

GFSEC – Global Steel Market Overview

Paris – 28 March 2018



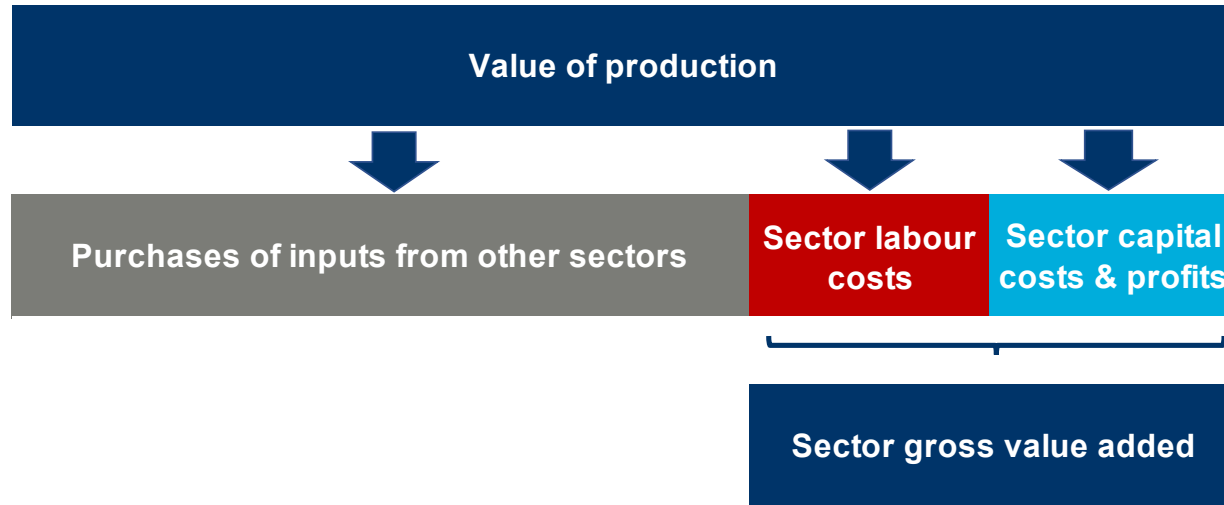
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Steel in the global economy

Introduction

- Two different measures of ‘output’

