

INTERNATIONAL STEEL REVIEW

VIEWPOINT

JANUARY 2005

BIG TAKE UP OF INDEPENDENTLY RESEARCHED INDICES OF STEEL PRICES BY CONSUMERS

The remarkable upsurge in global steel prices seems to have done very little to advance the prospects of futures trading in steel. A couple of years ago – before the explosion in steel prices – futures trading was very much on the agenda. Corus's then chairman, Brian Moffat, made a speech at the 2002 International Iron & Steel Institute annual meeting in favour of creating a terminal market in steel. This prompted various parties to investigate how such a scheme might be established. But not much has happened in concrete terms.

The London Metal Exchange came up with a

plan to launch three separate steel contracts; but then it decided futures trading in plastics should come first. In New York, the mercantile exchange Nymex – which already trades futures in non-ferrous and precious metals – has also looked at steel. But a few weeks ago it came to the conclusion that the steel industry is not ready, citing a lack of standardisation in contract terms and product quality.

The steel industry and exchanges may not be ready but an increasing number of steel consumers are prepared to accept an independently researched index, to measure

COMPARISON OF TRANSACTION PRICES (\$US/tonne)

(\$US/tonne)	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	R Bar	M Bar
USA	730	810	750	864	860	500	590	490	520
Canada	672	883	736	809	NA	NA	597	581	572
PR China	507	452	648	NA	NA	381	343	387	359
Japan	662	729	733	796	796	460	642	527	566
South Korea	511	515	602	694	655	385	520	409	434
Taiwan	532	560	648	727	802	428	598	409	535
Poland	755	791	828	907	834	587	712	673	649
Cz & Slov. Rep.	714*	740	797*	871*	819	610	762	653	693
EU (average)	697	858	838	896	874	569	835	509	597
Germany	725	844	862	915	858	572	891	489	594
France	738	884	840	902	900	612	851	488	581
Italy	661	851	826	864	858	559	895	497	573
UK	697	874	823	889	891	527	819	527	603
Spain	682	883	789	880	884	572	642	568	628

Based on low values.

* - Czech & Slovak Republics - Sheet form.

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price movements. MEPS published prices are filling the void. Indices of steel product price movements are increasingly being written into contracts between major clients and main contractors. Similar contracts are also formulated between main contractors and their sub contractors. In this way, escalation clauses incorporating appropriate independent steel price indices, minimise lengthy negotiations and time consuming arguments about recent trends. Each of the parties can be confident that the steel price movements, applied to their contract, follow the overall trend in the market for the relevant product types.

The MEPS on line service gives the pattern of steel prices for the nine main rolled steel products in three key regions - North America, Asia and EU. If more detailed analysis, by country, is required then subscribers are referred to the apposite monthly publication. The, low cost, on line service is proving to be extremely popular with steel buyers around the world, who are prepared to accept regional trends as a reference for their payments for steel. For executives wishing to assess future price trends, MEPS also provide regional, twelve month rolling, forecasts for all the main product categories. To illustrate the importance of reliable but readily available steel price indices to the steel consuming sectors, the company has accepted around 2000 new orders for their on-line

service in the first ten months of its operation. All this data is based on a twenty one year track record of publishing steel prices.

This may be a way away from futures trading. But with global steel prices close to peaking and maybe approaching stormy weather, those with exposure to the market are increasingly looking for a reliable barometer.

In mid year, after plastics are launched, the LME may dust off its studies of steel. Nymex has not given up on steel and will continue work on trying to design a futures contract. Moreover, in a move apparently related to Nymex's efforts, the Dow Jones organisation launched a US steel price index that could form the basis of a futures contract, or be used as a benchmark for private trading between individual firms. However, most recently, Dow Jones has reportedly been making adjustments to its index to align it more accurately with spot market prices.

This general lack of progress leaves those wishing to hedge against steel price volatility with few options. Over-the-counter swops are available, although they do not appear to be widely used. But, with steel prices more volatile than ever, there is certainly a strong demand for pricing reference-points.

FLAT PRODUCTS

Both US end users and service centres continue to be overstocked as we move into 2005. Consumption has failed to recover, partly because consumer durables' demand is sluggish and auto companies' inventories of unsold cars and trucks are high. Despite attempts by the mills to hold onto strip transaction prices, we have noted further weakness in the cold rolled and galvanised product categories.

