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P.S.
Output of major metallurgical products in Jan will be issued together with February by National Bureau of Statistics of China.

Output of main metallurgical products by major manufacturers in Jan will be issued together with February by China Iron and Steel association.

China Customs makes adjustment of data processing program and delays the publishing of Jan. data.
Steel: main target to be consolidated

The Ministry of Industry and Information Technology asked relevant authorities to boost merger and acquisition activities in the steel, electro aluminum, auto, cement and textile industries, to accomplish further development amid the financial crisis. The top priority is to ensure a steady industrial development and to push ahead structural adjustments and reform. Various kinds of mergers are encouraged. All-out efforts should be given to address overcapacity in the steel, non-ferrous metal, construction material and chemical industries.

Steel output restored in January

Steel output resumed to 90 percent of normal capacity and some positive signs emerged in the basic raw material and equipment manufacturing sectors in January, said Li Yizhong, minister of Industry and Information Technology. However, many uncertain factors still exist, including the deteriorating exterior environment caused by the spiraling global financial crisis and deep-seated structural problems in the domestic market.
CISA Viewpoints

CISA 2009 council meeting held in Beijing

Deng Qilin was elected as the new president of the China Iron and Steel Association (CISA) and Wu Xichun was named honorary president at the CISA’s 2009 Council (Extended) Meeting held in Beijing on February 19. The meeting also passed two self-discipline pacts on regulating the iron ore import market and domestic steel market. Among the highlights of Zhang Xiaogang’s work report were: ensure a stable steel market is put at the top of the agenda of this year’s mission; make earnest efforts to carry out a rescue plan of the steel industry so as to promote a structural adjustment; build an iron ore import mechanism, which is suitable for a new market trend; build a risk-sharing system between producers and distributors to promote fair competition; encourage producers to slash costs and increase profits; boost energy conservation and emission reduction; improve price index system on raw materials and fuel.

Deng Qilin said the steel industry has entered its worst period in ten years as the global financial crisis unfolds. The entire industry should rebuild confidence and work together to overcome current difficulties. Wu Xichun claimed in his speech that it is essential for the industry to control gross output and reduce raw material procurement costs. He urged the industry to step up self-discipline on fair competition and pursue a balanced and steady market.

New CISA president appointed

Deng Qilin, general manager of Wuhan Iron and Steel Group, was elected as the new president of the China Iron and Steel Association at the CISA’s 2009 council (extended) meeting on February 19.

CISA calls on production cuts

Despite a weak demand, China saw a daily steel output of an astonishing 1.41 million tons in mid-February, up 40 percent from late last year and equivalent to 517 million tons annually. The constant rise of steel prices prior to the Spring Festival was said to have been blamed on the mills’ rush to lift their output, which has led to the new round of slumping in steel prices recently. It is information asymmetry that has caused domestic mills to blindly increase their output amid a still
sagging market, said Wu Xichun, honorary president of the China Iron and Steel Association. He also asked the CISA to provide its members with more immediate information to let them know the market situation as soon as possible.

**Regulations needed for steel distribution**

The steel distribution market finds it necessary to be further normalized since it was confused by unfair competition from too many dealers, said CISA general secretary Shan Shanghua. There are more than 1,000 steelmakers and hundreds of thousands of individual steel distributors across the country. When the market goes up and down, these traders tend to follow the trend, exacerbating the fluctuation of the market. Shan linked the recent rise in steel prices to the stockpiles among dealers, saying they began replenishing stocks at a time when prices were on the rise. The move has put the market at a higher risk by disguising the real demand. Some leading steel producers like Baosteel and Ansteel have set up new marketing methods, namely, arranging production in line with the orders they receive, making them more adaptable to a changing market.

**CISA to take part in iron ore price talks**

CISA secretary general Shan Shanghua said the association will send representatives to take part in current annual iron ore price talks with the top three miners without changing Baosteel's status as the only decision maker on behalf of the Chinese side. The move aims to beat down prices as low as possible. Shan said the ongoing negotiations will result in a unified price that represents both spot and annual iron ore contracts. China will set up an agent mechanism to help those unqualified to import iron ore get necessary materials.

**CISA: Iron ore stocks plague remained**

Statistics showed iron ore stocks at China’s ports dropped to 58 million tons in mid-January from 90 million tons in August of last year. But taking into account global steel production cuts, the decreased iron ore stocks are not enough to drive up demand for iron ore. The CISA said the Chinese side still gains the initiative in the ongoing iron ore price negotiations. Insiders expect a year-on-year decline of 40 percent in 2009 iron ore prices.
Steel demand from 4 sectors to surge in 2009

Encouraged by the government’s four trillion yuan stimulus plan and rescue packages for ten pillar industries, steel consumption from the domestic equipment manufacturing, petrochemical, shipbuilding and auto industries is expected to increase by 10 million tons in 2009. The light industry, however, will see a drop in steel consumption. According to the CISA, steel demand for industry use will account for 38.2 percent of the country’s total steel consumption, 48.5 percent for the construction sector (excluding transportation, petroleum pipeline and ocean engineering), transportation 5.2 percent and others 8.1 percent. Among industry use, the equipment manufacturing sector will make up 49 percent, shipbuilding 13 percent, auto 18 percent, petrochemical 5 percent and light industry more than 10 percent.
Imported iron ore prices too high to be afforded

China’s steel industry paid $21.29 billion, or 146.91 billion yuan, more to import iron ore last year, Zhang Xiaogang, CISA president, said at the association’s 2009 council (extended) meeting. The key for the industry to get rid of its losses this year lies in whether prices of imported iron ore could fall in line with the selling prices of steel.

The production of pig iron in 2008 was 744,900 tons less than 2007, while imports of iron ore increased by 60.56 million tons, or 15.81 percent, and domestic iron ore production was up 20.74 percent. As of the end of last year, iron ore stocks at ports and mills topped 120 million tons. Falling demand for iron ore ultimately led to a much lower spot price than that which settled under long-term contracts. Mills were facing dual pressure from high iron ore costs and declining steel prices. The CISA is said to have set up a team consisting of the nine largest iron ore importers to bargain with Brazil’s Vale. The Chinese side is in favor of a long-term contract mechanism in which terms of price and volume are fixed (the contract period from January 1 to December 31 is appreciated). Regular talks between buyers and sellers are necessary to make corresponding adjustments in view of changing market situations.

No major progress has taken place with iron ore price negotiations between the Chinese side and the top three mining groups due to different judgments on the iron ore market movement. Shan Shanghua said the iron ore supply and demand position has changed a lot. He forecast a 10 to 20 percent drop in global steel output but a 30 to 40 percent rise in iron ore supplies. China’s steelmakers have no choice but to unite together to fight for a desirable price. Those who are running short of materials could turn to the spot market temporarily, but their advance payments should be less than 60 percent of the price fixed last year.

Problems in domestic steel industry and countermeasures

Li Xinchuang, vice president of the China Metallurgical Industrial Planning and Research Institute, elaborated on problems in China’s steel industry and several countermeasures in 2009. Among the
problems are the low degree of the industry’s centralization and of guarantees on raw material procurement and ocean transportation, an improper industry deployment, excessive overcapacity, poor innovation capabilities, an ill-structured system, large output with similar types of steel, lack of deep processing capabilities and a high degree of dependence on the overseas market. He said steel exports would drop sharply and it will be difficult for production to continue to grow in 2009.

