

MEPS estimates 5.5% increase in 2007 steel output

- 11 May 2007

MEPS have forecast that global steel output in 2007 would be 1314 million tonnes in 2007 up by 5.5% YoY. MEPS said that approximately 60 million tonnes of the 70 million tonnes increase in crude steel output this year will come from the Asian producers. Steelmakers in the former USSR and South America will also make significant contributions. NAFTA is the only major region expected to show a decrease in steel manufacturing in 2007.

MEPS estimates 2007 global crude steel production as under

Region	2006	2007	Change
EU 25	207.1	210.1	1.4%
Other Europe	28	29.4	5.0%
Former USSR	119.8	125	4.3%
NAFTA	131.5	127	-3.4%
South America	45.3	48.5	7.1%
Africa	18.6	19.9	7.0%
Middle East	15.4	16.3	5.8%
China	422.1	475	12.5%
Japan	116.2	118	1.5%
Other Asia	130.8	135.9	3.9%
Oceania	8.7	8.6	-1.1%
Total	1244	1314	5.6%

In million tonnes

Source MEPS - World Steel Outlook

MEPS also forecasts blast furnace to reach 931 million tonnes in 2007 up by 6.5% YoY. This higher BF figure is the result of the integrated BF BOF steel making route being the preferred process for many of the new installations. Direct reduced iron making is also expected to increase at a similar rate to blast furnace iron production from new capacity built in the Middle East and Asia. Scrap based electric melting is likely to be the loser due to reduced availability of the raw material.

Ford to close down Cleveland Casting by 2009

- 11 May 2007

Ford Motor Co has announced that it will be closing down its foundry in Brook Park Ohio by 2009 and stop casting production at Ford facilities at Windsor & Ontario in

Canada and Leamington in UK.

Cleveland Casting opened in 1952 and employs 1,100 hourly and 118 salaried workers. Most recently it produced cast iron components for engines for Ford F-Series Super Duty trucks, Ford E-Series vans and Ford Expedition and Lincoln Navigator SUVs.

Ford's intention to idle Cleveland Casting is consistent with its move away from in house casting operations.

Chinese ferroalloy export prices

- 11 May 2007

According to China's General Administration of Customs, the Floor Export Price practice on Chinese ferroalloy exports has been in force as of April 1st 2007.

Under this procedure, Chinese exporters are required to clear customs with export prices higher than the disincarnated floor prices and any acts or attempts to lower or hide customs clearance prices shall be prohibited. The move is intended to restrict exports of energy intensive and highly polluting products and contain China's swelling trade surplus.

The prices listed in the following table are provided by China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters and are subject to revision once a month.

Product	Specification	FOB Prices
FeSi 75%	Si>75% Al<1.5% C<0.2%	800
FeSi75%	Si>75% Al<0.5%	860
FeSi75%	Si>75% Al<0.1%	935
FeSi72%	Si>70% Al<2.5%	780
FeSi65%	72%>Si>65%	710
FeMo60%	Mo>60%	72/kgMo
SiMn 65/17	Mn>65% Si>17% P<0.3%	780
SiMn 60/14	Mn= 60-70% Si=14-17% P<0.3%	680
Ferrotungsten	W=70-80%	35/kg
Medium Carbon FeMn	Mn>78% C<2.0%	1200
Low Carbon FeMn	Mn>80% C<0.5% Si<1.0% P<0.2%	1360
High Carbon FeMn	Mn>73% C<8% P<0.3% S:0.04%	780

Prices in USD per tonne unless mentioned

(Sourced from MySteel.net)

US scrap prices continue their downward trend

- 14 May 2007

Platts reported that US steel consumers will be eagerly waiting for a reduction in surcharges this month as US mills prepare to buy scrap at prices that are on average USD 60 per long ton or more below.

The report mentions that some US mills had not made purchases yet this month as they are trying to negotiate lower prices or do not need material. It is the second successive month of US scrap price declines following four months of upsurge to record levels in March. Scrap grades across the board are now selling below the USD 300 mark despite an up tick in export sales recently as Turkish mills came back into the market.

The price of scrap has continuously declined in America since last week, current export price of No 1 and No 2 to Turkey has dropped by USD 30 per ton to CFR USD 368.5 per tonne. In the Asia market, Japanese price has also declined, as the H2 scrap export price to Taiwan was at about CFR USD 344 per tonne. Bid prices in the recent DaimlerChrysler factory auto bundle auction were said to be down by USD 75 to USD 80 per long ton.

