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Huge investments into foreign iron ore assests weigh upon Chinese companies

China / Iron Ore

China – a top importer of iron ore – possesses stakes in overseas assets that can cover more than half of its import needs. The achievement that sounds like a great success, however, is hovering on the edge of failure. High-cost production amid plunge of global iron ore prices are by far the main factors to poison Beijing's plans and intensify burden of steel mills in China.

Companies have been pouring immense investments into the development of iron ore mines in all parts of the world from Australia to Peru, with TOP-10 steel mills embracing nameplate capacity of more than 230 million t, or 25% out of total 933 million t imported in 2014. Numbers, however, look like a jest about China, as many projects proved to be disastrous.

To name just a few, a 24 million tpy Australia's CITIC delayed the start-up by six years, with only one production line out of six being commenced now; a 20 million t Sierra-Leone's Tonkolili, being closed for a year, is now recommenced, but has to sell at a loss. A 8 million tpy Canada's Bloom Lake was shut down at the beginning of 2015. A number of once promising projects is now mothballed or is still developed, albeit having little to no chances to enter the market in current low price environment.

The failure of many Chinese projects is blamed on high-cost production as they explored remote but rich deposits in Americas and Africa, that were to produce high-grade pellets or concentrate. Some of the projects were not provided even with infrastructure, such as railroads or ports.

But these problems were calculated beforehand. What Chinese investors did not foresee is that iron ore would lose 70% in just two years.

Prices will lose another 15% next year, market participants expect, as crude steel output falls in China while Big-3 stick to idea of expansions. But this did not scare away Chinese investors from further development of mines they already have stakes in, even though the majority now refuse to state any specific time of production start-up.

China has been buying up iron ore deposits, with total capacities now equalling half of its annual import needs, but the start-up hope is glimmering only for few longer-term low-cost mines. "Baosteel's Aquila Resources [40 million tpy] has low-grade ore, but claims to have low cost production and is expected to squeeze into the market in 2019, just when supply glut is expected to ease," a mill procurement from a large steel mill, that owns iron ore deposit in Australia, told Metal Expert. The Department of Industry, Innovation and Science in Australia together with a number of market insiders agree saying small and high-cost mines should continue leaving the market, while analysts, on the contrary, see the Big 3 grasping the larger share of China as competitors die out.

“Two years ago, the Big 3 had big plans to expand. Now China is slowing down, and so are their plans. As long as they stay afloat, they will continue to expand in order to produce good cash flow, squeezing mid and small miners out at the same time,” an analyst from Standard Charted bank told Metal Expert.

China as a top importer of iron ore had a perfect “go out” strategy, that could decrease cost of steel production and ease monopoly of Australia and Brazil, that seven years ago decided to boost prices by 120%. Now the things have changed, monopolists are still there but it is China who sets the price. China’s overseas mines continue to call for more money, but the truth is that buying ore from Australia of Brazil is more beneficial now than having own deposit.

The heavy burden of stakes in overseas assets does not look like an overestimation if taking into account $11.34 billion loss of 101 large and medium-sized steel mills in the first ten months of 2015, according to China Iron and Steel Association (CISA).

Nonetheless, it seems like China has no other way but to patiently wait and take all the consequences the projects are bringing along. Closures of marginal producers and rising global demand for iron ore will return the market into a state of equilibrium, but we are years behind the date.

Several major iron ore overseas investments from China

No.	Mill’s name	Stake, %	China’s investments, $	Project/company	Country	Capacity, mln tpy	State
1	WISCO	60	8.5 million*	Lac Otelnuk Mining (LON and December Lake)	Canada	50	commission in 2017
2	Baosteel	85	6.9 billion*	Aquila Resources (West Pilbara Iron Ore Project)	Australia	40	postponed to 2019-2020
3	CITIC	100	10 billion	Sino Iron	Australia	24 (4 in commission)	in commission
4	Nanjinzhao	100	1.8 billion	Pampa del Pongo	Peru	20-22	commission in late 2016
5	Shandong Iron & Steel	100	1.67 billion	Tonkolili	Sierra Leone	20	recommenced in 2015

* - total investments of the project.

