
China steel output in May reached peak level

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According to Chinese Internet source MySteel in May in China daily steel output was averagely 1.498 million tonnes which was the peak volume ever in June it can be even more.

According to Chinese analysts taking into account new mills start that is planned for the nearest months steel output in the country in current year can exceed 530 mio tonnes what is much more that was planned in the beginning of the year.

Steel output increase by Chinese manufacturers can be explained rather simply. Domestic prices for steel products have been growing constantly for more than two months. In the H2 of June average rebars and HRC market prices in Eastern provinces reached about USD 540 per tonne from a metal base. CRC and galvanized steel prices exceeded USD 680 per tonne. At that there still no signs of supply excess in the market. In May stockpiles of all main kinds of rolled steel except plate decreased. Steel products consumption in the country increases due to the State programs of the economy stimulating and consumers' market support.

According to MySteel's data, in particular as per Baosteel's experts estimations additional investments of CNY 4 trillion into infrastructure and residence construction will contribute to steel products demand increase by 125 mio tonnes. Investments into construction projects in the first five months of current year grew almost twice YoY. MySteel believes that steel consumption in the country in 2009 will made about 520 mio tonnes which are by 14 % more than in 2008.

Nevertheless, Chinese specialists think that national steel demand is overheated and the two month prices surge is to finish soon with recession due to supply excess. This is dangerous, first of all for coils which stockpiles continue to increase whereas the demand does not grow fast enough. In construction steel market the main risk factor is the beginning of rains season in the south of the country and summer hot weather which restrains construction works. As the result steel products prices are to decrease in July to August. However in September new increase will begin and HRC will possibly reach CNY 4000 per tonne.

Nowadays China is net importer of steel. Local sources announce just insignificant shipments of wire rod at USD 510 per tonne to USD 520 per tonne CFR Korea, HRC at USD 460 per tonne to USD 500 per tonne FOB, CRC at about USD 550 per tonne to USD 560 per tonne FOB and galvanized steel of 1 mm thickness at USD 580 per tonne FOB. These prices do not exceed average regional level. Thus Japanese and Taiwanese manufacturers offer HRC at USD 500 per tonne to USD 510 per tonne FOB and Russian rolled steel is quoted in South-Eastern Asia at USD 480 per tonne to USD 495 per tonne CFR.

(Source from Rusmet.ru)

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