

# DEVELOPING MARKETS' STEEL REVIEW

SEPTEMBER 2009

## COMPARISON OF TRANSACTION PRICES (\$US/tonne)

		HR Coil	HR Plate	CR Coil	HD Galv	W Rod	M Sect	R Bar	M Bar
<b>Russia</b>	<b>Low:</b>	451	501	525	791	435	599	462	477
<b>Ukraine</b>	<b>Low:</b>	462	498	568	722	460	684	459	451
<b>Turkey</b>	<b>Low:</b>	600	730	730	830	485	620	465	500
<b>India</b>	<b>Low:</b>	583	619	634	675	536	644	562	549
<b>UAE*</b>	<b>Low:</b>	535	575	605	740	495	590	475	535
<b>South Africa</b>	<b>Low:</b>	631	829	754	844	739	913	686	738
<b>Brazil</b>	<b>Low:</b>	830	-	1017	1188	857	990	830	857
<b>Mexico</b>	<b>Low:</b>	620	739	687	739	591	679	554	628
<b>D. Markets' Avg.</b>	<b>Low:</b>	589	642	690	816	575	715	562	592

### MONTH on MONTH % CHANGE

<b>Russia</b>	<b>Low:</b>	15.1	3.1	1.7	4.4	11.0	-0.2	19.4	12.8
<b>Ukraine</b>	<b>Low:</b>	4.3	0.0	5.0	6.5	14.1	0.0	10.6	0.0
<b>Turkey</b>	<b>Low:</b>	7.1	0.0	18.7	18.6	-1.0	2.5	-4.1	0.0
<b>India</b>	<b>Low:</b>	3.2	-2.2	2.6	4.0	-2.4	-	1.3	-4.0
<b>UAE</b>	<b>Low:</b>	0.0	0.0	0.0	3.5	0.0	-2.5	0.0	1.9
<b>South Africa</b>	<b>Low:</b>	5.0	5.1	5.2	5.1	5.1	5.1	5.1	5.1
<b>Brazil</b>	<b>Low:</b>	8.8	-	3.7	1.4	-1.7	-1.9	-1.8	-1.7
<b>Mexico</b>	<b>Low:</b>	-3.9	-3.7	-2.7	-3.7	-3.7	-3.8	-3.8	-3.7
<b>D. Markets' Avg.</b>	<b>Low:</b>	4.6	0.3	4.2	4.6	1.8	-1.5	2.3	0.8

\*Import prices

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## MARKET HIGHLIGHTS

### **STEEL PRICES IN DEVELOPING MARKETS CONTINUE TO INCREASE IN SEPTEMBER**

Turkish long product quotations stabilised in September. The upward movement in semi-finished steel and scrap values has been less pronounced. In contrast, export prices have fallen slightly owing to weak demand. Negotiated prices have, however, continued to rise in the domestic flat products market. Erdemir has been trying to fulfil its delayed third quarter supply. The mill is not accepting any new orders for galvanised and cold rolled materials until December.

The UAE market is now relatively quiet. Sentiment is mixed amongst local steel merchants. The more positive are forecasting improved trading activity at the end of Ramadan. The emergence of material from Mainland China has checked the spike in import values. Local rebar producers have raised their domestic offers in response to higher billet and scrap values.

Sentiment amongst Indian flat product steelmakers remains upbeat. Domestic offers for flat rolled material have risen once more. Further increases are likely to follow, as the country enters its pre-festive season. This is a period when demand for consumer durables is traditionally strong. There are also positive vibes being felt in the long products segment. The effective prices of construction steel have stabilised. Previously negotiated deals were on a downward trajectory. Orders from the building sector are now expected to harden.

The South African steel industry is still troubled by weak economic fundamentals. Underlying demand is still driven primarily by state-funded capital projects. Private buyers are still largely absent despite the government's stimulus measures. In spite of the

economic woes, nearly all distributors have raised their basis prices. Further adjustments are expected next month. ArcelorMittal South Africa (AMSA) has announced its flat steel basis prices would rise by as much as 4 percent in October. In contrast, long product basis values are unchanged.

The Brazilian steel industry has continued to benefit from the government's stimulus strategy. The measures have primarily focused on large-scale public infrastructure projects, reduced duty on new cars and a series of tax breaks. Healthier economic fundamentals have made internal producers bullish. This month, Usiminas, CSN and ArcelorMittal raised their domestic flat steel products prices by an average of 13 percent. Long product values are stable.

Plant utilisation rates at Russian steelmakers are on average approaching 75 percent. In September, most of the major mills persisted with their August activity levels. Nevertheless, Severstal announced plans for a substantial increase in output. The producer will raise supply by 13 percent to 850,000 metric tonnes. The Ukrainian steel industry is also showing signs of recovery. Finished production in August increased by 6.3 percent to 2,415,000 tonnes compared to July. However, shortages in the local market and low inventories are now starting to propel domestic prices higher.

The Mexican market is, so far, exhibiting no positive signs of recovery. Sentiment is subdued amongst end-users and this is echoed in low sales volumes. Manufacturers are still waiting for US consumer spending to rebound. Local steel producers have left the majority of their basis prices unchanged.

