

# MEPS INTERNATIONAL STEEL REVIEW

VIEWPOINT

JUNE 2009

## THE MEPS WORLD STEEL PRICE RISES IN JUNE FOR FIRST TIME IN ELEVEN MONTHS

US mills' utilisation rates have crept up steadily over the last month and now stand above 47.5 percent. The recent dire market conditions appear to have bottomed and expectations are for a steady, albeit slow, recovery. Service centres report that business activity continues to be low but inventories are now generally in balance with the reduced level of demand. Imports into the US are not a factor in the market and licence applications from overseas suppliers are still registering month-on-month declines. Most major steelmakers have now announced a series of transaction price

advances for strip mill products, following a leading move by AK Steel at the beginning of June. The increases are effective with new orders scheduled for delivery in July.

Canadian transaction values, however, are still falling. The escalation in the strength of the local currency versus the US dollar is making the country more attractive to US mills, although offshore imports remain virtually absent. Domestic producers have reported a couple of weeks of modest improvement in their order position. This is, ostensibly, inventory

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

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	R Bar	M Bar
USA	445	527	486	625	536	482	709	455	700
Canada	418	564	482	596	NA	555	670	531	695
PR China	391	376	451	490	NA	381	390	405	371
Japan	489	611	606	724	789	526	611	535	667
South Korea	466	539	554	584	584	445	605	495	569
Taiwan	446	650	545	586	572	475	586	425	516
Poland	420	539	531	551	516	443	668	383	551
Cz & Slov. Rep.	411	535	525	564	559	392	626	387	474
EU (average)	463	569	554	613	631	447	658	437	540
Germany	475	558	571	623	625	449	650	436	519
France	513	609	584	636	650	449	650	423	532
Italy	436	525	532	559	612	449	656	436	532
UK	466	625	521	625	654	435	679	472	605
Spain	449	582	532	597	599	449	660	436	545

Based on low values.

2009 ANNUAL SUBSCRIPTION RATE: UK - £1130, NON UK - £1145

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replenishment which suggests destocking may be near completion. However, the consensus amongst distributors is that market conditions remain very sluggish and the continued automobile closures and shutdowns have damaged any possibility of a summer upturn. A slight pick up is envisaged in the September/October timeframe.

Despite steady growth in imports and domestic output, the price trend for Chinese flat products has turned positive, supported by a strengthening of real demand and traders restocking ahead of further perceived increases.

The recent sharp production cuts in Japan have helped to reduce inventories. Moreover, a small recovery has been noted in demand from car and electronic goods makers, as well as overseas customers. Stocks of strip mill products held by local steelmakers and distributors, as end of April, fell to below the 4 million tonne mark for the first time in two years. Meanwhile, quayside inventories of imported flat products dropped by 13.1 percent in the same time frame. The mills hope to be able to gradually lift output in the Autumn.

Weak consumption continues to dominate the South Korean scene. Following Posco's extensive price cuts last month, other local suppliers have brought their figures inline with the market leader. Demand is slowly recovering in Taiwan. CSC will lift domestic list prices for July and August by an average of 7 percent compared to June – the first official rise this year. The company has said the increases are due to supply shortfalls as steelmakers have been axing production during the global economic downturn. Chung Hung Steel also announced higher selling values for June contracts with both local and export customers, citing

escalating input costs caused by more expensive slab.

Polish strip mill product values are unchanged when denominated in Euros but are slightly higher than a month ago when quoted in the domestic currency because of exchange rate fluctuations. Demand has worsened as the economic crisis cuts deeper and prices are not expected to show any significant growth during 2009. Producers are carrying on with their output curbs.

In the Czech and Slovak markets, although the rate of price decreases has slowed, the outlook remains pessimistic as end-users have very little work on hand. In May, distributors' stocks plummeted to a level where it seemed they needed to re-order but they have only purchased enough to fill any gaps that might have appeared. Producers have tried very hard to push prices up and, initially, a few buyers agreed to pay a little more. However, the higher figures did not hold. Customers have received offers from Russia, India and China but the quotations are similar to those of more local suppliers.

