

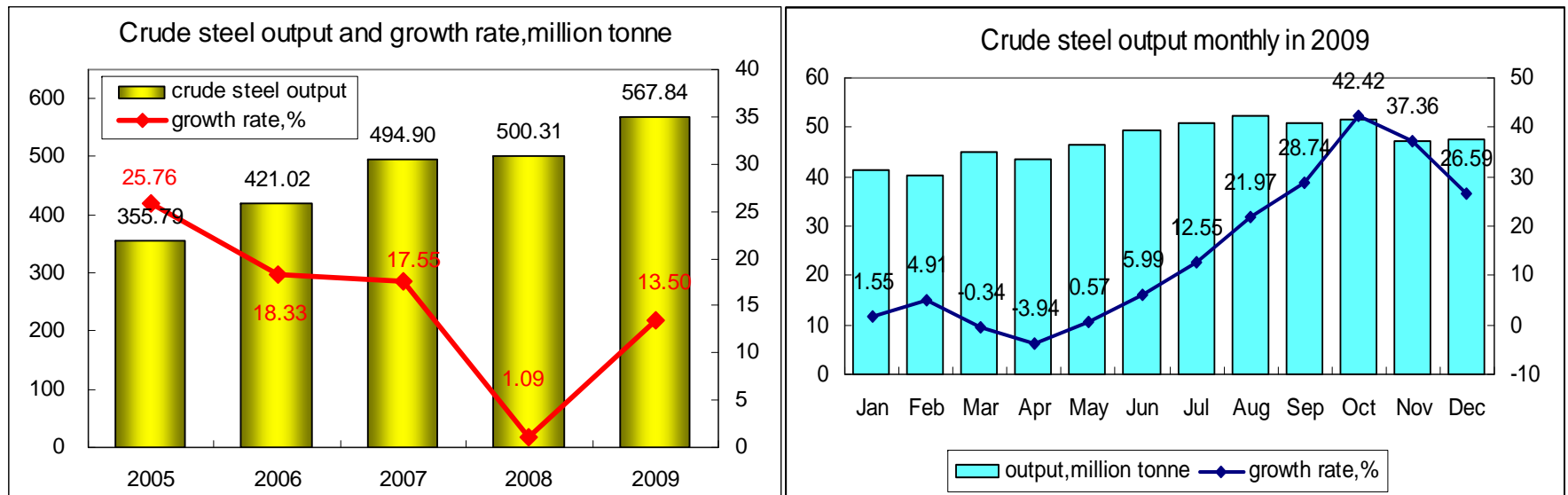
China Iron and Steel Industry Development Status and Trends



