

# INTERNATIONAL STEEL REVIEW

KEYNOTE

JULY 2015

## SUBDUED STEEL MARKET SENTIMENT AS SUMMER LULL SETS IN

There is downward price pressure in most countries researched, in July. Fierce competition, between both domestic and third country suppliers, is intensifying. The upcoming summer holiday period in some nations is adding to the negative trading environment.

In the US, steelmakers appear to be bucking the trend witnessed in the global scene. Recently announced price rises are starting to filter through to the market, with increases recorded in local values for some strip mill products, this

month. However, stock levels are elevated and domestic sales volumes are softening. The potential for further advances in transaction figures, in the near term, appears limited. There remains a heightened threat from imports, despite antidumping investigations now under way.

In Canada, the large inventory overhang is taking time to reduce. The domestic market is weak but the number of enquiries is growing. Customers are cautiously optimistic for the future.

### COMPARISON OF DOMESTIC TRANSACTION PRICES (US\$/short ton)

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	Rebar	M Bar
USA	495	568	582	671	691	541	682	573	664
Canada	479	597	550	652	NA	517	659	517	673
China	252	236	318	395	NA	256	268	244	290
Japan	436	525	503	584	614	465	547	414	532
South Korea	445	476	517	615	622	465	525	473	489
Taiwan	353	388	396	441	587	461	558	353	479
Poland	392	466	474	544	551	385	560	404	503
Cz & Slov Rep	406	480	484	543	546	421	565	425	506
EU (average)	398	474	484	545	545	443	565	420	515
Germany	403	489	494	551	538	444	575	438	509
France	403	438	499	551	554	424	559	418	504
Italy	383	448	454	491	533	434	555	403	514
UK	422	517	489	580	580	497	583	455	547
Spain	393	448	479	536	523	434	535	428	509

Based on low values

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Chinese crude steel output continues to grow. The daily production rate, in June, was one of the highest on record. This is despite weakening local demand and trade cases being filed against Chinese exports. Oversupply is likely to remain a problem in the near term. Consequently, domestic and export prices will come under further negative pressure.

In Japan, sales have slowed and inventory adjustment is yet to be completed. Local steelmakers are planning on cutting production, in the July/September period, in a bid to re-balance supply and demand. Import volumes were down and export sales were up, in May, year-on-year. Prices remain stable for now but decreases cannot be ruled out in the short term.

South Korean producers are supplementing poor domestic sales with increased shipments to overseas customers. However, this is upsetting suppliers in the importing countries and is attracting antidumping filings against them from some nations. Deliveries of third country material into the local market are slowing.

Domestic traders have kept prices stable, this month.

In Taiwan, major integrated producer, CSC, announced reduced list prices for September deliveries. As a result, market values have deteriorated, in July. Demand from foreign and domestic customers is weak.

There is negative pressure from CIS-origin material, in Poland. Nevertheless, prices have remained stable, this month, as domestic demand is reasonable for this time of year. Selling values have reduced in the Czech and Slovak markets. Sales activity is sluggish to many steel consuming sectors, with the exception of the automotive industry.

Prices in western Europe have deteriorated, in general, in July. Fierce competition from overseas suppliers is forcing domestic mills to lower their offers. Southern Europe is taking the brunt of the imports. However, material has been penetrating the northern markets, of late. Transaction figures could decrease further during the summer.

## FLAT PRODUCTS

### HOT ROLLED COIL

US steelmakers have announced price increases, this month. This has put some upward pressure on transaction values, with a modest rise being secured, in July. Demand is slowing a little, ahead of the summer holidays. Mill delivery lead times are starting to stretch out but are still below four weeks from some suppliers. Imports are available at US\$420 per tonne, loaded on truck at port. These offers may become more attractive if domestic selling figures continue on their upward path. There is plenty of third country material available in the Canadian market. Local mills are attempting to implement price hikes but are experiencing limited success. Our tabled numbers are unchanged, this month. Sales remain subdued as customers continue to purchase only for their immediate needs. Producers, in Canada, are obtaining sizeable orders from US customers, due to the beneficial currency exchange rates. This is providing some relief to local suppliers.

There is intense competition for orders between domestic mills, in China. Prices have dropped to their lowest level in over a decade, decreasing by more than 12 percent from June's figure. Demand continues to weaken. Oversupply remains a problem with many steel producers losing money on every tonne they sell. Sentiment is gradually stabilising, after panic ensued surrounding the stock market

crash. Nevertheless, further price deterioration is likely in the short term. Japanese steelmakers have kept selling values stable, in July. Domestic buyers are holding off making purchases as they anticipate price reductions in the near future. Mills are trimming output due to elevated inventory levels. Export offers have declined because of fierce competition from Chinese suppliers.