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Latest contracts for steel products and raw materials

Commodity/ Specifications	Origin/ Supplier	Consumer	Volume, t	Price & delivery terms	Details
Flat products					
HRC, SS400, 3-12 mm	China, trader	Vietnam	20,000	$266/t CFR ($256/t FOB)	February shipment
Square billet					
3-5 sp	Russia	to a trader, for Egypt	10,000-15,000	$255/t FOB Black Sea	January production
Iron ore					
Pilbara fines 61% Fe	Australia, Rio Tinto	China	190,000	$38.8/t CFR	December 22-31 laycan
Pilbara lumps 62% Fe	Australia	China	80,000	non-fixed	January delivery
Pilbara fines + lumps 62% Fe	Australia	China	120,000+50,000	non-fixed	December 15-24 laycan
SSFG 63.5% Fe	Brazil	China	140,000	non-fixed	February delivery

Daily price assessments for steel products and raw materials

Commodity	Country	Currency, delivery term	9 Dec. 2015	Daily change
Iron ore	China	$/t, CFR ex-Australia	39	0
Coking coal	Australia	$/t, FOB	75	0
Ferrous scrap	Turkey	$/t, CFR ex-USA	197.5	0
Ferrous scrap	Japan	JPY/t, FOB	15,500	0
Square billet	China	$/t, FOB	232.5	0
Square billet, 125-150 mm	Ukraine	$/t, FOB	253	-7
Square billet, 125-150 mm	Turkey	$/t, CFR	278	0
Rebar, 12 mm	Turkey	$/t, EXW	337	0
Rebar, 8-32 mm	Turkey	$/t, FOB	335	0
Rebar, 12, 32 mm	Germany	EUR/t, CPT	370	0
Rebar, 16 mm	USA	$/t, EXW TW	585	0
Wire rod, 6.5 mm	China	$/t, FOB	262	0
HRC, 3-12 mm	China	$/t, FOB	258	-2
HRC, base	Germany	EUR/t, EXW	330	0
HRC, 2-8 mm	USA	$/t, EXW	402.5	0

Methodology

Metal Expert publishes the following types of prices:

offer price – an offer from a supplier that was not confirmed by buyers as of the time of publication;

contract price – a transaction price confirmed on both seller's and buyer's side;

price assessment – Metal Expert's estimate of a fair price level for a possible transaction in current market conditions.

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Turkish scrap market participants evaluate recent scrap deal before making new deals

Turkey / Scrap

Turkish ferrous scrap market became quiet again. Buyers and sellers are trying to evaluate the deal reported yesterday to work out further business strategy. After intense negotiations, a sale from the Baltic region was closed without discounts.

The Turkish market is stable in the middle of the week. The recent booking of HMS 1&2 (80:20) from Russia (St. Petersburg) at $193/t CFR Turkey proved that exporters have enough arguments to hold prices for January shipment. Anyway, importers continue to expect lower prices for scrap due to weak finished steel sector. Nowadays, bids for HMS 1&2 (80:20) are coming below $190/t CFR, according to Metal Expert information. “The main point is how other suppliers will react and also how other buyers will react,” a trader commented.

An Iskenderun-based mill purchased 30,000 t of HMS 1&2 (80:20) from Germany at $190/t CFR. This contract, however, does not reflect the real market level since it was closed with special conditions. This cargo had earlier been sold to another company from the same region but resold later, while it was sailing.

Nominal prices for American HMS 1&2 (80:20) are staying stable in the range of $195-200/t CFR Turkey.

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New prices for rebar and billet from Kardemir fail to find buyers’ support

Turkey / Long products

Turkey’s integrated steel mill Kardemir has opened new rebar and billet sales in the local market after a long break. The demand so far leaves much to be desired as the supplier’s prices are higher than expectations of domestic customers.

New offer price for rebar from Kardemir is $344/t (TRY 1,180/t) EXW while the general market level is currently standing at $328-345/t (TRY 1,130-1,180/t) EXW depending on region. Given that Kardemir is offering at the upper end of the mentioned range, buyers so far refrain from purchases.

