

Stainless Steel Production to Recover after 2007 Stock Draws

The International Stainless Steel Forum (ISSF) expects that stainless steel crude steel production will recover in 2008. Based on massive, and never before seen, stock draws after the crash of nickel prices in May 2007, global stainless crude steel production decreased by 2.6% for the full year 2007.

ISSF's latest forecast, issued during ISSF's Annual Conference (ISSF-12) in Paris, France, anticipates that global stainless crude steel production will reach 29 million metric tons (mmt) in 2008. The forecast growth rate, above the long-term average, is based on the assumption that real demand will grow by approximately 6.0%. ISSF believes demand will be driven by a natural increase in industrial production.

Actual global stainless-steel production decreased in 2007 by 2.6%, to 27.7 mmt. This includes a stock draw of more than one million tons. ISSF estimates that during 2007, basic demand for stainless steel increased by more than 8% in the light of strong, worldwide industrial production growth rates.

Asia continues to be the largest stainless steel producing area in the world. In 2007 Asia was the only region with increased production. ISSF expects a further growth of approximately 7% to 17.2 mmt in 2008. China was the driving force behind the production growth in Asia. In 2008, China will continue to expand its stainless production as significant new capacities, currently in the commissioning phase comes on-stream. China became the world's leading stainless steel producer in 2006 and it will further increase the gap to world number two, Japan in 2008.

The second-largest stainless producing area is Western Europe/Africa. This region was hit by production losses in the second half of 2007. ISSF expects the region will partially compensate these losses in 2008.

In 2007, Western Europe/Africa decreased its stainless crude steel



production by 13.3% to 8.7 mmt. In 2008 ISSF expects an increase in production and a slight growth in real demand. The forecast for 2008 is for production to grow by 4.4% to 9.1 mmt.

In the Americas region, ISSF expects an increase of 3.7% in stainless steel production in 2008 to 2.7 mmt. Stainless-steel production decreased by almost 12% in the region during 2007.

ISSF estimates that the Central and Eastern Europe region will see continuously-rising levels of stainless steel production. However, on a global scale, production volumes are likely to remain low. At the current time ISSF does not see a big risk to stainless steel demand from underlying basic developments in the stainless-steel fabricating industries. However, a substantial risk is seen in rising raw material prices for iron, chrome and manganese.

Table 1 : Stainless and Heat-resisting Crude Steel Production (in '000 Metric Tons)

Region	2006	2007	+/- %	2008 (e)	+/- %
Western Europe/Africa	10,000	8,669	-13.3	9,050	4.4
Central and Eastern Europe	376	364	-3.3	370	1.7
The Americas	2,951	2,604	-11.8	2,700	3.7
Asia	15,074	16,030	6.3	17,200	7.3
Total	28,400	27,666	-2.6	29,320	6.0