Platts to publish weekly HRC & Rebar benchmark prices by year end

- 11 Oct 2006

Platts has announced plans to publish weekly steel US and European prices by the end of the year and daily prices, along with additional pricing points, by the first quarter of 2007.

LME has selected Platts as the partner for the development of steel market price assessments in May. Platts will publish prices for flat and long products in Europe and the US. Price and market analysis will be available via a daily publication and in real time through major third party vendors and LME channels.

As per release, Platt will initially start with hot rolled coil and rebar as per following

Europe HRC
EN 10025 structural grades
3mm to 15mm thickness in widths of 1200mm to 500mm
EXW Ruhr - FOB Black Sea - CIF Antwerp/Rotterdam

North America HRC
ASTM A 1011 commercial type B/C
0.836 inches to 0.625 inches thickness in widths of 48 inches to 60 inches
Ex-mill Indiana and CIF Gulf Coast

Europe rebars
B500B/C
16mm to 22mm in diameter and 12meter in length
Ex-works NWE, FOB East Mediterranean basis Turkey

North America rebar
ASTM 615 and A60
#7-#11 and 20 feet
Ex-works US Southeast States and CIF Gulf Coast

Pricing will be determined by talking to the whole supply chain producers, consumers, service centers, stockiest and traders and by factoring in market fundamentals.

NAM Board Votes “NAY” on Tough China Legislation

On September 28, the board of the National Association of Manufacturers (NAM) voted not to support tough Chinese currency legislation that is strongly supported by PMA and several other trade associations that represent small and medium-sized manufacturers.

Earlier this summer, NAM’s International Economic Policy Committee (IEPC) voted to support H.R. 1498 (Hunter-Ryan). This legislation would define currency manipulation as an illegal subsidy and give companies the ability to petition for new duties on Chinese imports. The IEPC’s passage of the motion to support H.R. 1498 was an encouraging sign to small and medium-sized manufacturers that have been trying to make headway within the organization. However, the NAM board of directors voted against supporting the bill and instead decided to “give Secretary Paulson more time to implement the newly enhanced high-level engagement and dialogue with China’s top leaders,” John Luke, NAM’s chairman, said in a statement.

Many small and medium-sized NAM members feel that the time to talk has run out, and serious action is needed to force China to honor the WTO rules it has agreed to.

PMA will continue to work with NAM and Congress to push for the support and passage of H.R. 1498.

NAM Study Shows Structural Costs Continue to Increase

According to a NAM study entitled The Escalating Cost Crisis conducted by economist Jeremy Leonard of MAPI, the cost of manufacturing in the United States continues to rise compared to our nine major trading partners. Structural costs for manufacturers have increased from 22.4 percent to 31.7 percent since 2003. The methodology of the study analyzed five structural, non-production costs: corporate tax rates, employee benefits, legal costs, natural gas and pollution abatement.

The corporate tax rate was both the highest burden in absolute terms and the largest contributor to the increase in structural costs, responsible for more than one-third of the increase in the cost burden. While the corporate tax rate has remained the same since 2003, some trading partners have lowered their statutory tax rates, thus widening the gap and undercutting American manufacturers.

Historically, natural gas prices have been a competitive advantage for American manufacturers, costing on average 30 percent less than the nine major trading partners in the mid-1990s. This advantage has turned into a competitive disadvantage, as the average cost of natural gas for those nine major trading partners was 0.7 percent below the price paid by American manufacturers in 2005.

Pollution abatement costs have increased by 11.5 percent since 2000, to an estimated $77 billion in 2004, according to the study, increasing the cost burden by 1.7 percentage points relative to its major trading partners.

Nickel prices on LME hits record $30,250 per tonne

- 10 Oct 2006

The price of nickel struck an all time high point of $30,250 per tonne, benefiting from falling stockpiles and strong gains by base metals in general.

On the London Metal Exchange the price per tonne for 3 month delivery reached $30,250, the highest reading since nickel began trading on the exchange in 1979.

Nickel prices have soared 125% since Jan 1st 2006 and had broken through the $30,000 barrier on August 24th.

US's import of special steels up by 8% during January to July 2006

- 12 Oct 2006

The Specialty Steel Industry of North America has released the latest statistical data on imports, US consumption and import penetration covering January to July 2006 with comparisons to the same during January to July 2005.

Imports of total specialty steel comprising of stainless steel, alloy tool steel and electrical steel during January to July 2006 were 566,088 tons up by 8% YoY. US consumption was 1.801 million tons up by 9% YoY and import penetration was 31% decrease of one percentage point decrease.

Category	Imports	Change	Consumption	Change	IP	Change
SS	457,463	(+)14%	1,491,026	(+)10%	31%	(+) 1% point
Alloy	61,114	(-)15%	NA	NA	NA	NA
Electrical	47,511	(-)13%	264,464	(+)11%	18%	(-) 5% points

Sources - SSINA
All figures in tons
Consumption figures are for US
IP stands for import penetration

In case of stainless steel products, the details are available as under

Item	Imports	Change	Consumption	Change	IP	Change
Sheets/strips	290,162	(+)31%	1,077,973	(+)11%	27%	(+)4% point
Plates	56,054	(+)18%	193,807	(+)31%	29%	(-)3% point
Bars	65,740	(-)15%	131,015	(-)11%	50%	(-)2% points
Rods	17,606	(-)37%	38,825	(-)11%	45%	(-)20% point
Wire	27,900	(+)5%	49,407	(+)8%	56%	(-)2% point

Sources - SSINA
All figures in tons
Consumption figures are for US
IP stands for import penetration

SSINA is a Washington DC based trade association representing virtually all continental specialty metals producers. Specialty metals are high technology, high value stainless and other specialty alloy products.

Vanadium supply to outgrow demand from 2007

- 12 Oct 2006

Mr Robert Bunting of vanadium producer Strategic Minerals Corp, while addressing International Titanium Association last week in San Diego informed that the Vanadium supply is growing and could soon exceed supply. Mr Bunting said that “Demand for new sources of iron ore will lead to expanded production of vanadium bearing slag, most notably in Russia and China."