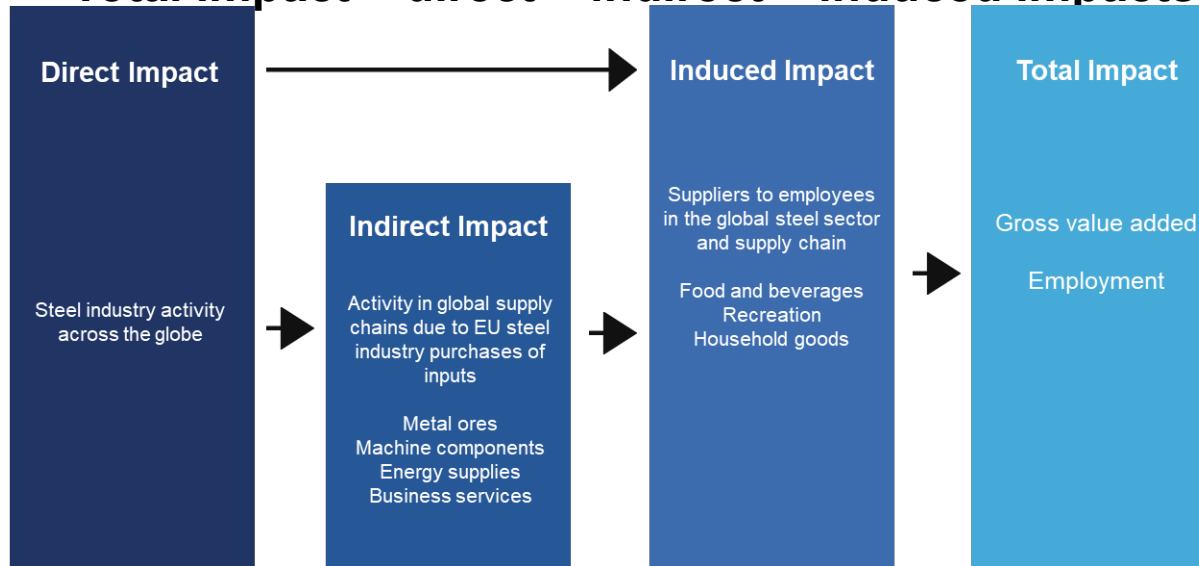


Source: Oxford Economics

Introduction

■ Three channels of economic impact

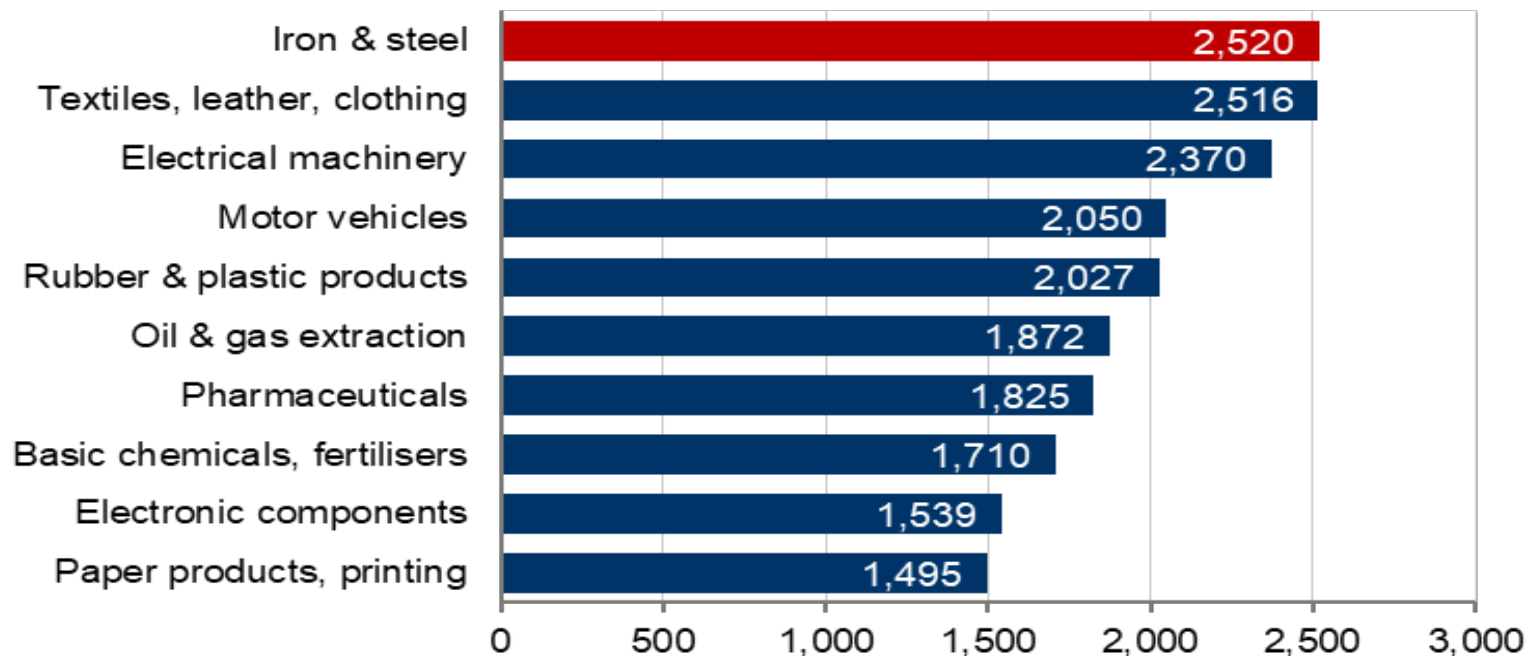
■ Total impact = direct + indirect + induced impacts