In the billet segment Kardemir announced prices at $298/t EXW (S235JR) and $303/t EXW (AIII), in line with other Turkish mills’ offers – $300-310/t EXW depending on region. Demand for Kardemir billet is so far slack as market players expect prices to weaken soon. “Import billet prices put pressure on local suppliers, who already report that sales are scarce,” a re-roller told Metal Expert. CIS billet is currently available at an average of $280/t CFR Turkey, while semis ex-China are being offered within $245-250/t CFR for shipments in late January.

Prices in lira terms include 18% VAT, those in US dollar terms do not. The exchange rate is $1 = TRY 2.9.

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Turkish domestic merchant bars and sections prices slide

Turkey / Long products

The downgrade in import and domestic billet prices as well as moderate demand for finished products made Turkish merchant bars and sections suppliers decrease prices for local customers.

To maintain purchasing activity Turkish producers have revised quotes in the following way: equal angles lost $11-14/t (TRY 25-30/t) over the month, now being available for domestic buyers at $380-390/t (TRY 1,100-1,135/t) EXW. Beams segment witnessed almost the same decrease over the considered period, as most suppliers are now offering within $385-390/t (TRY 1,120-1,135/t) EXW. "Demand is neither good nor bad now, but decrease is unavoidable as other factors are in favour of decline," one trading source told Metal Expert. However, at the beginning of the week some producers in Izmir region were reported still offering beams at around $400/t (TRY 1,160/t) EXW. Flat bar is quoted $4-12/t lower than in mid-November at $390-400/t (TRY 1,135-1,160/t) EXW.

Nevertheless, considering the forecasts of further weakening of import billet price and lack of support from export markets, most insiders believe the downward trend will continue. "Unfortunately prices are to go down. They might hold for a while but the outcome is obvious," another respondent told Metal Expert.

Turkey: local prices for merchant bars and sections, $/t (TRY/t)

Product	Offer	M-o-m change
Equal angle, 40-100 mm	380-390 (1,100-1,135)	-11-14 (25-40)
Flat bar, 3-10 mm	390-400 (1,135 -1,160)	-4-12 (-5-40)
IPN beam and UPN channel, 100-160 mm	385-390 (1,120-1,135)	-10-11 (-25-30)

Note: prices are given without 18% VAT. The exchange rate is $1 = TRY 2.91.

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Saudi Arabia shows little interest in buying Chinese wire rod

Middle East / Long products

Saudi Arabia has lost interest in buying wire rod from China so far. The major reason behind that is a small difference between Chinese and local prices.

Even though Chinese quotes have decreased by $15/t over the previous month it has not been enough to stimulate sales in this destination as the price from local manufacturer Hadeed Saudi Iron and Steel Company (SABIC) is only $15-30/t higher than the prices from China including import duty, port clearance and delivery cost. The possibility of import tax increase in GCC along with rumours about tax rebate cuts in China are putting additional pressure on Chinese suppliers. Saudi buyers are cautious about concluding new deals for import wire rod. "Nobody is interested to go against the local producer for just $30/t," a supplier to Saudi Arabia told Metal Expert. As a result, the major buyers are purchasing wire rod from the local manufacturer. Latest bookings for import material happened at the end of November.

Saudi Arabia: prices for wire rod, $/t (SAR/t)

($1 = SAR 3.75; theoretical weight)

Segment/origin/supplier	Offer	M-o-m change
Imports, CFR Dammam		
China, mills and traders	280-295*	-15
Domestic mills' market, CPT Riyadh		
Hadeed Saudi Iron and Steel Company (SABIC)	353 (1,325)	0

* – chrome-added.
Note: the material of non-Arab League origin is subject to 5% import duty in the country.

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Saudi Arabia's SABIC and Unicoil enhance coated flats mix to satisfy domestic demand

Middle East / Flat Products

Hadeed Saudi Iron and Steel Company (SABIC) and Unicoil, both Saudi flats producers, are expanding their product portfolio to meet domestic demand and partially oust imports.

← The companies have developed new types of PPGI. Hadeed Saudi Iron and Steel Company (SABIC) has presented new Cool Chemistry coils, which may be used as a wall cladding material and help to reduce air conditioning costs owing to their ceramic infrared reflective pigments. Unicoil has made a similar addition to its product range. Besides, SABIC is set to launch production of Anti-Bacterial coils soon, Metal Expert learns.

