

Rising Steel Demand bullish for Molybdenum, Manganese & Magnesium

2010-05-17 by Anthony David



The Economics Committee of the World Steel Association met in Beijing last month and released a short-range outlook for 2010 and 2011. Daniel Novegil, Chairman of the Economics Committee said, "the world steel industry now seems firmly set on a path to recovery."

"The emerging economies, who in total maintained positive growth through the crisis, will continue to show strong growth, driving world steel demand in the future, however the current recovery in the major developed economies is slower and the projected steel demand for them in 2011 is well below the 2007 level."

China's apparent use of steel in 2010 could climb higher than 579 million metric tonnes (mmt) although 2011 could see a slower growth and use is likely to hover around 595 mmt. China is expected to account for 45.5% of the world's apparent steel use in 2011.

India's steel demand is expected to increase by 13.9% and 13.7% in 2010 and 2011, respectively, given that the country's steel demand showed steady growth during the economic downturn. The CIS region, which saw steel demand fall by 28.2% in 2009, is expected to see an upward trend with demand growing by 11% in 2010 and 8% in 2011.

The BRIC nations as a whole are expected to see a rise of 8% during 2010 in the use of steel and 4.1% in 2011.

With iron ore pricing arrangements between ore miners and steel makers set to change from annual contracts to quarterly contracts, steel prices are poised to rise. March saw the average steel price increase by 3.3% and by 24% over the lowest price reported in May 2009. Steel prices are at the highest now since August 2008 when Lehman's collapsed.

BHP Billiton, Rio Tinto and Vale, the three global giants of iron ore mining, are expected to benefit tremendously from the new pricing policy. Profits of the three companies are likely to be boosted by a minimum of \$5 billion this year.

The rising demand for steel is creating a pressure on the supply chains as well. Chinese firms are reportedly rushing to fund and buy out small molybdenum producers worldwide in an effort to lower their

steel production costs. With an inventory of over 45,000 mt, China currently accounts for 22% of the global molybdenum stock.

On March 5th, 2010 in Our First Post We Predicted for 2010:

- Molybdenum – At least \$20 USD/lb by end of year.
- Manganese – Continued rise in Electrolytic prices.
- Magnesium – Prices should begin to strengthen in 2010.

Source: [Critical Strategic Metals](#)