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Nickel slides down as fundamentals ease

- 20 Jun 2007

Nickel at London Metal Exchange tumbled to a fresh four month low on Tuesday as technical selling extended on earlier long liquidation.

Nickel on LME slid by 7% from Monday to a low of USD 37,500 per tonne. LME data Tuesday recorded nickel stocks at 9,276 tons, inching closer to the psychological 10,000 tonne level and nearly double of the month ago levels.

LME nickel has fallen some 20% since the LME announced that that it was amending its nickel lending guidance June 7th 2007 in hopes of preventing disorderly market activity.

Global crude steel production up by 6.4% YoY in May 2007

- 19 Jun 2007

International Iron and Steel Institute reported that the total crude steel production in May 2007 for the 67 countries was 112.2 million tonnes up by 6.4% YoY as compared to May 2006. The global crude steel production in January to May 2007 was 540.393 million tonne up by 9.1% YoY.

The growth in crude steel production during May 2007 among regions was again led by Asia which registered growth of 11.3%, South America, Oceania, European Union (27), CIS (6) and Africa also registered YoY positive growth of 11.2%, 8.7%, 3.2%, 3.1% and0.3% respectively in May 2007. Other regions witnessed negative growth.

Region	May'06	May'07	Change	A-M'06	A-M-07	Change
Asia	55202	61434	11.3%	257215	294478	14.5%
EU (27)	17805	18380	3.2%	84005	90548	7.8%
North America	11732	11059	-5.7%	55923	52941	-5.3%
CIS (6)	10487	10815	3.1%	48566	52366	7.8%
South America	3739	4158	11.2%	18128	19675	8.5%
Africa	1568	1573	0.3%	7346	7722	5.1%
Middle East	1249	1195	-4.3%	6212	6255	0.7%
Oceania	705	766	8.7%	3520	3608	2.5%
Total	105501	112214	6.4%	495508	540393	9.1%

In million tonnes
Source IISI

Among the top 20 nations, China as usual stood first with 41.304million tonne production of crude steel registering tremendous growth of 15.7% YoY as compared to April 2006.

Rank	Country	May'06	May'07	Change	A-M'06	A-M-07	Change
1	China	35705	41304	15.7%	163913	196033	19.6%
2	Japan	9928	10183	2.6%	47291	49449	4.6%
3	United States	8900	8350	-6.2%	42080	40068	-4.8%
4	Russia	6211	6330	1.9%	29087	30830	6.0%
5	South Korea	4176	4440	6.3%	19696	21242	7.8%
6	Germany	4019	4051	0.8%	19336	20455	5.8%
7	India	3622	3723	2.8%	17964	19162	6.7%
8	Ukraine	3593	3710	3.3%	16276	17928	10.1%
9	Brazil	2496	2901	16.2%	12099	13604	12.4%
10	Italy	2842	2790	-1.8%	13453	13756	2.3%
11	Turkey	1930	2221	15.1%	9289	10544	13.5%
12	France	1845	1830	-0.8%	8856	8918	0.7%
13	Taiwan, China	1771	1785	0.8%	8353	8592	2.9%
14	Spain	1788	1680	-6.0%	7674	8066	5.1%
15	Mexico	1360	1550	14.0%	6670	7215	8.2%
16	United Kingdom	1227	1273	3.7%	5916	6107	3.2%
17	Canada	1355	1050	-22.5%	6616	5115	-22.7%
18	Belgium	1026	935	-8.9%	4854	4784	-1.4%
19	Poland	855	935	9.4%	3968	4556	14.8%
20	South Africa	828	769	-7.1%	3935	3813	-3.1%

In million tonnes
Source IISI

OECD Steel Committee sees favorable outlook for steel demand

- 19 Jun 2007

Driven by buoyant steel intensive economic activity including construction and infrastructure building in many developing economies, global apparent consumption of steel has increased at an average pace of more than 7% per annum since 2002 to reach a record level of 1.113 billion tonnes in 2006.

