

World Steel Dynamics (WSD) is a leading steel information service in Englewood Cliffs, N.J. WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure.



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Q. In lieu of the government-regulated slowing of economic activity in China, what are WSD's expectations for near-term steel demand growth in that country? What impact might the recent cancellation of the export tax rebate have on steel markets?

A: The government has recently eliminated the export rebate of 9% for hot rolled band, plate and large sections. From January through May, these products accounted for 40% of Chinese steel product exports – i.e., about 7 million tonnes out of the total exports of 18 million tonnes. (Note: Export taxes remain on rebar at 15%, metallurgical coke at 40% and slab at 25%.) Chinese exports may decline moderately in the remainder of 2010 due to: (a) the elimination of the export tax credit on some products, (b) a slightly stronger RMB and (c) declining world steel export prices. For 2010, WSD forecasts that Chinese net exports may be about 21 million tonnes on a crude steel basis, up from zero in 2009.

In China, there's much talk at present about a cutback in infrastructure spending in the next year. Yet there's also discussion of more infrastructure spending in Western China and more low-cost housing.

In 2010, the reported rise in Chinese fixed asset investment (FAI) may be 20–25%. Through May, the increase has been about 26%. These figures include inflation land sales. In 2011, in WSD's opinion, the gain in FAI may be 15–20% before inflation.

Regarding housing, the trade press in China reports that about 66 million housing units are not using electricity, which means that there's much housing that's owned but not occupied. China's vacancy rate may be as much as 26% for higher-value houses and apartments.

Overall, WSD forecasts that Chinese real steel demand in 2010 may rise by about 10%, followed by a 5% gain in 2011 and a 3% increase in 2012 (and, most probably, at this rate in the years thereafter).

The amount of China's steel held in inventory remains of great interest to those following the Chinese steel market. However, the absolute tonnage in inventory, at least as reported, remains quite small. The reported inventory for hot rolled band is up about 63% from the January 2010 level; the figure is 4.9 million tonnes as of July 5, 2010, versus 3.0 million tonnes at the start of the year. In 2007, the inventory was reported at 1.5 million tonnes. ♦

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China Floor Space of Buildings Under Construction and Completed

	Floor space of building under construction							Floor space of building completed						
	Total	y-to-y %	Of which: Residential building				Total	y-to-y %	Of which: Residential building					
			Total	of which: commercial		Total			of which: commercial					
	mil SQM		mil SQM	y-to-y %	House mil-unit	mil SQM	y-to-y %	mil SQM	y-to-y %	House mil-unit	mil SQM	y-to-y %		
1995	2,151	—	1,405	—	16	329	—	1,456	—	1,074	—	12	120	—
1996	2,363	9.9%	1,558	10.9%	17	318	-3.3%	1,628	11.8%	1,219	13.5%	14	122	1.7%
1997	2,305	-2.5%	1,497	-3.9%	17	304	-4.4%	1,661	2.0%	1,211	-0.7%	13	125	2.5%
1998	2,458	6.6%	1,676	12.0%	19	362	19.1%	1,709	2.9%	1,276	5.4%	14	141	12.8%
1999	2,633	7.1%	1,812	8.1%	20	426	17.7%	1,874	9.7%	1,393	9.2%	15	176	24.8%
2000	2,653	0.8%	1,806	-0.3%	20	505	18.5%	1,820	-2.9%	1,345	-3.4%	15	206	17.0%
2001	2,760	4.0%	1,828	1.2%	20	616	22.0%	1,824	0.2%	1,304	-3.0%	14	246	19.4%
2002	3,044	10.3%	1,937	6.0%	22	732	18.8%	1,967	7.8%	1,340	2.8%	15	285	15.9%
2003	3,437	12.9%	2,053	6.0%	23	914	24.9%	2,026	3.0%	1,302	-2.8%	14	338	18.6%
2004	3,765	9.5%	2,176	6.0%	24	1,082	18.4%	2,070	2.2%	1,249	-4.1%	14	347	2.7%
2005	4,311	14.5%	2,398	10.2%	27	1,291	19.3%	2,276	10.0%	1,328	6.3%	15	437	25.9%
2006	4,627	7.3%	2,656	10.8%	30	1,517	17.5%	2,125	-6.6%	1,314	-1.1%	15	455	4.1%
2007	5,485	18.5%	3,156	18.8%	35	1,868	23.1%	2,384	12.2%	1,463	11.3%	16	498	9.5%
2008	6,323	15.3%	3,644	15.5%	40	2,229	19.3%	2,603	9.2%	1,594	9.0%	18	543	9.0%
2009e	7,777	23.0%	4,446	22.0%	49	2,853	28.0%	3,266	25.5%	2,845	16.0%	32	690	27.1%
2010e	8,866	14.0%	5,090	14.5%	57	3,424	20.0%	3,724	14.0%	3,258	14.5%	36	920	33.3%
2011e	9,487	7.0%	5,498	8.0%	61	3,766	10.0%	3,984	7.0%	3,738	8.0%	42	1,190	29.3%
2012e	10,056	6.0%	5,882	7.0%	65	4,067	8.0%	4,223	6.0%	4,000	7.0%	44	1,360	14.3%