## FLAT PRODUCTS

### **HOT ROLLED COIL**

Turkish transaction values have continued to move in an upward trajectory. End-user purchasing activity is stronger than at the start of 2009, but it is still not supporting Erdemir's recent price adjustments. Buyer loyalty has been undermined by the mill's \$US120 per tonne rise since early July. Until recently, end-users preferred to acquire locally produced material. A few service centres have started to place orders for imported coil, with the view of selling it on at a higher

price in the fourth quarter. Isdemir has started to supply material but the steelmaker's production is still not frequent enough for most consumers. A few merchants criticised Erdemir for taking advantage of the 13 percent import duty. This was reduced to 9 percent, effective September 18. The emergence of suppliers from Mainland China has the potential to change this. A few users are hoping that low quotations will force Erdemir to rein in its pricing strategy.

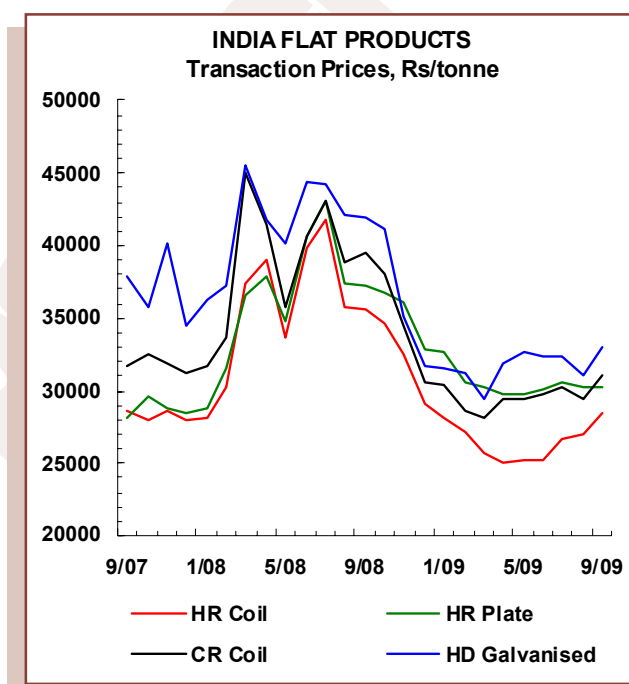
Hot rolled coil transaction values have stabilised in

the UAE. Previously, import prices had been on an upward trajectory. The onset of Ramadan and weak end-user demand have only recently becoming relevant factors. Inventory rebuilding has also slowed. Distributors are now adopting a wait and see strategy. The collapse, witnessed last year, still weighs heavily on the minds of the market participants. The re-entry of Chinese coil has been noted. Negotiated prices are now expected to fall.

In early September, Brazilian steelmakers raised their domestic offers by 5 to 13 percent. In a double blow, Usiminas and CSN also reduced their discounts. Buyers have vocally criticised both the new prices and payment terms. Moreover, support for the removal of the import duty is increasing. Manufacturers fear that the cost of locally produced coil will continue to rise. A few Brazilian end-users have started ordering imported coil. In mid-September, material from Asia was being offered to local customers at \$US580/590 per tonne CFR Santos. Exporters have also seen their overseas markets cool. Asian coil customers were offered material at \$US620/680 per tonne CFR Asia. Orders at these levels have been modest – Brazilian traders are now forecasting a retreat to August volumes.

Market sentiment in South Africa is still downcast. Service centres and stockists have seen little improvement in the domestic market. Active buyers are still uncommon. The true impact of AMSA's "allocations" policy is unknown. This restriction was introduced at the start of last month. The mill is also proposing to raise its coil basis price by nearly 4 percent in October.

Weak purchasing activity in the Russian market has broken the pricing consensus amongst the steel majors. Different positions have been adopted this month. The cost of MMK material purchased on a pre-payment basis has risen, whilst Severstal opted for a



slight reduction. A few service centres have opted to lower their quotations. The majority are expected to refrain from procuring material this month owing to high inventory levels.

Mexican service centres have accepted the mills' recent price adjustments. A few have attempted to pass on the increase, but their buyers are still price-sensitive. No revisions are expected this month due to weak end-user demand. Local factories producing white goods are still operating in difficult trading conditions.

Indian majors have revealed marginal adjustments to their coil basis values. The country's largest state-run steel producer, Steel Authority of India (SAIL) has raised its flat product prices by as much as Rs1,500 per tonne. Tata Steel has raised its offers

### FLAT ROLLED PRODUCTS TRANSACTION PRICES - UAE\* (\$US/tonne)

Based on low values	2009						
	MAR	APR	MAY	JUN	JUL	AUG	SEP
Hot-rolled Coils	387	375	365	435	490	535	535
Hot-rolled Plates	498	460	460	485	550	575	575
Cold-rolled Coils	448	445	445	460	560	605	605
H.D. Galv Coils	582	547	547	630	670	715	740

by 2 to 3 percent. The private producer is reporting stronger orders from the automobile and infrastructure sectors.

