
Chinese steel output growth slows down in April

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It is reported that China's crude steel output has retreated slightly in April 2008 to 44.68 million tonnes from the previous month's record volume, constrained by tight supplies of coke and other key inputs. Crude steel output in April 2008, while down a marginal 0.4% MoM from March's all time high of 44.87 million tonnes, was up by 10% YoY.

Mr Henry Liu analyst at Macquarie said that "It seems that the steel mills were not able to ease bottlenecks in raw materials sourcing. I think they were willing to produce more with the high prices, but they might have faced problems purchasing more materials such as coke. That is not a good indicator, because the second quarter is seen as a peak production season and it is believed that some steel mills have been moving their production ahead of schedule before the Beijing Olympics."

Mr Liu further added that steel products, especially bar, rod and section steel used for construction, will be badly needed in Sichuan Province, where buildings and infrastructure such as roads and bridges were seriously damaged by the magnitude 7.9 earthquake. Steel prices have been soaring in China due to rising raw material and labor costs as well as brisk demand, especially for products used in construction as the country spends heavily on fixed asset investments.

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