There are few transaction price changes to report in Canada. However, the level of activity is down and customers appear to be very cautious about ordering.

Prices of domestically produced Chinese flat products continue to show an overall upward trend. Export volumes are rising whilst the import trend is negative. The supply/demand balance for strip products is very tight in Japan and is expected to remain so throughout the first quarter. Carmakers are sucking in large quantities of material, leaving less and less for the distribution sector. Consequently, stock levels are low and domestic mill prices continue their upward

tendency. Inventories of imported steel at the ports, at end November, rose by 11.1 percent compared to October - the first increase in two months.

South Korean service centres have imported large tonnages of strip products, particularly coated coil, in recent months because domestic supply was inadequate. However, the economy is slow and, therefore steel sales have been sluggish. Inventories in the distribution sector are now too high for current demand. Direct mill business is still strong, and Posco is expected to lift prices during the early part of the year. Demand in Taiwan is fair but many observers believe that, in the short term, it will weaken.

Average EU flat product prices rose by less than 1 percent in January. This is substantially below our expectations. The threat from imports, discussed in the previous issue has materialised. The mills were unable to reach their target increases for most customers because inventory levels are now sufficient for current activity. In Poland and the Czech Republic,

FLAT-ROLLED PRODUCTS TRANSACTION PRICES (Local currencies per tonne)

		US (\$US)+ /ton	US (\$US)+ /tonne	Canada (C\$)+ /ton	Canada (C\$)+ /tonne	China (RMB)	Japan ('000 Yen)	S.Korea ('000 KRw)	Taiwan ('000 \$NT)	Poland (ZL)	Czech/ Slovak (KC)
Hot-rolled Coil	HIGH:	745	820	802	882	4380	72.5	550.0	17.1	2360	16600
	LOW:	664	730	747	822	4200	69.0	530.0	16.9	2340	16400
Hot-rolled Plate	HIGH:	791	870	1091	1200	3910	80.0	675.0	18.3	2470	17200
	LOW:	736	810	982	1080	3740	76.0	535.0	17.8	2450	17000
Cold-rolled Coil	HIGH:	727	800	927	1020	5640	80.5	645.0	21.0	2585	18500
	LOW:	682	750	818	900	5360	76.5	625.0	20.6	2565	18300
Hot Dipped Galvanised Coil	HIGH:	813	894	1009	1110	NA	90.0	740.0	24.1	2860	20200
	LOW:	785	864	900	990	NA	83.0	720.0	23.1	2810	20000
Electro-Zinc Coated Coil	HIGH:	836	920	NA	NA	NA	89.0	725.0	26.5	2645	19000
	LOW:	782	860	NA	NA	NA	83.0	680.0	25.5	2585	18800

★ Includes surcharge on all products in the US and Canada.
NA = Not available.

		EU AVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Hot-rolled coil	HIGH:	542	555	560	527	375	531	543
	LOW:	524	545	555	497	370	524	513
Hot rolled plates	HIGH:	667	655	685	660	484	686	694
	LOW:	645	635	665	640	464	657	664
Cold rolled Coil	HIGH:	650	658	652	651	447	633	638
	LOW:	630	648	632	621	437	619	593
Hot Dipped Galvanised Coil	HIGH:	695	708	698	680	482	683	677
	LOW:	674	688	678	650	472	669	662
Electro-Zinc Coated Coil	HIGH:	678	665	697	675	483	684	675
	LOW:	657	645	677	645	473	670	665

PRODUCT DEFINITIONS

Hot-Rolled Wide Coil - 2-3mm thickness, width over 1.1 metres. - except USA and Canada: Thickness 0.08 inches, width over 40 inches.

Hot-Rolled Plates - 15-40mm thickness, width over 2.0 metres. - except USA and Canada: 1-1.5 inches thickness, width over 60 inches.

Cold-Rolled Coils - 1mm thickness, width over 1.3 metres. - except USA and Canada: 0.05 inches thickness, width over 40 inches.