Economic Development Research
Center of Metallurgical Industry
Zheng Yuchun

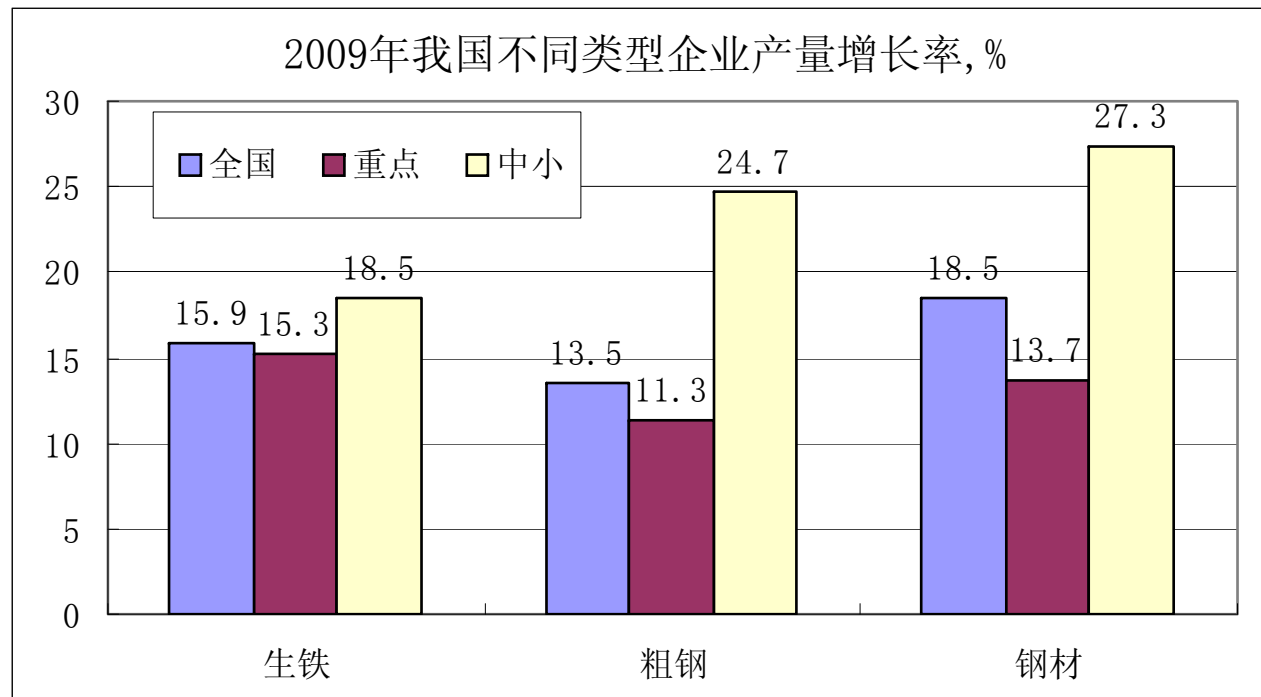
Iron and steel output hit record high

- In 2009 China's crude steel output 567.8424 million tons, up 13.5%. 692.4372 million tons of steel production (including cold rolling and processing of wood), an increase of 15.9% over the previous year. Pig iron output of 543.7482 million tons, up 15.9%.
- China's share of the world's total crude steel production of 37.72 percent from 2008 to 2009, a substantial increase of 46.55%. A country's steel output in China is almost at the back of the output of the 23 countries combined.
- In 2009 driven by domestic large-scale investment, as well as by the world economic crisis, the role of decline in exports, domestic crude steel apparent consumption (domestic market, the apparent consumption = production - net exports) 564.99 million tons, up by increased 112.33 million tons, an increase of 24.8%. Increase of more than 100 million tons a year of apparent demand, which is in Chinese history has never been found.



SME output growth was significantly higher than large-scale enterprises

- Focus on medium-sized enterprises in 2009 steel, iron, timber production growth rates were 11.3%, 15.3% and 13.7%, while other SMEs, growth rates were 24.7%, 18.5% and 27.3% respectively.



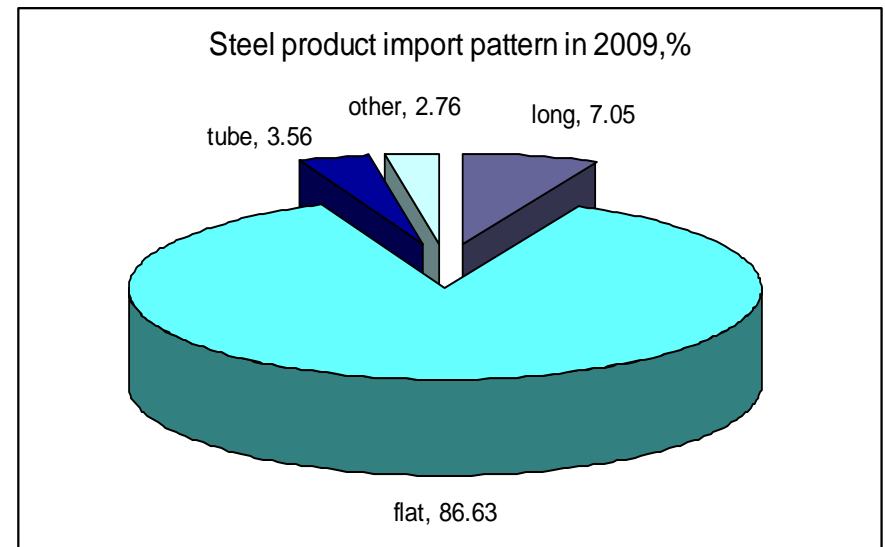
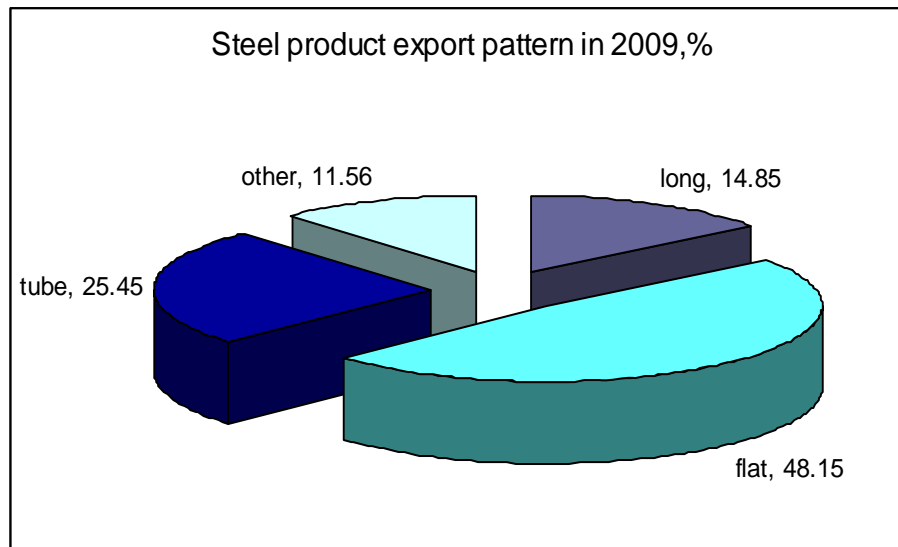
Increase in the proportion of long products, plates decreased the proportion of

- 2009 steel (including cold rolling and processing of wood) in the plate-tube with a ratio of 50.8%, down 2.0 percentage points. Plate and strip (not including narrow-band) produced 246.285 million tons, an increase of 11.7%, accounting for 35.6% share, down 2.2 percentage points.
- 2009 steel output of 121.51 million tons, an increase of 27.1%, wire output of 95.86 million tons, an increase of 20.9%.

