

World Steel Outlook 2015-2016

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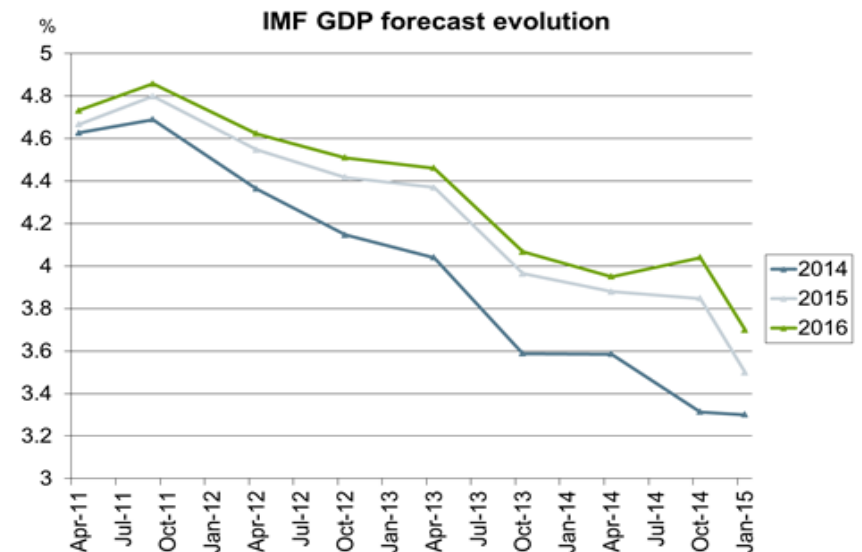
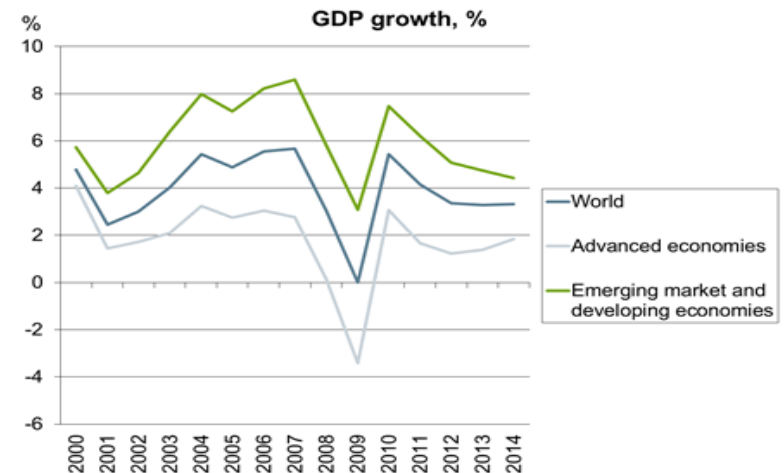
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Global Steel Industry in the post-Crisis Period



Global macro environment remains difficult

- Global GDP growth has slowed down
- Global economic recovery continues to disappoint despite drop in oil prices
 - Structural problems in many advanced and emerging economies
 - Ongoing geopolitical conflicts
- Overall divergence in growth rates among countries and regions
- Low oil price to generate overall positive net impact on growth