Li also brought forward several suggestions to help the industry ride out financial woes this year:

1. Increase capability to resist risks: the current financial crisis brought a greater impact on large-sized steelmakers than on smaller ones, as the former usually hold iron ore inventory of at least two months in order to sustain a steady operation, while the latter, with little stocks at hand, can take advantage of the slump in iron ore prices.
2. Intensify efforts to merge and consolidate within the industry.
3. Speed up eliminating outdated capacity, so as to contribute to energy conservation and emissions reduction.
4. Optimize the industry’s deployment to ensure a coordinated development.
5. Speed up exploring overseas resources and ocean transportation system construction.
6. Set up an iron ore negotiation mechanism that favors the Chinese side.
7. Discipline the entire industry.
8. Expand steel processing chains and tap into new consumer markets.

**China’s steel exports may drop 20 million tons this year**

China’s real steel consumption in 2009 would be at the same level as last year while steel exports could drop 20 million tons due to weak demand in the international market, said Li Xinchuang, deputy vice president of the China Metallurgical Industrial Planning and Research Institute (CMIPRI). Crude steel output is also expected to go down in 2009. As of December 2009, the country’s key large and medium-sized steel producer had a combined inventory value of 407.41 billion yuan, down 12.8 percent or 59.80 billion yuan from November and up 18.9 percent from the same period last year. Among problems in the industry are the low degree of the industry’s centralization, the lack of ability to
control the market, an ill-structured deployment, unfair competition resulting from an immature steel market, the low degree of direct sales and lack of self-discipline on the distribution sector.

Steel industry may turn around by year-end

The steel industry will face its toughest time in the first half of this year, but may turn around at the end of this year or early next year, according to Song Jijun, vice president of the Hebei Metallurgical Industry Association. He summed up three trends in this year’s steel market as follows:

1. The real economy will be further affected as the financial crisis continues. There are still many uncertainties that drive the domestic economy toward its downward cycle.
2. Macro regulatory policies will be made to stimulate domestic demand and keep the economy from spiraling into a deeper recession.
3. 2009 is the year when overcapacity in the steel market will become more visible and steel prices will gradually recover, when market structure and competition methods will change a lot, and when producers will make adjustments to strategic transformation and structural updates. Steelmakers, on one hand, should be full of confidence about the future market; on the other hand, they cannot be too optimistic.

Unfair competition may trigger financial risks

According to the China Enterprises Confederation, there are more than 1,000 trading markets on steel products throughout the country except Tibet, with nearly 60 medium and large-sized ones in the Shanghai region. The top five steel logistic centers have been shaped-up in the Beijing, Tianjin and Hebei region, the Yangtze Delta region, the Pearl River Delta region, the Fuzhou region of Xiamen and the Wuhan and Zhengzhou region, with the number of trading houses exceeding 200,000.

Steel logistic costs account for up to 20 percent of the total steel production costs in China, compared with the world’s average of just 8 to 10 percent. In the robust Yangtze Delta region, those with an annual sales volume of 300,000 tons are regarded as big steel distributors, while a single trading house in Japan could achieve annual sales of up to 25 million tons, where steel output is only a quarter that in China.
To put things negatively, unfair competition among these traders may trigger an array of financial risks. Most consumer sectors of steel, especially real estate developers, won’t make an immediate payment until they have sold out their finished commodities. On the other hand, financially strained steel traders have no choice but to borrow money from banks or non-governmental institutes, which has put the industry chain at high risk during this downturn period.

Nothing bothers steel distributors more than an overcapacity in the steel market. China has topped the list of largest steel producing countries for more than ten years in a row since 1996; more capacity will be released in the following years. China now has a steel capacity of up to 560 million tons. A softening export market demand, coupled with the surging wave of trade protectionism, made it more difficult to absorb excessive capacity.

Turkey, India and the EU raised import duties on steel products prior to the Spring Festival. The US government has called on the consumption of domestic steel on some projects, a move that was later followed by Australia. So far this year, China seems to be having a hard time maintaining nearly 60 million tons of steel exports as it did last year.

What traders are concerned with most right now is how much steel demand will be generated by the central government’s four trillion yuan investment. Of the six hottest sectors mentioned by the National Development and Reform Commission in 2009, the top three—railway infrastructure, aircraft and auto—are the big steel consumers, which will greatly boost domestic demand for steel. Domestic steel demand will stand at 525 million tons in 2009 if the growth rate of the country’s GDP reaches 9 percent. The IMF expected a growth of China’s GDP this year of 8.7 percent.

**Withdrawal system suggested to wash out small mills**

With the economy spiraling into a deep recession, many smaller steelmakers dealing with construction steel like rebar are facing difficulties in their operations. But they won’t voluntarily retreat from the market, as they are waiting for the recovery of demand in construction steel, especially for rebar, spurred by the government’s stimulus packages aiming to expand domestic demand. On the other hand, of about 1,000 steelmakers across the country, just 73 are scale-sized producers. Therefore,
accelerated efforts are needed to establish a withdrawal mechanism that could direct those running into difficult situations towards a fade-out.

The mechanism should take into account of two aspects:

1. Encourage powerful steelmakers to take over smaller ones by giving policy supports.
2. Give subsidies to those who want to quit.

In the future, 80 to 90 percent of capacity should be held by about ten large groups with a capacity of more than 10 million tons each, and another ten medium-sized mills. In the next 5 to 10 years, China is likely to form five to ten large-sized steel groups, marking a new stage in the home steel industry.

**Domestic steelmakers’ 2008 production index**

**Blast furnace**

Largest pig iron output: Hebei Iron and Steel Group at 30.37 million tons.

Highest utilization coefficient: Wuhan Iron and Steel (Group) Corp at 2.53 tons per cubic meter per day.

Lowest coke ratio: Taiyuan Iron and Steel (Group) Co, Ltd at 285 kg per ton of pig iron.

Lowest fuel ratio: Shougang at 468 kg per ton of pig iron.

Highest coal injection ratio: Taiyuan Iron and Steel (Group) Co, Ltd at 184 kg per ton of pig iron.

Highest grade of charged ore: Taiyuan Iron and Steel (Group) Co, Ltd at 59.98 percent.

Highest wind temperature: Taiyuan Iron and Steel (Group) Co, Ltd at 1,194 degree centigrade.

Lowest downtime ratio: Baotou Iron and Steel (Group) Co, Ltd at 0.57 percent.

Lowest energy consumption: Taiyuan Iron and Steel (Group) Co, Ltd at 363.85 kg of standard coal per ton.

Largest blast furnace size: Baosteel’s No 4 blast furnace at 4,747 cubic meters.

**Coking**

Largest coke output: Anben Group at 11.48 million tons.

Highest drum M40 index: Taiyuan Iron and Steel (Group) Co, Ltd at 89.25 percent.

Lowest drum M10 index: Taiyuan Iron and Steel (Group) Co, Ltd at 5.17 percent.