Mr Bunting said that "If we assume that vanadium consumption continues to grow at the same rate of 5% as it has, on average, since 1998 and if all currently projected vanadium production increases all happen notably in Australia, South Africa, Russia and China there will be an excess supply of vanadium from 2007 onwards."

Mr Bunting said that this is likely to lead to lower vanadium prices and higher consumption, especially in China, perhaps quadrupling Chinese consumption however there will still be a surplus of vanadium supply between 2007 and 2009. He suggests that such a surplus would likely cap pricing at around today's level and make a repeat of the 2004-5 price spike unlikely.

U.S. Trade Deficit Hits New Record in August
Paulson Dialogue with China Offers Little Hope as U.S. Multinationals Continue to Lobby Washington on China's Behalf

Today, the Commerce Department reported the August deficit on trade in goods and services was $69.9 billion, up from $68.0 billion in July, setting a new record.

The petroleum deficit was $27.2 billion in August, up from $25.7 billion in July, as prices and the quantity of oil imported rose.

The trade deficit with China was $22.0 billion in August, up from $19.6 billion in July.

The ballooning trade deficit will tax third quarter growth by about two-tenths of a percentage point. Longer term, the trade deficit substantially slows investments in R&D, education and training, and the multiplier effects on U.S. growth are disturbingly larger.

In addition, trade deficits must be financed by foreigners investing in the U.S. economy or lending Americans money. Direct investment in U.S. property and productive assets provides only a small portion of the needed funds, and the balance is obtained through the sale of Treasury securities, corporate bonds, bank accounts, and other paper assets. Americans borrow about $60 billion each month to consume more than they produce. The total debt will exceed $6 trillion by early 2007.

Oil, Currency and China

Since December 2001, the trade deficit has increased $43.3 billion. Net imports of petroleum account for 50 percent of the increase in the trade deficit. Increased U.S. imports of consumer goods, automobiles, business equipment, and industrial components and materials, especially from Asia, account for 50 percent. The trade deficit with China, alone, has increased $16.5 billion.

In significant measure, the trade deficit remains stubbornly high, because the overvalued dollar pushes up imports of Chinese and other Asian manufactures and handicaps U.S. exports of durable goods and high-end services.

China continues to peg against the dollar. Although China revalued the yuan from 8.28 to 8.11 in July 2005 and announced it would adjust the currency to a basket of currencies, the yuan continues to track the dollar closely and currently is trading at about 7.93.

To limit appreciation of the yuan against the dollar, the Chinese central bank purchases more than $200 billion in U.S. and other foreign securities each year. This comes to about 9 percent of China's GDP and about 25 percent of its exports. These purchases provide foreign consumers with 1.6 trillion yuan to purchase Chinese exports, and create a 25 percent subsidy on foreign sales of Chinese goods.

The competitive advantage this affords Chinese exports impels other Asian governments to similarly manage their currencies, to limit their loss of market share in the United States.

U.S. manufacturers are particularly hard hit. China's currency market intervention creates a 25 percent subsidy on its exports, and competitive advantages in industries not dependent on low-wage labor. Other Asia economies follow suit with similar industrial policies.

Since 2000, through recession and recovery, the U.S. manufacturing sector has lost 3.1 million jobs. Following the pattern of past economic recoveries, the manufacturing sector should have regained about 2 million of these jobs, especially given the very strong productivity growth accomplished in durable goods and throughout manufacturing.

Factoring in the multiplier effects of higher wages and increased demand for workers, adult labor force participation would likely match 2000 levels, instead of its current depressed level. Overall, about 4 million more Americans would be employed, and as in 2000, unemployment would dip below 4 percent.

This impact of manufacturing and other export and importing-competing activities is likely to worsen. Although the underlying value of the yuan rises at least 5 percent each year, China is permitting the yuan to appreciate less than 2 percent a year. Hence, the dollar will remain at least 40 percent overvalued against the Chinese yuan, and significantly overvalued against other Asian currencies too.

Trade Deficits and Growth

Increased trade with China and other Asian economies should raise U.S. GNP and incomes by shifting demand from import-competing activities to export industries, where worker productivity and wages are highest. Instead, growing trade deficits with China and other Asian economies have shifted U.S. employment from both import-competing and export industries to nontradable services, like the retailing and hospitality industries, where worker productivity and wages are lowest. Were the Chinese yuan revalued and the trade deficit cut in half, U.S. GDP would increase about $300 billion or $2,000 for every U.S. worker.

Also, import-competing and export industries spend more than three times as much on R&D per dollar of value added than the private business sector as a whole. Cutting the trade in half would boost R&D enough to accelerate U.S. productivity and GDP growth at least one percentage point a year. That would amount to more than a 25 percent increase in potential growth.

The trade deficit has been taxing growth for most of the last two decades, and the cumulative consequences are enormous. Had foreign currency-market intervention and large trade deficits not robbed this growth over the last two decades, U.S. GDP would likely be 20 percent greater than it is today.

Politics, Protectionism and the Trade Deficit

Treasury Secretary Henry Paulson urgently needs to persuade China to significantly revalue the yuan; however, President Bush has been reluctant to give his Treasury Secretary levers that could move China to action. The President has limited U.S. efforts to diplomacy, instead of specific trade measures to neutralize Chinese currency subsidies, even though diplomacy has repeatedly failed.

At the conclusion of his recent trip to Asia, Treasury Secretary Henry Paulson announced the initiation of a U.S.-China Strategic Dialogue. As in earlier talks, the American approach will be to link currency to broader financial sector reforms and to persuade Beijing that revaluing the yuan to reflect market fundamentals best serves China's interests. However, under the current regime, China is growing at more than 10 percent a year and its economy shows no signs of overheating—inflation is less than 2 percent. It is hard to find disadvantage for China in such a macroeconomic performance.

The unvalued yuan permits China to create employment for underutilized rural workers on export platforms, and to provide competitive space for inefficient state-owned enterprises to modernize. China may want to cool growth a bit, but it is not about to give up its most powerful development tool—an undervalued yuan.

Subsidizing Chinese exports with an undervalued currency is nothing more than high profit protectionism that harms the U.S. economy; however, President Bush refuses to make protectionism costly to China and instead has chosen the path of appeasement. The Chinese sense weakness and exploit it.

