

# STAINLESS STEEL REVIEW

EDITORIAL

JANUARY 2011

## RECORD WORLD STAINLESS STEEL OUTPUT IN 2010 - ANOTHER EXPECTED IN 2011

Global crude stainless steel output for 2010 is estimated to have reached an all-time high total of 30.45 million tonnes, 7.4 percent more than the previous record figure from 2006. The traditional stainless steel producing countries of the EU, USA, Japan, South Korea and

Taiwan continued to operate at between 10 and 20 percent below the previous peak rate. On the other hand, China's output has doubled since 2006. Overall worldwide production for last year is expected to equate to an increase of 23.9 percent over 2009, which represented

## COMPARISON OF NEGOTIATED DOMESTIC TRANSACTION PRICES

PRODUCT:- (\$US/tonne)	Hot Rolled Coil		Hot Rolled Plate		Cold Rolled Coil				Drawn Bar		Peeled Bar	
	304	316	304	316	304	316	409	430	304	316	304	316
<b>USA</b>	3595	5090	5015	6590	3785	5275	2005	2280	4100	5710	4840	6395
<b>Japan</b>	3355	4690	4618	5952	3668	5171	—	2778	—	—	—	—
<b>South Korea</b>	3316	4430	3449	4590	3489	4893	2092	2145	3734	5152	3601	4840
<b>Taiwan</b>	3247	4853	3640	5810	3401	5024	—	1811	4170	5332	4272	5468
<b>China</b>	2790	4205	2965	4580	3070	4680	—	1450	3005	4180	—	—
<b>EU (average)</b>	3539	5331	4065	5822	3714	5516	1987	1971	4604	6779	4180	6096
<b>Germany</b>	3564	5323	4020	5779	3759	5518	1974	1962	4538	6719	4121	6100
<b>France</b>	3475	5214	3814	5552	3671	5409	1962	1876	4618	6846	4134	6165
<b>Italy</b>	3474	5249	3995	5822	3669	5444	1986	1921	4557	6693	4076	5951
<b>UK</b>	3650	5525	4502	6121	3797	5718	2116	2116	4752	6927	4272	6262
<b>Spain</b>	3529	5345	3997	5833	3672	5488	1896	1979	4557	6706	4297	6003
<b>Sweden</b>	3617	5409	4144	5943	3812	5604	2032	2122	4837	7134	4409	6475
<b>Netherlands</b>	3566	5344	4048	5813	3762	5539	—	1954	4228	6339	3835	5775
<b>Denmark</b>	3570	5330	3962	5721	3753	5512	—	—	5060	7164	4546	6441

Figures in this table are calculated from the low values of the negotiated transaction prices plus applicable alloy surcharges in the current month - converted into \$US at this month's rate.

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the low point of the recent global slump. Another record outturn of over 31 million tonnes is forecast in 2011.

EU output in the third quarter of 2010 was lower than previously predicted at 1.6 million tonnes. However, activity increased in the last three months of the year, driven by manufacturing in Germany, Sweden and Poland, to finish the year at an estimated 7.5 million tonnes - 25.4 percent more than in 2009.

The annual total production in the United States in 2010 is now expected to hit 2.255 million tonnes. While this is a substantial 38.8 percent up on the outturn in 2009, which marked the bottom of a very deep slump, it is still nearly 10 percent down on the 2006 peak. Housing and infrastructure activity is still poor but manufacturing industries such as automotive and petrochemical applications are recovering.

The Japanese third trimester output was much better than had been predicted, at 810,000 tonnes. This contributed to an estimated annual total of 3.16 million tonnes, which was 26.9 percent more than the tonnage produced in 2009.

South Korean output picked up during the second half of 2010 to finish the year on a preliminary total of 2.0 million tonnes. Expanded production facilities are expected to feature in an annual outturn of 2.185 million tonnes in 2011 - very close to repeating the record figure of 2006.

In Taiwan, the slump of 2008 and 2009 was not as severe as in some western markets. Consequently, 2010's estimated total output of 1.525 million tonnes was only 16 percent higher than the previous year.

China's outturn of 2.844 million tonnes in period three was 289,000 tonnes higher than our last estimate. We predict a slightly lower figure for the final quarter of 2010 but the total for the year is expected to be 11.1 million tonnes - more than double the output in 2006. Growth in 2011 may be limited by the government's modernisation measures.

Total 2010 output in the rest of the world, including the emerging markets of Brazil, Russia and India, was close to regaining the peak level from 2006. We forecast 8.8 percent growth in these countries in 2011, to achieve a figure of 3.21 million tonnes.

## FLAT PRODUCTS

### HOT ROLLED COIL AND PLATE

Demand from projects is subdued in the United States, although the volume of enquiries suggests that the situation is likely to improve soon. There is some restocking activity, after many buyers' year-end inventory reduction measures. In an effort to minimise risk, most customers currently choose the relatively short lead times from domestic plate producers over the lower prices being offered by overseas suppliers.

