



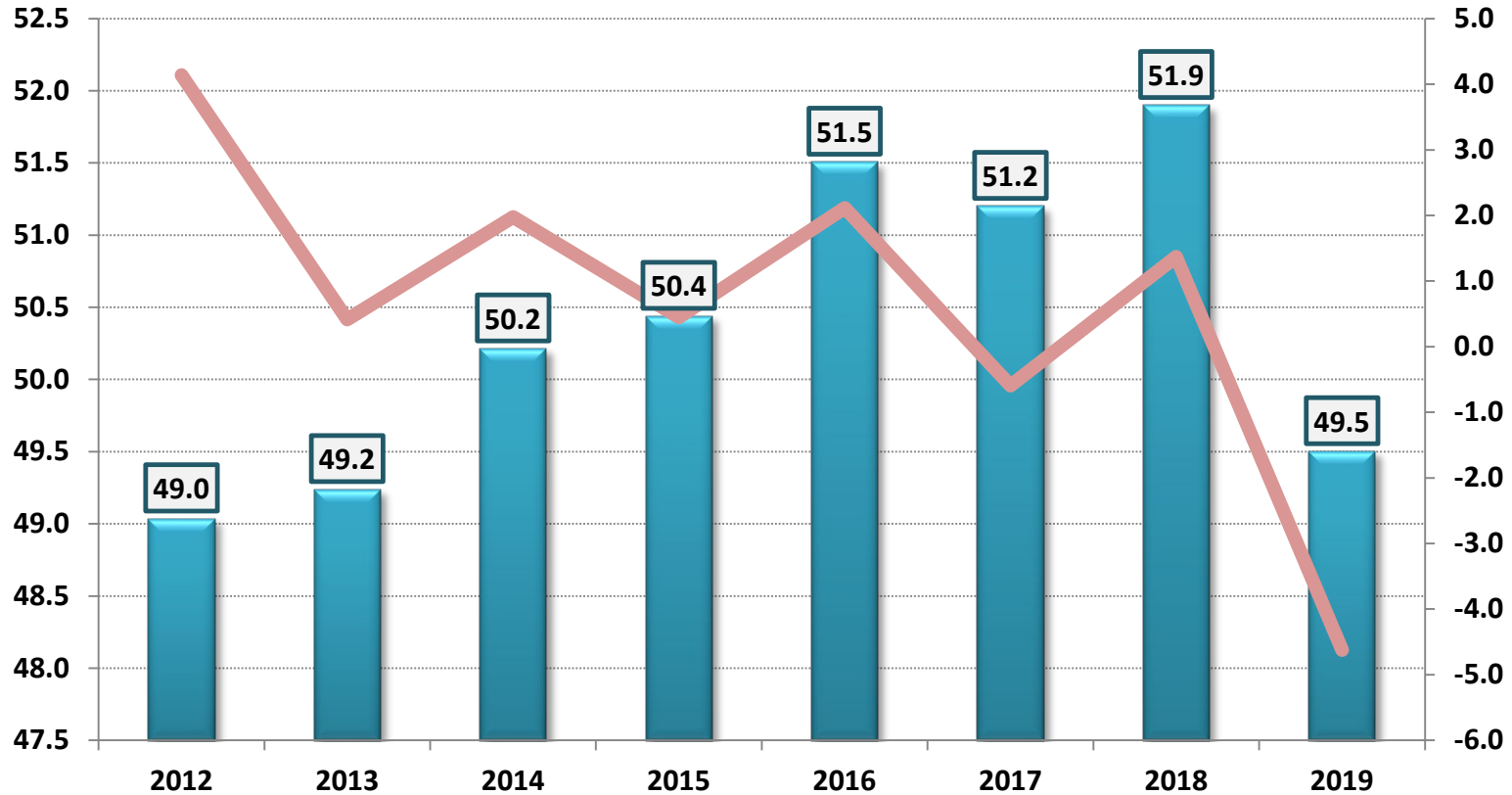
CURRENT SITUATION IN TURKISH STEEL INDUSTRY & OUTLOOK

GLOBAL FORUM ON STEEL EXCESS CAPACITY

