

INTERNATIONAL STEEL REVIEW

VIEWPOINT

JANUARY 2011

GLOBAL STEEL PRICES CONTINUE THEIR UPWARD SURGE

Transaction prices are moving relentlessly upwards worldwide as steelmakers address their escalating raw material costs. Such is the speed of some of the changes, in some cases almost on a daily basis, that the figures in our tables could easily be exceeded in the near future.

In the US, the pace of flat product price increases is described as "fast and furious". The shortage of scrap and surging costs of other raw materials have pushed the mills into a frenzy of announcements regarding transaction numbers. As is usual, actual market prices are lagging

behind the proposals. In the meantime, real demand is only just satisfactory. Offshore offers are still few and far between.

Transaction values continue to head up in Canada at an alarming rate, with more increases to be applied through February and into March. Raw material costs are climbing rapidly and rising scrap prices are expected to generate further pressure. Steelmakers report that order books are strong as customers buy before transaction figures go higher and also to fulfil their needs to replenish and build inventories. Real demand is

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

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	R Bar	M Bar
USA	830	900	900	1013	970	860	900	810	880
Canada	806	1005	905	985	NA	814	905	774	965
PR China	598	614	688	708	NA	490	601	616	581
Japan	782	890	914	1034	1082	866	902	758	902
South Korea	731	829	882	967	954	793	820	713	829
Taiwan	666	735	813	820	991	745	899	711	745
Poland	701	847	836	897	897	687	830	677	762
Cz & Slov. Rep.	698	825	831	899	905	688	810	672	714
EU (average)	708	841	835	888	913	727	859	715	816
Germany	703	840	827	888	897	768	833	742	859
France	703	853	840	875	936	664	872	729	846
Italy	716	833	840	888	923	703	918	697	781
UK	690	873	817	879	872	712	836	697	774
Spain	729	786	866	940	962	742	872	729	768

Based on low values.

ISSN 1369 - 8605

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Annual Subscription
Rate 2011 - £1260

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showing some signs of improvement, with most clients anticipating a modest pickup as they move into the first quarter. Imports from the US continue to account for over 90 percent of the total, with little offshore activity.

In China, steelmakers are also facing sharply higher costs for iron ore and coking coal, which they must pass on to their clients, both at home and abroad. Moreover, recent harsh weather conditions in the south west of the country have forced up the price of scrap. Purchasing by end-users has started to slow ahead of the upcoming Chinese New Year in early February. However, there is speculation that prices will continue to climb after the holidays, especially as many leading producers have elected to lift their official February ex-works figures.

Despite a slow recovery in consumption in many Japanese end-user sectors, market activity is improving. A very positive price revival is underway, as a result of an upsurge in steelmaking costs. The appreciation of the yen against the US dollar does not appear to have significantly affected exports of either steel or finished goods, so far. Quayside stocks of imported flat products, as end November, rose by just 0.7 percent compared to the previous month, after reducing by a sizeable amount in October.

In South Korea, demand from downstream industry remains lacklustre, making it quite difficult for the mills to implement increases. Posco is reluctant to try to cover rising raw material costs by means of domestic

hikes in the first quarter. Export business is flourishing but growing imports pose a threat in the home market, where steelmaking capacity continues to expand.

Appreciation in the local currency versus the US dollar has caused Taiwanese producer, CSC, to ramp up export prices for March shipments. In the domestic market, the company will lift its list by an average of 2.9 percent for the same period, citing the hike in iron ore and coking coal expenditure. The steelmaker has declared that further positive movements in April and May cannot be ruled out.

As consumption is now showing signs of recovery in Poland, distributors are starting to replenish their depleted stocks. Steel intensive industries in the Czech Republic and Slovakia are not performing too well at present, with the exception of the auto sector. However, service centres are trying to rebuild inventories ahead of planned price hikes, although producers are limiting the amount of material available. Resale values are improving.

Consumption in western Europe has changed very little. Nevertheless, domestic producers are poised to lift second quarter offers because of raw material price developments and energy cost increases. Steel output has been curbed and restocking is expected to get underway shortly. Exchange rates are favourable for the European mills. Third country influence is lacking since import prices have risen considerably. Moreover, customers are still loathe to commit to long delivery lead times.