Cold-rollers and galvanisers are still purchasing on an "import-parity" basis from leading Indian producers. In early September, CIS material was being offered at \$US550/565 per tonne CFR whilst Chinese coil traded at \$US540/560 per tonne CFR. CIS producers are expected to return with similar offers.

## HOT ROLLED PLATE

The Turkish plate market is still subdued. Machinery manufacturers and ship builders remain on the sidelines. Erdemir raised its plate basis price to \$US730 per tonne ex-works in early September. The latest adjustment has been roundly criticised. Demand is not expected to recover until after Ramadan has ended. Meanwhile, plate from Mainland China, CIS and Europe has entered Turkey at \$US610/650 per tonne CFR. Material from European mills is more

attractive because it is exempt from a 13 percent import duty. Furthermore lead times are shorter and there are less concerns over quality. Next month, buyers may benefit from a presence of surplus material.

Plate offers in Russia and Ukraine continued to rise in September. CIS producers' domestic offers are starting to shadow movement in their export markets.

South African buyers are still reluctant to return to the market. It is a well held belief that locally produced plate is overpriced. Various larger merchants are in the process of importing plate.

The business climate in Mexico continues to be difficult. There has been little movement in local steel prices this month. Buyer sentiment is still weak which is reflected in low sales volumes.

The availability of plate from Chinese suppliers will, more than likely, facilitate lower transaction values in the UAE. Plate users are expected to utilise Chinese

## FLAT-ROLLED PRODUCTS - TRANSACTION PRICES

price/tonne		Russia (RUB)	Ukraine (UAH)	Turkey (\$US)	India (Rs)	UAE* (\$US)	S Africa (R)	Brazil (R\$)	Mexico (Mex\$)
Hot Rolled Coil	High:	15000	3840	630	30000	570	5133	1950	8900
	Low:	14300	3652	600	28500	535	4889	1550	8400
Hot Rolled Plate	High:	18390	4235	780	34000	590	6775	-	10500
	Low:	15900	3936	730	30300	575	6422	-	10000
Cold Rolled Coil	High:	18500	4580	740	33000	650	5983	2200	10000
	Low:	16650	4490	730	31000	605	5837	1900	9300
Hot Dipped Galvanised Coil	High:	26500	5818	860	36000	760	6680	2350	10500
	Low:	25100	5704	830	33000	740	6536	2220	10000

### MONTH on MONTH % CHANGE

Hot Rolled Coil	Low:	15.3	4.3	7.1	5.6	0.0	0.0	10.7	0.0
Hot Rolled Plate	Low:	3.2	0.0	0.0	0.2	0.0	0.0	-	0.0
Cold Rolled Coil	Low:	2.0	5.0	18.7	5.1	0.0	0.0	5.6	1.1
H.D. Galv Coil	Low:	4.6	6.6	18.6	6.5	3.5	0.0	3.3	0.0

### PRODUCT DEFINITIONS

**Hot-Rolled Wide Coil** - 2-3mm thickness, width over 1.1 metres.

**Hot-Rolled Plates** - 15-40mm thickness, width over 2.0 metres.

**Cold-Rolled Coils** - 1mm thickness, width over 1.3 metres. - except India 0.8mm thickness.

**Hot Dipped Galvanised Coils** - 1mm thickness, width over 1.1 metres, coating thickness 275 gm/m<sup>2</sup>. - except India: 0.63-0.8mm, Russia 1.0-1.4mm and Ukraine: 1.0-1.5mm thickness.

**CURRENCY EXCHANGE RATES**

September 3 - 2009

		Units/ US\$
Russia	(RUB)	31.74
Ukraine	(UAH)	7.900
Turkey	(TL)	1.506
India	(Rs)	48.92
UAE	(AED)	3.673
S Africa	(R)	7.746
Brazil	(R\$)	1.868
Mexico	(Mex\$)	13.54
Eurozone	(€)	0.698

quotations to bring down their negotiated prices. Merchants have informed us that Chinese plate has been offered at \$US560/580 per tonne CFR. CIS producers are expected to return with similar offers.

**COLD ROLLED COIL**

The Indian cold rolled market remained upbeat in September. Leading producers raised their basis prices on average by Rs1,500 per tonne. The majority have cited stronger orders from the automotive sector and firm economic fundamentals. Infrastructure and industrial spending are also expected to escalate. The majors are still offering re-rollers material on an import-parity basis. However, the price paid by these manufacturers has risen by \$US100 per tonne since June. CIS producers are offering coil at \$US550/565 per tonne CFR, which is \$US20/25 more expensive than Chinese material.

Sentiment in Turkey remains mixed. Erdemir's latest basis price of \$US700 per tonne (excluding extras), a rise of \$US100 compared to last month, has drawn criticism. End-users had hoped that the mill would have been content with their August gains. CIS producers have also raised their offers to \$US605/640 per tonne CFR (excluding duty).

Russian steelmakers have slightly raised their September offers. Local buyers had feared a larger correction given the recent surge in export prices. In Ukraine, coil has risen by \$US20/40 per tonne compared to August levels. Looking ahead, traders are now forecasting domestic and export quotations to fall in October. The adjustment will be brought about by an excess supply of material. Trader-consumer activity is below the level required to utilise present-day production levels.