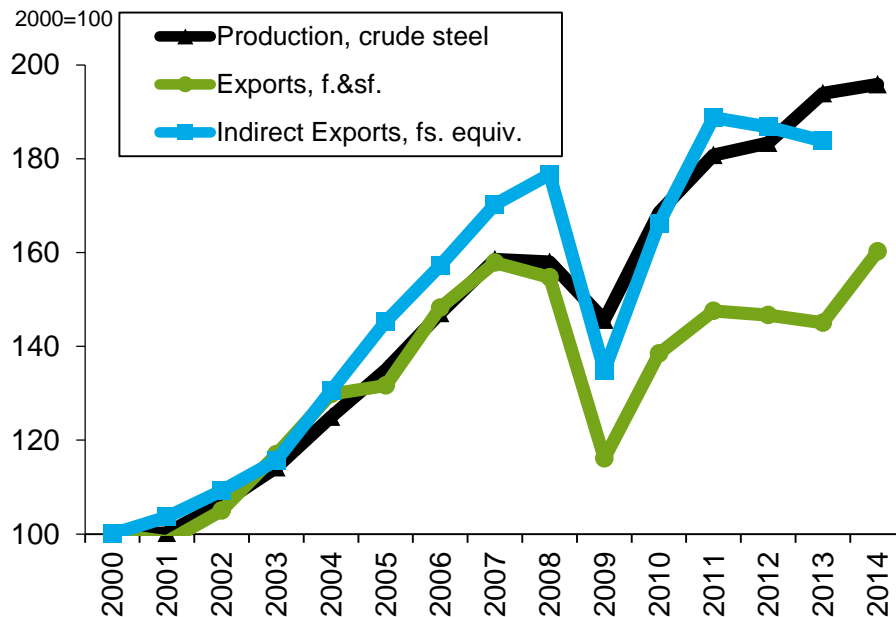


Sources: IMF, Haver Analytics

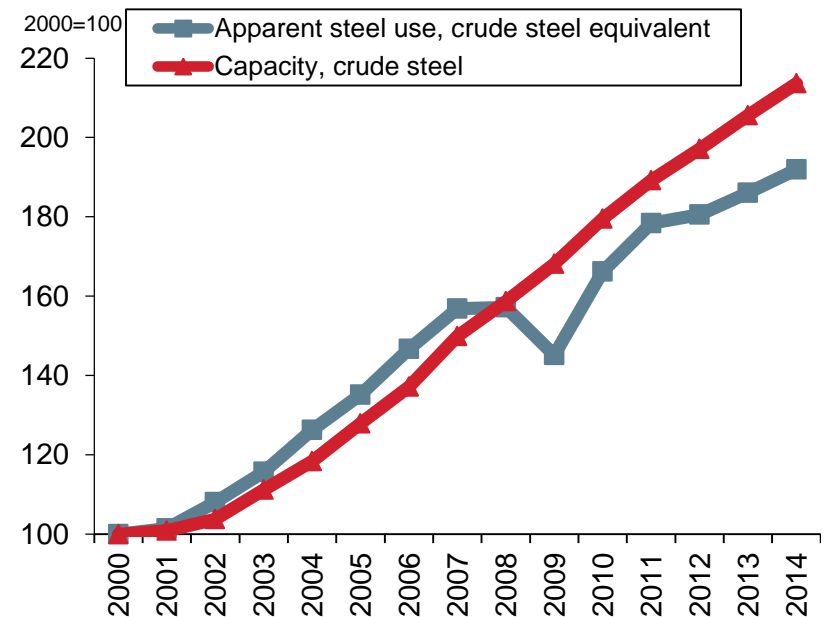
Overcapacity to stay

- Production slowing down with strong increase of exports in 2014
- Excessive steel capacity expansion during the boom period
- World capacity utilisation in 70-80% range

Production, Exports, Indirect Exports (2000=100)