To meet this rise in demand, steel production growth has accelerated sharply, reaching 1.24 billion tonnes in 2006 up by as much as 393 million tonnes or 46% compared to its level of 850 million tonnes in 2001.

Mr Risaburo Nezu Chairman of the OECD Steel Committee at the 62nd meeting of the Steel Committee at Istanbul in Turkey during May 2007 said that “This growth in demand for steel is creating a favorable situation for many steel makers. Steel prices and the prices of some raw materials in some markets are two times higher or more compared to levels prevailing in 2001. Profits of steel

companies are, for the most part, strong, and restructuring and consolidation have further strengthened the steel industries of many economies."
Mr Nezu said that "The rapid expansion of China's industrial production and its strong urbanization trend will ensure that steel consumption continues to rise though growth should moderate slightly in coming years from the double digit rates observed in recent years. China's apparent crude steel consumption has doubled over the last five years to reach 398 million tonnes in 2006. The economy now accounts for around 32% of the world's apparent steel consumption."

Mr Nezu said that "In India, there is enormous potential for growth in steel consumption. Heavy investment in developing the country's infrastructure, such as railways, ports, and roads will fuel growth in the steel intensive construction sector. In Russia, steel consumption prospects are favorable, supported by the consumer boom that is now spreading to automobiles and housing as well as the replacement of ageing infrastructure. Brazilian demand for steel will continue to be supported in the future by the country's automotive and construction sectors. Steel consumption in the Middle East is expanding rapidly from a relatively low level of 37 million tonnes. Massive infrastructure and other building activity are driving this development."

Mr Nezu added that "In NAFTA, housing market problems and a slowdown in manufacturing activity in the US could contribute to a reduction in steel consumption this year from around 155 million tonnes in 2006 while a recovery in demand could take place in 2008 as economic growth reaccelerates. Steel consumption in the EU 27 is expected to stay on a gradual growth path in 2007 and 2008, thanks to the relatively healthy outlook for domestic as well as external demand for products manufactured in steel using industries."

Commodity shipping rates on downward trend

- 19 Jun 2007

It is reported that the cost of shipping coal, iron ore and other dry bulk commodities, which has fallen by 14% recently, may decline further because of expectations that additional capacity will outstrip bookings.

As per report, the Baltic Dry Index, a measure of commodity shipping costs on different routes and ship sizes, has dropped by 2.4% to 5,736 on June 8th 2007 falling for a third day based on data from the London based Baltic Exchange.

The Baltic Panamax Index, which reflects the movement of Panamax vessels that can carry 70,000 tonnes consignments, dropped a second day, losing 2.3% to 5,719 on June 8th 2007 while the average daily hire rate for a Panamax vessel has fell by 2.2% to USD 46,096.

Meanwhile, the average daily rental rate for a Capesize vessel which typically hauls 175,000 tonnes of goods has fell for a fourth straight day by losing 4.1% to USD 85,700.

A London based shipbroker said that "The two perceived biggest risks to the freight market are a slowdown in trade imports by China, and an oversupply of tonnage to carry this cargo growth." According to another shipbroker Chinese shipyards are seeking ways to increase their production lines to cope with demand for bulk carriers.

According to customs figures released in Beijing, China’s import has climbed by 19.1% YoY from a year earlier in May 2007 while export has jumped up by 28.7% YoY.

IISI releases World Steel in Figures 2007

- 18 Jun 2007

International Iron and Steel Institute have released the 2007 edition of World Steel in Figures. It contains essential facts about the world steel industry including steel production, consumption, trade, and basic statistics on scrap, iron ore, pig iron and crude steel production till 2006.