Hot Dipped Galvanised Coils - 1mm thickness, width over 1.1 metres, standard coating. - except Eastern Europe - Sheet form and USA and Canada: 0.05 inches thickness, width over 40 inches, standard coating.

Electro-Zinc Coated Coils - 1mm thickness, width over 1.1 metres, standard coating. - except USA: 0.05 inches thickness, width over 40 inches, standard coating.

Note: Prices in this table relate to deliveries in different time periods. It is important that this table is read in conjunction with the text in the newsletter.

FLAT-ROLLED PRODUCTS TRANSACTION PRICE TRENDS - TAIWAN ('000 \$NT /tonne)

BASED ON LOW VALUES		2003	2004				2005
		Q4	Q1	Q2	Q3	Q4	Q1 ESTIMATE
Hot-rolled Coils	Average	12.8	13.9	15.8	16.6	16.6	16.9
Hot-rolled Plates	Average	11.9	13.7	15.8	16.8	16.8	17.8
Cold-rolled Coils	Average	15.5	16.5	18.1	18.9	20.3	20.3
H.D. Galvanised Coils	Average	18.2	21.4	23.1	23.1	23.1	23.1
E.Z. Coated Coils	Average	20.4	21.2	22.7	23.5	24.8	24.8

flat product prices are still moving upwards. All the mills are reported to have good export order books. This is helping to keep domestic selling values firm.

HOT ROLLED COIL

US mills have managed to hang on to the December transaction price, despite the presence of excessive inventories in the supply chain. In Canada, there is too much stock coupled with a surplus of import offers. The market is soft with buyers holding off and only ordering what is absolutely necessary.

Chinese domestic prices have moved up sharply since early December driven by a lack of supply. The Japanese mills have not pushed for price rises for January. Although supply is still restricted, some of the shortages that were a feature of the market in 2004 have been remedied by imports.

Supply of hot rolled coil from Posco remains constrained in South Korea. Planned maintenance in the first six months of this year will further restrict availability. However, some distributors ordered large amounts of imports to make up the deficit and this market is now oversupplied. The main Taiwanese producer, CSC lifted transaction prices by approximately 2 percent at the end of December for shipments in the first quarter of this year. Demand is only fair as the Chinese New Year approaches but the initiative was accepted.

The EU average price slipped marginally in January. Part of this modest decrease was due to the main Italian producer cutting prices by €20 per tonne in an effort to generate a satisfactory level of orders. Moreover, no price hikes have been recorded in France, UK or Spain this month. Price rises, this month

in both Poland and the Czech Republic are quite modest due to a threat from imports. This follows the pattern across the EU and may signal the first signs of a price reversal in the European market.

HOT ROLLED PLATE

US plate consumption is healthy. Several of the main consuming sectors are booming. This situation is likely to continue well into 2005. Supply from domestic sources is still restricted and imports pose no threat to the market at present. Local mills have secured the basis price rise they were seeking for first quarter deliveries. However, falling raw material surcharges have more than offset the increase and actual transaction values are marginally lower than in early December. Seasonal factors are in place in Canada which have caused sales to drop but the transaction figures are unchanged.

Chinese domestic prices show a modest increase. Consumption is rising and demand for shipbuilding plate is especially strong and is likely to remain so into the foreseeable future. Exports of commercial grades continue to expand. Shortages of raw material are still causing upward pressure on Japanese plate prices. Producers are concentrating their efforts on direct contract customers such as shipbuilders and construction machinery manufacturers, thus leaving the distributors to rely more on imported material.

The South Korean domestic market for commercial grade plate has weakened as distributors are carrying excessive inventories of imported material. Local mill, Dongkuk, is reported to be exporting to the USA and Europe to try to off-load unwanted supplies. However, sales of higher grade plate remain buoyant and availability is insufficient. Customers expect Posco to

announce price hikes quite soon. Plate prices in Taiwan have moved up this month by \$NT1000 per tonne (6 percent). This is the result of higher raw material costs in 2005. Demand in the commercial market for plate is flat due to a slowdown in the construction segment.

The EU plate market remains very firm. Price increases have been recorded in all the member states researched for this publication, with the exception of Italy. Shortages are still a feature in this market segment. Demand in Poland and the Czech Republic is also extremely firm, with price rises of near to 5 percent recorded this month.

