Regulator ask banks to control credit to coal and steel firms

China's banking regulator said that banks must strictly control credit to coal and steel firms that are violating capacity cuts, the latest in a series of regulations aimed at reducing loans to industries struggling with over-capacity.

The China Banking Regulatory Commission (CBRC) told banks to stop providing financial support to "zombie firms" and companies in breach of the government's capacity reduction plans, the CBRC said in an online statement.

The regulator also required banks to increase their awareness of the "strategic status" of the coal and steel sectors, and meet the "reasonable" funding demand of competitive firms. The banking regulator said it encourages lenders to use financing for mergers and restructuring in the steel and coal sectors.

China criticizes New Zealand anti-subsidy probe on Chinese galvanized steel

New Zealand's latest investigation into Chinese galvanized steel is "discrimination" and will not help solve problems in the NZ steel industry. The remarks came after the New Zealand government began an anti-subsidy probe into galvanized sheet steel from China.

Mr Wang Hejun, Head with the Trade Remedy Investigation Department with the MOC said that the products involved only account for 2.5% to 4% of New Zealand's domestic market, causing no harm to the domestic industry.

Wang added that it will not help to solve the problems in New Zealand's steel industry and will hamper Sino-New Zealand trade. He further said faltering global recovery and shrinking demand are cause of the difficult situation of the steel industry worldwide, and called on all countries to cooperate during tough times.

He said that protectionism is not the answer for New Zealand's steel industry and will only deal a further blow to international trade.

He said “New Zealand's imports of galvanized steel from China have remained around 4,000 tonnes, worth 3.2 million US dollars. By contrast, imports from other sources have doubled in the past two years. Investigating such small amount of Chinese products while ignoring imports from other sources is discrimination.”

China hopes New Zealand will use trade remedy measures in a prudent and restrained way and work with China to resolve trade issues through dialogue and communication.

China's efforts to stimulate economy results in steel demand picking up

China's efforts to stimulate its economy are showing up in steel. Months after the country's policy makers loosened the reins on credit in a bid to fan economic growth, there's growing evidence that local demand for steel is picking up, and the good news for metal fans is that the gains are here to stay at least until mid-2017.

That's the conclusion of Goldman Sachs Group Inc. analysts who've studied the relationship between credit, investment and the commodity in recent years. They calculate that China's steel consumption rose 7 percent in September and October compared with a year earlier, after being relatively flat the first eight months of 2016.

"The impact of credit stimulus on steel consumption lasts on average for more than a year," the bank's analysts, led by Commodity Strategist Hui Shan and Chief Asia Pacific Economist Andrew Tilton, wrote in a note to clients. Even an immediate slump in credit creation back to 2014 levels would still leave enough money pumping through the economy to support steel demand until mid-2017, they wrote.

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