UBS sees severe shortage of thermal coal in 2020

- 17 Sep 2007

It is reported that the thermal coal market in Asia Pacific including Australia and New Zealand is expected to face a shortage of 103 million tonnes in 2020 from a surplus of 25 metric tonnes in 2006.

UBG Investment Research in a statement said that the deficit which is equivalent to 70% of the 2006 export volume of the world's largest exporter, Indonesia took into account new suppliers, infrastructure improvements and lignite substitution for bituminous coal. It said "Thermal coal demand is expected to overwhelm supply on a 13 year horizon with China being the main driver of the shortage, moving from a coal surplus of 30 metric tonnes in 2006 to a 229 metric tonnes deficit in 2020."

UBS said coal fired power generation remained the cheapest option on a combined capital and operating costs basis and even with a significant increase in the use of nuclear and alternative energy power generation. It said "As much as 73% of China's new power capacity built in 2007-2020 estimates is expected to be coal fired."

UBG said the coal prices could be expected to remain strong for the foreseeable future as production struggled to keep up with demand. Interest from power companies seeking to invest directly in coal assets is likely to introduce a significant asset premium. It said the likely beneficiaries include Indonesian and Australian coal companies, which could be candidates for either acquisition by or project cooperation with China mining or Asian power companies.

Top 10 polluted places in the world

- 17 Sep 2007

US based Blacksmith Institute, an independent environmental group, in partnership with Green Cross Switzerland, issued their Top Ten list of the world's most severely polluted places. The sites lie in seven countries and severely impact the health of more than 12 million people.

Mr Richard Fuller founder and director of Blacksmith Institute said that "The fact of the matter is that children are sick and dying in these polluted places and it's not rocket science to fix them."

The Top Ten list is based on scoring criteria devised by experts from Johns Hopkins University, Harvard University, IIT Delhi, University of Idaho, Mt Sinai Hospital and major environmental remediation companies who comprise Blacksmith Institute’s Technical Advisory Board.

The 2007 worst polluted sites are unranked and listed alphabetically, by country
1. Sumgayit, Azerbaijan
2. Linfen, China
3. Tianying, China
4. Sukinda, India
5. Vapi, India
6. La Oroya, Peru
7. Dzerzhinsk, Russia
8. Norilsk, Russia
9. Chernobyl, Ukraine
10. Kabwe, Zambia.

Blacksmith Institute published their first Top Ten report in October 2006. The methodology for the 2007 Top Ten list was refined to place more weight on the scale and toxicity of the pollution and on the numbers of people at risk. Mr David Hanrahan director of global operations at Blacksmith said that "We received over 40 new site nominations from people around the world as a result of publishing the 2006 list."

Blacksmith Institute works around the globe to identify dangerously polluted sites and initiate their clean up. Green Cross Switzerland works to overcome consequential damages caused by industrial and military disasters.

TATA Steel aims to become benchmark in safety standards

- 16 Sep 2007

It is reported that TATA Steel is aiming to catch up with the industry benchmark safety standard of a loss time injury frequency rate of 0.4 set by its Australian partner BlueScope Steel.

TATA Steel, which entered into a MoU with DuPont Safety Resources in October 2004 for implementing world class safety practices at its steel plants and mines, was able to bring down its loss time injury frequency rate from 2.54 in 2004 to 1.01 in 2006 and at present it is less than 1.

Mr HM Nerurkar COO steel of TATA Steel said that it is still not satisfied with its safety achievements and would like to improve upon its records at the earliest. Mr Nerurkar said that "Safety and more importantly, our attitude towards it, is what the challenge is for the next century and we cannot really wait for the next 99 years." He added that TATA Steel has already started its journey with DuPont and it didn't have much time, as it needed to become a benchmark organization in safety very quickly.

As per report, recently acquired Corus also follows BlueScope's benchmark loss time injury frequency rate of 0.4 and appointed DuPont Safety Resources as a consultant in the field of safety in 2001. It is reported to be doing a better job on the safety front. The report cited Mr Stan Booth chief of safety of Corus as saying that "Corus has so far only one fatal accident in 2007 with loss time injuries being between 16 to 20 each month. It is a tremendous improvement in the company's performance over the 7 year period."