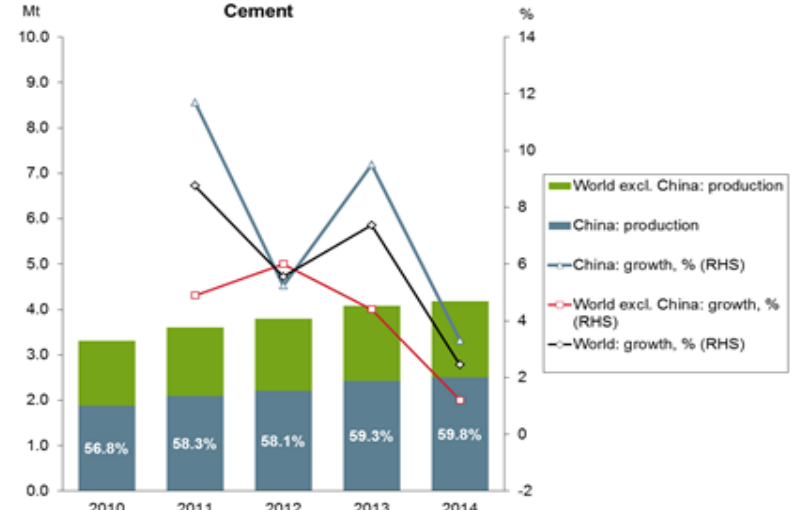
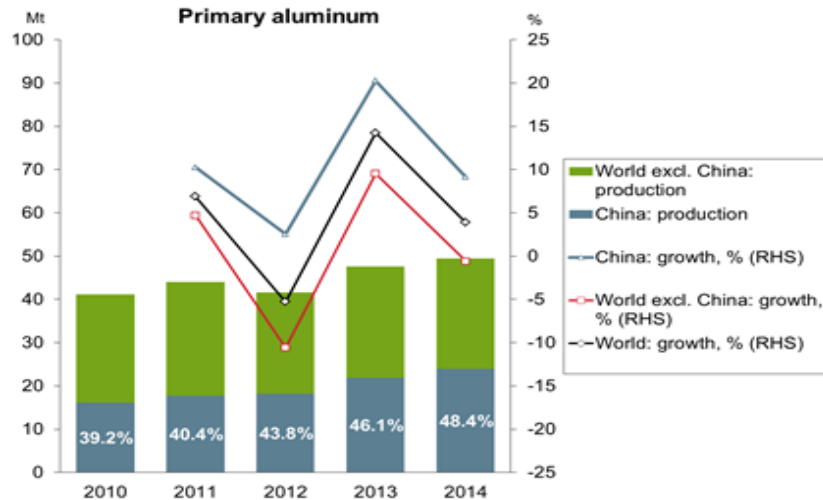
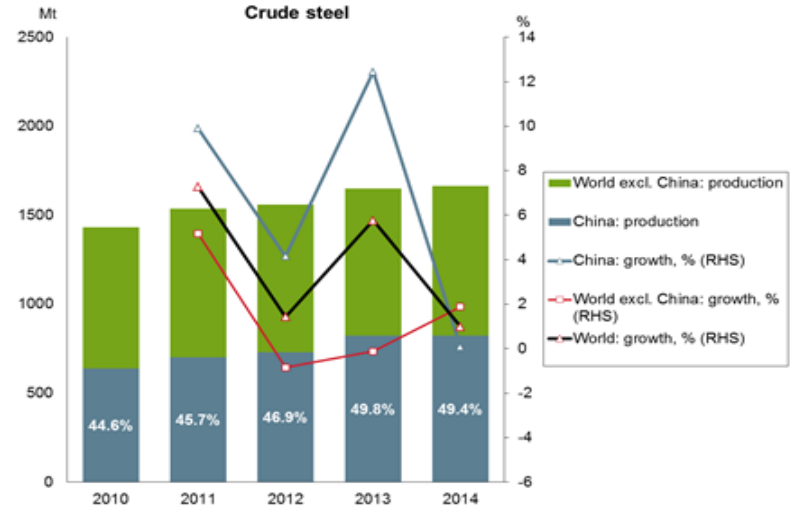
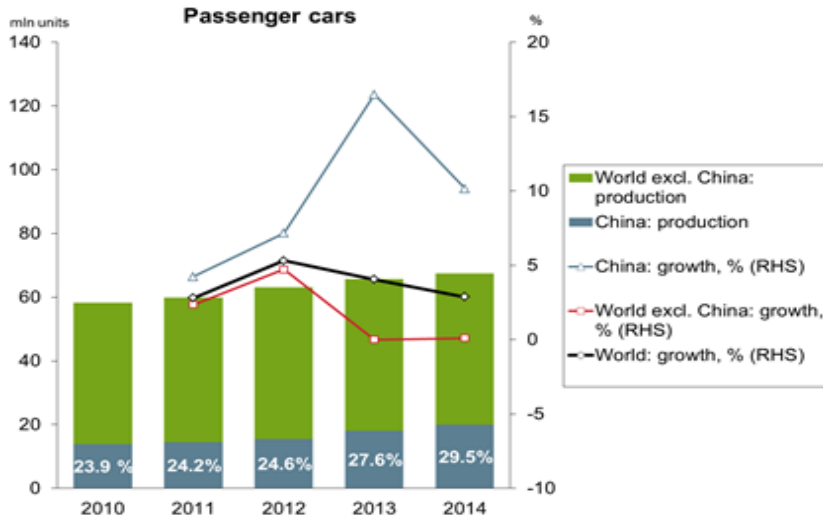