The top 20 steel producing countries in 2006 were

Rank	Country	2006	2005	Change	Rank
1	China	422.7	355.8	18.8%	1
2	Japan	116.2	112.5	3.3%	2
3	United States	98.6	94.9	3.9%	3
4	Russia	70.8	66.1	7.1%	4
5	South Korea	48.5	47.8	1.5%	5
6	Germany	47.2	44.5	6.1%	6
7	India	44	40.9	7.6%	7
8	Ukraine	40.9	38.6	6.0%	8
9	Italy	31.6	29.3	7.8%	10
10	Brazil	30.9	31.6	-2.2%	9
11	Turkey	23.3	21	11.0%	11
12	Taiwan, China	20.2	18.9	6.9%	13
13	France	19.9	19.5	2.1%	12
14	Spain	18.4	17.8	3.4%	14
15	Mexico	16.3	16.2	0.6%	15
16	Canada	15.4	15.3	0.7%	16
17	United Kingdom	13.9	13.2	5.3%	17
18	Belgium	11.6	10.4	11.5%	18
19	Poland	10	8.3	20.5%	21
20	Iran	9.8	9.4	4.3%	20

In million tonnes
Source IISI

The 20 biggest steel producing companies in 2006 were

2006	Company	2006	2005	Change	2005
1	ArcelorMittal1	117.2	NA		1&2
2	Nippon Steel	32.7	32.0	2%	3
3	JFE	32.0	29.9	7%	5
4	POSCO	30.1	30.5	-1%	4
5	Baosteel	22.5	22.7	-1%	6
6	U.S. Steel	21.2	19.3	10%	7
7	Nucor	20.3	18.4	10%	8
8	Tangshan	19.1	16.1	19%	12
9	Corus Group	18.3	18.2	1%	9
10	Riva Group	18.2	17.5	4%	10
11	ThyssenKrupp2	16.8	16.5	2%	11
12	Evraz Holding	16.1	13.9	16%	13
13	Anshan	15.3	11.9	29%	19
14	Jiangsu Shagang Group	14.6	10.5	39%	22
15	Gerdau	14.3	13.7	4%	14
16	Wuhan	13.8	13.0	6%	17
17	Sumitomo	13.6	13.5	1%	15
18	SAIL	13.5	13.4	1%	16
19	Techint	12.8	12.6	2%	18
20	Magnitogorsk	12.5	11.4	10%	20

The International Iron and Steel Institute have published World Steel in Figures every year since 1971. 2007 edition contains
1. World crude steel production,1950 to 2006
2. Top steel-producing companies, 2005 and 2006
3. Major steel-producing countries, 2005 and 2006
4. Crude steel production by process, 2006
5. Continuously-cast steel output, 2004 to 2006
6. Monthly crude steel production by region, 2003 to 2006
7. Steel production and consumption: geographical distribution, 2006
8. World steel exports - analysis by product, 2001 to 2005
9. World trade in steel products, 1975 to 2005
10. Scrap: estimated consumption, trade and apparent domestic supply, 2005
11. Pig iron, 2005 and 2006
12. Direct reduced iron production, 2001 to 2006
13. Apparent steel use, 2000 to 2006

If you are interested to get more details, please send an E mail at
research@steelguru.com

Global steel industry faces important challenges - OECD

- 18 Jun 2007

Mr Risaburo Nezu chairman of the OECD Steel Committee at the 62nd meeting of the Steel Committee at Istanbul in Turkey during May 2007 said that “Despite the exceptionally favorable market situation the steel industry faces significant challenges that may affect its long term viability.”

Such challenges include

1. Trade issues
Steel making capacity is increasing rapidly in developing economies. If demand slows in these dynamic economies, the risk of heightened trade frictions will increase.

2. Environmental concerns
Steel makers need to address emissions control and other pressures for environmental protection while ensuring their cost competitiveness. Distortions in international competition will remain a concern.

3. Energy and raw material availability
Rising steel making capacity, export restrictions investment barriers and infrastructure problems in some raw material markets may exacerbate the scarcity of raw materials and lead to higher prices.

4. Skills
Large share of the labor force of steel industries will be eligible for retirement over the next several years particularly in more advanced economies. Given rapid population ageing in these economies the available pool of new workers for the industry will be smaller than it is now. Workforce training and development issues will need to be addressed.

