

World steel industry striving to pick up

Global steel output in 2008 was 1.3297 billion tons, a drop of 1.2 percent over 2007 and the first-ever decline in the past two decades since 1998, according to statistics released by the World Steel Association (worldsteel) recently.

Overall, the whole industry is still at an all-time low and the global demands for steel could contract 10 percent. In face of low prices and low demands for rolled steel, major global steel firms trim production, reduce employment and postpone their investment, and steel production will continued to be slashed in these firms in 2009. So, the steel industry now has a hard time worldwide. Iron and steel market



will shift from the seller's market to buyer's market in 2009. Annual iron ore contract prices are expected to end a six-year rising trend and drop by 40 percent, and contract prices for hard coking likely to decline 72 percent in the year. An Australian bank had predicted global steel output at 1.22 billions for 2009, or 110 million tons less than preliminarily forecasted last year, posing a drop of 8.25 percent. Without much change in its production setup, Asia remains a leading rolled-steel making area, but there can be some changes with respect to the consumption quantities, principal regions for consumption and the steel product mix.

INDIA



Owing to the impact of ongoing global financial crisis, Mittal Steel has to put off its development plan, said Steel King Lakshmi Mittal in an interview with People Daily reporters.

Since the outbreak of financial crisis, Mittal noted, his iron and steel group has suffered a total loss of more than 100 million US dollars. Mittal Steel announced that it had to cut production by 35 percent and lay off a large number of employees. The demand at this year's global steel market would not rise again, Mittal acknowledged. Mittal Steel will work to further straighten out or integrate its internal resources, instead

of effecting marked changes with its vital development strategy. Furthermore, the fall of raw materials prices, such as iron ore and coal, will help cut production in steel firms. As India has put forth economic stimulus plan to fund extensive infrastructure construction, several Indian steel firms began to pick up their sales volume in January this year.

THE UNITED STATES

Steel is the "backbone" of American manufacturing. It is important also for "America's critical infrastructure and national economic security". The U.S' iron and steel industry

created 1.2 million jobs directly or indirectly, and produced 350 billion dollars worth of output value each year. Of all steel products on the American market, 40 percent is to provide for the civil engineering sector and another 20 percent is to

provide for auto industry. Since the eruption of the subprime crisis in mid 2007, US steel industry has mired into dilemma. In 2008, its iron and steel output was down 50 percent and rolled steel prices down 40 percent year-on-year. Large steel makers suspended production one after another. More than 20,000 steelmakers have already been temporarily laid off, according to the United Steel Workers of America (USWA). Analysts note that U.S. steel industry will benefit from President Barack Obama's mammoth 787-billion-dollar stimulus



package, which includes several hundred billion dollars to be used in the field of infrastructure development. Moreover, thanks to the technical upgrading, the energy efficiency for each ton of steel manufactured in the U.S. has raised 30 percent as compared to the 1990s with an ensuing, apparent remarkable reduction of greenhouse gases emission. The U.S. would draft an energy efficiency plan up to 2020 along with efforts of its Asia-Pacific

partners.

SOUTH KOREA

South Korea's POSCO, the world's fourth largest steelmaker, produced 33.1 million tons of crude steel in 2008, and it is expected to turn out anywhere from 29 million to 32 million tons this year, said Mr. Kim, a South Korea steel magnate and a POSCO public relations



officer. To cope with global financial crisis, POSCO has worked out or formulated detailed schemes. In a national effort to expand its domestic market, POSCO said that it would increase input this year by as much as 53 percent to 7.5 trillion won,

including 1.5 trillion won in investment in overseas resources and steel firms.

AUSTRALIA

World steel prices and global demands for steel have declined drastically since October last year. Australia's

steel output was down by 26 percent in the last quarter of 2008, three Australian mining giants disclosed in January this year. The Anglo-Australian mining giant Rio Tinto laid off more than 10,000 employees all over the world, and BHP Billiton also revealed its plans to sack 6,000 employees. [Gina Rinehart](#), 53, daughter of Lang Hancock, who is mining entrepreneur and Australia's richest woman, said she is currently looking in Asia for investment partner. A fall in property price provides China with a good opportunity to invest in Australia, she said, adding that Chinese funds are conducive for Australian firms to get out off difficulties.



CHINA'S IRON, STEEL INDUSTRY

At present, all nations are taking prompt measures to respond to financial crisis, and infrastructure construction constitutes a useful and forceful way to help the iron and steel industry phase out difficulties, Chinese expert Hou Zhiyun explained. The iron and steel industry in China can possibly bottom out earlier than those in other countries, as the nation has resorted to macroeconomic measures to stimulate economic growth and expand



