
China steel industry haunted with high inventory

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It is reported that China steel industry has been haunted with a high inventory throughout the year which has constrained the sector's profitability. Destocking, seemingly a forever topic is indicating the industry structural problem in a long run.

In 2009, China steel market experienced several rounds of ups and downs. Bolstered by the national rescue package, steel production resumed and gradually boomed from the Q2. As data shows, China steel resources increased by 17.9% YoY in June and the growth swelled to 32% in July and up to 46% in August.

Mr Shan Shanghua China Iron & Steel Association secretary general noted that in the first eight months, Chinese steel output gained 5.2% or 18.28 million tonnes in contrast to global drop of 32.4% or 186 million tonnes.

In September the nationwide output of steel on daily basis peaked at 1.69 million tonnes, equivalent to yearly total of 617 million tonnes and the aggregate amount in the first ten months is reported up over 10% YoY.

Mr Wu Xichun honorary director of CISA said if September daily output carried on into the Q4 the nation will have roughly 20 million tonnes surplus this year putting much pressure on next year market.

Mr Yu Liangui with Mysteel research institute commented that "High stock level brought about by big production is the major constraint to this year steel market.

Mr Jia Liangqun Mysteel chief analyst said while the problem of capacity is always a problem of the market as observed from China urbanization and industrialization process, the steel sector still has growing space. He said that "So cutting the capacity is often periodic while structural adjustment of the capacity is permanent."

Chinese authorities have repeated in earlier statements to speed up restructuring of the steel industry and back up technical innovation while eliminating the obsolete capacity.

Sourced from MySteel.net)

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