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## Chinese steel demand to slow down in H2 - Macquarie Group

*Thursday, 28 Aug, 2008*

Bloomberg reported that Macquarie Group Ltd, citing a drop in construction in China, said that steel consumption growth in China, is expected to slow in the second half of this year.

Macquarie analysts led by Bonnie Liu wrote in the e-mailed report that a surge in Chinese steel exports in recent months, combined with weaker production, means that July apparent steel demand seriously weakened.

They said that "There is no doubt that the business activity and steel demand in China slowed in the run up to the Olympics and this could continue through early September. At the same time, severe energy shortages have led to heightened inflationary pressure and the government has stepped in to slow construction activity."

It added that "The country's crude steel production from January through July was 308 million tonnes up by 9.3% YoY marking single digit growth for the first time in many years."

It added that "The slowdown in production growth in July was also due to production cuts at small mills because of rising raw material costs, the bank said. Large and medium sized steel mills are benefiting from economies of scale on iron ore, coking coal and coke costs, which should help accelerate the consolidation of the Chinese steel sector."

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