The Japanese producer, NSSC, raised its alloy surcharge for austenitic flat products by ¥10,000 per tonne, to ¥75,000 per tonne, due to the increase in the cost of nickel. There are some signs of an upturn in the construction industry. Japanese suppliers are hoping to benefit from low inventory levels and a pickup in demand in the region after the Chinese New Year holidays. South Korea's main stainless steel mill, Posco, lifted its export selling figures for 300 series material by US\$175 per tonne and its domestic list prices by KRW200,000

### STAINLESS STEEL ALLOY SURCHARGES - FLAT PRODUCTS

	2010					2011			
	AUG	SEP	OCT	NOV	DEC	JAN	FEB(e)	MAR(e)	APR(e)
<b>CR 304</b>									
USA \$/ton	1923	1878	2032	2173	2259	2200	2331	2477	2540
USA \$/tonne	2120	2070	2240	2395	2490	2425	2570	2730	2800
EU-Avg €/tonne	1599	1618	1684	1706	1670	1749	1880	1900	1950
<b>CR 316</b>									
USA \$/ton	2753	2694	2953	3121	3216	3175	3338	3565	3647
USA \$/tonne	3035	2970	3255	3440	3545	3500	3680	3930	4020
EU-Avg €/tonne	2496	2523	2627	2624	2597	2723	2910	2950	3030

Note:- \* - (e) - ESTIMATE.

## NEGOTIATED DOMESTIC PRICES - HOT ROLLED PRODUCTS

		Hot Rolled Coil				Hot Rolled Plate			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
<b>U.S.A.</b> <b>(US\$)</b> <b>per ton</b>	Negotiated Basis	1064	1245	1445	1627	2355	2464	2809	2900
	Surcharge	2205	2205	3182	3182	2205	2205	3182	3182
	Transaction	3269	3450	4627	4809	4560	4669	5991	6082
<b>U.S.A.</b> <b>(US\$)</b> <b>per tonne</b>	Negotiated Basis	1170	1370	1590	1790	2590	2710	3090	3190
	Surcharge	2425	2425	3500	3500	2425	2425	3500	3500
	Transaction	3595	3795	5090	5290	5015	5135	6590	6690
<b>Japan</b> <b>(‘000 YEN)</b> <b>per tonne</b>	Negotiated Market	279	299	390	410	384	404	495	515
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	279	299	390	410	384	404	495	515
<b>South Korea</b> <b>(‘000 KRW)</b> <b>per tonne</b>	Negotiated Market	3720	3850	4970	5200	3870	4000	5150	5300
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3720	3850	4970	5200	3870	4000	5150	5300
<b>Taiwan</b> <b>(‘000\$NT)</b> <b>per tonne</b>	Negotiated Market	95.0	98.0	142.0	144.0	106.5	109.5	170.0	173.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	95.0	98.0	142.0	144.0	106.5	109.5	170.0	173.0
<b>China</b> <b>(US\$)</b> <b>per tonne</b>	Negotiated Market	2790	2890	4205	4305	2965	3065	4580	4700
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2790	2890	4205	4305	2965	3065	4580	4700
<b>Germany</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	970	1070	1320	1370	1320	1420	1670	1770
	Surcharge	1767	1767	2768	2768	1767	1767	2768	2768
	Transaction	2737	2837	4088	4138	3087	3187	4438	4538
<b>France</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	910	960	1260	1310	1170	1270	1520	1620
	Surcharge	1759	1759	2744	2744	1759	1759	2744	2744
	Transaction	2669	2719	4004	4054	2929	3029	4264	4364
<b>Italy</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	900	970	1260	1360	1300	1400	1700	1750
	Surcharge	1768	1768	2771	2771	1768	1768	2771	2771
	Transaction	2668	2738	4031	4131	3068	3168	4471	4521
<b>UK</b> <b>(£)</b> <b>per tonne</b>	Negotiated Basis	870	920	1235	1285	1420	1490	1620	1700
	AA Factor	1488	1488	2334	2334	1488	1488	2334	2334
	Transaction	2358	2408	3569	3619	2908	2978	3954	4034
<b>Spain</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1027	1067	1546	1646	1387	1437	1921	2021
	Surcharge	1683	1683	2559	2559	1683	1683	2559	2559
	Transaction	2710	2750	4105	4205	3070	3120	4480	4580
<b>Sweden</b> <b>(SKR)</b> <b>per tonne</b>	Negotiated Basis	8670	8920	11795	12445	12290	13290	15460	16260
	AA Factor	16140	16140	25308	25308	16140	16140	25308	25308
	Transaction	24810	25060	37103	37753	28430	29430	40768	41568
<b>Netherlands</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	980	1020	1360	1410	1350	1390	1720	1770
	Surcharge	1759	1759	2744	2744	1759	1759	2744	2744
	Transaction	2739	2779	4104	4154	3109	3149	4464	4514
<b>Denmark</b> <b>(DKR)</b> <b>per tonne</b>	Negotiated Basis	7300	7700	9910	10410	9540	10040	12145	12445
	Surcharge	13126	13126	20582	20582	13126	13126	20582	20582
	Transaction	20426	20826	30492	30992	22666	23166	32727	33027

