



Industry News

China Voice: China exporting deflation claim not comply with fact

The recent mumbles by many that "China is exporting deflation" across the world does not conform to fact.

Some western media and economists are claiming the world economy is threatening by deflation, which is emanating from China.

The argument goes that, as the world's top exporter, China has seen the emergence of deflation and weak domestic consumption, and it is shifting its own deflation by exporting cheap commodities to trade partners.

Focusing on lower prices, the accusation fails to take into account that China is not fully capable of setting the retail prices in import countries to successfully export deflation.

Indeed, in the past 20 years, China's share of global exports has increased from less than 5 percent of the total to 12 percent. As a consequence, relative prices -- not overall prices -- may be affected. But the direct effect of Chinese export prices on inflation or deflation elsewhere is quite limited.

It is true that Chinese prices in certain sectors are declining. Producer prices have fallen for 33 consecutive months in a row. Growth in consumer prices has come down from more than 6 percent in the middle of 2011 to less than 2 percent now, also well below the government's annual target of 3.5 percent.

However, the decline in producer prices has been largely driven by the slump in global

commodity prices. Price levels on the consumer side are less worrying as a lower consumer price index has stemmed from easing food inflation and prices of consumer goods remain stable. Meanwhile, incomes in urban regions keep rising faster than the overall economy, a foundation to drive consumption.

Therefore, despite the apparent weakness in prices, deflation is not a concern for China at present.

In a sense, China is actually the victim of global deflation, rather than the source of it. Accompanied with fast export expansion, the country's imports also grow rapidly and it is contributing to global supply as well as demand. Its domestic product prices have been adversely affected by plunging prices on the global market.

The "China exporting deflation" theory has overstated any adverse impact China could make on the world economy but understated its contribution.

Economic records of the past decades prove that when the world economy fares well, the Chinese economy performs better; when the world economic situation is not promising, the Chinese economy remains a sound development and plays an ever-important role in fostering a new round of global economic growth. The China factor has proved a boon to the world economy.

Weak trade data could cloud yuan prospects

The yuan will likely face rising depreciation pressure throughout next year, economists said, as the currency fell the most in six years on Tuesday after the release of weak trade data.

The currency slid by more than 0.5 percent to 6.2059 per dollar during intraday trading, the largest intraday loss since 2008.

The spot rate against the dollar has declined by 0.78 percent since the central bank cut interest rates on Nov 21.

The declines indicate weakening market sentiment toward the yuan despite the central bank's effort to maintain the yuan's value against the dollar by lifting the central parity rate by 0.08 percentage point on Tuesday.

November's disappointing trade performance, announced on Monday, also cast a

shadow over prospects for the economy. Imports fell 6.7 percent year-on-year while exports expanded just 4.7 percent, the slowest pace in six months.

Investors expect more monetary loosening, including cuts in banks' required reserve ratios, to shore up the economy, analysts said.

A stronger dollar and possible capital outflows sparked by concerns over diminishing returns from yuan-denominated assets will exacerbate pressure on the Chinese currency, they said.

Wang Tao, chief economist in China at UBS AG, forecast that the yuan will ease to 6.35 per dollar by the end of 2015, even though China posted a record trade surplus of \$54.5 billion in November.

The conventional wisdom is that a country usually faces greater pressure to appreciate its currency when its trade surplus is high.

Wang said that the narrowing gap between onshore and offshore interest rates will slow the pace of capital flows into China, while the liberalization of the country's capital account could trigger capital outflows. Both factors would weigh on the value of the yuan.

The People's Bank of China has been reluctant to guide the yuan's benchmark exchange rate lower, although it has attempted to signal the market with two-way volatility by widening the trading band to 2 percent around its reference rate earlier this year.

Craig Chan, a foreign exchange analyst at Nomura Securities Co Ltd, said that it is strategically important for Beijing to maintain a stronger yuan.

"A weakening yuan will bring Beijing greater pressure from its trade partners. It will also hurt the process of the yuan's internationalization and the nation's goal for it to become an international reserve currency," he said.

Chan said that two factors — the ongoing Central Economic Work Conference and the year-end effect — will drive the PBOC's fixing of the yuan against the dollar lower toward 6.1 by the end of this year.

Some analysts remain bullish on the long-term trend of the yuan. They termed the recent easing as a mild correction and said that the PBOC will not change its policy stance, which is to maintain a stable currency with two-way volatility.

