

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____.

Commission File Number 1-5725

A. Full title of the plan and the address of the plan, if different from that of the issuer name below:

Quanex Corporation Employee Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Quanex Corporation
1900 West Loop South, Suite 1500
Houston, Texas 77027
(713) 961-4600

[DELOITTE & TOUCHE LLP LETTERHEAD]

INDEPENDENT AUDITORS' REPORT

The Benefits Committee
Quanex Corporation
Houston, Texas

Re: Quanex Corporation Employee Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Quanex Corporation Employee Savings Plan (the "Plan") as of December 31, 1997 and 1996 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1997 and 1996 and the changes in net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of (1) investments as of December 31, 1997 and (2) 5% reportable transactions for the year ended December 31, 1997 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 1997 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

May 22, 1998

QUANEX CORPORATION EMPLOYEE SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	1997	1996
Assets:		
Investments, at fair value:		
Mutual fund assets:		
Fidelity Puritan Fund	\$ 8,682,374	\$ 7,990,942
Fidelity Magellan Fund	10,370,199	9,025,079
Fidelity Contrafund	4,796,863	3,106,854
Fidelity Growth & Income Fund	6,782,645	4,187,289
Fidelity Overseas Fund	1,995,616	2,151,256
Fidelity Balanced Fund	527,322	272,553
Templeton Foreign Fund	488,227	476,234
Fidelity Government Money Market Fund	9,327,810	10,265,488
Quanex Corporation Common Stock	1,457,181	1,822,006
Fidelity Common/Commingled Trust	1,662,256	807,949
	-----	-----
Total	46,090,493	40,105,650
	-----	-----
Employee contributions receivable	405,287	446,619
Employer contributions receivable	113,412	142,213
	-----	-----
Total	518,699	588,832
	-----	-----
Net Assets Available for Benefits	\$ 46,609,192	\$ 40,694,482
	=====	=====

See notes to financial statements.

QUANEX CORPORATION EMPLOYEE SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31,	
	1997	1996
Investment income:		
Interest and dividends	\$ 3,039,538	\$ 3,420,494
Net appreciation in fair value of investments	4,220,737	1,154,013
Total income	7,260,275	4,574,507
Contributions:		
Employer	959,634	1,003,456
Less forfeitures	24,328	13,691
Employee	3,623,254	3,671,185
Total contributions	4,558,560	4,660,950
Total additions	11,818,835	9,235,457
Benefit payments	5,904,125	2,261,229
Increase in net assets available for benefits	5,914,710	6,974,228
Net assets available for benefits:		
Beginning of year	40,694,482	33,720,254
End of year	\$46,609,192	\$40,694,482

See notes to financial statements.

QUANEX CORPORATION
EMPLOYEE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

A. THE PLAN

The following brief description of the Quanex Corporation Employee Savings Plan (the "Plan") is provided for general informational purposes only. Participants should refer to the Plan agreement for more complete information.

- (1) General. The Plan became effective April 1, 1986, as amended and restated effective January 1, 1989, and is sponsored by Quanex Corporation (the "Company"). The Plan is a defined contribution plan that is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan is a voluntary savings plan in which employees of the Company and its subsidiaries, excluding the Nichols-Homeshield division and Piper Impact subsidiary, and those Quanex employees who are covered by a collective bargaining agreement, are eligible to participate after completing three months of active service. The assets of the Plan are held in trust by Fidelity Management Trust Company ("Fidelity" or the "Trustee"). The Benefits Committee (the "Committee"), appointed by the Board of Directors of the Company, serves as the Plan administrator.
- (2) Contributions. Participants may elect to contribute up to 15% of their pre-tax annual compensation or up to 15% of their after-tax annual compensation limited to 15% of considered compensation as defined by the Plan agreement. The Company matches 50% of the employee's contribution up to, but not in excess of, 2.5% of the employee's annual compensation.
- (3) Participants Account. Each participant's account is credited with the participant's contribution, the Company's matching contribution, and an allocation of investment income, which is based on the participant's account balance as of the end of the period in which the income is earned.
- (4) Investment Options. The Plan offers the following investment funds, all managed by the Trustee, as follows:
 - Government Money Market Fund - composed of short-term government obligations.
 - Puritan Fund - invested and reinvested in common and preferred stocks and bonds.
 - Magellan Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.
 - Growth and Income Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.
 - Overseas Fund - invested and reinvested in foreign securities.
 - Balanced Fund - invested and reinvested in common and preferred stocks and bonds.
 - Contrafund - invested and reinvested in equities of foreign and preferred stock.
 - Templeton Foreign Fund - invested and reinvested in foreign securities.

Quanex Corporation Common Stock - invested and reinvested exclusively in the common stock of Quanex Corporation.

Common/Commingled Trust - invested and reinvested in investment contracts issued by insurance companies, banks and other financial institutions.