In Western Europe, end-user consumption remains weak. However, buyers are coming back to the market, albeit only for relatively small quantities to replenish their dwindling stocks. Although EU producers have lifted their latest domestic offers, customers are hesitant to accept the increases. With the US dollar weakening against the euro and sterling, imported material is becoming more competitive. However, many purchasing executives lack the confidence to order significant tonnages on such comparatively long delivery lead times, bearing in mind the woeful state of real consumption.

## FLAT PRODUCTS

### HOT ROLLED COIL

US mills report some improvement in order intake. Delivery lead times have extended to four/five weeks. Distributors are keen for the proposed price hikes to take hold as they will produce benefits in terms of stock valuation. Transaction values are already \$US20 per tonne above those monitored in May. Canadian customers recount dismal business conditions. Some have slightly increased steel requirements but few are optimistic that demand will strengthen significantly for the balance of 2009. Transaction figures have continued to slide but market participants believe the bottom of the cycle is close. By announcing proposals for higher prices, the mills are sending a message that they are

### CURRENCY EXCHANGE RATES

June 4 - 2009

		Units/ US\$
USA	(\$US)	1.00
Canada	(C\$)	1.113
PR China	(RMB)	6.833
Japan	(Yen)	96.72
South Korea	(KRw)	1247
Taiwan	(\$NT)	32.58
Poland	(ZL)	3.185
Czech. Rep.	(KC)	19.02
Eurozone	(€)	0.709
UK	(£)	0.616

## FLAT-ROLLED 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						
<b>Hot Rolled Coil</b>	<b>High:</b>	509	560	529	582	3070	61.0	700.0	18.0	1740	9100
	<b>Low:</b>	445	490	465	512	2940	52.0	640.0	16.0	1470	8600
<b>Hot Rolled Plate</b>	<b>High:</b>	582	640	682	750	2960	93.0	820.0	25.3	2040	12100
	<b>Low:</b>	527	580	627	690	2830	65.0	740.0	23.3	1890	11200
<b>Cold Rolled Coil</b>	<b>High:</b>	550	605	600	660	3570	75.0	850.0	21.0	2130	11500
	<b>Low:</b>	486	535	536	590	3390	64.5	760.0	19.5	1860	11000
<b>Hot Dipped Galvanised Coil</b>	<b>High:</b>	689	758	755	830	3830	82.0	910.0	23.0	2200	13000
	<b>Low:</b>	625	688	664	730	3680	77.0	800.0	21.0	1930	11800
<b>Electro-Zinc Coated Coil</b>	<b>High:</b>	627	690	NA	NA	NA	94.0	830.0	21.5	2080	12800
	<b>Low:</b>	536	590	NA	NA	NA	84.0	800.0	20.5	1810	11700

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

		EU AVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
<b>Hot Rolled Coil</b>	<b>High:</b>	401	420	430	380	336	387	400
	<b>Low:</b>	361	370	400	340	316	364	350
<b>Hot Rolled Plates</b>	<b>High:</b>	481	465	525	440	454	522	534
	<b>Low:</b>	444	435	475	410	424	488	454
<b>Cold Rolled Coil</b>	<b>High:</b>	474	495	495	455	383	441	445
	<b>Low:</b>	432	445	455	415	353	406	415
<b>Hot Dipped Galvanised Coil</b>	<b>High:</b>	524	536	546	476	454	522	506
	<b>Low:</b>	478	486	496	436	424	488	466
<b>Electro-Zinc Coated Coil</b>	<b>High:</b>	535	537	547	517	463	533	527
	<b>Low:</b>	492	487	507	477	443	510	467

## 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 PRODUCTS TRANSACTION PRICE FORECASTS - ASIA (\$US/tonne)

Based on low values	Actual	Forecast					
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
<b>Hot-rolled Coils</b>	493	505	505	515	520	525	530
<b>Hot-rolled Plates</b>	599	605	605	615	625	630	635
<b>Cold-rolled Coils</b>	593	605	605	615	620	625	630
<b>H.D. Galv Coils</b>	694	705	705	715	720	725	730
<b>E.Z. Coated Coils</b>	713	720	720	725	730	735	740

not prepared to discount further.

Expectations for better conditions in the Chinese domestic market gained further momentum when the government announced the re-introduction of export tax rebates on hot rolled coil. However, the move, aimed at boosting overseas sales, has had no immediate impact on export business, partly due to current weak global demand. Nevertheless, local prices have benefitted – gaining 7 percent over the last few weeks.