Many U.S. multinationals, like GE, Caterpillar and GM are making huge profits in the protected Chinese market, and anticipate comparable opportunities in other similarly rigged Asian markets like India.

For example, GM and Ford are competitive in China, while their North American operations burn cash, hemorrhage jobs, and crush suppliers and cripple communities from Pennsylvania through the Middle West. International sales account for about half of GE profits abroad, and that share is likely to grow. A stronger yuan would slash profits for many U.S. multinationals like Caterpillar.

All those firms profit hugely from Chinese protectionism by moving jobs from the United States to China. Executive bonuses and the values of executive stock options are now aligned with the Chinese mercantilist cheap yuan policy. Each of these firms has demonstrated callous neglect for the interests of U.S.-based manufacturing and employment in the currency debate.

Branding their critics protectionists, instead of Beijing, these companies have opposed strong action against China, and have persuaded President and Secretary Paulson to oppose measures, proposed in Congress, to combat forcefully Chinese protectionism.

For example, the Bush Administration, at the behest of Caterpillar and others, opposes a bipartisan bill sponsored by Congressmen Duncan Hunter (R-CA) and Tim Ryan (D-OH) that would add the subsidies provided by currency manipulation to the list of unfair trade practices actionable under U.S. countervailing duty law, and permit domestic manufacturers to petition the Department of Commerce and U.S. International Trade Commission for duties to offset Chinese imports to offset these subsidies.

President Bush's reluctance to tackle currency issues and other industrial policies unfairly advantaging industries in Asia will harm Republicans in the fall elections. Many of the manufacturing jobs lost to subsidized imports are in swing districts in western Pennsylvania, Ohio, Indiana and elsewhere along the ridgeline between red America and blue America.

President's reluctance to address the root cause of job losses in these communities could cost Republicans their majority in the house.

Republican congressmen, finding themselves in minority status, will need only look up Pennsylvania Avenue for the policies and man responsible. They might also consider sending thank you notes to the Washington offices of GM, Ford, GE, and Caterpillar.

Peter Morici is a professor at the University of Maryland School of Business and former Chief Economist at the U.S. International Trade Commission.

Peter Morici
Professor
Robert H. Smith School of Business
University of Maryland
College Park, MD 20742-1815
703 549 4338
cell 703 618 4338
pmorici@rhsmith.umd.edu
http://www.smith.umd.edu/lbpp/faculty/morici.html
http://www.smith.umd.edu/faculty/pmorici/cv_pmorici.htm

US steelmakers & workers coalition intensifies battles for AD duties

- 13 Oct 2006

The US steel industry during a conference call with reporters, under the banner of Stand Up For Steel, accused the automakers of hypocrisy and short sightedness, intensifying battle over whether the federal government should cut import tariffs on some forms of steel.

The call was in response to a joint statement last week from 6 US and Japanese automakers General Motors Corp, Ford Motor Co, DaimlerChrysler AG, Toyota Motor Corp, Honda Motor Co and Nissan Motor Co that called for an end to tariffs on the corrosion resistant steel used to make cars and trucks because they artificially inflate steel prices .

The heated debate between the two industries comes a week before the International Trade Commission meets to discuss ending the tariffs or keeping them in place for another five years. In 1993, US ITC had slapped anti dumping duties on corrosion resistant steel, hiking prices for steel from Australia, Canada, France, Germany, South Korea and Japan.

Stand Up For Steel is a coalition representing leading steel makers and the United Steelworkers union. It also unveiled a new advertising campaign attacking the automakers' position on the tariffs with ads running in major newspapers with the headline "Don't Let America's Steelworkers Get Run Over By the Auto Companies." The ads say automakers should abide by the rules and play fair, not drive American manufacturing into the ground.

Merrill Lynch sees firm iron ore scenario next year

- 16 Oct 2006

In a recently published report, Merrill Lynch analysts have predicted that despite the 20% increase in Chinese domestic iron ore production forecast for this year, the international iron ore market will remain in deficit until 2009. Merrill Lynch analysts believe that the pricing power for iron ore will stand in the hands of the CVRD, Rio Tinto and BHP until at least JFY09E.

Merrill Lynch increased price forecast to +5% in JFY07E from rollover and to rollover in 2008 from -20%. Merrill Lynch also forecast a 5% increase for iron ore pellets in 2007 and flat prices the following year.

Merrill Lynch analysts feel that the iron ore prices will likely stay stronger for longer as the high cost, high CAPEX and lower & declining grades of the Chinese iron ore producers should underpin iron ore prices. The analysts also noted that given the high cost of the Chinese iron ore producers, "If iron ore prices decline by only 3% over the next two years from current spot price levels in China $76/per tonne, it could result in capacity shutdowns at the Chinese marginal producers.

Merrill Lynch said that ""We estimate…that the average mining costs at $37 per Mt in China could be as much as 7 times higher than mining costs of $5-$6 in Brazil given the average low grade, very high stripping ratios, and underground mining." The analysts also suggested that Chinese beneficiation costs could be 50% higher than the beneficiation costs in Brazil.

Nickel price forecasts uncertain

- 16 Oct 2006

The highest ever price outlook for nickel reflects the global surge in demand caused by robust stainless and specialty steelmaking and a supply tightness caused by several strikes. The world nickel price average is $9.69 during 9 month in 2007 and is expected to result in full year average of $9.5 to $10.8 for 2006.

However there's no consensus yet on 2007 spot pricing on LME with analysts forecasting different levels.
Morgan Stanley - $10.75
Australian Bureau of Agricultural and Resource Economics - $8.57
JP Morgan's commodities desk - $6.70
Westpac Banking - $6.50

Kyoto emissions targets seems out of reach

- 16 Oct 2006

It is reported that, with few exceptions, the world's big industrialized nations are struggling to meet the greenhouse gas reductions they committed to achieve in the embattled Kyoto pact on climate change with Europe veering off course, Japan is still far from its target and Canada has given up. However, Pro Kyoto activists dismiss such conclusions, saying the targets are within reach if nations just try a bit harder.

