Chinese steel prices: “All over the lot”

China’s ex-works prices are impacted by supply/demand factors, steel industry sentiment and futures prices. There are many day-traders in China, further adding to volatility. When the futures price is rising, this may pull up the mills’ ex-works prices; and the opposite occurs when the futures prices are falling. Here’s what happened to the prices for five products since mid-February 2017 — as of 24 April 2017:

- Hot-rolled band (HRB): The price is down US$106/metric ton to US$370/metric ton from US$476/metric ton (February 17th), a 22% decline.
- Cold-rolled coil: The price fell US$118/metric ton to US$454/metric ton from US$594/metric ton (February 23, 2017), a decline of 24%. The spread between cold-rolled coil and HRB narrowed to US$84/metric ton from US$118/metric ton.

Why the lessened spread? One answer could be diminished demand for cold-rolled coil relative to HRB. However, WSD thinks the most likely reason is the massive overproduction of hot-rolled band — up 10–15% on a year-to-year basis — that’s inundated the cold rolling mills with so much HRB supply that the production of cold-rolled coil became excessive.


Figure 1

Chinese ex-works daily prices. Source: SteelHome.
(17 February 2017), which was a decline of 13%. Hence, the cessation of billet production by induction furnace steelmakers has helped to better sustain this price than is the case for HRB and cold-rolled coil.

- Steel scrap: The Chinese price fell only US$25/metric ton to US$229/metric ton from US$254/metric ton, for a drop of 10%. Perhaps the relatively high price on the world market helped to sustain the Chinese price even though the country’s export duty is 40%. In mid-April 2017, shredded steel scrap in the United States was about US$295/metric ton.

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