In Japan, Tokyo Steel has ramped up its list price for August shipments by ¥3000 per tonne – the first official rise in twelve months. The company expects to restart production early that month, following the explosion at the furnace at its Okayama plant in mid May. The overstocking situation has eased to the extent where some dealers are reporting shortages of certain sizes.

South Korean demand is satisfactory and availability quite tight. The sharp price cuts applied in May have deterred some importers. Material shortfalls appear to

have restored market confidence in Taiwan. The positive price trend persists.

Polish values have climbed slightly in the local currency. In the Czech/Slovak markets, supplies are plentiful with no obvious improvement in demand. Service centres report that resale margins are under a lot of pressure. This situation should slowly improve now that inventories are in balance and new orders are at prices more in-line with market values. However, there is competition from Polish distributors who are trying to offload material. We have noted a small pick up in purchasing activity in several West European countries, mainly due to stock replenishment. However, it seems unlikely that real consumption is firming.

#### HOT ROLLED PLATE

In the US, a \$US20 per ton price rise, proposed by Nucor last month and driven by higher scrap values, has failed to hold. Distributors are reluctant to place business. Mill delivery lead times can be as short as three weeks. Demand is not expected to improve substantially during 2009 as most of the major end-user sectors are suffering the effects of the global economic crisis. Nevertheless, another \$US40 per ton hike was tabled, effective week ending July 11.

In Canada, the mills have floor stock for sale which has put transaction values for forward orders under a great deal of negative pressure. Service centres report slow but steady business. They are only purchasing what they need at any one time.

Chinese market sentiment has rallied quite noticeably, allowing prices of commodity plate to climb by 8 percent, despite lacklustre demand. The ship plate market continues to suffer because of concerns over the lack of orders for new vessels. Japanese

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

	Hot Rolled Plate		Hot Rolled Coil	
	Q1/09	Q2/09p	Q1/09	Q2/09p
<b>EU Average</b>				
<b>Non Sour</b>	122.9	100.1	110.6	104.2
<b>Sour</b>	133.4	106.5	116.8	110.1
<b>Asia Average</b>				
<b>Non Sour</b>	106.6	97.6	109.8	100.3
<b>Sour</b>	131.0	107.3	137.4	111.3

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

\*\* p = Provisional. e = Estimate.

steelmakers predict that consumption will be lower than expected through to September due to delayed recovery in the construction and industrial machinery manufacturing sectors. Orders from the shipyards are also declining. Consequently, sales to distributors and processors have fallen. The mills will continue to adjust output to reflect reduced demand.

In South Korea, domestic sales of ordinary grade plate are depressed. The two local mills, who both cut prices drastically in May, aim to boost their export quotations for third quarter shipments. The ship plate market is more buoyant. Taiwanese suppliers have taken advantage of the improvement in demand by lifting selling values significantly for the second month in a row. The start up of several new infrastructure projects has created a more positive business environment.

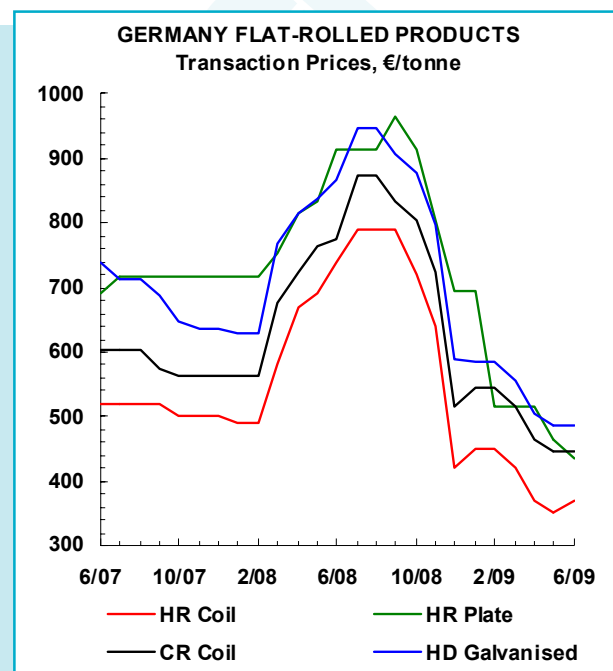
There is negative price pressure in Eastern Europe. Demand from both home and abroad is especially poor in the Czech Republic amidst overabundant stocks at the service centres and the mills. In Western Europe, even the higher specifications are now adversely affected by the economic downturn. Suppliers have been forced to concede further discounts for commodity plate in several countries.

