In depth study on Chinese stainless steel market by SMI GmbH

Friday, 04 Dec, 2009

SMI GmbH has just completed an in depth study about the Chinese Stainless Steel market, by visiting around 50 integrated stainless steel producers. Some of the key results are shown below:

The stainless melt production will reach 11 million tonnes in 2009 (+30% compared to 2008) and the output of finished products will climb to 9.9 million tonnes. Out of this flat products will grow to 7.8 million tonnes (+37 %) and long products to 2.1 million tonnes (+10%). Not only the output of the major mills like TISCO or Baosteel increased, also many new companies are entering the market like Fujian Deshang Nickel, Shandong Taishan, Southwest Stainless or Shanxi Huanxinyuan, to name just a few.

There are many types of Chinese steel producers. For example, the furnaces range from 1 t Chinese made induction furnaces to 160 t state of the art electric arc furnaces. The slab width ranges from just 450 mm to 2,100 mm and the width of hot rolled coils from 400 mm narrow strip (mostly 200 series) to 2,000 mm wide coils. Cold rolled products are produced on Chinese made 4-high mills as well as on imported 20-high Sendzimir mills.

There are around 50 producers with own melt shops which in total operate 50 induction furnaces (12% of Chinese STS production in 2009) and 90 EAF (88% of Chinese STS production). Whilst the equipment and product range is different as described before, these companies still have a common denominator. They use the same raw materials: Ferroalloys, Nickel Pig Iron and Scrap. In 2009, the Chrome input is expected to reach 1.8 million tonnes (+35% compared to 2008), Nickel input 540,000 tonnes (+32 %) and Manganese input 240,000 tonnes (+47%). By 2015, the Chrome input could increase by more than 1 million tonnes to around 2.9 million tonnes and Nickel input by 300,000 tonnes to 840,000 tonnes.

The installed melting capacity in 2008 was 12.5 million tonnes. With a melt production of 8.4 million, the capacity utilization was 67 %. In 2009, the capacity utilization will, contrary to the rest of the world, increase to 76 % (melt capacity 14.5 million tonnes, melt production 11 million tonnes).

The Chinese demand will grow by 15 % in 2009, which is significantly below the increase in production (+30 %). This resulted in heavy up-stocking of around 1 million tonnes throughout 2009. Thus, 2010 will be a challenging year in China. Stock levels are very high, 1.8 million tonnes of fresh melting capacity will come on stream and demand is expected to grow by less than 10 %. The capacity utilization will definitely drop in 2010.

In the same period of time, the domestic Chinese demand is only expected to grow by between 5.5 and 6.5 million tonnes. This inevitable leads to only two possible scenarios: either the capacity utilization will be much lower or Chinese producers have to increase their export volumes drastically in order to keep the capacity utilization on reasonable levels.

(Sourced from www.steel-intelligence.com)