Chinese Steelmakers Post Profit of CNY 19.282 Bn in Jan-Sept - CISA

China Iron and Steel Association (CISA) said that its member steel mills achieved sales revenue of CNY 2,717.24 billion in the first three quarters of this year, down 0.22% from same period of 2013. Pre tax profit rose 15.92% YoY to CNY 79.65 billion. They posted a combined profit of CNY 19.282 billion, an increment of 71.26% from the year ago level.

The number of loss incurring mills accounted for 25% down 6.82 percentage points from a year ago. The combined losses reached 8.086 billion yuan, down 29.58% YoY. The rate of return on sale was 0.71%, a gain of 0.3 percentage points from the previous year. Mr Zhang Changfu, vice chairman of CISA said, "The imbalance between supply and demand remains severe in China's steel sector amid weak consumption growth and relatively high crude steel production. Furthermore, steel prices hit record lows. The big falls in raw materials

prices have boosted steel mills' profit, but their profitability remains quite low."

At the same time CISA said that China has produced 618 million tonnes of crude steel, 542 million tonnes of pig iron, 839 million tonne of steel products in the first three quarters this year, representing a YoY increase of 2.34%, 0.38% and 5.02%. On Oct. 17, Chinese Comprehensive Steel Price (CSPI) dropped to 86.15 point, reaching the lowest level since January 2003. Now, steelmakers were lingering at the edge of making profits or losses under the circumstance of dispirited price, tepid market demand and oversupply. The scale of losses of major steelmakers in the first three quarters accumulated 25% decreasing by 6.28% YoY. As for imports and exports, the average price of steel imports came to USD 1246 per tonne; while the average price of steel exports was USD 783 per tonne. The price spread between imports and exports still enlarged.

Mr Zhang Changfu, Vice Chairman of CISA said, "The increase of steel exports lies in the substantial decline of steel price and the great price spread between China and abroad. There is no doubt that steel exports will break through 80 million tonnes this year. However, low-price export will cause trade frictions. It is not a long term policy to digest domestic excess capacity by large quantity of steel exports."

voestalpine to Build New Special Steel Plant in China

Board MZember Franz Rotter (Left) Signed the Letter of Intent with Kocel Group

The technology and capital goods group voestalpine is again driving forward its activities in the promising Asian market. The Special Steel Division, the Group's special steel sector, signed a Letter of Intent to cooperate with Chinese foundry Kocel Machinery Company Limited. Over the next few years voestalpine will invest around EUR 140 million, constructing a new plant which will produce premium special steel products for the Chinese market. Construction is scheduled to start in 2015, and the new company will create 400 jobs. The voestalpine Group is expanding its special steel activities in the promising Chinese market, targeting the Chinese premium market with its EUR 140 million investment in Yinchuan (Ningxia province). Working together with local company Kocel Machinery Company Limited, the new special steel plant is scheduled for completion by the end of 2017. It will produce highest-quality tool steels and forged materials for the automotive, consumer goods, and mechanical engineering industries.

Mr Franz Rotter, Member of the Management Board of voestalpine AG and Head of the Special Steel Division said, "This investment is another important step in fulfilling our internationalization strategy. We can set new standards in China with our know how, particularly in the premium special steel segment, and extend our leadership position in the high-alloyed tool steel sector further."

Tonghua Steel Develops New Steel Varieties

Recently, Tonghua Steel successfully developed three kind of new steel varieties, that is 60v, 80b and 130b billet. It is said that the continuous rolling production line of Tonghua Steel produced 60v billet in batch for the first time. The first steel rolling mill of Tonghua Steel successfully developed 80b and 130b billet, with all specifications meeting the standard. The 60v billet can be used in processing different specifications of finished and semi finished round steel. The 80b and 130b billet are mainly for supplying to section steel rolling steel, which will be exported to other countries after being produced into commercial slab.

Fuhai Group and Ansteel to Build Steel Plant in Indonesia

Chinese firms Fuhai Group and Ansteel Group will invest up to USD 1.2 billion in the development of an industrial estate and its infrastructure facilities in Ujung Jabung, Jambi, Sumatra.

Mr Lizhi Zhao chairman of Fuhai said that company had recently signed an agreement to develop an industrial zone that would be used to develop a steel smelting plant.

Mr Lizhi said that "The first stage of the development, which will cost about USD 1.2 billion, will consist of a steel plant, a power plant, a port and a number of supporting facilities, such as the main office. An area as large as 500 hectares will be needed for the first stage."

He said that, "Construction will take around one and a half to two years. We expect that we will already be in production by the end of 2016 adding that the company was still conducting a feasibility study for the later development stages."

For the development project, Fuhai and Ansteel are also cooperating with a company owned by the local administration. Under the plan, the steel plant will have an output capacity of 1.75 million tonnes a year. Most of the product will be sold in the domestic market.

Rising Chinese Steel Export Upset Producers

China is likely to end the year with record steel exports of 85 million tonnes (mt), a rise of 40 per cent over 2013 as per reports. In the first nine months of 2014, Chinese steel exports advanced 39.3 per cent to 65.34 mt on a year-on-year basis. Steel imports by China, too, rose during this period. However, the rise was only five per cent to 11 mt. Chinese imports are largely confined to very high grades of steel for which it lacks technology.

The rapidest pace of growth in steel exports since the beginning of the current decade has expectedly upset steel-producing countries. Irate steelmakers from the US to European Union to India are nudging their governments to take suitable action to ensure that Chinese steel does not get dumped in their turf, causing pain to the industry, which is working on thin margins for a number of years. As protests against the growing Chinese exports are becoming increasingly shrill, more and more countries are joining the chorus.