Brazilian steelmakers have raised their domestic offers. This movement was predicted last month. The new prices have met buyer resistance. A few merchants have also not been won over. They are sceptical about whether the new offers are sustainable. A significant volume of production is expected to come back on line soon. Lower prices could follow if the market is flooded with unwanted material. In mid-September, material from Asia was entering Brazil at \$US640/650 per tonne CFR Santos. Exporters raised their cold rolled offers to \$US715/780 per tonne CFR Asia.

Business conditions within the South African market are still difficult. The local automotive industry and white goods manufacturers have been the worst affected. The National Association of Automobile Manufacturers of South Africa (NAAMSA) has reported weak trading conditions in August. Compared to the corresponding month last year, sales of new cars and commercial vehicles fell by 26.2 percent to 29,667 units and by 21.9 percent to 9,411 units, respectively.

**HOT DIPPED GALVANISED COIL**

Brazilian producers have informed their customers of the higher domestic offers. The September rise was greater than the forecast at 10 percent. Buyers have also been informed that their discounts are being either reduced or abolished. These had been in place since the onset of the economic downturn. Most observers think these adjustments are unwarranted. Trading conditions have improved compared to early 2009, but sentiment amongst end-users is still low. If domestic offers continue to rise, Brazilian coil users may start to purchase imported coil. In mid-September, material from Asia was being offered to local customers at \$US690/710 per tonne CFR Santos. Exporters have left their coil offers unchanged at \$US980/990 per tonne CFR Asia.

Indian galvanised steel producers have raised their prices on average by Rs1,500/2,000 per tonne in September. Tata Steel was amongst a handful of steelmakers that left their domestic offers unchanged. Uttam Galva Steel is presently reviewing its pricing position. Evidence of the weak market during the monsoon season is also more noticeable.

End-user demand for galvanised material remains stable in Turkey. The favourable trading conditions have made producers bullish. Assan Celik, Tezcan Galvanizli and Erdemir raised their domestic offers by \$US90/120 per tonne. Erdemir introduced a further rise of \$US30 in early September. Merchants believe

that the country's only integrated flat producer is trying to bring its prices into line with its two local competitors. Discounts are still available for customers acquiring material on pre-payment terms.

UAE traders are wary of taking delivery of new material. Inventories are kept to a minimum due to weak trading activity. A surge in demand could easily force prices higher.

Demand continues to hold up in the Russian market. Local producers have raised their domestic quotations

by 2 to 5 percent this month. Trading conditions are expected to remain steady until end-users start to minimise their stocks in November/December. A further upward adjustment is now forecast to take place next month.

In South Africa, AMSA have announced that the basis price will rise by 3 percent in October. This adjustment is still not supported by underlying demand. Trading activity is modest and margins are still under pressure. Last month the steelmaker raised its offers by R200 per tonne, a rise of 4 percent.

## LONG PRODUCTS

### WIRE ROD

Indian demand for wire rod is starting to recover. Business is still expected to be driven by government spending on construction and infrastructure projects. State-owned Rashtriya Ispat Nigam Ltd (RINL) has left its September offers for Mumbai and Chennai unchanged. Steel merchants are now forecasting a period of stability. Last month it was widely expected that wire rod values would undergo a further downward correction.

Sentiment amongst UAE's construction firms is on the mend. Sales activity of commercial and residential properties in both Abu Dhabi and Dubai hardened during June and July, more importantly property price declines are slowing. Disputes over unfinished contracts and outstanding payments are still a problem though. However, developers have once again started to award new contracts and are placing new orders for construction steel. In price terms, imported wire rod values have softened slightly by \$US10/20 per tonne. Merchants in the Emirates are still quick to point out, that the spike witnessed in August was not supported by real demand. Distributors are split over what will happen in the next two months. A few believe values will spike again after Ramadan has ended – citing low inventory levels.

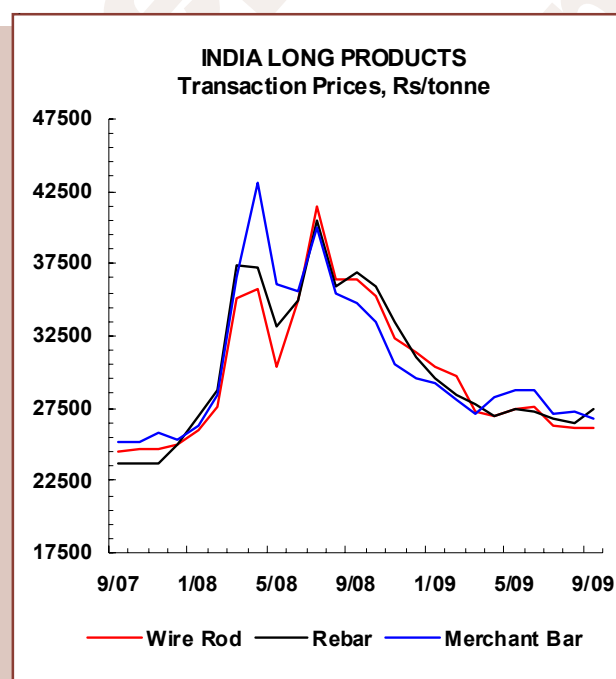
Russian mills have raised their wire rod basis prices by 3 to 5 percent in September. The adjustment was brought about by the upward movement in the cost of domestic semi-finished products.

