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China steel exports said to be sold at a loss as backlash grows

SHANGHAI/SINGAPORE, JUNE 18 | BY RUBY LIAN AND MANOLO SERAPIO JR

Some Chinese steelmakers are selling their output abroad at a loss, according to traders and a producer, as a group of global industry bodies urged governments to take action over rising shipments from China.

Chinese mills had sold steel overseas at a loss of up to 200 yuan (\$32) a tonne and cut the export price of hot-rolled coil by 5 percent to \$340-\$350 a tonne, free-on-board basis, this week compared to last week, according to traders and a producer in Hebei, China's top steel producing province.

These mills were also selling at a loss to the domestic market, they said.

"The domestic market is too weak to consume high output and our prices are competitive, so some mills are still keen to step up exports, hoping to ease high inventories and maintain market share," said a senior official at a privately owned mill in Hebei.

China exports around 10 percent of its annual steel output from hundreds of steelmakers and it was unclear the quantity of steel the traders and official were referring to.

China's steel exports rose 28 percent to 43.5 million tonnes in January-May, even as domestic crude steel output fell nearly 2 percent. In 2014, exports jumped 51 percent to a record 93.78 million tonnes.

Eight steel associations from Asia, the Americas and Europe said in a joint statement this week all regions were "suffering from a dramatic increase in unfair steel imports that is fueled by massive global overcapacity."

"Looming over it all is China, whose massive and increasing overcapacity in an era of slowing growth has already destabilized the global steel market and trade flows," the statement said.

Officials from the China Iron and Steel Association were not immediately available for comment.

After the European Commission launched an anti-dumping probe against Russia and China in May, a spokesman for China's Ministry of Commerce said the surge in Chinese steel exports was "normal and also beyond reproach", and reflected increased demand and the strong competitiveness of domestic steelmakers.

"Chinese steel exports are likely to hit a fresh record of 100 million tonnes this year, as there is demand but no other countries can fill the gap and our prices are competitive,"



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said Xia Junyan, an analyst with Everbright Futures in Shanghai.

China's exports were previously anticipated to slow this year after the removal of rebates for boron-added steel products. But shrinking demand at home has left producers needing to sell surplus steel overseas.

"TOPDOWN ECONOMY"

Noting China's call to be treated fairly, or as a market economy, by members of the World Trade Organisation from the end of 2016, the foreign steel associations said the country's steel sector showed it had yet to meet that test.

"The existence of the overcapacity itself, estimated at up to 425 million metric tons, and the lack of an effective policy to reduce it are evidence that China is still a topdown state-driven economy," the groups said.

Other countries affected by Chinese exports have already moved to counter the deluge, with India raising import taxes on certain steel products and Mexico applying duties to hot-rolled steel from China and other countries.

Still, China's exports are likely to remain high. A survey by industry consultancy Custeel.com showed shipments of rebar from 38 Chinese mills could rise 46 percent in June from May and wire rod exports from 32 mills may jump 47 percent.

"Exports are the industry's pressure valve. Should this be closed, we expect oversupply in the Chinese market to mount, pushing down prices and leading to closures of high-cost mills," said Carsten Menke, analyst at Julius Baer in Zurich. (\$1 = 6.2092 Chinese yuan) (Editing by [Ed Davies](#))

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