COLD ROLLED COIL

US service centre inventories remain above appropriate levels. Recent deals have been struck at lower prices. There is pressure on Canadian distributors to reduce their resale prices.

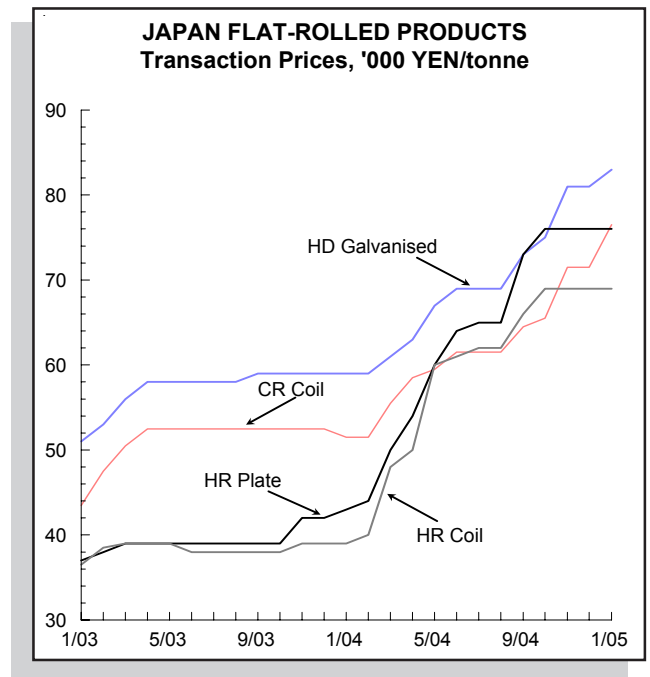
Chinese domestic prices have continued to escalate in the Guagzhou region since early December. Shortages exist, principally of thin sheet below 1mm thickness because local supply is inadequate. Import prices are also heading upwards. The Japanese scene is equally healthy and supply to the general market has once again become problematic. We have noted a ¥5000 per tonne advance since our December report.

Domestically produced material is quite scarce in the service centre sector of South Korea as the mills strive to supply end users such as the automobile industry. Taiwanese cold rolled prices have moved up marginally over the past 5 to 6 weeks. The market is a little weaker due to the upcoming Chinese New Year break.

Inventories are much higher now in the EU region. The average transaction price has increased by just €8 per tonne since December. Many buyers have been able to hold back on ordering for the first quarter due to adequate supplies. However, those companies with low stock levels and with no imports in place are finding the mills pressing for bigger increases. The 3 percent price hike recorded in the Czech Republic is likely to be the value for all sales in the first quarter. A similar rise has been accepted in Poland.

COATED COILS

In the US, the general market is oversupplied because both auto and appliance production are down. Although demand in the distribution sector is being maintained, mill transaction prices for hot dipped galvanised coil



are lower than a month ago. Our electro-zinc coated figures are unchanged. Sales in the Canadian car industry are also weak. Coated steel suppliers have offered further small discounts in recent deals.

Material is still difficult to obtain in Japan causing prices to move up once again. Our figures for both hot dipped and electro-zinc coated coils are higher by ¥2000 per tonne. Auto consumption is significant and sales to appliance manufacturers are firm.

Hot dipped galvanised demand from the general market in South Korea has weakened due to a prolonged economic slump in the building industry. Imported supplies are expanding at the ports. Sales of electro-zinc coated coil to the domestic appliance manufacturers have slowed but supply and demand in the stockholding sector remains in balance, so far. Prices in Taiwan for hot dipped galvanised are stable but the electro-zinc output commanded a slightly higher figure. The buying sentiment is to "wait and see how prices develop".

Supply within the EU of hot dipped galvanised material is plentiful. Demand is fair. Electro-zinc consumption is dull but may firm up later in the year. Only modest rises have been achieved by the mills in the latest discussions. Supply is less restricted in Poland and the Czech Republic now but most producers are almost sold out for deliveries in the first trimester. As a consequence, hot dipped prices have moved up by a few percentage points this month. The improvement for the electro-zinc product is smaller.

