India Hikes Import Duties by 2.5%

India's government has hiked import duties on long and flat products each by 2.5%, according to various press reports in India citing steel ministry sources. Imports of bars/rods are now levied with a 7.5% tariff, while hot and cold rolled coil, galvanized coil and plate imports incur a 10% duty. India's steel ministry for months been pressing the finance ministry to increase steel import duties in order to stem an influx of steel from East Asia. “Both the steel industry and the government are worried over dumping from China,” steel minister Narendra Singh Tomar said in April. Steel Authority of India, JSW Steel and Jindal Steel all reported their previous fiscal year performances were hampered by increased imports from China, Japan, South Korea and the CIS. In its new fiscal year budget India increased its peak rate of basic customs duty on steel product imports from 10% to 15%, to enable a hike of up to 15% in actual steel import duties without requiring the consent of parliament.

However, import duties themselves did not change. Ankit Miglani, managing director of cold roller Uttam Galva, has been quoted as saying the duty hike would bring respite to Indian steelmakers but local steel prices are unlikely to increase. “But given the fact that

we are entering off-season and there is a lot of pressure on the market, will allow Indian steel companies to maintain existing prices,” he observed. GD Mundra, Sarda Energy and Minerals director, is quoted as saying, however, that the difference in the price of imports and domestic product is around 5-7%, meaning the 2.5% duty hike will have little effect.

Rio Tinto Sees A Few Years of Reduced Consumption of New Steel

China is still working through built-up iron ore inventories which will dampen metal demand in the short term, says Andrew Harding, chief executive of Rio Tinto's iron ore operations.

Harding made the comments in the company's in-house magazine, Mines to Market, in a question and answer piece.

He was asked about long-term growth, which he argued is good due to population growth and more people entering middle class, but short-term the market is still tough.

The Chinese economy is in transition to what is being called the “new normal” driven more by domestic consumption than by infrastructure growth. In 2015 to date, China's steel production has been much the same as last year. There is inventory in the housing sector that has to be run down, and that will lead to a few years of reduced consumption of new steel.

But a year or two where there are short-term effects running shouldn't sway us from the long-term outlook. The long-term drivers are fundamentally sound and will keep driving consumption forward, but you will have this period of transition.

Harding noted the pattern of boom and bust is not new mining. Capital spending

Iron Ore Freighter Off Australia.

needs time to catch up demand, and it is not easily turned around.

"Since mines take a long time to come on-stream, that supply is still coming on-stream while, in the short term, demand growth is not looking as strong as it was. It's a common pattern you see in mining, and it's playing out yet again in iron ore."

Harding says the company is focused on being at the bottom of the cost curve. It's the only place to be. To the rest, his sympathies.

For players at the opposite end of the curve, unless they can cut their costs dramatically, they will go out of business. They're not profitable in the long term, and definitely not through cyclical low like we're seeing now.

I am sympathetic towards the people in these companies who may lose their jobs, and towards the suppliers to these companies that may lose their contracts.