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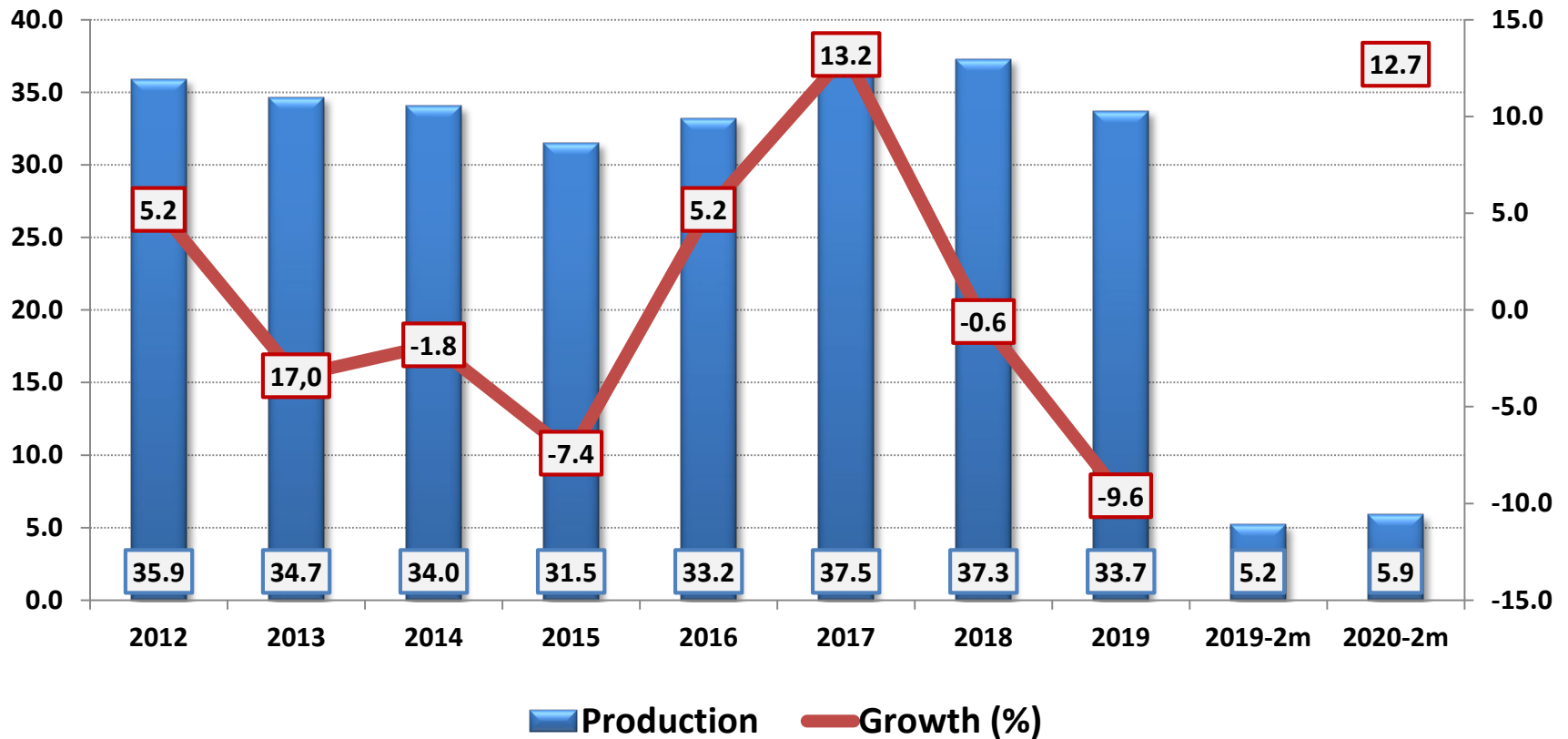
27 March 2020

Crude Steel Capacity of Turkey (mt) & y-o-y Growth (%)



