
Analysis for Chinese HR export prices

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MySteel analysts have highlighted following factor, which are influencing Chinese export prices

1. The slower growth of world economy. With the possible recession in US economy, that in EU, Japan and other developing countries is set to be affected sooner or later. The cutback in Chinese exports, fast appreciation in RMB and aggravation in inflation has brought uncertainties to the future of economic development in China. People are worried that there is no escape for China and economy slowdown seems inevitable.

2. High priced steel exports are getting more difficult and it would be further constrained in 2008. On the one hand, CISA has disclosed that Beijing would consider raising export tariff rate for steel if there is a surge in export volume which is caused by rich profit. The total export tonnage for 2008 is not allowed to exceed 40 million tonnes in 2008, according to CISA officials. On the other hand, some buyers in Asia have reduced their purchase due to its high inventory level and saturated demand. The expensive Chinese steel products are not competitive again and there would be not be profit but risks. Ironically, Vietnam has already lost its leading position in importing Chinese steel products. In addition, some other countries in South East Asia have also tightened credit conditions to rein in inflation, which has greatly crippled the steel purchase from China.

3. It takes time to digest the surge in Chinese domestic market price. The continuous rise in steel prices is going to dent the purchase sentiment among downstream users. Besides, the substantial price increase in steel price and tightening credit policy has add to the difficulties of getting loans and increased purchase cost as well. It is quite understandable that price start to go down in late April or early May and drop in home price is going to drive down export price.

(Sourced from MYSteel.net)

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