News Release Archive

Platts China Steel Sentiment Index Suggests Minimal Demand Growth in June

Monthly Index Totaled 51.93, up 1.58 Points From May's Reading of 50.34

BEIJING, June 9, 2014 /PRNewswire/ -- The health of China's steel sector continues steady, with optimism having leveled off from early-year increases and the sector now anticipating minimal gains in demand in June, according to the latest Platts China Steel Sentiment Index (Platts CSSI), which showed a reading of 51.93 out of a possible 100. This is up 1.58 points from the May level of 50.34. 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 June survey suggests China's steel industry is now firmly in its summer period, when demand rarely grows," said Tomas Gutierrez, Platts managing editor for China metals. "Unlike last month, both long- and flat-products traders expected a decline in prices as traders and mills continue to minimize inventories."

The Platts China Steel Sentiment Index Survey 2014

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

	June	Change from	May
April			
Platts China Steel Sentiment Index (Reflects New Orders)	51.93	+1.58	50.34
New Domestic Orders	52.70	+2.33	50.37
New Export Orders	41.73	-8.27	50.00
Additional Sentiment Categories:			

Steel Production	59.38	+15.63	43.75
Inventories			
Mill Inventories	40.63	-34.38	75.00
Trader Inventories	35.17	-1.63	36.80
Price Expectations			
Domestic Long Steel Products Prices	45.45	-18.83	64.29
Domestic Flat Steel Products Prices	35.63	+12.71	22.92
Export Steel Prices	39.81	+0.06	39.74
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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.

In order to minimize risk over the quiet summer months, traders of all types of steel continued to emphasize de-stocking in June, with the inventories index falling slightly to 35.17 in June from 36.80 in May.

Traders of long steel products, such as reinforcement bar and rod, remained more confident in their ability to reduce inventories in June, while traders of flat steel products, such as sheet and plate, were less certain. Traders of flat steel products generally expected steady demand for June and possibly narrow declines in inventory levels.

"Flats traders continue to struggle to reduce inventories in the current weak market, which is having an impact on expectations for prices," said Gutierrez. "Flats traders have not expected price increases since March and sheet prices have, in fact, fluctuated at low levels since then."

Long-products traders' expectations of better prices last month were scuppered by a sharp decline in iron ore prices, explained Gutierrez, albeit on a monthly basis, iron ore prices were down only slightly. Still, sentiment now suggests a decline in long steel prices during June.

Mills had expected a surge in inventories in May and this seemed to be supported by mid-May data. But the June index for mill inventories dropped below 50 again, which indicates possible de-stocking ahead as mills aim to reduce inventories to reduce financing costs and avoid risk over the summer months.

Still, survey respondents from mills said their June output would remain flat or increase compared with May. The index for steel production came in at 59.38 for June, suggesting that mills likely intended to make the most of lower iron ore prices to increase output and revenue.

The Platts CSSI Survey continued to suggest export prices would soften as Chinese domestic prices would also remain weak.

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 3,226 per metric ton ($523/mt) in May, according to Platts' price assessments. This follows an April average of Yuan 3,252/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.

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