In Ukraine, negotiated wire rod prices have risen. The adjustment was fueled by the news that Makeyevskiy Steel Works and Yenakiyevskiy Steel Works had reduced their supply. In a separate development, ArcelorMittal Krivoy Rog raised its domestic offer to

UAH3,780-3,810 per tonne ex-works.

Turkish long producers have struggled to breakeven in September. Both domestic and overseas markets have been quiet. Local buyers are looking to conduct deals at \$US470/490 per tonne ex-works. However, a substantial quantity of HMS 1&2 scrap was purchased at prices near \$US300 per tonne FOB (pre-Ramadan). Billet prices have remained unchanged this month. Thus far the producers have held firm but this stance has resulted in poor export sales volumes.

Orders from privately-funded construction developments are still soft in South Africa. No major new projects have been approved in the past 8 months and many of the existing ones are nearing completion. Local producers have left their prices unchanged this month.



Trading conditions in the Mexican wire rod segment have not improved. Sales volumes are still low and transaction values have remained at a standstill. Continued buyer apathy may force a further downward price revision. Production at Villacero's drawing plant, Viga Trefilados, is still suspended.

### MEDIUM SECTIONS AND BEAMS

Turkish structural sections values were raised in early September. The new levels are now more reflective of the recent movement in semi-finished product values. A few traders are forecasting that construction steel usage will grow after Ramadan. Others are less optimistic.

Trading conditions in the UAE are now forecast to remain challenging in the fourth quarter. Physical demand is not expected to pick up significantly next month. Foreign suppliers have lowered their September offers by \$US20/30 per tonne but are hesitant to go any further. However, the pull back has

not been enough to invigorate local interest. Traders are unsure when demand will normalise. State-funded projects are still underpinning local consumption.

Russian structural sections' values are RUB10,000 lower than this time last year. Underlying demand in the country is still yet to recover. Prominent construction projects are still on hold. Evraz's OAO NTMK basis offers to the domestic market remained unchanged in September. Discounts are still available for material acquired on pre-payment terms. However, the steelmaker raised the basis quotations for customers in Kazakhstan and Central Asia by RUB600 to RUB19,100 per tonne.

### REINFORCING BAR

The UAE market is now at a standstill. Soft underlying demand in the run up to Ramadan, and the recent spike in import prices have made traders anxious. In the interim, most have chosen to moderate their orders or stop taking delivery of imported material altogether.

## LONG PRODUCTS - TRANSACTION PRICES

price/tonne		Russia (RUB)	Ukraine (UAH)	Turkey (\$US)	India (Rs)	UAE* (\$US)	S Africa (R)	Brazil (R\$)	Mexico (Mex\$)
<b>Wire Rod</b>	<b>High:</b>	15250	3854	495	27100	515	5870	1900	8500
	<b>Low:</b>	13800	3636	485	26200	495	5727	1600	8000
<b>Med. Sections and Beams</b>	<b>High:</b>	22800	5510	640	34000	630	7237	1900	9500
	<b>Low:</b>	19000	5402	620	31500	590	7074	1850	9200
<b>Reinforcing Bar</b>	<b>High:</b>	15250	3700	480	28700	505	5579	1650	7700
	<b>Low:</b>	14650	3627	465	27500	475	5313	1550	7500
<b>Merchant Bar</b>	<b>High:</b>	17800	3633	520	27950	580	5831	1700	9200
	<b>Low:</b>	15150	3562	500	26875	535	5717	1600	8500

### MONTH on MONTH % CHANGE

<b>Wire Rod</b>	<b>Low:</b>	11.1	14.2	-1.0	0.0	0.0	0.0	0.0	0.0
<b>Sect. &amp; Beams</b>	<b>Low:</b>	0.0	0.0	2.5	-	-2.5	0.0	0.0	0.0
<b>Rebar</b>	<b>Low:</b>	19.6	10.6	-4.1	3.8	0.0	0.0	0.0	0.0
<b>Merchant Bar</b>	<b>Low:</b>	13.1	0.0	0.0	-1.6	1.9	0.0	0.0	0.0

### PRODUCT DEFINITIONS

**Wire Rod (Mesh Quality)** - 8-12mm diameter.

**Medium Sections and Beams** - 240mm x 240mm H Beam. - except Turkey: IPE-NPI (220mm-250mm)

**Reinforcing Bar (Deformed)** - 16-20mm diameter.

**Merchant Bar** - 50 x 50mm x 6mm equal angle. - except Ukraine: 50 x 50 x 3-5mm and Turkey: 50 x 50 x 5mm

This strategy is not expected to last long. Inventory levels are already low. Shortages could force negotiated prices higher. Local rebar producers upgraded their positions to reflect the recent rise in semi-finished products' values. This adjustment has made imported rebar more competitive. Observers would not be entirely surprised if local rebar values breached AED2,000 per tonne ex-works (\$US544) – before retreating to July levels.

