Chinese crude steel output hits all time high in March

According to data from the National Bureau of Statistics, China's crude steel output hit a record high of 70.65 million tonnes in March, as a rally in steel prices and a seasonal pick-up in demand encouraged steel mills in the world's top producer to boost production. Steel output rose 2.9 percent from a year ago, beating market expectations, although total output in the first quarter was down 3.2 percent at 192.01 million tonnes. Mills have increased production in response to restocking by steel users that has helped drive up domestic prices by 34 percent this year. Kevin Bai, a Beijing-based researcher at consultancy CRU Group, said, “It is normal to see higher output in March, but this is a significant increase. Right now, the mills are making money. The market is still relatively tight and this has encouraged some producers to return.

But, HSBC Holdings PLC analysts said in a note on Thursday that the steel rally would soon end as Chinese mills lift output and traders end a flurry of restocking.

Hebei Iron and Steel buys Serbian Steel Plant

Chinese company Hebei Iron and Steel Group has signed an agreement to buy a loss-making Serbian steel plant that was previously owned by US Steel. HBIS signed the EUR 46 million agreements with the Serbian government, which had struggled for years to find a buyer.

The ceremony was broadcast live on Serbian state television, days ahead of an early general vote. Prime Minister Aleksandar Vucic says the deal is important for the impoverished Balkan nation, which is desperate for foreign investment.

The factory employs some 5,000 workers. US Steel ran the company from 2002-2012, before reselling it to the Serbian state for a symbolic price of US$1 due to losses.

China's 'zombie' steel mills fire up furnaces

The rest of the world's steel producers may be pressuring Beijing to slash output and help reduce a global glut that is causing losses and costing jobs, but the opposite is happening in the steel towns of China.

While the Chinese government points to reductions in steel making capacity it has engineered, a rapid rise in local prices this year has seen mills ramp up output. Even "zombie" mills, which stopped production but were not closed down, have been resurrected.

Despite global overproduction, Chinese steel prices have risen by 77 percent this year from last year's trough on some very specific local factors, including tighter supplies following plant shutdowns last year, restocking by consumers and a pick-up in seasonal demand following the Chinese New Year break.

Some mills also boosted output ahead of mandated cuts around a major horticultural show later in the Tangshan area. Local mills must at least halve their emissions on certain days during the exposition, due to run from April 29 to October.

China, which accounts for half the world's steel output and whose excess capacity is four times U.S. production levels, has said it has done more than enough to tackle overcapacity, and blames the glut on weak demand.

But a survey by Chinese consultancy Custeel showed 68 blast furnaces with an estimated 50 million tonnes of capacity have resumed production. The capacity utilization rate among small Chinese mills has increased to 58 percent from 51 percent in January. At large mills, it has risen to 87 percent from 84 percent, according to a separate survey by consultancy.

The rise in prices has thrown a lifeline to 'zombie' mills, like Shanxi Wenshui Haiwei Steel, which produces 3 million tonnes a year but which halted nearly all production in August. It now plans to resume production soon, a company official said, declining to be named as he's not authorised to speak publicly.

Another similar-sized company, Jiangsu Shente Steel, stopped production in December but then resumed in March as prices surged, a company official said.

More than 40 million tonnes of capacity out of the 50-60 million tonnes that were shut last year are now back on, said Macquarie analyst Ian Roper. "Capacity cuts are off the cards given the price and margin rebound," he said.

Profit margins have risen to 500-600 yuan a tonne ($77-$93) on average, the highest in at least two years, said Hu Yanping, senior analyst at Custeel.com.

"The government wants to bolster the economy and boost demand for industrial sectors, but it is also resolute to push forward the supply-side reform, putting it in a dilemma," said Hu.

To show the world it is serious in slicing its bloated steel sector, China has said it cut 90 million tonnes of capacity and plans to cut another 100-150 million tonnes through 2020.

Yet China's crude steel output hit a record high of 70.65 million tonnes in March.