The other day, Arab Iron and Steel Union complained that "dumping by China is hurting sales volume and revenues of Arab steel producers. China has begun to invade Arab markets with products of very low quality". From demand contraction, the fallout of a slowing economy, to a major slide in local steel prices to servicing mounting bank debts, the woes of Chinese steelmakers are brimming over.

World steel prices are down seven per cent this year. However, steel composite price index in China has slid 13 per cent since the

beginning of 2014. In their attempts to find a way out of trouble, Chinese steelmakers are pulling out all the stops to sell as much as possible in the world market to get better returns for their products. China is principally targeting Asian countries for steel exports. Among the markets targeted for exports, South Korea has received the largest amount of steel from China so far this year, followed by Vietnam and the Philippines. India and Japan figure among the top 20 export destinations of Chinese steel. From South Korea to India to Vietnam, each has voiced its concern about the market-destabilising impact of Chinese steel presence.

While US steelmakers are concerned that the growth in steel demand from manufacturing and construction sector is virtually usurped by imports from China, struggling mills in Europe - as Tata Steel Europe stands in evidence - have to contend with Chinese steel in a surplus market. What the US and European steelmakers find unacceptable is the alleged selling of some steel products in their regions by China at lower than production cost.
Stoutly denying all such complaints, China Iron & Steel Association (CISA) says even while the average steel export prices are down $74 a tonne in the first three quarters of 2014 to $783 a tonne, Chinese mills are still making profits. "Export prices are staying above our production costs and, therefore, the question of dumping doesn't arise," says a CISA spokesperson. In defence of export volume, he says the overseas sales by Chinese mills will amount to 10 per cent of their 2014 production, "which is relatively low compared with over 30 per cent in some other countries and regions". The argument does not, however, wash since China's 2014 projected exports are in excess of Indian steel production of 81.2 mt in 2013. Incidentally, India is the world's fourth largest steelmaker. South Korean producers have joined the protest started by Steel Authority of India chairmanChandra Shekhar Verma that Chinese mills in their desperation to export are wrongly claiming export tax rebate by passing off ordinary steel with negligible addition of boron as value-added steel. Boron, if used in prescribed quantities, adds much strength to steel, thereby becoming a value-added product. However, the steel that comes to India or South Korea as boron-enriched steel is all sham.

China's Steel Export Rises to 8.55 MT

According to statistics from the General Administration of Customs, the steel export volume in October surged 3.48 million tonnes or 68.6% on year to 8.55 million tonnes, hitting record high. The figure was 30,000 tonnes more than the previous month. China exported 73.89 million tonnes of steel products during the first ten months, surging by 42.2% from the same period of time in 2013.

China imported 1.09 million tonnes of steel products in October 2014, down 50,000 tonnes (or 4.4%) YoY and down 270,000 tonnes from the previous month. On the import side, China imported 12.09 million tonnes of steel products during January to October up by 4.1% from the same period a year earlier.

Net exports in October were 7.46 million tonnes, up 3.53 million tonnes or 89.8 percent from a year earlier and up 300,000 tonnes from the preceding month.

China's iron ore imports in October hit 79.39 million tonnes, up 11.56 million tonnes or 17 percent from the same month last year, but down 5.3 million tonnes from the prior month. Average import price in the month was 82.73 dollars, down 5.8 dollars from the previous month. During January to October, the country's imports of iron ore registered an increase of 16.5%, reaching 780 million tonnes.

Coke exports reached 820,000 tonnes in October, 130,000 tonnes more than the previous month that of average price was 176.59 USD per tonne, down by 8.15 USD per tonne MoM. According to Customs statistics, China coke export in January to October 2014 perched 6.56 million tonnes, up by 102.6% YoY; export average price was 206.4 USD per tonne, increased by 72% YoY.

This section is a compilation from various company press releases, business dailies & trade publications.

EPA Rejects Sinosteel's Expansion

Sinosteel Midwest Corporation's proposed development of a new mine pit on the Mungada Ridge, in the Blue Hills may not be approved as the Western Australian Environmental Protection Authority (EPA) has said that the expansion project would cause irreversible environmental consequences.

Sinosteel is pursuing the further expansion of its existing operations at the Blue Hills direct shipping ore (DSO) project, which would include the construction and operation of one new mine pit at Mungada East, a waste rock dump, a processing plant and haul roads and associated access roads.

The expansion project, which would provide an additional 4.4-million tonnes of hematite over three years, would disturb about 53.5 ha of native vegetation on, and adjacent to, the Mungada Ridge. EPA chairperson Dr Paul Vogel said that the Blue Hills area comprised a series of banded iron formation (BIF) landforms, including Mt Karara, central Blue Hills and Mungada Ridge. "The BIF ranges are isolated ancient ranges, set in a predominantly flat landscape, that provide specialised habitats for plants, animals and ecological communities," Vogel said.

"Mungada Ridge is the most significant with high biodiversity values and is the last large and substantially intact landform in the Blue Hills area. Any further mining will result in serious and irreversible impacts to the integrity of this landform and the environmental values it supports."

Vogel said the EPA made a decision that the proposal was environmentally unacceptable, based on the proponent's referral information, specialist advice sought by the EPA and the EPA's own knowledge and experience.

"In this case, the proposal failed to meet the EPA's objective for landforms, in that there should be no loss to the integrity or wholeness of the Mungada Ridge landform being impacted. On the contrary, this proposal would result in serious and irreversible impacts to the integrity of this landform."

He added that the proposal could not be reasonably modified or mitigated to reduce the impacts on the Mungada Ridge.

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