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## Chinese domestic steelmaker increase prices despite low demand

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It is reported that many Chinese domestic steelmakers have recently raised prices despite shrinking demand resulted by nationwide cold wave, seemingly signaling their optimism about steel market within this year. But some traders believe the moves can hardly calm down steel market undulations.

Major domestic steelmakers have adjusted EXW prices this month. Baosteel has kept December prices firm yet scrapped discounts of CNY 100 per tonne to CNY 300 per tonne in November.

Wuhan Steel has pulled up December prices by CNY 100 per tonne to CNY 300 per tonne while Shagang has hiked price by CNY 80 per tonne for rebar and CNY 100 per tonne for wire rod for mid November.

Medium and small steelmakers have followed suit. Incomplete statistics show during the past week over 50 steelmakers have increased EXW prices for construction steel, such as rebar and wire rod, by CNY 30 per tonne to CNY 50 per tonne or even CNY 80 per tonne to CNY 100 per tonne.

Traders point out steelmakers raise prices in an attempt to stabilize steel market and spread their optimism, but some traders believe this will take effect in a short term yet will not work long due to the following reasons:

1. Steelmakers will seldom cut productions. Many steelmakers have shown no sign of output cutbacks so far. Crude steel output reported by major steelmakers amounted to 39.7853 million tonnes in October still perching at a high level. Annual steel supply will exceed 550 million tonnes YoY increase of 50 million tonnes or 10%. A surplus of 90 million tonnes will emerge providing total consumption remains at 450 million tonnes. This is the biggest obstacle for steel price hikes.
2. Steel stocks can hardly fall owing to the oversupply. Total social stocks of steel products in 26 cities added up to 11.13 million tonnes in September end surging by 5.3 million tonnes or 91% over this year beginning in the meanwhile steelmakers' stocks of steel products and semi steel products amounted to 11.55 million tonnes up 1.45 million tonnes. Although stocks of some products, such as rebar and wire rod in Shanghai, decline recently, it is only the result of interrupted transportation caused by snowstorms in northern regions. Construction steel stock in Shanghai will sure rise once a number of resources flood into southern markets when the weather turns better.
3. Market risks can barely be eliminated. Increasing resources and worsening oversupply accelerate the exposure of market risks.

Some traders disclose the three factors characterize current steel market which will eye no substantial change in a short period. High outputs and huge stocks especially will push down steel price.

(Sourced from MySteel.net)

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