Chrome Stainless Steel Market Review

Stainless steel price was strong driven by the increasing nickel price. On Wuxi market, 304CRC price increased from 16,300 yuan/t to 16,600 yuan/t; 201 price rose by 50 yuan/t, of which LISCO 201 CR price rose from 9,300 yuan/t to 9,350 yuan/t, 430 CR stabilized at 8,350 yuan/t.

TISCO's Jan NPI bidding price was 1,170 yuan/nickel, up by 240 yuan/nickel compared with the 930 yuan/nickel in Dec, which underpinned market confidence, therefore CR production cost of non-integrated stainless steel plants would be 16,400 yuan/t in Jan.

Ferrochrome price was stable, factory price of enterprises in Inner Mongolia kept at 6,300 yuan/base t, and some special steel plants all gradually launched bidding prices, with rise of 50-100 yuan/base t. Ferrochrome plants didn't have high expectation towards future market and hoped to have steady price, so as not to drive high chrome ore price.

It is estimated that stainless steel price might increase slightly and ferrochrome price to stay stable during the next week.

Market New

Guangqing Technology stainless steel billet output exceeds 1Mt in 2014

Guangqing Technology's stainless steel billet output exceeded 1Mt in 2014.

Its steel plant, operated in May 2012, produced 550kt in 2012 and 980kt in 2013, with main product of 304 CR stainless steel.

LISCO raises 304 Dec factory prices

LISCO raised 304 Dec factory prices by 600 yuan/t, so its 304 CR was 17,100 yuan/t, 304 HR was 15,950 yuan/t after the price rise, and 316L prices were lifted by 400 yuan/t, with CR of 23,800 yuan/t and HR of 21,800 yuan/t.

It also raised 202 prices by 300 yuan/t, so the L4 CR was 14,750 yuan/t and HR 13,050 yuan/t.

400 series prices were down by 50 yuan/t: 430 CR was 8,850 yuan/t, 409L CR 8550 yuan/t, 430 unwrought 7,050 yuan/t, 430/NO.1 7850 yuan/t, 410S unwrought 6340 yuan/t.

Baosteel Desheng completes maintenance

Baosteel Desheng Stainless Steel Co., Ltd. (Baosteel Desheng) completed maintenance for 4 sets of 33,000KVA smelting electric furnaces. So far one of the furnaces has resumed production. These four furnaces are used for high grade NPI production.

Baosteel Desheng, as a subsidiary of Baosteel Stainless Steel Co., Ltd., is located in Fuzhou City, Fujian Province. It is mainly engaged in producing nickel alloy and further producing stainless steel strip.

Market Data

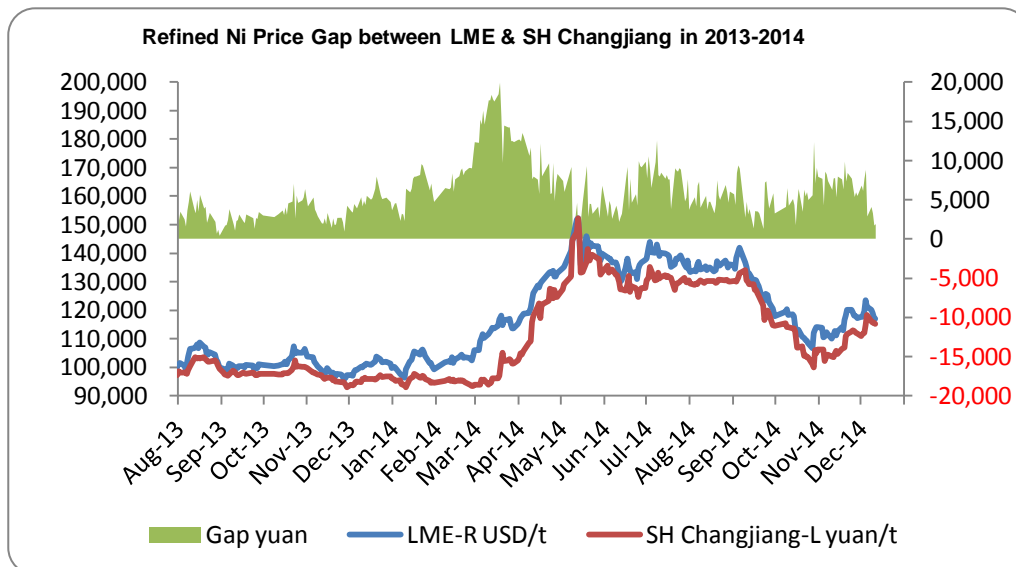
The refined nickel ex-factory prices of JNMC traded at **117,000-123,600** yuan/t. Import prices operated at **115,000-118,300** yuan/t.

