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## MEPS forecast on world average carbon steel prices

Wednesday, 10 Jun, 2009

UK based MEPS said that "Our price forecasts for the flat products sector are little changed from April 2009. We believe we are close to the bottom of the current cycle. There is still some negative pressure on transaction values due to subdued demand and bloated inventories. Consequently, transaction values may slip in June 2009 before stabilizing during the third quarter. De stocking is likely to continue in most countries as many companies fear a further deterioration in the economic climate. The holiday period may also restrict any significant build in inventories. An agreement between iron ore miners and Japanese / South Korean steelmakers for a one third cut in the cost of iron ore fines has now been reached. This is slightly less than the anticipated reduction and could help Asian mills to press for higher steel transaction numbers."

It added that prices are forecast to start rising in the final quarter of this year. Government stimulus projects should begin to filter through to higher sales. Supply shortages could develop as mill output cuts continue. Distributors are, therefore, likely to increase order volumes after the summer. This will, almost certainly, put upward pressure on selling values but, purchases may be restricted by limited access to finance. Further advances are predicted early in 2010 as the world economic climate improves.

MEPS said that "Transaction values for the long products sector could record modest increases in the short term due to rising scrap costs. Negative price pressure is likely to continue in June 2009 in North America. Buyers may resist any advances because end user consumption is expected to remain weak. Many customers believe that the recent price hikes are too soon and doubt that they will stick. Some slight decreases in selling figures are, therefore, possible before the holiday period."

It further added that "A modest price recovery is forecast after the summer of 2009 as raw material costs climb and stock levels reduce. Continued output cuts by the producers may lead to minor supply shortages. However, purchase volumes could be restricted by limited access to finance. Steel buyers are also expected to remain cautious in an uncertain economic climate. More significant increases in transaction values are then forecast for early in 2010 as the world emerges from the recession."

(Sourced from MEPS - World Carbon Steel Prices)

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