



INTERNATIONAL STEEL REVIEW

VIEWPOINT

JANUARY 2007

N. AMERICAN AND EU FLAT PRODUCT STEEL PRICES STILL UNDER NEGATIVE PRESSURE

The US market is slow. Service centre inventories are unlikely to be fully adjusted until the end of the first quarter at the earliest. Transaction prices for a number of products continue to slide. High levels of imports, ordered earlier in the year, have contributed to the oversupply, despite strict production discipline by the major steelmakers. However, new offers of foreign steel now look less attractive.

We have noted a marginal transaction price recovery over the last four weeks in Canada

and more may be on the way. The mills are seeing some improvement in demand as service centres start to replenish inventories. Import volumes are down and so is domestic production. Distributors report that resale business is fairly quiet after the holidays.

The Chinese market has witnessed some sharp price hikes at the start of 2007. The momentum of industrial production continues to be good and investment remains relatively high. Booming export business continues apace. However, the approach of the Lunar

COMPARISON OF TRANSACTION PRICES (\$US/tonne)

(\$US/tonne)	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	R Bar	M Bar
USA	590	860	680	828	770	545	680	540	580
Canada	532	764	603	789	NA	509	688	543	603
PR China	438	401	488	588	NA	348	361	363	331
Japan	435	603	556	921	904	469	523	477	494
South Korea	522	576	613	767	762	405	554	469	512
Taiwan	474	612	551	780	786	441	593	477	566
Poland	666	803	799	900	858	537	793	560	540
Cz & Slov. Rep.	633*	797	754*	881*	806	530	853	548	600
EU (average)	618	881	748	965	825	523	1012	547	701
Germany	643	896	790	990	825	494	1032	504	714
France	617	903	743	977	827	519	979	516	688
Italy	581	818	690	925	773	558	1100	544	675
UK	650	901	742	946	899	544	971	641	748
Spain	634	862	751	931	799	519	952	581	682

Based on low values.

* - Czech & Slovak Republics - Sheet form.

2007 ANNUAL SUBSCRIPTION RATE: UK - £1055, NON UK - £1070

MEPS (INTERNATIONAL) LTD

263 Glossop Road, Sheffield S10 2GZ, England

Tel: (0114) 275 0570 Fax: (0114) 275 9808

E-mail: subs@meps.co.uk Web Site: <http://www.meps.co.uk>

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ISSN 1369 - 8605

New Year holidays in February may cause steel demand to decline, albeit temporarily.

In Japan, domestic sales in the first quarter are forecast to increase, due to excellent levels of consumption by manufacturers including shipbuilding, auto and industrial machinery. Orders are being delivered late because demand is outstripping production capacity. Consequently, stocks are reducing. Domestic inventories held by steelmakers and service centres, at end November, were lower, compared to October, by 4 percent - the third consecutive month of decline. Nevertheless, the mills have held back from pursuing a price hike in the general market and will continue to monitor output against demand. Meanwhile, the downward trend in import volumes goes on. Quayside stocks lost around 9 percent in the same time frame.

In South Korea, the massive stock overhang is taking much longer to clear than was first envisaged. Sales are dull amidst increased capacity. Production at

Taiwan's major steelmakers was unaffected by the huge earthquake in late December. It is proving difficult for domestic producers to boost flat product steel prices, despite higher input costs. Values have trended downwards since the turn of the year.

Polish steel demand is stable. However, stocks are probably more than adequate at present. Transaction values are steady. Industrial output is progressing well in the Czech Republic and Slovakia. Steel production is high and the mills would like to lift prices further but for the moment customers are resisting any significant increases. Imports pose no problems.

The EU market is quiet after the holidays. Many deals were concluded just before Christmas. Buyers are holding back from placing more business because they sense that prices may fall further during the first quarter as material is readily available from third country sources at highly competitive prices.

FLAT PRODUCTS

HOT ROLLED COIL

In the US, the downward transaction price trend appears to have halted and there are now fewer offers at the low end of the price band. Inventory levels at the service centres are still too high but are coming down. Offshore offers are reported to be "few and far between" at present with Russian suppliers the most active. As expected, Canadian stocks are now more in line with demand. However, mills have reduced output accordingly. Transaction values are marginally higher than in early December. Price pressure in the coming weeks is expected to be positive. Very few imports are entering the country until the opening of navigation and offers are too high to be of interest.

Chinese domestic values have made significant gains over the last four weeks - rising RMB310 per tonne following on from the increase agreed for 2007 deliveries of iron ore. However, market players caution that the improvement may be short lived because hot rolled capacity additions this year, at 20 million tonnes, could outstrip real demand.