LONG PRODUCTS

US demand continues to hold up fairly well for the time of year. Weakness of the US dollar should deter imports which have kept the lid on transaction prices. Canadian construction activity is dull. The mills continue to fight hard to maintain transaction values.

Chinese prices of construction steel have started to inch up, despite the very cold weather in some parts of the country limiting building activity. Construction has also slowed in Japan for seasonal reasons.

The South Korean construction sector continues to contract, leading to a soft market for long products. The civil engineering market in Taiwan is very weak. Building is holding up a little better.

Long product prices in the EU have fallen sharply since our last investigation in December. A drop in the price of scrap in recent weeks has been the main influence in this trend. Bar and rod prices have fallen in the two new EU entrants, reported in this report, over the past month. The onset of Winter weather and only modest construction growth have impacted on selling values.

WIRE ROD

Although US demand is relatively weak, importers from several countries are keen to supply the market. Local prices have been eroded in recent weeks.

Two of the major Chinese wire rod producers recently hiked their prices. We have noted increases of RMB260 per tonne. The market has firmed over the last few weeks. However, demand may well fall back as we approach the Lunar New Year in February. There is

little movement to report at present in Japan. Things are expected to change later this quarter when sales should heat up as a result of reconstruction efforts, following the Nigata earthquake.

South Korean demand is sluggish. Sales have been on a downward slope since the second half of 2004. Poor market conditions in Taiwan have forced mesh grade wire rod prices downwards by \$NT1000 per tonne (7 percent).

Mesh grade prices in the EU have slipped in most member states. Demand is reducing for seasonal reasons. This, coupled with lower scrap costs, is having a negative effect on selling values. Polish and Czech prices slipped marginally but this would be anticipated due to seasonal factors.

MEDIUM SECTIONS AND BEAMS

Forecasts for a rebound in US non-residential construction demand during 2005 bode well for the wide flange beam producers. However, at the present time, the market is oversupplied, although currently imports pose no particular problems for the local mills. So far, suppliers have been largely successful in their efforts to maintain transaction prices. We have noted only a marginal slippage since early December. No price developments were reported in Canada.

Infrastructure projects are generating strong demand for these products in China. Prices have started to improve in many parts of the country as inventories decline. Japanese business levels are low as demand falls away. Stocks of H-beams at the distributors, as

LONG PRODUCTS TRANSACTION PRICE TRENDS - TAIWAN ('000 \$NT /tonne)

BASED ON LOW VALUES		2003	2004				2005
		Q4	Q1	Q2	Q3	Q4	Q1 ESTIMATE
Wire Rod	Average	10.1	13.7	16.8	15.3	15.1	15.0
Medium Sections	Average	14.1	16.3	19.3	19.5	19.4	19.3
Rebar	Average	10.2	13.9	16.0	14.0	15.1	15.0
Merchant Bar	Average	10.6	14.0	16.8	16.8	16.7	16.5

end December, increased slightly compared with the previous month.

We have noted no improvements in South Korean consumption. Beam prices in Taiwan were stronger and moved up only by a small amount as input costs for the mills started to rise.

EU prices, have decreased this month. The scrap surcharge from the main producers fell by between €18 and €38 per tonne, depending upon supplier. Basis

values have also declined in several member states. Transaction prices in Poland and the Czech Republic have eased upwards in recent weeks after discussions for first quarter deliveries. The mills hope to stabilise these figures into the Spring.

REINFORCING BARS

Nucor has moved to raise US basis prices and cut the raw material surcharge by a similar quantity for February business. This follows the transaction price

LONG PRODUCTS TRANSACTION PRICES (Local currencies per tonne)

		US (\$US)†	US (\$US)†	Canada (C\$)†	Canada (C\$)†	China (RMB)	Japan ('000 Yen)	S.Korea ('000 KRw)	Taiwan ('000 \$NT)	Poland (ZL)	Czech/ Slovak (KC)
		/ton	/tonne	/ton	/tonne						
Wire Rod	HIGH:	473	520	NA	NA	3280	49.0	430.0	14.0	1840	14200
	LOW:	455	500	NA	NA	3150	48.0	400.0	13.6	1820	14000
Medium Sections and Beams	HIGH:	545	600	682	750	2970	70.0	590.0	19.3	2225	17700
	LOW:	536	590	664	730	2840	67.0	540.0	19.0	2205	17500
Reinforcing Bars	HIGH:	464	510	664	730	3340	56.0	505.0	13.1	2105	15200
	LOW:	445	490	645	710	3200	55.0	425.0	13.0	2085	15000
Merchant Bars	HIGH:	491	540	664	730	3100	61.0	500.0	17.5	2030	16100
	LOW:	473	520	636	700	2970	59.0	450.0	17.0	2010	15900

† Includes surcharge on all products in the US and Canada.
NA = Not available.