- (5) Vesting. Participants are immediately vested in their voluntary contributions and the related earnings. Vesting in the employer's matching contributions for employees is 0% for less than one year of service graduating to 100% for five or more years. Upon death, retirement or total and permanent disability, the participant or beneficiary becomes immediately 100% vested in the employer's contribution. In the event of termination, nonvested portions of employer's contributions are immediately forfeited by participants and utilized to reduce future employer matching contributions.
- (6) Payment of Benefits. Upon termination of service, the participant may elect to receive a lump-sum amount equal to the amount of vested benefits in his or her account. As of December 31, 1997 and 1996, net assets available for benefits included benefits of \$46,482 and \$30,852, respectively, due to participants who had withdrawn from participation in the Plan. Effective April 18, 1997, Quanex sold its LaSalle Steel Company ("LaSalle") subsidiary to Niagara Corporation. LaSalle employees in the Plan had the option of leaving their benefits in the Plan or receiving a lump-sum distribution, which could be rolled over into an individual retirement account, or into a new qualified retirement plan set up by LaSalle. As of December 31, 1997, \$2,020,517 had been withdrawn from the Plan by LaSalle employees.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Accounting Basis. The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with generally accepted accounting standards.
- (2) Investment Valuation. The Plan recognizes net appreciation or depreciation in the fair value of its investments. Investments are reflected at fair value in the financial statements. Fair value of mutual fund assets is determined using a quoted net asset value. Fair value for Quanex Corporation common stock, which is listed on the New York Stock Exchange, is determined using the last recorded sales price. The fair value of the common/commingled trust is at face value.
- (3) Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in the net assets available for benefits during the reporting period. The Plan's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.
- (4) Administrative Expenses. The Company pays all administrative expenses.
- (5) Payment of Benefits. Benefit payments are recorded when paid.

C. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan, subject to the provisions of ERISA. In the event of termination of the Plan, the assets held by the Trustee under the Plan will be valued and fully vested, and each participant will be entitled to distributions respecting his or her account.

D. FEDERAL INCOME TAX STATUS

The Plan is subject to specific rules and regulations related to employee benefit plans under the Department of Labor and the Internal Revenue Service ("IRS"). The Plan is a qualified trust under Sections 401(a) and 401(k) of the Internal Revenue Code ("Code") and, as a result, is exempt from taxation under Section 501(a) of the Code. The Plan received a favorable determination letter from the IRS dated October 3, 1996. The Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, it believes the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1997 and 1996, the Plan purchased and sold shares of Quanex Corporation common stock, as shown below:

	1997			1996		
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	15,184	\$440,782		18,195	\$403,216	
Sales	29,930	629,783	\$870,900	30,076	618,301	\$741,499

During the years ended December 31, 1997 and 1996, the Plan purchased and sold shares of Fidelity mutual fund assets, as shown below:

	1997			1996		
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	7,010,550	\$22,115,775		3,781,125	\$15,764,549	
Sales	7,886,016	19,551,882	\$20,775,858	4,142,244	8,854,715	\$9,179,359

During the years ended December 31, 1997 and 1996, the Plan purchased and sold shares of Fidelity Common/Commingled Trust, as shown below:

	1997			1996		
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	2,269,094	\$2,269,094		396,185	\$396,185	
Sales	1,414,786	1,414,786	\$1,414,786	833,229	833,229	\$833,229

F. SUBSEQUENT EVENT

On December 3, 1997, Michigan Seamless Tube Company, the Gulf States Tube and the Tube Group Office divisions of Quanex Corporation (the "Tube Group") were sold to Vision Metals, Inc. The Tube Group employees in the Plan will have the option of leaving their benefits in the Plan or receiving a lump-sum distribution, which could be rolled over into an individual retirement account, or into a new qualified savings plan set up by Vision Metals, Inc.

G. SUPPLEMENTAL FUND INFORMATION

Contributions, benefit payments and investment income by fund are as follows for the years ended December 31:

	1997	1996
	-----	-----
Employee Contributions:		
Fidelity Puritan Fund	\$ 597,524	\$ 631,064
Fidelity Magellan Fund	716,695	909,697
Fidelity Contrafund	450,107	325,350
Fidelity Growth and Income Fund	538,186	381,285
Fidelity Overseas Fund	219,539	227,957
Fidelity Balanced Fund	67,979	40,829
Fidelity Government Money Market Fund	735,626	953,608
Templeton Foreign Fund	71,702	17,898
Quanex Corporation Common Stock	120,540	117,769
Fidelity Common/Commingle Trust	105,356	65,728
	-----	-----
	\$3,623,254	\$3,671,185
	=====	=====

