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A picture tells a thousand words, Chinese steel edition

Posted by **Izabella Kaminska** on Jan 17 15:39.

Presenting, just another Wednesday working afternoon at a Chinese 5,800 cubic metre blast furnace factory:



Note the empty car park.

That picture comes to us courtesy of Nicholas Zhu of ANZ Bank via Simon Hunt, a veteran base-metal market analyst and uber copper bear.

As Hunt explains, it's anecdotal evidence that things in China might not be as rosy as they seem on the surface. Zhu visited the factory earlier this month, and noted that work-shifts had been shortened to five-day weeks instead of the normal seven-day weeks. Furthermore, only one blast furnace was operating.

Also...

...wire rods for use in the construction industry were piled up everywhere: inside a full warehouse at the riverbank, out in the open near wharfs and any empty space next to the factory floor.

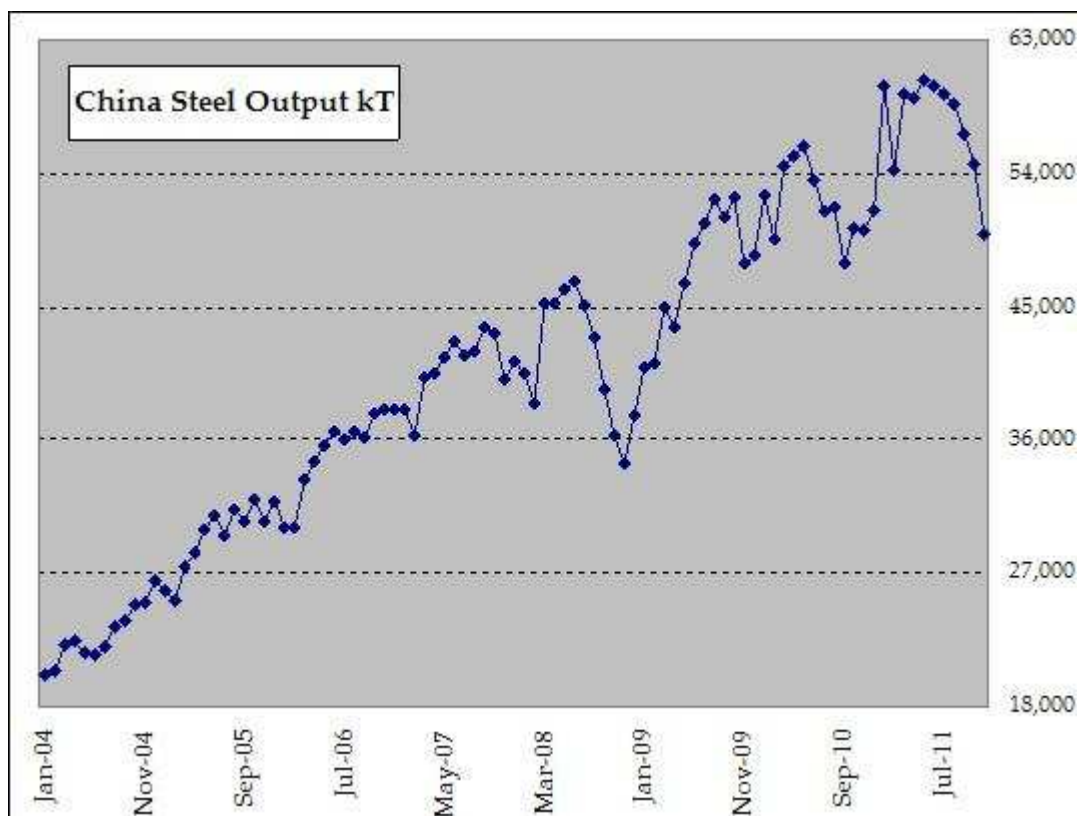
Yes, it's only anecdotal evidence. And yes, maybe the car park never got full. But presuming *it did*, it's an interesting picture to keep in mind.

After all, as Hunt also notes:

Steel production rose by just 1.2% in 2011, but fell sharply in the last six months. Domestic iron ore prices have collapsed falling by 22% in the last four months according to the China Iron and Steel

Association.

And to support that anecdotal evidence further here's a chart courtesy of Sean Corrigan at Diapason Commodities Management, using data from the World Steel Association:



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This entry was posted by [Izabella Kaminska](#) on Tuesday, January 17th, 2012 at 15:39 and is filed under [Capital markets](#), [Commodities](#). Tagged with [china](#), [commodities](#), [steel](#).

