The Japan Iron and Steel Federation (JISF)

24 October 2019
1. Current situation

2. Contributions and future significance of the GFSEC
Capacity might **evolve faster than demand**

<table>
<thead>
<tr>
<th></th>
<th>Annual growth rate in ASEAN 5 (% per annum)</th>
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<tbody>
<tr>
<td></td>
<td>Demand</td>
</tr>
<tr>
<td>2000-2004</td>
<td>9.4%</td>
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<td>2005-2009</td>
<td>1.7%</td>
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<tr>
<td>2010-2014</td>
<td>8.6%</td>
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<tr>
<td>2015-2019</td>
<td>4.6%</td>
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<tr>
<td>2020-2024</td>
<td>?</td>
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</tbody>
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Note: ASEAN-5 denotes the aggregate of Indonesia, Malaysia, Philippines, Thailand and Vietnam, according to the classification by the World Steel Association.

Source: JISF calculation based on data from the World Steel Association and the OECD
Downward steel prices

+ Infrastructure investment  - Manufacturing investment

+ Long products  - Flat products
• Over-production of steel by maximizing utilization, consuming huge amount of raw materials

• Unstable supply of alternative raw material (steel scrap)

• Speculation triggered by change in inventory

• Price increase in raw materials
  Cost-push for steel making companies

Upward raw material prices
Raw material price goes up while steel price goes down

Indices of flat steel price and iron ore price

Source: CRU and World Bank
Optimistic steel demand forecasts drive cross-border investments

Note: This map includes new investment projects that are underway or planned, and which are scheduled to become operational in 2018 or later — including projects that have started operation in 2018, as well as projects for which the start date is not available. Source: JISF based on the information from the OECD (2018; 2019).
Importance of accurate and healthy steel demand forecast

Players
- Domestic producers
- Newcomers
- Imports

Healthy market = Free from friction (e.g. local mills vs. newcomers)

Accurate steel demand forecast
- Infrastructure
- Manufacturing

Overseas

Investment

Home country
2. Contributions and future significance of the GFSEC
Capacity has declined steadily since 2016, although it increased in 2019 after three years of decline.

**Source:** OECD
Besides, the forum has contributed to:

- Raise **awareness** of the issue of excess capacity among policy makers and the industry
- Raise **transparency of progress** made to address excess capacity in major steel-producing countries
As the **only multilateral forum** led by governments are:

1. **To increase transparency by monitoring capacity development;** and
2. **To strengthen mutual cooperation by exchanging information and experiences, and developing review process**
• The Global Forum has helped the global steel industry to **address the excess capacity problem**

• **New types of risks** have come out
  - Upward raw material prices and downward steel prices
  - Cross-border investment with optimistic demand forecast

• The multilateral function of the Global Forum should be maintained under the participation of all major steel-producing countries.
Thank you for your attention