FLAT PRODUCTS

HOT ROLLED COIL

The US mills are closely monitoring scrap developments and raising their prices accordingly. Transaction values have gone up to levels that are higher than business activity or stocks at customers can justify. Under current conditions, further hikes are anticipated. How long they can be maintained is the question. Based on current trends, market participants in Canada believe transaction figures could reach \$C880 per tonne before the cycle is over. They have already gained \$C120 per tonne since our December report. Delivery lead times at most mills extend through the first quarter and order books are solid. Distributors report that their sales are good but not exceptional. They anticipate good demand through the first six months of 2011.

Chinese domestic selling values continue to exhibit a positive tendency. Purchasing activity has been strong from end-users and stocks are declining due to limited

supply from mills undertaking planned maintenance work. On the export market, quotations are also rising. The supply/demand balance is rather tight in Japan. Dealers are already recouping some of the additional cost of

CURRENCY EXCHANGE RATES January 6 - 2011

		Units/ US\$
USA	(\$US)	1.00
Canada	(C\$)	0.995
PR China	(RMB)	6.627
Japan	(Yen)	83.16
South Korea	(KRw)	1122
Taiwan	(\$NT)	29.26
Poland	(ZL)	2.953
Czech. Rep.	(KC)	18.90
Eurozone	(€)	0.768
UK	(£)	0.646

FLAT-ROLLED PRODUCTS DOMESTIC TRANSACTION PRICES

price/tonne		US	US	Canada	Canada	China	Japan	S.Korea	Taiwan	Poland	Czech/ Slovak
		(\$US)+ /ton	(\$US)+ /tonne	(C\$)+ /ton	(C\$)+ /tonne	(RMB)	('000 Yen)	('000 KRw)	('000 \$NT)	(ZL)	(KC)
Hot Rolled Coil	High:	809	890	793	872	4130	69.0	850.0	22.0	2270	14100
	Low:	755	830	729	802	3960	65.0	820.0	19.5	2070	13200
Hot Rolled Plate	High:	873	960	973	1070	4240	80.0	950.0	24.0	2650	16200
	Low:	818	900	909	1000	4070	74.0	930.0	21.5	2500	15600
Cold Rolled Coil	High:	882	970	882	970	4750	81.0	1020.0	25.3	2670	16200
	Low:	818	900	818	900	4560	76.0	990.0	23.8	2470	15700
Hot Dipped Galvanised Coil	High:	994	1093	955	1050	4890	91.0	1120.0	26.5	2900	17500
	Low:	921	1013	891	980	4690	86.0	1085.0	24.0	2650	17000
Electro-Zinc Coated Coil	High:	936	1030	NA	NA	NA	96.0	1130.0	30.0	2950	17700
	Low:	882	970	NA	NA	NA	90.0	1070.0	29.0	2650	17100

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

		EUAVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Hot Rolled Coil	High:	585	590	580	590	476	566	590
	Low:	544	540	540	550	446	530	560
Hot Rolled Plates	High:	681	675	705	670	594	706	654
	Low:	646	645	655	640	564	671	604
Cold Rolled Coil	High:	685	675	695	695	563	669	705
	Low:	641	635	645	645	528	628	665
Hot Dipped Galvanised Coil	High:	725	722	722	732	598	711	762
	Low:	682	682	672	682	568	675	722
Electro-Zinc Coated Coil	High:	745	739	759	749	603	717	779
	Low:	701	689	719	709	563	669	739

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, USA and Canada: 0.05 inches thickness, width over 40 inches and EU: coating thickness 275 gm/m².

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

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 DOMESTIC TRANSACTION PRICE FORECASTS - WORLD (\$US/tonne)

Based on low values	Actual	Forecast					
	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Hot-rolled Coils	742	820	883	928	963	974	954
Hot-rolled Plates	841	917	982	1032	1065	1081	1079
Cold-rolled Coils	853	924	986	1029	1062	1071	1050
H.D. Galv Coils	946	1016	1078	1120	1153	1162	1144
E.Z. Coated Coils	964	1002	1073	1103	1144	1147	1131

their material from end-users. There is a certain amount of speculative purchasing underway.