Steelmakers in South Korea have rolled over last month's selling values. Demand from local buyers is

### CURRENCY EXCHANGE RATES

		US dollars (US\$)	
		1-Jun	1-Jul
Canada	C\$	1.255	1.256
China	RMB	6.199	6.202
Japan	Yen	124.6	123.0
South Korea	KRW	1116	1125
Taiwan	NT\$	30.87	30.94
Poland	ZL	3.781	3.780
Czech Rep	KC	25.15	24.61
Eurozone	€	0.916	0.902
UK	£	0.659	0.640

## FLAT PRODUCTS DOMESTIC TRANSACTION PRICES

price/metric ton

		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	550	605	665	732	1790	63.0	580.0	14.5	1830	11900
	Low	495	545	602	662	1720	59.0	550.0	12.0	1630	11000
Hot Rolled Plate	High	623	685	814	895	1670	77.0	610.0	15.7	2090	13600
	Low	568	625	750	825	1610	71.0	590.0	13.2	1940	13000
Cold Rolled Coil	High	645	710	755	830	2260	73.0	670.0	15.0	2170	14100
	Low	582	640	691	760	2170	68.0	640.0	13.5	1970	13100
Hot Dipped Galvanised Coil	High	725	798	882	970	2800	84.0	800.0	17.3	2510	15200
	Low	671	738	818	900	2690	79.0	760.0	15.0	2260	14700
Electro-Zinc Coated Coil	High	745	820	NA	NA	NA	89.0	830.0	21.0	2590	15500
	Low	691	760	NA	NA	NA	83.0	770.0	20.0	2290	14800

+ 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	432	440	440	420	322	454	410
	Low	395	400	400	380	297	418	390
Hot Rolled Plate	High	512	525	485	485	394	555	495
	Low	470	485	435	445	364	513	445
Cold Rolled Coil	High	523	530	535	500	379	534	515
	Low	480	490	495	450	344	485	475
Hot Dipped Galvanised Coil	High	583	587	587	537	448	631	572
	Low	540	547	547	487	408	575	532
Electro-Zinc Coated Coil	High	585	584	579	569	448	631	559
	Low	541	534	549	529	408	575	519

## PRODUCT DEFINITIONS

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

Hot Rolled Plate - 15-40mm thickness, width over 2.0 metres - except China and Taiwan width less than 2.0 metres and USA and Canada 1-1.5 inches thickness, width over 60 inches.

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

Hot Dipped Galvanised Coil - 1mm thickness, width over 1.1 metres, standard coating - except Eastern Europe sheet form, USA and Canada 0.05 inches thickness, width over 40 inches, coating G90 and EU coating thickness 275 gm/m<sup>2</sup>.

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

**FLAT PRODUCTS DOMESTIC TRANSACTION PRICE FORECASTS - N AMERICA (US\$/metric ton)**

Based on low values	Actual		Forecast				
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
<b>Hot Rolled Coil</b>	542	540	535	525	525	535	555
<b>Hot Rolled Plate</b>	630	620	610	610	610	620	635
<b>Cold Rolled Coil</b>	635	635	630	625	625	635	650
<b>HD Galv Coil</b>	735	735	730	725	725	735	750
<b>EZ Coated Coil</b>	760	760	755	750	750	760	775

lacklustre. However, healthy export sales are filling up mill order books. Import volumes are reducing. Low-priced material from China is putting negative pressure on domestic selling figures in Taiwan. Our tabled numbers have decreased by 4 percent, in July. Demand remains muted.

Polish numbers are unchanged, whereas those in the Czech and Slovak markets are lower than a month ago. There is some downward price pressure, mainly due to the availability of cheap imports. Buyers in western European nations negotiated discounts, in July. Fierce competition from third county suppliers has driven down domestic selling values. A significant decrease, of over 8 percent, was recorded in Spain.

### HOT ROLLED PLATE

Prices have weakened further in the US. In July, a decrease of US\$15 per tonne has been noted. Mills are competing for sales in an attempt to fill their order books. Delivery lead times are down to just three to four weeks. Despite recent decreases in inventory levels at the service centres, stocks remain bloated. This is, however, helping to deter imports. Sales volumes to the local construction industry are healthy. Canadian plate producers have managed to hold transaction values steady, this month. However, sales are slowing in preparation for the summer vacation. Energy and mining activity is weak. De-stocking programmes continue at many distributors across the country. Service centre re-sale margins are low.

