



Thai Bank SCB Boosts Provisions on Loans to Steel Firm



Thailand's Siam Commercial Bank (SCB) said it has set aside up to 11 billion baht (\$307.86 million) in additional provisions in the current quarter on loans made to loss-making Sahaviriya Steel Industries (SSI) and its subsidiaries.

The disclosure by SCB, Thailand's third-

largest lender, of the new provisioning means two other major Thai banks that have extended large sums as loans to SSI could also be announcing additional provisions, analysts said.

SCB, Krung Thai Bank and Tisco Bank gave syndicated loans of about 44 billion baht

to SSI, Thailand's largest steelmaker, to acquire a British steel mill in early 2011.

The mill, now a unit of SSI, said it was halting operations at its Redcar plant in northeast England, citing a sharp decline in steel prices.

SCB said in a statement the significant

additional provisions were for the 22 billion baht in loans related to SSI and its subsidiaries.

The provisions were in the range of 10-11 billion baht, and the loans to SSI's UK subsidiary would be fully provided, assuming no collateral value, it said.

SSI loans are currently classified as special mention loans by the lenders. If the debts turn into non-performing loans, they will significantly increase the bad debts of the overall banking sector, which faces weak lending growth this year due to a sluggish economy, analysts said.

Concerns about the higher provisions on SSI pushed SCB shares down 1.7 percent by 0540 GMT, while the main Thai index was down 0.1 percent. SSI, Southeast Asia's largest, fully integrated steel sheet maker, has been blighted by sluggish domestic demand and a weak global market. It has made losses since 2011.

Still Negotiating Legal Settlement with Nippon Steel : POSCO



POSCO said it was still negotiating a legal settlement with Nippon Steel & Sumitomo Metal Corp after newspapers reported the South Korean

steelmaker was in talks to pay its Japanese rival about 30 billion yen (\$250 million) in damages for alleged corporate espionage.

Officials at POSCO and Nippon Steel said the lawsuits, filed in April 2012, were still proceeding. Nippon Steel is seeking about 100 billion yen in damages from POSCO, its Japan unit, and a former Nippon Steel engineer for allegedly acquiring steel-making technology illegally. Nippon Steel filed the lawsuits both in Japan and the United States. POSCO has denied the allegations. Nippon Steel started investigating the case in 2008 after former POSCO employee Lee Seok Joo, who was sentenced for selling POSCO technology to a Chinese steelmaker, told the court, the technology originally belonged to Nippon Steel.

US Steel Exports Fall 20%

A recession in Canada has contributed to a huge drop in U.S. steel exports. U.S. Census Bureau data showed that exports fell to 813,053 tons in July, down 8.1 percent from a month earlier and 20 percent from the previous year.

Most of the steel America exports goes to either Canada or Mexico, where it's often used by auto factories. Canada, America's biggest trading partner, bought 10 percent less steel in July than in June and 25 percent less than last year, according to the American Institute for International Steel.

"The sharp drop in exports to Canada this year is surely related to that nation's recession, its second in seven years," the American Institute for International Steel said in a statement. "Canada, the world's fifth-largest oil producing country, saw its economy shrink in both of the first two quarters of 2015, in large part due to falling oil prices. There are signs of recovery, though, and some economists are projecting growth of 3 percent in the third quarter."

Exports to Mexico fell 8 percent from June to July, and 15 percent when compared to July 2015. Year-to-date exports to Mexico have fallen by 3 percent to 2.35 million net tons.



Low oil prices have also slowed the Mexican economy, although growth there is expected to reach 2.34 percent this year, mediocre, but well above Canada's 1 percent projection and about equal to the United States' recent performance," the AIIS said.

The AIIS statement further explained that fiscal strains have led the Mexican government to reduce its 2016 budget by about 1.5 percent of the nation's GDP. Oil prices are projected to rise slightly to the mid-to-high \$50s range in 2016, which may help both Canada and Mexico. But it is far from clear that will be enough to drive substantially increased demand for steel.

Total U.S. exports have reached 6.11 million net tons through the first seven months of the year, a 13.5 percent decline. Year-to-date exports to Canada have plunged by 21 percent, accounting for most of that decline.