Among the worst off is Canada, which would not meet its Kyoto target of a 6% emissions cut on average over the years 2008-2012 and instead Canada’s emissions have ballooned by 29%. UN forecasts show Japan’s emissions will grow by 6% instead of shrinking by 6% as mandated by the treaty. The European Union is doing better and believes that it can meet its target of cutting emissions by 8% by 2012.

A broad scientific consensus is that greenhouse gases, such as carbon dioxide and methane, contribute to global warming by trapping heat in the atmosphere. The UN climate treaty's Kyoto Protocol, negotiated in that Japanese city in 1997 and effective as of last year, calls for an average 5% drop in greenhouse emissions by 2012 from the base year 1990. At a treaty conference next month in Nairobi, Kenya, the Kyoto nations will discuss cutbacks beyond 2012.

The US, the world's biggest greenhouse generator, dropped out of the Kyoto accord, complaining that it would hurt the US economy and that such big polluter developing nations as China and India were not included.

China's FOREX reserves climb to $987.9 billion

- 16 Oct 2006

The People's Bank of China last week reported that China's foreign exchange reserves had climbed to $987.9 billion by the end of September up by 28.46% on the previous year. The central bank report said the reserves increased by $169 billion in the first nine months of the year.

Official figures show the increase in reserves fell to 15.9 billion dollars in September from 17.5 billion dollars in August, but still higher than July's 13.6 billion dollars.

Statistics released on Thursday by the General Administration of Customs showed that China's trade surplus in the first nine months of this year hit 109.85 billion dollars, higher than the total of 101.88 billion dollars for the whole year in 2005.

Highveld to increase steel prices 5%

- 14 Oct 2006

It is reported that world's largest vanadium producer South African Highveld Steel & Vanadium would raise steel prices 5% next month as demand strengthened in South Africa bringing the company's average steel price increase this year to 25%/

Mr Andre de Nysschen CEO of Highveld in a telephone interview from Spain, where he is attending a vanadium conference, said that “South African demand was very strong. We are working our fingers to the bone to keep up. Our steel plant is operating at maximum capacity.”

Mr De Nysschen said that including next month's increase, Highveld has raised the price of steel used in construction by 17% this year and the price of steel plate & hot rolled coil have climbed up by 31% and 28% respectively.

Highveld’s price increase comes on the back drop on price hikes announced by South Africa’s biggest steel maker Mittal Steel SA.

US Steel urges China to reduce output to prevent global fiasco

- 30 Oct 2006

US Steel has urged China to do a better job of bringing down steel output and capacity expansion in line with market forces to prevent the world's largest producer from dumping excess inventory on world markets in the event of a demand fallback.

Mr Christopher Navetta senior VP of US Steel during a meeting last week said “If current China production rates continue, and domestic demand falters, China will dump into world markets in great quantities and cause major disruption." He warned "All producers will be harmed in this scenario."

He said that China needed more consistent and enforceable government regulations to prevent the flooding of overseas markets with excess steel. Mr Navetta said "The government proposes rules to balance production and trade, and then often changes course midstream. The recent sudden reversal on export tax rebates for certain steel products is one example of this."

China, which is likely to produce 420 million tonnes of steel in 2006, is generally thought by analysts to have overcapacity in excess of 100 million tons.

ARCI: Rail-car orders and backlog climb, deliveries fall in third quarter

Rail-car orders got back on track in the third quarter. Orders totaling 21,466 units rose 18 percent compared with the second quarter, when orders registered the first quarter-over-quarter loss since third-quarter 2005, according to the American Railway Car Institute Committee of the Railway Supply Institute. In addition, third-quarter car orders rose 23 percent compared with similar 2005 data.

Quarterly car deliveries fell slightly to 19,008 units compared with the second quarter's 19,466 units, but increased 16 percent compared with third-quarter 2005's 16,987 units.

Meanwhile, the car backlog as of Oct. 1 totaled 88,116 units, a slight increase compared with the 85,692-unit backlog on July 1 and 86,857-unit backlog on April 1. On Oct. 1, 2005, the backlog stood at 60,986 cars.

Steel prices likely to see downward correction

- 30 Oct 2006

Steel Authority of India Limited warned that prevailing high steel prices may not be sustainable next year and the industry would need to adjust according to market conditions.

Mr SK Roongta chairman SAIL told media in an interview "In 2007 steel prices could be lower to what are today." Mr SK Roongta said "There may not be a glut but producers need to price the product according to the market. We are on a higher band and a correction cannot be ruled out".

With China pumping out millions of tonnes of steel every month in global availability, instead of traditional imports, coupled with major slow down in US economy & built of service center inventory, the outlook on global steel prices is certainly downwards.

US steel prices under severe pressure

- 29 Oct 2006

The spot price of hot rolled coil steel in the US is coming under pressure because of oversupply due to record inventory, reports of discounting by smaller mills and a market psychology that now favors steel buyers.

The US market is in a state of flux as per feedback from steel buyers, traders, service centers and producers. There is little buying because the prevailing sense is the price will decline further. Platts reported that the consensus is the market through November and December will be terribly weak, with maybe a slim chance that January improves. Most sources, however, don't see the market strengthening until late in the first quarter.

A key factor is a massive inventory overhang at the service center level. Imports at fairly high levels have also contributed to the oversupply situation in US.

Mr James P. Bouchard chairman and CEO of Illinois based Esmark, a downstream processor and service center that buys more than 750,000 short tons of flat rolled steel per year, described the current flat-rolled steel market in the United States as horrible. He told Platts "A sizable correction is likely by early next year, with prices declining perhaps as much as $100 per short ton."

The monthly survey of business conditions from the Metal Service Center Institute was released early in the week and it showed that in September, carbon flat product inventories reached an all time high of 10.2 million short tons, a 6% increase from 9.6 million short tons the prior month. The months' supply rose to 3.8 months from 3.1 months in August due mainly to a 2% decline in average daily shipments and three fewer shipping days in September. At the same time, the MSCI reported that carbon flat-rolled steel shipments slipped nearly 6%.

Confronted with weakening market conditions, major US mills have been busy curbing steel output. Crude steel production in the US was 1.91 million short ton for the week ending October 21 down by 3.5% WoW as compared to 1.98 million short ton produced a week earlier.