	2009	2008	Change	Growth rate,%
Finished steel	692.44	584.34	108.10	18.5
Railway steel	5.86	4.74	1.12	23.5
Overweight,%	0.8	0.8	0.0	
Long	323.68	262.41	61.27	23.3
Overweight,%	46.7	44.9	1.8	
Flat and tube	351.59	308.41	43.18	14.0
Overweight,%	50.8	52.8	-2.0	
In which: flat (excluding narrow strip)	246.29	220.41	25.88	11.7
Overweight,%	35.6	37.7	-2.2	
Narrow strip	52.49	41.44	11.05	26.7
Overweight,%	7.6	7.1	0.5	
Tube	52.82	46.57	6.25	13.4
Overweight,%	7.6	8.0	-0.3	

Of the first half of net imports, net exports in the second half

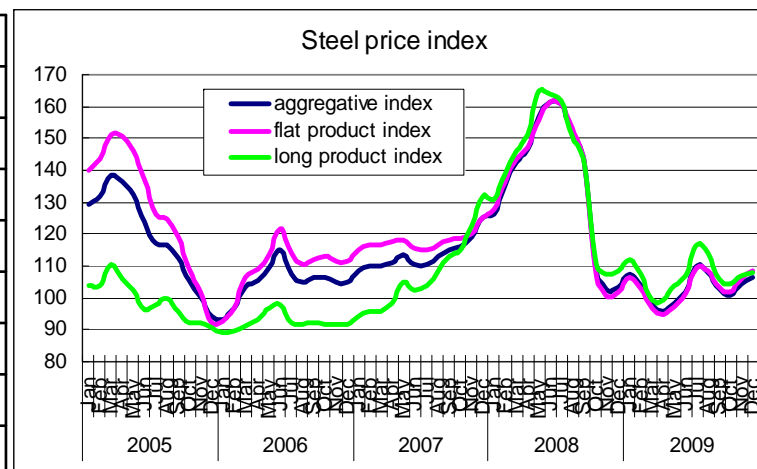
- In 2009 due to shrinking international market demand, the annual export 24.5965 million tons of steel billets, 43.2 thousand tons, equivalent to 26.2096 million tons of crude steel exports, a decrease of 38.0369 million tons, down 59.2%; the other hand, affected by changes in exchange rates, international , the domestic steel market, the impact of spreads in 2009, imports of 17.632 million tons of steel billets, 4.585 million tons, equivalent to 23.3425 million tons of crude steel imports, an increase of 6.7276 million tons, up 40.49%.
- 2009 steel billet import and export of offset, equivalent to a net import of crude steel from January to July total of 1.8537 million tons, 8-December 5 consecutive months, to achieve a net exporter of crude steel, 4.7208 million tons cumulative net exports, offsetting the first 7 months of impact, full-year net export of 2.8671 million tons of crude steel.



Changes in steel market

- Annual volatility of steel prices decreased year on year, the Composite Price Index up 110.15 points, seven at the end, the lowest four end 95.56 points, 14.59 points, volatility, a decrease of 44.58 points.
- Domestic steel prices in 2009 average composite index 103.12 points, down 24.54 percent over the previous year. 2009 national average board index 103.05 points, down 24.56 percent over the previous year; in 2009 the average domestic long products price index 107.11 points, down 23.42 percent over the same period the previous year

品种及规格	2009年平均价格	2008年平均价格	价差	变化, %
普线Φ6.5mm	3608	4772	-1164	-24.39
螺纹钢Φ12-25 mm	3748	4797	-1049	-21.87
中厚板6 mm	4189	6026	-1837	-30.48
热轧薄板1 mm	4167	5531	-1364	-24.66
热卷板2.75 mm	3808	5115	-1307	-25.55
冷轧薄板0.5 mm	5011	6323	-1312	-20.75
镀锌板0.5 mm	5037	6486	-1449	-22.34
无缝管159*6 mm	4760	6444	-1684	-26.13