	1997	1996
	-----	-----
Employer Contributions:		
Fidelity Puritan Fund	\$ 157,777	\$ 172,119
Fidelity Magellan Fund	192,569	242,159
Fidelity Contrafund	112,759	83,610
Fidelity Growth and Income Fund	129,559	95,579
Fidelity Overseas Fund	58,043	60,383
Fidelity Balanced Fund	17,119	11,115
Fidelity Government Money Market Fund	191,436	268,082
Templeton Foreign Fund	16,435	4,332
Quanex Corporation Common Stock	35,832	37,089
Fidelity Common/Commingle Trust	23,777	15,297
	-----	-----
	\$ 935,306	\$ 989,765
	=====	=====

	1997	1996
	-----	-----
Benefit payments:		
Fidelity Puritan Fund	\$1,268,575	\$ 331,862
Fidelity Magellan Fund	1,143,858	529,329
Fidelity Contrafund	193,382	29,696
Fidelity Growth and Income Fund	504,526	116,336
Fidelity Overseas Fund	226,282	57,153
Fidelity Balanced Fund	67,717	2,476
Fidelity Government Money Market Fund	2,232,996	859,097
Templeton Foreign Fund	39,954	292
Quanex Corporation Common Stock	149,028	92,241
Fidelity Common/Commingle Trust	77,807	242,747
	-----	-----
	\$5,904,125	\$2,261,229
	=====	=====

	1997	1996
	-----	-----
Investment income:		
Fidelity Puritan Fund	\$1,719,159	\$1,005,808
Fidelity Magellan Fund	2,213,591	977,164
Fidelity Contrafund	815,658	443,202
Fidelity Growth and Income Fund	1,450,917	591,891
Fidelity Overseas Fund	215,404	241,670
Fidelity Balanced Fund	113,599	22,680
Fidelity Government Money Market Fund	517,602	515,358
Templeton Foreign Fund	46,464	30,573
Quanex Corporation Common Stock	102,136	685,994
Fidelity Common/Commingled Trust	65,745	60,167
	-----	-----
	\$7,260,275	\$4,574,507
	=====	=====

ITEM 27-A SCHEDULE OF ASSETS HELD FOR INVESTMENTS PURPOSES
 EIN: 38-1872178; PN 012

QUANEX CORPORATION
 EMPLOYEE SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
 AS OF DECEMBER 31, 1997

	Shares/ Par Value	Cost	Current Value
	-----	-----	-----
Mutual Fund Assets - Fidelity Investments:			
Puritan Fund*	448,007	\$ 7,403,135	\$ 8,682,374
Magellan Fund*	108,851	8,444,019	10,370,199
Contrafund*	102,871	4,284,525	4,796,863
Growth and Income Fund*	178,022	5,230,360	6,782,645
Overseas Fund*	61,328	1,791,184	1,995,616
Balanced Fund*	34,533	491,382	527,322
Templeton Foreign Fund*	49,068	513,213	488,227
Government Money Market Fund*	9,327,811	9,327,810	9,327,810
		-----	-----
Total Mutual Fund Assets		37,485,628	42,971,056
Quanex Corporation Common Stock*	51,811	1,212,348	1,457,181
Fidelity Common/Commingled Trust*	1,662,256	1,662,256	1,662,256
		-----	-----
Total Investments		\$40,360,232	\$46,090,493
		=====	=====

* Party-in-Interest

ITEM 27D - SCHEDULE OF REPORTABLE (5%) TRANSACTIONS EIN 38-1872178; PN 012

QUANEX CORPORATION EMPLOYEE SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 1997

Series of Transactions

Description -----	Total Number of Purchases During the Plan Year -----	Purchase Price -----	Total Number of Sales During the Plan Year -----	Selling Price -----	Cost of Asset -----	Current Value on Transaction Date -----	Net Gain -----
Fidelity Investments: Puritan*	131	\$2,341,611	88	\$2,630,084	\$2,342,812	\$2,630,084	\$ 287,272
Magellan*	168	3,780,714	112	3,972,236	3,599,399	3,972,236	372,837
Contrafund*	154	3,231,474	84	1,906,348	1,765,865	1,906,348	140,483
Growth & Income*	174	4,183,721	85	2,736,100	2,447,586	2,736,100	288,514
Gov't Money Market*	156	6,528,452	141	7,466,130	7,466,130	7,466,130	0
Common/ Commingled Trust*	108	2,269,094	67	1,414,786	1,414,786	1,414,786	0

* Party-in-Interest

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Quanex Corporation Employee Savings Plan

Date: June 29, 1998

/s/ Wayne M. Rose

Wayne M. Rose, Benefits Committee

INDEX TO EXHIBITS

23.1 Independents Auditor's Consent

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-38702 of Quanex Corporation on Form S-8 of our report dated May 22, 1998 appearing in the Annual Report of Form 11-K of the Quanex Corporation Employee Savings Plan for the year ended December 31, 1997.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Houston, Texas
June 29, 1998