Platts China Steel Sentiment Index Suggests New Steel Orders Drop in July

Monthly Index Totaled 45.90, down 6.03 Points from June's Reading of 51.93

BEIJING, July 2, 2014 /PRNewswire/ -- The health of China's steel sector appears to have ebbed slightly, with the industry largely anticipating a slowdown in new steel orders in July, according to the latest Platts China Steel Sentiment Index (Platts CSSI), which showed a reading of 45.90 out of a possible 100 points and marked a six-month low.

The July reading is down 6.03 points from 51.93 in June and the lowest reading since 28.49 in January this year. Steel market participants anticipated a decrease in both domestic and export steel orders, but were more positive towards domestic orders.

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. Similar to a purchasing managers' index, a CSSI reading above 50 indicates an increase/expansion and a reading below 50 indicates a decrease/contraction.

In terms of prices, survey respondents' outlook for domestic steel prices in July was much more positive than their outlook for export steel prices. Also, producers and traders of flat steel products, such as hot rolled coil, were significantly more bullish than last month. The flat steel price index reached 62.37 in July, up 27.10 points from 35.63 in June; while the long steel domestic price index was 50.00 in July, a more modest increase than for flats, compared with 45.45 the previous month.

Long steel products, such as rebar, are used in construction work, which typically experiences a slowdown in activity in the hotter summer months of the year in China.

The Platts China Steel Sentiment Index Survey - July 2014

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

	July	Change from June	June
Platts China Steel Sentiment Index (Reflects New Orders)	45.90	-6.03	51.93
New Domestic Orders	46.71	-5.99	52.70
New Export Orders	36.42	-5.31	41.73
Additional Sentiment Categories:			
Steel Production	46.43	-12.95	59.38
Inventories			
Mill Inventories	46.43	5.80	40.63
Trader Inventories	39.35	4.18	35.17
Price Expectations			
Domestic Long Steel Products Prices	50.00	4.55	45.45
Domestic Flat Steel Products Prices	62.73	27.10	35.63
Export Steel Prices	47.72	7.91	39.81

"Chinese mills have been increasing production of flat steel over the past month or so, taking advantage of lower iron ore prices

which have helped improve their margins," said Paul Bartholomew, Platts managing editor for steel and raw materials. "The concern for mills and traders, however, is that all this supply could start to weigh on prices - particularly as the market slows during the slower summer period."

The July survey showed expectations for stronger prices for export steel than in June. The export steel price index was 47.72 for July compared to the June level of 39.81

Last month's Platts CSSI anticipated the strong steel production seen in June. China Iron & Steel Association data revealed record steel production during June 11 through June 20 of 1.83 metric ton/day.

But most market participants surveyed by Platts now believe output will fall in July. Chinese mills often carry out maintenance work in summer, which can also impact production levels.

"Iron ore producers will be hoping that record steel production in June will not just be a flash-in-the-pan," said Bartholomew. "They're hoping they will be sustained over the rest of this year to support iron ore prices - which remain in the low $90 per metric ton range - particularly with so much new supply from Australia hitting seaborne markets in 2014."

The Platts CSSI found that slower steel output, combined with a slowdown in construction activity, could see inventories held by traders and mills increase in July.

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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