

Excessive export jeopardizing Chinese steel industry

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The air is thick that Beijing is mulling over tougher moves to curb massive steel export in early November 2007. The export tax on some steel products may be raised up by 5% to 10% according to sources close to the regulators.

Surging steel export has fuelled up crude steel production at home. In the first eight months of this year, China sends out 45.08 million tonnes of finished steel products and 5.63 million tonnes of slabs & billets, equivalent to 53.59 million tonnes of crude steel. Meanwhile, domestic crude steel output has only increased by 48.2 million tonnes in the review period. Therefore, hectic steel export is the main driving force behind China's steel production growth.

Most of Chinese steel exports are low value added products, another reason prompts Beijing to move forward for transforming its economic development pattern. The top seven of Chinese steel shipments to other countries are wire rod, rebar, light & medium section, heavy section narrow HR strip, narrow CR strip and welded pipes, which altogether accounts for 43% of the total steel export volume but only 33% of total export revenue in the first eight months.

China's major steel products export during January to August 2007

?Volume	J-A'07	J-A'06	Change
Total	45.082	24.524	83.8%
Heavy section	3.380	1.186	185.0%
Light & medium section	0.783	0.334	134.6%
Rebar	5.033	1.978	154.4%
Wire rod	4.920	3.393	45.0%
HR narrow strip	0.998	0.384	159.7%
CR narrow strip	0.643	0.487	32.0%
Welded pipe	3.483	1.905	82.9%

In million tonnes

?Value	J-A'07	J-A'06	Change
Total	30628.30	14170.60	116.1%
Heavy section	1728.03	514.32	236.0%
Light & medium section	406.59	164.79	146.7%
Rebar	2219.18	741.93	199.1%
Wire rod	2244.66	1363.74	64.6%
HR narrow strip	514.68	178.11	189.0%
CR narrow strip	390.46	241.81	61.5%

Welded pipe	2608.95	1270.51	105.3%
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In million USD

Crude steel export has already taken up 17% of China's crude steel production in the first eight months of this year, much higher than the desirable 10% set by the industrial association. China's steel sector is overly reliant on hefty steel export at the moment, caution the market analysts.

Steelmaking ingredients price has also been pushed to record levels by extremely strong demand. China's crude steel export in the first three quarters has eaten up 83.56 million tonnes of iron ore, while the ore imports only add by 36.9 million tonnes in the same period. The huge supply gap therefore has spurred up the raw material costs to crazy levels.

Excessive steel export has not only caused severe pollution to the environment, but spurred up global iron ore price and freight rates to record highs as well. As a result, they are expecting a lengthy tussle between global ore miners and Chinese steelmakers for the upcoming contract ore price talks.

(Sourced from MySteel.net)

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