



MEDIUM, HIGH-GRADE AUTOMOBILE STEELS STILL REPLY ON IMPORT

On a steel supply/demand session that was held in Shanghai during end of Nov'07, Deputy Secretary General of China Association of Automobile Manufacturers (CAAM), Shi Jianhua noted, China's automobile steel used in economic sedan and mini bus is basically self-sufficient, while when comes to medium and high-grade auto, the needed steel products are still relying on import. It is reported that only 70% of the medium/high-grade auto steels is supplied domestically.



Mr. Shi Jianhua said that, a part of bar, wire rod and HR plate used in sedan and trucks are also imported. The Chinese speciality steel producers can provide common products that are applied in engine, gearbox and redirector etc, but crankshaft steel, pinion steel and others, esp. required by imported auto models, are reliant on import. Despite decreased import volume of steel products, the alloyed bar and wire rod etc increased from last year also with a hike in import price, by some 20% and 15% respectively for the first three quarters.

As steel prices rise constantly and the automobile sector's competition gets fiercer, a handful of automakers try to find substitute materials, particularly in sedan production, often resorting to aluminum, magnesium and plastic products, which are taken massively in certain countries. Despite this, steel demand by auto industry is still expanding along with the auto sector's dilation, Mr. Shi Jianhua noted.

Separately, China's automobile product export will see three transitions in future, i.e. first, from export of machinery products to electromechanical products as the primary; second, in terms of policy, from smaller tonnage trucks to trucks of all scales, business vehicle and sedan etc. in export destination, from developing countries to both the developing and developed ones; third, from solely product shipment to export of technology and capital as well, Chairman of Shanghai Baiying Iron & Steel Group Cui Jianhua pointed out. It's known the automobile parts have been the dominant in China's auto export, increasing 6.6-fold over a five-year period and recording USD 9.8bln in value in Jan-Aug 2007. Total auto export value registered US\$ 25.1 bln, up some 40% y-o-y. ○

CHINESE STEEL MAKERS CONTINUE TO BOOST PLATE OFFER

Steel plate export prices have been raised again by Chinese steel producers amid rising input cost and robust demand. This synchronizes with the improvement in domestic market prices, Mysteel learns from trading sources. North China's Hebei Jingye lifts quotation for commodity grade plate to US\$730/ton, while Shagang, a famous private producer in East China, is tagging at US\$740-745/ton fob.

A North China based steel maker tells that it has shoot up its commercial plate offer to US\$730-735/ton fob as base price, up US\$10-15/ton from two mid-Nov. The base price is for plate with thickness between 16-40mm and width under 2.5 meters. There is an extra of US\$40/ton for 12mm and US\$20/ton for 15mm. Though there is extra for width above 2.5m, it does not always charge since it depends on market situation. It's monthly plate export volume average 70,000mt, while current demand stands at 100,000mt up. The export director indicate that they are going to raise price further since profit through exports is on the decrease due to fast appreciation in RMB and higher capital cost. "We probably would set aside more allocation for domestic sales if we could not get enough profit from exports to offset the risks. Recently, capital interest and appreciation in RMB even cost us RMB300/ton," said the director.

But tier-one steel maker are quoting higher prices. A major producer in East China is offering S235JR and S275JR at US\$765/ton and US\$775/ton fob respectively. But it also disclosed there would be at least an increase of US\$20/ton from current level in early December to further offset the rising input cost. Another large sized steel mill in Shandong province is offering S275JR grade plate at US\$780/ton fob and there is an extra of US\$35/ton for S355JR and US\$75/ton for S355J2+N.

It is also the case with ship plate export quotations. Jinan's offer to South Korea has reached US\$890/ton CFR and it would jump to US\$900/ton CFR in early December. Other suppliers are anticipated to follow suit. Nanjing Steel is quoting 12-25mm ship plate at US\$850/ton fob as base price. But it is expected to climb to US\$870-880/ton fob soon. Now most Chinese ship plates go to South Korea, where there is huge demand due to its leading ship making industry. It has to import 3.5million ton plate to bridge its demand gap. Thus some analysts are forecasting US\$1000/ton CFR for Chinese ship plate in the first half of 2008. ○

WEST CHINA'S FIRST CR STAINLESS COMES INTO OPERATION

The first cold-rolled stainless steel production line in West China came on stream on November-end in Jiuquan Iron & Steel (Group) Co., Ltd. (JISCO). The line can yield high grade 300 series and 400 series CR stainless strip steel with annual capacity of 530,000 tons. Poured by RMB2.4 billion and started on Apr 17, 2004, the project is the core part of the first stage of JISCO's stainless steel project. It includes nine production lines and units such as one cover-type annealing furnace, one HR strip annealing pickling line, one CR strip annealing pickling line and so on.