Lowest ash content: Changzhi Iron and Steel (Group) Co, Ltd at 11.46 percent.
Lowest sulfur content: Shuicheng Iron and Steel (Group) Co, Ltd at 0.54 percent.

Highest coke ratio: Xinyu Iron and Steel (Group) Co, Ltd at 97.5 percent.

Lowest clean coal consumption: Chengde Iron and Steel (Group) Co, Ltd at 1,249 kg per ton.

Lowest energy consumption: Jianlong Iron and Steel (Group) Co, Ltd at 73.51 kg of standard coal per ton.

Tallest coke chamber: Taiyuan Iron and Steel (Group) Co, Ltd at 7.63 meters.

**Converter**

Largest steel output: Hebei Iron and Steel Group at 33.28 million tons.

Highest utilization coefficient: Xinxing Ductile Iron Pipe Co, Ltd at 69.15 tons per day.

Longest lining life: Lengshuijiang Iron and Steel Works at 34,139 taps.

Highest eligible ratio: Xixing Iron and Steel (Group) Co, Ltd at 100 percent.

Lowest raw material consumption: Pingxiang Iron and Steel (Group) Co, Ltd at 1,060 kg per ton.

Highest scrap consumption: Hangzhou Iron and Steel (Group) Co, Ltd at 197 kg per ton.

Lowest oxygen consumption: Chuanwei Iron and Steel (Group) Co, Ltd at 44 cubic meters per ton.

Shortest production time: Suzhou Iron and Steel (Group) Co, Ltd at 20.64 minutes per tap.

Highest daily operation ratio: Xuanhua Iron and Steel (Group) Co, Ltd at 94.62 percent.

Largest converter size: Baoshan Iron and Steel (Group) Co, Ltd at 300 tons.

Lowest energy consumption: Taiyuan Iron and Steel (Group) Co, Ltd at minus 12.95 kg of standard coal per ton.

**Sintering**

Highest grade: Saint Gobain (Xuzhou) Pipeline Co, Ltd at 58.85 percent.

Highest drum index: Xinfugang Co, Ltd at 85.76 percent.

Lowest solid fuel consumption: Xinyu Iron and Steel (Group) Co, Ltd at 40 kg per ton.

Highest utilization coefficient: Shijiazhuang Iron and Steel (Group) Co, Ltd at 2.191 tons per square meter per hour.

Highest unit output: Wuhan Iron and Steel (Group) Co, Ltd at 540 tons per unit per hour.

Highest alkalinity: Lingyuan Iron and Steel (Group) Co, Ltd at 2.44 times.

Highest calendar operation ratio: Chongqing Iron and Steel (Group) Co, Ltd at 99.99 percent.
Lowest energy consumption: Xinyu Iron and Steel (Group) Co, Ltd at 39.04 kg of standard coal per ton.

Largest sintering machine: Baoshan Iron and Steel (Group) Co, Ltd, Taiyuan Iron and Steel (Group) Co, Ltd and Masteel at 495 square meters.

**Continuous casting**

Highest slab output: Hebei Iron and Steel Group at 32.49 million tons.

Highest calendar operation ratio: Xuanhua Iron and Steel (Group) Co, Ltd at 97.05 percent.

Highest unit output: Benxi Iron and Steel (Group) Co, Ltd at 229 tons per hour.


Highest full continuous casting ratio: 49 units including Shougang, Wisco, Ansteel, Tangshan Steel and Laiwu Steel at 100 percent.

Highest eligible ratio: Chuanwei Iron and Steel (Group) Co, Ltd and Pangang Group Sichuan Changcheng Special Steel Co, Ltd at 100 percent.

Largest ladle size: Baoshan Iron and Steel (Group) Co, Ltd at 300 tons.

Largest section of continuous slab: Baoshan Iron and Steel (Group) Co, Ltd at 320 mm-2,300 mm.

Largest diameter of round billet: Pangang Group Chengdu Seamless Steel Pipe Company at 450 mm.

**Rolling**

Largest steel products output: Hebei Iron and Steel Group at 30.13 million tons.

Highest eligible ratio: Yingkou Medium Plate Company at 100 percent.

Highest yield ratio: Pingxiang Iron and Steel (Group) Co, Ltd at 100 percent.

Lowest energy consumption: Xinxing Ductile Iron Pipe Co, Ltd at 32.5 kg of standard coal per ton.

Highest calendar operation ratio: Xinxing Ductile Iron Pipe Co, Ltd at 91.82 percent.

Highest hour output: Benxi Iron and Steel (Group) Co, Ltd at 271 tons per hour.

**Electric furnace**

Lowest electricity consumption: Echeng Iron and Steel (Group) Co, Ltd at 82 kilowatts per hour per ton.

Highest utilization coefficient: Shagang Group at 43.27 tons per megavolt per day.

Lowest electrode consumption: Shagang Group at 1.14 kg per ton.

Shortest production time: Shagang Huaigang Special Steel at 0.73 hour.
Highest calendar operation ratio: Shagang Group at 91.19 percent.

Lowest raw material consumption: Taiyuan Iron and Steel (Group) Co, Ltd at 736 kg per ton.

Lowest metal consumption: Anyang Iron and Steel (Group) Co, Ltd at 1,052 kg per ton.

Lowest hot metal consumption: Benxi Iron and Steel (Group) Co, Ltd at 13 kg per ton.

Highest eligible ratio: Shaoguan Iron and Steel (Group) Co, Ltd and Guangzhou Iron and Steel (Group) Co, Ltd at 100 percent.

Largest furnace size: Baoshan Iron and Steel (Group) Co, Ltd, Tianjin Steel Pipe and Zhujiang Iron and Steel (Group) Co, Ltd at 150 tons.

Lowest energy consumption: Shaoguan Iron and Steel (Group) Co, Ltd at 37.19 kg of standard coal per ton.

Analysis of China’s steel market in February

Domestic steel prices started falling in February. As of February 27, the domestic steel price index stood at 103.3 points, down 3.71 percent from last month and up 0.38 percent from late 2008, when the long product index was 107.65 points, down 3.85 percent and 0.82 percent respectively and flat product was 102.69 points, down 2.58 percent and up 0.98 percent.

In February, the price of wire rod was down 5.33 percent month-on-month and 0.59 percent from late 2008; rebar was down 4.81 percent and 0.62 percent; medium plate was down 4.17 percent and 0.61 percent; hot rolled coil was down 8.21 percent and 0.37 percent; cold rolled coil was down 2.1 percent and up 3.81 percent; galvanized sheet was down 2.53 percent and up 0.82 percent; and seamless pipe was down 0.39 percent and up 0.28 percent.

As of February 27, the international CRU price index stood at 152.6 points, down 3.84 percent from last month and 1.68 percent from late 2008, when the flat product index was 139.3 points, down 1.76 percent and 4.33 percent and long product 179.2 points, down 7.05 percent and up 2.69 percent. By region, North America’s index was down 5.11 percent from last month and 5.83 percent from late 2008; Europe’s was down 3.99 percent and 8.42 percent, and Asia’s was down 3.13 percent and up 4.84 percent.
Domestic steel prices began dropping the second week of February after nearly three months of rebound starting from last November. The recent rebound in steel prices was mainly driven by mills’ output cuts during September and November of last year. However, prompted by this recovery, steelmakers were eager to resume production or lift output. Statistics show domestic steel output increased substantially in December, with the output of long product breaking a new record in anticipation of the four trillion yuan stimulus plan. Mills’ utilization ratio rose to 86 percent in February from November’s low of 70 percent. Daily crude steel output reached 1.41 million tons in mid-February, up 40 percent from late last year. Inventory of long and flat products of producers and traders began climbing from last November. As of the end of February, inventory of both products hit a record high.