Scrap prices on upswing in US

- 15 Sep 2007

YIEH reported that US scrap price is hiking up that the current average price of HMS NO1 scrap in Pittsburgh, Chicago and Philadelphia is USD 265.5 per long ton up by USD 9.67 per long ton from last week, which is the highest price to date since late April.

Additionally, the part of H2 price soars to USD 229.5 per long ton with a rise of USD 12.5 per Pittsburgh from a week ago.

Regarding East Coast of America, the average price of No 1 scrap in New York, Boston and Houston is USD 225.5 per long ton up by USD 2.67 per long ton from last week.

US steel HRC prices forecast to hit USD 600 per short tons in Q4

- 23 Sep 2007

Platts citing Mr Mike Locker president of New York based Locker Associates, who spoke at the Institute of Scrap Recycling Industries' Ferrous Scrap Roundtable Commodities Forum in Chicago, reported that US hot rolled coil prices are forecast to hit USD 600 per short tonnes ex works.

Mr Locker said that "While a steel market downturn is bound to happen at some point, right now, the industry is in a sweet spot. The world price will remain robust and US prices will bounce back and citing a fourth quarter recovery."

Mr Locker noted that US flat rolled steel prices, in particular, sagged in 2007. He said that in some cases prices had dropped to levels near their average HRC production cost of USD 475 per short tons to USD 500 per short tons which resulted in some mills barely break even.

But Mr Locker added that he is now seeing some elements of recovery that are likely to continue through the fourth quarter. He added that "Demand is strengthening and I'm not one of those who believe the US economy is going to crash. Instead, non residential construction in the US continues to be healthy. Heavy equipment and infrastructure spending is strong and I believe we will see automotive rebound later in the year."

He also forecast that the US price of CRC will increase to USD 725 per short tons ex works and the price of special bar quality material or SBQ will climb to USD 850 per short tons.

Global scrap trade in 2006 and H1 of 2007

- 22 Sep 2007

UK based Iron and Steel Statistics Bureau reported that International trade of ferrous scrap, which fell by 4% YoY in 2005 to 90 million tonnes, saw steady trade in 2006 and estimated only a very small fall of around 1% for 2006 in full.

The major exporters with their 2006 totals and year on year changes were

Country	Volume	Change
USA	14.0	8%
Russia	9.8	-21%
Japan	7.7	1%
Germany	7.6	-2%
UK	7.4	21%
France	5.8	16%

In million tonnes

The major importers with their 2006 totals and year on year changes were

Country	Volume	Changes
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%

(In million tonnes)

The report further added that 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. Its 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.

Available figures for 2007 show increases in exports from USA up by 44% YoY, Russia up by 18% YoY, Germany up by 25% YoY and France up by 9% YoY, Japan down by 6% YoY and the UK down by 19% YoY recorded falling exports.

Available figures for 2007 show increases in imports by Italy up by 6%YoY, South Korea up by 17% YoY and Germany up by 27% YoY. Falling imports are shown by Turkey down by 3% YoY, Spain down by 24% YoY and China down by 57% YoY.

New nickel deposit discovered in Siberia

- 22 Sep 2007

FIS reported that a complex ore deposit of nickel, copper and platinum was discovered at the Irkutsk region in Russia. The report added that interest to the study and development of the new deposit in the Irkutsk region was expressed by the largest nickel and platinum producer Norilsk Nickel.

Global crude steel production in August up by 5.3% YoY

- 19 Sep 2007

International Iron and Steel Institute reported that the total crude steel production in August 2007 for the 67 countries is 108.1 million tonnes up by 5.3% YoY as compared to August 2006. The global crude steel production in January to August 2007 is 869.710 million tonne up by 7.5% YoY.