### COLD ROLLED COIL

US transaction values have strengthened slightly since our last report, as producers show a united front in their efforts to restore profitability. Destocking at service centres is near completion, although end-users are only purchasing small quantities. In Canada, distributors report that demand is virtually non-existent and that they are now selling below cost. As scrap and other input costs move up, the mills are announcing price hikes but, for the moment, transaction numbers are moving in the opposite direction. If increases are implemented next month, it is doubtful whether current consumption can support them for long.

Chinese prices have rocketed over the last four weeks. Some dimensions are now in short supply because surplus inventories have been successfully run down and activity has picked up, led by the construction and auto sectors. Japanese distributors are ordering limited amounts of new material whilst stock depletion continues, causing mill sales to sink. However, direct end-user demand has shown a small revival.

The economic climate remains bleak in South Korea. Service centres are struggling to reduce excessive inventories. The large discount that Posco applied in May remains in place. Taiwanese demand has rebounded recently, leading to scarce supply. The



mills have gained a substantial price advance during the latest round of settlements.

Czech and Slovakian values are still under negative pressure as customers only buy minimum tonnages for immediate use. Our Polish figures are marginally above those recorded in May. The downward price tendency has persisted in Italy and the UK. However, the mills were able to secure a small rise in Spain and France. Some distributors question whether the improvement can be sustained through the summer.

### COATED COILS

Producers are seeking higher transaction values in the US in the absence of any corresponding rise in demand. However, prices have probably reached the low point for the current cycle. Soft business conditions persist because of the dire lack of auto production and very light purchasing by major appliance makers and the building industry. In Canada, end-users' inventories are extremely low and could decline even further as suppliers try to cope with rapidly shrinking car output. The outlook is pessimistic for the next few months at least. The mills have failed to hold hot dipped galvanised transaction numbers at the May level.

In China, relatively good demand from the auto and home appliance sectors has been boosted by recently expanded government subsidy schemes to encourage new purchases. This, together with improved sales to the construction industry, which is enjoying its traditional busy season, has driven up prices in the domestic

market. Figures have climbed steadily throughout June, finishing 9 percent above our April numbers. Activity is picking up at the Japanese vehicle manufacturers but has still to translate into significantly higher coated steel demand.

A South Korean initiative to stimulate car sales has been quite successful, with auto sheet production growing accordingly. Taiwanese customers have conceded rises of 7.7 and 5.1 percent for their purchases

of hot dipped galvanised and electro-zinc coated coils, respectively, in a more lively trading situation.

After holding up longer than in most EU countries, Polish production of passenger vehicles has started to drop again, whereas in the Czech Republic, exports of autos to countries operating scrapping schemes has helped to keep small car output at a reasonable level. This situation is mirrored in several West European countries.

## LONG PRODUCTS

The US government initiative to finance major infrastructure projects is unlikely to lift demand for steel for some time yet. Therefore, consumption continues at a low ebb. There is no noticeable improvement in Canadian sales, with all the mills still having capacity sitting idle. With the summer vacation approaching, participants are not hopeful that the market will show any signs of a rebound until the Autumn at the earliest. Competitive offshore deals are virtually zero.

Thanks to growing investment in domestic infrastructure schemes, Chinese demand is gradually expanding and prices are firming. Nevertheless, the fear of oversupply persists. Market players are still awaiting an uptick in building work in Japan, where steel prices remain under severe pressure. South Korean sales are sluggish. Government plans to rejuvenate several major rivers are unlikely to produce extra demand for steel until the turn of the year. In contrast, state funded projects are already helping the recovery of long product consumption in Taiwan.

Forecasters predict that demand should remain at a reasonable level in Poland because of a relatively healthy building sector. However, the trend of falling

consumption is likely to continue for the remainder of 2009 in the Czech/Slovak markets. In Western Europe, producers have lost most of the price gains achieved in May as construction activity continues to decline.