Note: 90 SQM for one unit, economic house take 5–10% of China total.
Source: China Stats and WSD estimates

China Steel Production, Consumption and Related Items (Mid Scenario)

(million metric tonnes, crude steel equivalent (CSE) basis)

Year	Annualized Crude Steel Production		Net Exports	Less: Steel Mill Inventory Addition	Ratio: Crude to ASC	Equals: Net Apparent Steel Consumption (CSE)		Minus: User Inventory Addition	Equals: Steel Consumption (crude EQ)	Year-on-Year % Change in Consumption
1997	109	—	-6	1	—	114	—	2	112	—
1998	115	5.3%	-9	1	1.01	122	7.6%	2	120	7.7%
1999	124	8.3%	-13	1	1.01	136	11.2%	2	134	11.3%
2000	129	3.6%	-11	0	1.00	140	2.9%	1	139	3.7%
2001	152	18.0%	-20	3	1.02	169	20.6%	5	164	17.8%
2002	182	20.3%	-25	3	1.02	204	21.1%	5	199	21.8%
2003	222	21.9%	-39	4	1.02	257	25.8%	6	251	26.0%
2004	283	27.2%	-15	6	1.02	292	13.8%	8	284	13.3%
2005	353	24.9%	-1	7	1.01	385	31.6%	11	374	31.4%
2006	419	18.7%	35	7	1.01	411	6.8%	11	400	7.0%
2007	489	16.8%	55	6	1.01	482	17.3%	14	468	17.1%
2008	500	2.3%	48	-9	1.00	463	-4.0%	-2	464	-0.8%
2009	576	15.1%	0	6	1.02	567	22.6%	24	543	17.0%
2010e	632	9.7%	21	6	1.02	604	6.5%	6	598	10.0%
2011e	657	4.0%	18	6	1.02	633	4.8%	6	627	4.8%
2012e	680	3.6%	25	6	1.02	649	2.6%	6	643	2.6%

----- Annualized -----

Quarter	Annualized Crude Steel Production		Net Exports	Less: Steel Mill Inventory Addition	Ratio: Crude to ASC	Equals: Net Apparent Steel Consumption (CSE)		Minus: User Inventory Addition	Equals: Steel Consumption (crude EQ)	Year-on-Year % Change in Consumption
1Q 08	502	7.8%	31	-10	0.98	481	6.8%	15	466	7.0%
2Q 08	556	11.6%	47	-15	0.97	524	5.0%	20	504	3.1%
3Q 08	508	1.5%	76	0	1.00	432	-13.5%	-12	444	-8.3%
4Q 08	435	-11.6%	32	-10	0.98	413	-13.8%	-30	443	-4.5%
1Q 09	516	2.6%	2	-15	0.97	529	9.8%	15	514	10.1%
2Q 09	560	0.8%	-11	5	1.01	566	8.0%	-5	571	13.3%
3Q 09	612	20.5%	-1	5	1.01	608	40.8%	35	573	29.1%
4Q 09	615	41.4%	20	30	1.05	565	36.9%	50	515	16.3%
1Q 10e	641	24.2%	20	15	1.02	606	14.6%	50	556	8.2%
2Q 10e	659	17.6%	40	25	1.04	594	4.9%	40	554	-3.0%
3Q 10e	603	-1.5%	15	-10	0.98	598	-1.7%	-15	613	7.0%
4Q 10e	624	1.4%	10	-5	0.99	619	9.5%	-50	669	29.8%
1Q 11e	650	1.5%	10	5	1.01	635	4.9%	-35	670	20.6%
2Q 11e	689	4.5%	20	15	1.02	654	10.0%	30	624	12.6%
3Q 11e	651	8.0%	20	5	1.01	626	4.7%	20	606	-1.1%
4Q 11e	637	2.0%	20	0	1.00	617	-0.4%	10	607	-9.3%
1Q 12e	663	2.0%	25	5	1.01	633	-0.3%	-10	643	-4.1%
2Q 12e	719	4.3%	25	10	1.01	684	4.5%	20	664	6.4%
3Q 12e	676	3.9%	25	5	1.01	646	3.2%	10	636	5.0%
4Q 12e	664	4.3%	25	5	1.01	634	2.8%	5	629	3.7%

Source: IISI for historical steel production and WSD's GSA for annual apparent steel consumption figures.

To submit your questions for WSD, e-mail WSD@aist.org.

Please include your full name, company name, mailing address and e-mail in all correspondence.