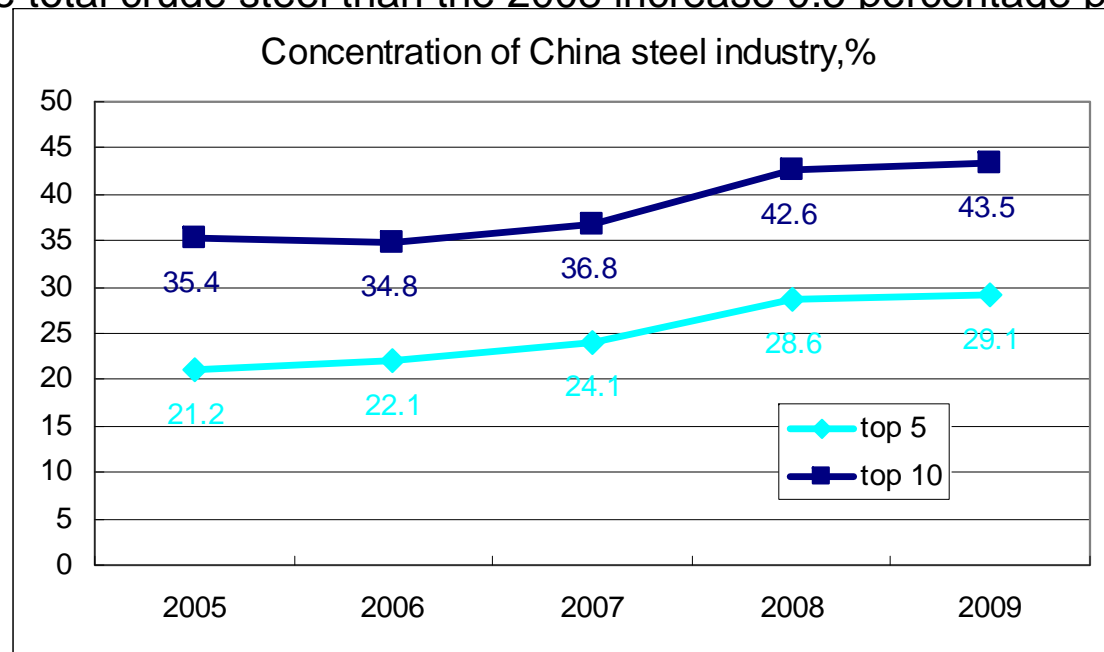


Elimination of backward progress in the work

- 2009 China eliminated the backward steel, iron production to reach 16.91 million tons, respectively, and 21.13 million tons. And in July the State Council issued the "2009 energy-saving emission reduction work" under the "out of 6 million tons and backward steel making, iron smelting capacity of 10 million tons," compared to the year 2009, the actual elimination of backward production capacity of steel per cent more 1 times.

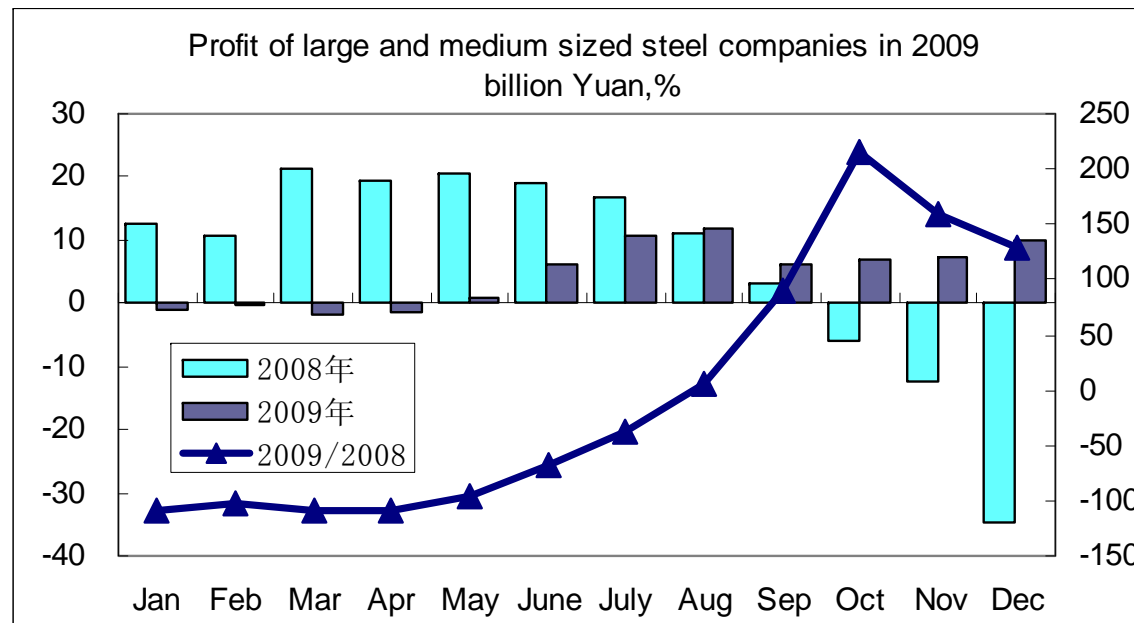
The raise of the degree of industry concentration

- March 1, 2009, Baosteel Group and Hangzhou Iron & Steel Group signed an agreement restructuring of Ningbo Iron & Steel, Baosteel to 2.0214 billion yuan to obtain Ningbo Iron and Steel 56.15% of the controlling stake.
- August 8, 2009, Shougang Corporation and Taiyuan, Shanxi Changzhi Iron & Steel Co., Ltd. held a joint re-signing ceremony, the official White Changzhi Shougang Iron and Steel.
- 2009 Hebei Iron and Steel Group, Baosteel Group, Wuhan Iron and Steel Group, the saddle of the Group, Sha Steel Group's five largest crude steel family property business, for a total production of crude steel 165.0182 million tons, accounting for 29.1% of the total crude steel than the 2008 increase 0.5 percentage points.