Some scrap processors said they had been unable to get a firm buy side quote yet this month. Processors reported that scrap inflow to their yards has increased as word got around that prices were falling.

China's April crude steel production crosses 40 million tonne mark

- 17 May 2007

Reuter reported that China's April crude steel output has hit a monthly record of 40.32 million tonnes up by 16.5% YoY as mills expanded to cash in on high prices at home and abroad despite Beijing's efforts to cool down the sector. China's steel products output also jumped 20.9% YoY to 46.27 million tonnes in April.

As per report, China's January to April 2007 crude steel production increased by 21.2% YoY to 155.09 million tonnes and steel products output is up by 24.4% YoY at 172.21 million tonnes.

Mr Li Shijun deputy secretary general of China Iron and Steel Association said that "Steel production is out of control. But the steel consuming industries are even crazier. The central government wants the steel sector to cool down, but not the local governments. They expand as long as they can make money." Mr Li added that "What the government should control is not the steel industry, but the industries which use steel."

US metals shipments and inventories decline

- 17 May 2007

According to the latest the Metals Activity Report from US based Metals Service Center Institute, with economic activity and shipments slowing, US metals service centers continued in April with a steady liquidation of steel and aluminum inventories and in Canada, the service center inventory correction for both steel and aluminum appears to have ended.

US's April steel shipments of 4.5 million tons were 1.5% lower than 2006 volume marking the eighth consecutive month of YoY monthly shipment declines. Shipments for the first four months of 2007 at 18.2 million tons were down by 5.4% during the same period in 2006. Steel inventories declined for the sixth consecutive month to 14.6 million tons the lowest level since May 2006 although still 4.5% greater than the April 2006 inventory total.

April shipments from Canadian service centers totaled 308,100 tons of steel products down by 5.9% from the 2006 month and the ninth consecutive month of YoY shipment decreases. Year to date shipments of nearly 1.3 million tons were down by 5.8% in Canada. But steel inventories rose slightly from March levels to 1.29 million tons up by 17.7% from 2006 and at current shipping rates equal to a 4.2-month supply.

MSCI was founded in 1909 and has more than 420 members operating from about 1,200 locations in the US, Canada, Mexico and elsewhere in the world. Together, MSCI members constitute the largest single group of metals purchasers in North America amounting each year to more than 65 million tons of steel, aluminum, and other metals with about 300,000 manufacturers and fabricators as customers.

NAB raises base metal price forecasts for 2007

- 24 May 2007

National Australia Bank Ltd announced that it has raised its forecast for its base metals index to average 416.5 points in 2007 a YoY increase of 36%. Previously it had forecast the index which measures aggregate base metals prices would average 357.0 points in 2007. NAB said the index surged 9.7% in April from March to average 454.0 points due to rising nickel prices and resurgence in the copper market.

Mr Gerard Burg minerals & energy economist of NAB said that global metal demand remains driven by China adding that the raised forecast for the base metals index reflects recent upgrades to China's economic growth forecasts. He said "Slowing metal consumption in the US is likely to be more than compensated by increased demand in rapidly growing economies such as China and India.

Mr Burg said that “Nickel stockpiles on the London Metal Exchange remain perilously tight with stocks at the end of April at around 1.3 days of consumption. The continued strength of stainless steel production is underpinning global demand with nickel supplies unable to rapidly increase. He said hopes of fresh supplies are limited in the short term, due to construction delays at new projects such as the Goro project in New Caledonia and Ravensthorpe in Australia.”

Mr Burg said NAB has lifted its nickel price forecast to average USD 44,200 a ton in 2007 from a previous forecast of USD 35,057 making a YoY increase of 82%.

China’s hunger for nickel to increase by 61% by 2010

- 31 May 2007

Demand for nickel in China, the world's biggest consumer of the metal, may raise 62% by the end of the decade because of rising demand from stainless steelmakers.

Mr Zhang Mei of Ministry of Land and Resource’s information centre at a conference in Shanghai said that the demand for nickel will rise to 400,000 tonne in 2010 from 247,000 tonne in 2006. He added that imports accounted for 61% of the nation's demand last year and will rise to 66% in 2010.

Mr Zhang said that China’s Domestic production of the nickel in 2010 may rise 71% from 2005 and that most of the new capacity will come from Jinchuan Group Corp, which supplies 90% of the China's nickel.

