Platts China Steel Sentiment Index Indicates Slowed Demand Growth For May

Monthly Index Totaled 50.34, down 21.80 Points From April's Reading of 72.14
Survey Suggests Flat Demand for Export Orders

BEIJING, May 1, 2014 /PRNewswire/ -- The health of China's steel sector appears to be leveling off and likely to see less support from demand growth in May, according to the latest Platts China Steel Sentiment Index (Platts CSSI), which showed a reading of 50.34 out of a possible 100. This is down 21.80 points from the April level of 72.14, but is above 50, which is the pivot point for indications of expansion versus contraction. The Platts CSSI reflects the responses of steel makers, traders and exporters at the end of each month to questions about new orders for the month ahead and the proprietary survey contains additional sentiment readings on production, inventories and prices.

"The May survey suggests that the seasonal growth in China's steel demand is ending with the approach of summer, with little improvement in demand in May compared with April," said Tomas Gutierrez, Platts managing editor for China metals. "Longs* traders look for a slight pick-up in orders in May, which many believe could bolster prices."

The Platts China Steel Sentiment Index Survey 2014

(a figure over 50 indicates expansion; under 50 indicates contraction)

	May	Change from April	April
Platts China Steel Sentiment Index (Reflects New Orders)	50.34	-21.80	72.14
New Domestic Orders	50.37	-22.31	72.68
New Export Orders	50.00	-14.51	64.51
Additional Sentiment Categories:			
Steel Production	43.75	-0.37	44.12
Inventories			
Mill Inventories	75.00	+42.65	32.35
Trader Inventories	36.80	+4.56	32.24
Price Expectations			
Domestic Long Steel Products Prices	64.29	-7.14	71.43
Domestic Flat Steel Products Prices	22.92	-25.00	47.92
Export Steel Prices	39.74	-12.53	52.27

Similar to a purchasing managers' index, a Platts China Steel Sentiment Index greater than 50 indicates sentiment in the steel sector is generally improving and could suggest sector strength, and a figure less than 50 indicates sentiment is declining, which could suggest the sector may be headed for slowdown or downturn. The Platts China Steel Sentiment Index is a weighted total of survey respondent estimates of new orders.

In addition to the overall Index reflecting new orders expectations, the Platts China Steel Sentiment Index Survey also includes separate sentiment categories reflecting expectations of production, inventories, and prices of domestic steel and steel for export.

Traders' views of inventories suggest continued de-stocking in May, despite the index moving up slightly to 36.80 from the prior month's 32.24, suggesting traders remain focused on minimizing risk ahead of the quiet summer months.

Traders of long steel products, such as reinforcement bar and rod, mostly anticipated lower inventories for May. Traders of flat steel products, such as sheet and plate, were more divided, with several expecting little change in inventory levels.

"Both long- and flat-steel traders indicate they're reducing inventories to minimize risk and financing costs in May, but they have differing outlooks on success prospects," said Gutierrez. "Longs traders still see demand growing, which will better enable them to draw down inventories during the next month, whereas flats traders believe it will be tougher to reduce inventories amid weak demand."

Long product traders correctly predicted prices would bottom in April and now expect a price rise in May, albeit a limited one. Flats traders largely expect prices to decline in the coming month.

The May index for mill inventories surged 42.65 points, despite mill expectations of lower production across April and May.

Despite the anticipated jump in inventories for the month, many mills largely expected output to remain flat from April, with only two mills reporting a possible reduction. The May index for steel production was 43.75 versus the April level of 44.12, suggesting only a minimal reduction was possible.

The Platts CSSI Survey suggests export prices could soften in May alongside weaker domestic flats prices and disruptions to export destinations. Vietnam in particular has seen buying affected by proposed import inspections to be introduced on June 1. Overall, the survey shows new export orders will likely be flat at 50, teetering between expansion and contraction, after an expansion reading of 64.51 in April.

The average price (including 17% value-added tax) of China's domestic steel rebar in Beijing, a bellwether location of the nation's steel industry, was Yuan 3,252 per metric ton ($528/mt) in April, according to Platts' price assessments. This follows a March average of Yuan 3,169/mt.

The monthly Platts China Steel Sentiment Index 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 atwww.platts.com.

*Traders of long steel products, such as reinforcement bar and rod.

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