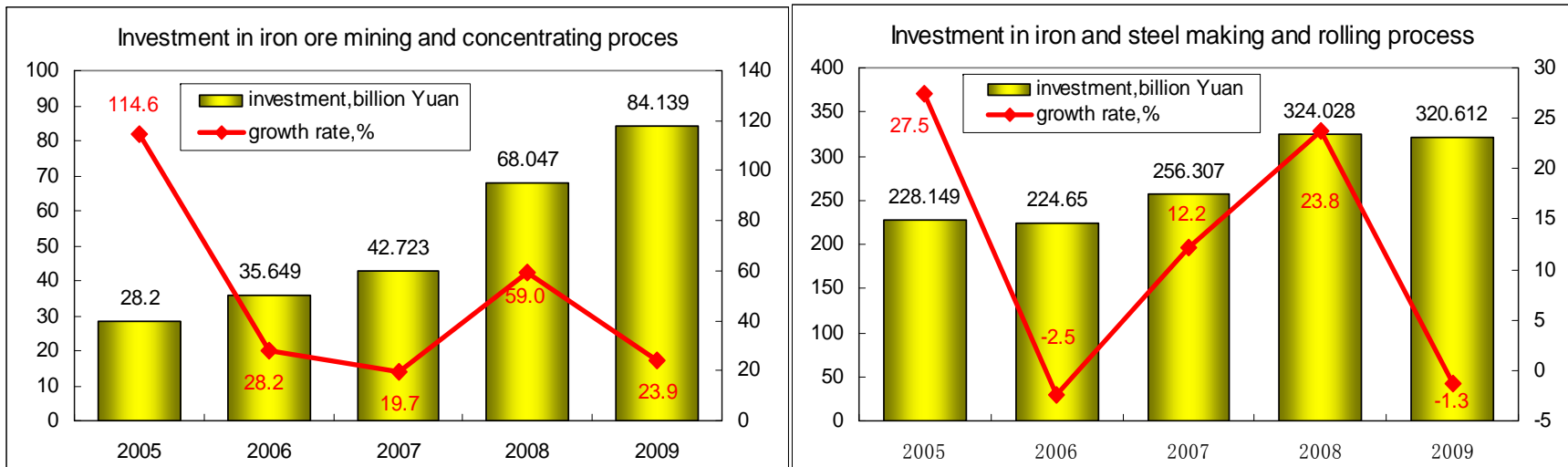
Economic benefits of medium-sized enterprises

- In 2009, 68 key large and medium iron and steel enterprises in total industrial output value 20,684.66 yuan, down 12.75 percent; to achieve sales income of 2.247858 trillion yuan, down 10.10 percent; to achieve profits of 55.388 billion yuan, down 31.43% (including investment income and assets Impairment adjustment).
- 2009 cost-effective features are: the production of plate and strip-based medium-sized corporate profits decreased substantially; to produce long products mainly benefit small and medium enterprises generally good.
- Enterprise product mix, as well as raw materials of the purchase price and the volatility of steel prices is an important factor affecting profits.



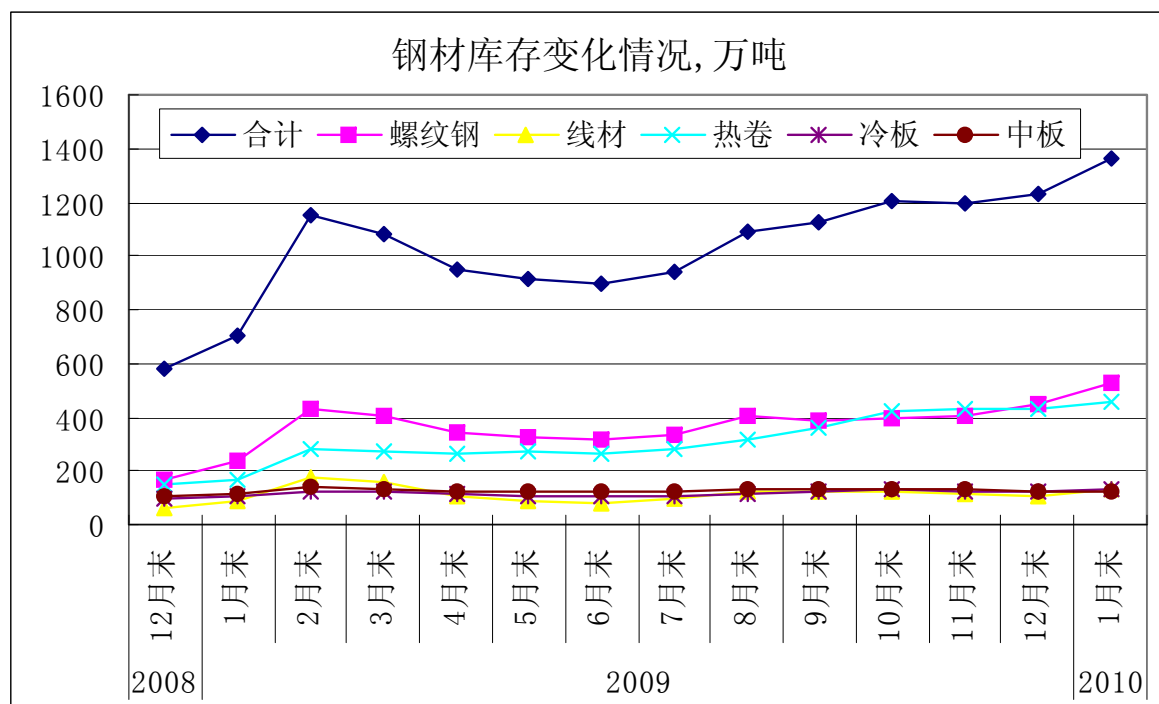
The decline in investment in fixed assets