Weak economic fundamentals continue to trouble the South Africa market. AMSA and Cape Town Iron & Steel Works (Pty) Ltd have left their offers unchanged. There is uncertainty whether rebar values will be raised or kept stable in October. Steelmakers have yet to confirm their pricing intentions.

The Turkish rebar market is relatively quiet. Material was quoted at \$US460/470 per tonne ex-works in early September. But these prices were only available for a limited period. The spike in billet prices has also left re-rollers in difficulty. Traditional export markets in North Africa and the Middle East are no better and offers have started to weaken. Demand is not expected to normalise for a few more weeks. Producers have a stark choice of either selling at a loss, or waiting for the end of Ramadan and hope that trading conditions improve.

Brazilian buyers have seen little movement in transaction values this month. Traders are not sure how long this will last. Domestic long product producers are expected to follow the lead of their flat product counterparts. Local reinforcing bar prices are likely to be raised by 5 to 8 percent.

Trading conditions in the Mexican market are still challenging. Producers have left their domestic offers unchanged. The last adjustment was not supported by an upsurge in real demand. Utilisation rates remain

low owing to the downturn in construction activity. The majority of material being sold is still consumed by state-funded building and infrastructure projects.

Market sentiment in India has slightly improved. Competition between majors and secondary producers has held back prices. Distributors acknowledge that infrastructure spending is set to rise but are still hesitant to restock. Concerns over demand in the monsoon season continue to linger. In the meanwhile, RINL has raised its September basis price by Rs1,000, erasing the adjustment announced last month.

#### MERCHANT BAR

The Turkish market is still fairly quiet. Local producers have resisted lowering their offers this month. The cost of billet and scrap remain high. Traders are optimistic that local demand will perk up in the fourth quarter. In September, exporters struggled to sell material to their Middle Eastern customers. Buyer apathy has seen Turkish suppliers lower their export prices by \$US30/40 per tonne. The chance of an imminent rebound in orders after the end of Ramadan looks increasingly less likely.

Merchant bar values in the Russian Federation crept higher in September. A lot of this is down to pressure from the rise in billet and scrap prices. Evraz Holdings raised its domestic offers by RUB1,050 per tonne. The steelmaker's 3CMK facility raised the basis price for material sold to Kazakhstan and Central Asia by RUB1,300, to RUB18,300 per tonne.

Indian steelmakers are under pressure to lower their merchant bar values. Underlying demand from private construction developments is still subdued. State-funded infrastructure projects are expected to make up this shortfall. SAIL has left basis prices for its entire long product range unchanged.

#### LONG PRODUCTS TRANSACTION PRICES - UAE\* (\$US/tonne)

Based on low values	2009						
	MAR	APR	MAY	JUN	JUL	AUG	SEP
<b>Wire Rod</b>	<b>424</b>	<b>440</b>	<b>455</b>	<b>455</b>	<b>480</b>	<b>495</b>	<b>495</b>
<b>Medium Sections</b>	<b>570</b>	<b>495</b>	<b>500</b>	<b>530</b>	<b>570</b>	<b>605</b>	<b>590</b>
<b>Rebar</b>	<b>400</b>	<b>430</b>	<b>455</b>	<b>435</b>	<b>450</b>	<b>475</b>	<b>475</b>
<b>Merchant Bar</b>	<b>455</b>	<b>455</b>	<b>465</b>	<b>495</b>	<b>510</b>	<b>525</b>	<b>535</b>

## SCRAP

Russian steelmakers have adopted a cautious approach to rising scrap values. The average internal price is around RUB5,932/6,100 per tonne. Last month, local suppliers raised their offers in an effort to stimulate domestic interest. This failed and had the opposite effect. Ukrainian domestic scrap prices have remained stable at around \$US138 per tonne (excluding VAT). Merchants are forecasting values to climb in the short-term. The movement will be driven by the resumption of production at Donetsk Steel Works, procurement for the winter period and high export sales. Ilyich is already predicting an October scrap shortfall of up to 10,000 tonnes, on the assumption that September production will be maintained next month. Zaporozhstal has also announced it is facing a potential scrap deficit.

Scrap exports to the Turkish market have cooled. Local steelmakers are reluctant to import material. Demand for finished steel products is weak. Offers from EU, US and CIS suppliers were unchanged in early September. Internal Indian HMS 1&2 scrap prices jumped by Rs1,600 per tonne in Kolkata in recent weeks due to the latest rise in scrap prices. In addition, local users are finding imported material unattractive. Prices were more stable in Delhi and Chennai.

