



Steel Mills' Profits Recovering and China's BF Operating Rate Increased Slightly

Industry Research

Synopsis

The futures market rebounded recently and spot market picked up accordingly and shocked in a tight range, leading to a stable steel market. Under the situation of rebounding prompt profits, steel mills rarely arrange the maintenances. There were 2 new BF's starting overhaul and 6 are resuming production in the week, resulting to a slight increase of the China's BF operating rate. In Jul, some BF's in maintenance are resuming production gradually and the normal maintenances are took turns according to a fixed schedule. Therefore, the overall operating rate will be little changed and no large-scale reduction output or BF's shut-down is expected to appear in Q3 of the whole China.

1. China's Domestic Operating Rate of BF Volume Sees Slight Increase

According to Custeel, BF operating rate of 242 sample steel mills in China was 84.12% by numbers, up by 0.44 percentage points on a weekly basis, including 2 BF's newly added to overhaul and 6 resumed production after maintenance. As for volume, the operating rate was 88.36%, up by 0.11 percentage points WoW. Thereinto, the figure for North China increased by 0.67 percentage point to 88.92%, while that for East China ascended by 0.46 percentage point to 95.25%. Besides, the figure for Northwest China dropped by 3.09 percentage points to 65.96% and those for other regions remained unchanged.

Graph 1: Steel Mills' Short-term Profits Rebound Graph 2: China and Tangshan BF Operating Rates (by capacity)

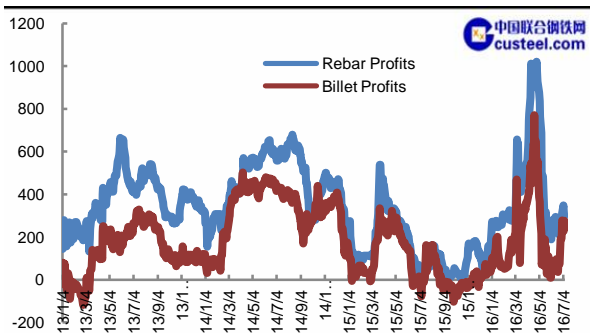


Chart 1: China's BF's Operating Rates Rebound

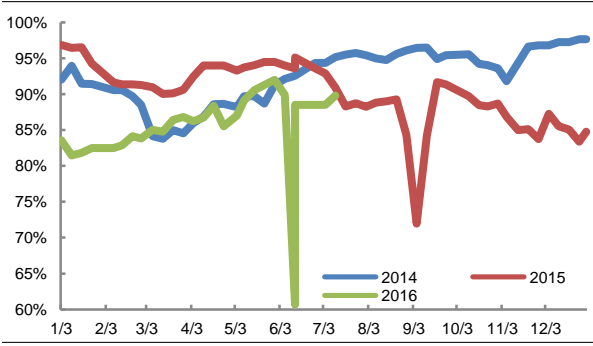
China's BF Operating Rates (Updated on Jul 8)

Region	Sample Mills	BFs in Overhaul	Operating Rate ① (%)	Change WoW	Operating Rate ② (%)	Change WoW
China	242	144	84.12%	0.44	88.36%	0.11
North China	112	64	84.43%	0.97	88.92%	0.68
East China	53	13	93.81%	0.48	95.25%	0.46
Northeast	17	10	86.84%	0.00	91.11%	0.00
Central Regions	22	1	98.63%	0.00	99.54%	0.00
Southwest	16	32	52.24%	0.00	64.17%	0.00
Northwest	22	24	64.18%	-1.49	65.96%	-3.09
Hebei	82	35	89.03%	1.25	92.61%	0.86
Tangshan	43	24	85.37%	1.83	89.79%	1.30
Shandong	17	8	88.41%	1.45	92.11%	1.51
Jiangsu	18	3	96.10%	0.00	96.67%	0.00
Shanxi	22	18	72.31%	0.00	78.47%	0.00

2. Tangshan’ s BFs Resumed Production and Operating Rate Went up

There were 3 BFs resuming production after overhaul in Tangshan and among 164 blast furnaces in Tangshan area, 24 of the blast furnaces in Tangshan were closing during the session ending Jul 8, 2016, involving a total capacity of 15440 m³, leading to an operating rate of 88.79%, up by 1.3% WoW. Billet price hikes in Tangshan have leveled up steel mills’ profitability and the operating rate is expected to keep the uptrend slightly. Notably, Tangshan earthquake anniversary comes and output restriction measures which expected to be more severer than that during China-Eastern Europe Summit will be adopted in the end Jul.