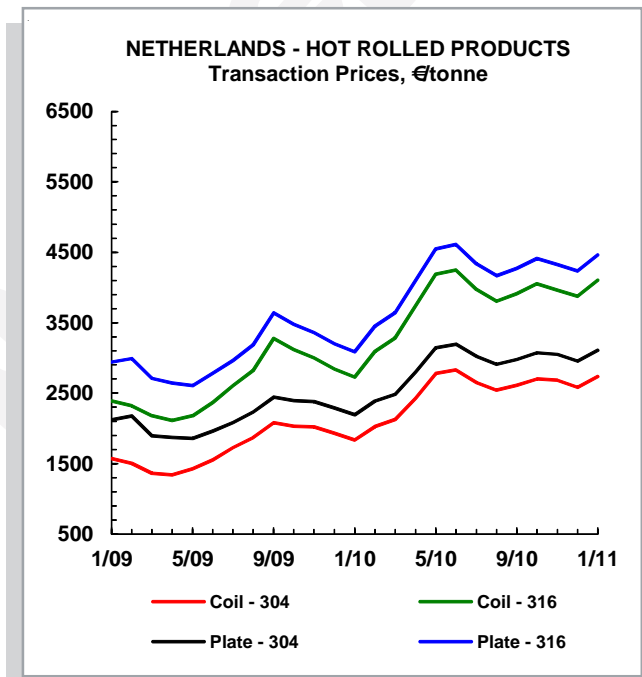
per tonne in January. The strong won had been helping to make the US dollar-based nickel cheaper but this has been offset by recent cross-border issues with North Korea.

Production in Taiwan continues at a healthy rate. Yusco's Kaohsiung works, for example, is operating at around 90 percent of its maximum capability. Demand in China was muted in late December and early January as buyers attempted to control their inventories. However, the mills were reluctant to reduce their output for fear of losing market share.

European plate producers report good demand from energy and desalination projects in the Middle East. Basis prices for hot rolled coil and plate in Germany rose by around €20 per tonne in January. Basis figures in France also increased in what is expected to be an ongoing trend through the first quarter of 2011, although this may be slowed if alloy surcharges continue to soar. Stock levels in Italy are growing, with reports of plenty of material arriving from the Far East at attractive prices.

Sellers in the UK are receiving lots of enquiries but these are slow to turn into orders. However, customers may be encouraged to purchase by the prospect of further price hikes. Hot rolled plate is likely to become more desirable as the cost of coil products increases. The level of real consumption in Spain is steady but sales activity is up as a result of restocking and the expectation of climbing selling values.

Order volumes in Sweden are good, thanks to inventory replenishment and some paper mill refurbishment projects. Prices for small plates are being constrained by cheaper offers from southern European producers. Suppliers in the Netherlands report improving demand from all sectors.



Market participants are optimistic about ongoing sales and price trends. Order tonnages are reasonable in Denmark, with some restocking activity. Most mills are holding firm on increased selling values.

#### COLD ROLLED COIL

Business activity levels have picked up in the United States, due to stock replenishment and some buying ahead of further price hikes. Transaction values are climbing but some domestic suppliers may be willing to discuss deals for definite orders. Chinese offers are the cheapest currently available but customers have some concerns about the quality of the product.

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

BASED ON LOW PRICES  
INCLUDING AA FACTOR  
WHERE APPLICABLE

	Actual	Forecast					
		Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>H R Coil 304</b>	3177	3210	3300	3380	3470	3530	3530
<b>H R Coil 316</b>	4545	4610	4740	4850	4950	5030	5030
<b>H R Plate 304</b>	3668	3690	3780	3840	3930	3990	3990
<b>H R Plate 316</b>	5233	5290	5420	5500	5600	5680	5680
<b>C R Coil 304</b>	3407	3470	3560	3650	3740	3800	3800
<b>C R Coil 316</b>	4942	5000	5130	5250	5350	5430	5430
<b>C R Coil 430</b>	2046	2010	2020	2040	2060	2080	2090