The product portfolio diversification will help both companies to raise PPGI capacity utilization and force out imports. According to Unicoil, local plants (about 370,000 t) do not use their production potential in full, while imports are rising. Specifically, in January-September, 2015 foreign PPGI supplies increased by 30% y-o-y to 197,700 t, according to Metal Expert's data. Most of the material (98%) was received from China.

Although construction slows down in the country on financial problems caused by the oil market situation, consumption of the above mentioned products is bolstered by infrastructure projects. This is owing to high PPGI demand for such projects. According to Paint Research Association (PRA), infrastructure construction consumes around 40% of steel with different types of protective coating.

SABIC is capable of producing 120,000 tpy of PPGI, while Unicoil – 250,000 tpy, as Metal Expert has learnt.

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Iran's Fasa Steel Complex turns to promising plate segment

Middle East / DRI & HBI, Steel Semis, Flat Products

Iran's Fasa Steel Complex Company (FASCO) announced plans to concentrate on steel plate production to cover the future needs of the local market as after sanctions removal Iran's oil and gas, shipbuilding and heavy machinery industries are expected to boom.

The plant, located in Fars province in the south of the country in the Free Economic Zone of Fasa city, will consist of a 1.5 million tpy plate mill, steelmaking complex with the same capacity, 1.7 million t DRI unit and 2.5 million t pelletizing plant, the company report says. Currently FASCO has all the needed governmental authorization to establish production facilities. It is rendering engineering activities and commenced tenders to award execution of major plants to contractors on EPC (engineering, procurement and construction) format. Meanwhile FASCO started mobilization, site preparation earth work and construction of general office buildings. The future project progress will depend on allocation of finance, so the terms of commissioning are not commented upon.

Among the advantages of the project there is the proximity to ports and thus shipbuilding companies as well as major pipe mills of the country. Moreover the company has an allocated iron ore mine, 140 km from the plant, with sufficient mineral reserve and iron concentration of 64%. Another extra advantage is the governmental obligation to supply of iron ore from Gol-Gohar mine in periods when their own mine is not operative, Metal Expert has learnt.

It should be mentioned that previously the company planned to concentrate on billet production. The project consisted of three phases. Phase I and II comprised a 1.5 million tpy billet CCM, 1.7 million tpy DRI module and 2.5 million tpy pelletizing plant. Details regarding Phase III were not discussed. According to market players' assessment, the producer could switch to a more promising segment considering excessive capacity for billet production in Iran as well as difficult financial situation due to the pressure of sanctions. As of now Iran's plate-making capacity stands at less than 2 million t, Metal Expert reported earlier.

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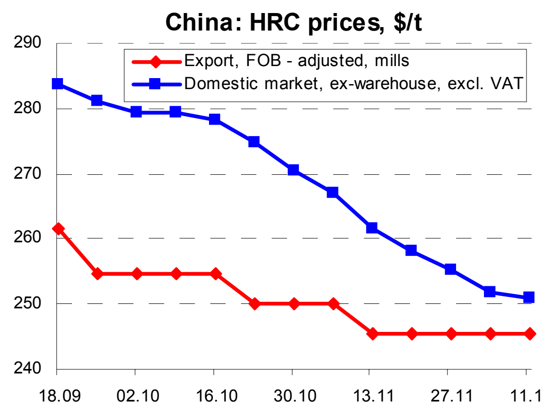
Chinese HRC export prices stable amid sufficient demand and lower supply

China / Flat Products

Chinese suppliers have continued to maintain HRC export prices over the week on stable demand in main sales markets. Some sellers have stopped offering HRC, being afraid of possible tax rebate cancellation for exports of alloyed steel from China at the end of this year. As a result, supply volume has somewhat reduced.

Currently Chinese producers are offering HRC at $260-270/t FOB, the same as last week. “$255/t FOB is possible to negotiate from any mill now, if quantity is quite big, $250/t FOB is also available,” a major Chinese trader told Metal Expert. However, $250-255/t FOB was also achievable from traders and mills last week. So there is no decrease now, most market participants believe.

SE Asian importers have continued to show quite a high interest in Chinese material over the past week. A Vietnamese importer has booked 20,000 t of HRC from a Chinese trader at $266/t CFR ($256/t FOB) for February shipment. Most mills are offering HRC for mid-to-late January shipment at the moment.