China's steel consumption forecast for 2006-2010

- 29 Oct 2006

This article is extracted from a speech by Mr Li Shijun deputy secretary general of China Iron & Steel Association.

I. Steel Consumption Forecast for China's Energy Industry during 2006-2010 - During 11th Five-Year period (2006-2010), China will invest 350 million Yuan in energy construction. Thus, the nation posts great demands for steel and steel products.

1. Steel Consumption in Coal Industry
Steel consumed in coal industry amounted to 8.7 million tons in 2005, including 7.2 million tons used to produce propping facilities for coal mining production and the rest used to produce relative mining equipments. The steel consumption is expected to add up to some 14.5 million tons by 2010, containing 11 million tons used to produce facilities for coal mining products and the rest use to produce relative mining equipments.
Along with technology improvements as well as mix adjustments of coal industry, increasing volume of large-scale coal production base and higher degree of mechanization, China's coal industry demands for more steel products, especially high-strength and high-performance medium plate. Besides, it also requires higher quality in terms of steel products' strength and abrasion resistance.

2. Steel Consumption in Petrochemical Industry
In 2005, about 4.05-4.15 million tons of steel products were applied to petroleum exploration, development, transportation, reserve and petrochemical industry. The industry is expected to consume 6-6.5 million tons of steel products by 2010.

A)Steel applied to production of oil well pipe

Pipe products	Consumption	Proportion
Seamless pipe	215.6	95.73%
Welded pipe	9.62	4.27%

In (10,000 tons)
Note: Proportion refers to consumption volume of each variety against total oil well pipe consumption in China. In fact, the proportion of welded pipe has already reached some 40% in international market.

In 2005, China totally exported 606,300 tons of seamless oil well pipes, including 583,700 tons of casing pipe and 22,600 tons of drill pipe while imported 291,800 tons of seamless oil well pipe, including 192,800 tons of casing pipe, down 25.15% year on year. The imported pipe products mainly consist of high grade pipe steel, corrosion-resisting products and other steel products for special requirements.

At present, China's Tianjin Pipe Corp. is China's largest casing pipe maker and Baosteel is the largest oil pipe maker. China has not only rolled out K, N, C and P grades casing pipe according to API standards, but also developed a series of casing pipe with its own intellectual property rights.

B) Steel applied to production of pipeline steel
By 2010, about 3.5 million tons to 4 million tons of pipeline steel will be applied to production of various pipelines.

In 2005, about 1.6 million tons of pipeline steel was consumed, including 1.5 million tons of HRC and 100,000 tons of wide and heavy plate.

By now, Baosteel, Wuhan Steel, Anshan Steel, Wuyang Steel, Taiyuan Steel and Benxi Steel have had capability of producing X70-grade and the above pipeline steel.

The nation's imports had remained at some 20,000-30,000 tons per year before 2000. Anshan Steel and Wuyang Steel trial produce X80 HRC. Julong Steel Pipe Co., Ltd successfully rolls out submerged arc welded pipe (JCOE). Nanjing Steel also trial manufactures X80 pipeline steel trough its steckle mill.

Technology improvements in petroleum industry put forward higher requirements on pipeline steel. Demands for high-grade and high-performance pipeline increase.

3. Steel Consumption in Power Generation
In 2005, about 4.32 million tons of steel products were applied in power industry.

By 2010, about 650,000 tons of steel will be needed for thermal power, including about 300,000 steel pipes and 350,000 tons of medium plate.

Steel products applied in power generation mainly contain high pressure boiler pipe, main steam pipe, heat treatment reheating steam pipe, cool treatment reheating steam pipe, high pressure feeding water pipe and other pipes for conveying water, most of which are made from welded medium plate.

By now, China has been the largest hydropower country with quickest development in the world. China 's Yunnan Province , Guizhou Province and Sichuan Province are top three regions with abundant water resource in the nation. Hydropower generated in these three water-rich provinces accounts for 71% of the nation's total hydropower. During 11th Five-Year period, demands for hydropower will reach some 180 million kilowatt, accounting for some 25% of the nation's total power generation, up over 70 million kilowatt.

At present, there are 12 large-scale hydropower bases under construction in China. By 2010, about 80,000-100,000 tons of medium plate is needed for hydropower.

China’s installed capacity of nuclear power reached some 7.84 million kilowatt in 2005 and will surge to hit some 40 million kilowatt by 2010, denoting that the nation is expected to establish three fresh 1-mln-kw nuclear power stations per year on average from 2006. By then, there will be about 30 sets of 1-mln-kw nuclear power stations in China. At present, 4 nuclear stations under construction in Yangjiang, Guangdong Province and Sanmen, Zhejiang Province totally demand for about 20,000 tons of medium plate and about 15,000-20,000 tons of steel pipes. By 2010, nuclear power is expected to consume 30,000-40,000 tons of steel per year.

It is also forecasted that the installed capacity of wind power will hit some 4 million kilowatt at the end of 11th Five-Year period, representing average fresh installed capacity of some 800,000 kilowatt per year. During the period, domestic market volume of wind power is likely to linger at 1.3-2.3 billion Yuan with demands for medium plate at some 350,000 tons. Wind power has need of steel products' high quality to avoid low temperature cracking.

II. Steel Consumption Forecast for Transportation Industry during 2006-2010 - China’s transportation will continue to make great progress during 2006-2010.

According to a layout for medium- and long-term development of railway, China fresh and extended railway totals some 78,000 kilometers, presenting demands for railway steel products of some 9.5 million tons with average annual demands of over 600,000 tons. Besides, railway turnouts also need about 150,000 tons of rail steel per year.

Rail steel products applied to railway heavy repair and maintenance remain at some 800,000 tons per year during recent years and are expected to hit some 1 million tons at the end of 11th Five-Year period.

In 2005, about 4.17 million tons of steel products were applied to railway construction, which will need 5.49 million tons of steel products by 2010.

China’s railway only accounts for 6% globally while it undertakes 24% transportation work in the world. The nation's loading and unloading of railway averages some 120,000 vehicles per day; however, applications for lorry have already exceeded

280,000 vehicles per day.

