

Latest forecast of world steel prices from MEPS

- 10 Aug 2007

MEPS said that the recent introduction of the levy on certain steel exports from China is now limiting supplies although arrivals into the EU in June were significantly up as traders anticipated the action. It said that low prices in North America are already keeping Far East exports at bay but demand has been poor and the loss of exports and new capacity has created an oversupply in a number of product categories in China.

MEPS said "In the flat products category, we foresee the world average flat products price drifting lower over the next few months. Inventories are likely to remain excessive up to the start of the final quarter in all regions. In the US a price recovery is anticipated as supply and demand rebalances. EU figures should stabilize in the near term but could decrease further as the inventory depletion phase continues. Oversupply is likely to continue in Asia for the remainder of the year - keeping prices low. A price recovery is forecast in the EU in 2008 when the inventory reduction has been completed. North American values are expected to continue their recovery. A modest rise is anticipated in Asia as the mills try to recoup higher input costs."

MEPS added that "In the long products sector, we predict reasonably stable pricing conditions over the next few months in all regions. However, in the final quarter and into the early part of 2008, we forecast further declines in North America and EU for seasonal reasons. Asian values should pick up marginally as construction revives."

MEPS concluded that price increases are forecast for all regions in the early part of 2008, pushing up the world figure slowly as input costs are likely to increase and modest demand improvements are anticipated.

Record freight rates push ship orders into uncharted waters

- 10 Aug 2007

Platts reported that record freight rates for Capesize dry bulk carriers driven by coal and iron ore trades, have pushed the world order book for new ships of this size to its highest ever level.

According to Clarkson Research Services, ship owners ordered 10.7 million DWT of new Capesize capacity in the January to June 2007 worth USD 75 billion pushing deliveries well into 2012 such is the size of shipyards order books around the world. It added that the order book for ships of all sizes was worth a record USD 304 billion as of July 1st 2007.

According to other shipbrokers, around 5 million DWT to 6 million DWT of new Capesize ships have been delivered by the shipyards in January to June 2007 while nothing has been scrapped and there have been no Capesize lost or sunk so far this year. A further 3 million DWT is due to be delivered in the remainder of 2007. Brokers estimated the world fleet at around 123 million DWT to 124 million DWT. The broker added that in 2008, around 45 new ships aggregating 8.6 million DWT are due to be delivered by the shipyards, while 2009 will see 65 ships and the order book for 2010 onwards shows deliveries of around 125 ships or 21.8 million DWT.

Shipbrokers argue that the market is likely to comfortably absorb the increased fleet size next year, but may have more of an issue absorbing the increases from 2009 onwards. A broker said that "It is hard to tell, because all of our predictions since 2002 have proved wrong and the increase in demand for iron ore by China alone has comfortably absorbed the increases in the world Capesize fleet for four and a half years." He added that the bulk of the new deliveries from the order book would fall in 2011 and 2012.

MEPS forecasts Asian SS prices slip in August

- 13 Aug 2007

UK based MEPS said that stainless selling values are forecast to slide again in August 2007.

It said "Mills will remain obliged to concede the nickel decrease immediately to their customers in order to encourage orders from local buyers. Exports are still sluggish and expected to continue to be slow in the short term as the price in the west drops significantly due to alloy surcharge reductions. Overcapacity in the Chinese market is anticipated to intensify, putting further pressure on Asian selling figures. Planned production cuts are not likely to be enough to ease the dramatic stainless steel price falls predicted until the end of this year.

MEPS said that nickel prices moved lower in July 2007 as they fell further into their deep descent. It said "The July monthly average is set to be around USD 8,500 per tonnes below June's figure. Nickel values are forecast to continue falling and are anticipated to drop below the psychological USD 30,000 per tonne mark for the August average as stocks on the LME continue to rise. There is still the possibility for another severe drop in the cost of nickel. Stability should return to the market later this year as production cuts from stainless steel producers over the summer months bring supply and demand nearer into equilibrium. New nickel capacity due on stream later this year and in 2008 is expected to prevent values rising dramatically before the end of the forecast period."

MEPS added that the continued downfall in nickel prices should result in stainless transaction values, for all products, recording significant declines into the fourth quarter of this year. It added that "By the beginning of 2008, cold rolled coil type 304 prices are anticipated to slip below USD 3,800 per tonnes with grade 316 dropping to just near USD 6,200 per tonne. The reduction in nickel prices is forecast to ease after the summer, which should help to stabilize the stainless market by early 2008."