It is scheduled with annual capacity of 350,000 tons of HR stainless annealing pickled stainless steel and 180,000 tons of CR stainless annealing pickled stainless steel. The first batch of products is on sale after production start-up in July'07. JISCO thus becomes the third domestic steelmaker boasting whole stainless steel production system, following Baosteel Group and Taiyuan Steel.

NDRC EXAMINES SHANXI'S PROGRESS OF ELIMINATING OBSOLETE CAPACITY

National Development & Reform Commission (NDRC) has conducted a spot inspection of facilities that are defunct, in Shanxi's Quwo County. During the inspection, they found that two 110 cubic metre blast furnaces were still not torn down, despite the fact that they were defunct. Another three small blast furnaces had been only partially dismantled. According to the NDRC's requirements, backward facilities must not only be shut down, but also destroyed to prevent them being restarted after such inspections.

Shanxi is required to eliminate 10mtpy of iron-making capacity this year according to an agreement between the province and NDRC that was signed in April this year. The NDRC admits the local government faces immense pressure in solving problems like replacing tax income and unemployment that go hand in hand with closing facilities. Without a government compensation plan, some companies with debts and legal issues may not be able to demolish facilities.

BAOSTEEL AND HANSTEEL LAUNCH USD 2.6 BN JV

It is reported that Baosteel Group has launched a USD 2.6 billion JV with Hansteel Group after China's National Development and Reform Commission gave nod to the plan of building the CNY 19.4 billion steel plant in Handan in December 2005. Upon completion, the plant will be able to produce annually 4.6 million tonnes of high grade steel. First stage construction of the joint venture, including a 3,200 cubic meter blast furnace is expected to be completed in the first half of 2008. The venture is expected to be put into complete operation at the end of 2010 when overall construction is finished.

SHOUGANG MOVES TO BUILD 1.5MLN-T/Y CRC JV

Beijing Shougang Co., the only Beijing-based steelmaker, looks to participate in a 6.4 billion yuan joint venture to make cold-rolled steel in the capital to tap rising demand from automakers. Beijing Shougang and parent Shougang Corp. plan to invest 2.08 billion yuan together controlling 80% stake of the factory and Beijing Automobile Investment Co. get the remaining share.

The new 1.5m tonnes/year CRC mill locates in the capital's Shunyi District, and two HDG lines -with a combined capacity of 800,000 tpy, followed later in December'07. The CRC mill is capable of producing coil up to 1,900mm wide. About 800,000 t/y of its output will feed the HDG lines, and 400,000 t/y of this material will be used to make automotive outer body panels for car makers in the Beijing area. Shougang Qian'an Steel Co., Ltd would supply the slab/billet to feed Shougang's CRC mill according to a framework agreement signed between Beijing Shougang and Qian'an Steel. The company has also secured coal supply through seeking stake in a 2.4t/y coal mining company in Guizhou.

STEEL EXPORTS TO DROP 15% IN 2008

China's exports of steel products and billet/slab will continue a downtrend next year, said Qi Xiangdong, Deputy Secretary General of China Iron and Steel Association (CISA). Exports of steel products are expected to fall 15% in 2008 whilst that of billet/slab may slump 50% or even more.

According to him, China's exports of steel products and billet/slab hit record high, owing to robust international demand. Steel imports are estimated to reach some 62 million tons; billet/slab imports, 6.5 million tons; steel imports, 17 million tons. Net exports of steel products and billet/slab amount to over 50 million tons of crude steel, approximately 12% of the country's total crude steel output. Situation will change in 2008 since high growth will not be allowed both at home and abroad. Besides, possible export policy adjustments may also affect market operation.

BAOSTEEL TO EXPAND CAPACITY TO 80MT BY 2012

Baosteel says it is looking to reach 80m tonne/year capacity by 2012 and raise its sales revenue up above US\$50 bln and profit of over US\$5 bln, Jiefang Daily learns from company officials. It also aims to vault into the world's top three most competitive steelmaker and top 200 of Fortune 500 by then. As China's biggest steelmaker, Baosteel plans to realize its capacity expansion by setting up new mills in combination with merger & acquisition. Baosteel has increased its steel output by twofold over last decade, and lifted sales income by over 600%. It has become one of the only two steel mills that have got obtained credit rating of "A" across the world and awarded as "The World's Most-Respected Company" by Fortune for three straight years.