Global Capacity vs Demand (2000=100)



Source: OECD, worldsteel

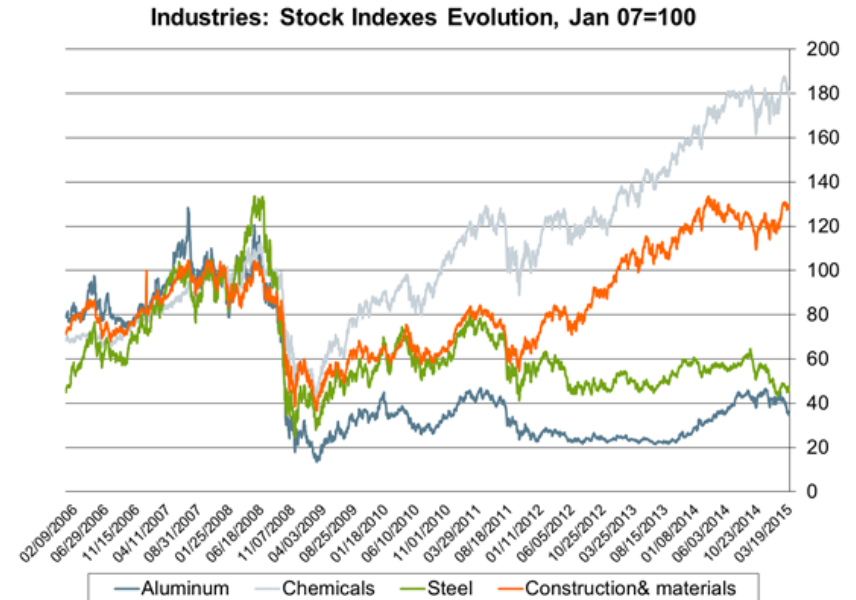
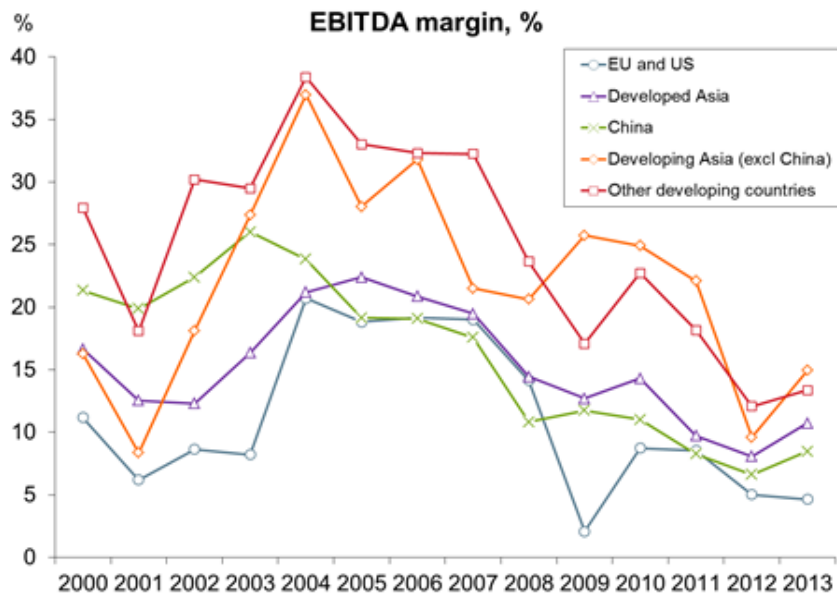
How are other industries doing?