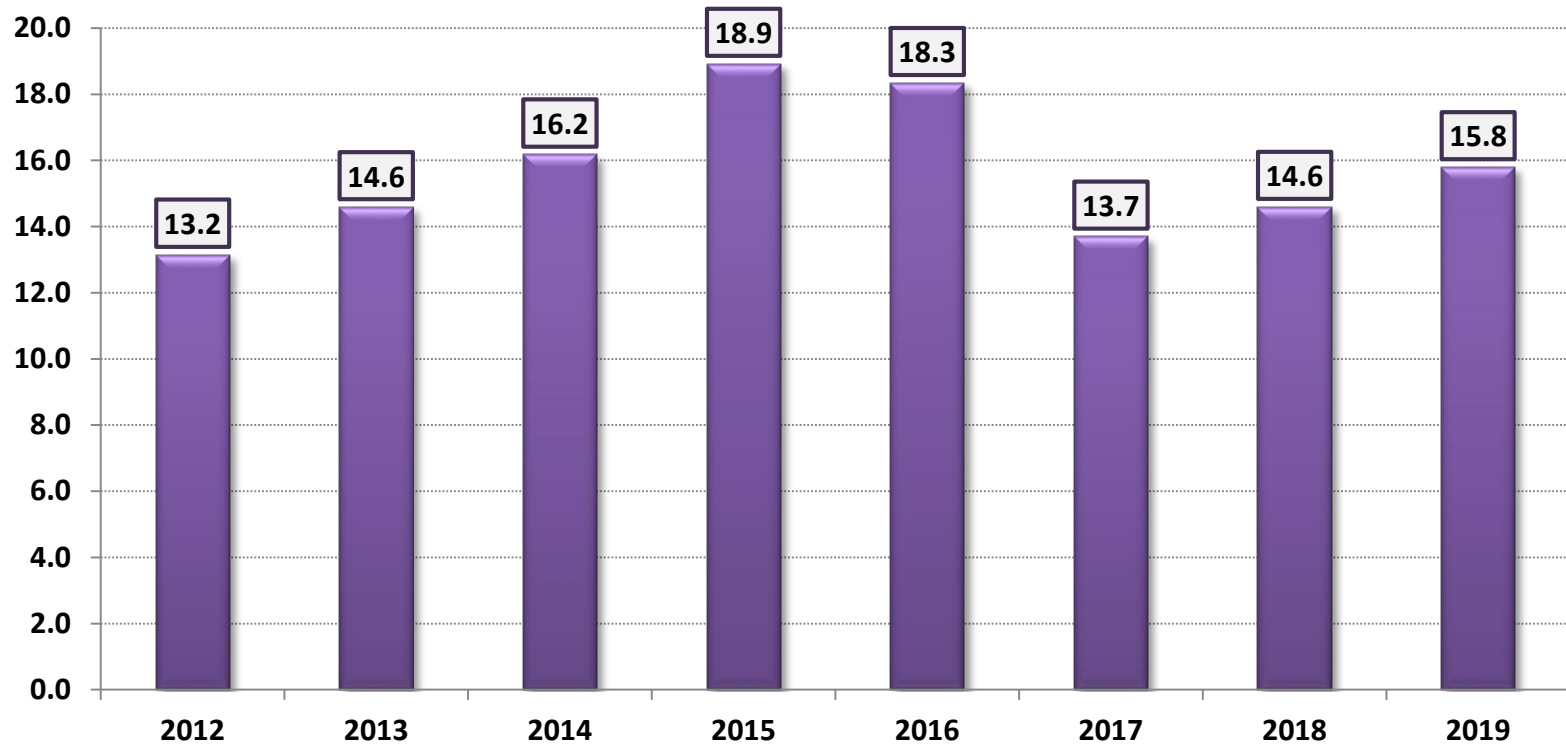
- Turkey's crude steel capacity is stable on around 50 million tonnes for the last 8 years.

Crude Steel Production of Turkey (mt) & y-o-y Growth (%)