South Korean local selling figures have registered a small, positive movement, following the downturn last December. Stocks are reducing and pressure from imports has eased as Chinese mills inflate their prices. Domestic consumption is dull, with consumers and traders keen to minimise their inventories. Activity in the Taiwanese market has slowed as many customers are carrying sufficient inventory to take them through the upcoming holidays.

Although Polish hot rolled coil values continued to weaken in late December, they are now back to their previous level and look poised for an upward trend as period one progresses. Czech/Slovak end-user order books are ticking over at a low level. Transaction figures are stable. In western Europe, customers have settled late first quarter business at higher prices than those negotiated for January deliveries. The likelihood is that they will pay even more in period two.

HOT ROLLED PLATE

Sales to mining, transmission pipe and wind towers are strong in the US. Barge work is also good and rail car business is coming back from a very low point. Delivery lead times for the higher specifications of plate are currently running at ten weeks and growing. However, buying activity for commodity grade material is light. Nevertheless, transaction numbers are substantially up on December figures. In Canada, delivery lead times have moved from late January to March at a very rapid pace. Following a series of price increases, the mills have become busy, shipping out orders to customers keen to stay ahead of the rises. Demand is fair from a number of consuming sectors. However, sales to the construction industry remain depressed.

The Chinese shipbuilding industry has staged a remarkable recovery in recent times, creating excellent demand for ship plate. Domestic sales of the commercial qualities are fairly quiet before the extended holiday in February. Nevertheless, producers have pushed up selling values. In Japan, sales to the shipbuilders are buoyant, with the pipemaking sector also performing well. In contrast, poor consumption of commodity grade material by the struggling construction industry continues to hit overall demand. Notwithstanding, prices have rocketed this month, as producers transfer their significantly higher costs to their downstream customers.

There is a great deal of domestic competition in South Korea as a result of recent growth in platemaking capacity. This is helping to keep a lid on local transaction figures for the lower grades of material. The strengthening won has fuelled demand for plate of Chinese origin. However, the shipyards have received several large new orders which will create plenty of future sales of ship plate. In Taiwan, the recent negative price trend, caused by import pressure, has been reversed.

MEPS - API LINEPIPE STEEL PRICE INDEX X60/65 COMPOSITE

	Hot Rolled Plate		Hot Rolled Coil	
	Q3/10	Q4/10	Q3/10	Q4/10
EU Average				
Non Sour	122.3	129.2	143.7	148.8
Sour	122.2	130.8	145.5	151.8
Asia Average				
Non Sour	119.5	118.6	144.7	144.4
Sour	126.7	126.7	139.4	139.1

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

** p = Provisional. e = Estimate.

The Polish shipbuilding industry is finally showing some revival. Prices have been rolled over in Poland, the Czech Republic and Slovakia. West European transaction numbers picked up rapidly during the second half of December, driven by higher input costs and some restocking by distributors. Third country values are also soaring, making offers from these sources quite unattractive.

COLD ROLLED COIL

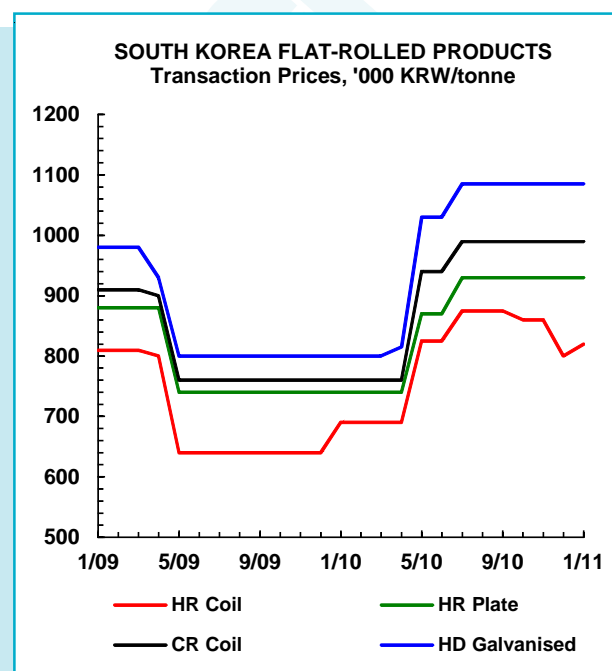
Many US steel mills are sold out through the first quarter. Import pressure is fairly non-existent. Although underlying demand, other than for auto sheet, remains subdued, producers continue to table a series of proposals for higher transaction values. Consequently, there is now considerable hedge buying. It is quite difficult to assess the current level of prices in Canada because the mills are handing out increases on an almost daily basis. The combination of bulk purchases by major distributors in December, delivery issues at the mill level and some pick up in overall demand resulted in a boom in transaction numbers from mid December onwards.