Different perspectives on steel futures

- 15 Jun 2007

Reuter recently reported that steel makers, traders, bankers and analysts across the globe have different perspective on steel future contracts.

Mr Michael Widmer an analyst at French investment bank Calyon said that "We have had interest about steel futures from the same types of guys that play the metals market, such as hedge funds and mutual funds."

Mr Fabian Somerville Cotton head of listed products at Dresdner Kleinwort said that "We have had broad interest expressed from the whole client spectrum, hedge funds to proprietary traders. The successful contract should be able to engage both hedgers and speculators."

Mr Wolfgang Eder CEO of Austrian steelmaker Voestalpine said that "The big issue is that steel contrary to what some believe is not a globalize product. If I cannot trade globally with this product, then it will be rather tricky to build something up on a broad and sustainable basis."

Mr Craig Bouchard president of US steel services firm Esmark said that "There has to be an underlying piece of steel somewhere. The underlying component adds the tangible, measurable guts to a product that is traded across the world. And a synthetic can be manipulated with bad information. The synthetic, I do not think, will have the confidence with the real derivative players."

Mr Brian Olson head of metals trading at Barclays Capital said that "We will wait. We'd rather the process take longer if that means the contracts have been developed and launched with the full consultation and support of banks, trade houses, producers and industry."

The International Iron and Steel Institute, which represents over 190 steel producers, said at the Reuters Global Mining and Steel Summit last month that it doubted the current proposals would succeed and it was wrong to view steel as a commodity at all. It would reduce steelmakers' power to set prices for their own products.

Another problem is that steel comes in different shapes and types. Whereas other exchange traded metals like copper or tin are chemically identical, steel differs hugely depending on where it was made, the proportion of iron, carbon and other elements that go into it and the shape in which it leaves the production line.

Dubai Gold and Commodities Exchange had slated the launch of steel futures for June 27th but postponed it recently citing various reasons. LME has also announced its intention to do so next year. New York Mercantile Exchange and Shanghai Futures Exchange are also preparing for the same.

MEPS forecast increase in North American SS prices

- 08 Jun 2007

UK based Steel analyst MEPS forecasted that stainless steel selling values are to rise again in June 2007 when alloy surcharges are set to increase as both nickel and chrome costs climb. It said “Further basis price erosion is expected to compensate for some of this growth. Transaction prices over the summer months should then be relatively stabile as the upward movement in the alloy surcharge finally comes to an end.”

MEPS said that the average monthly nickel prices moved up further in May 2007 recording new record highs on several occasions. MEPS said “However we anticipate values slipping slightly in June 2007. This is due to Norilsk being unable to ship until mid June 2007 as a result of a port closure. The second half of the year is then forecasted to record sharper declines as slowing nickel demand from stainless steel mills in all regions takes its toll."

MEPS said "During May 2007 nickel inventories on the LME rose to their highest levels so far this year, with stocks over the past three months showing a definite upward trend. Many stainless mills are producing more nickel-free or low nickel containing grades as customer demand for these products increases. This is now causing upward pressure on Chromium figures. The nickel market is expected to return into balance by the end of the year with the risk of a potential severe downward correction of LME prices. Values are predicted to reduce to around USD 35,000 per tonnes by December 2007, before stabilizing during the first half of 2008."

MEPS added that stainless type 304 cold rolled transaction values are now expected to rise next month with a small further increase predicted in July 2007. It said "We anticipate this to be the peak. At this point the alloy surcharge should represent approximately 78% of the transaction price for grade 304 cold rolled coils. MEPS said that in the longer term we forecast a decline in stainless values as nickel prices reduce and demand continues to slow. In the first half of 2008 we should see stainless selling figures stabilize as mill order books begin to rebuild."

AK Steel increases SS alloy prices by 10% to 16%

- 08 Jun 2007

AK Steel has announced that it will increase transaction base prices by 10% to 16% for stainless steel alloys used primarily in automotive exhaust applications effective with shipments on July 1st 2007.

