Platts China Steel Sentiment Index Indicates Weak Demand, Price Outlook

Monthly Index Totaled 45.88, Down 1.09 Points from August's Reading of 46.97

BEIJING, Sept. 8, 2014 /PRNewswire/ -- The health of China's steel sector may be poised for a less than robust immediate future, according to the latest Platts China Steel Sentiment Index (Platts CSSI), which showed a September reading of 45.88 out of a possible 100 points. This is down 1.09 points from an August reading of 46.97 and is the third consecutive month the index has remained below 50, indicating that market participants see demand for steel softening.

China's steel sector expects construction steel prices to fall over September on the back of the slowdown in China's property sector, the index survey showed.

The Platts China Steel Sentiment Index Survey - September 2014
(a figure over 50 indicates expansion; under 50 indicates contraction)

	September	Change from August	August
Platts China Steel Sentiment Index (Reflects New Orders)	45.88	-1.09	46.97
New Domestic Orders	44.82	-2.62	47.44
New Export Orders	58.04	16.50	41.54
Sentiment Categories:			
Steel Production	41.38	6.76	34.62
Inventories			
Mill Inventories	46.55	-26.53	73.08
Trader Inventories	47.02	-12.42	59.44
Price Expectations			
Long Steel Prices	18.75	-45.54	64.29
Flat Steel Prices	10.63	-18.54	29.17
Export Steel Prices	10.11	-25.50	35.61

The most positive reading in the latest index is expectations for new export orders, which rose by 16.50 points in September from the previous month. The outlook for crude steel product also improved, with the index moving up 6.76 points from August to 41.38 in September.

"The Chinese steel industry has been relying heavily on the export market in recent months to compensate for very soft demand in the domestic end-user markets," said Paul Bartholomew, Platts managing editor for steel and raw materials. "The massive fall in expectations for prices of long steel products is not surprising given the slowdown in the property sector."

The latest CSSI indicates the industry is largely expecting a drop-off in domestic orders with a reading of 44.82 points - 2.62 points lower than the previous month. The long steel prices index plunged from August's 64.29 points to 18.75 in September, and flat steel sentiment index fell 18.54 points to 10.63. While market participants expect new export orders to increase, price expectations remain bearish, falling 25.50 points month over month to 10.11 points in September.

"The market situation does not bode well for steel producers and it's certainly not good for iron ore miners at a time of huge supply into China. Lower steel prices will put more pressure on iron ore prices which have already hit a five-year low," 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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