Export prices, from China, continue to reduce. Overseas demand is dwindling, with further cuts to selling values probable in the near term. New orders from the local shipbuilding sector have fallen significantly, in the first half of this year. Our domestic transaction figures are down RMB210 per tonne, in July, month-on-month. Baosteel will cut official ex-works prices for August deliveries by RMB100 per

tonne. Japanese plate producers have rolled over June selling values, this month. Import offers have decreased. Sales to the construction sector remain subdued. A surge in ship orders has been recorded, ahead of the implementation of new regulations, for vessels ordered after July. These policy changes should benefit the Japanese steelmakers in the future. A temporary halt in plate production has been reported at Tokyo Steel, in July.

Prices are stable, in South Korea, this month. Imports of plate have eased a little, of late. Nevertheless, the domestic market remains oversupplied. Demand from the shipbuilding and construction sectors is weak. Reductions in transaction values have been noted in Taiwan, in July. Local plate producer, CSC, is preparing information for an imminent trade complaint against imports from China and Southeast Asia.

Selling figures are lower than a month ago in Poland, Czech Republic and Slovakia. Steelmakers in Germany, France and Italy were forced to reduce their offer prices for commodity grade plate for July orders, due to strong competition from imported material. Elsewhere in western Europe, local selling

### MEPS - API LINEPIPE STEEL PRICE INDEX X60/65 COMPOSITE

	Hot Rolled Plate		Hot Rolled Coil	
	Q1/15	Q2/15p	Q1/15	Q2/15p
<b>EU Average</b>				
<b>Non Sour</b>	94.0	83.8	115.3	101.0
<b>Sour</b>	99.5	89.3	114.1	100.7
<b>Asia Average</b>				
<b>Non Sour</b>	105.2	96.2	130.8	116.6
<b>Sour</b>	112.3	101.7	126.7	116.3

\* Q4/06 = 100 - based on US dollar values

\*\* p = Provisional

values were rolled over from June. The domestic plate market remains dull.

## COLD ROLLED COIL

Most US mills successfully negotiated a US\$10 per tonne rise for July orders. Antidumping suits against Brazil, China, India, Japan, Netherlands, Russia, South Korea and the UK have just been filed. This was anticipated by the market and is discouraging some US customers from purchasing overseas. Import offers are reported to be in the region of US\$530 per tonne, loaded on truck, into the US. Consequently, local buyers continue to purchase large quantities from foreign suppliers. The automotive sector is recording strong sales growth. New import offers into Canada are becoming less frequent. Domestic mills have managed to hold on to last month's prices, despite weak sales volumes and elevated inventories.

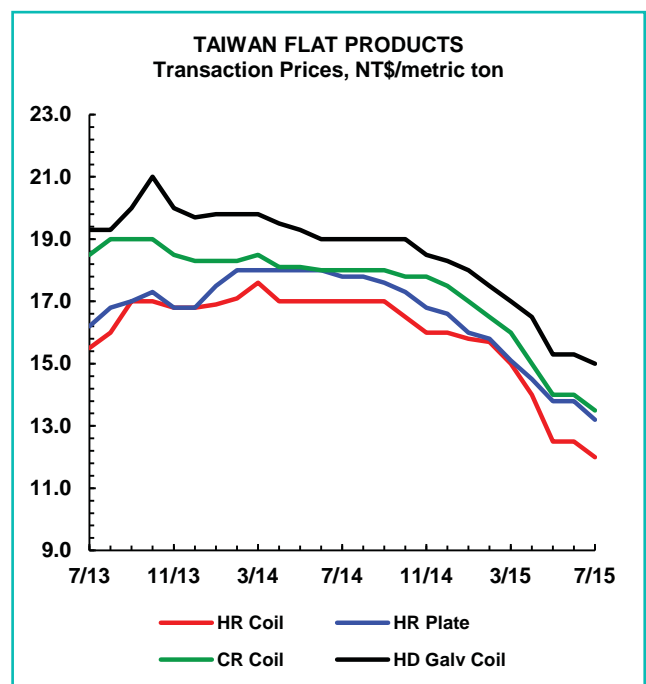
Chinese domestic market conditions continue to deteriorate, with no end in sight to the downward price trend currently under way. Our tabled numbers have fallen by RMB320 per tonne, since June. The limited export orders available are being concluded at reduced selling values. Oversupply is becoming an even bigger problem in the local market. Our tabled numbers are unchanged, in Japan, this month. Inventories remain bloated. Demand from the automotive manufacturers is weak.

South Korean suppliers have managed to bring the downward price trend to a halt, in July. Our tabled figures are unchanged. Demand for cold rolled material is depressed. In Taiwan, selling values have been cut by NT\$500 per tonne, this month. Export volumes continue to be hit by the abundance of cheap Chinese offers. Domestic sales volumes remain subdued.

Polish selling values are stable, whereas those in the Czech/Slovak market have decreased, in July. Demand is reasonable. Prices in Germany are unchanged, for now. Those in other western countries deteriorated due to the abundance of cheap Chinese and Russian material. However, the antidumping investigation is now restricting the quantities of cold rolled coil arriving from China. Sales to the automotive industry remain healthy.