Chinese domestic prices have shot up as market sentiment improves. Producers are also lifting their offers on export markets. In Japan, buyers have been forced to concede a large increase. Auto consumption is less strong than in 2010. Availability in the general market is becoming more restricted as dealers and end-users begin to restock ahead of anticipated further hikes. Demand remains subdued in the South Korean domestic market, so Posco has pledged to keep transaction numbers unchanged for the first trimester. Direct shipments to the home appliance manufacturers are firm. Taiwanese values have revived quite considerably.

We have noted no price developments in Poland, whereas Czech/Slovak customers have conceded a rise. An already tight supply situation in the west European cold rolled coil market is expected to be exacerbated by the recent fire at a picking line at Tata's IJmuiden works. Activity is better than of late as buyers are ordering greater than normal quantities to try to beat hikes planned for the second quarter.

COATED COIL

US auto production is very strong at present, even though actual sales are not keeping pace with build. In contrast, coated steel demand from the badly performing construction industry show no signs of improvement whatsoever. The domestic mills, having already secured a huge advance for hot dipped galvanised coil, are now commanding more for future shipments. The latest round



of quarterly contract negotiations for electro-zinc coated material have resulted in a 21.3 percent rise. In Canada, hot dipped galvanised transaction figures this month are higher by 14.0 percent. Delivery lead times are extended.

Hot dipped prices continue on an upward track in China, despite a lull in general market activity ahead of the Lunar holidays. The carmakers are enjoying healthy sales and this situation is forecast to continue through 2011, creating growing demand for auto sheet. The slowdown in the Japanese domestic vehicle industry, as a result of the withdrawal of the state funded subsidy for environmentally friendly cars, appears to have been less serious than expected. Auto production for export is robust. Demand for coated material from the appliance makers is holding up. The mills have secured a substantial hike for both products monitored in this review. General market activity is better, stimulated by the increases.

In South Korea, business from the country's carmakers is brisk as they look to enjoy record output. Both domestic and overseas sales are set to see the benefit of the launch of 14 new models during 2011. Selling prices of coated products are the same as last month but could eventually come under threat because of the commissioning of new local capacity and pressure from competitively priced Chinese imports. Taiwanese hot dipped transaction figures have rebounded sharply, following output curbs by local mills and a lessening of import pressure.

The outlook for growth in Poland's domestic appliance industry is good. In contrast, automotive output is forecast

to stay flat. Czech/Slovak car producers are in a much healthier position now. Customers have accepted increases during recent negotiations. In Western Europe,

current domestic transaction figures are more expensive than those quoted at the start of December and customers envisage hikes in the second trimester.

LONG PRODUCTS

There has been a further rash of price announcements from the US producers since the Christmas/New Year break, tabling more increases for February. Although demand shows little sign of improvement, suppliers are keen to recoup their surging scrap costs. In Canada, mill order levels are slowly growing as transaction values climb steadily, driven by raw material pressure. Long product imports are minimal at present due to the closing of navigation.

Chinese consumption is good on booming demand from infrastructure and construction. Domestic prices are hardening. The power restrictions that have recently been constraining output have been relaxed, allowing more material to flow on to the market. New housing starts remain at a low level in Japan, although numbers are gradually increasing. Overall building demand is showing some positive signals. South Korean producers are seeking to offset some of their escalating costs by lifting export prices for H-beams and rebars whilst keeping domestic values stable. They believe they will still be competitive in overseas markets. Taiwanese steelmakers have again been forced to raise their selling values to reflect sharp increases in their production costs.