The growth in crude steel production during April 2007 among regions was again led by Asia as usual

Region	Aug'07	Aug'06	Change	J-A'07	J-A'06	Change
Total	108.076	102.630	5.3	869.719	809.070	7.5
Asia	61.264	55.971	9.5	478.174	426.653	12.1
EU 27	15.213	15.554	-2.2	140.600	137.910	2.0
North America	11.406	11.013	3.6	88.370	89.561	-1.3
CIS(6)	10.182	10.191	-0.1	82.656	79.137	4.4
South America	4.043	4.063	-0.5	31.429	29.774	5.6
Africa	1.501	1.530	-1.9	12.243	12.008	2.0
Middle East	1.302	1.214	7.3	10.185	9.884	3.0
Oceania	0.813	0.757	7.5	5.889	5.762	2.2

In million tonnes
Source IISI

Among the top 20 nations, China as usual stood first with 41.583 million tonne production of crude steel registering tremendous growth of 13.6% YoY as compared to August 2006.

Sl	Country	Aug'07	Aug'06	Change	J-A'07	J-A'06	Change
1	China	41.583	36.608	13.6	320.525	272.229	17.7
2	Japan	9.966	9.613	3.7	79.401	76.451	3.9
3	United States	8.500	8.455	0.5	65.252	67.591	-3.5
4	Russia	5.833	5.970	-2.3	48.321	46.873	3.1
5	South Korea	4.125	4.010	2.9	33.896	31.978	6.0
6	Germany	3.968	3.873	2.5	32.509	31.198	4.2
7	India	3.850	4.075	-5.5	30.585	32.559	-6.1
8	Ukraine	3.618	3.536	2.3	28.432	27.016	5.2
9	Brazil	2.940	2.812	4.5	22.135	20.015	10.6
10	Italy	1.613	1.812	-11	20.798	20.628	0.8
11	Turkey	2.043	1.959	4.3	16.928	15.323	10.5
12	Taiwan	1.740	1.665	4.5	13.766	13.435	2.5
13	France	1.239	1.192	3.9	13.528	13.290	1.8
14	Spain	1.315	1.594	-17.5	12.385	12.273	0.9
15	Mexico	1.380	1.357	1.7	11.332	10.628	6.6

16	Canada	1.420	1.093	30	10.922	10.444	4.6
17	UK	1.121	1.153	-2.7	9.724	9.490	2.5
18	Poland	0.870	0.897	-3	7.288	6.642	9.7
19	Belgium	0.840	0.935	-10.1	7.083	7.719	-8.2
20	Iran	0.840	0.822	2.2	6.563	6.498	1.0

In million tonnes
Source IISI

Metals prices to remain strong this year

- 30 Sep 2007

It is reported that medium term risks, such as Chinese demand, production costs, the weakening US dollar and the slowing of the US economy will harm mining credit ratings in spite of strong metals prices. While Standard & Poor's anticipates that strong metals prices will continue for the rest of this year individual mining company risks will strain their credit ratings.

According to S&P among the medium-term risks are sudden changes in Chinese demand, a significant increase in company costs because of higher energy prices, higher currencies against the dollar and a general slowing of the US economy.

Ms Marie Shmaruk analyst for S&P Credit noted that the "steady increase in metals prices over the past few years has led to numerous positive rating actions, as companies flush with cash and robust cash flow generation improved their balance sheets and financial metrics. However, while the strength of the metals cycle has generated exceptional liquidity for metal producers, this has prompted more aggressively leveraged M&A activity, a trend we expect will continue in 2008, although at a slower rate, given current constrained credit market conditions."

Ms Shmaruk suggested that several factor could limit higher credit ratings and present medium-term risks:

1. An unexpected drop in industrial production in China would likely have a serious effect on the overall worldwide metals industry.
2. Mining and metals companies are experiencing a significant rise in their overall cost profiles that has somewhat eroded the benefits of higher prices. The increased costs are due to higher energy costs, higher currencies relative to the US dollar and a scarcity of materials and labor.
3. Various producers face reserve replacement issues, declining production trends, and significant capital spending to replace production or for overseas expansion to lower their cost profiles.
4. M&A activity has flourished as companies have used strong balance sheets and high stock prices to finance acquisitions that have hurt overall credit quality. Producers are seeking to enhance business risk profiles, notably by expanding market positions, entering new markets, broadening geographic and product diversity, improving pricing power in fragmented markets and lowering cost profiles.
5. A general slowing of the US economy could weigh on pricing and volumes, reversing the positive trends for those companies that are dependent on the US market for the bulk of their sales.

