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## Chinese iron and steel export orders in Q4 stumble by 50%

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At present, most iron and steel manufacturers in China are forced to suspend production and go through downsizing. In Tangshan Iron & Steel, staff in some departments has left owing to the crippled operation. In Chengde Iron & Steel, some relevant staff in charge have been in a military training, which virtually means production is off now, and common workers have gone home, with salary cut by 70% to 90%.

Even worse, the declining steel price has proved a fatal blow to steel manufacturers. In three months, domestic plate price plunged by CNY 2,600 per tonne or over 40%. From January to September 2008 period, China's large and medium sized enterprises incurred loss of CNY 1.15 billion, doubling 18 times.

Under such circumstances, steel manufacturers have increasingly enhanced their effort to cut production so as to prop up prices. On October 21st 2008, domestic plate price fell below cost. China's top 60 steel manufacturers were summoned to Beijing urgently for the purpose of curbing price drop.

Although there is also good news, the State Council has approved the CNY 2 trillion investments on railway, as an effort to expand domestic demand, but this is not enough to pull steel manufacturers out of the dilemma and fundamentally reverse the tough situation, as one boss head of a steel manufacturer said.

In the meantime, local areas have also expanded their investment. In Hebei province for instance, it has had a plan of bringing its towns a brand new look in three years, and it is to be carried out soon. This plan is expected to promote the infrastructure construction in its local areas, which will surely give rise to strong demand for iron and steel. In Hebei's Zhang Jiakou, the total investment of this city will have reached CNY 64 billion in the following 3 years, while in Tangshan city, the investment for the next 3 years totals about CNY 156 billion.

In fact, the boom of China's iron and steel industry in recent years and the enlarging industry is also benefited from large amount of steel export. In 2007, China exported 62.71 million tonnes of steel, up by 19.65 million tonnes from 43.06 million tonnes in 2006. Budget steel price is the major driving force behind the prospering export. Among the steel export, private enterprises provided roughly a half, so if export is stuck, a large number of private iron and steel manufacturers in China will suffer.

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