		EU AVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Wire Rod ☼	HIGH:	439	440	470	430	290	411	450
	LOW:	428	430	460	420	280	397	430
Medium Sections and Beams ☼	HIGH:	652	680	650	688	455	644	558
	LOW:	628	670	640	673	435	616	483
Reinforcing Bars	HIGH:	395	388	377	384	290	411	432
	LOW:	383	368	367	374	280	397	427
Merchant Bars ☼	HIGH:	460	457	452	441	330	467	477
	LOW:	449	447	437	431	320	453	472

☼ Includes scrap surcharge in Germany, France and Italy.
☼ Includes supplementary surcharge in the UK.

PRODUCT DEFINITIONS

Wire Rod (Mesh Quality) - 8-12mm diameter. - except USA:0.31 - 0.5 inch.

Medium Sections and Beams - 240mm x 240mm H Beam. - except USA and Canada: 10 inches x 10 inches wide flange beam: China - 250mm I beam.

Reinforcing Bar (Deformed) - 16-20mm diameter - except USA and Canada: #6(0.75 inches diameter).

Merchant Bar - 50 x 50mm x 6mm equal angle - except USA and Canada: 2 x 2 inches x 0.25 inches equal angle.

Note: Prices in this table relate to deliveries in different time periods. It is important that this table is read in conjunction with the text in the newsletter.

decline that occurred in late December as a result of a build up in inventories and sharp growth in import competition. Canadian activity is slow for seasonal reasons. There is a lot of pressure from customers to reduce prices but, so far, the mills are standing firm.

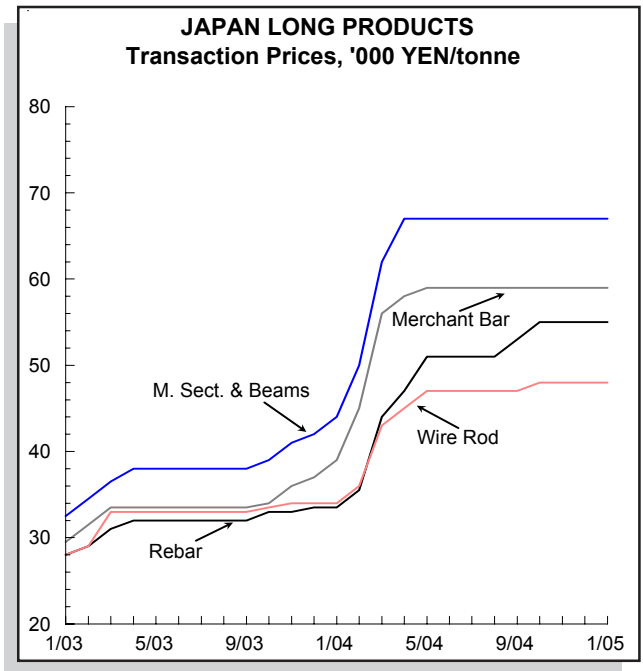
Chinese prices have remained relatively steady but we have still noted a small increase since the beginning of December. Demand is expected to improve next month after the Chinese New Year holidays. Export business to South East Asian markets is flourishing. Japanese ex-mill values are stable because steelmakers have adjusted output to meet reduced demand. A large scale project in Tokyo that was expected to come on stream in the latter half of last year has been postponed. There is very little market activity which has led some distributors to cut their resale prices as they battle for business.

South Korean demand has dropped in the wake of the protracted slump in construction. Contractors are pushing local mills for discounts but, so far, the suppliers have stood their ground. Taiwanese consumption is sluggish. As a result, transaction prices have plummeted by more than 10 percent since early December to stand now at \$NT13000 per tonne.

