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Platts China Steel Sentiment Index Falls to Lowest Level since January

China Steel Market Relies on Exports on Weak Domestic Demand, Output Drop Expected

PR Newswire
BEIJING

BEIJING, Oct. 9, 2014 /PRNewswire/ -- China's steel sector appears to be relying heavily on the export market in the face of ongoing weak domestic demand, according to the latest Platts China Steel Sentiment Index (Platts CSSI), which showed a headline reading of 38.09 out of a possible 100 points in October.

The October index was down 7.78 points from 45.87 in September, marking its lowest level since January this year. 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 - October 2014
(a figure over 50 indicates expectations of an increase; under 50 indicates a decrease)

	Oct 14	Change m-o-m	Sep 14	YTD average
CSSI (Total New Orders)	38.09	-7.78	45.87	51.07
New Domestic Orders	35.25	-9.56	44.82	50.94
New Export Orders	70.96	12.91	58.04	52.54
Steel Production	35.00	-6.37	41.38	43.80
Inventories at mills	61.67	15.11	46.55	52.54
Steel Prices (flats)	26.74	16.11	10.63	41.33

Steel exports from China have seen record high volumes this year and the market expected this trend to continue into October. The new export orders index was recorded at 70.96, up 12.91 from September.

"This latest index shows the extent to which the Chinese steel market is trying to export its way out of trouble," said Paul Bartholomew, Platts managing editor for steel and raw materials. "The steel sector is still battling with overcapacity, the property construction sector - which is a major user of steel - is still in the doldrums, so Chinese mills and traders are increasingly looking offshore for customers," he said.

With iron ore producers already coping with low prices, China's steel market participants are expecting crude steel production to fall further over the next month. The reading of 35.00 for steel production in October was down 6.37 points from September, and was the fourth consecutive month of sub-50 readings, indicating that participants predicted output would fall.

"Expectations of lower steel production can be attributed in part to the week-long holiday in China at the start of October, but output tends to come off slightly in the final quarter," Bartholomew said. "It could put iron ore under more pressure until the pick-up in demand the market typically gets towards the end of the year."

The latest CSSI indicates the industry is largely expecting a drop-off in domestic orders with an index reading of just 35.25 points, 9.56 lower than the previous month. The outlook for steel prices improved to 26.74 in October - compared with 10.63 in September.

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 atwww.platts.com.

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