While Ms Shmaruk forecasts that reasonably strong metals prices will continue for the next several quarters higher spending aimed at replenishing reserves, increasing production, enhancing efficiency, and rewarding shareholders will temper further positive ratings for companies in base metals. The event risks associated with large scale M&A activity will also likely constrain further ratings improvement.

S&P forecasts that LME aluminum prices will remain broadly stable with an average price of USD 1.23 per short tonnes. However, we expect prices to decline gradually, primarily due to significant increases in Chinese alumina capacity that will likely lead China to reopen its idled aluminum production and shift the market into a surplus. Demand should be strong enough, though, to maintain the average price considerably above the average price curve of the past five years. Although nickel price have declined dramatically, S&P noted that fundamental supply constraints remain positive for nickel prices and should limit downward pricing pressure.

S&P anticipates that copper companies will continue to generate extremely strong operating cash flows, much of which is used to increase production capacity and to reward shareholders. Given low inventory levels, the metal has acute short-term vulnerability to any type of supply disruption. Also, we view speculation rather than supply/demand fundamentals as somewhat supporting the high prices.

Ms Shmaruk noted that a number of factors support gold prices including depreciation of the dollar, inflation, investor demand, strong gold jewelry demand in India and China, and an undeterminable level of speculation. She added that despite current prices S&P suggests long-term coal industry fundamentals remain positive. Although the prospect of further greenhouse gas legislation limiting carbon dioxide emissions has quelled some of the enthusiasm for coal fired generation of electricity, coal is likely to remain the dominant fuel for generating electricity in the US for the foreseeable future alternative fuels aren't likely to displace coal any time soon.

Ms Shmaruk said S&P has a mixed outlook for steel however, we believe the consolidation in the domestic market has improved production discipline and aided cost competitiveness adding that these factors should lead to less volatile prices as producers reduce capacity to match demand.

US to WTO: China boosts exports unfairly

- 28 Sep 2007

AP reported that the United States has accused China of manipulating prices on the raw materials used to produce steel, chemicals, airplanes and automobiles, giving Chinese manufacturers a massive advantage over their American competitors. But a US trade official said that Washington voiced its objections to the World Trade Organization to get the issue on the record and not necessarily to prepare for a formal complaint.

China one of the largest producers of a number of industrial commodities, drives up costs for companies outside China by limiting its export of the raw materials, the US told the WTO's 151 members in a submission earlier this month. At the same time, the export restrictions ensure an oversupply of commodities on the Chinese market, keeping costs low for domestic producers of ceramics, semiconductor chips, fiber optic cables and numerous other goods, according to Washington.

As a result, American companies are forced to pay significantly more than Chinese firms for key steel ingredients such as coke, tin, zinc and rare earths; semiconductor materials such as antimony and silicon; tungsten for mining and construction; and fluorspar, magnesium carbonate and talc.

The US submission said that "China's export quotas on these raw materials significantly disadvantage US and other foreign producers, which use these raw materials to make a wide range of (finished) products." It said that American makers of gasoline, motor oil, auto parts, medical imagery and refrigerants are among the companies hampered by the Chinese export controls.

Mr Stephen Norton a spokesman for the US trade representative in Washington said that Washington submitted its concerns as part of a review mechanism created when China entered the WTO in 2001. He said that "We are trying to work out our problems through dialogue. It does not mean a WTO case is imminent or being planned."

The WTO opened a formal investigation last month into American and Mexican allegations that China is providing illegal subsidies for a range of industries. The US and Mexico accuse Beijing of using WTO prohibited tax breaks to encourage Chinese companies to boost exports, while imposing tax and tariff penalties to limit purchases of foreign products in China. Washington has filed three other WTO complaints against China since 2006.

Last week, speakers at a US steel industry conference in Washington urged greater trade restrictions against China despite a recovery in the American steel sector that brought record revenues and profits in 2006 after a deep slump earlier in the decade.

Mr Andrew Sharkey president of the American Iron and Steel Institute said that China's government has subsidized the creation of a large steel industry that is now exporting large amounts of cut-price steel to the United States. The subsidies, including discounted prices for land and energy, low cost loans and debt forgiveness, represent unfair trading practices that threaten the US industry.

