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## MEPS sees world steel price rises in June for first time in 11 months

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UK based MEPS said that "US mills' utilization rates have crept up steadily over the last month and now stand above 47.5%. The recent dire market conditions appear to have bottomed and expectations are for a steady, albeit slow, recovery. Service centers report that business activity continues to be low but inventories are now generally in balance with the reduced level of demand. Imports into the US are not a factor in the market and licence applications from overseas suppliers are still registering month on month declines. Most major steelmakers have now announced a series of transaction price advances for strip mill products, following a leading move by AK Steel at the beginning of June. The increases are effective with new orders scheduled for delivery in July."

It added that Canadian transaction values, however, are still falling. The escalation in the strength of the local currency versus the US dollar is making the country more attractive to US mills, although offshore imports remain virtually absent. Domestic producers have reported a couple of weeks of modest improvement in their order position. This is, ostensibly, inventory replenishment which suggests destocking may be near completion. However, the consensus amongst distributors is that market conditions remain very sluggish and the continued automobile closures and shutdowns have damaged any possibility of a summer upturn. A slight pick up is envisaged in the September or October timeframe.

MEPS said that despite steady growth in imports and domestic output, the price trend for Chinese flat products has turned positive, supported by a strengthening of real demand and traders restocking ahead of further perceived increases. The recent sharp production cuts in Japan have helped to reduce inventories. Moreover, a small recovery has been noted in demand from car and electronic goods makers, as well as overseas customers. Stocks of strip mill products held by local steelmakers and distributors, as end of April, fell to below the 4 million tonne mark for the first time in two years. Meanwhile, quayside inventories of imported flat products dropped by 13.1% in the same time frame. The mills hope to be able to gradually lift output in the autumn.

It added that "Weak consumption continues to dominate the South Korean scene. Following POSCO's extensive price cuts last month, other local suppliers have brought their figures inline with the market leader. Demand is slowly recovering in Taiwan. CSC will lift domestic list prices for July and August by an average of 7% compared to June. The company has said the increases are due to supply shortfalls as steelmakers have been axing production during the global economic downturn. Chung Hung Steel also announced higher selling values for June contracts with both local and export customers, citing escalating input costs caused by more expensive slab."

Polish strip mill product values are unchanged when denominated in Euros but are slightly higher than a month ago when quoted in the domestic currency because of exchange rate fluctuations. Demand has worsened as the economic crisis cuts deeper and prices are not expected to show any significant growth during 2009. Producers are carrying on with their output curbs.

In the Czech and Slovak markets, although the rate of price decreases has slowed, the outlook remains pessimistic as end users have very little work on hand. In May, distributors' stocks plummeted to a level where it seemed they needed to re order but they have only purchased enough to fill any gaps that might have appeared. Producers have tried very hard to push prices up and, initially, a few buyers agreed to pay a little more. However, the higher figures did not hold. Customers have received offers from Russia, India and China but the quotations are similar to those of more local suppliers.

In Western Europe, end user consumption remains weak. However, buyers are coming back to the market, albeit only for relatively small quantities to replenish their dwindling stocks. Although EU producers have lifted their latest domestic offers, customers are hesitant to accept the increases. With the US dollar weakening against the euro and sterling, imported material is becoming more competitive. However, many purchasing executives lack the confidence to order significant tonnages on such comparatively long delivery lead times, bearing in mind the woeful state of real consumption.

(Sourced from MEPS - International Steel Review)

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