## NEGOTIATED DOMESTIC PRICES - COLD ROLLED PRODUCTS

		Cold Rolled Coil							
		Grade 304		Grade 316		Grade 409		Grade 430	
		Low	High	Low	High	Low	High	Low	High
<b>U.S.A.</b> <b>(US\$)</b> <b>per ton</b>	Negotiated Basis	1236	1291	1614	1677	1373	1464	1509	1600
	Surcharge	2205	2205	3182	3182	450	450	564	564
	Transaction	3441	3496	4796	4859	1823	1914	2073	2164
<b>U.S.A.</b> <b>(US\$)</b> <b>per tonne</b>	Negotiated Basis	1360	1420	1775	1845	1510	1610	1660	1760
	Surcharge	2425	2425	3500	3500	495	495	620	620
	Transaction	3785	3845	5275	5345	2005	2105	2280	2380
<b>Japan</b> <b>(‘000 YEN)</b> <b>per tonne</b>	Negotiated Market	230	260	340	380	-	-	221	226
	Surcharge	75	75	90	90	-	-	10	10
	Transaction	305	335	430	470	-	-	231	236
<b>South Korea</b> <b>(‘000 KRW)</b> <b>per tonne</b>	Negotiated Market	3915	4045	5490	5690	2347	2447	2407	2437
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3915	4045	5490	5690	2347	2447	2407	2437
<b>Taiwan</b> <b>(‘000\$NT)</b> <b>per tonne</b>	Negotiated Market	99.5	102.5	147.0	150.0	-	-	53.0	56.0
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	99.5	102.5	147.0	150.0	-	-	53.0	56.0
<b>China</b> <b>(US\$)</b> <b>per tonne</b>	Negotiated Market	3070	3180	4680	4800	-	-	1450	1610
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	3070	3180	4680	4800	-	-	1450	1610
<b>Germany</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1120	1220	1470	1570	1080	1130	1000	1050
	Surcharge	1767	1767	2768	2768	436	436	507	507
	Transaction	2887	2987	4238	4338	1516	1566	1507	1557
<b>France</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1060	1110	1410	1460	1120	1170	970	1020
	Surcharge	1759	1759	2744	2744	387	387	471	471
	Transaction	2819	2869	4154	4204	1507	1557	1441	1491
<b>Italy</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1050	1100	1410	1460	1080	1130	970	1020
	Surcharge	1768	1768	2771	2771	445	445	505	505
	Transaction	2818	2868	4181	4231	1525	1575	1475	1525
<b>UK</b> <b>(£)</b> <b>per tonne</b>	Negotiated Basis	965	1035	1360	1420	1000	1030	960	985
	AA Factor	1488	1488	2334	2334	367	367	407	407
	Transaction	2453	2523	3694	3754	1367	1397	1367	1392
<b>Spain</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1137	1187	1656	1706	1042	1072	1033	1063
	Surcharge	1683	1683	2559	2559	414	414	487	487
	Transaction	2820	2870	4215	4265	1456	1486	1520	1550
<b>Sweden</b> <b>(SKR)</b> <b>per tonne</b>	Negotiated Basis	10010	10510	13135	13635	9965	10095	10145	10895
	AA Factor	16140	16140	25308	25308	3977	3977	4411	4411
	Transaction	26150	26650	38443	38943	13942	14072	14556	15306
<b>Netherlands</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1130	1180	1510	1610	-	-	1030	1070
	Surcharge	1759	1759	2744	2744	-	-	471	471
	Transaction	2889	2939	4254	4354	-	-	1501	1541
<b>Denmark</b> <b>(DKR)</b> <b>per tonne</b>	Negotiated Basis	8345	9145	10955	11755	-	-	-	-
	Surcharge	13126	13126	20582	20582	-	-	-	-
	Transaction	21471	22271	31537	32337	-	-	-	-

**MONTHLY COLD ROLLED - NEGOTIATED DOMESTIC TRANSACTION PRICES (GRADE 304)**

		2010						2011
		JUL	AUG	SEP	OCT	NOV	DEC	JAN
<b>United States</b> (\$US) per tonne	High:	3810	3540	3490	3660	3815	3910	3845
	Low:	3750	3480	3430	3600	3755	3850	3785
<b>Japan</b> ('000 Yen) per tonne	High:	340	340	345	342	342	342	335
	Low:	320	320	315	312	312	312	305
<b>E.U. Average</b> (€) per tonne	High:	2824	2722	2786	2854	2845	2793	2919
	Low:	2757	2655	2719	2787	2779	2726	2852

INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

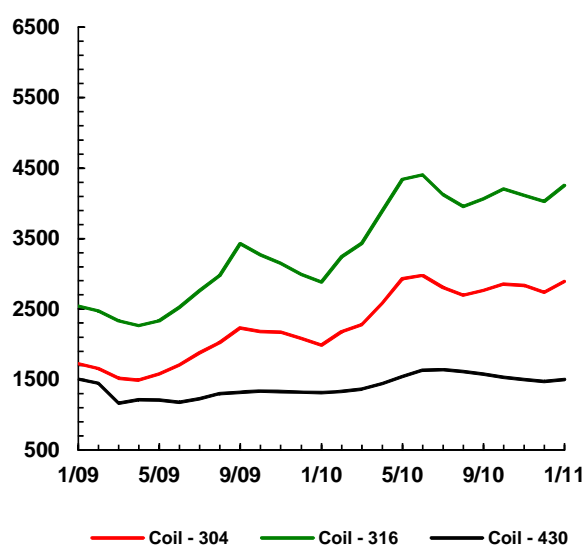
While some Japanese producers' list prices have increased due to raw material costs, most are willing to negotiate actual sales, so market values tend to be lower. Domestic demand from car and home electronics manufacturers has fallen following the cessation of government support measures. In South Korea, re-rollers have lifted their selling values by KRW207,000 in response to the higher cost of hot rolled coils from Posco. Market players predict further price hikes in the region after the Chinese New Year.