The transaction price will increase by 10% or USD 120 per ton for Type 409 and by 10% or USD 180 per ton for Type 439. Transaction prices will also increase by 10% for Type 409 Ni, Aluminized 409 and Aluminized 439. Due to recent increases in the cost of columbium, transaction base prices for 18 Cr Cb (TM), 15 Cr Cb (TM) and 410 Cb will increase by approximately 16%. It also added that all of its existing raw material surcharges will remain in effect.

Ohio based AK Steel produces flat rolled carbon, stainless and electrical steel products, as well as carbon and stainless tubular steel products, for automotive, appliance, construction and manufacturing markets.

MEPS forecast carbon steel prices for NA, Asia and EU

- 07 Jun 2007

UK based steel consulting group MEPS said that global price moved higher in May 2007 as anticipated. MEPS said "The figure for long products was marginally above our expectations. Construction demand stayed firm in all regions. In contrast, flat product prices in North America fell by 2% in difficult market conditions. EU values eased downwards with few deals concluded. Asian numbers rose."

MEPS said that "We retain our forecast of slow but steady improvement in the world average price over the next three months. Higher export prices from China, for a number of products, have prompted us to extend this period of growth into the final quarter of the year. The Chinese price rises should reduce competition somewhat in most domestic markets around the world. Consequently, our forecast for late 2007 and early 2008 has been upgraded. However, we still believe that selling values will slowly decline in the final six months of the forecast period as oversupply develops, particularly in China."

MEPS said that for EU all products price increased in May 2007 by EUR 2 per tonne marginally below our expectations. It said "This was the result of a slightly lower gain in the flat products segment because virtually all deals for the second quarter were completed in the previous month. MEPS added that our twelve month forecast is little changed from the April 2007 prediction. We anticipate flat product prices moving up slowly over the next few months as agreements are made for deliveries in the third quarter. Supply and demand should remain in reasonable balance since third country import offers are still quite uncompetitive. However, long product prices are likely to reduce somewhat now that scrap costs have started to decline. Oversupply is likely to develop in the Chinese market later in the second half of this year. The introduction of the export levy has prompted us to upgrade our forecast from September onwards. However, a decline is still anticipated in 2008 as market supply becomes excessive and the construction boom eases."

For North America MEPS said that all products price in May 2007 was marginally below the figure in the previous month. It said "The flat products average declined but the long products value increased. Market conditions in the former classification are weak with poor domestic demand and high inventories relative to consumption. In the latter category, activity is brisk and mill order books are firm. Import volumes are reasonably steady for most products due to weakness in the US dollar relative to most other currencies. We forecast a slow but steady erosion of the MEPS all product price over the next few months. Scrap costs are in decline and should have a negative impact up to mid year. With weakening domestic prices for most products, the North American market is becoming less attractive to foreign producers. The premium over Asian supplies is eroding. Moreover, EU domestic values are substantially above North American figures and are likely to remain that way for several months forward. With a much reduced import threat North American prices could start to expand in the second half of 2007 and into 2008."

MEPS forecasts for Asia all products figure climbed again in May 2007 in line with our predictions. It said that "The introduction of an export levy by the Chinese government should lift the price of supplies to Japan, South Korea and

Taiwan in the coming months. Domestic values in China are likely to weaken as export volumes decline and oversupply develops from new capacity coming on stream. The net result of this new situation is likely to be positive for Asian average prices. Consequently our forecast has been up rated. We still believe that excess supply will develop within the forecast period but price erosion is not likely to occur until the turn of the year. Moreover, it will probably be quite modest because we should still see improvements in demand for steel products across most of the region."

Global scrap trade data for 2006

- 29 Jun 2007

Iron & Steel Statistics Bureau recently reported that the international trade in ferrous scrap fell by 4% YoY in 2005 to 90 million tonnes and 2006 is estimate d with a very small fall of around 1% YoY.