MEPS forecast SS price revival by New Year

- 05 Oct 2007

MEPS reported that its Asian average SS hot rolled coil transaction value for September 2007 dropped by more than 17% from July's figure due to large falls in nickel prices and weaker demand. MEPS however said that as exports are not attractive to Western buyers, resulting in more material in the Asian domestic markets, mills have responded by cutting production, which should help to stabilize prices in the short term.

MEPS added that its Asian average SS hot rolled plate price did not drop by as much as coils, due to stronger market conditions. MEPS said that as mills are pursuing exports to the West aggressively with some success, plate figures should therefore continue to be firm over period four.

MEPS forecast a price revival for the New Year, with mill order books strengthening as customers look to refill inventories. It said "Consumer confidence in transaction values is expected to return with nickel prices once again moving upwards. Exports to the West should also begin to pick up. The first half of 2008 we forecast a 5% price hike for both products."

MEPS said that "The monthly average nickel figure is set to be higher in September 2007 after a low of just over USD 27,500 per tonne in August 2007. This was due, in part, to the recent Fed rate cut. However, the cash price is not expected to climb much further in the short term as nickel inventories on the LME continue to rise. Volumes have topped 30,000 tonnes for the first time since April 2006. As the fourth quarter of 2007 progresses, stainless mills are expected to begin drawing down on these nickel reserves once again. This is forecast to push nickel values gradually back towards the USD 40,000 per tonne mark during the first half of 2008. The traditional summer holiday period for the stainless industry is then predicted to result in a softening in nickel prices."

IISI releases short range outlook on global steel demand

- 09 Oct 2007

The International Iron and Steel Institute forecasts that 2007 will be another strong year for the steel industry with apparent steel use rising from 1,120.9 million tonnes in 2006 to 1,197.6 million tonnes in 2007, an increase of 6.8% YoY.

Latest projections for 2008 also suggest a similar global growth rate to this year at 6.8%. These figures represent an upward percentage point revision of 0.9 for 2007 and 0.7 for 2008 over the March forecast.

IISI said that "The BRIC (Brazil, Russia, India and China) countries, which accounted for about 41% of global steel demand in 2006, will again be leading the growth with an expected increase of 12.8% for 2007 and 11.1% for 2008. Overall, 77% of world growth in 2007 and 71% in 2008 will take place in BRIC."

It added that "China apparent steel use is expected to grow by 11.4% in 2007 and 11.5% in 2008, accounting for 35% of the world total. For India, forecasts for apparent steel use point to an increase of 13.7% YoY in 2007 and 11.8% YoY in 2008."

IISI said that "Very positive developments are forecast for the Russian market, where growth of 25% for 2007 and 9.5% for 2008 are led mainly by the energy and construction sectors. Apparent steel use in Brazil is expected to increase by 15.7% for 2007 and 5.1% for 2008, with strong fixed capital formation partly driven by public investment program."

It further added that "In the EU (27), the growth in steel demand supported by healthy developments in Germany is mitigated by adjustments in the inventory positions, leading to a growth of 4% in 2007 and 1.4% in 2008."

It said that "For 2007, steel demand in the NAFTA region appears less robust than previously anticipated, particularly in the residential construction sector. A negative contribution to growth also derives from inventory reductions. In 2008, improved prospects for the overall market conditions lead to positive forecasts of 4% growth."

The IISI executive committee reviewed the forecasts at its meeting in Berlin and commenting Mr John Surma chairman of IISI said that "Although global economic risks have increased, the IISI forecast assumes that the recent credit market volatility will not move the US economy into recession. We are pleased to note that North Africa, South Africa and the Middle East are emerging as strong growth regions as higher energy and raw material prices associated with growth in China, as well as other developing nations, increase income and boost investments in these regions."

