

Global Forum on Steel Excess Capacity

References Sheet

- The steel industry plays an important and critical role in economies. The sector accounts for around 2% of global output, 3.8% of exports¹ and approximately 8% of global CO₂ emissions². As one of the most widely used materials across manufacturing activities, and an essential input for constructing buildings and infrastructure, the steel sector enables high value-added activity and employment across a range of sectors.³
- Global steel excess capacity – when the production capacity for making crude steel exceeds demand for steel – has recently increased, and could continue to rise in the coming years. In 2022 alone, global steelmaking capacity increased by 32.0 million metric tonnes (mmt) to 2 463.4 mmt, the highest global capacity figure in history.⁴ The gap between global crude steelmaking capacity and steel demand expanded from 475 mmt in 2021 to 570 mmt in 2022, exceeding the total steel production of GFSEC members combined by nearly 80 mmt. Recent work by the OECD Steel Committee indicates that 166.1 mmt of new ongoing and planned capacity could come on stream during 2023-25. With only modest growth in global steel demand in the next few years, the excess capacity gap could widen by an additional 74 mmt to reach 644 mmt by 2025, which would be the highest level of global excess capacity since the steel crisis of 2016 that led to the establishment of the GFSEC by the G20.⁵ This is particularly problematic given that steel production sites usually remain in operation for a long time and face substantial exit barriers.⁶
- OECD work has found that steel capacity developments seem to correlate with the provision of loans at below-market rates.⁷ Subsidised lower capital costs might incentivise producers to increase capacity beyond what would be optimal under undistorted market conditions. Ultimately, capacity adjustments might be borne by more efficient but unsubsidised producers, leading to a misallocation of resources due to distorting government support. Another study by the OECD also notes a clear correlation between subsidisation and capacity growth in the steel sector.⁸
- With approximately 25% of world steel production being traded internationally, global excess capacity can create significant difficulties for domestic steel industries. According to OECD calculations, more than 18% of anti-dumping investigations between 2008 and 2020 and about 28% of all countervailing duty investigations reported to the WTO have addressed imports of steel products.

¹ OECD calculations for the basic metals sector based on Trade in Value Added indicators. See <https://www.oecd.org/sti/ind/measuring-trade-in-value-added.htm>

² See the GFSEC report "Assessing steel decarbonisation progress in the context of excess capacity", available at: <https://www.steelforum.org/steel-indicator-decarbonisation-dashboard.pdf>.

³ See the publication "The Role Of Steel Manufacturing In The Global Economy - A Report For The World Steel Association," available at: <https://worldsteel.org/wp-content/uploads/The-role-of-steel-manufacturing-in-the-global-economy.pdf>.

⁴ See Steel Committee document DSTI/SC(2023)3, public version forthcoming at <https://www.oecd.org/industry/steelcapacity.htm>.

⁵ The steel demand forecasts for 2023 and 2024 are from the World Steel Association's Short Range Outlook released on 18 April 2023 and long-term forecasts presented at the March 2023 Steel Committee. See <https://worldsteel.org/media-centre/press-releases/2023/worldsteel-short-range-outlook-april-2023> and https://www.oecd.org/industry/ind/93rd_Steel_Session_Item_8.2_CRU.pdf.

⁶ Rimini, M., et al. (2020), "Barriers to exit in the steel sector", OECD Science, Technology and Industry Policy Papers, No. 93, OECD Publishing, Paris, <https://doi.org/10.1787/a26bced1-en>.

⁷ OECD (2021) "Measuring distortions in international markets: Below-market finance", OECD Publishing Paris, <https://doi.org/10.1787/a1a5aa8a-en>.

⁸ Mercier, F. and L. Giua (2023), "Subsidies to the steel industry: Insights from the OECD data collection", OECD Science, Technology and Industry Policy Papers, No. 147, OECD Publishing, Paris, <https://doi.org/10.1787/06e7c89b-en>.