Selling values in Taiwan have been subject to upward pressure based on LME nickel figures and more increases are expected in February. Both of the country's major stainless steel producers, Yusco and Tang Eng, returned to monthly pricing regimes from January 2011 onward. Rising selling values in China, driven by input costs, were tempered by slow demand. Now, though, despite the approaching New Year holidays, some customers are buying more than they need, as they are confident of further price escalation.

German basis values climbed by around €20 per tonne this month. Sales volumes in France improved, influenced by restocking and buying ahead of more anticipated price hikes, as well as a small upturn in real demand. Market trends for the first quarter in Italy are positive. End-user consumption has increased a little and austenitic selling values are up, with further advances predicted. Ferritic prices are more stable.

Activity levels in the UK have picked up but this is mainly due to restocking and buying stimulated by a rising market, rather than any growth in real demand. The main domestic supplier, Outokumpu, has announced basis price hikes of between 4 and 6 percent. In Spain, the local producer's proposed increases are expected to be implemented, although some material is still available from stock at December prices.

There has been consistent demand from car and truck manufacturers in Sweden. Prices are being pushed up by

**NETHERLANDS - COLD ROLLED PRODUCTS**  
 Transaction Prices, €/tonne


raw material costs but increases are limited by the desire to maintain market share and by competition from cheap imports from the Far East. Sales volumes are healthy in the Netherlands. End-user consumption has been augmented by some restocking and purchasing in anticipation of rising selling values. The outlook for demand in Denmark is good, buoyed by manufacturing in neighbouring Sweden and Germany. Strong sales activity in Poland is supporting higher basis figures as well as alloy surcharges.

*The Acerinox alloy surcharge remains out of step with those of the other main European producers, due to its different reference period. As a result, market participants in Spain negotiate effective prices. These deals are, of course, heavily influenced by the prevailing alloy surcharges of other regional mills. As it is our custom to publish the current alloy surcharge of the domestic supplier, our Spanish basis figures are calculated from the transaction values and are, therefore, notional.*

## LONG PRODUCTS

### LONG PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS\* - GERMANY (€/tonne)

* LOW PRICES INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.	2009	2010					2011
	Q4	Q1	Q2	Q3	Q4	Q1(e)	
<b>Drawn Bar Grade 304</b>	2027	2207	3352	3258	3308	3610	
<b>Drawn Bar Grade 316</b>	3167	3392	5033	4837	4897	5350	
<b>Peeled Bar Grade 304</b>	2137	2198	3042	2958	3000	3270	
<b>Peeled Bar Grade 316</b>	3247	3377	4568	4395	4445	4850	

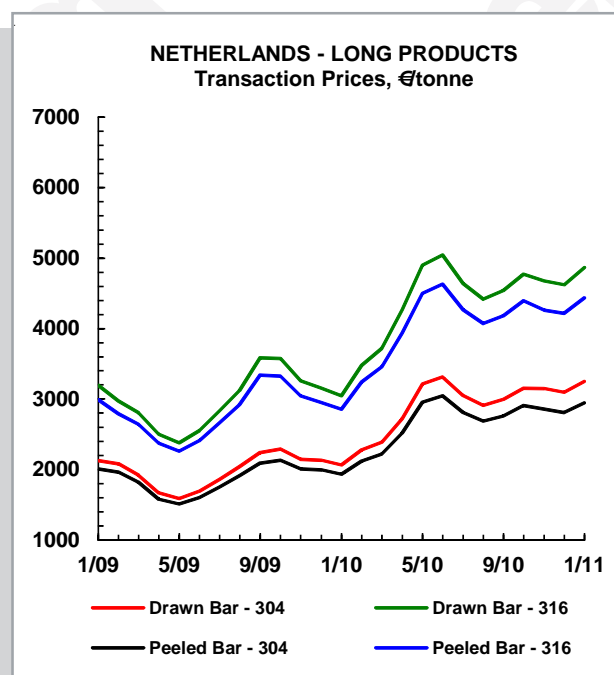
Despite only a small upturn in demand, there is little resistance in the United States to increases in transaction values. However, customers are unwilling to risk holding stock in case prices start to fall. Consequently, they are buying from master distributors or mill depots on short lead times rather than ordering new production from the mills.

Business activity is picking up in Germany, with orders from the machinery manufacturing industry booming. Suppliers are receiving lots of small orders. Stockholders and end-users are reluctant to build inventory so they are only buying for their immediate use. There is some tension in the market in France, due to limited material availability. This has supported a basis price hike of €50 per tonne.

There is an outlook of guarded optimism in the UK. Sales activity has increased but there is no stock replenishment, only back-to-back business. The basis price for type 304 peeled bar from regional producers rose slightly in January. Transaction values in Spain increased by around €200 per tonne.

Basis figures for both peeled and drawn bars in Sweden climbed by the equivalent of around €50 per tonne this

month. Sales volumes in the Netherlands are robust. This is driven by real demand from the German automotive industry rather than speculation, although prices continue to escalate.