## COATED COIL

Coated coil prices, in the US, are stable, in July. Demand from the automotive sector is good. Sales of light vehicles remain consistently high, at pre-recession levels. Construction activity continues to grow. The recently opened trade case against multiple Asian and European suppliers is suppressing imports.



Nevertheless, Turkish suppliers are offering material at around US\$560 per tonne, loaded on truck at port. In Canada, domestic selling values are stable, at the June figure. Overall demand is still weak and inventory levels bloated.

Sales of passenger cars are lacklustre, in China. Demand for commercial vehicles is particularly poor. The construction sector is also performing badly. The white goods market is reasonably healthy, in comparison. Production of coated coil remains well in excess of local consumption. Domestic prices have decreased by RMB140 per tonne, in July. Potential antidumping actions by the US and Europe could restrict export volumes and put further downward pressure on coil selling values in the coming months. The hike in consumption tax, initiated in April 2014, is still depressing vehicle sales, in Japan. Export volumes of coated coil are down, year-on-year. Nevertheless, local suppliers have managed to hold on to June's prices.

Further price erosion has been noted in the South Korean market for coated products, this month. Demand from the automotive, home appliance and building sectors continues to weaken. Local carmakers will try to push for decreases in their contract prices with Korean steel mills. In Taiwan, selling values have decreased, in July, for hot dipped material. Import competition is fierce and domestic demand is subdued. Electro-zinc coated coil transaction figures remain static.

Polish suppliers have kept transaction numbers stable, this month. Prices in the Czech and Slovak markets

have declined, despite healthy car sales. Selling values have reduced in west European countries, with the exception of Germany, where local suppliers have hung on to June's prices. Growing import volumes

could push selling figures down in August, across the region. The auto sector continues to perform well but the carmakers will still try to negotiate price cuts for second half, 2015 contracts.

## LONG PRODUCTS

### WIRE ROD

Import offers, to US buyers, are trending downwards, making them increasingly attractive. Turkish material is reportedly available at US\$470/475 per tonne, loaded on truck, at port. Following further price increases by domestic producers, our tabled numbers for wire rod have moved up by US\$25 per tonne, this month. The growing price differential between US and foreign suppliers could result in increased import tonnages in the fourth quarter. However, the imminent closure of ArcelorMittal's Georgetown mill is likely to restrict local supply. In July, Canadian transaction values are unchanged. The domestic market remains quiet.

Chinese mills continued to curb output in a bid to boost local selling values. However, subdued demand from the construction sector, and falling raw material costs, resulted in Chinese domestic prices losing 8.4 percent, since our last report. Japanese prices are stable, in July. Demand from the construction sector remains weak. South Korean selling values have been rolled over from June. Taiwanese suppliers have lost part of the increase they secured last month. Our tabled numbers have fallen by NT\$300 per tonne.

Prices, in Poland, were unchanged, whereas Czech/Slovak selling values moved down slightly, in July. In western Europe, recoil producers managed to hold onto June's prices in France, Spain and the United Kingdom. Suppliers secured an advance in Germany due to higher scrap costs. A small decrease was noted in the Italian market but conditions remain challenging in most countries.

### MEDIUM SECTIONS AND BEAMS

Demand has picked up, of late, in the US. The non-residential construction sector is slowly improving. Quotations from third country suppliers are competitive. These offers are preventing local prices from rising. Consequently, our tabled numbers are unchanged, in July. Delivery lead times from domestic mills remain short. Canadian producers have managed to hang on to last month's selling values. This is despite weakening market conditions. Buyers are wary about the future direction of prices. Consequently, they are unwilling to build inventories at this time.

Chinese mill transaction figures have decreased by 8.5 percent, in July. Demand from the non-residential building sector continues to soften. In Japan, inventory levels are satisfactory and sales volumes are increasing. NSSMC decided to leave official list prices for July contracts unchanged. Selling values are likely to be stable or down in the near term because of falling scrap costs and reduced seasonal demand, from the construction sector, over the summer period.

Slight upward pressure has been noted, in South Korea, of late. However, this has yet to filter through to increased market prices. For now, our tabled figures are unchanged. Maintenance works at several plants are planned during the summer. Selling values could, therefore, increase soon. In Taiwan, prices declined by NT\$300 per tonne, this month.