The major exporters in 2006 are as under

Country	2006	Change
USA	14	8%
Russia	9.8	-21%
Japan	7.7	1%
Germany	7.6	-2%
UK	7.4	21%
France	5.8	16%

In million tonnes
Source ISSB

The Russian fall in 2006 was partially due to a harsher than normal winter but is also due to increasing domestic production by both BOF & EAF routes as reflected in Severstal's recent acquisition of 1.1 million tonnes per year scrap merchant Vtorchermet. Russian EAF production increased by 1.5 million tonnes in 2006. Demand from increasing EAF capacity is likely to place a strain on world scrap supplies until emerging economies begin to generate significant scrap of their own.

The major importers in 2006 are as under

Country	2006	Change
Turkey	14.5	11%
Spain	7.4	7%
Italy	5.7	5%
South Korea	5.6	-17%
Germany	5.6	-1%
China	5.4	47%

Why China Won't Revalue
Peter Morici

An undervalued yuan offers Beijing great advantages but imposes significant costs on the U.S. economy. That is not likely to change anytime soon, because those costs are not apparent to many Americans feasting on cheap imports, and President Bush and the Congress lack the courage to act effectively.

In a nutshell, Beijing prints yuans and buys dollars in currency markets to keep down the dollar exchange rate for the yuan. This makes Chinese goods cheap in U.S. stores and U.S. goods expensive in China.

With the dollars obtained, Beijing purchases U.S. securities, which keeps U.S. interest rates down and recycles dollars into the hands of U.S. consumers to buy cheap Chinese manufactures.

As Federal Reserve Chairman Ben Bernanke observes, this creates a subsidy on Chinese exports, which by my math comes to at least 25 percent. It also imposes a hidden tax on U.S products sold in China.

China supplements currency shenanigans with tax rebates on exports and complex restrictions on imports and foreign investment, which effectively require GM, Intel and others to produce in China to sell there.

China exports, not merely goods making abundant use of inexpensive labor, but also technology-intensive products, where China has few natural advantages. That's how China runs up a $230 billion annual trade surplus with the United States.

The Chinese economy grows about 10 percent a year. This permits the Communist Party to keep an increasingly sophisticated population focused on rising living standards and distracted from corruption, hazardous environmental conditions, and the absence of democratic reforms, which would remove party officials and their families from opportunities to amass great wealth.

Other Asian governments follow variants of China's currency policies, and together their purchases of U.S. debt help Americans to consume 5 to 6 percent more than they produce and enjoy low prices at the Wal-Mart. Those Americans not competing directly with Asian imports feel richer and are disinclined to support strong action against China to effect change.

Multinational companies, like Caterpillar, may earn less manufacturing in the United States, but they are doing very well in China. As their investments in China grow, they have a deepening stake in Chinese protectionism, and outwardly resist U.S. measures that could impel China to alter its policies.

However, China's policies are driving out of business many U.S. manufacturers who would otherwise be competitive but for subsidized competition from China and elsewhere. Thanks to currency manipulation, two million U.S. manufacturing jobs have been lost, and U.S. GDP is about $250 billion dollars lower than it would otherwise be. Also, potential GDP growth is a full percentage point lower than the four percent a year it could be. The resulting costs far exceed any benefits Americans receive from cheap coffee tables and TV sets at Wal-Mart.

The essential political problem in the United States is that immediate and visible costs imposed by Chinese mercantilism are most concentrated on perhaps less than 25 percent of the population, while the benefits, though smaller in total, are broadly available to most voters.

In Congress, many members want to appear to be doing something about the problem, to appease constituents directly harmed by China's policies, but won't support measures that strike at the heart of Chinese mercantilism. In particular, the Democratic majorities in the Senate and House have refused to embrace legislation that would require the Department of Commerce to apply non-protectionist countervailing duties on imports, which would merely offset the currency subsidies Ben Bernanke has identified, when those imports injure U.S. businesses and result in job losses.

The White House outwardly opposes any such policy, and promises that diplomacy will yield positive results after years of failure. It has obtained changes in International Monetary Fund rules to require that institution to further investigate Chinese currency practices. Not to be outdone, the House Ways and Means Committee Chairman Charles Rangel has asked the U.S. International Trade Commission to investigate the trade deficit with China.

