

China's Steel Output Drops Again With More Cuts on the Way

Jasmine Ng

jasminengzt

December 13, 2015 — 11:00 AM EST

Updated on December 13, 2015 — 7:51 PM EST

Steelmakers in China, the world's top supplier, are cutting output yet again as faltering demand and a rout in prices show no signs of abating.

Crude steel production shrank 1.6 percent to 63.32 million metric tons in November from a year earlier, while supply for the first 11 months dropped 2.2 percent to 738.38 million tons, according to data from the statistics bureau on Saturday. The country makes about half the world's steel.

Demand in China is weakening as policy makers seek to steer Asia's biggest economy away from investment-led growth to one driven by consumer demand and services. Goldman Sachs Group Inc. is among banks forecasting further cuts in China's output next year unless steel prices recover, and commodity trader Noble Group Ltd. has said a decline in supply is highly probable.

"The drop in steel output may seem controlled or limited this year," Wu Zhili, an analyst at Shenhua Futures Co. in Shenzhen, China, said by e-mail. "When mills face up to the somber outlook for continued price declines, there will be further reductions."

Exports Help

As prices of some steel products slumped to record lows, mills in the country sought overseas markets to ease the burden of domestic oversupply. Exports climbed 22 percent to 102 million tons in the first 11 months, customs data show. That's almost as much as made by Japan, the second-biggest producer, in the whole of last year, according to World Steel Association data.



LIVE TV

AUDIO

More production cuts are needed as local demand weakens further and mills encounter stiffer opposition to exports, Li Xinchuang, deputy secretary-general of the China Iron & Steel Association, said last month. Crude steel output will **drop** to about 783 million tons next year from an estimated 806 million tons in 2015, the association forecasts.

Close all those tabs. Open this email.

Get Bloomberg's daily newsletter.

Enter your email

Sign Up

The fallout from mills' struggles has bludgeoned iron ore as weaker demand coincides with increased output from the top miners including BHP Billiton Ltd. and Rio Tinto Group in Australia and Vale SA in Brazil. Ore with 62 percent content delivered to Qingdao tumbled 46 percent this year to \$38.30 a dry ton on Friday, a record low in daily prices compiled by Metal Bulletin Ltd. going back to May

2009.

While steel output shrank, China's industrial production showed **unexpected strength** in November and retail sales rose the most this year, adding to evidence that the economy is seeing signs of stabilization in old growth drivers and renewed vigor in the newer ones. Industrial output climbed 6.2 percent from a year earlier compared with the 5.7 percent median estimate of economists surveyed by Bloomberg and October's 5.6 percent.

[Terms of Service](#) [Trademarks](#) [Privacy Policy](#)

©2016 Bloomberg L.P. All Rights Reserved

[Careers](#) [Made in NYC](#) [Advertise](#) [Ad Choices](#) [Website](#) [Feedback](#) [Help](#)



LIVE TV

AUDIO