Substantial decreases have been recorded in selling figures in the EU in recent weeks. Current demand is low and raw material costs are slipping. It is difficult to envisage any pick up until Springtime unless scrap values jump. Demand has been falling in Poland and the Czech Republic. Oversupply is starting to develop. This has resulted in a slight drop in selling values. Further reductions are possible due to the high comparative figures with regional suppliers.

MERCHANT BARS

US barmakers cut prices by around \$US30 per tonne in mid/late December. Since then, they have set out to stabilise the situation. Although the February surcharge will fall by \$US20 per tonne, the mills hope to raise



basis values by the same amount to offset any change in transaction values. The Canadian producers continue to keep transaction figures level.

Prices have started to recover in China but demand remains quite weak. Japanese supply is easier. This has caused stocks to rise because sales are somewhat sluggish at the moment. Nevertheless, producers have maintained prices at the December figures.

We have no price developments to report in South Korea. The Czech and Polish markets for merchant bars are relatively small. However, the price trend for small structural shapes has followed that of the sections and beams in an upward direction.

The EU average price has collapsed this month - down by approximately 10 percent from December. Significant erosion occurred in Germany, Italy and Belgium. Czech and Polish prices are in decline. The building sector is not as active as general engineering. An import threat is now developing.

AROUND THE MARKETS

SHIPBUILDING

South Korea's Hyundai received record orders in 2004. The company contracted for 102 ships worth \$US8.3 billion. With more than three years work already booked. Hyundai has three joint ventures in China,

and already farms out some of its low-technology shipbuilding work to these companies. South Korea's two other major shipbuilders, Daewoo Shipbuilding and Marine Engineering and Samsung Heavy Industries, are juggling a similar wealth of orders. China's booming economy has also resulted in short

supplies of some manufacturing inputs, including steel for shipbuilding, causing the price of Korean plate to jump 70 percent in 2004. With steel accounting for as much as 20 percent of the material for an average ship, Hyundai found its profits squeezed as it sold vessels built in 2004 at prices agreed in 2002.

ECONOMY

US retail figures surged in December boosted by strong

car sales and a rise in shopping prior to the year end, according to data from the Commerce Department. For the full year, total sales went up by 8 percent, the best performance since 1999. The gains were led by a 4.3 percent increase by the auto sector, mainly as a result of enhanced offers. Industrial production grew by 4.1 percent in both the fourth quarter and the full 2004 calendar year, according to the Federal Reserve. It marks the first full-year expansion recorded since 2000. Industrial production was unchanged in 2003 and dropped in the previous two years.

INDUSTRY ISSUES

CAPACITY/INVESTMENT

India's Tata Steel is to build a 6 million per year green-field integrated steel plant at Kalinganagar. It will be built in two phases. The first will have an annual capacity of 3 million tonnes and include a blast furnace, coke ovens, sinter plant, casting and rolling facilities. It will take about four years to complete. The second phase should follow two years later.

POSCO's continuous hot dip galvanising line, CGL No 5, is scheduled to be completed in mid 2005 – lifting annual production potential to 4 million tonnes. CGL No 6 will come on stream in mid-2006 and CGL No 7 by the end of 2007. As a result, total capacity will be increased to 5.0 million tonnes per year.

Novokuznetsk Iron & Steel recently brought back on stream its upgraded No 2 electric arc furnace. Annual capacity has been increased to 850,000 tonnes. The modernisation is part of a larger project to lift electric steel output from 1.1 to 1.5 million tonnes. A ladle furnace will also be introduced.

Sidenor is to construct a light long products rolling mill at its Stomana works in Bulgaria. It will be located next to a newly installed slab caster. Annual capacity of the mill will be 500,000 tonnes and it will come on stream in mid 2006.

India's Jindal Iron & Steel is to add a 100,000 tonne per year pre-painted galvanising line at its Vasind Works. Completion is scheduled for June this year. The company has already commissioned a 160,000 tonne hot dip galvanising line and will bring on stream a 100,000 tonne per year cold rolling mill by March.

