

AÇO BRASIL CONF: China steel capacity closures a myth, expert says

São Paulo 10 June 2016 21:01

Capacity shutdowns carried out by Chinese steelmakers will be only “temporary”, and the country’s crude steel output will continue to grow, according to a US academic.

"In 2016, China will reach its highest [crude steel] production level ever," Usha Haley, professor of management at West Virginia University, told Steel First on the sidelines of the 27th Brazilian Steel Congress in São Paulo, organised by the local steel association, Aço Brasil.

Chinese crude steel production hit an annualised rate of 857 million tonnes in May 2016, up 6.60% compared with May 2015, according to Haley.

"The rise in Chinese steel prices this year was temporary, and when it happened, many mills returned to the market and also added new steelmaking capacity," Haley said.

Of the production capacity shutdowns announced in 2015, only 17% was permanent "They have reopened almost everything," she added.

China’s daily crude steel production hit an average rate of 1.75 million tonnes in mid-May, the [highest level since late June 2015](#), according to the China Iron & Steel Assn (Cisa).

Haley estimates that planned new plants will add 47 million tpy of capacity in China by 2018.

Existing subsidies to the energy and industrial sectors, divergences between regional and central governments and a highly fragmented industry are the reasons behind the failure of planned capacity reductions in the Asian nation.

"This is unsustainable. Something has to be done, and we cannot rely on China to do it," Haley said.

By [Felipe Peroni](#)

Felipe Peroni

Latin America Reporter

Steel First

A Metal Bulletin Product