### WIRE ROD

We have noted some mild recovery in the US. Service centre inventories have been run down to more satisfactory levels, there is a dearth of imports and domestic supply has been limited by the idling of ArcelorMittal's Georgetown mill. Consequently, despite relatively slack demand, producers have secured the transaction price increase tabled in May. Canadian buyers have agreed to a roll over last month's figures, having won significant concessions then.

Chinese values continue to trend upwards due to a resurgence of construction activity. Our figures are 3 percent above those reported in May. Japanese suppliers have been unable to hold on to transaction numbers in the latest round of negotiations. Although the South Korean mills are restraining output as they struggle to bring supply and demand into balance, customers have successfully pressed for discounts of

### LONG PRODUCTS TRANSACTION PRICE FORECASTS - ASIA (\$US/tonne)

Based on low values	Actual	Forecast					
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
<b>Wire Rod</b>	502	500	500	505	510	515	520
<b>Medium Sections</b>	603	595	595	605	610	615	620
<b>Rebar</b>	512	505	505	515	520	525	530
<b>Merchant Bar</b>	584	580	580	585	590	595	600

around 7 percent. Domestic prices in Taiwan are stable or firming as overseas offers become less competitive and order intake improves.

Polish producers pushed values up by another 4 percent in recent days, although market requirements have changed very little. Czech and Slovak numbers have slipped in the opposite direction as business activity flounders. In Germany, suppliers have lifted selling values marginally. Elsewhere in Western Europe, prices are virtually unchanged.

## MEDIUM SECTIONS AND BEAMS

The mills' proposed June \$US20 per ton price rise has been implemented in the US. However, consumption has hardly changed, providing service centres with very little incentive to rebuild stocks at this stage. Nucor-Yamato has informed buyers that the July raw material surcharge will remain at the June level and that basis figures will not be altered. Import penetration is low. Although Canadian demand is still very far from normal, a number of distributors

## 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						
<b>Wire Rod</b>	<b>High:</b>	518	570	691	760	2980	71.0	650.0	19.0	1600	8800
	<b>Low:</b>	482	530	618	680	2860	56.0	610.0	17.0	1550	8200
<b>Medium Sections and Beams</b>	<b>High:</b>	764	840	809	890	3060	72.0	860.0	22.5	2490	13600
	<b>Low:</b>	709	780	745	820	2930	65.0	830.0	21.0	2340	13100
<b>Reinforcing Bars</b>	<b>High:</b>	500	550	655	720	3180	59.0	740.0	16.5	1440	8800
	<b>Low:</b>	455	500	591	650	3050	57.0	680.0	15.2	1340	8100
<b>Merchant Bars</b>	<b>High:</b>	736	810	818	900	2910	72.0	830.0	19.5	1960	10800
	<b>Low:</b>	700	770	773	850	2790	71.0	780.0	18.5	1930	9900

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

		EU AVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
<b>Wire Rod</b>	<b>High:</b>	372	370	380	370	315	362	380
	<b>Low:</b>	349	350	350	350	295	339	350
<b>Medium Sections and Beams</b> *	<b>High:</b>	577	557	557	552	595	685	550
	<b>Low:</b>	513	507	507	512	460	529	515
<b>Reinforcing Bars</b>	<b>High:</b>	371	390	350	360	350	403	370
	<b>Low:</b>	341	340	330	340	320	368	340
<b>Merchant Bars</b>	<b>High:</b>	448	425	455	435	430	495	475
	<b>Low:</b>	421	405	415	415	410	472	425

\* Includes scrap surcharge in Germany, France and Italy.

## 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.

have noted a slight up-tick in activity. The improvement is not reflected in mill transaction prices which have dropped once again across all size categories.

Limitations on output have led to tighter supply in China, where producers have realised a modest rise. As demand remains muted, the improvement may be short lived. The amount of stock held by dealers in Japan is now stabilising, following long term inventory adjustments and mill output curbs. However, demand is still reducing because of the cancellation and postponement of building developments in the uncertain economic climate. Market players hope that if the recent ¥3000 per tonne price fall deters importers, it will be the last in this cycle.