Sources: different, OICA, worldsteel, IAI, USGS

Steel industry stuck in low performance

- Steel companies' profitability converges at a low level due to overcapacity and high raw material prices



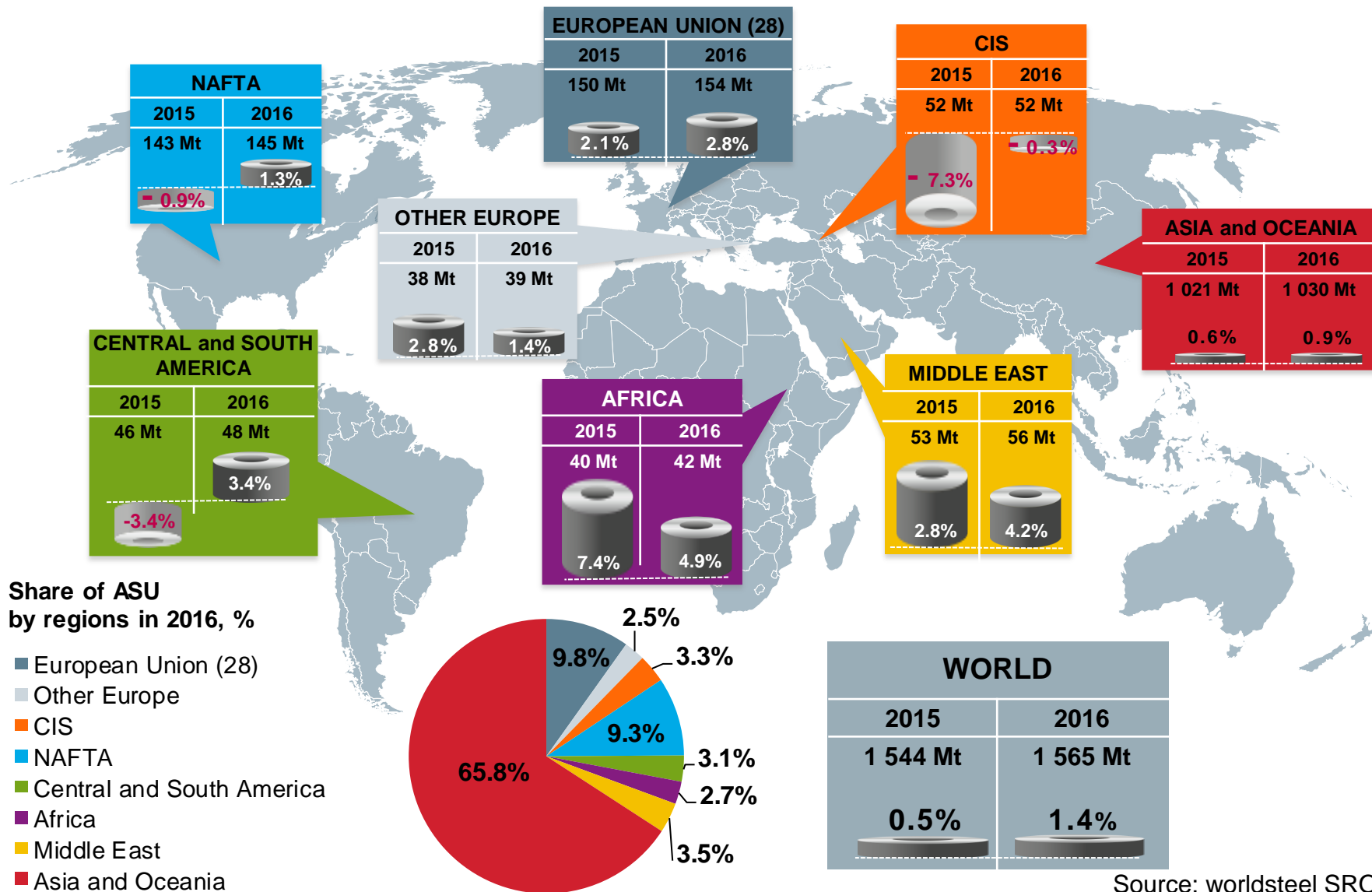
Sources: different, companies' reports, Thomson Reuters