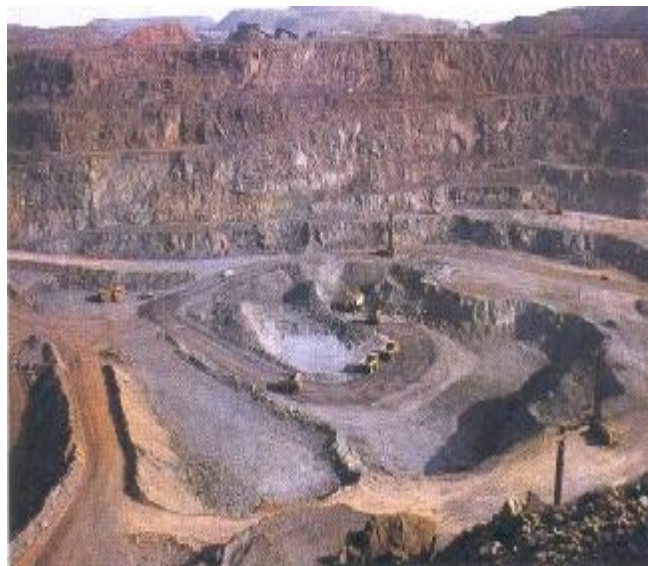
domestic consumption. China outreached other steel making countries in term of gross steel output in 2008, and it would keep or retain its position in 2009, according to an Australian bank. This year "witnessed a drastic slowdown in the rate of growth of steel demand following the end of post-war reconstruction, said Ian Christmas, secretary general of the World Steel Association (worldsteel). At present, China has started to speed up the merging and integration of its steel sector, and this will help reinforce its status at the global steel market. Newly emerging market-oriented nations will expand their steel production capacity with a steady rise in the demand for rolled steel, and their steel firms will surely shift from the mode of the scale-oriented growth to the mode for value addition-oriented development.

Chinese increasing mining investment in South America

Miningweekly cited Mr Wu Bin President of Shougang group after a meeting with Mr Alan Garcia president of Peru as saying that China's Shougang group, *the country's fourth-largest steelmaker has announced that it is going to invest USD 1 billion in its Peruvian iron-ore mining subsidiary, Shougang Hierro Peru.*



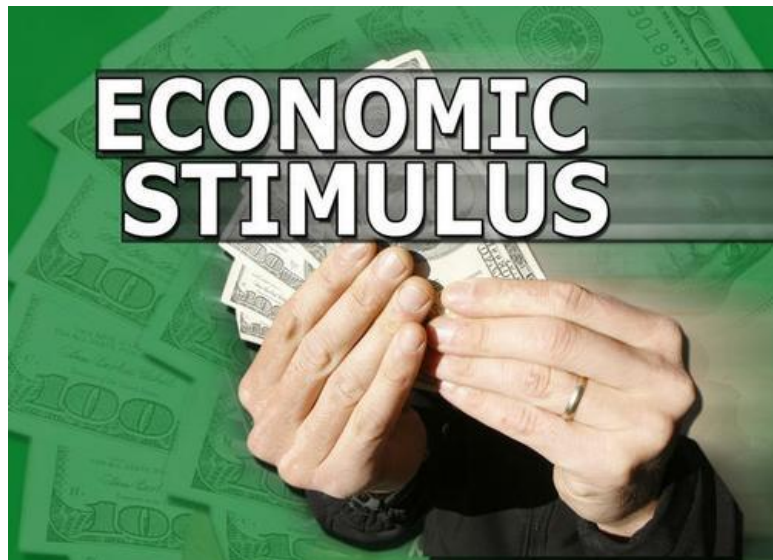
As per report, this investment will boost Shougang Hierro's production capacity to 10 million tonnes a year of iron-ore by late 2010. These will double the Peruvian operation's production. Shougang has been active in Peru since 1993 and Shougang Hierro is a wholly owned subsidiary of the Chinese group. With its head office in Lima, Shougang Hierro is the largest iron-ore producer on the west coast of the Americas. It operates a mine with open pits, beneficiation plants and a port. These are located on the Peruvian coast, some 525 kilometer south of Lima. The mine and its associated primary and secondary crushing circuits are located at San Juan de Maracona, about 800 m above sea level and 14 kilometer inland, while the beneficiation plants and the port are at San Nicholas. The mine currently has four openpits in operation, these being numbers 2 to 5 inclusive. After going through the primary and secondary crushing circuits, the iron-ore is carried by conveyor belt to San Nicholas, where there is a tertiary crushing facility. Also at San Nicholas are a balling and induration plant, a dewatering and filtering facility, a pellet feed production circuit and a sinter feed production circuit. The Peruvian company's product range comprises blast furnace pellets, direct reduction pellets, pellet chips, high grade pellet feed, calibrated sinter feed, high-grade sinter feed and dolomite.



Industry insider: China's petrochemical stimulus plan to focus on refining and chemical industries

China's upcoming stimulus package for the petrochemical sector will likely focus on oil refining and chemical industries, while oil and gas exploration will not be touched upon, petrochemical experts said Tuesday. The package will more likely dedicate to the overall development of the sector in the next three years with emphasis on industrial restructuring and optimization of product mix, said sources with China Petroleum and Chemical Industry Association (CPCIA), who declined to be named. In terms of chemical industry, the stimulus

package would stress adjustment and upgrading of industrial structure, support development of high-end chemical products, and encourage manufacturers to make high-tech and high-value-added products which could replace import ones, said the sources. China's petrochemical industry has seen unbalanced development, according CPCIA report, citing facts such as the primary chemical manufacturing saw serious



excess capacity, while high-end chemical production was relatively weak and relied largely on imports. China's refining industry might extend its existing projects and build new ones, since China's current refining capacity might not be able to meet the demand of the country's development in the long term, said Dong Xiucheng, professor with China University of Petroleum. The package

might also include plans for establishing a reserve system for petrochemical products, such as fertilizer reserve during agricultural off-peak seasons and commercial reserves of refined oil, said sources with CPCIA.

China's petrochemical sector saw profit drop by 10 percent last year, totaling 499 billion yuan (73.06 billion U.S. dollars), said the CPCIA report. China's refining capacity reached 342 million tons last year, and will increase 40 million tons in 2009, according to the Economic and Development Research Institute under China Petroleum and Chemical Corporation (Sinopec), China's largest oil refiner.

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