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British steel industry buckles under the weight of cheap Chinese product

The slowdown in China's economy has created a flood of cut-price steel that could lead to further closures of plants such as SSI UK's in Redcar

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Britain's steel industry has been in meltdown for years: slowing demand and a flood of cheap Chinese steel into the market has hammered high-cost western producers. About half of the 1.6bn tonnes of steel made globally each year now comes from China.

But an already perilous situation for British steelmakers has exacerbated in the past year as the Chinese economy slowed sharply, forcing Beijing to aggressively chase foreign cash for its wares.

Tom Blenkinsop, chairman of the all-party parliamentary group on steel and MP for Middlesbrough South and East Cleveland, summed up the dilemma: "China is pouring steel into the European and world market for any currency it can get."

Flooding the market with cheap Chinese product has forced the price of slab steel down by 45% in just 12 months, from $500 (£330) a tonne to about $280.

As a result, China's steel exports have grown 53% in the last year. In Britain, imports of Chinese steel have ballooned from 2% of UK demand in 2011 to 8% this year.

This influx of cheap steel is a threat to all but the fittest western players - bad news for SSI UK, which is one of the weakest.

Britain's second biggest steelmaker has confirmed plans to axe 1,700 jobs and mothball its Redcar plant. It threatens to bring the curtain down on 160 years of steelmaking in the Teesside region of north-east England.

It is the latest grisly chapter for Britain's once mighty steel industry. Steel produced on Teesside was used to build well-known UK structures including Birmingham's Bullring and Canary Wharf in east London.

However, the industry now employs about 20,000 workers, a 10th of the number employed in the sector during the 1970s.

SSI UK, owned by Thailand's biggest steelmaker Sahaviriya Steel Industries (SSI), is the most high-profile casualty of China's stranglehold on the market.

It has buckled under the weight of $1.4bn of debts and the Teesside plant has racked up huge losses every year since 2011, when SSI bought it from Tata Steel for $500m.

Tata Steel UK, which owns the remnants of the former British Steel, is also struggling against the Chinese tide.

Losses at the country's biggest steelmaker doubled last year to £768m. Tata has responded by slashing jobs, mothballing the Llanwern works near Newport, south Wales, and launched a failed attempt to sell its Scunthorpe steel mill, in north Lincolnshire, to Gary Klesch, the billionaire industrialist who owns the Klesch group of global industrial commodities.

The Scunthorpe plant, which makes steel for the construction and engineering sectors, is widely predicted as the sector's next big casualty.

One signifier of Scunthorpe's fate will be what Tata decides to do with its Dalzell and Clydebridge mills, in Scotland.

"They are downstream from Scunthorpe [as they do steel plating] so you are going to take the satellite sites first," one source said, adding: "I can see other sites going the same way [as Redcar] within the next six months."

It is a grim reality check for a once proud sector that was at the heart of the industrial revolution.

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