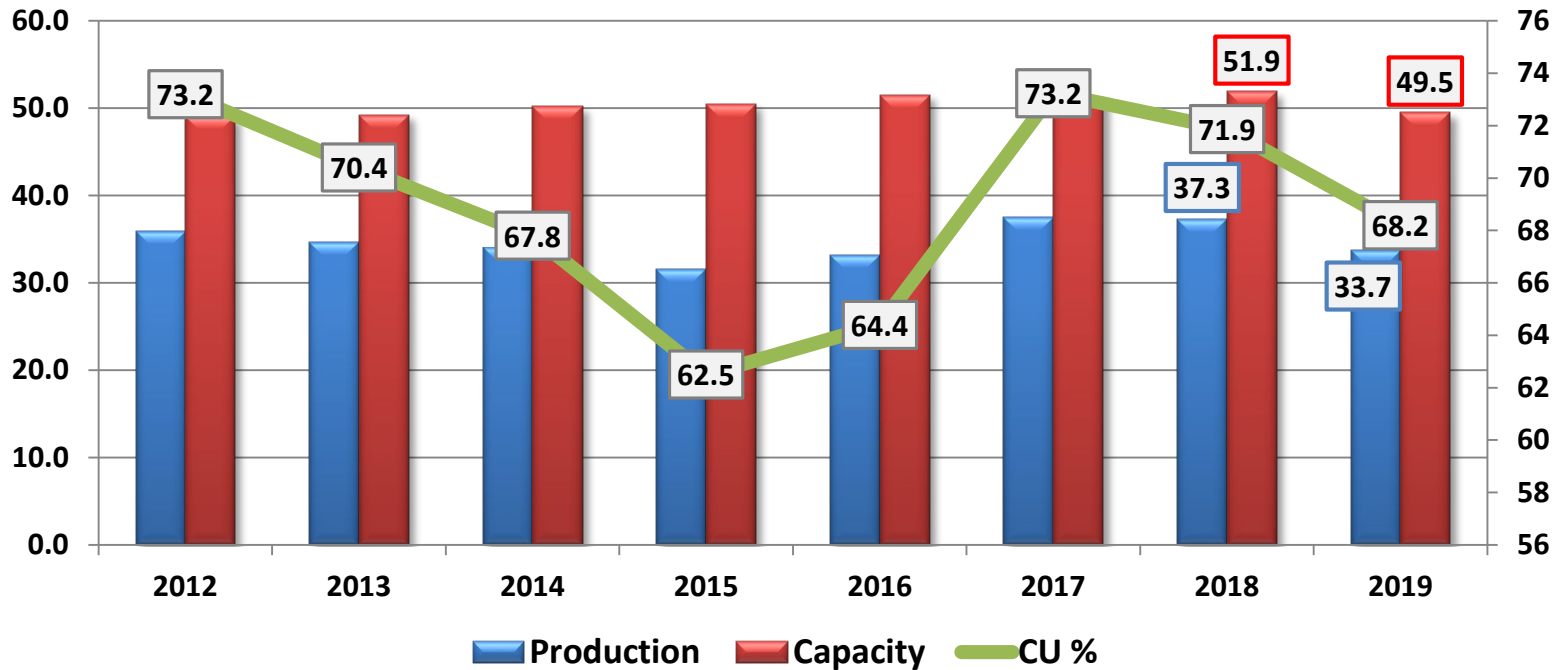
- However, crude steel production fluctuates depending on domestic and international market demands and level of import.

Excess Capacity of Turkey (mt)



- In Turkey, the excess capacity in 2017 was around 14 million tonnes.
- However, contraction in the domestic and international market demand and increase in import caused uplift in excess capacity, although there was no capacity increase.