We have noted no changes in Poland. Czech/Slovak mills have conceded a small discount as market

### LONG PRODUCTS DOMESTIC TRANSACTION PRICE FORECASTS - N AMERICA (US\$/metric ton)

Based on low values	Actual		Forecast				
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
<b>Wire Rod</b>	595	590	570	570	570	580	595
<b>Medium Sections</b>	746	745	745	735	720	725	735
<b>Reinforcing Bar</b>	621	620	620	610	605	610	620
<b>Merchant Bar</b>	732	730	730	725	720	730	740

conditions weaken ahead of the summer holidays. Prices are unchanged in most western European nations, in July. Selling figures decreased in Italy. Buyers are wary about the future movements in scrap and beam values. Sales activity remains lacklustre.

## REINFORCING BAR

Import offers have been reported as low as US\$420 per tonne, loaded on truck, in the United States. For now, domestic transaction values are unchanged from June. Market participants believe that local suppliers, under pressure from cheap foreign material, could

reduce prices, in the short term. Demand remains healthy, particularly from the residential building sector. Consumption, in Canada, has improved since earlier in the year. Nevertheless, customers are ordering only for their immediate needs, sometimes on a day-to-day basis. There is a lot of competition from various overseas suppliers. Consequently, domestic mills have conceded a C\$15 per tonne decrease, this month.

In China, activity in the real estate market is trending downwards. New construction starts are dwindling. The outlook for this sector is weak. In July, selling values have decreased by RMB200 per tonne. Japan's

## LONG PRODUCTS DOMESTIC TRANSACTION PRICES

price/metric ton

		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)
Wire Rod	High	605	665	714	785	1820	66.0	605.0	17.7	1700	12000
	Low	541	595	650	715	1750	63.0	575.0	15.7	1600	11400
Medium Sections and Beams	High	741	815	882	970	1900	77.0	680.0	20.2	2480	16300
	Low	682	750	827	910	1830	74.0	650.0	19.0	2330	15300
Reinforcing Bar	High	609	670	714	785	1730	58.0	615.0	13.6	1780	12300
	Low	573	630	650	715	1660	56.0	585.0	12.0	1680	11500
Merchant Bar	High	691	760	873	960	2060	76.0	655.0	16.8	2190	14700
	Low	664	730	845	930	1980	72.0	605.0	16.3	2090	13700

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

		EU AVG (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Wire Rod	High	463	460	450	450	380	535	460
	Low	439	440	420	430	350	493	430
Medium Sections and Beams	High	605	620	595	585	450	634	570
	Low	560	570	555	550	410	577	530
Reinforcing Bar	High	435	455	445	410	350	493	445
	Low	417	435	415	400	320	451	425
Merchant Bar	High	543	545	520	530	405	570	565
	Low	511	505	500	510	385	542	505

## PRODUCT DEFINITIONS

Wire Rod (Mesh Quality) - 8-12mm diameter - except USA and Canada 0.3-0.5 inches and China 6.5mm (high speed).

Medium Sections and Beams - 240 x 240mm H-Beam - except USA and Canada 10 x 10 inches wide flange beam and China 300 x 300mm H-beam.

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

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

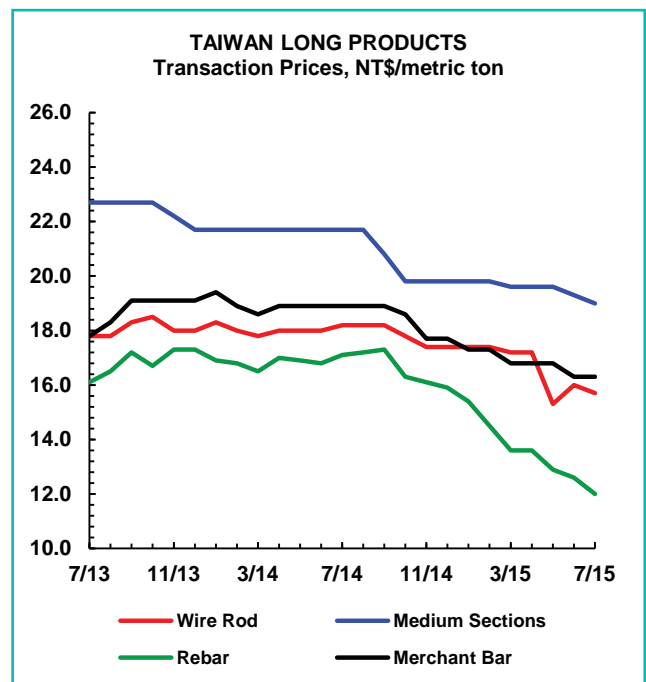
largest rebar maker, Kyoei Steel, announced it will lift official list prices for July contracts by ¥2000 per tonne. However, market values have remained stable as buyers are reluctant to pay more while scrap costs are reducing. Demand from the construction sector is slowing.