Steel Market Prospects



Short Range Outlook (SRO) 2015-16: Regional Overview

Apparent Steel Use, finished steel (SRO April 2015)

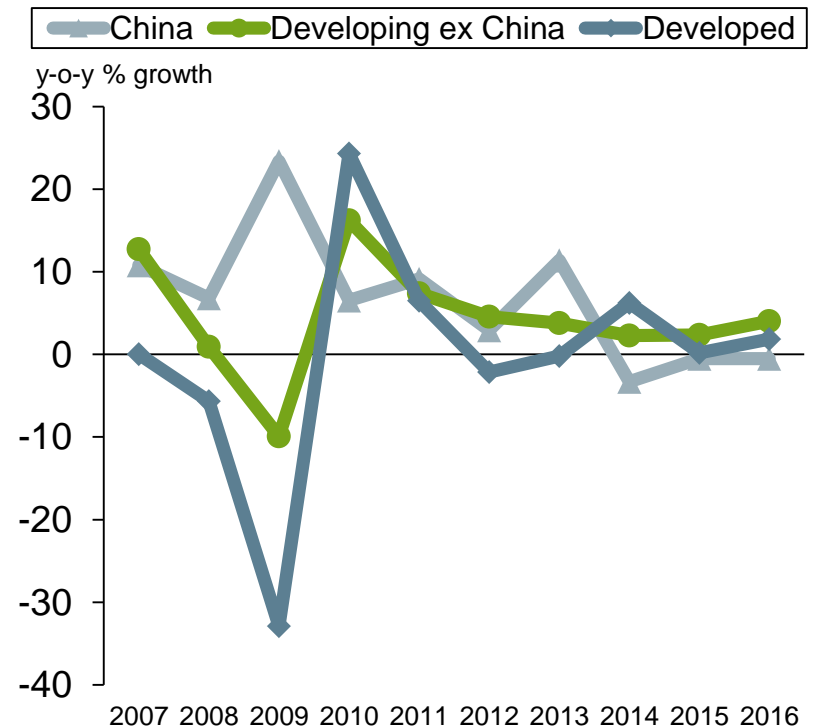
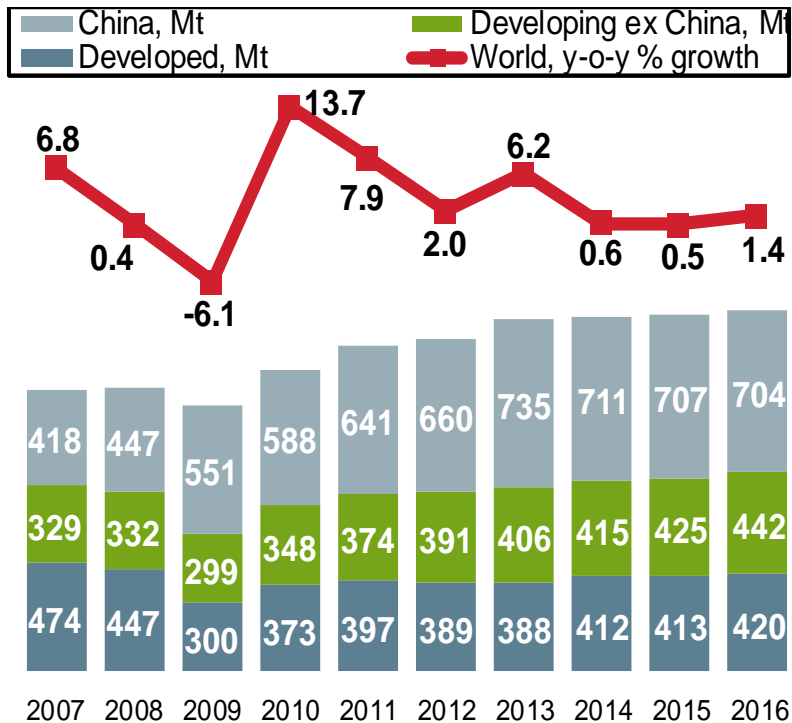