### SCRAP PRICES (\$US/tonne)

	Last Month	This Month
(1) Egypt (EXW)*	282/287	307/312
(1) Germany (EXW)*	-	-
(1) India (EXW)*		
- Chennai	287/293	287/293
- Delhi	272/276	272/276
- Kolkata	258/267	288/298
- Nhava Steva/Mundra port (CIF)	250/255	320/325
(2) CIS (FOB)**		
- Baltic Sea (Russia)	250/255	268/273
- Black Sea (Russia)	265/270	285/290
- Black Sea (Ukraine)	263/268	280/285
(3) Turkish port (CFR) ex CIS**	290/297	310/320
(3) USA (CFR)*	-	-

(1) Domestic (2) Export (3) Import  
Scrap - \* HMS 1&2 \*\* 3A

## SEMI-FINISHED PRODUCTS

### BILLET PRICES (\$US/tonne)

	Last Month	This Month
(1) Egypt (EXW)	455/460	460/465
(1) India (EXW)		
- Chennai	416/421	413/418
- Kolkata	420/425	417/422
- Mumbai	425/430	418/423
(1) Pakistan (EXW)	470/475	485/490
(1) S Africa (EXW)	580/590	610/620
(1) Turkey (EXW)	405/440	440/460
(2) CIS (FOB)		
- Black Sea (CIS)	430/440	440/450
- Caspian Sea (Russia)	415/420	445/450
- Far East (Russia)	455/460	457/462
(3) UAE port (CFR) ex Turkey/Russia	460/470	460/470

(1) Domestic (2) Export (3) Import  
Billet - 125 x 125mm, 150 x 150mm

The majority of CIS exporters have raised their offers for October's production. Merchants are already forecasting that the trading environment will improve in late September/early October. Others are less optimistic, believing that these gains will be short-lived. Black Sea values are already under pressure. Semi-finished products production volumes have remained unchanged. Last month, shipments to major sales markets, i.e. Mainland China, Persian Gulf countries and Europe suffered modest declines. The Far East remains the most active buying region for CIS semi-finished products.

At the start of September, Ukrainian steelmakers Metinvest and ArcelorMittal Kriviy Rih offered billet at \$US450/460 per tonne FOB and \$US440/450 per tonne FOB, respectively.

The main CIS export market for slabs is China. According to some market participants, Chinese slab demand alone will be sufficient to maintain Russia's and Ukraine's export prices. In August, shipments of slabs from Russia reached 750,000 tonnes. In

**BLOOM PRICES (\$US/tonne)**

	Last Month	This Month
(1) India (EXW)		
- Chennai	390/395	387/392
- Kolkata	420/425	415/420
- Mumbai	395/400	387/392
(1) Pakistan (EXW)	465/475	485/495
(1) S Africa (EXW)	695/705	735/745
(1) Turkey (EXW)	510/565	540/550
(1) Domestic (2) Export (3) Import Bloom - 260 x 260mm		

**SLAB PRICES (\$US/tonne)**

	Last Month	This Month
(1) Brazil (EXW)	488/498	482/492
(1) Pakistan (EXW)	450/460	475/485
(2) CIS (FOB)		
- Black Sea (CIS)	390/410	390/410
- Far East (Russia)	400/420	410/440
(3) Asian port (CFR) ex Brazil	450/470	450/470
(1) Domestic (2) Export (3) Import Slab		

September, this figure is projected to grow to 770,000 tonnes. Shipments from the Ukraine in August amounted to 530,000 tonnes. In September, this is expected to rise to 560,000 tonnes.

Prices for local billet and blooms in the Turkish market fell by \$US10/15 per tonne in September. Observers are uncertain of where this market is heading. A lot depends on local finished products demand. Recently, business activity has been low during the holy month of Ramadan. Export quotations have also fallen by a

similar figure. Merchants are expecting their North African and the Middle Eastern customers to return in early October.

The Indian semi-finished products values have been on a downward trajectory since May. There is evidence that this trend may have ended. Sentiment amongst local steelmakers has improved. Demand for long products is forecast to rise in the forthcoming months. State-owned RINL has raised its September billet and bloom basis offers by Rs2,000 per tonne.

**MARKET AND INDUSTRY ISSUES**

Essar Steel has announced its plans to commission a new facility at Hazira in Gujarat, producing steel pipes and plates by March 2010. The 1.5 million tonne per annum plate unit will cost Rs 2,000-crore. The facility will use finished steel products from the adjacent 4.6 million tonnes per year steel complex.

Essar Steel has revealed its intentions to take over the steel assets of Shree Pre-coated Steels (SPSL), part of the Ajmera Group. The mill will become India's largest cold roller and colour coated steel producer. The exact valuation of the acquisition is yet to be agreed.

OAO Magnitogorsk Iron & Steel (MMK) has announced that construction work is on schedule at its \$US1.1 billion joint-venture, MMK-Atakas steel facility in Iskenderun, Turkey. The project consists of a galvanising line and a coloured-coating line.

Saudi Arabia's Al-Tuwairqi Group's new steel facility in Dammam is now expected to come on line in late 2010. Billet production capacity will be raised to 3

million tonnes per year. The mill will operate under the name the Arab Iron and Steel Company.

OAO Magnitogorsk Iron and Steel Works has completed maintenance work and restarted operations at its wire mill 170. The facility was originally commissioned in 2006 and has an annual production capacity of 765,000 tonnes.

