

Platts China Steel Sentiment Index Falls to Record Low

Export order outlook drops as possible removal of tax rebates spooks market

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BEIJING

BEIJING, Nov. 10, 2014 /PRNewswire/ -- Chinese steel market participants expect steel demand to weaken further this year, with the outlook for new export orders dropping dramatically, according to the latest Platts China Steel Sentiment Index (Platts CSSI), which showed a headline reading of 25.61 out of a possible 100 points in November.

The index has fallen to its lowest level since the CSSI began in May 2013, dropping 12.47 points from 38.09 in October. The CSSI reflects expectations of market participants for the month ahead. Similar to a purchasing managers' index, a CSSI reading above 50 indicates an increase/expansion and a reading below 50 indicates a decrease/contraction.

Platts China Steel Sentiment Index - November 2014

(a figure over 50 indicates expectations of an increase; under 50 indicates a decrease)

	Nov 14	Change m-o-m	Oct 14	YTD average
CSSI (Total New Orders)	25.61	-12.47	38.09	48.75
New Domestic Orders	25.01	-10.23	35.25	48.58
New Export Orders	32.62	-38.33	70.96	50.73
Steel Production	34.48	-0.51	35.00	42.95
Inventories at mills	43.10	-18.56	61.67	52.90
Steel Prices	27.77	1.04	26.74	40.10

The most striking reading in the latest index is the collapse of expectations for new export orders, which dropped 38.33 points from October's 70.96 to 32.62 in November. This is despite the record steel exports from China seen this year, which have helped offset weak domestic demand and kept steel production at relatively high levels.

"Speculation that China is considering removing tax rebates on exports of certain construction steel products has massively dampened sentiment - particularly as the domestic property construction market remains extremely weak," said Paul Bartholomew, Platts managing editor for steel and raw materials.

China's steel market participants are expecting crude steel production to stay at similar levels to last month. The reading of 34.48 for steel production in November was down 0.51 points month over month, and is the weakest reading since November 2013.

The only sub-index that rose - albeit very slightly - in the latest CSSI was expectations of steel prices, which were already very weak. All of the sub-indices in November were well below year-to-date average readings.

"The outlook for steel in China is normally weak at this time of year coming into their winter but is more pronounced this year with concerns around the export market. It could mean that smaller steel mills will adopt even more of a hand-to-mouth approach to buying raw materials and may undermine any seasonal restocking of iron ore," Bartholomew said.

The monthly Platts CSSI is based on a survey of approximately 50 to 75 China-based market participants including traders, stockists and steel mill operators. The survey of month-ahead sentiment is conducted during the last full working week of each month, with the results published

via press release and Platts' products and services before the 10th of the next month. Platts began tracking steel sector sentiment in China in May 2013. The Platts China Steel Sentiment Index survey plays no role in Platts' formal price assessment processes.

For more information about steel and metals visit the website at www.platts.com.

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CONTACT: Asia: Kimitsu Yogachi, kimi.yogachi@platts.com, +65 6530 6596; EMEA: Elizabeth Catalano, elizabeth.catalano@platts.com, +44 207 176 6024; Global & U.S.: Kathleen Tanzy, +1 212 904 2860, kathleen.tanzy@platts.com

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