
Fitch sees steel production to be affected by weak demand

Sunday, 28 Jun, 2009

Fitch Ratings said that weak steel demand will continue to weigh on steel production and pricing through the year with some improvement in the second half from destocking.

According to a special global report issued by Fitch Ratings, demand for steel has weakened sharply since August 2008 with the global financial crisis reducing construction activity and capital spending worldwide. The resulting fall in steel demand and prices has been met with substantial production cuts around the world.

Fitch expects the earnings and cash flows of steelmakers to suffer during this period of very low demand and assesses each Issuer Default Rating and Rating Outlook on the issuer's ability to weather this period given its operating profile, strategy for the downturn, competitive position, capital structure and liquidity.

A rebound in real demand will require a strengthening in consumer and investment spending, which may just be bottoming out, in addition to government stimulus spending which has yet to result in material new orders. Fitch does not expect real demand to begin to recover much before the fourth quarter of 2009.

(Sourced from www.fitchratings.com)

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