Short range outlook for apparent steel use 2006-2008

Regions	2006	2007	2008	% 05/06	% 06/07	% 07/08
EU (27)	184.9	192.2	195	11.4	4	1.4
Other Europe	27.2	29.3	31	11	7.8	5.7
CIS	50	59.8	65.2	18.1	19.5	8.9
NAFTA	155.7	148.1	153.9	11.5	-4.9	4
Central & South America	35.6	39.5	41.6	11.8	10.9	5.2
Africa	23.1	25.1	27.5	11.4	8.9	9.5
Middle East	37.3	40.4	43.4	9.8	8.4	7.5
Asia	607.2	663.2	721.1	6.2	9.2	8.7
Central & South America	35.6	39.5	41.6	11.8	10.9	5.2

(In '000 of tonnes)

ThyssenKrupp to change alloy surcharge system

- 09 Oct 2007

It is reported that the operating companies within ThyssenKrupp Stainless AG are changing the way they calculate alloy surcharges with immediate effect. The new pricing basis for stainless steel flat products will apply from November for ThyssenKrupp Nirosta and ThyssenKrupp Acciai Speciali Terni in Italy.

The large fluctuations in prices, especially for nickel as one of the main alloying elements for stainless steels, have shown that it is necessary to link alloy surcharges more closely to raw material prices. The revised pricing system is based on a more timely calculation and publication of alloy surcharges. This will allow customers to plan their purchasing realistically based on current developments on the raw material markets.

Until now the published alloy surcharge has been based on average raw material prices two and three months in the past. From now on it will be based on price movements in the 30 days before the 20th of the previous month. Compared with the previous calculation method, the only change is the alloying element cost reference period. All other parameters remain unchanged. In the future, the alloy surcharge will be announced before the month in which it applies. As a result the calculation will be much more current and will reflect market movements more closely.

Alloying elements, mainly nickel, chromium and molybdenum, are used in the production of stainless steel. The alloy surcharge is added to the base price.

World's top steel trading countries

- 09 Oct 2007

In 2006 China jumped over Japan, Russia and the EU25 to become the World's biggest steel exporting country. China's new pre eminence as top exporter has seen an increase across most product groups and across most export markets including Europe, North America and South America. China, with exports of 50 million tonnes in 2006 is exporting at the rate of a million tonnes a week. Indian exports grew by 23% in 2006 although Russian exports are slowing with more and more steel staying at home to feed a buoyant domestic economy.

World top Steel exporter

Rank '06	Rank '05	Country	‘06	‘05	Change	Share
1	5	China	49.2	25.7	91%	17%
2	1	Japan	34.2	31.7	8%	12%
3	3	Russia	31.0	30.4	2%	11%
4	2	EU25	30.4	30.9	-2%	11%
5	4	Ukraine	30.9	27.1	12%	11%
6	6	S Korea	17.3	15.5	12%	6%
7	8	Turkey	12.8	12.2	5%	3%
8	7	Brazil	12.5	12.4	1%	4%
9	9	Taiwan	10.4	9.0	16%	3%
10	10	USA	9.0	8.9	1%	3%
11	12	India	6.7	5.5	18%	3%
12	11	Canada	5.9	5.7	4%	2%
		Others	34.9	34.9	-2%	12%

(Iron and steel statistics 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, 12 million tonnes more than in 2005, 4 million of which came from China. The USA similar to the EU also imported an extra 12 million tonnes in 2006 up by 42% on 2005 with significant increases in imports form China and Russia although the tide has now turned and US imports are currently on a downward trend. 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.

World top Steel importer

Rank '06	Rank '05	Country	06	05	Change	Share
1	5	USA	40.4	28.5	42%	14%
2	1	EU 25	39.9	26.8	46%	14%
3	3	S Korea	21.9	18.4	19%	8%
4	2	China	18.6	26.8	-31%	4%
5	4	Turkey	11.7	9.8	19%	4%
6	6	Canada	10.7	9.5	13%	4%
7	8	Thailand	10.6	12.4	-15%	4%
8	7	Taiwan	10.4	10.9	-5%	4%
9	9	Mexico	7.9	6	31%	3%
10	10	Iran	7.5	8.3	-10%	3%
11	12	UAE	6.5	5.3	22%	2%

12	11	Vietnam	5.9	5.3	11%	2%
		Others	93.1	86.2	11%	34%

(Iron and steel statistics Bureau)

Nickel prices likely to stabilize due to renewed buying

- 10 Oct 2007

It is reported that nickel prices have bottomed and are likely to stabilize as SS makers have started buying to build their inventories.

