by the producers is probable this year while production in South Korea is forecast to be little changed. However a decrease is probable in Taiwan as high prices have checked demand It added that a similar picture has been recorded in China but the monthly output has moved to a higher level from new capacity installations and that production gains are predicted in the others grouping mainly from India and Brazil.

AISI aims steel campaign at US policy makers

- 04 Apr 2007

American Iron and Steel Institute, which is spending a total of USD 3.2 million to change Washington DC policy makers' outdated perceptions of US steel industry, has launched the 2nd phase of ad campaign in February 2007.

Ms Nancy Gravatt a spokeswoman for the American Iron and Steel Association said that "We did research last year and found out Washington didn't understand the industry. The industry effort is to do a better job of educating Washington policy makers on the revitalized state of today's steel industry. The more they're aware how it's progressing environmentally, how high tech it is and the significance of steel to national economy, the more they are apt to fashion sound public policy."

Ms Grayatt said that the policy makers need to understand how much steelmakers have poured into their plants in terms of technology, reducing energy needs and state of the art equipment.

Ms Grayatt informed that the first USD 1.2 million advertising and educational campaign "The New Steel" was launched in June 2006 and continued during the period while Congress was in session until September. She said that "Its effectiveness then was measured through telephone surveys and we found we had made some progress." She added that a second USD 2 million campaign, which began in February 2007, is aimed at the same policy makers, plus the new members of the 110th Congress and their staffs.

She also said that the radio and print campaign is supplemented by ads at Washington's Metro stops and in transit cars. The effort, which will continue through April 2007, aims to create awareness of the industry, the issues affecting it and its public policy initiatives. She also added that "The survey's results will show us if we're continuing to make headway in our education process. If not, we'll have to decide the next step."

MEPS sees rise in steel prices in North America in short term

- 03 Apr 2007

UK based steel consultants MEPS in their latest forecast for North American steel prices upgraded their past forecast citing reduction in inventories at the service centers, anticipation of mill price increases in the coming months as higher scrap costs are real demand and diminishing import threat, at least in the short term. MEPS now forecast a substantial rise in the average price over the next 5 to 6 months and said that the prices should peak at a figure close to the high point of the previous cycle in mid 2006.

MEPS said "We expect the current scrap price to decline later in the year as the rate of increase in global consumption starts to slow down. A price slippage is predicted

for the second half of 2007. Inventories in the United States remain stubbornly above the desired levels for existing real demand in the market place. However, we caution that in the current climate, market fundamentals can be upset by actions in other parts of the world particularly affecting price offers by importers.”

It added that “Scrap surcharges are expected to surge in the coming months. Further steel transaction price increases are almost inevitable in the short term and our forecast has been adjusted accordingly. Sales activity is reported to be at acceptable levels. This leads us to believe that the average price will continue to expand for several months ahead. The figure in mid year is likely to be at a record level - beating the previous peak value recorded in October last year. Domestic mills are pushing up prices.”

However MEPS believes that the scrap cost will decline as the rate of increase in global consumption slows and as a large proportion of the steel price hike is associated with scrap, the second half of 2007 will see a steady reduction in price.

Bulk commodities freight rates forecast to surge

- 10 Apr 2007

Industry experts forecast that shipping rates for iron ore and coal, driven by demand from China and port bottlenecks, may rise to a record this year and gain further until 2010.

Mr Lee Jong Chul CEO South Korea's largest carrier of bulk commodities STX Pan Ocean Co in an interview said that “We could see a record level for moving bulk this year. The recent market sentiment, congestion at ports and unexpectedly strong demand from China will bring rates to levels last seen in 2004.”

Mr Lee said that delays at Newcastle in Australia, the world's biggest port for coal shipments, have contributed to higher rates as Vessels in Newcastle have to wait about 30 days to load because of a lack of capacity. The problem of congestion is not an issue that will be resolved quickly. As many as 300 largest bulk carriers are waiting to load or discharge at any one time, tying up 15% of global capacity.”

Ms Louisa Follis GM of research at shipbroker Simpson Spence and Young in Singapore said that about 25% of the world's existing fleet of bulk vessels are on order shipyards that's less than the oil tanker industry, where 40% of the world's fleet are on order. Ms Follis said that “The dry sector is fundamentally strong. Limited fleet is expected to keep tonnage shipping relatively tight.”

According to the Baltic Exchange in London, the Baltic Dry Index has risen 24% this year after an 80% surge in 2006 and it rose a record 6,208 in December 2004 averaging 4,511 in 2006 while the average so far this year is at 4,692.