China's central bank to prevent economy from overheating

- 13 Aug 2007

Chinese central bank last week said that it would put the task of preventing the China's economy from overheating as the top priority of current macro control. Central bank said the expanding trade surplus and rapid growth of bank loans and investment remained big challenges to the economy.

China's National Bureau of Statistics announced in July that China's GDP expanded 11.9% in April to June 2007 quarter lifting H1 growth to 11.5%.

China's economy has recorded a stable and fast growth in the H1 of 2007 and it is highly possible it would maintain a high growth rate in the H2 of 2007 under the favorable conditions. However, it pointed out there was a more obvious trend for the economy to shift from fast growth to overheating.

The central bank said it would continue to implement the prudent monetary policy in the H2 of 2007 and would call into necessary macro control measures to maintain the stability of the country's financial situation. According to the report "It also pledged to take measures to control the inflationary expectations and maintain the price stability."

The bank said it would continue to address the excessive liquidity with open market operations and reserve requirement ratio and also with the creation of more hedging instruments. The central bank would let the market supply and demand play a bigger role in determining the yuan exchange rate and make it more flexible while maintaining the stability of the currency's exchange rate at a reasonable and balanced level.

China to realize full industrialization by 2021

- 12 Aug 2007

According to China's first Blue Paper for Industrialization unveiled by the Chinese Academy of Social Science, the composite index of China's industrialization level would reach 100 by 2021, at which point the nation will have realized complete industrialization. Based on a couple years of research on China's industrialization processes, the national social science academy concluded that the country has entered the later half of the intermediate industrialization phase.

According to the academy's assessment, the comprehensive index of China's industrialization level was 18 in 1995 and 26 in 2000, indicating that the nation was sitting at the latter half of the initial phase of industrialization during its ninth "Five-Year Plan." The index saw an annual rise of four to five percent during the next five years and topped 50 by the end of 2005, meaning China's industrialization had entered into an intermediate stage. If such a momentum remains, the blue paper predicted, with another decade of development, the comprehensive index will reach 100, or complete industrialization, by 2010.

The composite index includes five main indicators, including the gross domestic product per capita, the gross product ratio among the agriculture, industry & service industries, the proportion of manufactured goods of all total consumer goods, the population urbanization rate and the employment rate in the agriculture, industrial & service industries.

Latest forecast on steel consumption in China by 2010 from CISA

- 15 Aug 2007

A panel organized by China Iron & Steel Association observed and revised 2006 forecast on China's steel market consumption by 2010. CISA has issued an amended forecast, which says in 2007, China will consume 425 million tonnes to 450 million tonnes of crude steel and 400 million tonnes to 420 million tonnes finished products excluding double counted steel products. CISA forecast added that by 2010, 510 million tonnes 550 million tonnes crude steel consumption and 480 million tonnes to 520 million tonnes finished products consumption excluding double count.

Yet the panel pointed out if China's economy keeps 11% growth in later four years 2007-2010, with fixed asset investment, foreign trade and consumption giving an unchanged push to the economy, the nation's steel product consumption may exceed highest forecast and go above 520 million tonnes by the end of 11th five-year plan period.

The three research institutes participated in revision forecasting have their results respectively.

1. Forecasting by China Metallurgical Industry Planning & Research Institute, by adopting mathematical model method and consumption flexibility etc

	Crude Steel			Finished steel		
	Max	Min	Likely	Max	Min	Likely
2007				408	400	404
2010	560	496	549	530	470	520

In million tonnes

2. Forecasting by Metallurgical Economic Research & Development Center under the Ministry of Metallurgical Industry, by mainly studying crude steel consumption and then calculating that of finished products according to finished product ratio and double count ratio

	Crude steel			Finished steel -1			Finished steel -2		
	Max	Min	Likely	Max	Min	Likely	Max	Min	Likely
2007	427	413	422	401	393	397	497	487	492
2008	460	448	455	433	423	428	541	529	535
2009	489	476	483	460	448	454	579	564	572
2010	515	499	507	484	469	476	614	596	605

In million tonnes

Finished steel 1 – excludes double counted products

Finished steel 2 – includes double counted products

3. Forecasting by China Metallurgical Information & Standardization Research Institute, which is based on micro analysis of capacity and import/export changes and various predictions by overseas authoritative institutions

	Crude steel			Finished steel -1			Finished steel -2		
	Max	Min	Likely	Max	Min	Likely	Max	Min	Likely
2007	476	446	457	448	420	430	513	485	495
2008	523	482	498	491	453	468	560	521	537
2009	544	522	535	511	490	503	587	566	579
2010	557	531	547	524	499	514	604	580	594

In million tonnes

Finished steel 1 – excludes double counted products

Finished steel 2 – includes double counted products

MEPS says NA steel prices struggle to keep pace with EU

- 03 Sep 2007

MEPS reported that Asian prices have not moved up as much as those in the EU but they are now closer to US values with the gap between the two reducing by around USD 85 per tonne since July last year. However, the price differential with the EU has increased by more than USD 30 per tonnes. This has caused a shift in Chinese exports away from the US and into Europe.