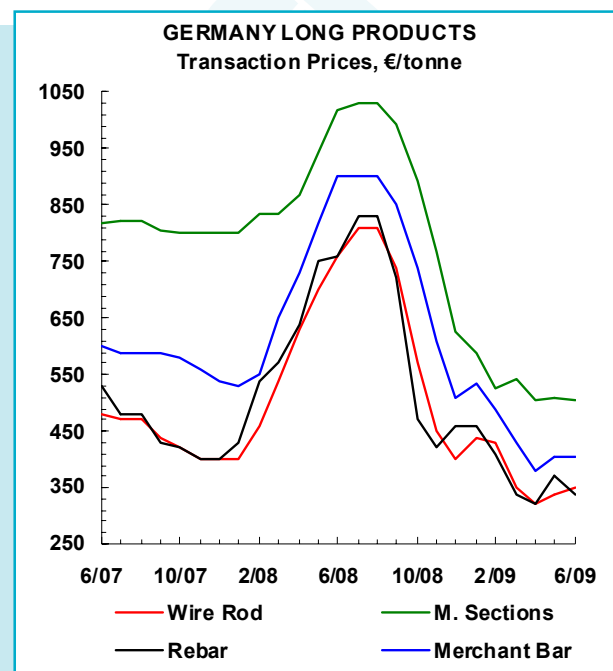
Sales are depressed in South Korea due to the slow economic recovery. Hyundai Steel finally clipped selling values at the start of June. The price revival reported in Taiwan during May was fleeting, with figures now back to the April level. Stock adjustment is complete but buyers are only re-ordering cautiously as they have no intention of being left with expensive inventories again.

Although there is little action in the East European markets at present, Polish values have stabilised and Czech/Slovak customers have agreed a small advance. In Western Europe, ArcelorMittal has increased the June scrap surcharge by €19 to €87 per tonne. However, basis figures have slipped back in several countries. Demand is insufficient and for some suppliers the priority is to fill their order books.

## REINFORCING BARS

As expected, US customers have not accepted the mills' proposals to lift transaction figures by \$US20/40 per ton for June. The rise was tabled to help recoup the rising cost of scrap. However, high priced inventories and poor demand continue to characterise this market. Producers have stated they will hold transaction numbers steady for July contracts. In Canada, where distributors are struggling to deplete stocks, transaction values have not changed, following last month's sharp downturn.

The Chinese domestic market is stronger. Prices have soared by 9 percent since our last report. Japanese mills have failed to hold selling values at the lower level agreed in May due to a lack of sales caused by the crisis in construction. General contractors have pushed for a 5 percent discount during recent settlements. Tokyo Steel lowered its official July list price to reflect weakening market conditions.



South Korean rebar makers have cut selling figures in reaction to sluggish demand. Consumption is likely to fall further as the building sector enters the rainy season. Imports are no longer competitive compared to domestic values. Over the past month, Taiwanese mills have secured a price advance of almost 5 percent.

The Polish domestic market is relatively quiet, causing local mills to focus on export business but the volumes traded have been quite small. After briefly firming in May, Czech/Slovak prices have softened. West European demand remains depressed with few forward orders being placed. Values have fallen back as a result. It is expected that July/August will be quieter still.

## MERCHANT BARS

We have no reports of changes to transaction values in the US, despite attempts by producers to gain a \$US20 per ton hike, for June business. Mill order intake is very poor and service centres continue to discount to rid themselves of unwanted stocks. Canadian demand is also very light. Distributors are still working to deplete surplus inventories. The downward tendency in transaction numbers continues.

Chinese values have moved up marginally now that market conditions are better. Japanese buyers have insisted on lower prices as they struggle to survive in today's depressed construction market. Likewise, South Korean suppliers have been unable to maintain prices this month as customers called for decreases in-line

with the mills' falling input costs. Taiwanese clients have accepted another small rise as the overall business climate improves.

East European figures are unchanged this month. In Western Europe, where demand is steady at a low

level, the €25 per tonne increase on extras, executed in May, remains in place for now, although the rise is still fragile. The mills are trying to further boost basis prices but customers are resisting the moves. Producers will proceed with their output curbs until demand strengthens.

## MARKET AND INDUSTRY ISSUES

### CAPACITY/INVESTMENT

China's Echeng Iron & Steel has started trials on its new 1.6 million tonne per year plate mill. A blast furnace and converter is also under construction which will add a further 1.8 million tonnes of annual iron making potential. When completed, capacity will have been increased to around 3 million tonnes per year.