Chinese government makes a blueprint of building several railways with total length of 12,000 km exclusively for passenger transport. By now, 9 such railways of over 3200km with speeds of 300 -350km/h have been under construction or are going to start construction, putting forward demands for railway steel products of nearly 1 million tons. It is estimated that over 400,000 tons of 100m railway steel products will be needed during 2007-2008 for railways exclusively for passenger transport.

Meanwhile, upgrading of about 5400km existing railways shows annual demands for 200km/h railway of some 400,000 tons per year.

China's lorry will be also upgraded from 2006, demonstrating great potential demands for steel products.

III. Steel Consumption Forecast for Construction Industry during 2006-2010 - In 2005, China's construction industry consumed 173 million tons of steel products, accounting for 50.55% of the nation's total steel product consumption, up 98.17 million tons from the consumption volume in 2000, representing average increase of 19.63 million tons per year. By 2010, the consumption, formerly estimated to rocket up by 53 million tons to 226 million tons (10.6 million tons per year on average), is expected to soar up by 85.5 million tons to 258 million tons, corresponding to average rise of 17 million tons per year. Steel consumption in construction industry will continue to climb up with lower growth rate during 11th Five-Year Period.

During 2001-2005, China's fixed asset investment for municipal construction was close to 2000 billion Yuan, accounting for 6.7% of the nation's total fixed asset investments. Chinese government will continue to invest over 200 billion Yuan to develop inter-city rail transit.

Besides, China's real estate industry will also post surprisingly great demands for steel products.

China's hot rolled H beam outputs surged to hit some 3.173 million tons in 2005 from 725 thousand tons in 2001, up 338%. In the mean time, the nation's imports began shrinking while exports boomed up.

By now, demands for H beam remain steady growth. By 2010, about 9 million tons of H beam will be required for construction while the nation's H beam capacity will reach some 9.55 million tons.

IV. Steel Consumption Forecast for Manufacturing Industry during 2006-2010

1. Automobile Industry

China's automobile outputs go up continuously with average rise in automobile sales volume of over 10% per year. In 2005, the nation totally manufactured 5.8 million vehicles of various automobile, needing 10.98 million tons of steel products. By 2010, the nation will pride itself on demands for automobile of 9-11 million vehicles, calling for 15.2-18.4 million tons of steel products, including 10-1-12 .2 million tons of sheet/plate products.

2. Shipbuilding Industry

China's shipbuilding industry has made great progress during recent years. The nation held 18.11% shipbuilding market shares internationally. During 11th Five-Year Period, among total steel products consumed in shipbuilding industry, 66% steel products will be applied to shipbuilding; 12%, to ship repairing; 2%, to ocean engineering manufacturing; 20%, to block construction. China National Offshore Oil Corporation is expected to set up 76 ocean platforms, lay 1400km submarine pipe line, 6 RPSO/SPM and 8 field terminals by then.

By 2010, 8.82 million tons of shipbuilding plate will be required, of which sheet/strip accounts for 85%. The nation's shipbuilding industry will show annual demands of 10.35 million tons of steel products.

3. Container Industry

China now is the top container maker in the world. In 2005, with 3.9 million tons of steel plate, 45 Chinese container makers accumulatively manufactured 2.32 million tons TEU, accounting for 93.55% of global outputs. Among these 3.9 million tons of steel plate, 2.2 million tons of steel plates were produced by domestic steel makers, accounting for 56%; 1.7 million tons of steel plates were imported from foreign countries, accounting for 44%.

By now, China's dry cargo container capacity has already reached some 4.5 million TEU. By 2007, the nation's container capacity is likely to surge to some 5.8 million TEU. It is expected that the nation will consumer about 5.3 million tons of steel plate to produce 3.08 million TEU container by 2010.

4. Light Industry

In 2005, 27 million tons of steel products were applied to China's light industry. It is expected that the industry will consume 36 million tons of steel products by 2010.

1. Steel products applied to home appliance production
By now, China has realized localization ratio of some 60% for CR sheet applied to its home appliance industry. The nation relies heavily on imported CR sheet of high superficial quality. Its domestic capacity can basically meet demands for HDG except 0.3mm HDG. China is also able to meet domestic demands for electro galvanized steel products with a few imports. 70% Himac steel plate is made from imported base plate by Chinese steel maker with the rest of 30% imported from other countries. Besides, color-coated sheet and galvanized sheet are generally imported ones.

By 2010, China’s home appliance industry's demands for steel products will reach 7.2 million tons with average growth of 5-7% per year during 2006-2010, which is much lower than the average growth of over 10% during 10th Five-Year Period. And Chinese steel makers should pay more attention on how to improve steel product quality and their services.

During 11th Five-Year Period, China’s domestic market for small home appliance will skyrocket up by 120 billion Yuan at least. Thus, small home appliance will boast greater demands for steel products during next five years although steel applied to small home appliance production only accounts for 10% of total steel products consumed in home appliance industry.

2. Steel products applied to bicycle production
China’s bicycle output was elevated to 92.54 million vehicles in 2005 and is expected to be lifted up to some 120 million vehicles. The nation's bicycle exports hold 70% global market shares.

By 2010, China’s bicycle production, consuming about 2 million tons of steel products, will ask for 2.6 million tons of steel products, containing 1.29 million tons of narrow strip steel, accounting for 50%. Aluminum alloy nave boss will be employed during almost 50% bicycles' production. Aluminum alloys, magnesium alloys and titanium alloys are used to make frame of minute-quantity bicycles.

3. Steel products applied to hardware production
In 2005, about 14 million tons of steel products were used to produce hardware, up 8-10% year on year, including more than 7.5 million tons of wire rod and over 3 million tons of sheet/plate products, among which 95% are homemade steel products. By 2010, about 18.5 million tons of steel products will be used to make hardware.

4. Steel products applied to daily groceries production
China totally contributed 1.5-2 million tons of steel products to daily groceries production, which is forecasted to have need of 2-2.5 million tons by 2010.