MEPS said that "Asian transaction figures continue to lag those of the other two regions. Growing Chinese exports are keeping carbon values in check. This scenario is forecast to persist in the long term as Chinese capacity expands further. Prices in Asia have been strong since the third quarter of 2006. The MEPS Asian Average Composite All Products Carbon Steel Price has increased by around 10% or USD 50 per tonnes. Values for flat and long products have both shown healthy growth, adding around USD 45 and USD 65 per tonnes respectively."

MEPS added that "A slight weakening of prices is predicted towards the end of this year across Asia. This is due mainly to a decline in the flat products sector, brought about by oversupply in the Chinese market. Long products' values should hold up over period four as both scrap costs and demand remain high."

For EU MEPS said that "Composite Price surpassed its previous peak in May this year by more than USD 90 per tonne as transaction figures continued their upward trend. Values still reside above that level, despite recent softness. Long products have been the main contributor to rising numbers as strong demand and escalating scrap costs pushed

prices higher. Transaction values are expected to record a slight seasonal downturn over the winter months before recovering through the first half of 2008."

For North American MEPS said that "North American figures indicate a different trend over the past twelve months, with prices being more volatile. In 2006, imports from China were greater. Large volumes saturated the US market, forcing mills to make production cuts towards the end of last year in an attempt to restore the supply-demand balance. This was, however, not enough to avoid a sizeable fall in transaction values. The MEPS North American Composite Price subsequently moved down by approximately 12.5%."

MEPS added that "The largest reduction was recorded in the MEPS North American Flat Products price, which decreased by around 15%. As scrap costs climbed early in 2007, transaction values improved for all categories except Electro-Zinc. However, the recovery was short lived as numbers have, once again, fallen in recent months. The MEPS North American Composite Price reached a peak in April of this year, but did not achieve the record levels recorded in the summer of 2006. Values are now forecast to recover in the fourth quarter of this year and into 2008."

Global SS producers slash output as price collapses

- 01 Sep 2007

MEPS reported that global stainless steel output is expected to reach 29 million tonnes in 2007 an increase of 2.2% YoY as compared to the figure in 2006. This may seem a reasonable outcome but all is not well in the market. In fact, if we exclude China, steel manufacturing in the rest of the world is forecast to decline by 5.3%.

MEPS said that "Stainless steel mills in all countries are cutting supply in the third quarter. This action has been forced on the producers as customers reduce their inflated stock levels. These were built up over the past eighteen months as the price of nickel quadrupled in the period November 2005 to May 2007. Currently, the metal's price is half the peak value, three months ago. We forecast crude stainless output in the EU, in 2007, falling to 8.55 million tonnes a reduction of 8.5% YoY. Very few orders are available as alloy surcharges are set to tumble over the next two months at least. Outokumpu has already announced production cuts."

MEPS said that "US stainless manufacturing was already down by 190,000 tonnes in the first half compared to 2006. Further reductions are anticipated as market activity slows in the face of falling prices and inventory depletion. A 5.4% decline is predicted in 2007 relative to the previous year."

MEPS said that "Stainless production in Japan in the first half of this year was considerably higher than the equivalent figure in 2006. However, output curbs have been announced. We now expect the final outturn for 2007 to be slightly down on the year earlier. MEPS added that "After an improved performance in the first half in South Korea, production cuts have been declared by POSCO and Hyundai. This should translate into a marginal reduction in 2007. Taiwanese output has been sluggish and a 6.3% decrease is forecast this year. Countries in the others category had a good start to 2007 and reasonable levels of output are likely in South Africa, Brazil and India during the second half leading to an overall rise in steel making."

MEPS further added that "Chinese production will be lower in the third and fourth quarters compared to the figures recorded earlier in the year. This should still leave the country's output in excess of 7 million tonnes in 2007 because of the heightened activity in periods one and two."