Samsung Heavy builds world's biggest offshore rig

- 31 May 2007

Yonhap quoted the world's 3rd largest shipbuilder Samsung Heavy Industries Co as saying that it has completed the world's largest offshore rig to be installed in seas of Russia's Sakhalin Island.

According to Samsung Heavy Industries Co, the new rig called Piltun B is 100 meters wide, 105 meters long, 120 meters high and weighs around 33,000 tonnes.

BCG estimates global steel output to grow to 1.7 billion by 2015

- 30 May 2007

Germany weekly Die Welt citing an unpublished study by Boston Consulting Group reported that global crude steel output will advance 3% to 4% a year to 1.7 billion tonnes by 2015 with the world's biggest steelmakers gaining combined market share.

The study said that the world's 10 largest steel producers will account for 35% of global output by 2010 compared with about 28% now.

Mr Martin Woertler a BCG analyst told Die Welt that “I expect consolidation to come to an end in the long term, when there are four or five large steel companies or alliances of comparable size.”

The newspaper added that most consolidation will be in China in the short term, where there are several hundred steelmakers out of which only 15 have crude steel output of more than 15 million tonnes a year.

China's ferroalloy industry faces many challenges

- 30 May 2007

Industry insiders at the China International Ferroalloy Conference 2007 in Shanghai told Interfax that China's ferroalloy industry will face increasing challenges from further restrictive export policies due to take effect this year.

Mr Yang Yongxin, an official with the National Development and Reform Commission's industrial policy division, announced that the government will start charging increased power prices to outdated ferroalloy mills in July this year. Mr Yang said that the government will increase power prices by CNY 0.15 per kilowatt hour for electric furnaces below 5000 kilovolt amps, which need to be eliminated in order to comply with industry policy, as well as increase power prices by between CNY 0.02/kWh and CNY 0.05/kWh for electric furnaces 5000 kVA or above. Mr Yang also revealed that the NDRC is considering eliminating all electric furnaces below 6,300 kVA, or even below 9,000 kVA, within the next two years. He added that it is likely that the NDRC will release a new policy by the end of the year. Mr Yang commented that these policies are designed to accelerate ferroalloy industry restructuring and to eliminate outdated facilities.

The price policy will substantially increase production costs and could drive small and medium ferroalloy producers out of the market. Mr Wang of a medium sized ferroalloy producer Jilin Dongfeng Ferroalloy Co Ltd told Interfax that "With an 8,000 kVA electric furnace, production costs for 1 tonne of ferrosilicon will increase by CNY 1,300 (USD 169.85), making our products uncompetitive against larger domestic producers with their own power stations.”

As one of the most heavy polluting and high energy consuming industries, China's ferroalloy industry needs to reduce capacity below 20 million tonnes by 2010, a reduction of 24% from 2005 by eliminating outdated ferroalloy plants. Mr Chang Zhenyou chairman of the China Ferroalloy Industry Association and president of Jilin Ferroalloy Group told Interfax that "In order to enhance consolidation, we intend to reorganize the industry so that 40 ferroalloy factories produce more than 65% of the country's total capacity by 2010. Moreover, at least two ferroalloy producers will have an annual

production capacity of 1 million tonnes.”

China will probably continue to restrain ferroalloy exports through further increasing export taxes and issuing export licenses within the year. China will increase the export tax on ferrosilicon, ferrochromium, silicon ferrotungsten, ferrotitanium and silicon ferrotitanium from 10% to 15% on June 1st 2007, while the export tax on ferromanganese, silicon ferromanganese, ferronickel, ferromolybdenum and ferrotungsten will be left at the current level of 10%. The Chinese government aims to control ferroalloy exports to within 10% to 15% of annual production.

China's ferroalloy production has expanded rapidly in the past three years, from 9.198 million tonnes in 2004, to 14.332 million tonnes in 2006. In the first quarter of this year, China produced 3.571 million tonnes of ferroalloy up by 44.5% YoY from the same period last year. China's ferroalloy exports amounted to 761,000 tonnes in the first quarter of this year soaring by 72.1% YoY from the same period last year. The three largest ferroalloy product exports are silicon manganese, ferromanganese and ferrosilicon.

However, domestic ferroalloy producers are concerned that reduced exports will increase domestic supplies and cause a fall in product prices. Domestic ferroalloy prices unexpectedly hiked after the Spring Festival, due to significant growth in ferroalloy purchases from steel mills and a production cost increase.