On the other hand, demand from the downstream sector remained slack. Infrastructure spending-related projects are still in the preparation stages. Experts say these projects won’t start construction until this March. As a result, domestic steel prices declined again. Facing falling steel prices and high inventory, those on the brink of losses began to cut output again. Current data indicates that steel inventory growth has slowed remarkably.

This round of ups and downs reveals a deep-seated and long-lasting barrier to the industry--overcapacity. The key to resolving this problem is to push ahead with merger and acquisition activities, strengthen the degree of the industry’s centralization and eliminate outdated capacity. With details of the stimulus plan on the steel industry unfolding, the problem of overcapacity will be phased out and large steel producers will enjoy a healthy development.
Baoshan Steel delays BF restart on weak demand

Baoshan Iron and Steel Corp decided to postpone the restart time of the repaired No 1 blast furnace for about three months amid a yet-to-be-recovered demand, affecting about one million tons of output. The company said demand from downstream sectors shows no sign of significant recovery due to the sharp decline of exports and the release of steel capacity from new and idled facilities. Q2 orders are better than the previous quarter though slumps from the same period last year.

Baosteel buys stakes in Ningbo Steel

Baosteel Group and Hangzhou Iron and Steel Group reached an agreement on March 1, upon which Baosteel will invest about 2.02 billion yuan in Ningbo Iron and Steel in exchange for 56.15 percent shares. This is the first takeover case after the country's announcement of the steel industry rescue package. Ningbo Steel, which is located near Beilun port, will see its output increase to 10 million tons per year from the current four million tons.

Baoshan Steel seeks inter-bank note financing

Baoshan Iron and Steel Co, Ltd announced on February 13 that they plan to issue less than 10 billion yuan worth of medium-term notes and no more than 10 billion yuan worth of short-term bonds to investors in the banking market at an interest rate no more than the preferential rates of loans provided by banks. The funds will be used to replenish working capital and refund bank loans. The plan is still subject to a general meeting permit.

Baosteel signs mining deal in Xinjiang

Baosteel Group Bayi Steel and the Hetian government of the Xinjiang Uygur Autonomous Region signed an outlined deal to develop mineral resources in Buqiong iron ore mine, Pishan County. The project will become another iron ore base for Bayi Steel in southern Xinjiang. The mill will also build a deep ore processing plant there.
Baosteel gets involved in railway project

The construction of one of China’s busiest passenger railways—the Shanghai-Hangzhou Express Railway—is about to start soon. The four investors in the 20 billion yuan project are the Ministry of Railways, the Shanghai municipal government, the Zhejiang Provincial government and Baosteel Group, with an equal share holding by the railway ministry and local governments. Shares held by the Shanghai and Zhejiang governments will be dependent on the length of the railway running through their territory. Baosteel will also be involved in the project by investing two billion yuan.

Ansteel Information

Ansteel reports January production results

Ansteel produced 1.52 million tons of pig iron, up 59,600 tons from the original plan; 1.57 million tons of steel, up 58,400 tons; and 1.48 million tons of steel products, up 34,200 tons in January. The utilization coefficient of blast furnace at Ansteel’s headquarters reached a record 2.41 tons per cubic meter per day during the Spring Festival holiday. Equipped with 100 percent of coke dry quenching technology, Baiyuquan unit produced up to 9,700 tons of pig iron per day with a utilization coefficient of 2.40 tons per cubic meter per day.

Ansteel signs deal with shipbuilding industry

Ansteel and the China Shipbuilding Industry Corporation signed a long-term strategic cooperation deal in Beijing on February 20 in a bid to maximize benefits in supply chains, share profits with each other, avoid risks and weather the current financial crisis. The two companies will cooperate in the fields of information exchange, technology development and applications, capital operation, logistics management and business affairs, as well as establish a high-ranking dialogue mechanism to strengthen their friendly relationship and cooperation, while promoting the development of the steel and shipbuilding sectors.

Ansteel Tiantie sets 09 operation goals

Ansteel Tiantie plans to produce 800,000 tons of cold hard coil, 200,000 tons of cold rolled sheet, 100,000 tons of galvanized sheet, reach sales revenue of three billion yuan, and have an industry gross value of three billion yuan and an added value of 100 million yuan.
Wisco Information

Wisco signs direct sale contracts
Wisco signed strategic cooperation deals with seven customers including Dongfeng Motor Corp on February 17, which will allow the mill to make direct shipments at cheaper prices to these customers. A source at Wuchang Shipyard Heavy Engineering said it will produce 150,000 tons of bridge steel this year, which will consume lots of steel. By signing a cooperation contract with Wisco, the shipyard will increase the consumption of Wisco products to 80 percent from the previous 40 percent. According to Deng Qilin, general manager of Wisco, steel distribution centers dealing with transportation, processing and delivery services have been built in Wuhan, Ezhou and Huanggang.

Shougang Information

Steel industry faces grim outlook
Out of 19 listed steelmakers, Dalian Jinniu first announced its 2008 results. In 2008 the mill produced 412,700 tons of steel, accounting for 81.89 percent of its output in 2007; had a main business operating income of 3.41 billion yuan, up 0.13 percent; a main business profit of 218.64 million yuan, down 16.15 percent; a net profit of 26.91 million yuan, up 3.12 percent; and an earning per share of 0.09 yuan. The mill plans to produce 464,000 tons of steel in 2009, 350,000 tons of steel products and reach sales revenue of 3.4 billion yuan.

The mill predicts a grim outlook in 2009 as the impact from the global financial crisis will be more serious than people ever imagined. Demand for special steel will shrink from most sectors except the military industry. Meanwhile, the export industry will be hampered by the depreciation of foreign currencies.

Maanshan Information

Masteel to focus on high-end steel in 2009
Masteel will focus on the production of high-end steel in 2009. Among the categories of hot rolled sheet are pipeline steel (with the aim to produce 1.5 million tons this year), shipbuilding steel, container steel, high-strength weather proof steel, beam steel and vessel steel. The cold rolled
production will focus on DC04 grade or above soft steel for cars, phosphor content steel, home appliances steel and full series silicon steel; coating and galvanized production will focus on anti-finger steel, zinc ferroalloy steel, chrome-free passivation steel and high-strength structural steel (to produce 300,000 tons of color coating and auto steel); medium plate production will center on shipbuilding steel (to produce 500,000 tons) and vessel steel; and long products will concentrate on anti-quake rebar, high quality cold heading steel, Q420 electric tower steel, HQ450NQR1 high-strength corrosion resistant steel for railway flat cars and H sections for electrified railway’s poles.