Construction forecasts for 2011 are optimistic in Poland, particularly infrastructure projects associated with the European football championship next year. The restricted availability of scrap continues to drive up steel prices. Building output is well down in the Czech Republic due to a lack of government funding. There is a slight upward tendency in long product values, based on raw material

movements rather than demand. Transaction figures are currently rising very quickly in western Europe, following a concerted push by producers, due to the continuous surge in scrap prices. Most distributors only purchased relatively small quantities of steel at the end of last year, so now need to buy. End-user activity has improved slightly but remains subdued.

WIRE ROD

Having given prior warning of a \$US60 per ton rise for January 1, US producers have gone on to instigate a \$US75 per ton hike for February, in line with recent scrap cost increases. Delivery lead times are stretching out, inventory levels are low and there is very little overseas competition. In Canada, domestic mill activity has revived slightly as customers realise that the price tendency is strongly positive.

In China, demand from overseas clients has started to recover. Buyers have begun to restock as they speculate about further price advances. Local values continue to expand due to inflated production costs. Despite ongoing depression in the construction sector, Japanese transaction figures have been jacked up, partly due to Tokyo Steel's move to lift its list price for January contracts. South Korean numbers are static. Inflated offers from Chinese exporters have helped the Taiwanese mills to achieve an increase, in spite of flat demand.

Although east European activity is quiet for seasonal reasons, Polish, Czech and Slovakian buyers have agreed

LONG PRODUCTS DOMESTIC TRANSACTION PRICE FORECASTS - WORLD (\$US/tonne)

Based on low values	Actual	Forecast					
	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Wire Rod	770	804	850	884	895	899	876
Medium Sections	855	913	960	998	1017	1028	1022
Rebar	740	794	839	874	890	898	879
Merchant Bar	824	875	921	956	976	987	976

another substantial advance. Likewise, in western Europe, producers have lifted selling values by significant amounts as they fight to claw back their soaring input costs.

MEDIUM SECTIONS AND BEAMS

Despite the slump in the construction sector, US mills have boosted transaction numbers. Customers are bracing themselves for further upward momentum. Commercial building activity remains low. Competitive import offers are lacking. In Canada, distributors report

that sales to end-users are improving marginally. Market sentiment is generally positive but buyers still have significant reservations regarding the underlying strength of the recent spurt in pricing.

Demand for Chinese beams from overseas is booming both in terms of price and volume. On the domestic market, transaction numbers have rallied. Japanese distributors have agreed to pay considerably more for their January contracts following announcements by both Nippon and Tokyo Steel. The latter company has

LONG PRODUCTS DOMESTIC TRANSACTION PRICES

price/tonne		US (\$US)†	US (\$US)†	Canada (C\$)†	Canada (C\$)†	China (RMB)	Japan ('000 Yen)	S.Korea ('000 KRw)	Taiwan ('000 \$NT)	Poland (ZL)	Czech/ Slovak (KC)
		/ton	/tonne	/ton	/tonne						
Wire Rod	High:	845	930	805	885	3390	75.0	920.0	23.8	2130	13600
	Low:	782	860	736	810	3250	72.0	890.0	21.8	2030	13000
Medium Sections and Beams	High:	873	960	873	960	4140	78.0	970.0	27.5	2600	15900
	Low:	818	900	818	900	3980	75.0	920.0	26.3	2450	15300
Reinforcing Bars	High:	773	850	764	840	4250	65.0	845.0	22.3	2100	13500
	Low:	736	810	700	770	4080	63.0	800.0	20.8	2000	12700
Merchant Bars	High:	832	915	909	1000	4010	79.0	980.0	22.0	2350	14500
	Low:	800	880	873	960	3850	75.0	930.0	21.8	2250	13500

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

		EU AVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Wire Rod	High:	582	610	540	560	490	583	600
	Low:	558	590	510	540	460	547	570
Medium Sections and Beams	High:	704	690	710	740	580	690	710
	Low:	660	640	670	705	540	642	670
Reinforcing Bars	High:	572	590	580	555	480	571	590
	Low:	549	570	560	535	450	535	560
Merchant Bars	High:	658	700	675	620	520	618	640
	Low:	627	660	650	600	500	595	590

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.

said it will continue to monitor scrap movements ahead of the presentation of its February list. H-beam stocks held by dealers fell in December for the sixth consecutive month, to reach an all time low. However, market participants believe that real demand remains weak.