Comments

Gawd, not the same old hand wringing about China again? How many times in the last decade have the nattering naybobs come out and told us China is a giant ponzi scheme? But that they never managed to notice the gigantic ponzi scheme in front of their noses on WStreet or on Pennsylvania Ave?

Yes, there will be over investment in China. There will be ghost cities. But there are 800MM Chinese desperate to get into the middle class, just so they can buy those cars, washing machines, cell phones by the hundreds of millions. Think of China as the West in 1920 and you'll have their relative development picture about right...

Seasonality explains some but not all of the empty parking lots. Furnace workers ride bicycles / motorcycles to work so parking lots are for mid-manages who are not around to push papers for purchase / sales etc, i.e. activities are down. The more crowded lot to the left of "Ritz Carlton" is for idling trucks that are not doing any loading / unloading that day. When they have shortened shifts, they still overlap workers for the whole 24-7 time span, but with lower utilisation rate of facilities.

Send me a msg if you want a more detailed note to go with the pic. zhuning@yahoo.com

The above picture looks very much like what Bethlehem Steel in Bethlehem, PA looked liked before the inception of NAFTA! Now it is a casino! The US of A is no longer the leading manufacturing country producing for the world, it is now a country of consumers in debt trying to dig out of a recession. Is this what is known as progress, or rather what happens when Corporate Greed runs a muck!

Tell me that you didn't mean to imply that one can operate a blast furnace on a five day week? Do you think they close it down overnight too?

Put otherwise: does anyone in the City or the Press understand anything about how industries work?

What I dont understand is why is there i a big cluster of cars parked as far as possible from the factory and another bunch nearby. Its like the kids at school who sit in the back row. These guys will be the pot smoking dropouts of the Chinese labour force.

<http://thosewhospeak.blogspot.com/>

It's Chinese New Year next week, the country often shuts down around that period - just as the Western world takes Christmas and New Year off. Could be a simple explanation. I am sure most heavy industries shut down for maintenance for a few weeks a year too.

not a uber copper bear but an uber copper realist!

Chinese workers can afford cars to drive to work?! Have they reached socialism already?

So how is this any different than you would expect to see in a western economy after severe monetary tightening? I would worry if this picture was taken with zero interest rates and a low reserve ratio but that's not the case. The good news is that this idle production will add to GDP when reactivated. Shovel ready as it were.

The \$64 question is whether the loosening results in consumption, investment or speculation.

Does Mr. Zhu believe that migrant workers at Chinese Steel mills all drive their own personal cars to work??

You can't run a blast furnace on a 5 day basis - it's on all the time or off.

Izzy he is right about production cuts and shifts especially with the small blast furnaces as they can not compete with larger furnaces in production costs, but things in construction are really slowing down and base metal usage like copper are now getting stagnate

Every one is going home for Chinese new year and some plants are allowing other to go home early and yes there build production also

the chinese ministry of truth has descended it seems

Izabella, where was this photo taken? What factory is it? Seems like some basic information has been omitted.

As the post states.. it was taken on a Wednesday WORKING afternoon. Guys, please read the post, eh?

The bicycles are stacked at the rear of the Ritz Carlton.

(How many Chinese steelworkers drive to work ?)

perhaps they're all stuck in traffic jams?

Its Chinese New Year next Monday, everybody is home for reunion dinner. Might be seasonal?

But the smog is amazing...

Could this have been taken at the week-end?

I've added some extra non-anecdotal imagery.

Hugh Hendry must be collecting money, maybe that's why he decreased the telly presence....

"A glance tells all" is the Chinese expression.

If (see ANSWER) the picture is conclusionless,
maybe a glance doesn't always tell all

Look at the potential for VW, BMW et al.

If we build it, they will come.

(Ps looks like a lot of the workers live on site, unless that's the local Ritz Carlton.)

Shame on you: This picture is completely conclusionless:

Chinese production site are planned to accomodate the cars which their workers will purchase in future

prolly works the other way round from normal...

... bosses park at the back and get a golf buggy to the door so the red hot splinters don't ruin their rides!

Why don't they park closer to the factory/buildings?!

In all seriousness, China coverage today has been top notch FTAV

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