### MONTHLY DRAWN BAR - NEGOTIATED DOMESTIC TRANSACTION PRICES (GRADE 304)

		2010						2011
		JUL	AUG	SEP	OCT	NOV	DEC	JAN
<b>United States</b> (\$US) per tonne	High:	4070	3800	3750	4020	4175	4265	4200
	Low:	3970	3700	3650	3920	4075	4165	4100
<b>Asian Average</b> (\$US) per tonne	High:	3087	3232	3355	3553	3549	3497	3747
	Low:	2981	3125	3248	3445	3438	3388	3636
<b>E.U. Average</b> (€) per tonne	High:	3423	3259	3332	3454	3440	3403	3598
	Low:	3361	3197	3270	3392	3378	3341	3536

INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

## NEGOTIATED DOMESTIC PRICES - LONG PRODUCTS

		Drawn Bar				Peeled Bar			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
<b>U.S.A.</b> <b>(US\$)</b> <b>per ton</b>	Negotiated Basis	1741	1832	2350	2441	2414	2505	2973	3064
	Surcharge	1986	1986	2841	2841	1986	1986	2841	2841
	Transaction	3727	3818	5191	5282	4400	4491	5814	5905
<b>U.S.A.</b> <b>(US\$)</b> <b>per tonne</b>	Negotiated Basis	1915	2015	2585	2685	2655	2755	3270	3370
	Surcharge	2185	2185	3125	3125	2185	2185	3125	3125
	Transaction	4100	4200	5710	5810	4840	4940	6395	6495
<b>Japan</b> <b>(‘000 YEN)</b> <b>per tonne</b>	Negotiated Market	-	-	-	-	-	-	-	-
	Surcharge	-	-	-	-	-	-	-	-
	Transaction	-	-	-	-	-	-	-	-
<b>South Korea</b> <b>(‘000 KRW)</b> <b>per tonne</b>	Negotiated Market	4190	4280	5780	5980	4040	4250	5430	5570
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	4190	4280	5780	5980	4040	4250	5430	5570
<b>Taiwan</b> <b>(‘000\$NT)</b> <b>per tonne</b>	Negotiated Market	122.0	125.0	156.0	158.0	125.0	128.0	160.0	163.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	122.0	125.0	156.0	158.0	125.0	128.0	160.0	163.0
<b>China</b> <b>(US\$)</b> <b>per tonne</b>	Negotiated Market	3005	3155	4180	4310	-	-	-	-
	Surcharge	0	0	0	0	-	-	-	-
	Transaction	3005	3155	4180	4310	-	-	-	-
<b>Germany</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1050	1100	1370	1470	1000	1050	1320	1400
	Surcharge	2435	2435	3790	3790	2165	2165	3365	3365
	Transaction	3485	3535	5160	5260	3165	3215	4685	4765
<b>France</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1100	1200	1450	1500	1000	1050	1350	1400
	Surcharge	2447	2447	3808	3808	2175	2175	3385	3385
	Transaction	3547	3647	5258	5308	3175	3225	4735	4785
<b>Italy</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1060	1110	1360	1460	960	1010	1210	1310
	Surcharge	2440	2440	3780	3780	2170	2170	3360	3360
	Transaction	3500	3550	5140	5240	3130	3180	4570	4670
<b>UK</b> <b>(£)</b> <b>per tonne</b>	Negotiated Basis	955	1005	1270	1320	880	930	1195	1255
	AA Factor	2115	2115	3205	3205	1880	1880	2850	2850
	Transaction	3070	3120	4475	4525	2760	2810	4045	4105
<b>Spain</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	1234	1284	1629	1679	1266	1316	1450	1550
	Surcharge	2266	2266	3521	3521	2034	2034	3160	3160
	Transaction	3500	3550	5150	5200	3300	3350	4610	4710
<b>Sweden</b> <b>(SKR)</b> <b>per tonne</b>	Negotiated Basis	10815	10965	14300	14500	10365	10565	13630	13830
	AA Factor	22370	22370	34640	34640	19880	19880	30790	30790
	Transaction	33185	33335	48940	49140	30245	30445	44420	44620
<b>Netherlands</b> <b>(€)</b> <b>per tonne</b>	Negotiated Basis	800	860	1060	1150	770	870	1050	1100
	Surcharge	2447	2447	3808	3808	2175	2175	3385	3385
	Transaction	3247	3307	4868	4958	2945	3045	4435	4485
<b>Denmark</b> <b>(DKR)</b> <b>per tonne</b>	Negotiated Basis	10805	10955	12740	12940	9875	10275	11775	12075
	Surcharge	18146	18146	28243	28243	16134	16134	25076	25076
	Transaction	28951	29101	40983	41183	26009	26409	36851	37151

