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China steel firms suffered \$8 bln in losses in Jan-Nov 2015 -assn

BEIJING | BY DAVID STANWAY

Jan 18 China's major steel firms lost 53.1 billion yuan (\$8.07 billion) from January to November last year, as prices fell because of overcapacity and slumping demand, the China Iron and Steel Association (CISA) said on Monday.

China's steel sector, responsible for around half of global output, has been one of the biggest casualties of the country's economic slowdown, with prices now at multi-decade lows as a result of a massive supply glut.

China's total annual crude steel capacity is now 1.2 billion tonnes, CISA's chairman Zhang Guangning said in a speech at the association's annual conference last week that was posted on the group's website (www.chinaisa.org.cn) Monday.

With about a third of the country's total capacity now standing idle, Zhang said China has still not established a mechanism that would allow loss-making steel enterprises to exit the market.

"Some enterprises want to exit, but an exit route has not been opened up.. and some local governments continue to urge steel firms to produce in the interests of local economic development and social stability," said Zhang, who is also chairman of the state-owned Anshan Iron and Steel Group.

He said CISA member firms saw their total earnings decline 19.3 percent over the 11 months, with more than half making losses, he said.

The association consists of around 100 medium- and large-sized steel mills covering nearly 80 percent of national output.

Steel consumption in China peaked in 2013, while output in the world's biggest producer peaked the following year, Zhang said.

"The period of high market demand growth has already passed into history, and from now on... overall demand will slowly decline," he said.

Crude steel output in China fell 2.2 percent to 738.4 million tonnes in the first 11 months of 2015, but apparent steel demand fell 5.5 percent to 645 million tonnes over the 11-month period, Zhang said.

Exports have offered a lifeline for Chinese steelmakers, with falling domestic prices allowing them to undercut overseas producers, leading to a surge in trade disputes.

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Zhang said there were 36 anti-dumping investigations into Chinese steelmakers last year, double the 2014 number.

A composite price index of eight steel products compiled by CISA was at 56.37 in early January, compared to the 1994 baseline of 100.

(\$1 = 6.5789 Chinese yuan) (Reporting by David Stanway; Editing by Christian Schmollinger)

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