**Masteel’s rebar adopted by railway project**

100,000 tons of rebar 12 to 32 mm in diameter and premium wire rod 8 mm and 10 mm in diameter produced by Masteel have been used in the 1,318 km-long Beijing-Shanghai High-speed Railway after the mill won a tend for the project on February 16. The 229.04 billion yuan project is due to open to traffic in 2012 and, with a design speed of 350 km per hour, which could cut the travel time between the two cities to five hours.

**Benxi Steel posts 09 production goals**

Benxi steel plans to produce 10 million tons of pig iron, 10 million tons of crude steel, 10 million tons of hot rolled sheet and 3.55 million tons of cold rolled sheet in 2009. The main products will include auto steel, pipeline steel, stainless steel, shipbuilding steel and home appliances steel.

**Liuzhou Steel’s 09 operation goals**

Liuzhou Iron and Steel plans to produce eight million tons of steel, attain sales revenue of 35 billion yuan and a profit and tax level of 2.5 billion yuan in 2009. In January, the company produced 600,000 tons of steel with a daily output of up to 24,610 tons. It saw a decreased coke ratio of 373 kg per ton. The eligible ratio of billet reached 99.99 percent.

**Liuzhou Steel posts net profit drop in 2008**

Liuzhou Steel had an operation income of 29.22 billion yuan in 2008, up 41.1 percent year-on-year; an operation profit of 22.33 million yuan, down 97.94 percent; a net profit of 15.52 million yuan, down 98.45 percent and earnings per share of 0.0061 yuan.
Shagang posts January results

Jiangsu Shagang Group had sales revenue of 9.33 billion yuan, a profit and tax of 550 million yuan and a foreign exchange of $53.7 million in January.

Fushun Special Steel’s 08 net profit up 46.48 percent

Fushun Special Steel announced February 12 that it produced 519,700 tons of steel in 2008, down 20 percent year-on-year; 426,100 tons of steel products, down 16 percent; had main business revenue of 5.10 billion yuan, up 9 percent; a profit of 43.42 million yuan, up 1.31 percent; a net profit of 34.76 million yuan, up 46.48 percent; and exported $106.02 million worth in products, up 23 percent.

Jiuquan Steel starts overall listing plan

Jiugang Hongxing has suspended stock trading since February 6, 2009 because Jiuquan Iron and Steel (Group) Co, Ltd, a controlling shareholder of the company, is considering a major assets reshuffle issue on its listed arm. Jiugang Hongxing, a leading steel producer in the northwest area, produced about six million tons of steel last year. A doubling of the increase in profits would be expected if the overall listing plan is materialized.

Valin Steel eyes FMG assets

Hunan Valin Iron and Steel Group admitted on February 19 that it was in talks with Australia’s third largest iron ore producer, Fortescue Metals (FMG), on a A$500 million ($318 million) share buying plan. The Chinese steelmaker is still cautious about the deal because the latter was involved in heavy debt. The first half of 2009’s fiscal year results unveiled that the Australian mining group has run into operational troubles. According to Morgan Stanley, FMG’s stock price would slump 42 percent from the current A$1.03 per share.

FMG is exploring iron ore resources in the Pilbara region of West Australia, covering 40,000 sq km. At most, a A$300 million investment is possibly required for an expansion plan under consideration. Its output is expected to reach 100 million tons by 2010. China is now the only destination of its products. Other potential investors are the China Investment Corporation and Anglo-American Resources.
Minmetals to buy OZ Minerals
Metal trader China Minmetals Corp is planning to buy Australian mining firm OZ Minerals Ltd for A$2.6 billion ($1.7 billion) in cash to ensure adequate supplies of copper and zinc ore. Minmetals is offering 82.5 cents for each share of OZ Minerals, a 50 percent premium over its last traded price on November 27, the Australian miner said in a statement. The offer has been recommended by the board of OZ Minerals, which is also the world's second-largest zinc miner.

Jinan Steel signs shipbuilding steel deals
Jinan Steel has signed strategic cooperation deals with seven key shipbuilding enterprises in Shandong Province to provide the latter with shipbuilding steel. The seven shipbuilders, including Huanghai Shipbuilding Co, Ltd, hold more than 70 percent of total orders in the province.

Xiangtan Steel wins shipbuilding steel order
South Korea's Daewoo Shipbuilding & Marine Engineering (DSME) has agreed to purchase about 100,000 tons of shipbuilding steel from Valin Xiangtan Iron and Steel (Group) Co, Ltd in 2009. DSME surpassed Korea's second largest shipbuilder, Samsung Heavy Industries, by business results and sales revenue in 2008, and is expected to replace Hyundai Samho Heavy Industries as the country's largest shipbuilder in 2009 or 2010. DSME bought a considerable amount of shipbuilding steel from China last year and seemed dissatisfied with poor surface quality of the materials. However, the plate provided by Xiangtan Steel has been found to have no such problem.

Shaoguan Steel signs iron ore deal
Hainan Mining Corp agreed on February 5 to provide Guangdong Shaoguan Iron and Steel Group Co, Ltd with 500,000 tons of iron ore each year from 2009 to 2011.

Rizhao Steel project receives bank loan
Shandong Iron and Steel Group received a 50 billion yuan loan from the Bank of China for the construction of the Rizhao Iron and Steel base. The steel group and the bank will also cooperate in the fields of liquidity loans, fixed assets financing, M&A loans, international settlements, funding businesses and other strategies.
Sinosteel inks cooperation deal with E-United

The Mainland China Sinosteel Corporation and Taiwan E-United Group signed a strategic cooperation deal on February 10, marking a new era of an all-round, extensive and multi-level cooperation between the two sides. According to the agreement, Sinosteel will provide the latter with raw materials, fuel, assistant materials, equipment and parts upon request, and give priority to bringing E-United's products into its selling network. The two groups will jointly build steel cutting and distributing centers, cooperate on technology innovation, exchanges and research, as well as take up shares in each other’s affiliated companies.

Energy Savings

All smaller BFs shut down in Tangshan Steel

Tangshan Steel spent 551 million yuan on 13 energy-saving projects last year, reducing the emission of SO2 to 17,729 tons required by the provincial government 12 months ahead of schedule. All blast furnaces below 450 cubic meters in the mill have been washed out.
Steel output to be restricted to 500 million tons by 2011

A source familiar with the draft of the steel revitalization program said China is planning to restrict its annual crude steel output to 500 million tons by 2011 and move 40 percent of steel capacity to coastal areas. The draft also stipulates that the minimum inner volume of a blast furnace should be 400 m³ and that of a converter be 30 t. Details will be worked out by the end of February.

Rescue plan on shipbuilding benefits steel industry

The State Council approved a rescue plan on the shipbuilding industry on February 11, which will facilitate the industry getting help from five spheres such as credits, tax payment and ship’s disposal. The shipbuilding industry is one of the eight large steel consumers with an annual steel consumption of about 15 million tons. The main types of steel it consumes are flat products, shape and sections as well as tubes. Of among 5 to 6 million tons of flat products consumption, 80 to 90 percent go to shipbuilding steel. Major producers of shipbuilding steel include Ansteel, Pudong Steel, Wisco, Shougang, Jinan Steel, Nangang, Masteel, Liuzhou Steel, Chongqing Steel and Handan Steel.

