

China may meet target for steel capacity cuts this year

REUTERS
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CHINA AIMS TO meet its target for reducing steel production capacity two years earlier than planned, the industry ministry said in a statement on Wednesday, as the world's top steel producer ramps up its years-long push to reduce excess output.

The original plan called for reducing 150 million tonne of steel production capacity by 2020.

However, China will face more pressure in tackling overcapacity as strong prices reduced steelmakers' willingness to cut capacity, the ministry of industry and information technology said.

The rising steel prices helped to push 2017 profits at medium- and large-sized steel mills up sevenfold from the previous

year to 177.3 billion yuan (\$28.32 billion), the ministry said.

Sales revenue rose 34.1% from a year ago to 3.69 trillion yuan, the ministry said.

China's environmental crackdown, the supply-side reform and the closure of lower-end induction furnaces have pushed steel rebar prices up by about 38% in the past year. But, the improving market conditions had lured some closed mills to resume production.

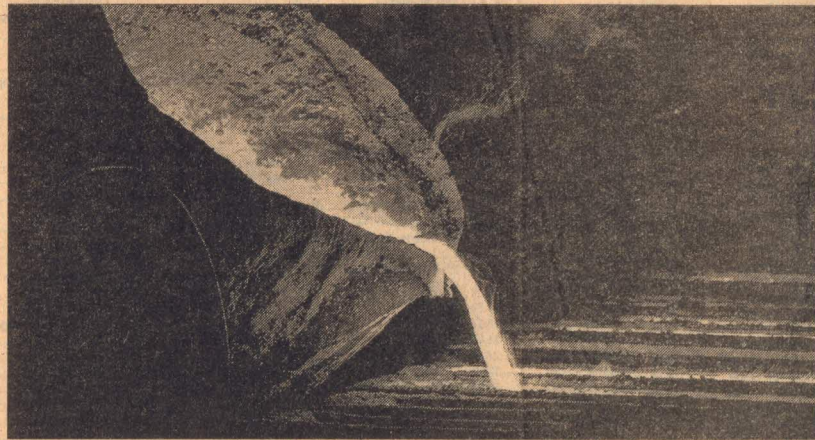
"Strictly preventing the addition of new capacity will be the key to successfully pushing the structural supply-side reform in the steel industry in 2018," the ministry said.

China shut down 115 million tonne of steel capacity between 2016 and 2017, and closed 140 million tonne of induction furnaces that use scrap metal to make

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steel. China will begin carrying out checks in the first half of this year on closed induction furnaces to prevent them from resuming production, the ministry said.

Instead, China will encourage companies to build more electric furnaces to process scrap and to move production out of sensitive regions, including northern Beijing, Tianjin and Hebei province, it added.



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