The building industry, in South Korea, is growing. Some domestic producers are postponing annual maintenance works in order to take advantage of increased sales activity. Inventory levels are reducing. Local mills have been able to secure significant price rises, in excess of 12 percent, during recent negotiations. Taiwanese rebar transaction values have decreased by NT\$600 per tonne, in July. Scrap and billet costs continue to fall and domestic demand remains weak. Further price erosion is likely, in the coming months.

Rebar selling figures, in Poland, are likely to soften, in the near term. Scrap costs are reducing and sales activity is slowing. Our tabled numbers are unchanged, for now. Czech/Slovak customers have secured a discount of over 4 percent on last month's figures. Public works contracts are dwindling, with sales to the construction sector expected to reduce as a result. Suppliers in Germany secured price advances in June, after our last research had been conducted. However, some of this has since been lost. Reduced export demand, during the holy month of Ramadan, put pressure on southern European markets. In July, Italian and French suppliers conceded discounts.

## MERCHANT BAR

Overall demand levels, in the US, are reasonable, except from the agricultural and mining sectors.



Despite continued pressure from competitively-priced imports, domestic steelmakers have kept selling values stable, this month. Service centre re-sale margins are low. In Canada, merchant bar selling values are unchanged, in July. Local buyers expect prices to remain static in the near term. Sales to the manufacturing sector have been decreasing in the last few months.

Consumption is weakening, in China. However, the machinery industry is performing a little better than some other segments. In July, prices have declined by 5.7 percent. Japanese suppliers have rolled over June's figures in recent settlements. Demand from the civil engineering sector is forecast to increase,

## MEPS INDUSTRIAL SECTOR STEEL PURCHASING PRICE INDICES

January 2007 = 100	World		EU		North America		Asia	
	Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
<b>Auto Body Parts</b>	70.8	70.8	60.7	61.0	83.2	83.3	69.9	69.5
<b>Construction Industry</b>	93.8	94.0	75.4	75.9	107.1	107.3	94.4	93.9
<b>Household Appliances</b>	71.4	71.5	62.4	63.0	81.1	81.8	71.6	70.3
<b>Machinery Sector</b>	85.3	84.7	68.7	68.9	98.3	97.8	93.2	91.3
<b>Shipbuilding Industry</b>	73.0	71.9	59.3	59.4	80.1	78.6	84.6	82.3
<b>Shipping Containers</b>	85.6	84.9	67.1	66.6	100.8	101.3	95.3	92.8
<b>Yellow Goods</b>	83.5	82.6	69.6	68.9	94.0	94.1	89.8	87.2



in fiscal year 2015. South Korean selling values are stable, in July. High volumes of imports and subdued export sales are adding to oversupply in the domestic market. Prices are unchanged, in Taiwan, this month.

Market conditions remain quiet in eastern Europe. Nevertheless, Polish suppliers have negotiated a

small rise in effective prices, in July. In the Czech/Slovak region, customers have secured a small decrease. Price erosion was noted in Germany, France and Italy, this month. Elsewhere in western Europe, steelmakers have hung on to June numbers. The proposed rise in size extras, by Beltrame, was not fully accepted in the market.

## MARKET AND INDUSTRY SCENE

### CAPACITY/INVESTMENT

ArcelorMittal will reline blast furnace No.5 at its Krakow plant when it reaches the end of its current life cycle in 2016. The work will cost more than €40 million. The Polish producer also intends to invest in the plant's downstream operations. This includes plans to increase the capacity of its hot strip mill by 900,000 tonnes per year and hot dip galvanising capacity by almost 400,000 tonnes per year.

Husteel is constructing an OCTG line at its plant in Dangjin, South Korea. The new unit will have capacity to produce up to 80,000 tonnes per year. This will add

to the 700,000 tonnes of tubes and pipes currently produced on site each year. Hot trials are scheduled for October, with commissioning expected before the year-end.

### CLOSURE

Dongkuk Steel is set to close its 1.9 million tonnes per year capacity heavy plate mill in Pohang from August 1. The site will be temporarily shuttered as it is not deemed viable in the current market climate due to falling demand from shipbuilders. A decision whether to sell the site or resume operations once market conditions improve will be made at a later date.