More and more rumours about possible tax rebate cancellation for export of all alloyed steel from China are spreading among market participants. As a result, Chinese traders do not want to take risks, so many of them have stopped offering HRC, preferring to export some other products until the new policy is clear. “Hot rolled products are very risky, if rate changes. So we wait till the end of the year. Now we do GI, which is more safely,” another top Chinese trader told Metal Expert.

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Stronger buying keeps iron ore stable in China

China / Iron Ore

Iron ore prices kept stable on Wednesday owing to somewhat stronger buying activity in China.

Australian iron ore fines 62% Fe have been staying at $39/t CFR for three days already, but buyers keep bidding lower. Rio Tinto has been opening tenders almost every day recently with prices sliding permanently in each of them. On Wednesday, iron ore tender was closed at $38.8/t CFR, getting closer to anticipated bottom of $35/t CFR.

“Rio claims to have cost production below $20/t, at current market price they still have margins and there is still room for discounts,” a market insider told Metal Expert.

Despite the fact that the Chinese mills used to replenish iron ore inventories ahead of winter season, this year has not been the case. Declines of steel consumption and prices have dragged many steel mills to the edge of closures. At the same time, with New Year approaching firms have to return loans to banks, meaning that they have to cut on additional spending. “As long as we may withhold from buying iron ore we will, since we are not expecting any pickup in momentum and prices are doomed to decline further,” a market participant said.

China: deal prices for iron ore, $/t

Product	Fe, %	Sales mode	Volume, t	Laycan	Price, CFR Qingdao	Price, FOB
Pilbara fines, Australia	61	tender, Rio Tinto	190,000	December 22-31	38.8	34
Pilbara lumps, Australia	62	globalORE	80,000	January*	non-fixed	-
Pilbara fines + lumps, Australia	62	COREX	120,000+50,000	December 15-24	non-fixed	-
SSFG, Brazil	63.5	globalORE	140,000	February*	non-fixed	-

* - delivery.

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China to reduce pig iron and semis export taxes next year

China / Billet, Pig Iron

Pig iron and billet export taxes will be somewhat lower since January 1 in China, but the market insiders are sure that this step is “meaningless” as it will not ease oversupply inside the country.

Pig iron and billet export taxes will be reduced by 15% and 5% respectively, according to the statement on the Ministry of Finance website. Since January 1 export taxes for pig iron and billet will be 10% and 20%, respectively. Market sources are sure that the taxes are still too high to boost export volumes. “Talking about billet, nobody exports it officially and will not do it with 20% tax,” a major Chinese trader told Metal Expert. “Pig iron will also not be sold overseas,” he added.

Export tax reduction should demonstrate the Chinese government’s attitude towards encouraging exports, but “in fact this announcement is a kind of derision,” another large steel exporter told Metal Expert.

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Japanese scrap exporters seek higher price on stronger domestic demand

Far East / Scrap

Japanese scrap suppliers continue to insist on higher prices to the Far East, referring to a slightly stronger demand in the domestic market. Buyers, however, refuse to accept increases, as they have sufficient inventories and iron ore is staying weak.

Sellers are now offering Japanese HMS 2 to South Korea at JPY 15,500/t ($227/t, $1 = JPY 122.48) FOB, or even higher. The confidence level has firmed after Tokyo Steel announced another JPY 500/t rise of scrap purchase price for all of its subdivisions from December 10. However, South Korean mills, who have sufficient inventories, are not booking, with bids being at least JPY 1,000/t ($8/t) below offers.

The US scrap collectors are holding HMS 1&2 (80:20) prices at $151-153/t CFR Taiwan. There are no offers of bulk HMS 1 available to the South Koreans, though market players are still assessing at $175/t CFR, Metal Expert learnt.

Nominal price for Russian A3 has been unchanged since last week, staying at $168-170/t CFR South Korea.

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India to impose minimum import price to protect local steelmakers

India / Flat Products

The Indian government is expected to impose a minimum import price (MIP) for steel products to protect domestic steel industry.