- 2009 Black smelting and rolling processing industry, completed an investment of 320.612 billion yuan, down 1.3%. Compared to the national growth rate of urban fixed-asset investment up 30.5%. Ferrous metal mining industry, mining investment 84.139 billion yuan, up 23.9% over the same period last year, down 35.1 percentage points. Total invested 404.751 billion yuan, an increase of 3.2%.



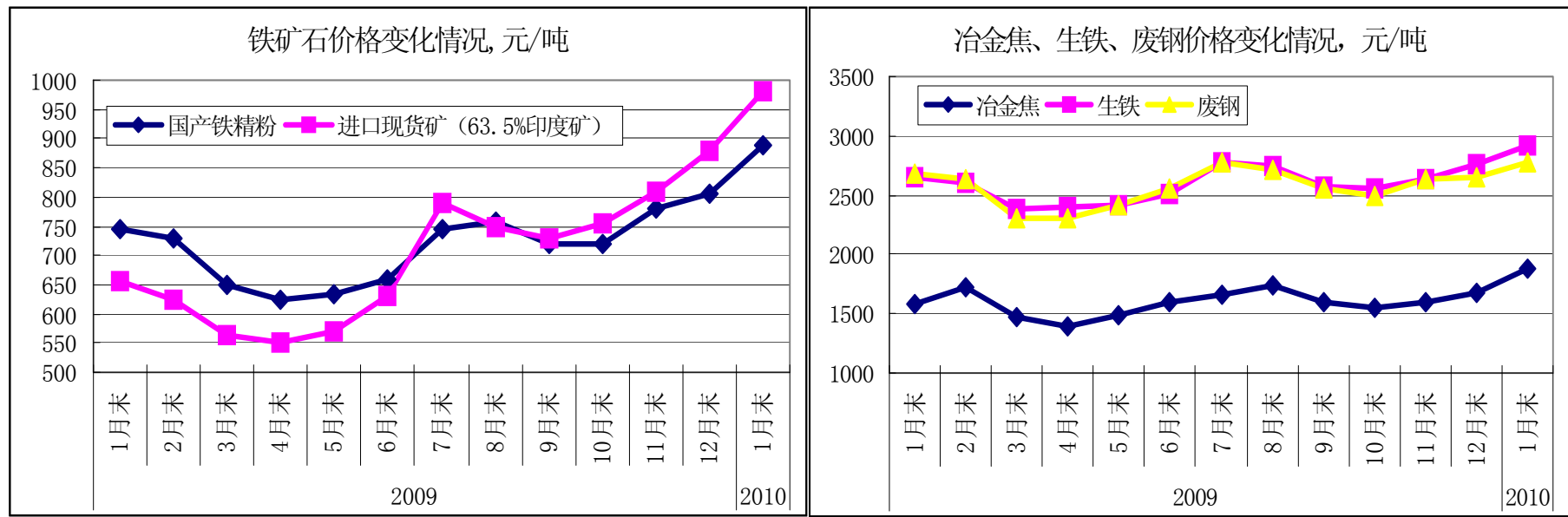
Steel inventories

- As one end of the country's 26 major steel market five kinds of steel inventories totaled community to 13.67 million tons, up 1.35 million tons more than ring, an increase of 10.9%. Of which: wire, rebar inventories rose the most obvious, namely, the chain increased by 16.5% and 25.2%; hot rolled, cold plate inventories rose by 6.0% and 4.3%; the board inventories rose by 1.6%.



