
Chinese steel market on the comeback trail - CISA

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Securities Times cited China Iron & Steel Association as saying in a report released, China steel demand would keep increasing amid the implementation of Beijing's economic rescue packages. However, the future trend remains gloomy in view of the dull global demand, excessive capacity and net crude steel imports.

Statistics show China's composite steel price index posts at 98.14 by late May up by 2.58 from end April and the first gains in three months. Indices for most steel varieties step upward path in the month. And CISA listed three parameters for steel prices ending falling and tending towards stabilizing in May.

1. The fully implementation of economic rescue packs. Investment, import & export, consumption all post uptrend, with steel usage also advancing.
2. The continuous falling market stocks
3. Overall upswings of key raw materials prices which lend strong support for steel prices.

Stockpiles for major steel varieties kept falling for three consecutive months by late May indicating the rising in steel uses of which, stocks for construction steel products fell the most.

Reserves for rebar and wire rod fell 5.59% and 14.81% respectively from a month ago; CR sheet and medium plate down 5.41% and 1.61%; while HRC stocks up slightly. However, CISA emphasized that the high production level still weigh on domestic steel market despite the positive signs of rising demand and falling stocks. For example, supply exceeds demand notably for HRC and medium plate etc.

And though demand increased for long products like rebar and wire rod, the reviving production from medium and small scaled steel mills would certain to break the market balance. In addition, the steel association also warned impacts from the diving steel export and surging import. China's steel industry still confronts severe challenges like the swift capacity utilization, advancing raw materials prices, the emerging global trade protectionism etc.

(Sourced from Securities Times)

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