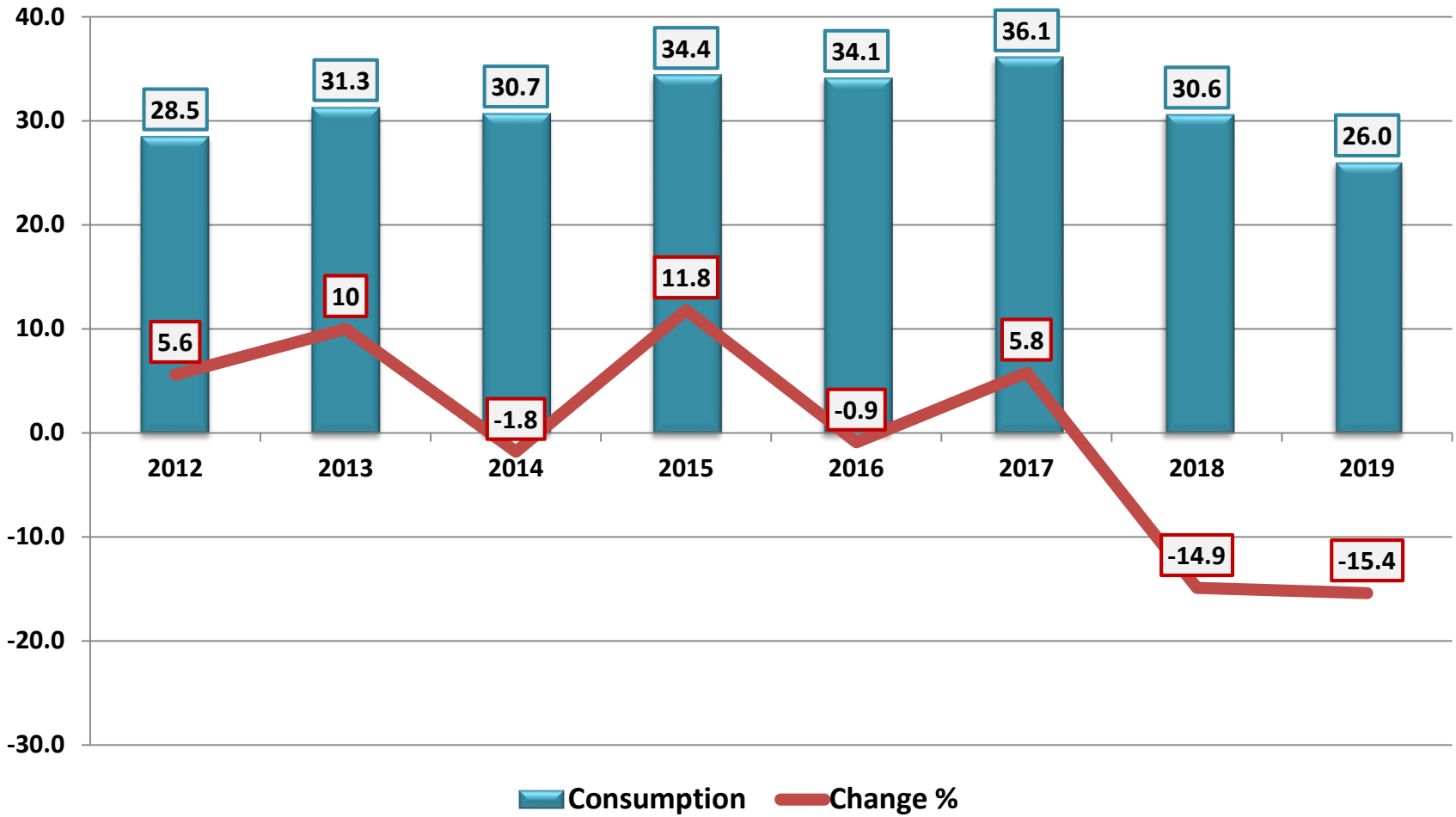
Turkey's Crude Steel Production Capacity, Production (mt) & Capacity Utilisation (%)



