
China to sustain steel output growth for 5 years - Analyst

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Bloomberg quoted Chinese research group Steelhome.cn said steel production growth in China will hold above an annual 10% for the next five years.

Mr Wu Wenzhang President of Steelhome said “Steel production in China will increase at the current pace in the next five years at least. A robust economy will continue to spur domestic demand, like it did in the past 10 years. Growth this year is an annual 14%.”

While steelmakers outside China cut output and jobs because of the global crisis, production in the country reached records in the four months through August as the state committed about USD 586 billion in spending to buoy the economy. China increased imports of iron ore, used to make steel to a record this year.

Mr Wu said Chinese steelmakers’ profits fell to a combined CNY 30 billion this year from about CNY 100 million in 2008 while output rose to 570 million tonnes from 500 million tonnes. It is unlikely profitability will rise before 2012 as raw material and power costs increase.

A Bloomberg survey of 11 analysts said contract iron ore prices may jump 14% next year to the second highest on record. Mr Wu said “Prices are still going up as demand from emerging countries will continue to surge. He said that we are likely to see a 10% rise in 2010.”

Mr Wu said China is seeking to increase iron ore supplies from Russia, Ukraine, South Africa and North Korea to about 15% of the total, from less than 10% now. That would give China more bargaining power with producers including Rio Tinto Group, BHP Billiton Ltd and Vale SA, which currently account for about 70% of iron ore shipped to the nation.

(Sourced from Bloomberg)

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