ArcelorMittal Netherlands B.V., a unit of ArcelorMittal, has announced its intention to acquire an additional 29.4 percent stake in Uttam Galva Steel at Rs 120 a share. The open offer would begin on October 31, and close on November 19, 2009. The global steelmaker already holds a 35 percent stake in the re-roller based in Western India.

SAIL has announced that its ISP Burnpur plant in West Bengal will be operational by June 2011. The Rs 1,443-crore modernisation program is ahead of schedule. The new plant will produce 2.5 million metric tonnes of crude steel. The State government has yet to grant the steelmaker's request for tax incentives.

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

		D. MARKETS'		E.U.		N. AMERICA		ASIA		CHINA	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
<b>HR Coils</b>	:High	617	642	590	681	639	693	588	600	514	476
	:Low	563	589	532	620	570	609	531	540	493	455
<b>HR Plates</b>	:High	693	690	677	716	713	711	707	717	505	448
	:Low	640	642	624	666	645	643	597	613	484	429
<b>CR Coils</b>	:High	707	740	689	778	713	770	701	716	628	577
	:Low	662	690	628	709	644	682	636	649	597	548
<b>HD Galv. Coils</b>	:High	826	853	765	855	878	927	759	817	673	606
	:Low	780	816	700	788	809	844	691	744	645	581
<b>Wire Rod</b>	:High	609	617	511	570	610	660	592	594	499	428
	:Low	565	575	478	537	580	580	524	525	479	410
<b>M. Sect. &amp; Beams</b>	:High	754	754	788	811	841	802	650	663	501	457
	:Low	717	715	697	748	781	742	613	628	480	438
<b>Rebars</b>	:High	587	587	511	573	598	597	582	573	536	458
	:Low	549	562	468	530	546	545	551	541	514	441
<b>Merc. Bars</b>	:High	627	629	644	672	816	780	618	628	487	449
	:Low	587	592	605	633	775	739	593	604	468	432

The Developing Markets' prices are an arithmetic average of the low transaction values identified in the eight countries published in this report - collected in national currencies and converted into US dollars using currency exchange rates effective at the start of each month to provide a basis for comparison. EU average prices are computed from a weighted average (based on consumption) of the low values identified in Germany, France, Italy, UK and Spain. North American average prices are computed from a weighted average of the low prices identified in USA and Canada. Asian average prices are derived from an arithmetic average of the low transaction values identified in Japan, Taiwan, South Korea and China. Individual product price forecasts are available. Please visit <http://www.meps.co.uk/world-price.htm>.

**The October issue of the MEPS DEVELOPING MARKETS' STEEL REVIEW will be dispatched on 26 October, 2009.**

### PRICE DEFINITIONS

The transaction prices in this publication relate to those agreed by steelmakers and service centres for prime material in the specified products defined in the relevant tables. The prices are for regular business transactions between customers and their local steel mills, negotiated during the current month for delivery in the future. United Arab Emirates is an exception to this rule. \*These values are import prices cfr, local port. The transaction prices include all extras for the lowest priced grade of steel in the selected product form - sold ex mill.

Delivery charges and local taxes are not included in the quoted prices. Long term contract deals arranged in the domestic market, or agreements 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. Research is conducted during the early weeks of each month. Changes in the latter part of the month would be incorporated in the next issue.

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

- Russia** - Flat Products - Volga region
- Russia** - Long Products - Volga & North Caucasus
- Ukraine** - Long Products - Dnepropetrovsk
- India** - Flat Products - Delhi
- India** - Long Products - Mumbai

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.

## MEPS REGULAR PUBLICATIONS

### EUROPEAN STEEL REVIEW (monthly)

This is our flagship publication. The first report was produced in 1984. Each monthly issue incorporates high and low market prices for eleven steel product forms in the EU - Germany, France, Italy, Spain, UK and Belgium. Data for flat and long products is supplied in each edition. Prices are displayed in Euros for easy comparison. Details of EU Average Steel Transaction Prices are incorporated together with regular forecasts.



### EUROPEAN STEEL REVIEW SUPPLEMENT (monthly)

A sister publication to the European Steel Review. The range of data is extended in this report. Price and market information is supplied for a further six nations, including - Denmark, Sweden, Finland, Holland, Austria and Norway. Euro comparisons are also included. Details of Nordic Average Steel Transaction Prices are incorporated together with regular forecasts.



### INTERNATIONAL STEEL REVIEW (monthly)

Each edition carries domestic steel pricing data in eleven countries across the globe, including - United States, Canada, China, Japan, South Korea, Taiwan, Poland, Czech/Slovak Republics and the main five EU member states - covering 70 percent of world consumption. Details of World and Regional Average Steel Prices are incorporated together with regular forecasts.



### STAINLESS STEEL REVIEW (monthly)

This publication provides stainless steel price and market information for hot rolled plate, hot and cold rolled strip, plus two bar products. Two austenitic and ferritic grades are assessed in thirteen countries around the world covering 65% of global consumption. Details of basis price negotiations and alloy surcharge values, where applicable, are incorporated. Transaction price forecasts are included. Estimates of alloy surcharges three months ahead are also included in each issue.



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