



## Indian steel demand to rise : Moody

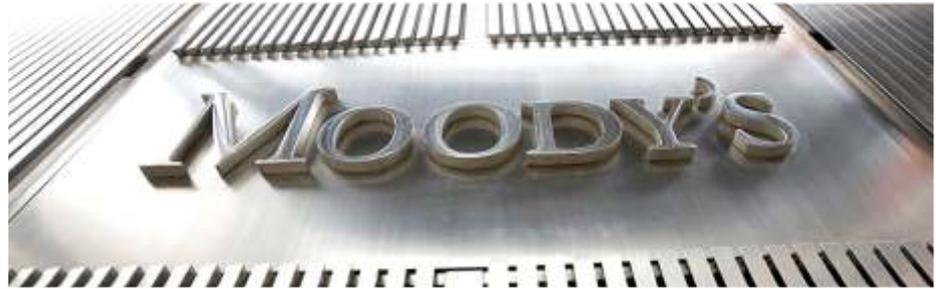
Moody's Investors Service has said India is the only area of strength with rising demand and protectionist measures in place even as it predicted a negative outlook for

Asian steelmakers in 2017 as earnings will weaken amid declining production and lower profitability.

"We expect EBITDA per tonne to weaken in 2017, given that the robust profitability recorded by steelmakers in mid-2016 is unsustainable against the backdrop of persistent oversupply and the limited ability to pass on rising raw material costs to customers," said Jiming Zou, a Moody's Vice President and Senior Analyst.

"For 2017, we see India as the only area of strength with rising demand and protectionist measures in place," adds Zou. Moody's conclusions were contained in its just-released report, "Steel - Asia 2017 Outlook - Weakening Production and Earnings Keep Outlook Negative".

"In India, growing domestic demand,



minimum import prices and anti-dumping duties will support steel producers, but the increase in their steel production will not offset the fall in regional production," the report said. The country only accounts for only about 8% of Asian steel production.

Moody's expects Asian steel production volumes to fall in 2017 because demand from China - which accounts for about three quarters of Asian steel production - will contract, while rising trade barriers will constrain exports from Asia.

One of the main drivers for declining demand in China is the forecast that property

sales volumes will decline moderately following the tightening of regulatory measures in September and October 2016.

In this context, continued infrastructure investments are insufficient to avert a decline in China's demand, and its manufacturing activities remain vulnerable to slowing GDP growth and are therefore unlikely to boost steel demand.

With Japan, Korea and Taiwan, which export around 40 to 50% of their steel output, increasing trade frictions will curb their steel exports and production, Moody's said.

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