Values in Japan's general sector are firm amidst brisk demand from both home and abroad. Distributors' stocks and imported material at the ports have been adjusted to more manageable levels. Sentiment in the South Korean general market is weak as inventories

grow. We have no price developments to report. However, supply of pickled and oiled coil is extremely tight, causing problems for customers in the automotive and electronics industries. The general mood in the Taiwanese market is pessimistic. Service centres are loathe to rebuild stocks. Their fears in December that values had peaked have proved justified. We have noted a \$NT500 per tonne drop.

Polish prices are unchanged for now but higher inventories in the market place could lead to price falls during February. Imports from Ukrainian sources are far less abundant now in the Czech/Slovak markets. The material is no longer cheaply priced.

CURRENCY EXCHANGE RATES January 9 - 2007

		Units/ US\$
USA	(\$US)	1.00
Canada	(C\$)	1.178
PR China	(RMB)	7.806
Japan	(Yen)	119.5
South Korea	(KRw)	938.3
Taiwan	(\$NT)	32.69
Poland	(ZL)	2.990
Czech. Rep.	(KC)	21.34
Eurozone	(€)	0.770
UK	(£)	0.515

FLAT-ROLLED PRODUCTS TRANSACTION PRICES (Local currencies per tonne)

		US (\$US)+ /ton	US (\$US)+ /tonne	Canada (C\$)+ /ton	Canada (C\$)+ /tonne	China (RMB)	Japan ('000 Yen)	S.Korea ('000 KRw)	Taiwan ('000 \$NT)	Poland (ZL)	Czech/ Slovak (KC)
Hot Rolled Coil	High:	618	680	602	662	3560	58.0	510.0	16.5	2160	13700
	Low:	536	590	570	627	3420	52.0	490.0	15.5	1990	13500
Hot Rolled Plate	High:	818	900	882	970	3270	76.0	660.0	21.0	2550	17200
	Low:	782	860	818	900	3130	72.0	540.0	20.0	2400	17000
Cold Rolled Coil	High:	650	715	691	760	4010	70.5	595.0	19.0	2560	16300
	Low:	618	680	645	710	3810	66.5	575.0	18.0	2390	16100
Hot Dipped Galvanised Coil	High:	789	868	900	990	4790	117.3	745.0	26.5	2860	19000
	Low:	753	828	845	930	4590	110.0	720.0	25.5	2690	18800
Electro-Zinc Coated Coil	High:	745	820	NA	NA	NA	114.0	740.0	26.7	2735	17400
	Low:	700	770	NA	NA	NA	108.0	715.0	25.7	2565	17200

+ Includes surcharge on all products in the US and Canada.
NA = Not available.

		EU AVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Hot Rolled Coil	High:	516	525	510	487	365	545	548
	Low:	476	495	475	447	335	500	488
Hot Rolled Plates	High:	704	715	725	650	484	722	694
	Low:	678	690	695	630	464	693	664
Cold Rolled Coil	High:	618	638	622	591	402	600	618
	Low:	576	608	572	531	382	570	578
Hot Dipped Galvanised Coil	High:	788	802	802	762	507	757	787
	Low:	743	762	752	712	487	727	717
Electro-Zinc Coated Coil	High:	684	685	677	635	503	751	685
	Low:	635	635	637	595	463	691	615

PRODUCT DEFINITIONS

Hot-Rolled Wide Coil - 2-3mm thickness, width over 1.1 metres. - except USA and Canada: Thickness 0.08 inches, width over 40 inches.

Hot-Rolled Plates - 15-40mm thickness, width over 2.0 metres. - except USA and Canada: 1-1.5 inches thickness, width over 60 inches.

Cold-Rolled Coils - 1mm thickness, width over 1.3 metres. - except USA and Canada: 0.05 inches thickness, width over 40 inches.

Hot Dipped Galvanised Coils - 1mm thickness, width over 1.1 metres, standard coating. - except Eastern Europe - Sheet form and USA and Canada: 0.05 inches thickness, width over 40 inches, standard coating.

Electro-Zinc Coated Coils - 1mm thickness, width over 1.1 metres, standard coating. - except USA: 0.05 inches thickness, width over 40 inches, standard coating.

Note: Prices in this table relate to deliveries in different time periods. It is important that this table is read in conjunction with the text in the newsletter.

FLAT-ROLLED PRODUCTS TRANSACTION PRICE TRENDS - U.S.A. (\$US/tonne)

BASED ON LOW VALUES		2005	2006				2007
		Q4	Q1	Q2	Q3	Q4	Q1 ESTIMATE
Hot-rolled Coils	Average	620	630	673	700	633	590
Hot-rolled Plates	Average	837	830	847	863	867	860
Cold-rolled Coils	Average	667	690	730	770	718	675
H.D. Galvanised Coils	Average	721	749	853	920	840	835
E.Z. Coated Coils	Average	760	760	787	840	797	760

Our tabled figures are marginally higher than a month ago. In Western Europe, imports of Chinese hot rolled coil have risen substantially and licence applications indicate that the trend is continuing unabated. In France and Italy, steelmakers have been forced to concede price cuts.