Credit Suisse said that "Nickel prices appear to be bottoming out as stainless mills begin to slowly restock and this could push LME prices significantly higher. Notes nickel supply growth is likely to be 4.6% in '07 and 5.3% in '08 in an industry where nickel demand can swing from 0% to 10% depending on the restocking and destocking cycles of the stainless producers."

Mitsui Bussan Commodities Limited said "Consolidation of the mining industry into financially strong industrial groups is providing the exploration and development capital to pursue major resources, but the scarcity of world class deposits in copper and nickel has been an impediment to a ramp up in metal supply."

Mr Michael Khosrowpou analyst for Triland said "Nickel stocks held by exchanges, industry to continue to rise in short term which should soften prices. LME nickel retains recently gains after LME lifts nickel lending guidance imposed June 6th 2007 to stop market becoming disorderly; move past USD 33,000 per ton likely to trigger upside stops, r; adds upside advances past USD 36,000 appear capped for now as result of current high underlying stock figures."

Global crude SS production in H1 up by 9.1% YoY

- 11 Oct 2007

Preliminary figures released by the International Stainless Steel Forum show that global stainless steel crude steel production has increased in the first half of 2007 by 9.1% YoY. Total production for the first six months of 2007 was 15 million tonnes.

In Asia, stainless steel production grew by 20.2% YoY to 8.5 million tonnes. Driving forces were again China with 54% YoY and India with 7% growth. China produced 3.5 million tonnes of stainless crude steel and has increased its lead as the world’s leading SS making nation. The strong production increase is mainly based on new capacities. The growth will continue for the rest of 2007 as further new capacity is commissioned. Production in Japan has compensated for last year’s losses.

The second biggest producing area, Western Europe and Africa reported a 3.1% YoY decrease in stainless steel production during the first six months of 2007. Total production was 4.9 million tonne in this period. In The Americas region, stainless crude steel production declined by 2.1% YoY to 1.4 million tonnes in the first half of the year.

Stainless and heat-resisting crude steel production details

Region	2005	2006	Change	H1'06	H1'07	Change
Western Europe & Africa	8,795	10,000	13.7	5,056	4,898	-3.1
Central & Eastern Europe	310	363	16.8	177	201	13.2
The Americas	2,688	2,951	9.8	1,504	1,472	-2.1
Asia	12,498	15,074	20.6	7,053	8,477	20.2
World total	24,292	28,387	16.9	13,790	15,047	9.1

In 000 tonnes
Source: International Stainless Steel Forum

ISSF forecasts that healthy demand from end users will remain, but production will slow down considerably due to de-stocking. During the rest of 2007 ISSF predicts the use of stainless steel in fabrication will continue to grow. However, following the trend from the first half of 2007, apparent consumption will slow down considerably, showing negative growth rates compared to the second half of 2006. This is based on a stronger than expected need for de stocking at stockholders and stainless steel fabricators. The de stocking is influenced by the decrease in the price of nickel. Stockholders and fabricators are trying to reduce stocks of stainless steel that contain high-priced nickel.

As a result, ISSF has lowered its stainless crude steel production forecast to 1.1% growth for the whole of 2007. This would mean total production of 28.7 million tonnes in 2007. In May 2007, ISSF forecast growth of 5.1% for 2007. The new forecast stainless and heat resisting crude steel production for 2007 is as under

Region	H1'06	H2'06	2006	H1'07	Change	H2'07	Change	2007	Change
WE & A	5,056	4,944	10,000	4,898	-3.1	4,552	-7.9	9,450	-5.5
CEA	177	186	363	201	13.6	199	7.0	400	10.2
Americas	1,504	1,447	2,951	1,472	-2.1	1,278	-11.7	2,750	-6.8
Asia	7,053	8,021	15,074	8,477	20.2	7,623	-5.0	16,100	6.8
World	13,790	14,598	28,388	15,048	9.1	13,652	-6.5	28,700	1.1

In 000 tonnes
Source: International Stainless Steel Forum

Hot band spot price movement mixed during last fortnight

- 11 Oct 2007

SteelBenchmarker reported that the US hot rolled band spot price for October 8th 2007 rose 0.7% to USD 580 per metric tonne, FOB the mill for the fourth consecutive time. The World export HRB price rose 1.6% to USD 583 per tonne, FOB the port of export, for the third consecutive time. The Chinese HRB ex works price fell by 1.0% to USD 472 per tonne, for the second consecutive time. The Western European HRB price dropped by 0.4% to USD 677 per tonne, ex works after two consecutive rises.