Among the total, about 300,000-400,000 tons of steel products were needed for making umbrella in 2005 and the volume is probably to balloon up to some 400,000-500,000 tons by 2010. Among the total, the electro galvanized steel products regarded as materials for producing stick for umbrella are made from full-hard coil imported from Taiwan region and S. Korea.

In addition, the rest of 1.2-1.5 million tons of steel products are applied to household ware production in 2005 and the volume is anticipated to boom up to some 1.6-2 million tons.
>From the above, it can be concluded that some small-scale steel makers should change their minds and adjust product mix according to actual demands in order to sharpen their own competitive capability.

(Sourced from Mysteel.net)

China revises export import duties

- 28 Oct 2006

An official statement posted this afternoon on the website of China's ministry of commerce said that China will slap a 10% provisional export duty on exports of semi steels (billet/slab), ferroalloy and pig iron effective as of November 1st 2006.

According to the statement, the export duty structure would be
1. 5% provisional export duty shall be imposed on exports of coal, coke and crude oil
2. 15% on exports of 11 non ferrous products including copper, nickel and electrolytic aluminum
3. 10% on ferroalloy, pig iron and semi steels (billet/slab)
4. 10% on iron ore concentrate, copper concentrate and bauxite

According to the statement, the import duty structure would be
1. Alumina from 5.5% to 3%
2. Scrap cast iron 0%
3. Coal from 5% to 1%
4. Anthracite from 3% to 1%
5. Oil product from 5% to 2%.

The new policy is meant to try and control exports of high polluting and energy consuming products and keep valuable resources at home.

(Sourced from Mysteel.net)

GDP Increases 1.6 Percent in Second Quarter
Resilient Consumers, Business Investment Stave Off Recession
Peter Morici

Today, the Commerce Department reported that GDP grew at a 1.6 percent annual rate in the third quarter, down from 2.6 percent in second quarter. The consensus forecast was 2.1 percent.

The housing sector and the growing trade deficit were the main culprits. The flagging housing sector and ballooning imports subtracted from growth 1.1 and 1.3 percent, respectively.

Confounding naysayers, consumers and business investment continued to stave off the recession that the housing adjustment and the tide of imports could easily cause.

Consumer spending grew 3.1 percent, faster than the 2.6 percent second quarter pace. Considering the much touted effects of higher gasoline prices in July and August and the housing adjustment, this was a very respectable showing. Despite a fall off in new home sales and sluggish auto demand, durable goods sales were up 8.4 percent.

The reason is quite simple. Homeowners still have considerable equity. Even with the modest adjustment in existing home values, home equity is still up about 50 percent over the last five years.

Overall, private investment was down 2.0 percent in the third quarter, as compared to a 1 percent gain in the second quarter, because of the housing sector.

Residential construction contracted 17.4 percent, while business investment in new structures, equipment and software was up 8.6 percent. Commercial construction was a bright spot, increasing 14.0 percent. Investment in equipment and software was up 6.4 percent, after retreating 1.4 percent in the second quarter.

The trade deficit continued to drag down growth. Real imports grew 7.8 percent, even after adjusting for the higher price of oil, while exports expanded only 6.5 percent. China's undervalued yuan and export subsidies continued to boost sales at Wal-Mart and other purveyors of inexpensive consumer goods. Meanwhile, steep tariffs and other trade barriers continue to limit U.S. exports to China, India and other fast growing Asian markets. The trade deficit will continue to drag down potential growth through 2007 thanks to inaction on these problems.

Looking forward, growth should pick up. Falling oil prices and the stock market rally are boosting consumer confidence, and fourth quarter retail sales growth should outperform the third quarter. Although residential construction is flagging, most components of commercial construction are likely to remain robust. Industrial capacity is reaching its limits, and investments in new structures, machinery, technology, and software are likely to remain robust. In 2007, further efforts to streamline and improve supply chain management will be a key driver.

The economy will likely expand at about a 3 percent annual rate in the fourth quarter.

Good corporate profits growth and improvements in household savings performance should sustain the stock market rally. With housing prices leveling off, consumers will be able to both spend more on retail items and save a bit more. Homes will no longer be viewed as a good near-term speculative investment, and individuals will put more cash into equities.

The stock market rally should continue through the fourth quarter, and the gains scored by the large caps should spread to the mid-cap and smaller stocks.

Firms making producer durables and services that boost productivity should do particularly well. Specifically, firms selling goods and services that improve supply chain management, collaborative technologies, and substitute communications for travel will do well, as will firms making fixtures for new commercial structures and manufacturing and office equipment.

Overall, the prospects are good for moderate, healthy growth and a strong stock market in 2007.

Peter Morici is a professor at the University of Maryland School of Business and former Chief Economist at the U.S. International Trade Commission.

Peter Morici
Professor
Robert H. Smith School of Business
University of Maryland
College Park, MD 20742-1815
703 549 4338
Cell: 703 618 4338
pmorici@rhsmith.umd.edu
http://www.smith.umd.edu/lbpp/faculty/morici.html
http://www.rhsmith.umd.edu/faculty/pmorici/cv_pmorici.htm

Steel prices fall in south and increase in northern Europe – MEPS

- 26 Oct 2006

MEPS has reported that the prices for flat rolled steel products in the European market are showing widely divergent trends this month and that a steep gradient has emerged with prices get progressively stronger as you move from south to north in Europe. Prices are falling in Italy but rising in Germany and Scandinavia.

The MEPS published that negotiated basis prices in Italy have fallen this month by 6% for hot rolled coil and by 6.7% for cold reduced coil. The prices for plate and hot dip galvanized have also come down, but by only 3% in the same comparison. This weakness is spilling over into neighboring countries such as Austria, southern France and Spain.

MEPS said that, whereas in northern Europe, mills have had some success in winning the price increases for flat products. This is the case for hot rolled coil and galvanized, where the German market is seeing month on month increases. Cold rolled coil prices have moved up less strongly.

Part of the reason for the divergent price trends is the volume of imports of strip products from third countries into the EU. These have been at record levels this year and are being concentrated very much in southern Europe. Evidence from import license applications suggests that volumes will remain high through to the end of the year.

