
Mysteel update on Chinese stainless steel industry

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Mr Shao Lei analyst of Mysteel has presented some suggestions to promote healthy development of the sector by analyzing the problems and forecast of the future trend on China's weakening stainless steel market plagued by the economic recession as for other steel varieties.

Mr Lei said that as judged from the perspective of raw materials cost or from the demand including import & export, there have seen few motives for the domestic stainless steel market to revive at the moment. From May 2008, the stainless capacity expansion almost stopped and the big producers declared to cut output since October by an average rate of over 50%, working down monthly production in October by 43% YoY, especially the CR products.

He added that "Consumption of stainless steel in China is more lying in the lower end metal wares at 40% and construction at 25% than on higher end machinery industries at 17% as compared with the world level of 26%. This is to say majority of homemade stainless products are inferior, and on the other hand, our stainless consumption can expect a much higher market in future."

According to Mr Shao, China's stainless steel sector still has many problems such as low concentration rate, and it has a long way to go in technical level, product mix, pricing mechanism, industrial structure and standards etc.

Below is a forecast by Mr Shao Lei on the stainless steel and materials prices for 2009:

1. Nickel price: basically on the present level of USD 9500 per tonne, downside and upside ranges may be 20% and 30% respectively to send the prices to USD 7590 per ton and USD 12350 per tonne.
2. Ferrochrome: the price will go lower further with returns and average price may drop more than 30% YoY.
3. Ferromolybdenum: the price to go lower with returns and average price may lose more than 20% YoY.
4. Stainless steel: the price to touch bottom in Q1, correct upward in Q2, go on upturns in Q3 and show adjustments in Q4 and long products and pipes may appear better than the flats.
5. Stainless output: world output may decline by some 5% to 10%.
6. Stainless scrap: its use percentage will be lifted.
7. Industry growth trend: accelerated consolidation, production of austenitic stainless steel further down.

(Sourced from www.Mysteel.net)

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