HOT ROLLED PLATE

Demand from US energy related projects and other high specification applications remains robust. The commodity market is softer because service centres are still in inventory drawdown mode. Nevertheless, transaction prices are holding up reasonably well. The outlook is quite positive. Domestic supply has been tightened by production restraints and new import offerings have reduced considerably. The Canadian plate market seems ready to bounce back as stock adjustments are being completed. Transaction values are higher by \$C20 per tonne.

Chinese steelmakers have lifted commodity plate prices by RMB180 per tonne (6 percent) since our last report. The market remains quite buoyant with a number of producers booked well ahead because of strong domestic and export sales, particularly to the shipyards. Commodity grade material is easier to find than the higher specifications. Although Japanese mills are working at full capacity, such is the strength of demand that some customers are being allocated less material than they require. The supply of commodity plate should ease somewhat when Tokyo Steel brings on line a new heavy plate mill during January. So far, transaction values are steady. The platemakers have, however, secured a 5 percent hike during recent long term contract negotiations with shipbuilders for ship plate.

In South Korea, imports from China are climbing at a

rapid rate, mainly to feed the shipbuilding and construction sectors. Domestic prices in the general market are unchanged, despite poor demand. The Taiwanese market is under supplied. Nevertheless, price weakness has developed in the commodity grades, which have lost \$NT500 per tonne.

East European plate producers continue to perform well, with mills booked up for months ahead. Polish prices are firm whilst those in the Czech/Slovak markets have gained just KC200 per tonne. West European demand remains strong, continuing to exceed production capability in many countries. End users in several sectors are all consuming vast quantities of higher specification material. Although significant quantities of commodity plate have arrived at EU ports, so far they are making less of an impact on prices than was initially feared, partly because dimensions are limited.

COLD ROLLED COIL

US transaction prices have weakened further over the past month - losing around \$US20 per tonne due to poor demand caused by surplus stocks at distributors and end-users. Suppliers are hoping to obtain a small transaction price increase in Canada for March deliveries as order intake has picked up. Inventories are now in much better shape. Imports are no longer a factor because of price uncertainty.

Low inventories have helped to push up prices in China, despite seasonally light demand. Our figures are RMB240 per tonne (7 percent) above those published last month. Sales in Japan's general market remain muted. Prices in the dealer sector have been carried over from December as import competition reduces. In South Korea, domestic values are unchanged. Demand is weak and imports are a cause

for concern. Taiwanese prices have slipped once again. Negative pressure from competitively priced Chinese imports has undermined local values.

We have maintained our Polish figures but they are looking fragile. Czech/Slovak buyers have conceded a marginal increase. Customers in the French, Italian and UK markets have persuaded steelmakers to agree a small rebate for late period one supplies. In Germany, domestic mills have not gained the proposed small price rise for first trimester business. In fact, values are under some pressure.

COATED COILS

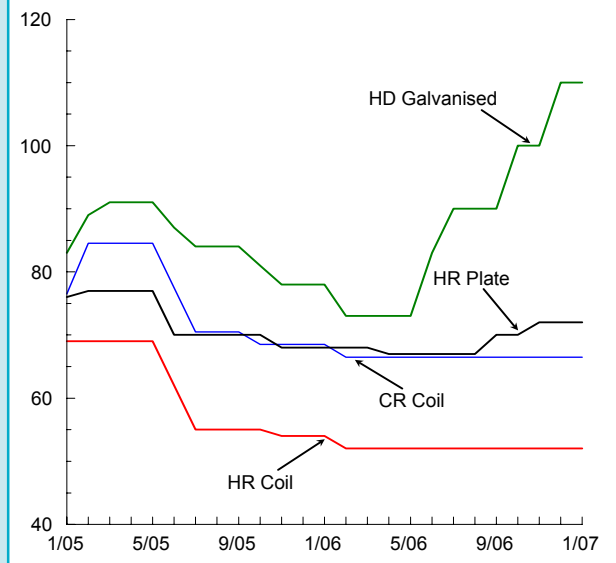
US demand for coated steel has slowed from key end-user markets such as auto, domestic appliances and building products. Although steel producers have cut output, transaction prices for electro-zinc coated coil remain low. New higher coating extras have been introduced for hot dipped galvanised coil to offset escalating zinc costs. These have been negated to some extent because buyers have negotiated discounts on basis values.

In Canada, hot dipped transaction prices have risen, mainly as a result of higher zinc coating extras. Inventory management is still underway but the major destocking phase is over. Import penetration is lower and this trend is expected to continue.

In China, transaction values are unchanged. Export volumes are down because of weak demand from North America and South East Asia. Japanese suppliers have maintained the higher transaction prices implemented last month. Sales to the auto and domestic appliance manufacturers are robust. However orders from the construction industry are more subdued.