MIP will be calculated by the Ministry of Finance for each of 14 categories of base and special grade steel products by the end of this week, according to market sources. Those categories will include pig iron, shredded scrap, heavy melting, semi-finished products, cold-rolled coils, quarto plates, coated flat steel products, all kinds of steel pipes and tubes, flat-rolled products of stainless steel, bars and rods. It is expected that MIP will be the lowest price, below which import into the country would not be allowed. The main reason for that move was the fact that the Indian steelmakers are working below cost due to lower import prices, while total steel consumption in India is expected to increase in 2015 almost by 7.3% to more than 39 million t. Indian steelmakers accumulated around INR 42 billion ($627 million) in losses in July-September quarter of 2015-2016 fiscal year, according to Business Standard. However MIP would not be imposed on steel products, which are used for re-rolling and furhter exports.

Proposed MIP*

Category	Base grade, $/t	Special grade, $/t
Metallics	250	n/a
Semis	400	460
HR products	450	510
HR universal/quarto plates	505	565
CR products	555	615
Coated flat steel	660	720
Colour-coated, pre-painted	760	n/a
CR non-grain oriented	915	n/a
Steel pipes/tubes	515	580
Seamless steel pipes/tubes	775	925
Stainless steel pipes/tubes	2,417	3,404
Stainless steel ingots, other semis	2,117	3,104
Flat-rolled products	1,772-2,217	3,204-3,435
Bars, rods, sections of stainless steel	1,871	2,759

* - Business Standart.

Market insiders mostly think that imposition of MIP will support the local industry, but import volumes are unlikely to fall significantly. “Domestic producers will be benefited as domestic price will surely go up. But it may not affect imports much as the overseas suppliers may adjust the price accordingly,” an Indian trader told Metal Expert.

Some market players also believe that imports of steel products with prices below MIP would not be cancelled. “I think they [government] possibly will impose some extra duty for the steel products below MIP. If they cancel [imports], everyone will create a trading company and route the invoices through their own companies and the government will lose foreign exchange,” a source said.

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Australian coking coal prices unchanged

Australia / Coal

Coking coal market conditions in Australia have not changed in the middle of the week. Consumers are interested in buying additional lots for January, but the demand is not strong. Exporters have again failed to improve their positions. Quotations of high quality material are within the range of $74-76/t FOB.

It is getting harder for miners to survive in the domestic market of China. In Shanxi and Shandong provinces small unprofitable assets keep shutting down, Metal Expert has learnt. However, the drop in supply provides no support to quotations which have settled at $82-87/t CFR (incl. 17% VAT). Downward sentiments keep growing. Australian low-volatile material of premium quality is also available at previous prices of $80-82/t CFR. Rare deals are reportedly concluded within this range for January shipments. Besides, the market is seeing some demand for lower-quality products for January shipment as well. Second-tier coal is estimated at $76-77/t CFR as before.

Offer prices for coking coal, $/t

Product	Ash content, %	Volatiles, %	Sulfur, %	Origin	Delivery Terms	Price
Hard	8-10	19-24	0.5	Australia	FOB Hay Point	74-76
Semi-soft	9	30-36	0.5-0.6	Australia	FOB Gladstone	60-62
Low-vol PCI	8-9	9-12	0.6	Australia	FOB Dalrymple Bay	64-66
Hard	8-10	19-24	0.5	Australia	CFR Jingtang	80-82
Hard	9-10	20-25	0.7	China	CFR (with 17% VAT)	82-87*

* – contract price.

Note: more coal prices are available in World Coal News.

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CIS billet drops on exports, prospects dull

CIS / Billet

Export prices for the CIS billets started to move down this week, as all the factors were pointing to that. Suppliers will follow the downward trend due to thin buying activity overseas, market insiders believe.

Under the pressure of Chinese exporters, who are driving their semis prices down on lower iron ore, as well as due to reduced scrap prices, CIS billets slipped to $255-260/t FOB Black Sea, $7-12/t down week-on-week. “And those are just offers, more discounts are yet to come,” an international trader told Metal Expert. However, a few deals for Russian semis were signed at the lower end of the range, market insiders inform. The price of $255/t FOB Black Sea is thus considered to be close to the workable level. Egypt is nearly the only market to show some buying activity at the moment.

Customers from the rest of the MENA countries are now mainly refraining from purchases, watching how deep exporters might go. “In Turkey, buyers are not even giving firm bids [for CIS billets], which is reasonable, given China is nearly $25/t cheaper, but it is not only China to affect quotes ex-CIS,” another trader commented.

