

## Chinese steel exports record 10 mn tonne in Dec'14

According to data released by the China's customs, China's steel exports jumped to a record of 93.78 million tonnes in 2014 higher by 51% over 2013

Exports climbed to 10.17 million tonnes in December, the highest monthly figure on record.

Burdened with huge overcapacity and major slowdown in domestic demand, Chinese steel mills have stepped up steel exports especially in last 4 months to 36.96 million tonnes (Monthly average of 9.24 million tonnes)

Chinese economy and steel industry has undergone radical change over last 1 year spelling devastation for global steel mills. It has changed tact from buying driven by high growth model to modulating investment driven balancing model. Growth has plummeted to 7.3% lowest in the last 5 years and portends to be no better in Q4.

China has got 1.1 billion tonne steel capacity whereas it is projected to produce 820 million tonnes in 2014. Even at 75% capacity utilization the steel industry is left with surplus volume owing to lack of domestic demand. With near demise of property market and construction activity ebbing in China, mills are running helter skelter to liquidate volumes. Incidentally, production pruning is the last word in China owing to compelling social obligations of employment.

Domestic mills in China have diverted volumes to export with twin objective of liquidating surplus volume and quest for better realization propped by rather dubious export incentive structure. But to almost double steel exports in last 3 months over 2013 monthly average, Chinese steel mills have cut their export prices drastically. The low export prices have helped Chinese steel mills to grab major volumes from major steel importing countries across the globe.

However, Chinese government announced withdrawal of 13% VAT rebate on export of boron added Bars & Rods, Wire Rods, Rebar and medium plates blocking the well oiled mechanism to

circumvent export taxes and avail VAT rebate wef January 1st 2015.

While a sense of relief prevailed among the steel mills worldwide initially, the opinions on the likely impact on Chinese steel exports in 2015 became divergent as details started to emerge. While many analysts believe that Chinese exports will fall substantially in 2015 and FOB levels would improve, especially by 20-30% in Q1 of 2015, many say that Chinese steel mills will find alternate routes like addition of chromium to maintain export levels at competitive FOB levels

But as China's crude steel capacity will



be little changed this year at 1.1 billion tonnes and mills will continue to churn despite slow down in domestic demand, Chinese steel mills are expected to pump huge surplus volumes in overseas markets.

### China Steel Corp starts electrical steel plant in Dahej



China Steel Corporation spoke of its vision for the market after announcing recently the completion of construction of its USD 237 million cold-rolled steel mill in a Gujarat Industrial Development Corporation industrial park in Dahej in western India.

Described as the first stage of China Steel's investment in India, the project was launched in July 2012 and construction started in August 2013.

The new plant, featuring an annealing and coating line, launched

commercial production recently and will roll out 200,000 tonnes a year of electrical steel.

The new plant had been engaged in trial production since the end of September 2013.

Mr. Tsou Jo-chi chairman of China Steel said that the new Indian plant is expected to shorten lead times and provide more timely service in the South Asian market, and he hoped it would allow China Steel to grow together with its customers.