
Chinese mills plunged into market plight

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International Finance News reported that construction steel price has welcomed further price rally recently following massive rebound on the day before. Rebar price gains CNY 150 per tonne, common carbon wire rod up by CNY 220 per tonne and round steel rises CNY 100 per tonne and other construction steel all witness price uptrend more or less.

The price rebound has come against the backdrop of drastic price cut from China leading steelmaker Baosteel, who announced on October 20th that it has decreased its ex works prices for December contracts by between CNY 900 per tonne to CNY 1000 per tonne for commercial HR and CR steel, cut other products price by CNY 200 per tonne to CNY 800 per tonne.

China's steel industry is facing the freezing winter after bidding farewell to the golden times in the first half. Raw materials price is falling, and steel price has lost over 40%. As a result, the steel share of Baosteel has slumped to CNY 5.35, Wuhan Steel share plunged to CNY 4.91 off markedly from the peak CNY 23.68 meanwhile, a number of smaller mills are forced to slash or halt production or even shut down.

Mr Zhou Xizeng analyst with Citic Securities said that the sharp price rally of construction steel stems from panic price slide in earlier days. Steel price has gone through two rounds of severe downward corrections as a result of financial turmoil and falling raw materials price, which has prompted domestic mills to scale back production. And the price decline has helped clear out the high inventory resulted from rapid price upswing since last year.

He said that the steel demand remains rigid therefore the steel price is set to turn around. However, the price rebound may be just enough to drag mills out of the loss plight. When the steel market could revive to full rate hinges on the economic outlook both at home and abroad.

There are growing concerns that worldwide financial crisis is to deteriorate and exert greater impact on the physical economy next year. In fact, most Chinese exporters have already been hit hard so far. As a result, China's GDP growth rate in the first three quarters drops 2.3% to 9.9%.

(Sourced from MySteel.net)

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