Demand from the South Korean building, automotive

JAPAN FLAT-ROLLED PRODUCTS
Transaction Prices, '000 YEN/tonne



and appliance sectors is relatively sluggish and any improvement is unlikely before the Spring. Inventory management is still underway. Influenced by rocketing zinc prices, electro-zinc coated figures have been raised by around \$NT1000 per tonne in Taiwan. Hot dipped galvanised values are stable but the mills have warned that they may propose higher numbers next month. Consumers are actively pursuing less expensive material in China. However, demand in the general market is slow as buyers destock but sales of electronic appliances are on the increase.

Polish values are stable. Czech/Slovakian suppliers have gained some small increases. The domestic appliance, auto and computer markets are performing well as demand grows along with the expansion in income. Our French, Italian and UK figures are down this month now that supply has increased. Carmakers are taking less material as vehicle production continues to slide in several West European countries.

LONG PRODUCTS

The US market has changed very little from December. Despite rising scrap costs, the producers have chosen to keep transaction prices stable for January deliveries. Naturally, there is a certain amount of seasonal weakness in demand but strong non-residential building activity, together with a number of large infrastructure projects is boosting consumption. In Canada, mill transaction prices are steady or improving. Service centres report dull sales activity, despite warmer than usual Winter weather. Industrial and commercial

construction is forecast to be stable in 2007.

In China, prices have shown some very positive advances over the last month, despite heavy snow across the North of the country. There is a seasonal decrease in Japanese construction and civil works activity. Nevertheless, prices of long products continue to firm, mainly driven by surging ferrous scrap costs. South Korean sales are slowly recovering but prices are static. Raw material costs are moving up in Taiwan

and demand for long products currently exceeds supply. The price outlook is more encouraging than a month ago.

Although domestic construction market conditions improved in Poland during 2006, thanks to a number of large infrastructure projects, seasonal factors are now starting to impact on steel demand. The strength of the Zloty versus US dollar is detrimental to export business. In the Czech Republic and Slovakia, demand is stable at a relatively good level, given the time of year. As uncharacteristically mild weather continues to prevail throughout Western Europe, the majority of long product prices remain stable.

WIRE ROD

An underperforming residential building sector is undermining US demand for recoil. Offshore supplies are plentiful. Nevertheless, local mills have maintained transaction prices. Although Canadian market conditions are unchanged, the mills have negotiated a small transaction price improvement.

Chinese domestic values have reversed their recent downward trend. We have monitored a RMB150 per tonne climb over the past four weeks. Continuing high volumes of Chinese imports are causing concern amongst Japanese producers. Notwithstanding, local mills have successfully held on to prices. South Korean suppliers continue to resist calls for rebates. The Taiwanese wire rod market is stable, with prices predicted to rise in line with the trend in rebar, now that stocks are better adjusted.

In Poland, domestic producers have kept numbers at the lower level settled last month. Our Czech/Slovak figures are again down marginally. Recoil values have dipped in the UK and Spain under the pressure of oversupply, whereas German producers have

negotiated a €10 per tonne rise.

MEDIUM SECTIONS AND BEAMS

As expected, US mill transaction prices for wide flange beams held steady in spite of a rise in the raw material surcharge. Underlying demand is healthy, allowing for a small seasonal slowdown. Service centres report slightly higher inventories and this has impacted on resale values. Availability from domestic sources is slightly easier now as delivery lead times are not so extended. Imports are not disruptive. In Canada, transaction numbers have moved up a little due to changes in the currency exchange rate. However, distributors' sales are down. Customers are buying only for their immediate needs.

Chinese prices have inched up by RMB60 per tonne recently and buyers are anticipating an official mill increase shortly, on the back of rising raw material costs. Demand is reportedly much better than in the same period a year ago, as contractors try to complete a number of projects ahead of the New Year festivities in February. Supply of large H-beams is likely to become restricted when Magang carries out routine maintenance work in the latter half of this month.

In spite of rapidly spiralling scrap costs, Tokyo Steel announced a relatively small price advance for domestic shipments in January. Other mills have followed this. Construction activity remains strong. H-beam stocks held by distributors, at end November, dropped by just over 1 percent, month on month.

Our figures for South Korea are unchanged. Domestic consumption remains relatively dull and cheap imports, particularly from China, are damaging the local market. However, export business is quite brisk. Similarly, in Taiwan, export sales are flourishing, especially to the Middle East, and are helping to reduce pressure

LONG PRODUCTS TRANSACTION PRICE TRENDS - U.S.A. (\$US/tonne)

BASED ON LOW VALUES		2005	2006				2007
		Q4	Q1	Q2	Q3	Q4	Q1 ESTIMATE
Wire Rod	Average	530	530	552	585	552	545
Medium Sections	Average	600	600	633	680	680	680
Rebar	Average	520	520	543	570	548	550
Merchant Bar	Average	553	540	575	610	588	582

domestically. This has not stopped the downward price tendency. The latest deals have resulted in prices \$NT700 per tonne below our December figures.