China's Wuyang Iron & Steel Co, a subsidiary of

Handan Steel plans to build a 1 million tonne per year integrated plate facility. It will have a sinter unit, coking plant, blast furnace, slab caster and rolling mill and is expected to be up and running by the end of 2006. The existing electric based plate operation has an annual capacity of just over 1.0 million tonnes.

Australia's BlueScope Steel is to invest \$US90 million on a 120,000 tonnes per year colour-coating line in West Sydney. It is expected to be operational by mid-2008 and will service the growing local housing market. As a result, the company's annual metal painting capacity will be lifted to around 650,000 tonnes.

MERGERS/ACQUISITIONS

Automotive Steel Sheet Co Ltd, the cold rolling and galvanising joint venture between Nippon Steel, Shanghai Baosteel and Arcelor, will come on stream in March. The facility, located at Baoshan's Shanghai works, includes a 900,000 tonne per year pickling and annealing line, 450,000 tonne per year galvanising line for auto sheet and a 360,000 tonne galvanising line for domestic appliance and building steels.

CURRENCY EXCHANGE RATES

January 4 - 2005

		Units/ US\$
USA	(\$US)	1.00
Canada	(C\$)	1.223
PR China	(RMB)	8.277
Japan	(Yen)	104.3
South Korea	(KRw)	1038
Taiwan	(\$NT)	31.79
Poland	(New ZL)	3.099
Czech. Rep.	(KC)	22.96
Eurozone	(€)	0.752
UK	(£)	0.531

WORLD/REGIONAL AVERAGE TRANSACTION PRICES (\$US/tonne)

		WORLD		E.U.		N. AMERICA		ASIA	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot-rolled Coils	:High	690	688	727	721	787	771	556	573
	:Low	648	650	699	697	710	701	536	553
Hot-rolled Plates	:High	796	810	850	887	939	926	599	616
	:Low	750	756	832	858	869	847	550	564
Cold-rolled Coils	:High	784	788	847	864	857	817	647	684
	:Low	737	746	825	838	763	743	623	658
Hot Dipped Galvanised Coils	:High	880	868	914	924	952	901	774	778
	:Low	830	824	889	896	867	837	734	739
Electro-Zinc Coated Coils	:High	866	872	889	902	920	920	789	795
	:Low	823	828	865	874	860	860	744	751
Wire Rod	:High	529	511	603	584	550	520	435	430
	:Low	512	494	588	569	530	500	418	413
Medium Sections and Beams	:High	690	675	906	867	620	607	544	551
	:Low	667	651	875	835	607	593	519	526
Rebars	:High	531	513	546	525	577	553	470	460
	:Low	510	493	527	509	558	535	444	433
Merchant Bars	:High	589	559	687	612	592	568	487	498
	:Low	566	539	666	597	569	546	463	473

The February issue of the MEPS **INTERNATIONAL STEEL REVIEW** will be despatched on 25 February, 2005.

PRICE DEFINITIONS

The transaction prices in this publication relate to those paid by consumers and stockholders for prime material in the specified steel products defined in tables 2 and 4. The prices are for regular business transactions between customers and their local steel mills, negotiated during the current month for delivery in the future. The transaction prices include all extras for the lowest priced grade of steel for the selected products - sold ex mill.

Delivery charges and local taxes are not included in the quoted prices. Contract deals arranged in the domestic market, or deals for lots of imported steel, are specifically excluded from our price evaluation.

All price and market data is researched by MEPS staff and our local correspondents. High and low values are provided to reflect the range of prices in the market between major and minor customers.

Please note the transaction references in the different geographic areas:-

China-spot transaction prices between mills and first tier distributors or consumers in the Guangzhou region

Japan-spot transaction prices between mills and first tier stockholders or consumers

Korea-the low price relates to deals between the mills and large steel consumers. The high price refers to ex stock mill sales through selected outlets

European Union-the average price is weighted based on consumption in the five main countries -individual country prices refer to deals between customers and EU mills

United States-Mid West spot transaction prices from the domestic mills

Poland-ex-mill to consumers or to selected sales outlets

The data contained in this newsletter has been obtained from respondents who we consider provide accurate intelligence on the steel market. We make our best endeavours to be assured that the information is correct and that our analysis is reliable. MEPS (International) Ltd. cannot be made liable for any loss resulting from use of our published data, however it may arise.