Steel industry losses 47.6 billion yuan in Q4

A source with the CISA said that 71 large and medium-sized steelmakers lost up to 29.1 billion yuan in December, up 129 percent from November, with some big mills even losing 10 billion yuan each. The industry was expected to suffer a loss of 47.64 billion yuan in the fourth quarter of 2008 due to the decreased value of inventory. Analysts believe, however, that the market is gradually recovering and mills are gaining more profitability.

The source said an 80-day-long period rebound in steel prices, which has been rarely seen in seven years, indicated a recovery in market confidence. In addition, China’s daily crude steel output stood at 1.29 million tons in January 2009, compared with 1.22 million tons in December of last year, equivalent to a normal monthly output of some 40 million tons.
Iron ore price talks may stretch widening price gap

Domestic steel prices have fallen to around the same level as December 2008. The landed spot price of imported iron ore into China dropped to $77 per ton, 30 percent lower than $99 per ton under long-term contracts. Experts believe iron ore price talks between the Chinese side and the top three mining groups could last for a longer period in view of repeat fluctuation in steel prices. Daily output in January reached 1.33 million tons, equal to the annual 480 million tons. The market cannot absorb so much new capacity before the four trillion yuan stimulus package takes effect. Iron ore stocks at 19 major ports amounted to 57.74 million tons as of last week, up 430,000 tons from the previous month.

China’s 08 iron sand imports up

China imported 440 million tons of iron sand with an import value of $60.53 billion yuan in 2008, up 15.9 percent and 79.1 percent respectively. The average unit price stood at $136.5 per ton, up 54.6 percent. The average price of imported iron sand fell in September and dropped to a year-low of $89.7 per ton in December, this compared to the peak level of $154.7 per ton in August. State-owned enterprises imported 320 million tons of iron sand, up 11 percent and accounting for 72.7 percent of the country’s total imports. China imported 180 million tons from Australia, up 26.1 percent; 100 million tons from Brazil, up 3.1 percent; and 90.97 million tons from India, up 14.8 percent.

Iron ore buying market may extend

In China, the growth of steel output slowed in 2008, especially during the second half, in reaction with falling demand from home and abroad. This trend, caused by an unbalanced global economy and the adjustment of China’s economy, may last for at least three years. An overcapacity situation in the iron ore market is likely to last for an even longer period despite some expectations of a recovery in the world’s economy by 2010.

China is estimated to produce 450 million tons of crude steel and 420 million tons of pig iron in 2009, down about 9 percent from last year. It produced 820 million tons of crude ore in 2008, up 110 million tons from 2007, and imported 440 million tons of iron ore, up 55 million tons. Excessive supplies of finished ore stood at about 130 million tons, which would be carried over to this year. Meanwhile, China plans to produce 45 million tons less pig iron in 2009, which means another 70 million tons of
finished ore to be consumed this year should be written off. Therefore, a total of 200 million tons of finished ore supplies should be eliminated before the domestic iron ore market can emerge as a balanced one in 2009.

The situation of overcapacity in the iron ore market won’t change during the next three to five years unless steel output worldwide exceeds 1.5 billion tons and China’s output tops 600 million tons. After all, investors are eager to get their money back by running a full capacity from their new mining projects.

**India to raise iron ore prices again**

In view of signs of a revival in China’s steel market, the Indian Mining Federation general secretary R.K. Sharma claimed that the price of iron ore should double to $90 per ton from last November’s $45 per ton. Indian iron ore is now being offered at roughly $84 per ton. Prices of iron ore exported from India rose 38 percent in December, the first growth seen in nearly eight months. Meanwhile, China is experiencing a rise of 46 percent in its benchmark steel price over last November. In 2008 India produced 160 million tons of iron ore and exported two thirds of its output to China. Analysts believe iron ore prices will definitely drop in 2009 due to the worldwide economic recession.

**Steel trade down in January**

In January, China imported 870,000 tons of steel products, down 550,000 tons or 38.7 percent year-on-year, and 60,000 tons or 6.5 percent from last month, while exporting 1.91 million tons, down 2.22 million tons or 53.8 percent from a year earlier, and 1.26 million tons or 39.7 percent from last month. China imported 130,000 tons of billet, up from 80,000 tons last month, hitting a monthly record not seen since 2006. It exported just 80,000 tons of coke, down 92 percent and imported 32.65 million tons of iron ore, down 11.2 percent year-on-year and 5.4 percent from last month.

**Imports surge affects steel industry**

Domestic steel prices began to fall due to a weak downstream demand following dozens of weeks of rebound. Small mills are poised to get much worse since exporters in Russia and Ukraine have been rushing to the Chinese market with their cheap materials prior to the Spring Festival. These mills have
slashed ex-work prices while larger producers on a monthly pricing basis like Baosteel and Shougang have yet to adjust their prices. Experts say current economic fundamentals are not good enough to shore up the rapid growth of steel prices amid a lingering oversupply. Mills are now keen on rekindling their furnaces, a move that may drive prices down further.

China has long been a net steel exporter and an importer of high-end steel. However, the country has received a spate of cheap hot rolled coil and slab imported from Russia and Ukraine since the Spring Festival. In Europe, the price of hot rolled coil dropped to $447 per ton in January, the lowest since February 2004. The domestic price averaged 3,761 yuan per ton on February 13. Xinjiang Alashankou customs reported a cleared steel import of 88,700 tons in January, up 200.7 percent from a year earlier and accounting for 80 percent of total imports last year. The import value stood at $37.68 million, up 130.3 percent. Domestic producers are losing their price edge to foreign players as the price of imported steel settled to below 3,000 yuan per ton on average. This is compared to about 3,700 yuan per ton for domestic materials.

US bailout plan affects Chinese steel exports
The Chinese steel export industry will be further hit after the US Congress passed a $819 billion economic stimulus plan on January 28, stipulating that any infrastructure projects craving financial support from the plan must use domestically-made steel products. As a result, China’s steel exports to the US are liable to slump this year.

The United States is the second largest destination of China’s steel exports. According to the latest data, China exported 5.02 million tons of steel products to the United States last year, accounting for 8.48 percent of the country’s total steel exports at 59.18 million tons. The US imported 28.89 million tons of steel products in 2008, and steel imports from China made up 17.36 percent.

Coke prices up in Hebei, Shandong
Coke producers in Hebei Province decided to raise their ex-work prices by 50 to 100 yuan per ton to 1,800 to 1,850 yuan per ton (duty unpaid) in February owing to tight supplies and rising costs, according to the Hebei Coking Industry Association. Meanwhile, producers in Shandong also lifted the
monitoring price of first grade metallurgical coke to 1,950 yuan per ton and that of second grade metallurgical coke to 1,900 yuan per ton from February 6.

**Coking industry to consolidate**

China’s coking industry will experience massive consolidation as small and medium coking plants account for more than 80 percent of the industry. The plants have a scattered layout, poor technology and management talent, are heavily polluted and lack competitiveness. Possible mergers may appear in the following four methods.