The time for study and diplomacy has long passed. President Bush needs to recognize China's subsidies for what they are. He has the authority, without any new legislation, to empower and require the Commerce Department to apply countervailing duties to Chinese currency subsidies, when they harm U.S. industries. That could be done in ways that fully comply with World Trade Organization obligations.

President Bush should explain to the American people why that is the right thing to do it and then do it. If he doesn't, Congress should compel it.

Until the Americans move, China won't revalue.

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Hot band prices continuing on downward trend

- 28 Jun 2007

SteelBenchmarker reported that the US hot rolled band spot price for June 11th 2007 has dropped by 1.8% to USD 597 per, FOB the mill for the fourth consecutive drop and the world export HRB price has dropped by 1.6% to USD 571 per ton, FOB the port of export for the fifth consecutive time. The Chinese HRB ex works price plummeted 4.3% to USD 422 per ton for the second consecutive drop while the Western European HRB price rose by 1.2% to USD 696 per ton, ex works, for the second consecutive rise.

The 4 benchmark prices for HRB included in the June 11th 2007 report are

1. US
USD 597 per ton
Down by USD 11 per ton from USD 608 two weeks ago
Up by USD 26 per ton from the low of USD 571 on January 22nd 2007
Down by USD 101 per ton from the previous high of USD 698 on July 24th 2006

2. World Export Price
USD 571 per ton
Down by USD 9 per ton from USD 580 two weeks ago
Up by USD 72 per ton from the previous low of USD 499 on December 11th 2006
Down by USD 39 per ton from the peak of USD 610 on June 12th 2006

3. Western Europe
USD 696 per ton
Up by USD 8 per ton from USD 688 two weeks ago
Up by USD 140 per ton from the low of USD 556 on November 27th 2006
Up by USD 65 per ton from the previous peak of USD 631 reached on July 24th 2006.

4. China
USD 422 per ton
Down by USD 19 per ton from USD 441 two weeks ago
Up by USD 49 per ton from the low of USD 373 on July 24th 2006
Down by USD 42 per ton below the high of USD 464 on June 12th 2006

SteelBenchmarker publishes steel benchmark prices for HRB, CR coil, rebar, and standard plate in the US, Western Europe, mainland China, and the world export market every fortnight.

Moody forecasts continued overall stability in steel industry

- 28 Jun 2007

Moody's Investors Service announced that the outlook for the steel industry in 2007 and 2008 is largely stable as it continues to experience the positive business environment it has enjoyed over the past three to four years driven by positive economic developments in a large number of the major markets.

Mr Matthias Hellstern VP of Moody's said “Demand for steel globally is set to remain solid throughout 2007 and into 2008 given forecasts for GDP growth. This is also true for Europe and in particular, Eastern Europe where countries such as Poland and Russia need to catch up in areas such as infrastructure construction and should also sees private steel consumption even rising at higher rates than GDP growth.”

Moody's said integrated producers such as ArcelorMittal or Severstal would benefit from increased iron ore or coal prices, whilst those dependent on third party supply would find it difficult to pass on increased costs to their customers.

Moody's also pointed to two recent transactions the acquisition of Canada's IPSCO by Swedish producer SSAB and that of British Dutch producer Corus by India's TATA Steel as proof of the consolidation trend continuing in some parts of the industry along with an increase in partnering activity.

MEPS sees hot band prices downturn despite Chinese export tax

- 02 Jul 2007

MEPS reported that US strip mill transaction prices softened further over the last month as scrap costs continued to slide and that the downturn is most apparent in the hot rolled category. MEPS said “Real consumption has remained lackluster, causing service centre inventory depletion to take much longer to complete than was initially envisaged. Delivery lead times quoted by domestic mills have reduced to four weeks or less in some instances. There is a dearth of import offers. Domestic mills have turned to export markets, encouraged by the weak US dollar and good demand elsewhere.”