Polish suppliers have maintained prices whereas Czech/Slovak values are higher by the equivalent of €20 per tonne. In Western Europe, scrap surcharges are hardly changed from December. Size extras will increase for first quarter deliveries by €20/30 per tonne, depending on category and supplier. Demand generally is still firm causing upward basis price

momentum in Spain and the UK.

REINFORCING BARS

US demand is relatively buoyant for the time of year. Transaction prices have held up at the December level. Nucor reduced basis values for January deliveries by \$US10 per tonne to offset a scrap surcharge rise of the same amount. Import volumes are slowing, which is typical in the first quarter. Turkish producers have lifted their price offers. Market players

LONG PRODUCTS TRANSACTION PRICES (Local currencies per tonne)

		US (\$US)+ /ton	US (\$US)+ /tonne	Canada (C\$)+ /ton	Canada (C\$)+ /tonne	China (RMB)	Japan ('000 Yen)	S.Korea ('000 KRw)	Taiwan ('000 \$NT)	Poland (ZL)	Czech/ Slovak (KC)
Wire Rod	High:	514	565	582	640	2840	57.0	410.0	14.6	1635	11500
	Low:	495	545	545	600	2720	56.0	380.0	14.4	1605	11300
Medium Sections and Beams	High:	650	715	764	840	2940	65.5	570.0	19.6	2390	18400
	Low:	618	680	736	810	2820	62.5	520.0	19.4	2370	18200
Reinforcing Bars	High:	518	570	627	690	2950	58.0	480.0	15.9	1695	11900
	Low:	491	540	582	640	2830	57.0	440.0	15.6	1675	11700
Merchant Bars	High:	555	610	682	750	2690	61.0	500.0	19.0	1635	13000
	Low:	527	580	645	710	2580	59.0	480.0	18.5	1615	12800

+ Includes surcharge on all products in the US and Canada.
NA = Not available.

		EU AVG. (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Wire Rod	High::	426	410	410	445	305	455	420
	Low:	403	380	400	430	280	418	400
Medium Sections and Beams	High::	829	845	794	882	555	828	773
	Low:	779	795	754	847	500	746	733
Reinforcing Bars	High::	440	408	447	429	350	522	472
	Low:	421	388	397	419	330	493	447
Merchant Bars	High::	568	570	580	540	405	604	560
	Low::	540	550	530	520	385	575	525

⊕ Includes scrap surcharge in Germany, France and Italy.

PRODUCT DEFINITIONS

Wire Rod (Mesh Quality) - 8-12mm diameter. - except USA:0.31 - 0.5 inch.

Medium Sections and Beams - 240mm x 240mm H Beam. - except USA and Canada: 10 inches x 10 inches wide flange beam: China - 250mm I beam.

Reinforcing Bar (Deformed) - 16-20mm diameter - except USA and Canada: #6(0.75 inches diameter).

Merchant Bar - 50 x 50mm x 6mm equal angle - except USA and Canada: 2 x 2 inches x 0.25 inches equal angle.

Note: Prices in this table relate to deliveries in different time periods. It is important that this table is read in conjunction with the text in the newsletter.

seem confident that values will pick up in the Spring. Canadian transaction numbers are steady for the third month in a row. Demand is reasonable.

Rebar prices in the Guangzhou area of China have climbed relentlessly over the last few weeks, putting on a total of RMB260 per tonne (10 percent) since our December report. Mill output cuts in the face of sharp falls in sales due to bad weather in the North, appear to have had a positive outcome.

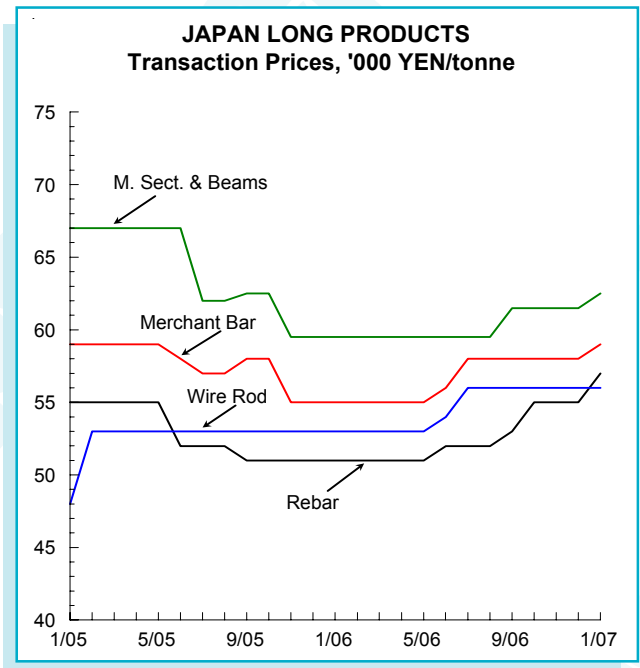
The price trend in Japan is upwards due to the escalating cost of scrap, although contractors have been very reluctant to accept the advances. Demand is particularly strong for the building of condominiums in the Tokyo area. In South Korea, import tonnages from China have reduced but local producers cannot lift prices. The market is quite weak. As scrap and billet costs keep surging, major Taiwanese rebarmakers announced an increase of \$NT400 per tonne. Demand is softening but supply has also been cut, so the market is well balanced.

