

# Steel prices may drop on weak offtake by China

**Subramani Ra Mancombu**  
Chennai

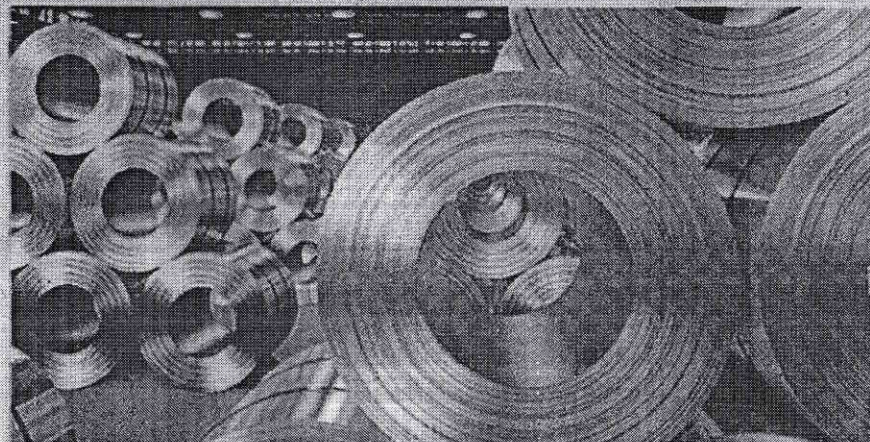
Global steel demand will likely decline on weaker offtake by the Chinese construction sector, while excess supply from the Communist nation will keep the prices on a leash.

However, US research firm BMI, a unit of Fitch Solutions, said India will remain a bright spot for continued steel demand in Asia.

According to Goldman Sachs, the risk of excess steel supply in China is becoming more and more obvious and a slower recovery in property sales will likely lead to a 5 per cent drop in steel demand. As a result, Beijing might lower its production target.

## PRICE FORECAST CUT

Data from the World Steel Association show that steel production in China dropped 1.5 per cent in April, while it was



**RAY OF HOPE.** India will remain a bright spot for continued demand in 2023, says BMI GETTY IMAGES/ISTOCKPHOTO

up 4.1 per cent during January-June this year. "Mainland China's construction sector remains in decline, although we expect a pick-up in H2 2023. At the global level, demand is likely to be subdued throughout the year as major economies experience an economic slowdown," said BMI, a research unit of Fitch Solutions, in a downgrade of its price forecast. The research unit said it has cut its average price forecast for steel to \$730 a tonne

from \$825 earlier due to lacklustre demand dynamics.

The global average price for longs and flats has averaged \$751 in the year-to-date as of June 6, while the current average stands at \$713/tonne. Steel prices are down 15-20 per cent year-on-year.

## INDIA'S ADVANTAGE

BMI said the Indian Budget for the current fiscal has "multiple infrastructure plans: from rails, roads to airports to

spur economic growth".

"In the near term, the government plans to begin 100 airport projects by the end of 2024. The Airports Authority of India has a targeted capital outlay of \$13 billion for construction of greenfield airports and terminals, runways and other activities. These infrastructure plans will require a substantial amount of steel, with most of it expected to come from domestic production plants," it said.

BMI said despite a modest recovery in Mainland Chinese steel prices in H2 2023, prices are likely to remain depressed in other major markets, placing a lid on the global average.

On the supply side, the research unit said it expects limited production growth in 2023 as major steel-making firms continue to face high input costs. "Over the long term, we maintain our view for global steel prices to remain on a downward trend..." it said.