1. Steelmakers consolidate their captive coking assets
2. Steelmakers ally with independent coking plants
3. Mergers take place among coking plants
4. Coal miners consolidate with coking producers

**Coke producers relax production limits**

According to the Shanxi Coke Association, local producers have decided to ease production limits from 60 to 70 percent to 40 to 50 percent in response to growing demand from the steel industry. An official with the association said production limits cannot be entirely lifted at present because producers still find it difficult to purchase cheap coking coal as raw material and the downstream steel sector hasn’t gotten rid of the economic downturn yet. Coke producers in Shanxi will give priority to key steelmakers in North China and large-sized mills with which they have signed long-term deals.

**Baosteel leads merger move**

According to the steel industry rescue plan, Baosteel, Anben Group and Wisco will carry on more merger and acquisition activities within the year. The top five steelmakers in China will take up more than 45 percent of shares in the domestic market within the next three years. The country is required by the plan to produce 460 million tons of crude steel this year, consume 430 million tons of steel and keep direct exports at about 8 percent of the total output. By 2011, China is expected to produce 500 million tons of crude steel and consume 450 million tons of steel. The proportion of industrial added value against the GDP should be kept at 4 percent. By then, the industry will step into a healthy, rather
than an extensive, development trend, with technology and innovation capability marching onto a new stage. In order to realize this goal, efforts should be made to accelerate the merger and consolidation moves.

Substantial progress on consolidations led by Baosteel, Anben and Wisco should be implemented in Ansteel, Benxi Steel, Guangdong Iron and Steel Group, Guangxi Iron and Steel Group, Hebei Iron and Steel Group and Shandong Iron and Steel Group. Efforts should be done to promote Anben Group-led mergers with Pangang Group and Dongbei Special Steel; Baosteel dominated mergers with Baotou Steel and Ningbo Steel; consolidations among Tianjin Steel Pipe, Tiantie, Tianjin Steel and Tianjin Metallurgical; as well as Tisco’s acquisition with others in Shanxi Province.

By 2011, Baosteel, Anben Group and Wisco will form an annual capacity of more than 50 million tons each. The country will also see several large mills with a capacity ranging from 10 to 30 million tons each. Seven departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Land and Resources, the Ministry of Finance, the China Securities Regulatory Commission and the China Banking Regulatory Commission will draft regulations to direct the industry’s M&A move within this year.

**Wire rod, rebar futures to open at SHF**

The China Securities Regulatory Commission approved the futures trading of wire rod and rebar on the Shanghai Futures Exchange (SFE). Early designing work has been done by the SFE to determine terms such as contract subjects, systems on trading, settlement and transaction and risk-control measures. The decision was in line with the Cabinet’s important strategy to launch futures trading as soon as possible on new commodities, such as steel, that cater to national economic development.

**Auto industry calls on steel updates**

The State Council of China announced January 14, 2009 a revitalization program on the auto industry by offering preferential tax and fiscal policies to encourage car consumption. The program is designed to promote self innovation and technology updates among domestic car makers as well as place
emphasis on the development of new energy-fueled cars. The use of high-strength steel in the auto industry is expected to grow at 5 percent annually in the next few years, which will provide a chance for the steel industry to develop new types of steel. Mills in developed economies usually deliver more than 50 percent of flat products like cold, hot rolled and galvanized sheet to the auto industry, while China still runs short of domestically-made auto sheet. Steel will continue be a major source of raw material in the auto industry, making up 60 to 70 percent of its total raw material consumption.

Baosteel entered the home auto steel market in 2002, followed by Ansteel, Shougang, Wisco and Handan Steel. Foreign producers including Posco of South Korea and Japan’s Nippon Steel were rushing to the Chinese market with their mature technologies, while mills from the United States, Russia and India were seeking the chance of alliance with local enterprises. China still lags far behind developed countries in the production of high-strength, ultra deep drawing sheet, especially interstitial-free IF sheet, high-strength roasted hardening steel and DP duplex steel as well as in the technology of thickness and shape control, anti-corrosion performance, products’ surface quality and stability. Large state-owned steelmakers should pay much attention to the development of those materials as well as other new materials required by the program.

Huge demand from Beijing-Shanghai railway project

2009 marks the second year of construction of the Beijing-Shanghai High-speed Railway project. The Ministry of Railways has allocated 60 billion yuan as infrastructure spending for the project this year, which will create two million tons of demand for steel products, 12 million tons for cement and 600,000 jobs.

Hebei: China’s largest steel producing province

According to the latest data, Hebei province’s output of crude steel, steel products and pig iron all surpassed 110 million tons in 2008, up 4.9 percent, 10.06 percent and 3.43 percent year-on-year respectively. The province remained the country’s largest steel producing region despite a sharp fall in growth rates.
Hebei Steel posts favorable foreign trade results
Hebei Iron and Steel Group exported 604,700 tons of steel products during August and December of 2008, earned a foreign exchange of $665 million and a profit of 160 million, equal to a profit of $1,099 per ton. The group also saved $440 million in funds occupied, reduced more than 15 million yuan in procurement costs and saved 130 million yuan as a result of logistics optimization.

Liaoning sets 09 production goals
Liaoning province plans to produce 42 million tons of pig iron, 42.5 million tons of crude steel, 43.5 million tons of steel products and 600,000 tons of ten non-ferrous metals in 2009. These compared to 40.3 million tons, 40.3 million tons, 42.4 million tons and 590,000 tons respectively last year. It also expects a 6 percent rise in the metallurgical industry added value from last year’s 137 billion yuan.

Energy Savings
Hebei to scrap 5.15 million tons of pig iron capacity by 2010
The Hebei government decided to scrap 5.15 million tons of outdated pig iron capacity and 8.13 million tons of steel capacity by 2010 and increase the minimum size of blast furnaces to be dismantled from 300-cubic-meter to 400-cubic-meter, and that of converter from 20-ton to 30-ton in three years. About 40 non-governmental steelmakers in Tangshan, Hebei have been incorporated into two groups—Changcheng Steel and Bohai Steel—with a steel capacity of 17 million tons and 12 million tons respectively.
China’s thickest structural steel off line

Baosteel beat six other domestic steel producers in a tender to supply a developer in charge of the Shenzhen Jingji Financial Center Building with 19,500 tons of high-strength structural steel with a thickness of up to 120 mm and a weight of 16.3 tons per piece, the thickest such material ever used in the domestic construction market. The 98-story steel-framed building, which is located at the heart of Luohu financial hub, will consume about 80,000 tons of high-strength structural steel and cost five billion yuan. At 439 m tall, it will replace nearby Diwang Building as Shenzhen’s tallest tower.

Baosteel’s HFW enters overseas markets

Baosteel has stood out as an emerging supplier of medium diameter longitudinal welded pipe (HFW) in the international market after it received a HFWX70 pipeline contract from Southeast Asia. The mill also received an order for the first time from the United States for HFWP110 grade high anti-collapse oil casing.

Baosteel’s sales of high-strength auto steel surges

Baosteel’s sales of 780MPa super high-strength cold rolled and hot-dip galvanized steel have surged ten times during the past three years. Besides these two types of steel, the group also developed six other types of super high-strength steel such as ordinary cold rolled and hot-dip galvanized duplex steel for car making, intensifying its presence in the domestic auto sheet market. Its 780MPa steel has been used by renowned domestic car makers and some have been sold to the European market. Adopting high-strength steel may reduce the weight of cars, consume less fuel and enhance safety and credibility. Foreign carmakers have used about 20 percent of high-strength steel in their production of new models.