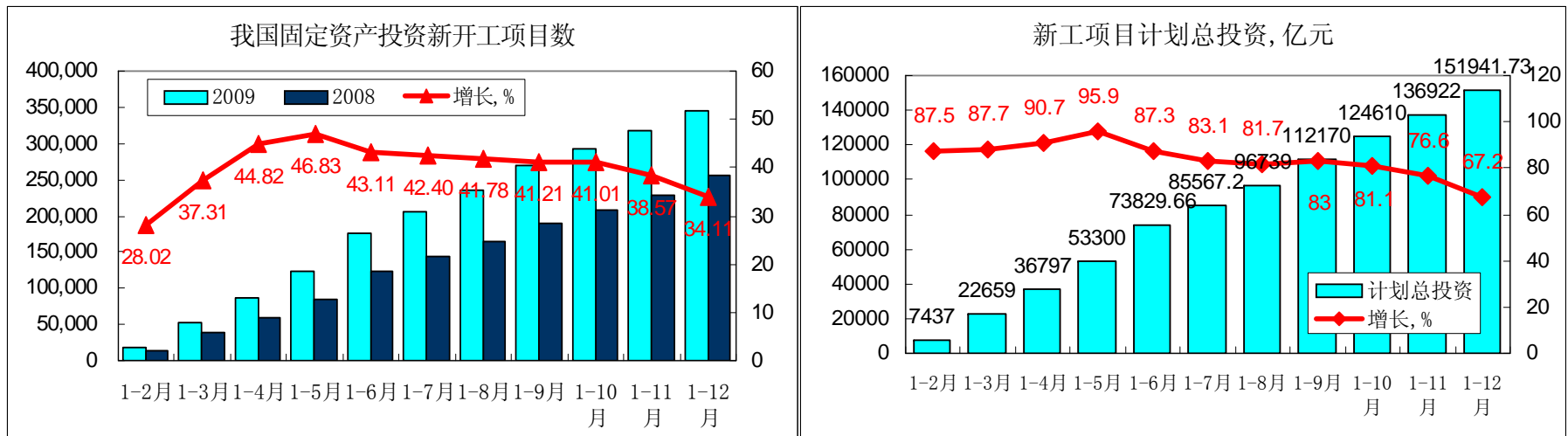
The increase of the original fuel cost

- With the economic recovery at home and abroad, the prices of bulk raw materials markets quickly rebounded. In particular, the recent rapid rise in the domestic iron ore prices.



Investment-led growth in demand is the main reason for steel

- 2009 investment in fixed assets 22.4846 trillion yuan, an increase of 30.1%.
- 2009 RMB loans increased 9.59 trillion yuan, up by more than 4.69 trillion yuan.
- In 2009, 344,769 new projects nationwide over the same period last year 87694; construction projects 461,544, 102,331 more than last year. The total investment in new projects 15.194173 trillion yuan, up 67.2%; construction project plans a total investment of 42.014071 trillion yuan, an increase of 32.3%.