USA
USD 580 per metric ton FOB mill
Up by USD 4 per ton from USD 576 two weeks ago
Down USD 50 per ton from USD 630 on April 9th 2007
Up by USD 20 per ton from USD 560 on August 13th 2007

China
USD 472 per metric tonne EXW
Down by USD 5 per tonne from USD 477 two weeks ago
Down by USD 15 per tonne from USD 487 a month ago
Up by USD 15 per tonne from USD 457 on May 14th 2007
Up by USD 70 per tonne from USD 402 on July 9th 2007

Western Europe
USD 677 per metric tonne EXW
Down by USD 3 per tonne from USD 680 2 weeks ago
Down by USD 19 per tonne from high of USD 696 on June 11th 2007
Up by USD 17 per tonne from the low of USD 660 on March 12th 2007

World Export Price
USD 583 per metric tonne FOB port of export

Up by USD 9 per tonne against USD 574 two weeks ago
Down by USD 13 per tonne from USD 596 on March 26th 2007
Up by USD 33 per tonne from USD 550 on July 23rd 2007

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.

AISI updates analysis on indirect steel trade with 2006 data

- 11 Oct 2007

American Iron and Steel Institute has updated its analysis of US indirect steel trade to include 2006 thus expanding the earlier analysis for years 1999-2005. This report identifies the volume and value of steel incorporated in finished products in eight major consumer markets imported and exported between the United States and 11 major countries and four regions.

The AISI report shows that US indirect steel imports hit a new high of 39.8 million net tons in 2006 up by 8% from 2005 and up by 22% since 2000. US indirect exports of steel also reached a new high of 20.6 million net ton in 2006 a 2% gain from 2005 and up 15% from 2000. Since indirect import gains outpaced the rise in indirect exports, the indirect steel trade deficit worsened in 2006 to 19.2 million net ton. This is 15% greater than 2005 and only 4% below the record year of 2002.

For the automotive sector, which remains the single largest source of indirect steel imports, the indirect steel trade deficit grew to 9.5 million net tons in 2006, after being relatively stable in 2003-2005. However, while the indirect steel trade deficit for this sector rose modestly from the 2003-2005 sector average of 8.7 million net ton, which was 22% below the sector deficit in 2002, the indirect steel trade deficit in 2006 remained well short of the sector’s record deficits in 2001-2002. This decline reflects in part the increasing automotive production in the United States, largely by foreign producers such as Toyota, Nissan, Honda and Hyundai, which have significantly expanded the scope and scale of their US operations, which rely mainly on domestically produced steel.

While the automotive sector’s indirect steel deficit since 2002 is one positive development, the significant overall deficit in America’s indirect steel trade highlights continuing structural problems for US manufacturing. Of particular concern to domestic steel maker is the fact that US indirect steel imports from China last year of 6.1 million net ton increased by 20% from the level in 2005. Moreover, our 5.5 million net ton indirect steel trade deficit with China in 2006 was the largest deficit with any country and was 3.9 million net ton greater than in 1999.

Mr Andrew G Sharkey III president & CEO of AISI said “China has the world’s most heavily subsidized steel industry and a huge excess of inefficient steel capacity. Its mercantilist model of government subsidies, currency misalignment and export-led growth extends well beyond steel to include downstream producers throughout the Chinese manufacturing base. Because no US manufacturer, regardless of how efficient it is, can compete against the Chinese government, this model of economic development represents a growing threat to the US steel industry, the American manufacturing base and US national security. AISI therefore joins with other US industries in urging the adoption of a pro-manufacturing US policy that has at its core more effective laws against unfair trade. The place to start is with passage into law this year of strong China trade legislation.”

AISI has been publishing data on U.S. indirect steel trade by world areas and steel consuming markets expressed in tons of steel since 1984. These reports provide data on the total amount of indirect steel trade each year in the US economy, and show the main sources of foreign competition faced by major steel using industries in the United States. This latest report includes detailed data for the last seven years (2000-2006). To obtain the full report, please visit www.steel.org.