

2007 Stainless Steel Production Down After Nickel-price Collapse

According to preliminary figures released by the International Stainless Steel Forum (ISSF), global stainless steel production was 27.6 million metric tons (mmt) in 2007, a decline of 2.9% compared to 2006. The decrease in production occurred in most stainless steel producing countries and regions. Only the Asia region and China showed increases in production for the year.

The decline in 2007 follows a 17% increase in production during 2006. That increase was driven by distributors and service centres who were increasing their stocks of stainless steel.

Stainless steel production in Asia grew by 6.3% to 16 mmt in 2007. Asia now produces 60% of all the stainless steel in the world. The driving force was China (+36%) which is again the leading stainless producing country. China produced 7.2 mmt of stainless crude steel, increasing significantly the gap to the next largest producer, Japan (3.7 mmt). The strong increase in Chinese production is partially based on new capacity that came on-stream during 2007. All other Asian stainless steel producing countries suffered production declines of between 3% and 15%.

The Western Europe/Africa region reported a 13.3% decrease in stainless steel production. Total volume for 2007 was 8.7 mmt.

Production in the US decreased by 15.2% to 2.5 mmt. The Central and Eastern Europe region produced a total of 365,000 tonnes of stainless steel in 2007. This was 3.0% lower than the previous year. The region is of minor importance in global stainless steel production.

Table 1: Stainless and heat-resisting crude steel production (in '000 metric tons)

Region	Full Year		Y-o-Y +/- %	Full Year		Y-o-Y +/- %
	2005	2006		2006	2007	
Western Europe/Africa	8,795	10,000	13.7	10,000	8,673	-13.3
Central and Eastern Europe	310	376	21.2	376	365	-3.0
The Americas	2,688	2,951	9.8	2,951	2,502	-15.2
Asia	12,498	15,074	20.6	15,074	16,030	6.3
World total	24,292	28,400	16.9	28,400	27,570	-2.9

Source: International Stainless Steel Forum (ISSF)

Comparison on a quarter by quarter basis shows there was strong increase in stainless steel production during the first half of 2007. This was followed by a collapse in stainless steel production during the third and fourth quarters. The collapse occurred in the aftermath of the burst in the nickel price bubble.

During the second half of 2007 the general economic trend was still strong and there was healthy basic demand for stainless steel. ISSF estimates the real use of stainless grew by 7% during this period. It appears that the growth was fed by a



massive stock draw, the likes of which has not been seen before. ISSF estimates that almost 2 mmt of crude stainless steel were drawn from stocks in this period.

Table 2: Stainless and heat-resisting crude steel production (in '000 metric tons)

		Western Europe/Africa	Central and Eastern Europe	The Americas	Asia	World Total
Q1	2006	2,435	85	722	3,348	6,590
	2007	2,546	101	749	4,188	7,584
	+/- %	4.5%	19.1%	3.8%	25.1%	15.1%
Q2	2006	2,621	96	782	3,705	7,203
	2007	2,358	101	721	4,286	7,465
	+/- %	-10.0%	5.4%	-7.9%	15.7%	3.6%
Q3	2006	2,389	100	754	3,824	7,068
	2007	1,562	74	515	3,729	5,881
	+/- %	-34.6%	-26.0%	-31.7%	-2.5%	-16.8%
Q4	2006	2,554	95	693	4,196	7,539
	2007	2,208	88	619	3,827	6,742
	+/- %	-13.6%	-7.2%	-10.7%	-8.8%	-10.6%

Source: International Stainless Steel Forum (ISSF)

Developments in the price of nickel during 2007 caused a dramatic change in the types of stainless steel produced. Efforts by the stainless steel industry to market low nickel or nickel-free stainless steel in order to protect market share contributed to the change.

The need to empty existing stocks of high-priced nickel-containing steels, to avoid heavy de-valuation losses, put additional pressure on the production of CrNi steels. The market share of CrNi steels (300 series) decreased to just 50% of total stainless steel production in the fourth quarter according to ISSF estimates. Just a few years ago CrNi steels accounted for up to 80% of all stainless steel.

Table 3: Market share of stainless steel grade categories 2007

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
CrMn steels (200 series)	10.0	9.6	13.2	14.6
CrNi steels (300 series)	65.0	62.3	53.0	50.7
Cr (400 series)	25.0	28.1	33.8	34.7

Source: International Stainless Steel Forum (ISSF)