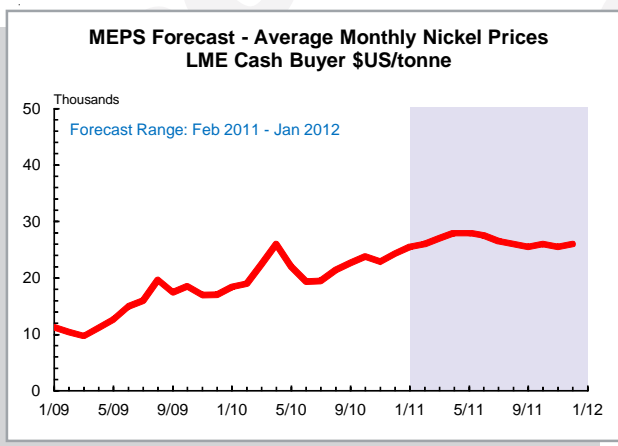
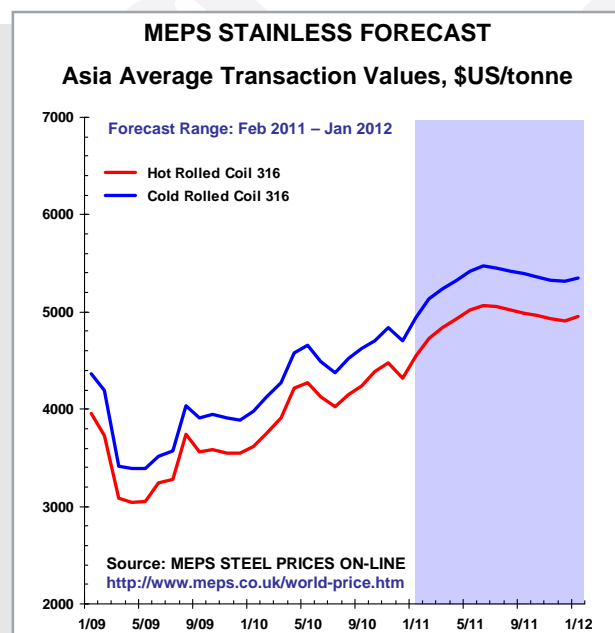
## MEDIUM TERM PRICE FORECASTS

### STAINLESS STEEL - WORLD AVERAGE

The MEPS - Asian Average Hot and Cold Rolled Coil, grade 316, transaction prices soared by approximately \$US230 per tonne in January. Advances were noted in all four countries due to growing mill input costs. Currency exchange rate movements added to the upward trend when domestic numbers were converted into US dollars.

Stainless steel selling figures are forecast to climb further after the Chinese New Year in line with nickel values. Market activity is likely to increase after the holiday period, helping mills to lift prices. Rising global transaction values should also result in renewed sales to foreign buyers.

Uncertainty about future government policies to curb the Chinese market could restrict demand growth in this country. Economic turmoil in Japan is also likely to limit consumption. Consequently, we expect raw material prices to reduce during the second half of this year. This would, almost certainly, result in decreases in stainless steel transaction values over this period.



### NICKEL

The monthly average cash nickel value is expected to expand by approximately \$US1500 per tonne in January - in line with our December forecast. A recent improvement in US economic fundamentals helped to lift nickel prices this month. Growing demand from China also boosted sentiment. An imminent revival in the world stainless steel market should spur nickel price rises in the short term. Nevertheless, continued economic difficulties in developed countries are likely to keep values below \$US30000 per tonne. Further initiatives by the Chinese government to cool their economy could have a negative impact on commodity prices later in the year. Growing supply may also dampen nickel values over the summer period. We, therefore, expect prices to decrease in the second half of 2011.

### STAINLESS STEEL PRODUCTION - CRUDE STEEL EQUIVALENT ('000 TONNES)

				2010		2011			
	2009	2010(e)	2011(f)	Q3	Q4(e)	Q1(f)	Q2(f)	Q3(f)	Q4(f)
European Union	5980	7500	7730	1600	1800	2000	2150	1750	1830
United States	1625	2255	2335	540	530	620	585	570	560
China	8805	11060	11100	2845	2750	2700	2870	2830	2700
Japan	2490	3160	3210	810	710	800	850	810	750
South Korea	1630	2000	2185	490	525	540	550	540	555
Taiwan	1315	1525	1565	350	375	400	410	370	385
Others* (e)	2735	2950	3210	755	720	820	800	790	800
<b>Global Total</b>	<b>24580</b>	<b>30450</b>	<b>31335</b>	<b>7390</b>	<b>7410</b>	<b>7880</b>	<b>8215</b>	<b>7660</b>	<b>7580</b>

Note: - \* - Others include Brazil, South Africa, India, Russia and other European and Asian countries. (e) - ESTIMATE. (f) - FORECAST. (r) - REVISED.

## INDUSTRY MATTERS

### CAPACITY/INVESTMENT

Posco, in conjunction with Kibar Holding and Daewoo International, is to start constructing a stainless steel cold rolling facility in March 2011. It will be located in Kocaeli, Turkey and have an initial capacity of 200,000 tonnes per year. A further 400,000 tonnes is planned to be installed at a later date. Commissioning is scheduled for late 2013/early 2014.

Taiwan's Yieh United Steel Corp is to invest over \$US100 million in Chinese sister company Lianzhong Stainless Steel Corp to expand cold rolled capacity. The project will take approximately two years to complete and raise output potential to 1.2 million tonnes per year.

