

---

## MIIT mulls to cool down sizzling steel output growth

*Friday, 03 Jul, 2009*

It is reported that Chinese large and-medium sized steel mills have made profit of CNY 1.262 billion in May ending a losing streak of 7 straight months. However, the high steel production level is still a headache hovering there.

And the Ministry of Industry and Information Technology is mulling a therapy to cool down the rampant steel output growth, which covers 4 aspects as mergers and acquisitions, resources tax, inefficient capacity cut and import & export tax.

MIIT has lately convened a meeting discussing the issue. And representatives from 9 big steel mills reached a consensus on the meeting that the bigger problem appears to be the smaller mills especially in construction steel's capacity expansion.

As per report, to reverse the rising trend, MIIT would send teams with some other ministries to check the practical situation of steel production as well as steel mills performances in implementing environmental and taxes regulations

The ministry has issued an emergency circular in early May calling local governments to arrest the fast rising steel production however effects of the restrictions are limited with output staying high in May and June.

An industrial source said "All steelmakers are rushing to restart capacity in light of the rising steel prices, versus the earlier situation that medium-and-big mills cut output while smaller mills add capacity. And it is also a tough matter as how and to what extent government should cap the production."

The source also unveiled MIIT has completed the first draft of the steel mergers and acquisitions rules with detailed measures for obsolete capacity elimination to be worked out together with National Development and Reform Committee and the Ministry of Finance and which will pack into the performances assessment of local governments.

MIIT is also mulling to reduce costs for domestic miners, and those with captive ore mines widely expressed that the resources tax reform deals a great inflection to their costs. Relative measures are likely to be hammered out before the year end. Meanwhile, relevant authorities are considering imposing a safeguard tax for steel imports suggested by domestic steel producers since China stays as a net steel importer in the Q2. Steel mills also suggest Beijing to further raise export tax rebates for HR and CR products to support shipment.

(Sourced from MySteel.net)

Visit [www.Mysteel.net](http://www.Mysteel.net) for real time access to China steel news!

For more news visit at [www.steelguru.com](http://www.steelguru.com)