

China's still driving the steel industry bus

In China, recent economic data suggests that the economy is slowing down. The manufacturers' Purchasing Managers Index (PMI) reading was only 50.0 for November 2018, indicating that growth of China's manufacturing sector has stalled. The lower Chinese stock market and worries about trade wars have reduced buying sentiment, with automotive sales down slightly year to year. Also, gains in the country's fixed asset investment (FAI) are now rising at about a 5% year-to-year pace. There are also indications that new loan issuances are down.

Manufacturers' capital spending, which accounts for about 50% of FAI, may not rise significantly given the worries about the profit outlook. The

country's medium- and large-sized steel mills are no longer generating a profit on their commodity-grade steel sheet sales due to the recent sharp price declines and relatively high costs for domestically produced iron ore and coking coal. Electricity rates have also risen.

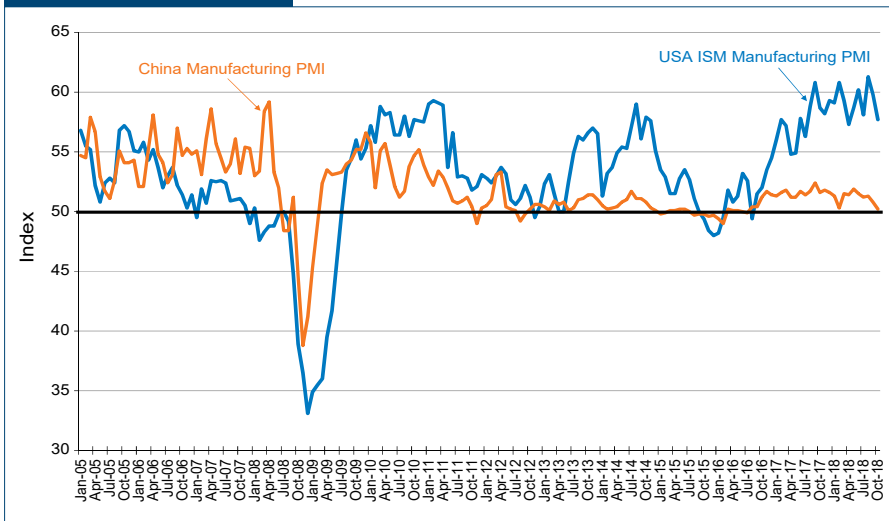
WSD is counting on four developments that will stimulate the Chinese economy to be strong in the second quarter: (a) the government's ongoing promotion of infrastructure spending and loans to manufacturers and those engaged in construction projects; (b) seasonal factors; (c) less fear of a trade war; and (d) economic activity can be more rapidly impacted by governmental actions than Western economies.



is a leading steel information service in Englewood Cliffs, N.J., USA

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. The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.

Figure 1



USA vs. China manufacturing Purchasing Managers Index.



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