Producers have held onto prices in Poland this month amidst stiff competition caused by oversupply. Although Czech values are marginally lower this month, no major weakness is expected. Seasonal holiday shutdowns of construction sites across Western Europe continued into early January, resulting in subdued sales of rebar. Prices have slipped further in Germany, France and the UK.

MERCHANT BARS

US transaction figures are unchanged this month as suppliers cut basis prices to offset a small advance in raw material surcharges. Demand is satisfactory and the outlook for 2007 quite positive. The situation in Canada is similar. Service centres are working off their excess stocks and, therefore, the supply/demand balance is better. Mill transaction prices have stabilised, following last month's fall.

Chinese domestic values have moved back up, after



December's small reduction. Our figures are RMB70 per tonne (3 percent higher), despite a drop in demand due to seasonal factors. Japanese merchant bar producers have lifted selling prices of equal angles by ¥1000 per tonne for January business in order to try to recoup soaring ferrous scrap costs. Demand is steady. The mills will keep output curbs in place in order to progress inventory reduction. Although the business climate in South Korea is less depressed, suppliers have again rolled over the previous month's figures during the latest round of negotiations. Prices are firm in Taiwan, where market sentiment is relatively strong.

No further price erosion has taken place in Poland, Slovakia or the Czech Republic. In Western Europe, LME announced a change in their size extras structure, adding another €20/25 per tonne on average to effective prices. Basis values stayed firm with the exception of Spain, where customers negotiated a €30 per tonne discount during the latter part of December. The mills are now trying to recoup this loss but it is too early to judge the outcome of their initiative.

MARKET AND INDUSTRY ISSUES

IRON ORE

Japanese integrated steel makers came to an agreement with CVRD in late December to increase the iron ore fines purchase price by 9.5 percent for shipment in fiscal 2007. Japanese steel makers followed the earlier agreed price between Baosteel and major iron ore producers. This was the fifth

consecutive year that the figures have moved up.

DOMESTIC APPLIANCE STEEL

Flat steel demand by the home appliance industry in Brazil ended 2006 with a 15 percent rise from 2005, according to Usiminas. The main factors behind the growth were - low inflation, increasing family incomes

and easier credit, including longer repayment terms.

CAPACITY/INVESTMENT

China's Rizhao Steel, recently commissioned its third drawing quality wire rod line. Another is currently under construction. Each has an annual capacity of about 500,000-600,000 tonnes. The company installed two similar lines early in 2006. A 2 million tonne per year strip line is also being built. New converter capacity has been added – doubling annual crude steel potential to 7 million tonnes.

China's Anshan Steel (Angang) will commission a new 1 million tonne per year cold rolling line at the end of 2007. The company brought on stream a 2 million tonne line, in March last year, which will reach full capacity in the near future.

Haixin Steel - a privately-owned Chinese steel company, is currently installing 3 additional blast furnaces and 2 converters. They will come on stream in March this year with an annual crude steel capacity of 2.3 million tonnes. A 2.2 million tonne per year hot rolled coil line is to be installed and commissioned by the end of 2008.

China's Panzihua Steel (Pangang), will reach full

production from its new 400,000 tonne per year CRC line in 2007. Output will be used to feed the company's 400,000 tonne per year hot dip galvanising line which came on stream last August. Annual cold rolling capacity has increased to 1.2 million tonnes.

Anshan Steel in China is revamping its universal rolling mill to enable it to produce 100-metre long rails – up from 50 metres. As a result, the company has temporarily ceased operating the unit while the work is being carried out. It is anticipated that the upgraded mill will be back in production in April this year.

China's Wuhan Steel will also produce longer rails. In March, it will start work converting its current rolling line into a universal mill. The project, which should be completed in September, will have a total annual capacity of just over 1 million tonnes. About 450,000 tonnes of which will be heavy rails.