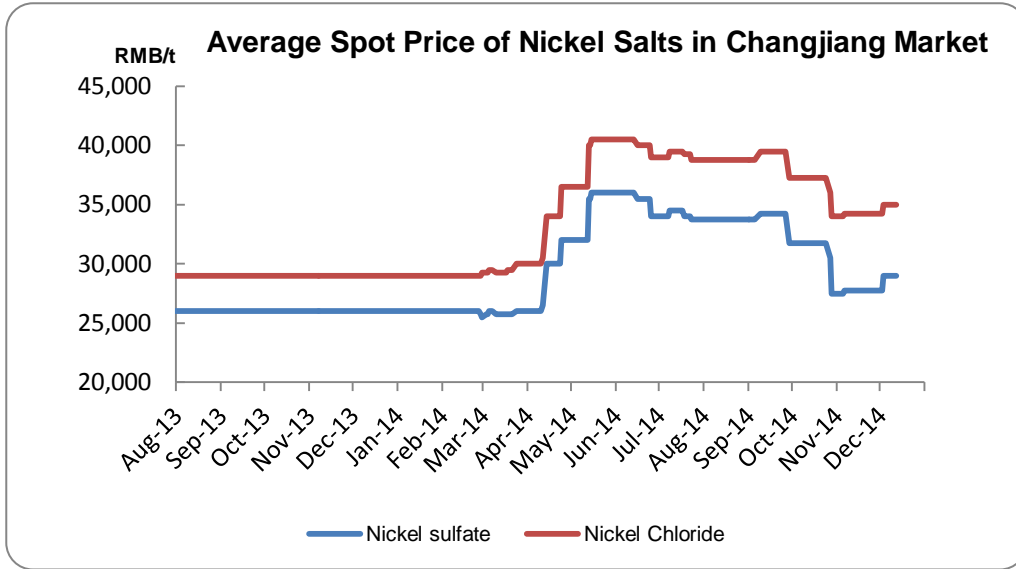
Spot Prices of Nickel Products in SH Changjiang Market (Unit: yuan/t)

	#1 Nickel plate	Nickel Sulfate	Nickel Chloride (25kg package)
Producer	Russia, JNMC, Brazil	JNMC, Jien	JNMC
Deliver place	Shanghai	Shanghai	Shanghai
Nov. 13	105,700-106,100	26,000-29,500	32,000-36,500
Nov. 20	110,700-111,000	26,000-29,500	32,000-36,500
Nov. 27	111,900-112,100	26,000-29,500	32,000-36,500
Dec. 4	114,700-114,900	27,000-31,000	32,500-37,500
Dec.11	115,100-115,300	27,000-31,000	32,500-37,500

Source: SH Changjiang Market

Refined Nickel Price Gap between LME & SH Changjiang in 2013-2014





Price of Stainless Steel CR Plate in Wuxi Market (Unit: yuan/t)

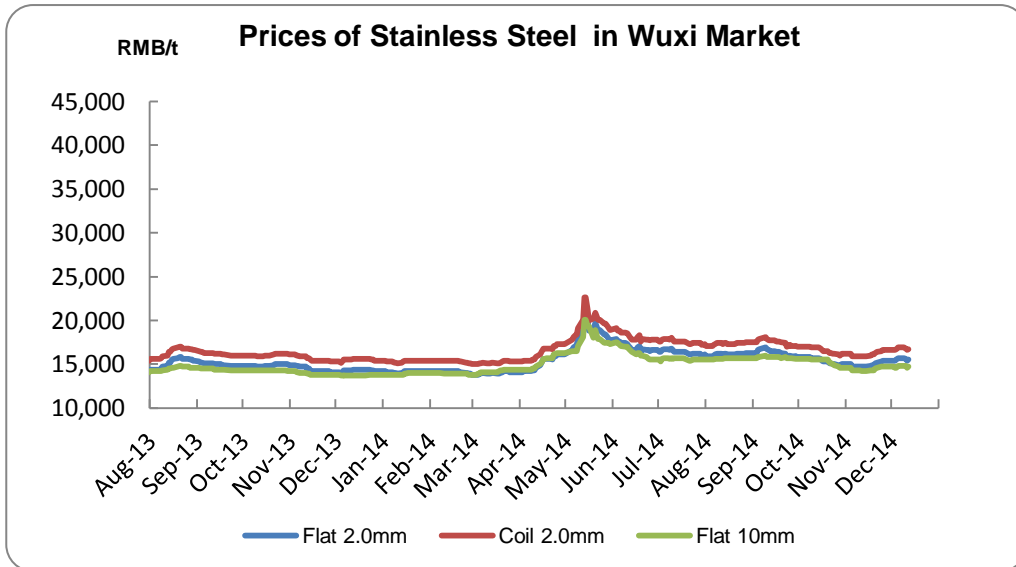
Product	304 2B	Producer	Deliver place	Nov. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11
Flat (2.0mm)	Zhangpu	Wuxi	14,700	15,100	15,400	15,500	15,400	
Coil (2.0mm)	Zhangpu	Wuxi	15,900	16,300	16,600	16,700	16,600	