## MEDIUM TERM PRICE FORECASTS

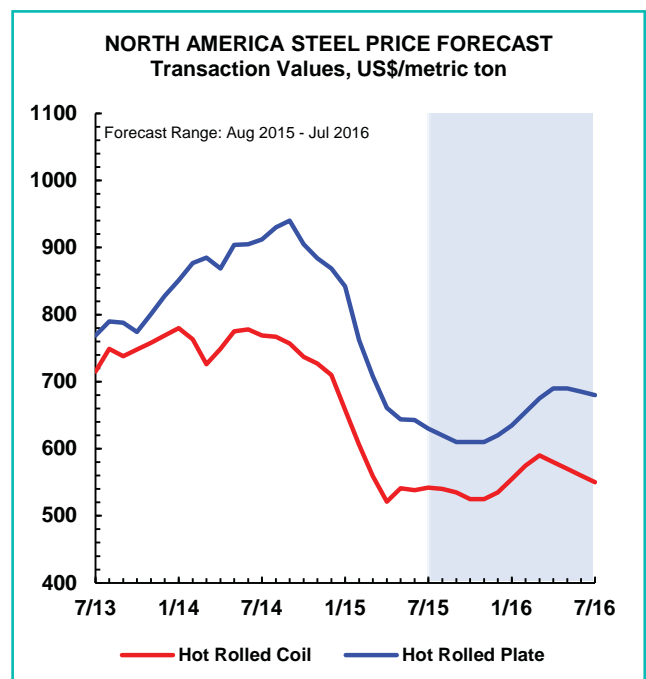
### HOT ROLLED FLAT PRODUCTS - NORTH AMERICA

The MEPS - North America average hot rolled coil price inched up by US\$4 per tonne, in July. Selling figures are expected to be relatively stable in the immediate future. The market is in "wait-and-see" mode as the summer lull depresses activity. There remains little prospect of an upturn in demand to drive prices higher, in the short term. In fact, with elevated inventories at the service centres, short mill delivery lead times and falling scrap costs, selling figures could come under negative pressure, later in the year. Furthermore, a strong US dollar will continue to attract imports.

Trade petitions and labour-related disruptions to production present an upside risk to our predictions. A substantial decline in imports and/or reduced output by domestic steelmakers could lead to supply tightness and enable mills to raise their offers. However, this scenario, while remaining a possibility, is not factored in to MEPS' base case forecast.

The MEPS - North America average hot rolled plate transaction value declined by US\$13 per tonne, this month. The downward movement is forecast to continue in the short term. Demand fundamentals

remain weak. Stock levels are high and material can be acquired from local producers within a few weeks. We believe that prices should bottom out in the latter part of 2015.



### WORLD/REGIONAL AVERAGE TRANSACTION PRICES (US\$/short ton)

		World		EU		North America		Asia	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot Rolled Coil	High	468	463	444	435	543	547	418	406
	Low	426	421	407	398	489	493	384	372
Hot Rolled Plate	High	536	528	516	516	638	626	455	442
	Low	492	485	474	474	585	573	418	406
Cold Rolled Coil	High	545	544	525	527	631	639	479	464
	Low	500	498	483	484	569	577	449	434
Hot Dipped Galvanised Coil	High	635	634	585	587	722	722	597	592
	Low	587	586	541	545	668	668	552	546
Electro-Zinc Coated Coil	High	659	662	582	590	745	745	651	649
	Low	613	615	538	545	691	691	610	607
Wire Rod	High	496	504	458	466	582	605	449	441
	Low	457	465	435	443	518	541	420	412
Medium Sections and Beams	High	615	615	602	610	735	735	506	497
	Low	572	573	555	565	678	678	483	475
Reinforcing Bar	High	480	479	442	438	605	603	393	395
	Low	453	452	424	420	566	565	369	371
Merchant Bar	High	570	570	542	547	692	692	475	472
	Low	542	543	509	515	665	665	452	447

World prices are an arithmetic average of the values identified in three regions (EU, Asia and North America). EU prices are a weighted average of the values identified in Germany, France, Italy, UK and Spain. North America prices a weighted average of the values identified in USA and Canada. Asia prices are an arithmetic average of the values identified in Japan, Taiwan, South Korea and China. All prices are collected in national currencies and converted into US dollars to provide a basis for comparison. Individual product price forecasts are available. Please visit <http://www.meps.co.uk/world-price.htm>.

### WORLD/REGIONAL AVERAGE TRANSACTION PRICE INDICES

	World		EU		North America		Asia	
	Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot Rolled Coil	133.2	131.5	138.3	135.2	134.5	135.5	127.5	123.6
Hot Rolled Plate	137.7	135.6	145.9	145.9	141.3	138.5	125.3	121.8
Cold Rolled Coil	115.8	115.4	117.5	117.7	121.6	123.3	107.6	103.9
HD Galv Coil	111.4	111.2	104.0	104.7	123.1	123.1	106.3	105.3
EZ Coated Coil	114.2	114.6	113.2	114.7	113.4	113.4	116.1	115.6
Wire Rod	162.3	165.2	162.6	165.6	183.9	191.9	141.3	138.5
Medium Sections	146.6	146.9	141.1	143.4	169.5	169.5	128.6	126.4
Reinforcing Bar	163.3	163.0	165.2	163.8	188.8	188.2	134.0	134.7
Merchant Bar	177.9	178.2	175.0	177.2	228.8	228.8	136.2	134.8

Note:- Price indices are calculated using the low figures in the above table - January 1997=100. Individual product price forecasts are available. Please visit <http://www.meps.co.uk/world-price.htm>. Please note - EU price indices in this table are calculated using dollar values and will differ from the euro figures listed on our website.