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Ukraine’s automobile production on rise in November

CIS / Flat Products

Automobile production keeps recovering in Ukraine. November output doubled month-on-month, coming to 1,116 units, which extended the uptrend started in October.

Production of passenger cars has been growing for the second month in the row. However, the November increase (+91% to 838 units) was mainly owing to higher production at Zaporozhye Automobile Building Plant (ZAZ) (5 times up to 740 units). Meanwhile, Eurocar’s production dropped almost 50% to 161 units over the month. The hike was also recorded both in bus (+87%) and commercial vehicles (+60%) production, to 144 units and 185 units respectively.

In spite of the growth, the Ukrainian automotive industry is far from a full recovery. Over the 11 months of 2015, the auto production fell 77% to 6,434 units year-on-year, Metal Expert learnt. The production of passenger cars slumped the most, falling 83% to 4,362 units. Production of buses and commercial vehicles lost about 20% each, tumbling to 667 and 1,395 units respectively.

Ukrainian automotive production in November, units

Company	Nov. ’15	Oct. ’15	M-o-m
UkrAVTO (ZAZ)	740	134	452%
AutoKrAZ	119	116	3%
KrASZ	0	0	-
Eurocar	161	306	-47%
Bogdan Corporation	20	0	100%
Other	126	76	66%
Total	**1,167**	**555**	**110%**
incl. passenger cars	838	440	91%
incl. commercial vehicles	185	116	60%
incl. buses	144	77	87%

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European Commission extends anti-dumping duty against seamless pipes and tubes from China

Western Europe / Tubes & Pipes

The European Commission (EC) has decided not to repeal the anti-dumping duty imposed in 2009 against seamless pipes and tubes of iron or steel originating from China as the removal may become a threat for the EU market.

On December 7 the EC published its decision to extend the 17.7-39.2% AD duties (17.7% for Shandong Luxing Steel Pipe Co. Ltd, 27.2% for other cooperating companies, 39.2% for all other companies) against seamless pipes and tubes, of iron or steel, of circular cross section, of an external diameter not exceeding 406.4 mm with a Carbon Equivalent Value (CEV) not exceeding 0.86 according to the International Institute of Welding (IIW) formula and chemical analysis, originating from China, currently falling within CN codes ex 7304 19 10, ex 7304 19 30, ex 7304 23 00, ex 7304 29 10, ex 7304 29 30, ex 7304 31 20, ex 7304 31 80, ex 7304 39 10, ex 7304 39 52, ex 7304 39 58, ex 7304 39 92, ex 7304 39 93, ex 7304 51 81, ex 7304 51 89, ex 7304 59 10, ex 7304 59 92 and ex 7304 59 93. “The anti-dumping measures applicable to imports of certain seamless pipes and tubes originating in the PRC, imposed by Regulation (EC) No 926/2009 should be maintained,” according to the document.

The EC concluded that there is high probability of a continuation of dumping should measures be removed. In the investigation period from July 1, 2013 to June 30, 2014 the production of seamless pipes and tubes in China reached nearly 30 million t leaving at least 2 million t of spare capacity which is more than 100% of the European Union consumption over the investigation period. The EC considers this quantity significant.

Anti-dumping measures are currently in force on imports of seamless pipes and tubes originating in Russia and Ukraine. The anti-dumping measures against Croatia were terminated on June 26, 2012, Metal Expert has learnt from the publication.

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NLMK USA raises prices

USA / Flat Products

The US flat steel market has seen the first signs of price recovery after weeks of reduction caused by low buying activity and strong competition with imports. In the middle of the week, NLMK USA announced the increase of prices for flat products. Other producers have not yet followed suit.

According to the market feedback, the steel maker raised the price of all non-contractual business by $40/short ton ($44/t), referring to the improved market conditions. The increase is the reflection of stability in raw material prices, lower imports and “continued year over year growth in some of the largest steel consuming market sectors,” NLMK USA said in the letter to customers. As it was reported before, last week crude steel production went up for the first time since the end of September, rising by 4.4%.