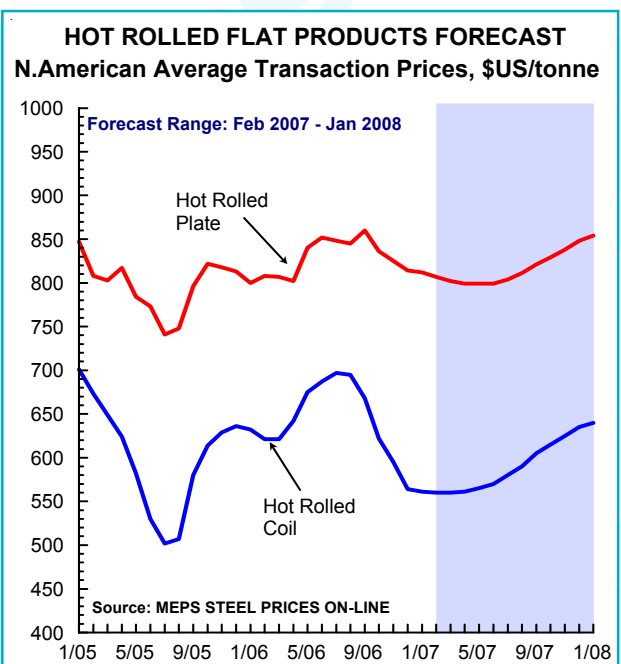
Dneprovsky, of the Ukraine, is modernising its melting and rolling facilities. The company has upgraded its No 2 converter shop and lifted annual crude steel capacity to around 5 million tonnes. It is also currently updating its medium sections mill to add wire rod to the product range. This should be completed in the final quarter of 2007.

MEDIUM TERM PRICE FORECASTS

FLAT PRODUCTS

The MEPS North American Average Hot Rolled Coil price was little changed in January. A decrease in basis figures in the US was put in place to offset an increase in scrap surcharges. Raw material costs are expected to stay firm for the next couple of months. This should apply an upward pressure on transaction prices. However market fundamentals are still weak due to high stock levels and increased imports - causing a counterbalancing downward force on transaction figures. We, therefore, expect a leveling off of hot rolled coil prices for the remainder of the first quarter. By March, market sentiment is forecast to change with prices likely to commence a recovery. Transaction values are predicted to rise into the beginning of 2008.

The MEPS North American Average Hot Rolled Plate price in January was quite steady. Values are still holding up at well over \$US800 per tonne. Inventory drawdown is likely to continue in the near term. However the market outlook is good and transaction figures should remain at close to current levels up to mid year.



In the second half of 2007, prices are expected to bounce back as stock levels decline and lower imports impact the market.

WORLD/REGIONAL AVERAGE TRANSACTION PRICES (\$US/tonne)

		WORLD		E.U.		N. AMERICA		ASIA	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot Rolled Coils	:High	606	596	695	670	625	621	498	498
	:Low	558	549	643	618	564	561	468	467
Hot Rolled Plates	:High	807	792	939	914	874	862	607	600
	:Low	757	747	904	881	814	812	554	548
Cold Rolled Coils	:High	704	688	833	803	695	680	585	580
	:Low	665	647	779	748	660	642	557	552
Hot Dipped Galvanised Coils	:High	915	913	1020	1023	845	854	879	862
	:Low	863	866	955	965	794	809	839	823
Electro-Zinc Coated Coils	:High	868	854	924	888	820	820	860	853
	:Low	817	804	859	825	770	770	823	817
Wire Rod	:High	522	516	567	553	565	565	433	431
	:Low	499	495	536	523	545	545	417	416
Medium Sections and Beams	:High	775	775	1063	1077	720	714	542	533
	:Low	734	735	996	1012	689	684	517	508
Rebars	:High	544	538	591	571	586	578	456	465
	:Low	517	512	565	547	549	542	437	447
Merchant Bars	:High	623	618	740	738	633	624	495	492
	:Low	593	590	701	701	600	592	478	476

Note:- The World prices are an arithmetic average of the transaction values identified in three regions (EU, Asia, and North America), converted into US dollars in accordance with exchange rates in this issue. Individual product price forecasts are available. Please visit www.meps.co.uk/world-price.htm.

WORLD/REGIONAL AVERAGE TRANSACTION PRICE INDICES

January 1997=100	WORLD		E.U.		N. AMERICA		ASIA	
	Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot Rolled Coils	158.6	156.0	198.5	190.7	141.0	140.3	141.4	141.1
Hot Rolled Plates	192.7	190.1	253.2	246.8	178.9	178.5	151.0	149.3
Cold Rolled Coils	140.0	136.2	172.3	165.5	128.2	124.7	121.4	120.3
Hot Dipped Galv. Coils	148.7	149.3	167.0	168.7	133.0	135.5	146.9	144.1
Electro Zinc Coated Coils	138.5	136.3	164.2	157.7	114.9	114.9	142.4	141.3
Wire Rod	161.1	159.7	182.3	177.9	175.8	175.8	127.5	127.2
Medium Sections & Beams	171.1	171.3	230.0	233.7	156.6	155.5	125.2	123.0
Rebars	169.5	167.9	200.4	194.0	166.4	164.2	144.2	147.5
Merchant Bars	177.0	176.1	219.1	219.1	187.5	185.0	131.0	130.4

Note:- Price indices are calculated using the low figures in the above table - January 1997=100. Individual product price forecasts are available. Please visit www.meps.co.uk/world-price.htm.