**NEGOTIATED DOMESTIC TRANSACTION PRICES - MONTH ON MONTH % CHANGE**  
**July 2015 versus June 2015**

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	Rebar	M Bar
<b>USA</b>	0.9	-2.3	1.6	0.0	0.0	4.4	0.0	0.0	0.0
<b>Canada</b>	0.0	0.0	0.0	0.0	NA	0.0	0.0	-2.1	0.0
<b>China</b>	-12.2	-11.5	-12.9	-4.9	NA	-8.4	-8.5	-10.8	-5.7
<b>Japan</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>South Korea</b>	0.0	0.0	0.0	-1.3	-1.3	0.0	0.0	12.5	0.0
<b>Taiwan</b>	-4.0	-4.3	-3.6	-2.0	0.0	-1.9	-1.6	-4.8	0.0
<b>Poland</b>	0.0	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	1.5
<b>Cz &amp; Slov Rep</b>	-5.2	-1.5	-3.0	-3.3	-2.6	-2.6	-1.3	-4.2	-2.1
<b>EU (average)</b>	-3.7	-1.5	-1.2	-0.9	-0.2	0.2	0.0	-2.3	-0.4
<b>Germany</b>	-3.6	-2.0	0.0	0.0	0.0	1.1	0.0	1.2	-1.0
<b>France</b>	-2.4	-2.2	-2.0	-1.8	0.0	0.0	0.0	-1.2	-1.0
<b>Italy</b>	-3.8	-2.2	-3.2	-3.0	-1.9	-1.1	-1.8	-5.9	-1.0
<b>UK</b>	-1.7	0.0	-1.4	-1.2	1.2	0.0	0.0	0.0	0.0
<b>Spain</b>	-8.2	0.0	-2.1	-2.7	-2.8	0.0	0.0	0.0	0.0

**TRANSACTION PRICE INDICES (based on local currency per metric ton values)**

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	Rebar	M Bar
<b>USA</b>	95.6	71.0	100.0	86.5	96.2	77.3	82.4	95.5	77.7
<b>Canada</b>	97.1	75.0	98.7	96.8	-	84.1	91.0	94.1	88.6
<b>China</b>	52.9	52.1	60.8	72.7	-	58.9	55.6	51.9	63.9
<b>Japan</b>	88.1	88.8	85.5	86.8	90.2	96.9	94.9	80.0	87.8
<b>South Korea</b>	67.9	67.0	70.3	77.6	78.6	87.1	77.4	82.4	86.4
<b>Taiwan</b>	75.0	73.3	67.5	73.2	100.0	95.2	88.4	77.4	88.1
<b>Poland</b>	91.6	78.9	93.4	99.1	106.0	97.0	93.2	120.0	104.5
<b>Cz &amp; Slov Rep</b>	88.0	72.6	86.8	93.0	95.5	102.7	90.0	105.5	98.6
<b>Germany</b>	88.9	69.8	89.9	93.3	91.0	100.0	97.1	94.6	94.4
<b>France</b>	87.0	62.6	90.8	93.3	92.0	105.0	106.1	96.5	93.5
<b>Italy</b>	92.7	73.0	96.8	98.2	100.4	100.0	88.3	95.2	93.6
<b>UK</b>	73.2	61.3	75.9	82.6	84.5	87.5	60.3	86.5	83.7
<b>Spain</b>	92.9	67.0	102.2	103.1	100.4	104.9	91.4	103.7	91.0

Price indices are calculated using the low figures in the transaction price tables - January 2009 = 100

## TRANSACTION PRICE DEFINITIONS

Transaction values relate to those agreed by steelmakers and service centres for prime material in the specified steel products. Prices are for regular business between customers and their local steel mills, negotiated during the current month for delivery in the future.

Transaction prices include extras for size and coating, where applicable, for the lowest priced grade of steel - sold ex-works/ex-mill. Additional extras for processing, packaging, testing and inspection are excluded. 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 its 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:

USA - mid west spot transaction prices from the domestic mills.

China - spot transactions between the mills and first tier distributors across the main consuming regions.

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 and the high price refers to ex stock mill sales through selected outlets.

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 the use of our published data, however it may arise.

***The August issue of the International Steel Review will be dispatched by post & PDF on 26 August, 2015.  
Express Price Tables will be dispatched by e-mail in excel format on 21 August, 2015.***

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