MEPS said the continuing strength of the Canadian dollar is impacting values in that country, with US mills actively selling at cheap prices. It said “Third country imports are low by recent standards and not now the price setters. Service centre inventories are still higher than warranted by the mediocre demand levels, leading to a very price competitive market. Although mill values have weakened compared to last month, it remains to be seen if this indicates just an early arrival of softness ahead of auto and other industrial summer shutdowns or something more significant.”

MEPS also added that “Prices in China have started to fall as the Government's export tax changes led to increased supply in the market. Traders are considering the implications of the new rules before offering. In Japan, the export climate is healthy and domestic sales to end-users such as automotive and shipbuilding are strong. However, total domestic inventories of strip mill products held by steelmakers and service centers, at end April, climbed by 1% the second consecutive monthly rise. Quayside stocks escalated by 18,000 tonnes in the same time frame. Japanese traders insist the rise was a one off caused by a surge in Chinese exports ahead of the removal of the tax rebate. In South Korea, POSCO has said it will absorb higher iron ore costs in order to ensure that domestic steel prices stay competitive against imports. CSC has released its third quarter steel prices for the Taiwanese market with an average increase of 2.4%. This is not as much as some downstream companies feared. Chung Hung lifted official values last month but, despite escalating slab costs, the company has left prices unchanged for June."

MEPS said "The West European strip market is relatively quiet ahead of the conclusion of price negotiations for third quarter business. Service centers, which are well stocked until September, are in no rush to settle. Traders are waiting for new offers from Chinese mills, following the recent changes in export taxes. EU steelmakers appear to be controlling production in-line with demand quite well."

Global steel trade statistics for 2006

- 02 Jul 2007

UK based Iron & Steel statistic bureau recently reported the statistics of global steel trade in 2006.

China jumped over Japan, Russia and the EU25 to become the World's biggest steel exporting country. Indian exports grew by 23%YoY in 2006.

Country	Rank'06	Rank'05	2006	2005	Changes
China	1	5	49.2	25.7	91%
Japan	2	1	34.2	31.7	8%
Russia	3	3	31.0	30.4	2%
EU25	4	2	30.3	30.9	-2%
Ukraine	5	4	30.3	27.1	12%
South Korea	6	6	17.3	15.5	12%
Turkey	7	7	12.8	12.2	5%
Brazil	8	8	12.5	12.4	1%
Taiwan	9	9	10.4	9.0	16%
USA	10	10	9.0	8.9	1%
India	11	12	6.5	5.5	18%
Canada	12	11	5.9	5.7	4%
Other			34.2	34.9	-2%

In million tonnes
(Source Iron & Steel statistic bureau)

The US and the EU15 remain the key steel importing regions to imports of around 40 million tonnes in 2006. The EU imported a record 39 million tonnes in 2006 about 12 million tonnes more than in 2005 out of which 4 million tonnes came from China. USA also imported an extra 12 million tonnes in 2006 up by 42% YoY on 2005 with significant increases in imports form China and Russia. China slipped from 2nd largest importer in 2005 to 4th largest in 2006 as China became more self sufficient in steel supply. Imports into the Middle East continue to remain strong and, particularly, steel for construction into the United Arab Emirates.

Country	Rank'06	Rank'05	2006	2005	Changes
USA	1	1	40.4	28.5	42%
EU25	2	3	39.0	26.8	46%
South Korea	3	4	21.9	18.4	19%
China	4	2	18.6	26.8	-31%
Turkey	5	7	11.7	9.8	19%
Canada	6	8	10.6	9.5	13%
Thailand	7	5	10.7	12.4	-15%
Taiwan	8	6	10.4	10.9	-5%
Mexico	9	10	7.9	6.0	31%
Iran	10	9	7.5	8.3	-10%
UAE	11	11	6.5	5.3	22%
Vietnam	12	12	5.9	5.3	11%
Other			95.9	86.2	11%

In million tonnes
(Source Iron & Steel statistic bureau)