Tisco debuts high-end steel

Tisco has developed a number of high-end steel products including T4003 super austenitic 904L hot rolled medium plate and hot rolled coil, 50TW250, 35TW230 and 35TW210 high-grade non-oriented silicon steel, 441, 439M and 429 steel for auto exhaust system use, full hard hot-pressing die sheet,
Metallurgical Industry Information Center

The Metallurgical Group has expanded its product line and improved the quality of its high-grade heavy coating silicon steel for mega generators, high vacuum and air tightness DT9 purity pig iron, high strength low carbon Bainite steel, TQ460MC to TQ600MC engineering machinery steel, T700 and TH800 high-strength steel and X120 pipeline steel.

The group also realized a mass shipment of 06Ni9 steel for large LNG tanks and P265GH, P295GH steel and Mn13 hot rolled medium plate for the nuclear power sector. Its materials were also used in the Shenzhou VII manned space mission.

**Tisco capable of premium CR silicon steel supply**

Tisco has become the country’s first producer able to mass produce high-grade cold rolled silicon steel such as 50TW250, 35TW230 and 35TW210. Its output of high-grade cold rolled silicon steel in 2008 increased by 46 percent from a year earlier. Tisco has increased the output of 0.35 mm super high-grade CR silicon steel to more than 4 tons per hour from two tons earlier this year, with an improved qualified ratio of up to 75 percent. The company also developed 0.65 mm 65TW400 CR silicon steel. These products have been used in 600,000 KW thermal power stations, diesel locomotive generating units and 300,000 KW storage generating units.

**Jiuquan Steel outperforms energy-saving goals**

In 2008 Jiuquan Steel consumed 684 kg of standard coal to produce one ton of steel, down 17.8 kg from 2007, and saved 84,500 tons of standard coal, surpassing the original goal of 80,000 tons.

**Baotou Steel benefits from energy-saving efforts**

Baotou Steel is about to launch its 2.19 billion yuan gas and steam combined cycle unit (CCPP) consisting of two machines, which will allow the mill to save 800 million yuan in electricity fees and create a profit of up to 400 million yuan each year.

**More domestic oil casings available**

The Chinese oil exploration industry has used 80 percent of oil casings supplied by Tianjin Steel Pipe Group, whose supplies of oil casing account for 93.9 percent of total home supplies. The group has developed a series of high-tech and high value added products including the world’s highest-grade
anti-hydrogen sulfide corrosion special buckle casing, super high-strength special buckle casing for ultra deep wells and thermal recovery wells and anti-carbon dioxide and hydrogen sulfide corrosion casings. Sales of non-API high-strength and toughness TP140V oil casing have reached nearly 30,000 tons since 2003. Its products have been used in a high-level danger exploration well in Talimu, Xinjiang.

**Color coating stainless products developed by Foshan Yuhang**

Foshan Yuhang Color Coating Stainless Pipe Co, Ltd has produced a series of unique color coating stainless sheet, pipe and parts. The electro-chemical method was introduced to create an oxidation layer on the surface of the stainless steel, so as to paint various colors on it. This method, which is suitable to treat a wide range of materials like 430, 409, 201, 202, 304 and 316 types, can increase stainless steel’s corrosion and wear resistant abilities without impairing its indigenous merits. Tests have shown that a piece of color coating stainless pipe did not lose its color after being rubbed 2,000 times.

**Quakeproof rebar developed by Sangang**

Sangang was permitted to produce quakeproof rebar after it passed tests for its HRB400E and HRB500E materials. The mill has been able to produce quakeproof rebar in the form of wire rod and bar and signed letters of interest with some customers related to nuclear power stations and port infrastructure.
Bayi Steel's first medium plate off line
Baosteel Group Bayi Steel will launch a new medium plate production line next month. The project, a relocation one of Shanghai Pudong Steel, has an annual production value of six billion yuan and will allow Bayi Steel to have a better product mix and increase its competitiveness.

Hebei Bona to start new CR project
Hebei Bona Company plans to build a 300,000 t/y cold rolled sheet project at a cost of 80 million yuan this year, the largest eco-friendly CR project in the city of Xingtai. The project is due to begin operation this October.

Pangang Group’s clean vanadium extraction project
Pangang Group Chengdu Iron and Steel Co, Ltd decided prior to the Spring Festival to invest more than 50 million yuan in a clean vanadium extraction project.

The construction of a high-speed wire rod project is under way, which will see a production scale of up to 500,000 tons per year. The project will meet demand for steel used in post-earthquake reconstruction.

Haiyu Tinplate to launch new line
Haiyu Tinplate Industry Co, Ltd is scheduled to roll out the first piece of tinplate this June from its 200,000 t/y production line, which is still under construction. After completion, Hainan will become the country’s second largest tinplate base next to Shanghai.

High-end premium sheet project to be built in Tianjin
The Xinyu Color Coating Company’s high-end premium sheet project, one of Tianjin’s key industrial projects in 2008, is expected to start construction in early February. The project will produce 800,000 tons of high-end premium sheet (including 150,000 tons of electric galvanized sheet, 150,000 tons of
tinplate, 200,000 tons of Al-Zn sheet and 300,000 tons of color coating sheet), three million tons of large-sized sheet, have a production value of six billion yuan and a profit and tax of 200 million yuan.

Yangzhou high-alloy seamless pipe project
Yangzhou Longchuan Steel Pipe Co, Ltd began constructing a 200,000 t/y special high-alloy seamless pipe project on February 3, 2009 with a total investment of 1.5 billion yuan, while also launching a logistics center with an annual throughput of 600,000 tons. The logistics center will create sales revenue of four billion yuan.

Shagang’s welded pipe project
Shagang Group is beginning construction, through its British subsidiary, of a welded steel pipe project in Zhangjiagang at Zhujiang Steel Pipe Co, Ltd for an investment of $200 million. The project will produce one million tons of welded pipe, mainly used in long-distance oil and gas transportation pipeline, and create sales revenue of 10 billion yuan.

Large HR steel project to make Hainan debut
A 1.92 million t/y large stainless steel processing project is to be constructed in Changjiang Prefecture, Hainan in the latter half of this year. The seven billion yuan project will produce 1.42 million tons of carbon steel, low alloy hot rolled strip coil as well as 500,000 tons of hot rolled stainless steel strip coil.

Shougang ready to launch new BF
Shougang Jingtang Iron and Steel Co, Ltd’s iron plant is ready to launch a 5,500-cubic-meter blast furnace as the first step of its first stage project inside the Caofeidian Industrial Zone. After completion, the company will produce 9.7 million tons of billet and 9.13 million tons of steel products each year. Construction of the second phase is still under way.
## China steel product prices and price index in February

### Wire Rod φ6.5

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### Rebar φ12

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### Plate

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### HR Sheet

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### Galvanized Sheet

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### Seamless Pipe

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### Graphs

- **Wire Rod φ6.5**
- **Rebar φ12-25**
Steel Price Index of CRU and China
China Steel Report

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