Stainless steel production

	2005	2006	2007 forecast
European Union	8270	9335	8550
Japan	3795	3900	3825
United States	2205	2500	2115
South Korea	2245	2200	2180
Taiwan	1615	1685	1580
Other	2775	3185	3350
Total W. World+	20905	22805	21600
China/Russia	3500	5545	7400
Global Total	24405	28350	29000

(In '000 tonnes)
(Sourced from MEPS)

Hot band spot prices continue upturn

- 30 Aug 2007

SteelBenchmarker reported that the US hot rolled band spot price for August 27th 2007 up by 0.9% to USD 565 per ton on FOB mill basis after falling for the eighth consecutive time. The World export HRB price down by 0.4% to USD 555 per ton FOB port of export after rising last time. The Chinese HRB ex works price surged by 7.5% to USD 460 per ton, the third consecutive rise. And the Western European HRB price up by 1.1% to USD 670 per ton ex works, after staying flat two weeks.

1. US

USD 565 per metric ton

Up by USD 5 per ton from USD 560 two weeks ago

Down by USD 65 per ton from the peak of USD 630 on April 9th 2007

Down by USD 6 per tonne below the recent low of USD 571 on January 22nd 2007

2. World Export Price

USD 555 per metric ton FOB the port of export

Up by USD 2 per ton from USD 557 two weeks ago

Down by USD 41 per ton or 17.2% from the peak of USD 596 on March 26th 2007

Up by USD 56 per tonne from the previous low of USD 499 on December 11th 2006

3. Western Europe

USD 670 per metric ton EXW

Up by USD 7 per ton from USD 663 two weeks ago

Down by USD 26 per ton from the peak of USD 696 on June 11th 2007

Up by USD 114 per ton from the low of USD 556 on November 27th 2006

4. China

USD 460 per metric ton EXW

Up by USD 32 per ton from USD 428 two weeks ago

Up by USD 3 per ton from the peak of USD 457 on May 14th 2007

Up by USD 87 per ton from the low of USD 373 on July 24th 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.

AK Steel announced October 2007 surcharges for electrical steel

- 05 Sep 2007

AK Steel has advised its customers that a USD 225 per ton surcharge will be added to invoices for electrical steel products shipped in October 2007.

AK Steel's surcharges are based on reported prices for raw materials and energy used to manufacture the products, with the August 2007 purchase cost used to determine the October 2007 surcharges.

AK Steel headquartered at Middletown in Ohio 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 SS and nickel prices

- 07 Sep 2007

MEPS reported that stainless selling prices are set for a hard landing as alloy surcharges will show significant MoM declines until at least October. Type 316 figures for September are almost USD 1,100 below those in August and October's forecast to be another USD 670 per tonne lower. Moreover, basis values are not likely to improve in the short term. A noticeable transaction price recovery is not, therefore, anticipated until the first quarter of 2008 due to weaker market conditions.

MEPS added that distributors are expected to re-evaluate their stock levels early in the New Year. Mill orders should then increase. However, we do not anticipate the same upturn as recorded at the beginning of 2006. Buyers will remain wary as they continue to count the cost of the recent sudden collapse in the value of their inventories. For this reason only a steady transaction price improvement is forecast for 2008.

MEPS also added that as predicted in July 2007 nickel prices fell under the USD 30,000 per tonne mark during August 2007. However, the rate at which it continued to drop was greater than anticipated with values falling to almost USD 25,000 per tonne by the middle of the month. Stocks at the LME climbed above 20,000 tonnes for the first time since May 2006 when at that time the cash figure stood at around USD 21,000 per tonne. Stainless mills are not expected to increase nickel purchases while high volatility remains. This should result in stock climbing higher causing the nickel cash monthly average figure to slip further in the short term. Prices are forecast to stabilize during the fourth quarter of 2007 and into 2008 as stability returns to the stainless market.

China terms WTO complaints on subsidies as misunderstanding

- 09 Sep 2007

It is reported that spokesman of the China Ministry of Commerce noted September 3rd 2007 that the USA and Mexico have a great misconception over Chinese policies regarding their bringing accusation to WTO against China targeting so called subsidizing exports program.

The spokesman said the accusation is out of internal political needs in the initiators countries, which want to cover China's initiative in improving taxation regime and make this their credit of relying on WTO to settle disputes. China won't change its efforts to further improve laws and regulations, which is in accordance with social and economic development despite complaints of the two countries.

The spokesman said the disputes case mainly involves preferential policies like exemption and refund of income tax and value added tax for certain enterprises. But the truth is, the two complaining parties have misunderstanding towards China's relevant measures and ignored improvement of its economic mechanism and the reality. The complaints even include some measures that have already been abolished. With the new Enterprise Income Law soon to be implemented, China's policy and measures are completely in line with WTO rules.

China held two rounds of negotiations with the USA and Mexico on so called "subsidies" programs, in Geneva on March 20th and June 22nd 2007. Yet, the claiming parties insisted requesting establishment of WTO panel to solve the problem.