Sidor, the state run Venezuelan steelmaker, is planning to replace its existing 600,000 tonne per year DRI plant with a larger 800,000 tonne unit. The new facility could be finished by the end of this year with full output being reached by the middle of the first quarter of 2010.

China's Jiangsu Yonggang Group will inaugurate its

fourth wire rod mill at the end of this month. It will have an annual capacity of 600,000 tonnes and will lift total capacity at the facility to around 2.6 million tonnes per year.

Liaoyang Steel Co, a privately-owned Chinese steel producer, has built its first wire rod mill. It will produce material in sizes ranging from 5.5 to 12mm in diameter. Trials will begin shortly with commissioning set for August. The company has a crude steel capacity of around 750,000 tonnes.

China's Handan Iron & Steel is installing a 1.7 million tonne per year cold strip mill and two hot-dipped galvanising lines with a combined annual capacity of 800,000 tonnes at its new steel facility in Handan city. Commissioning is planned for June 2010.

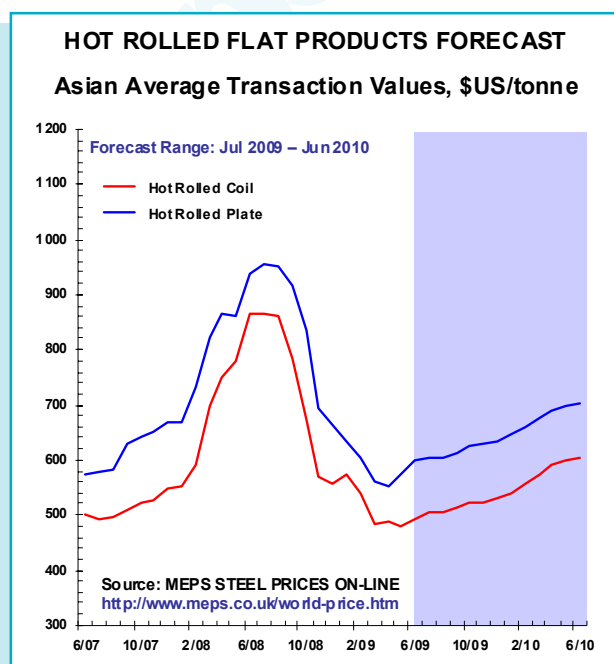
## MEDIUM TERM PRICE FORECASTS

### HOT ROLLED FLAT PRODUCTS - ASIA

The MEPS Asian Average Hot Rolled Coil transaction price climbed by over 3 percent in June. Demand improved and distributors started to refill inventories. Rising slab costs also put upward pressure on steel selling figures. Hot rolled plate values increased by almost \$US30 per tonne due to a tightening of supply in the region. This was despite poor end-user consumption.

Low inventory levels in the market are expected to fuel further price hikes for both products in the short term. Distributors are likely to buy ahead of these perceived increases, putting additional upward pressure on selling values. However, weak global economic conditions will, almost certainly, restrict steel demand during the remainder of 2009. Oversupply, particularly in China, could create problems if mills ramp up production too quickly. This may dampen the price rises in the second half of this year.

End-user consumption should begin to grow steadily during the first half of next year as the world emerges



from the recession - thus stimulating global steel demand. Larger advances in prices are, therefore, predicted for early in 2010.

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

		WORLD		E.U.		N. AMERICA		ASIA	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
<b>Hot Rolled Coils</b>	:High	486	505	485	515	490	503	485	498
	:Low	431	450	430	463	428	440	434	448
<b>Hot Rolled Plates</b>	:High	625	615	614	616	617	586	642	644
	:Low	550	549	566	569	564	533	521	545
<b>Cold Rolled Coils</b>	:High	565	585	580	608	539	549	575	596
	:Low	505	526	529	554	476	486	510	539
<b>Hot Dipped Galvanised Coils</b>	:High	665	684	635	672	691	688	666	692
	:Low	605	622	581	613	626	623	606	631
<b>Electro-Zinc Coated Coils</b>	:High	649	670	645	686	627	627	675	696
	:Low	585	605	593	631	536	536	627	648
<b>Wire Rod</b>	:High	486	505	447	477	491	518	521	517
	:Low	445	462	421	447	455	482	460	456
<b>Medium Sections and Beams</b>	:High	685	695	705	740	745	760	606	585
	:Low	629	637	626	658	690	705	570	548
<b>Rebars</b>	:High	491	493	475	475	506	509	492	495
	:Low	455	455	439	437	460	462	464	465
<b>Merchant Bars</b>	:High	613	622	545	575	736	736	557	554
	:Low	581	590	512	540	699	699	533	531

**Note:-** The World prices are an arithmetic average of the transaction values identified in three regions (EU, Asia, and North America), converted into US dollars in accordance with exchange rates in this issue. Individual product price forecasts are available. Please visit <http://www.meps.co.uk/world-price.htm>.