Source: worldsteel SRO

Steel demand shifts to low gear with China deceleration

- Lack of growth engine after China
- Post-crisis recovery led by the emerging economies

Apparent Steel Use, finished steel (SRO April 2015)



Source: worldsteel SRO

Developed Economies in Focus

Apparent Steel Use, finished steel (SRO April 2015)

- Strong growth seen in 2014 in the developed world on the back of strength in the US, 'but moderate growth in 2015-2016
- US steel demand to stagnate in 2015 due to high base and strong dollar, material competition in the auto sector
- Spain showing signs of recovery after a long crisis
- Japan and Korea continued to show moderate growth

	Mt			%			2016 as % of 2007
	2014	2015	2016	14/13	15/14	16/15	
World	1 537.3	1 544.4	1 565.5	0.6	0.5	1.4	128.2
United States	106.9	106.5	107.2	11.7	-0.4	0.7	99.0
European Union (28)	146.8	149.9	154.1	4.5	2.1	2.8	76.9
Japan	67.5	65.9	66.6	3.5	-2.4	1.1	82.0
South Korea	55.4	56.9	58.0	7.0	2.7	2.0	105.1
Developed Economies	411.9	412.6	420.3	6.2	0.2	1.8	88.7

Source: worldsteel SRO

Emerging Economies in Focus

Apparent Steel Use, finished steel (SRO April 2015)

- Subdued outlook in major emerging economies, e.g. Russia and Brazil
- India's outlook brightens with new reform initiatives
- High growth expected in ASEAN with strong fundamentals

	Mt			%			2016 as % of 2007
	2014	2015	2016	14/13	15/14	16/15	
World	1 537.3	1 544.4	1 565.5	0.6	0.5	1.4	128.2
China	710.8	707.2	703.7	-3.3	-0.5	-0.5	168.2
India	75.3	80.0	85.8	2.2	6.2	7.3	166.7
Brazil	24.6	22.7	23.4	-6.8	-7.8	3.1	106.2
Mexico	22.5	23.1	24.0	11.7	2.6	3.9	140.1
Russia	43.1	40.2	39.6	-1.4	-6.7	-1.6	98.1
Turkey	30.7	31.7	32.0	-1.8	3.0	1.1	134.6
MENA	70.1	72.9	76.3	5.0	4.1	4.7	139.9
ASEAN (5)	61.4	65.3	68.5	4.2	6.4	4.9	169.6
Emerging & Developing Economies excl. China	414.7	424.5	441.5	2.3	2.4	4.0	134.1

Source: worldsteel SRO

Weak performance of CIS countries

Apparent Steel Use, finished steel (SRO April 2015)

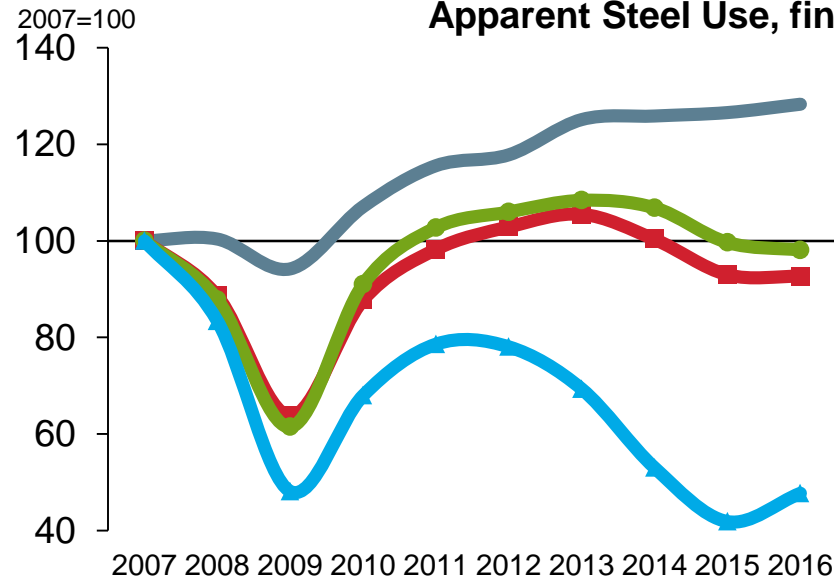
Russia:

- Structural slowdown aggravated by geopolitical tensions and weaker oil prices.
- Investment activity undermined by curtailed access to capital markets, both domestic (tight monetary policy) and international (sanctions).
- Private consumption to decline, fiscal stimulus will be capped by tight budget.
- Decline in steel-using sectors on the back of investment activity downturn and shrinking real income.

Ukraine:

- Weak performance of economy in 2015.

Apparent Steel Use, finished steel (SRO April 2015)

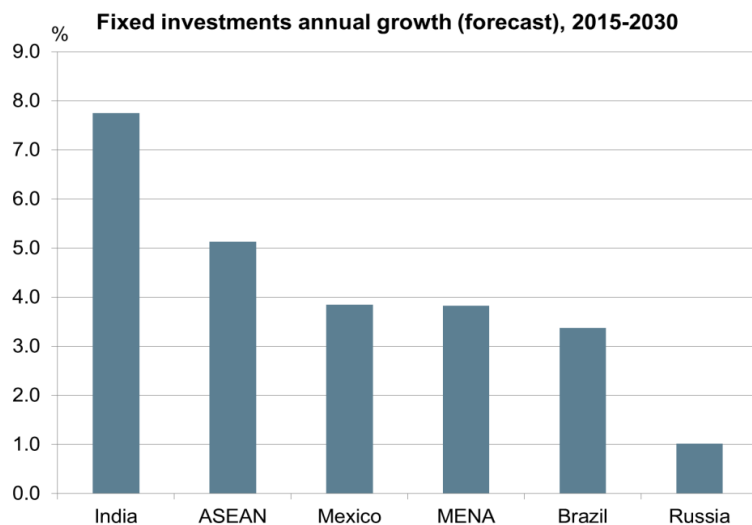


	Mt			%			2016 as % of 2007
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World	1 537.4	1 546.1	1 567.2	0.6	0.6	1.4	128.3
CIS	56.5	52.4	52.2	-4.9	-7.3	-0.3	92.7
Russia	43.1	40.2	39.6	-1.4	-6.7	-1.6	98.1
Ukraine	4.3	3.4	3.8	-23.5	-21.0	14.0	47.7

Source: worldsteel SRO

Diverging growth prospects of the developing economies

- Structural reform will define growth potential
 - Brazil and Russia trapped in structural problems
 - Mexico has brighter prospects thanks to the strong reform agenda
 - MENA outlook clouded by low oil prices and geopolitical instability
 - ASEAN countries with reform agenda will outperform others
 - India getting ready for a take off with renewed reform initiatives
- Unleashing potential of emerging markets



Sources: UN, Global Insight, worldsteel

	GDP/capita, USD		Urbanisation, %		Population, (mln)		Steel use per capita, kg
	2014	2030	2015	2030	2014	2030	2014
India	1 636	9 489	33	40	1 267	1 476	59
Indonesia	3 401	12 312	54	63	253	294	54
Vietnam	2 012	8 096	34	43	93	102	138
Thailand	5 561	14 391	50	64	67	68	258
Egypt	3 376	9 109	43	47	83	103	122

Conclusion

- The steel industry faces new normal of low growth with peaking of Chinese steel demand and structural changes in the world economy
 - With Chinese deceleration the world lacks a strong growth engine
 - Unleashing the potential of other emerging economies takes time
- Capacity build ups in newly emerging economies cause concern
- Focus on value creation rather than expansion

Thank you for your attention.

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