Shipments from China are particularly noteworthy. They reached 1.7 million tonnes in January to July and may exceed 4 million tonnes for the whole year. Chinese producers have indicated that they will be reining back their exports to Europe in 2007. If they do, other suppliers in Iran, India and Egypt may step in to fill the gap.

MEPS said that the current imports are adding to the over supply which is now coming to characterize the market. Restocking after last year's inventory liquidation is now essentially complete. But EU-25 crude steel output continues to rise. It is up more than 6 percent so far in 2006. MEPS's projection for the full twelve months is 199 million tonnes, an increase of almost 7%. This is far in excess of actual demand. Stockholders seem to be confident of good trading conditions in quarter four. But current values are likely to be the peak certainly for hot rolled and cold rolled coil. Galvanized prices may keep some upward momentum into 2007, partly because of the price of zinc, which recently hit a new record high.

MEPS said that the prices for some long products are holding up better than flat products. Although concrete reinforcing bar values are down this month in some countries, partly because of lower scrap prices, other long products are generally firm.

Compared with September, negotiated basis prices for medium sections and beams have risen by 2.3 percent in Germany and France, and by more than 4 percent in Spain and Italy. Availability appears to be quite restricted. Mills may not be producing all the tonnage that they could, and there are also reports of operating problems at some section mills.

Nickel supply and demand gap set to widen

- 22 Oct 2006

Mr Steve Barnett president of Nickel Institute during the 2006 Paydirt Australian Nickel Conference in Perth said that a primary nickel supply gap globally is set to emerge over the next decade as the phenomenal demand for stainless steel outpaces production from new and existing mines.

Mr Barnett said that "The global nickel shortfall last year was 70,000 tonnes and it is already 60,000 tonnes this year so we are heading for a larger deficit in 2006 than last year. China currently needs 200,000 tonnes a year and though self sufficient in nickel until six years ago, will need 400,000 tonnes per year within a few years. But this is still less than the European Union's projected demand of 450,000 tonnes per year by 2015."

Mr Barnett added "Against this, some 380,000 tonnes per year of new nickel production is due to come on between now and the end of the decade compared to current annual production of around 1.4 million tonnes. However, to achieve that requires every known major project to be commissioned as planned, including Australia's Ravensthorpe mine."

Mr Barnett noted that with lead times of 7 years to 10 years for a new nickel mine and these $1 billion to 2 billion projects only generating 50,000 tonnes per year, the shortfall gap was likely to remain wide as stainless steel demand was running at 6% globally and around 22% for China alone. He said "New production will increasingly have to come from lower grade nickel laterite projects with higher development costs and producers will need to get around $5-6/pound to generate a return. This is double the return estimate of just 5 years ago."

European SS makers increase surcharge for November deliveries

- 19 Oct 2006

YIEH has reported that European stainless steel makers have again raised their alloy surcharges for stainless steel for November deliveries.

Outokumpu announced a Euro 112 tonne increase on the surcharge for 2 mm 304 cold rolled coil. The new surcharge level is at Euro 2, 040 tonne.

Ugine & ALZ also increased their surcharge by Euro 103 to reach Euro 2, 064 tonne on CR 304 material.

ThyssenKrupp Stainless has increased their surcharge by Euro 94 tonne to reach Euro 2, 065 tonne.

Nippon Steel & Sumikin increase SS prices

- 19 Oct 2006

Japan's largest stainless steel producer Nippon Steel & Sumikin Stainless Corp has increased the price of its 304 grade SS steel to 510,000 yen per tonne ($4,295) from 475,000 yen last month.

Nippon Steel & Sumikin has been raising price for last 10 months due to increase in nickel prices.

Nippon Steel & Sumikin is 80% owned by Nippon Steel Corp and 20 by Sumitomo Metal Industries Ltd.

Steel Dynamics Q3 profit surges by 161% YoY

- 19 Oct 2006

Steel Dynamics Inc has announced that its third quarter net income was $118.7 million up by 161.4% YoY as compared with $45.4 million in Q3 of 2005 and 23% QoQ as compared to $97 million in Q2 of 2006. Net sales for the third quarter of 2006 were a record $912 million, an increase of 11% from the second quarter of 2006 and 83% higher than the third quarter of 2005.

Third quarter consolidated shipments of 1.2 million tons were 35% YoY higher than the third quarter of 2005. Year to date consolidated shipments of 3.5 million tons were 32 higher than the first nine months of 2005.

Mr Keith Busse president and CEO of Steel Dynamics said "The third quarter was an excellent quarter, setting company records for revenue and earnings. Three of our steel making divisions, Structural and Rail, Engineered Bar Products, and the Roanoke Bar division, set new tonnage shipping records in the third quarter. Overall, steel markets remained relatively strong with scrap costs increasing slightly during the quarter. Compared to the second quarter, our average consolidated selling price in the third quarter increased $61 per ton shipped, from $672 to $733 per ton. Average scrap costs were up $6 per net ton charged. Third quarter operating profit per ton shipped was $160."

Mr Busse said "We believe structural changes in the domestic steel industry as well as SDI's stronger competitive position have set the stage for sustainable higher profit levels. Some of the initiatives that have strengthened our market position and profitability include a growing volume of shipments made possible by recently added production capacity and acquisitions, an increasing diversity of steel-product offerings serving new markets, and an improving mix of products with an emphasis on more value added, finished steels.'

Nickel climbs to $30,900 on LME

- 17 Oct 2006

The price of nickel at the London Metal Exchange has hit a 19 year high by reaching price for delivery in three months rose to $30,900 per tonne.

LME said in a daily report that nickel inventory in warehouses tracked by the LME added 192 tons or 4.5% to 4,476 tons but they are still critically low. Stockpiles have plunged 87% this year, and are equal to less than two days of global consumption.

Low stock levels and blockades since the end of last week as a general strike at Eramet's New Caledonia are cited as the main reasons for this surge in prices by the analysts.

Lisbon based International Nickel Study Group has recently estimated that the demand of nickel in 2006 will increase by 10% to 1.37 million tons as against estimated production of 1.35 million tons resulting in a big gap fuelling nickel prices.

This volatility has created difficult situation for SS mills, users and the traders and nickel price based price mechanisms are being adopted to continue business.