## WORLD/REGIONAL AVERAGE TRANSACTION PRICE INDICES

January 1997=100	WORLD		E.U.		N. AMERICA		ASIA	
	Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
<b>Hot Rolled Coils</b>	134.7	140.6	146.0	157.1	117.8	121.0	144.1	148.9
<b>Hot Rolled Plates</b>	153.9	153.7	174.5	175.4	136.3	128.8	156.1	163.2
<b>Cold Rolled Coils</b>	117.1	121.9	128.8	134.7	101.7	103.9	122.2	129.2
<b>H. D. Galv. Coils</b>	114.7	117.9	111.7	117.8	115.4	114.7	116.8	121.5
<b>E. Z. Coated Coils</b>	109.2	112.9	124.7	132.7	88.1	88.1	119.4	123.4
<b>Wire Rod</b>	158.1	163.9	157.5	167.3	161.3	171.0	154.7	153.5
<b>M.Sections &amp; Beams</b>	161.3	163.4	159.1	167.2	172.5	176.4	151.8	146.0
<b>Rebars</b>	163.9	164.9	171.3	170.6	153.3	153.9	168.3	169.0
<b>Merchant Bars</b>	190.7	193.7	175.9	185.6	240.3	240.3	160.5	160.0

**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.

**TRANSACTION PRICES - MONTH ON MONTH % CHANGE (Local currencies per tonne)**  
**June 2009 versus May 2009**

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	R Bar	M Bar
<b>USA</b>	4.3	-4.9	2.9	0.0	0.0	6.0	2.6	0.0	0.0
<b>Canada</b>	-7.2	-12.7	-9.2	-9.9	NA	0.0	-5.7	0.0	-4.5
<b>PR China</b>	6.5	8.0	11.5	8.9	NA	2.9	1.7	8.9	1.1
<b>Japan</b>	0.0	0.0	0.0	0.0	0.0	-5.1	-4.4	-5.0	-4.1
<b>South Korea</b>	0.0	0.0	0.0	0.0	0.0	-7.6	-6.7	-8.1	-6.0
<b>Taiwan</b>	3.2	5.9	8.3	7.7	5.1	3.0	-8.7	4.8	4.5
<b>Poland</b>	2.8	-10.0	2.8	2.7	2.8	4.0	0.0	0.0	0.0
<b>Cz &amp; Slov. Rep.</b>	-2.3	-5.9	-1.8	-2.5	-3.3	-2.4	4.8	-9.0	0.0
<b>EU (average)</b>	2.0	-4.7	-0.7	0.0	0.8	0.9	-0.4	-5.5	0.0
<b>Germany</b>	5.7	-6.5	0.0	0.0	0.0	2.9	-0.6	-8.1	0.0
<b>France</b>	2.6	-5.9	2.2	2.1	2.0	0.0	2.8	-8.3	-6.7
<b>Italy</b>	0.0	0.0	-2.4	-2.2	-2.1	0.0	3.9	-5.6	0.0
<b>UK</b>	-3.1	-6.6	-10.2	-4.5	0.0	-3.3	-4.2	-3.0	5.1
<b>Spain</b>	2.9	0.0	5.1	4.5	4.5	0.0	-5.5	-2.9	0.0

Based on low values.

The July issue of the **MEPS INTERNATIONAL STEEL REVIEW** will be dispatched on 29 July, 2009.

## 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.

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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.



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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.



### DEVELOPING MARKETS' STEEL REVIEW (monthly)

This is a new report from MEPS outlining steel market trends in the increasingly important emerging markets around the world. Each edition carries steel prices in eight countries - India, UAE, Turkey, South Africa, Russia, Ukraine, Mexico and Brazil. Details of eight steel prices in the flat and long products sectors are available. Comprehensive commentaries are included.



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