China to maintain export tax rates for steel products in 2015

China so far has yet to adjust tariff policy on steel products and will maintain its taxation on exports of steel products next year, according to the latest official announcement for 2015 tariff adjustments released recently. The announcement failed to meet market players' expectations for cancellation of VAT rebates for exports of boron added steel products and removal of export tariffs on rebar (temporary export rate 15%), wire rod (temporary export rate 15%) and billet (temporary export rate 25%).

However, the expected cancellation of a tax rebate on boron-added steel products might be a matter of time and it will quite likely be settled next year, said Wang Zhongyuan, an analyst with SteelHome. If Beijing authorities will announce as rumor expected to cancel VAT rebates for export of boron-added products, the impact on China's exports of HRC, rebar, wire rod and medium plate will be sizable and a plunge in hot rolled product export after July 2010 is likely to repeat itself again.

Commenting on the rumor about the scrapping of export duties on wire rod and rebar, Wang said it would boost exports of the products, and offset the supply gas caused by the cancellation of export rebates for boron-added steel products, to some extent, if it comes true.

China's exports of 'other HR alloy bar' and 'other HR alloy steel rod' accounted for 29.74 percent of total exports of steel products in the first ten months of the year. The possible reduced export amount of the products, if the taxation changes take place as market players expect, might be replaced by exports of common rebar and wire rod, said Wang, while adding it will take some time, of course. The cancellation of export refund will also result in a drop in China's HRC exports, Wang said. Benefited from 13% VAT rebate, the four products HRC, rebar, wire rod and medium plate in China's steel exports have been rising from 9.39 percent in 2009 to 13.85 percent in 2010, 22.98 percent in 2011, 33.55 percent in 2012, 39.81 percent in 2013 and 45.92 percent in the first ten months of the year. The cancellation of export tax rebates for boron added products will curb China's exports of these above mentioned products and meanwhile cause a supply shortage in global market, which may, as a result, trigger a short term bounce in global prices.

Chinese steelmakers post 60% profit increase in Jan-Oct 2014

China's 88 large and medium sized steel mills monitored by the China Iron and Steel Association posted a 61.3% increase in profit from a year ago to CNY 22.656 billion in the first ten months of the year but the rate of return on sales remained low at mere 0.75%.

Mr Li Xinchuang, deputy secretary general of the industry body, said that China's steel demand was in persistent weakness, as evidenced in higher growth rate in the country's steel exports than domestic production.

China's crude steel production rose 2.1% YoY to 685 million tonnes in the first ten months, with the pace narrowing 6.2% from the same period last year. The daily production volume in the January to October period hit 2.254 million tonnes, equivalent to an annualized level of 823 million tonnes. Exports of steel products totaled 73.89 million tonnes in the first ten months, a sharp gain of 42.2% from a year earlier, while the import volume only grew 4.1% on year to 12.09 million tonnes.

Mr Li said that China's steel prices basically remained in downward path since this year except a modest pickup in April. The China Steel Price Index slumped to 85.64 points as of late November, down 13.32 points from early this year. However, steel mills saw an improvement in profit, helped by the slump in iron ore prices.

CISA's member mills achieved sales revenue of CNY 3.01 trillion in the first ten months, a modest decline of 1.03% from the corresponding period last year. However, 21 steelmakers were in deficits, with combined losses totaling CNY 9.014 billion down 24.1% from a year ago.

Mr Li said that the iron ore price will be an important focus of attention among industry insiders in the future, while expecting it to fluctuate between USD 70 and USD 80 based on calculations of global iron ore costs. Supply in global iron ore market increased sharply with Rio Tinto's capacity expansion plan, but demand for the steelmaking ingredient was not strong, especially from China, the world's biggest buyer of the material, where steel output growth decelerated significantly amid slowing economy and strict environmental protection measures.

Mr Li also forecast China's pig iron output in 2015 to rise 1.6% YoY to 732 million tonnes, meaning that around 1.157 billion tonnes of iron ore would be consumed.

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