Although local producers would like to secure higher selling figures in South Korea, muted demand makes this impossible to achieve at present. However, as the mills are facing rising input costs, they have been forced to increase their export quotations. Taiwan's largest H-beam producer, Tung Ho Steel Enterprise Corp., has implemented two advances, totalling \$NT1300 per tonne, for January shipments, amidst relatively strong business activity in the building sector.

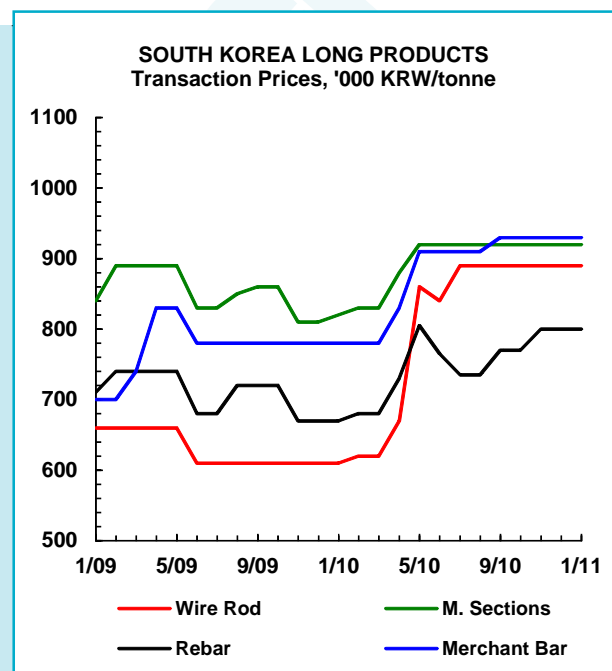
Attempts by producers to lift transaction figures in the Polish market have resulted in an upward development of 2.1 percent. Czech/Slovak customers have conceded a slightly larger advance. In western Europe, both Gallardo and ArcelorMittal have tabled proposals for substantial increases on February deliveries as they are confronted with rapidly climbing input costs.

REINFORCING BAR

US mills have been ramping up transaction values virtually on a weekly basis. In anticipation of the hikes, buyers have been rebuilding their inventories and now have sufficient material. However, further plans have been announced for another \$US45 per ton which should take effect February 1. There has been a further round of increases in Canada, although the figures are nowhere as large as in the US. Customers, believing they will be forced to pay even more in the near future, are booking more tonnage than they need immediately.

Activity at Chinese building sites is winding down as the Lunar holiday approaches. Nevertheless, growing input costs, together with relatively tight supply, have boosted domestic prices. Overseas business remains dull. Japanese distributors are pursuing resale price hikes, following the mills' successful implementation of a significant advance. Although consumption has changed little, general contractors are placing speculative orders in case producers launch another initiative.

Reflecting increased expenditure on scrap, South Korean rebarmakers have hiked export prices. In the home market, where sales have not improved, the December figures have been rolled over. During the last month, major Taiwanese producers have achieved a 10 percent rise by means of almost weekly increases as scrap has remained in short supply. Demand, which has been robust, is expected to slow as the Spring Festival approaches.



Polish producers are justifying rebar increases of over 8 percent by citing their expanding outlay on costs. Further upward movements are forecast but do not reflect any real change in current demand, although growth is envisaged as 2011 progresses. Despite unfavourable weather conditions for construction work, rebar values are escalating in the Czech/Slovak markets. West European prices, having continued to shoot up during the latter half of December, gained as much as €50/60 per tonne in the first two weeks of January.

MERCHANT BAR

The Major US producers have applied their proposed \$US45 per ton hike for January deliveries, in spite of fairly dismal consumption. More recently, they have tabled a \$US65 per ton advance from February 1. Canadian transaction figures continue to strengthen, although the business environment is sluggish.