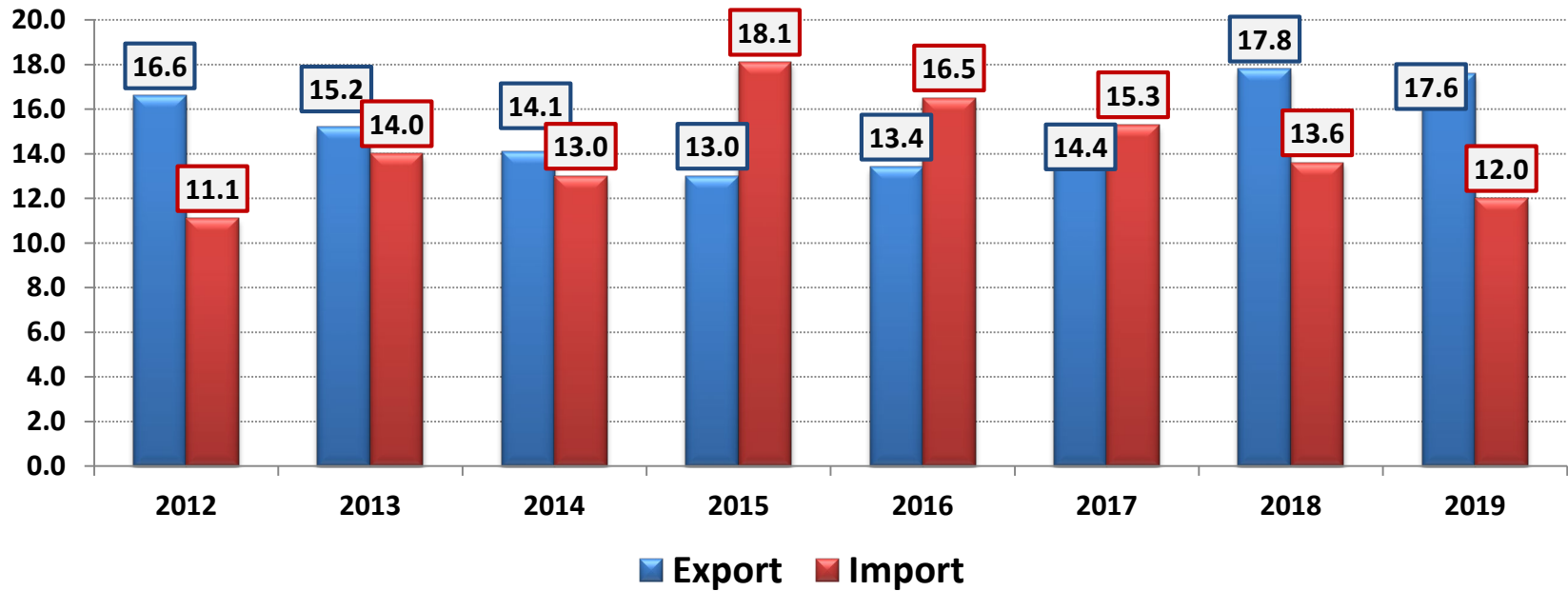
- In 2019, crude steel capacity was at 49.5 million tonnes and capacity utilization rate was 68.2%. However, Turkey does not suffer from excess capacity. The reason for the low capacity utilization rates at the moment is that the capacity of approximately 6 million tonnes is not working but they have been considered in capacity calculation. Nevertheless, it is expected that most of these capacities will not operate again.

- It is estimated that the capacity utilization rate can be increased to 77% considering that 3 plants are completely closed, 1 plant utilize one of three EAF and the other only operates its rolling mill.

Turkey's Finished Steel Consumption (Mt)



Turkey's Total Steel Trade (million tonnes)



- In Turkey, while giving an export surplus in 2012, 2013 and 2014, there was a surplus in imports in 2015, 2016 and 2017.
- It is observed that the decrease seen in domestic demand for the last 2 years suppressed imports.
- On the other hand, it is monitored that imports increased significantly in the last quarter of 2019 and in January 2020 as well.

Conclusion

- In the last 2 years, protectionist measures implemented by the USA and EU, decrease in domestic consumption and increased in share of import in domestic consumption have been effective in the decline of capacity utilization rates.
- Despite the sharp decline in consumption, the share of imports in consumption reached 49% in 2019 compared to 45.5% in 2017.
- The improvement in production, which began in the last quarter of 2019, continued in the first months of 2020. But the 17% increase seen in January 2020 fell to 8% because of the coronavirus related contraction in international and domestic demand.
- Consumption increased by 36% in the last quarter of 2019, but it was covered by imports. This has been effective in keeping capacity utilization rates low.

Conclusion

- Turkey traditionally exported rebar and imported flat products, this situation began to change depending on developments in the flat production capacity.
- While some of the rebar exports shifted to flat products, the flat imports, continued to increase despite the capacity to meet the domestic demand. This put pressure on production.
- Sharp decline in domestic consumption, the rapid increase in imports particularly during the last quarter of 2019, led to a decrease in production and capacity utilization rates.
- However, recovery is expected in post-coronavirus period consumption and thus the capacity utilization rates will increase again.

Conclusion

- Countries that consume only a limited part of their production in the world steel industry and countries that have excess capacity tend to focus on international market with the support of state aids.
- The biggest example of this situation was experienced in 2015. World steel sector is worried that because of the negative effect of coronavirus on consumption this will happen again with the support of state aids.
- It is important not to increase the excess capacities in the world steel industry and to prevent state aids in order not to direct the capacities to international markets and destroy market balances.