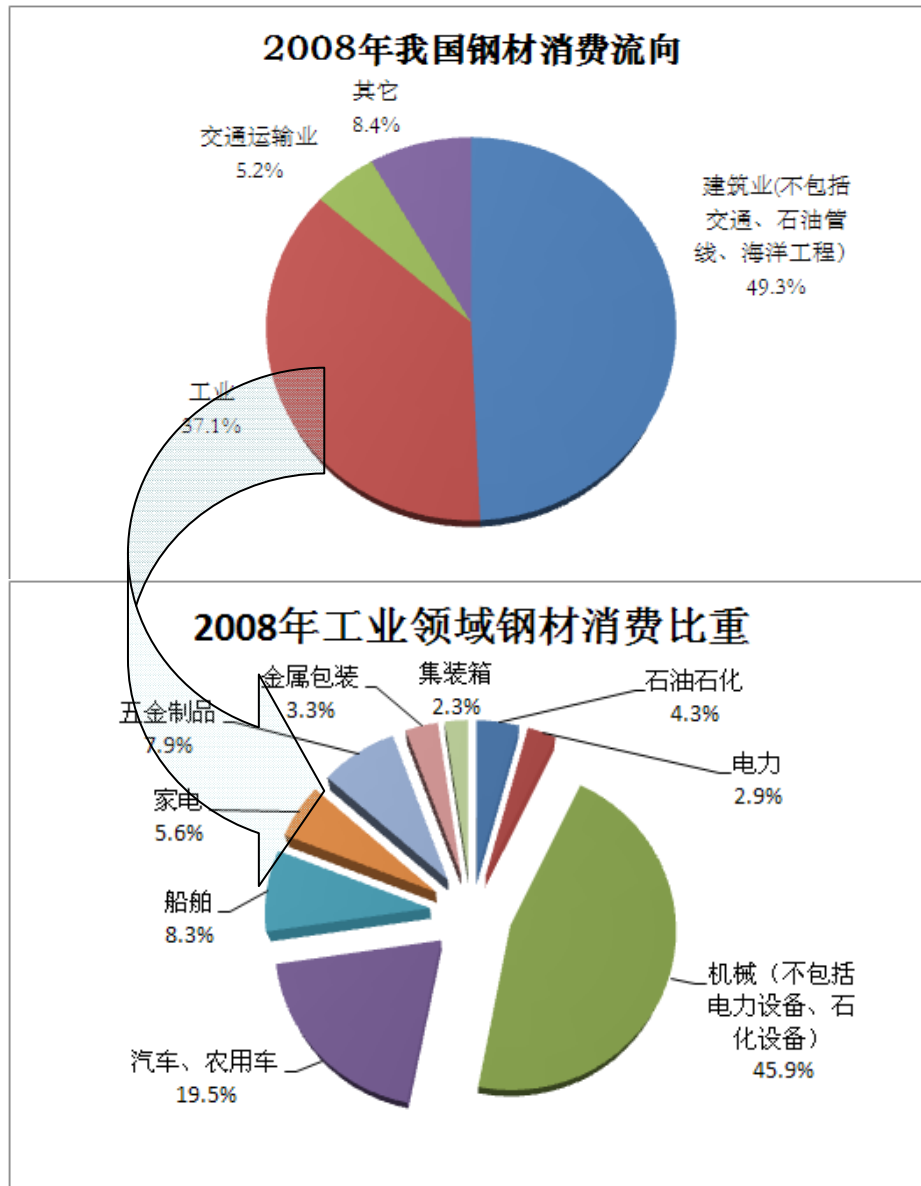


The increasing quantity of main industrial products

	Unit	Producing quantity in 2009	增长%
Industrial Boiler	蒸发量吨	292149.85	18.4
Engine	万千瓦	84802.03	30.1
Metal-cutting Machine Tools	万台	58.05	-13.6
Electric Portable Tools	万台	24912.71	1.9
Metal smelting equipment	吨	617731.93	-10.2
Cement special equipment	吨	764457.80	24.5
Special equipment for feed production	台	250248.00	30.4
Packaging special equipment	台	63290.87	-2.8
And medium-sized tractors *	万台	37.1	30.6
Small tractor	万台	189.22	9.8
Air pollution control equipment	台	80712.40	28.1
Locomotives	辆	1753.00	37.2
Auto *	万辆	1379.5	48.2
Of civil steel ships	万载重吨	4394.31	40.1
Generating equipment	万千瓦	11993.87	-12.4
AC motor	万千瓦	18710.14	-4.6
Household washing	万台	4935.84	13.0
Household Refrigerator *	万台	5930.5	24.7
Household refrigerator	万台	1258.03	23.8
Room air conditioners *	万台	8078.2	-1.9

2009 cars, ships, household appliances, agricultural machinery production are more substantial increase, which led to steel, especially sheet demand.

China's steel consumption structure



- China's steel consumption remains the main traditional construction market, the current consumption, the ratio should not exceed 50%.
- Turned around in the industrial field mainly machinery and vehicles.

Expectations in 2010

- Machinery: in 2009 the entire industry output value increased by 16.07% in 2010 and sales growth is expected to reach about 15%; to achieve profit growth is expected to reach about 10%; export volume growth rate may reach about 15%.
- Car: 2009 China's automobile production and sales of the respective 13.79 million and 13.64 million, respectively, year on year growth of 48% and 46%, the first time, ranking first in the world. Automobile production in 2010 is expected to reach 1500-1600 million.
- Shipbuilding: in 2009, the National shipbuilding volume of 42.43 million dwt, up 47%; new orders for 26 million dwt ships carry, down 55%; handheld shipbuilding orders 188.17 million dwt, down 8%. The amount is expected to be completed by 2010 could reach 50 million dwt.
- Railway: capital construction investment in 2009 completed a total of 600 billion yuan, an increase over the previous year, 265 billion yuan, an increase of 79%, more than "95" and "15" the sum of investment in railway construction. In 2010, all traffic arrangements 823.5 billion yuan investment in fixed assets, of which 700 billion yuan investment in capital construction, plan laying 3690 kilometers of new lines, double-track laying 3150 kilometers, 4613 kilometers of new lines put into operation, double-track production 3438 kilometers, 6401 kilometers electrified production.
- Appliances: Appliances countryside implementation of the policy has made the rural market saturation. 2010 With the real estate market and the export recovery will be increased.
- Hardware: Hardware market by the market impact of greater consumption of steel products in 2009 approximately 17 million tons, mainly wire, including 1.7 million tons of stainless steel. Steel consumption in 2010 is expected to be 6% growth, including 1.8 million tons of stainless steel.
- In short, the major steel industry in 2010 are expected to increase demand is expected, the overall steel demand may be more than 600 million tons.

Expectations in 2010

- From a macroeconomic perspective, the state will continue to implement a positive from a macroeconomic perspective, the state will continue to implement a proactive fiscal policy and loose monetary policy appropriately, but there will be noticeable on a specific grasping stringent than the previous year.
- Of the world economy will gradually recover, for China's economic development to provide a more favorable external environment, but trade protectionism against China's exports will be adversely affected. Thus, in 2010 export growth is limited.
- In 2009 a large number of new projects will continue into 2010, therefore, investment in fixed assets will still be maintained at a high level, thus providing strong support steel market.
- Iron and steel industry will continue to carry out structural adjustment, the state will introduce a series of encouraging consolidation and reorganization, eliminating the backward, and industrial adjustment policy.
- 2010 raw steel production will remain the fuel prices are expected to rise, thereby increasing the production cost of steel, and thus the price played a role in supporting and promoting, steel prices increased over the previous year, but the market inventory, as well as the pressure of excess production capacity market prices will be maintained at a reasonable space.

Thank you!