Chinese merchant bar prices have started to edge up after stabilising during December. Supply is relatively tight. Sales improved in early January, although the market has slowed somewhat since then due to the proximity of the Lunar holiday. Japanese mills are expected to go for further hikes in February, following this month's successful implementation of an 11.9 percent rise. They are keen to improve their profitability. In South Korea, December prices have been rolled over for January shipments. Solid sales activity, low inventories and scrap shortages have allowed suppliers to boost transaction figures in Taiwan.

Polish customers have agreed to pay considerably

more this month even though market conditions remain relatively weak. Negative pressure has eased in the Czech Republic and Slovakia, resulting in better prices for the mills. Although west European construction activity remains dull, sales to the

mechanical engineering sector are recovering in some countries. Steelmakers have negotiated a considerable cost related increase. Buyers are keen to place orders now that the market is forming. Further price gains are anticipated.

MARKET AND INDUSTRY ISSUES

CAPACITY/INVESTMENT

Zhongtian Iron & Steel is to commission the first phase of its \$US1.8 billion expansion by the end of January 2011. A 1.2 million tonnes per year wire rod mill with corresponding steelmaking facilities will be put into operation. The second stage is expected to be completed by the end of 2011 and increase overall annual crude steel capacity to move than 10 million tonnes.

South Korea's Hyundai Steel is to start building blast furnace No.3 at the Dangjin works later this year. It will have an annual pig iron capability of 4 million tonnes and be brought on stream in 2013.

Xichang New Steel, subsidiary of fellow Chinese firm Panzhihua Iron & Steel, is to bring on stream a 3.8 million tonnes per year hot strip mill, along with slab casters, converters and three blast furnaces in the second half of

2011. Construction commenced in February 2010 in China's Sichuan province.

Posco is to install a fourth hot strip rolling mill at the Gwangyang works in South Korea. It will have an annual production potential of 3.3 million tonnes. The unit is scheduled to begin output in early 2014.

PRODUCTION

MEPS estimates world steel output, in 2010, at just over 1.4 billion tonnes. This equates to a rise of over 190 million tonnes (16 percent) compared with the previous twelve months. The majority of countries have recorded double-digit percentage rises in 2010 relative to 2009. The largest of these are found in the more economically developed regions - European Union, North America and Oceania - whose markets declined the most in the downturn of 2009.

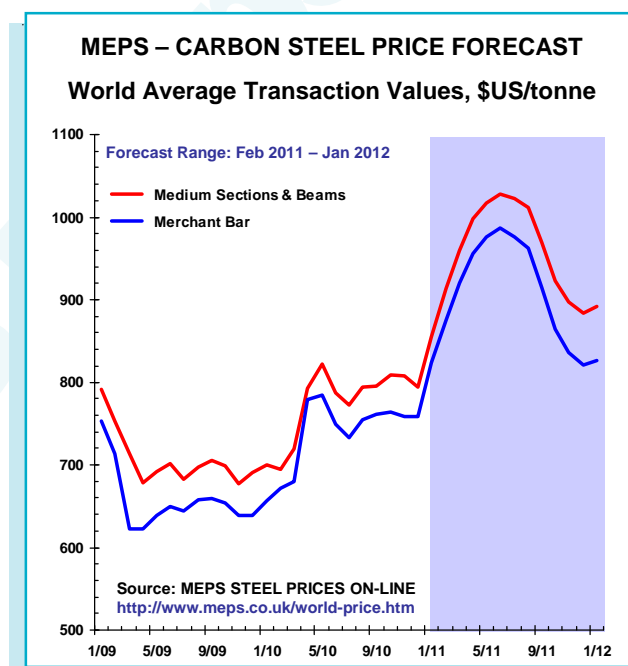
MEDIUM TERM PRICE FORECASTS

LONG PRODUCTS - WORLD

The MEPS - World Average Merchant Bar transaction price strengthened by over \$US60 per tonne in January. A similar rise was noted for medium sections and beams. A continuous surge in scrap costs pushed long products selling figures higher in all regions.

Transaction values are expected to climb further in the short term as mills attempt to recover their escalating input expenditure. Customers may have little option but to accept these price advances due to supply shortages. Stocks remain depleted and buyers will need to start ordering soon. This, coupled with improved end-user demand over the traditionally stronger spring months, should add to the upward price pressure.

