
MEPS sees price increase for stainless steel

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UK based said that stainless steel producers throughout the world are succeeding in securing higher prices, although there appears to be no increase in underlying demand in most markets. The steady climb in the LME nickel figures has enabled suppliers to lift transaction values by applying their local mechanisms for accounting for variations in alloy expenditure. In addition, mills in many countries have also pushed up the basis element of their selling prices.

It added that "In Taiwan, India and China, government stimulus measures have brought about what could be considered real increases in demand and many of the producers in these countries have been operating at close to full capacity in recent weeks. Outokumpu, in Finland has also decided to lift output from the low levels in the first half of this year."

MEPS said that "Rising nickel prices over the past 10 weeks led to increases in input costs, pushing up selling values in June for all austenitic grades of steel. So far, this has generated no panic buying by customers. As a result of a recent ferrochrome settlement, we expect USD 80 per tonne to be added to transaction values for all stainless grades over the next two months."

It said that market fundamentals would suggest an orderly growth in price and consumption of stainless steel. Real demand is still weak in most countries. The nickel price is arguably inflated given the high level of stocks in the LME warehouses. However, past experience shows that market fundamentals do not always apply in this sector.

MEPS further added that "Rising stainless steel prices over the next few months may prompt buyers to rethink their current conservative approach to purchasing. They could decide to increase their order volumes on the mills in an effort to beat the potential price revival, particularly, as April is widely recognized as the bottom point of this steel cycle. The combined effect of increased mill activity in Asia and the EU in the coming months and the prospect of further rises in customers requirements would result in shortages and additional alloy costs. The merry go round of boom and bust in stainless prices could start once more but not with the same intensity as in 2006-07."

(Sourced from MEPS)

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