Market participants believe other producers will join NLMK USA’s move shortly. “That’s only the beginning. May be they [producers] will come with different rate of increasing, maybe $30/st, maybe $50/st, but they all need the price increase,” a US trader told Metal Expert.

For the moment, spot prices for HRC and CRC are steady at $397-408/t ($360-370/st) EXW and $540-551/t ($490-500/st) EXW, respectively, according to Metal Expert information.

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US DOC finds critical circumstances in HRC imports from Brazil and Japan

USA / Flat Products

The US Department of Commerce (DOC) has officially made the preliminary determination that there are critical circumstances regarding HRC imports from certain Brazilian and Japanese producers and exporters, while those determinations for imports from Australia and the Netherlands are negative.

According to DOC, exporters/producers from Brazil and Japan “had massive surges in imports” during the period June 2015 through October 2015 in comparison with the preceding five-month period of January 2015 through May 2015. Specifically, Brazilian Companhia Siderugica Nacional (CSN) and Usinas Siderurgicas da Minas Gerais (Usiminas) and Japanese Nippon Steel & Sumikin Bussan Corporation (Nippon) and JFE Steel Corporation (JFE) received affirmative determination of critical circumstances.

The preliminary results of antidumping investigation are expected by March 8. The investigation started in response to a petition filed on August 11, 2015, by AK Steel, ArcelorMittal USA, Nucor, SSAB, Steel Dynamics and U.S. Steel.

The products from Australia, Brazil, Japan, South Korea, the Netherlands, Turkey and the United Kingdom, which account for 54% of the US total HRC imports, fell within the AD investigation. CVD duty investigation covers imports from Brazil, South Korea and Turkey.

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Brazil's Usiminas to idle equipment at Cubatao works

Brazil / Flat Products

The challenging market conditions in Brazil, as well as the unfavourable situation in the global market, have left no choice to the steel producers but to cut their production plans, including idling of the equipment. Usiminas, the largest producer of steel products in Latin America, decided to stop most of the equipment at its Cubatao works, Sao Paolo state, by the end of January. At the same time, hot and cold rolling lines will remain active.

Usiminas will suspend production of coke, sinter, pig iron and crude steel at the asset indefinitely. In late May, the company suspended operations of BF No.1 (1.6 million tpy) at the Cubatao asset due to high imports and weak economy of Brazil, as Metal Expert reported. Additionally, in September, the company stopped its plate mill (1.1 million tpy) with no plans to resume operation soon.

The Cubatao works is also equipped with four coke batteries (1.54 million tpy in total), two sinter plants (4.24 million tpy in total), a 3 million tpy BF No.2, a 4.33 million tpy BOF-based meltshop, two hot strip mills (4.1 million tpy) and a 1.2 million tpy cold-rolling line.

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USA sets dumping margins for South Korean welded pipes

USA / Tubes & Pipes

The US Department of Commerce (DOC) conducted administrative review of the safeguard measures and determined preliminary weighted-average dumping margins for circular welded non-alloy steel pipe from South Korea.

The investigation covers three South Korean producers of the merchandise: Husteel, Hyundai HYSCO and SeAH Steel. However, only two of them exported the subject products to the USA at prices below normal value from November 1, 2013 through October 31, 2014, according to DOC press release. The weighted-average dumping margin for Husteel was determined at 1.42%, for Hyundai HYSCO – at 3.69%.

No weighted-average dumping margin was set for SeAH Steel.

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USA postpones preliminary determination on pipes import from three countries

USA / Tubes & Pipes

The US Department of Commerce (DOC) has postponed for 50 days its preliminary determination in anti-dumping investigation on heavy-walled rectangular welded carbon steel pipes from South Korea, Mexico, and Turkey. The preliminary decision is to be announced on February 16, 2016, against December 28 planned earlier.

The preliminary investigation has been prolonged due to the petition issued by its initiators on November 30, in which American companies emphasized that the prolongation “is necessary to provide the Department with sufficient time to reach reasoned preliminary determinations.”

The anti-dumping investigation was started on August 10, 2015 on the petition lodged by American producers of welded pipes. As Metal Expert reported earlier, imports of heavy-walled rectangular welded pipes from the countries, which are subject to anti-dumping investigation were estimated at $158 million in total (some 44% of overall imports).

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