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## CISA outlines Chinese steel industry scenario for 2008

Thursday, 24 Jan, 2008

It is reported that Mr Luo Bingsheng vice chairman of China Iron and Steel Association, during a conference of [www.custeel.com](http://www.custeel.com) held in Beijing on January 19th 2008 to January 20th 2008, has expressed five views on China's steel industry for 2008.

1. Tight monetary policy will curb market demand for steel: China will strengthen tight monetary policy in 2008, possibly curbing the growth of investment in fixed assets and new projects, further squeezing demand for steel. China's apparent consumption of crude steel in 2008 would gain 12% from last year, slightly lower than that in 2007. If tight monetary policy is strengthened, the growth of steel consumption may fall to 10% or even lower.
2. Steel exports will drop dramatically: China's total exports in 2007 amounted to 72.5 million tonnes of crude steel, remarkably helping consumption of domestic products yet worsening pollutants emissions, resources consumptions and international trade frictions. If current policy is of little avail when it is fully implemented, relevant policies may be hammered out again to curb export growth. China will face a bitter steel export market in 2008, during which total export volume is expected to lose at least 20 million tonnes year on year.
3. Production cost will rise notably: By the end of November 2007 production costs reported by large and medium size steelmakers had increased 30% over that in a year earlier and average cost of steelmaking pig iron had jumped to over CNY 2800 per tonne. Costs for iron ore and freight rate hit new records continuously, doubling the pressure on steelmakers. Tight coking coal supply also emerges recently and steelmakers are scrambling for coking coal resources at the moment. High costs for raw materials are expected to continue for the whole 2008.
4. Obsolete capacity elimination remains a difficult job: China plans to wash out 30 million tonnes each of obsolete steelmaking and iron making capacity this year. But experience in last year indicates this is a difficult job. Fresh capacity in 2008 adds up to over 40 million tonnes. The trend of overcapacity still exists.
5. Prices for steel products keep fluctuating on a high track: Due to cost for iron ore and coking coal, prices for steel products will keep fluctuating at a high level and that for some varieties may hit new records.

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