Source: Antaike

Price of Stainless Steel HR Plate in Wuxi Market (Unit: yuan/t)

Product	304/No.1 Flat (10mm)	Producer	Deliver place	Nov.13	Nov.20	Nov.27	Dec. 4	Dec.11
	TISCO	Wuxi	14,200	14,500	14,700	14,600	14,700	

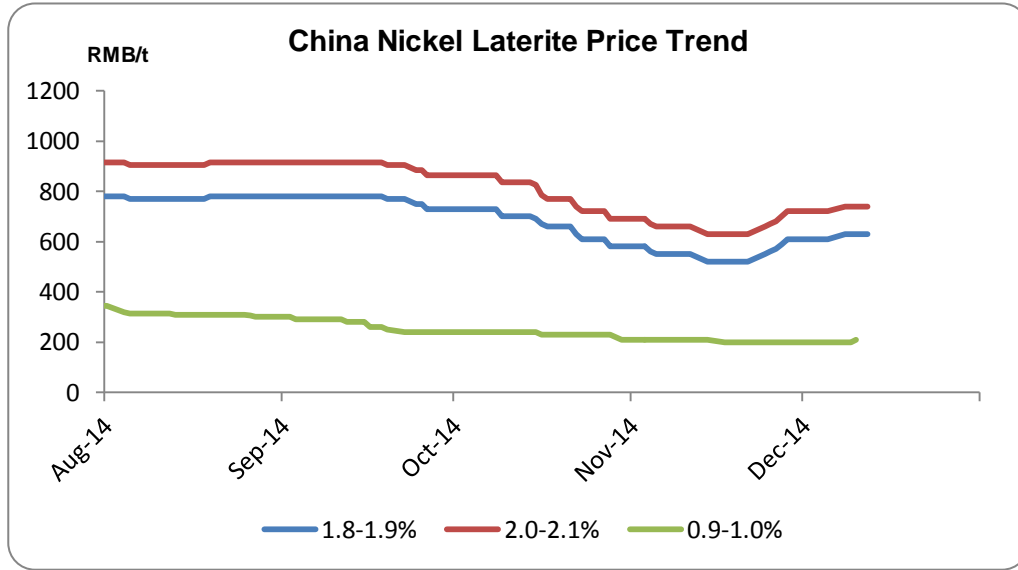
Source: Antaike



Average Prices of Nickel Laterite (Unit: yuan/t, including taxes)

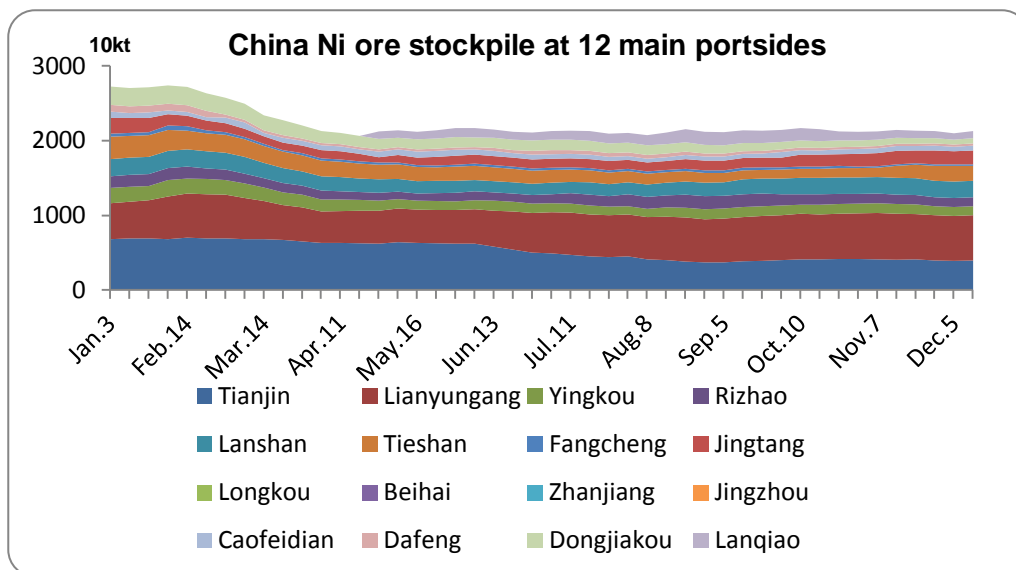
Ni content	Source	Nov. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11
0.9-1.0%	Philippines	210	200	200	200	210
1.8-1.9%	Indonesia	530	520	590	610	630
2.0-2.1%	Indonesia	640	630	700	720	740