Graph 3: Tangshan’s BFs Resumed Production and Operating Rate Went up



3. Routine Overhauls Dominate in Jul Production Suspension

According to latest survey, all the newly resumed blast furnaces have just finished annual overhaul, except Bayi Steel, which suspended production due to sluggish construction steel market in Xinjiang, and the resuming date is determined by market performance. There were 12 blast furnaces stopped production or begun overhaul since Q2, resulting in a decline of 41,700 tonnes daily output. Steel mills still have profits and the following overhauls are mostly routine overhaul. China’s nationwide blast furnaces operating rates will fluctuate in narrow range and it is less likely to see large-scale production suspension.

Chart 2: Steel Mills' Blast Furnaces Overhauls

Newly Increased BF Overhaul during Jul 1-8				
Steel Mills	Overhaul Furnaces	Overhaul Capacity	Daily Output ('000 tonne)	Remark
Xinjin Steel	1	600	2.1	Annual overhaul
Bayi Steel	1	2500	5.5	Suspend production for overhaul on sluggish market
Total	2	3100	7.6	
Steelmakers Under Overhaul				
Steel Mills	Overhaul Furnaces	Overhaul Capacity	Daily Output ('000 tonne)	Remark
Guofeng Steel	1	2500	6.5	Overhaul for 50 days since Jun 10
Guofeng Steel	1	1780	4.6	Overhaul during banking
Jiang'an Steel	1	450	1.6	Overhaul gas pipeline, date unconfirmed
Ma Steel	1	500	1.8	Shutdown since Jun 12
Rizhao Steel	2	2160	6.5	Plans to overhaul for 2 months
Handan Steel	1	1000	3	Plans to overhaul for 20 days
Tonghua Steel	1	2680	6.7	Overhaul due to accident
Hejin Huaxinyuan Steel	1	600	2.1	Regular overhaul since early May
Yonggang	1	700	2.5	Overhaul since late Apr on equipment upgrading
Xilin Steel	1	1080	3.2	Overhaul period remains long as furnaces burned out
Rongcheng Steel (Heli)	1	1080	3.2	Continue to overhaul
Total	12	14530	41.7	
Steelmakers to Conduct Overhaul				
Steel Mills	Overhaul Furnaces	Overhaul Capacity	Daily Output ('000 tonne)	Remark
Shanxi Zhongsheng Steel	1	1280	3.84	overhaul for 10 days since Jul 12
Baotai Steel	1	1080	3.2	overhaul in Jul
Shougang	1	5500	11	overhaul for 5 days since Jul 25
Qian'an Steel	1	2650	5.83	overhaul on 1# since Jul 26; 2# since Jul 31, both for 3 days
Sangang (Luoyuan)	1	650	2.275	overhaul for 25 days since Jul 25
Total	5	11160	26.1	

4. Crude Steel Outputs Forecast to Rise in Jul

Six blast furnaces in Tangshan resumed operation this week. A blast furnace at Xuzhou Chenri Steel will resume production soon after suspended for long, now it is preparing raw materials. The 2# blast furnace at Baosteel’s Zhanjiang plant plans to start up operation in the middle of Jul. Judging from production suspension and resumption of blast furnaces, crude steel outputs in July will be on the rise.

Chart 3: Production Resumption and Capacity Increase in Jul

Newly Increased BFs Resumption during Jul 1-8				
Steel Mills	Resumed Furnaces	Resumed Capacity (m³)	Daily Output ('000 tonne)	Remark
Puyang Steel	1	580	2	Resume operation after overhaul
Zongheng Steel	1	580	2	Resume operation after overhaul
Guoyi Steel	1	600	2.1	Resume operation after overhaul
Jing'an Steel	2	1360	4.8	Resume operation after overhaul
Laiwu Steel	1	1080	3.2	Resume operation after overhaul
Total	6	4200	14.2	
BFs to Resume or Start up Operation				
Steel Mills	Furnaces	Capacity (m³)	Daily Output ('000 tonne)	Remark
Chengri Steel	1	600	2.1	To resume operation after long time suspension
Baosteel Zhanjiang Plant	1	5050	10.6	Plan to ignite on Jul 15 2# BF
Ma Steel	1	3200	8	Plan to ignite on Jul 28 (replace 2# BF)
Total	3	8850	20.7	

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