Please note, EU price indices in this table are calculated using dollar values and will differ from the euro figures listed on our website.

FLAT & LONG PRODUCTS - WORLD AVERAGE TRANSACTION PRICE TRENDS

\$US/tonne		2006					2007
		AUG	SEP	OCT	NOV	DEC	JAN
Hot-Rolled Coil	High:	640	631	611	603	606	596
	Low:	599	591	569	560	558	549
Hot-Rolled Plate	High:	782	800	788	792	807	792
	Low:	737	755	740	743	757	747
Cold-Rolled Coil	High:	742	730	703	696	704	688
	Low:	704	691	664	658	665	647
Hot Dipped Galvanised Coil	High:	921	911	896	892	915	913
	Low:	870	861	841	839	863	866
Electro-Zinc Coated Coil	High:	854	850	841	852	868	854
	Low:	808	805	793	803	817	804
Wire Rod	High:	539	542	528	523	522	516
	Low:	519	521	507	501	499	495
Medium Sections and Beams	High:	744	756	741	757	775	775
	Low:	705	716	701	718	734	735
Rebars	High:	559	565	546	547	544	538
	Low:	533	539	521	521	517	512
Merchant Bars	High:	635	634	619	621	623	618
	Low:	606	605	591	592	593	590

The February issue of the MEPS INTERNATIONAL STEEL REVIEW will be despatched on 26 February, 2007.

PRICE DEFINITIONS

The transaction prices in this publication relate to those paid by consumers and stockholders for prime material in the specified steel products defined in tables 2 and 4. The prices are for regular business transactions between customers and their local steel mills, negotiated during the current month for delivery in the future. The transaction prices include all extras for the lowest priced grade of steel for the selected products - sold ex mill.

Delivery charges and local taxes are not included in the quoted prices. Contract deals arranged in the domestic market, or deals for lots of imported steel, are specifically excluded from our price evaluation.

All price and market data is researched by MEPS staff and our local correspondents. High and low values are provided to reflect the range of prices in the market between major and minor customers.

Please note the transaction references in the different geographic areas:-

China-spot transaction prices between mills and first tier distributors or consumers in the Guangzhou region

Japan-spot transaction prices between mills and first tier stockholders or consumers

Korea-the low price relates to deals between the mills and large steel consumers. The high price refers to ex stock mill sales through selected outlets

European Union-the average price is weighted based on consumption in the five main countries -individual country prices refer to deals between customers and EU mills

United States-Mid West spot transaction prices from the domestic mills

Poland-ex-mill to consumers or to selected sales outlets

The data contained in this newsletter has been obtained from respondents who we consider provide accurate intelligence on the steel market. We make our best endeavours to be assured that the information is correct and that our analysis is reliable. MEPS (International) Ltd. cannot be made liable for any loss resulting from use of our published data, however it may arise.

MEPS REGULAR PUBLICATIONS

EUROPEAN STEEL REVIEW (monthly)

This is our flagship publication. The first report was produced in 1984. Each monthly issue incorporates high and low market prices for eleven different steel product forms in the EU - Germany, France, Italy, Spain, UK and Belgium. Data for both flat and long products is supplied in each edition. All prices are displayed in Euros for easy comparison. Details of EU Average Steel Transaction Prices are incorporated together with regular forecasts.



EUROPEAN STEEL REVIEW SUPPLEMENT (monthly)

A sister publication to the European Steel Review: the range of data is extended in this report. Price and market information is supplied for a further six nations, including - Denmark, Sweden, Finland, Holland, Austria and Norway. Euro comparisons are also included. Details of Nordic Average Steel Transaction Prices are incorporated together with regular forecasts.



STAINLESS STEEL REVIEW (monthly)

This publication provides stainless steel price and market information for hot rolled plate, hot and cold rolled strip, plus two bar products. Two austenitic and ferritic grades are assessed in thirteen countries around the world covering 65% of global consumption. Details of basis price negotiations and alloy surcharge values, where applicable, are incorporated. Transaction price forecasts are included. Estimates of alloy surcharges three months ahead are also included in each issue.



WORLD STEEL OUTLOOK (quarterly)

Crude steel and pig iron production forecasts are made for forty of the top steel producing nations. Also included is detailed analysis and future trends for the ten main rolled steel products (Hot Rolled Coil, Hot Rolled Plate, Cold Rolled Sheet, Coated Sheet, Tinplate, Electrical Sheet, Wire Rod, Sections and Beams, Rebar and Merchant Bar) in the US, Canada, Brazil, EU, China, Taiwan, South Korea and Japan. Trade data and apparent consumption estimates are also prepared.



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