Zhejiang Dada Stainless Steel is to bring on stream a stainless steel welded pipe plant in June 2011. It will have a yearly production potential of 10,000 tonnes and double capacity at the Chinese pipe manufacturer.

Posco VST is undertaking the first phase expansion at the stainless cold rolling mill in Dong Nai province, in Vietnam. By early 2012, annual production capability

should reach 185,000 tonnes. The second stage will add a further 100,000 tonnes per year by 2014.

### PRODUCTION

Shanxi Taigang Stainless Steel, subsidiary of Taiyuan Iron & Steel Group, is aiming to produce 3 million tonnes of stainless steel in 2011. This will be an increase of approximately 11 percent, compared with 2010.

#### RAW MATERIAL CONVERSION MARGIN GRADE 304 COLD ROLLED COIL

COUNTRY		Last Month	This Month
United States	\$US/tonne	1235	1049
Japan	'000 YEN/tonne	93.70	77.70
Germany	€/tonne	899.5	875.4

Definition - The conversion margin is the difference between current transaction price and the intrinsic value of the raw materials.

### 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
<b>HR Coil Type 304</b>	:High	3497	3577	3495	3621	3860	3795	3137	3316
	:Low	3357	3437	3411	3539	3660	3595	2999	3177
<b>HR Coil Type 316</b>	:High	5013	5137	5237	5424	5335	5290	4467	4698
	:Low	4865	4989	5142	5331	5135	5090	4317	4545
<b>HR Plate Type 304</b>	:High	4294	4374	4063	4178	5200	5135	3619	3808
	:Low	4171	4249	3950	4065	5080	5015	3482	3668
<b>HR Plate Type 316</b>	:High	5880	6004	5762	5938	6735	6690	5144	5383
	:Low	5759	5882	5645	5822	6635	6590	4998	5233
<b>CR Coil Type 304</b>	:High	3670	3742	3675	3801	3910	3845	3426	3579
	:Low	3565	3635	3587	3714	3850	3785	3257	3407
<b>CR Coil Type 316</b>	:High	5232	5369	5412	5599	5390	5345	4893	5162
	:Low	5118	5244	5328	5516	5320	5275	4706	4942
<b>Drawn Bar 304</b>	:High	4080	4211	4478	4685	4265	4200	3497	3747
	:Low	3983	4113	4396	4604	4165	4100	3388	3636
<b>Drawn Bar 316</b>	:High	5724	5898	6625	6872	5855	5810	4693	5013
	:Low	5618	5792	6530	6779	5755	5710	4570	4888

## PRODUCT AND PRICE DEFINITIONS

### PRODUCTS

**Hot Rolled Wide Coil** - Grades 304 and 316 in standard widths and finish. Thickness:- 3-12mm (except USA at 0.125 to 0.5 inches).

**Hot Rolled Quarto Plate** - Grades 304 and 316 in standard widths, length and finish. Thickness:- 13mm and above (except USA at 0.5 inches and above).

**Cold Rolled Wide Coils** - Grades 304, 316, 409 and 430 in standard widths. Thickness:- 2mm (except USA at 0.10 inches). Finish:- 430 - BA finish except USA and Hong Kong which is 2B. 304-316 - 2B all countries.

**Bright Drawn Bar** - Grades 304 and 316 : Diameter:- 25mm (except USA at 1 inch).

**Peeled/Rough Turned Bar** - Grades 304 and 316 : Diameter:- 50-100mm (except USA at 2-4 inches). South Korean figures are for precision bar.

### PRICES

All prices in this publication relate to those to be paid by consumers and stockholders for prime material, ex mill. Prices are for regular business between customers and their local steel mills negotiated during the month for delivery in the short/medium term. Delivery charges and local taxes are excluded. Contract deals arranged in the domestic market or special negotiations for quantities of imported material are also excluded.

**Market Price** can be defined as our analysis of the value negotiated for the products specified above - including extras for grade and form of supply.

**Transaction Price** is the total amount to be paid for the specified product - including alloy surcharges or alloy adjustment factor (if applicable).

All price and market information is researched by MEPS staff and our local correspondents. High and low values are provided to reflect the range of prices between major and minor customers. **Price tables relate to deliveries in different time periods. It is important these are read in conjunction with the text in the newsletter.**

**Please Note:** the reference for steel prices differs, slightly, in the various regions of the world:

**Japan** - In this publication, market price relates to spot deals negotiated between the mills and consumers or first tier service centres.

**South 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.

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.

## CURRENCY EXCHANGE RATES January 6 - 2011

		Units/ US\$
USA	(\$US)	1.00
Japan	(Yen)	83.16
South Korea	(KRw)	1122
Taiwan	(\$NT)	29.26
China	(\$US)	1.00
Eurozone	(€)	0.768
UK	(£)	0.646
Sweden	(SKr)	6.860
Denmark	(DKr)	5.721

## NEXT MONTH'S ISSUE

**The February issue of the Stainless Steel Review will be dispatched by post & PDF on 25 February, 2011.**

## 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.



### 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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