Source: Antaike



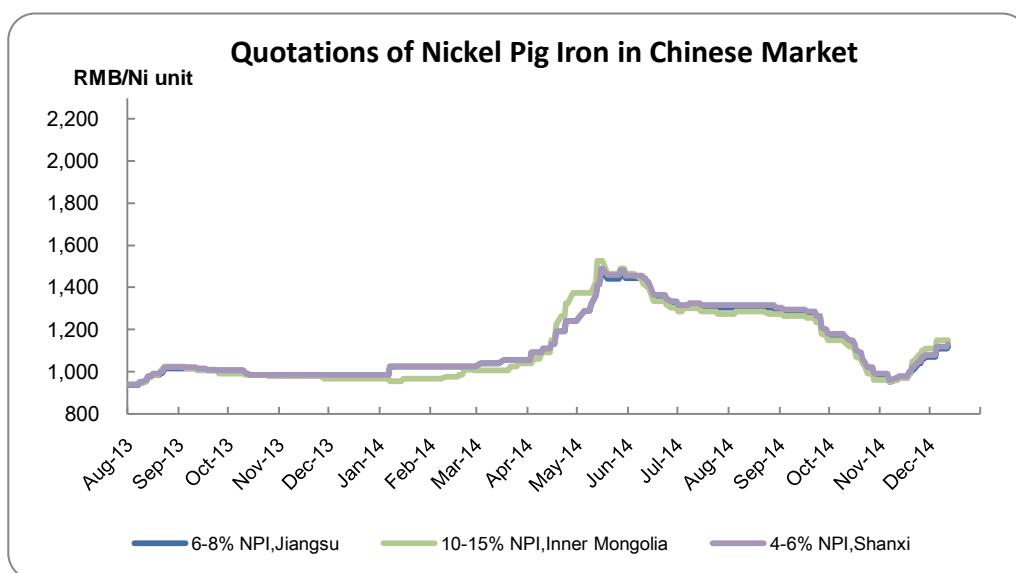
Chinese Nickel Ore Stockpile at 12 Main Portsides in 2014 Unit: 10kt

Date	Tianjin	Lianyungang	Yingkou	Rizhao	Lanshan	Tieshan	Fangcheng	Jingtang	Caofeidian	Dafeng	Dongjiakou	Lanqiao	Total
Aug. 29	370	575	135	175	180	130	35	130	55	40	115	175	2,115
Sep. 5	370	585	135	170	180	125	35	130	55	40	110	175	2,110
Sep. 12	385	590	135	170	200	120	35	130	55	35	110	170	2,135
Sep. 19	390	600	130	170	200	115	35	130	55	35	105	165	2,130
Sep. 28	400	600	130	150	210	120	30	130	75	35	100	160	2,140
Oct. 10	410	610	120	140	220	120	30	160	60	35	95	165	2,165
Oct. 17	410	600	130	140	220	120	30	160	55	35	90	160	2,150
Oct. 24	415	605	130	135	220	125	30	155	65	30	90	120	2,120
Oct. 31	415	610	130	130	220	125	20	170	65	30	85	115	2,115
Nov. 7	410	620	130	130	220	125	20	175	65	30	85	110	2,120
Nov. 14	405	615	130	125	225	160	20	180	65	30	80	105	2,140
Nov. 21	410	605	130	125	225	180	20	170	60	30	75	100	2,130
Nov. 28	395	605	120	120	220	200	20	185	65	30	70	95	2,125
Dec. 5	390	600	120	120	220	210	20	175	60	30	65	85	2,095
Dec. 12	395	605	120	120	220	200	20	185	65	30	70	95	2,125



Prices of Nickel Pig Iron (Unit: yuan per tpu)

Region	Nickel content	Nov. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11
Shandong	6-8% Ni	970	1,010	1,060	1,070	1,110
Shanxi	4-6% Ni	980	1,020	1,070	1,080	1,120
Inner Mongolia	10-15% Ni	970	1,050	1,100	1,110	1,150



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