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## China mills struggle with losses due to continuous price falls

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International Finance News reported that steel mills in China, the world's top steel maker and consumer are struggling with continuous profit falls and increasing losses at the moment due to persisting steel price drops.

Latest statistics from Mysteel show that steel prices continue the downtrend in the past week in China, the ten consecutive-week falls. In detail, price for medium plate fell CNY 100 per tonne the most; large and medium scaled sections dropped some CNY 20 per tonne.

Prices for cold rolled/hot rolled coil/sheet also dipped slightly in the week, with thick gauge hot rolled products prices in Shanghai lingering at CNY 3,080 per tonne. Profits for China mills also fell significantly along with the steel price drops.

Wuhan Iron & Steel Co Ltd, the listed arm of Wuhan Iron & Steel Group and the second largest listed mill in China, reported on Sunday evening that its net profit for 2008 and the Q1 of 2009 fell 20% and 87.17% respectively from a year ago. And the mill is less confident about the overall steel market trend this year, and speculates an over 50% profit falls in the first half from a year ago.

Earlier, Baoshan Iron & Steel Co, China's biggest steelmaker, also issued its 2008 financial report and reported its combined profit last year fell 55.1% from the previous year to CNY 8.67 billion a deeper fall than Wuhan Steel.

Analyst Mr He Rongliang from DPPC said "China's steel market can hardly walk out of the dire in the Q2. Domestic steel prices started sharp falls again after a short blip in the year start. He said that the sagging demand withering exports and the insufficient output cutback scale from steel mills all imply that the weak steel market in China would drag on with no possibility for a big rally."

He said "China suffers a huge supply overhang at the moment, meanwhile the overall downtrend for global economy has not changed. However, the steel analyst also explained that there is thin space for further drop in future since the sharp price falls have squeezed most bubbles off the steel prices, and the whole operating environment would turn a little better in May."

Latest statistics released by China Iron & Steel Association showed that by the end of March, China composite steel price index posts at 97.59 down 44.72% YoY, or 31.42% YoY. The index is lower than the debut of the index fifteen years ago.

(Sourced from International Finance News)

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