We believe that steel selling figures will peak around the middle of 2011. Low domestic consumption in western countries is likely to be further exacerbated by the anticipated high prices. Historically, a sharp rise in transaction figures has been followed by a similarly steep descent. Consequently, a large correction is expected towards the end of this year as raw material



costs reduce. Despite this downturn, 2011 average prices are forecast to show significant gains over the 2010 figures.

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

		WORLD		E.U.		N. AMERICA		ASIA	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot Rolled Coils	:High	717	797	728	762	733	887	691	741
	:Low	663	742	671	708	671	825	647	694
Hot Rolled Plates	:High	832	894	851	887	878	977	767	817
	:Low	782	841	811	841	817	916	717	767
Cold Rolled Coils	:High	828	910	849	892	813	971	821	866
	:Low	772	853	791	835	743	901	781	824
Hot Dipped Galvanised Coils	:High	927	1011	909	944	936	1089	937	999
	:Low	863	946	851	888	857	1010	880	940
Electro-Zinc Coated Coils	:High	939	1021	921	970	880	1030	1017	1062
	:Low	876	964	862	913	800	970	965	1009
Wire Rod	:High	734	817	661	758	830	930	711	762
	:Low	688	770	630	727	760	860	674	724
Medium Sections and Beams	:High	846	907	859	917	894	961	785	842
	:Low	794	855	800	859	833	901	749	806
Rebars	:High	689	776	637	745	755	849	674	735
	:Low	653	740	608	715	712	806	640	700
Merchant Bars	:High	799	860	778	857	876	929	742	795
	:Low	759	824	734	816	838	893	704	764

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
Hot Rolled Coils	188.4	210.8	207.1	218.5	167.8	206.3	195.5	209.7
Hot Rolled Plates	199.0	214.0	227.2	235.6	179.6	201.3	195.4	209.0
Cold Rolled Coils	162.5	179.6	175.0	184.7	144.3	175.0	170.2	179.5
H. D. Galv. Coils	148.8	163.1	148.8	155.2	143.6	169.2	154.1	164.6
E. Z. Coated Coils	148.5	163.4	164.8	174.6	119.4	144.8	167.0	174.6
Wire Rod	221.9	248.4	214.3	247.3	245.2	277.4	206.1	221.4
M.Sections & Beams	185.1	199.3	184.8	198.4	189.3	204.8	181.4	195.2
Rebars	214.1	242.6	215.6	253.5	215.8	244.2	211.2	231.0
Merchant Bars	226.6	246.0	229.4	255.0	261.9	279.1	192.9	209.3

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)
January 2011 versus December 2010

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	R Bar	M Bar
USA	23.9	11.1	21.6	18.1	21.3	13.2	7.8	14.1	6.0
Canada	17.6	15.6	15.4	14.0	NA	5.2	9.8	4.1	7.3
PR China	5.0	5.4	3.6	4.0	NA	1.6	3.4	3.3	3.2
Japan	10.2	8.8	7.0	6.2	5.9	9.1	11.9	14.5	11.9
South Korea	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taiwan	2.6	4.9	3.5	7.6	0.0	9.0	5.2	10.6	10.1
Poland	0.0	0.0	0.0	0.0	0.0	7.4	2.1	8.1	4.7
Cz & Slov. Rep.	0.0	0.0	4.7	4.3	4.3	13.0	3.4	13.4	2.3
EU (average)	6.7	4.9	6.7	5.4	7.0	16.5	8.6	18.8	12.4
Germany	8.0	4.9	6.7	4.6	7.8	22.9	8.5	18.8	15.8
France	3.8	3.1	8.4	4.7	7.5	6.3	11.7	19.1	14.0
Italy	7.8	6.7	6.6	9.6	7.6	14.9	5.2	21.6	11.1
UK	0.0	5.6	0.0	0.0	0.0	8.2	5.9	8.4	4.2
Spain	12.0	1.7	11.8	10.7	10.5	18.8	11.7	16.7	11.3

Based on low values.

The February issue of the **MEPS INTERNATIONAL STEEL REVIEW** will be dispatched on 25 February, 2011.

PRICE DEFINITIONS

The transaction prices in this publication relate to those paid by consumers and stockholders for prime material in the specified steel products. 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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