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## MEPS forecasts fall in steel prices in 2010 as BF's restart

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UK based steel consulting major MEPS has forecasted trouble ahead for global steel makers in 2010.

It said "US transaction values for some products are a little higher than a month ago. However, the last round of proposals for higher prices do not appear to have been implemented, so far. Although October/November mill bookings are good for the available capacity, December is filling up very slowly. The steelmakers may start to offer discounts in order to solicit business before the year end, despite a lack of any real import competition. Distributors report that their sales have slowed dramatically in October, reflecting the poor state of consumption in most end-user sectors."

MEPS said that "Although our Canadian transaction numbers are marginally above those of September, attempts to lift them further have been undermined by a strengthening domestic currency. Steel import permits have begun to move upwards. Domestic producers say that the order situation remains satisfactory and delivery lead times are extending. Auto schedule increases, together with USS Stelco's continued absence from flat rolled production and a blast furnace outage at Algoma, have all helped to tighten supply. However, most customers fear that business conditions will remain relatively weak for the foreseeable future. Distributors continue to keep stocks at minimum levels."

It added that "Chinese domestic prices began to rebound around mid October, after falling steadily for two consecutive months. Nevertheless, stocks are still in surplus because the mills have failed to curb output. Certainly, market sentiment has improved with many participants believing values have bottomed but it remains to be seen whether the recovery is sustainable. Expanding global demand is helping to lift export tonnages."

MEPS also said that "In Japan, growing overseas business and better sales by the car makers have helped to boost steel output after the summer slowdown. Even so, overall consumption is still fragile, particularly in the construction sector. Inventories held by local mills and distributors, as end of August, grew by 2.9% compared to July the first increase in seven months. Meanwhile, quayside stocks of imported flat products dropped by around 10%, in the same time frame, to reach the lowest point in five years."

MEPS said that "Better demand from the auto and home appliance manufacturers is driving a small recovery in the South Korean flat products sector. Although the market in Taiwan continues to show signs of revival, oversupply in China remains a cause for concern. Consequently, CSC has decided to cut December domestic list prices by an average of around 4.5%. Cheap imports have already damaged market values for a number of products."

It added that "Despite a lack of any significant activity in the Polish market, customers have conceded small transaction rises because material is difficult to source due to output constraints. Companies are refilling their depleted stocks. The Czech economy is in disarray. Underlying steel consumption shows no signs of improvement. Although inadequate supply for recent inventory replenishment has pushed prices higher this month, market players believe the enhanced figures may not be sustainable beyond the end of this year. Severe competition between distributors is serving to push their profit margins down to unacceptable levels."

MEPS concluded that "An ongoing lack of end user demand is creating negative pressure in the West European market. Restocking by the service centres caused a brief, temporary upturn in mill sales during the third quarter. This has now come to an end. Moreover, respondents are concerned that the current level of consumption is not high enough to justify restarting so much previously idled capacity. Basis values have already weakened in several countries and buyers anticipate further concessions in period one 2010."

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