Source: Oxford Economics

Global steel industry sales in context

US \$ billion

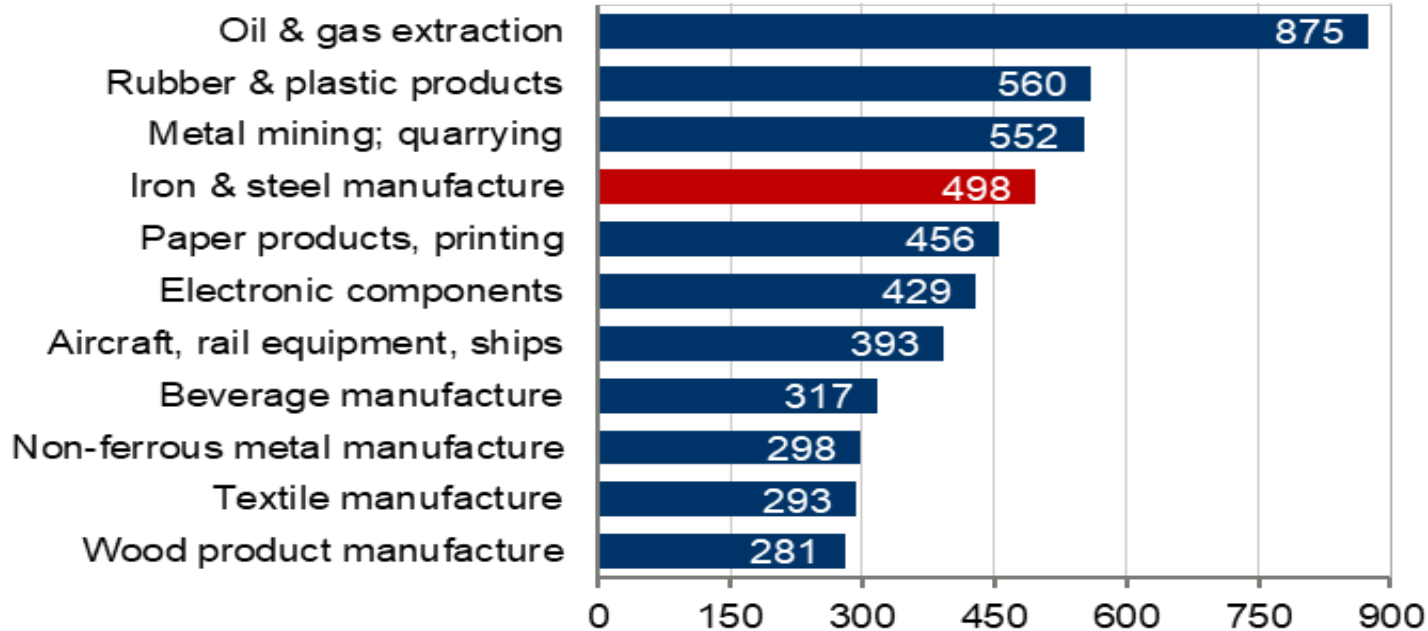


Source: Oxford Economics

Note: Figures include transactions between firms in the same industry

Global steel industry value added production in context

US \$ billion



Source: Oxford Economics

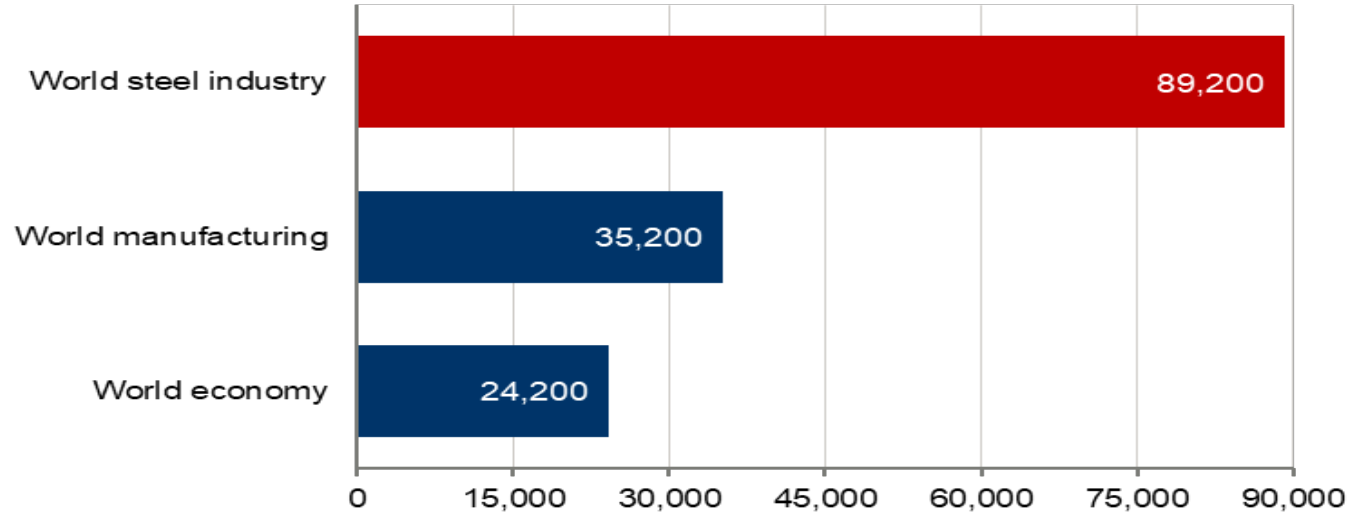
Estimates of employment

| US \$ billion in 2017 (unless stated) | Gross production | Minus: total purchases | Equals: Gross value added (GVA) | Employ- ment (thous- ands) |
|--|---------------------|---------------------------|--|-------------------------------------|
| China | 1,190 | 979 | 210 | 2,000 |
| Japan | 277 | 211 | 66 | 260 |
| India | 172 | 131 | 42 | 1,300 |
| United States | 193 | 158 | 35 | 200 |
| South Korea | 107 | 82 | 25 | 130 |
| Germany | 68 | 50 | 17 | 169 |
| Turkey | 58 | 49 | 9 | 134 |
| Brazil | 56 | 48 | 8 | 114 |
| Italy | 38 | 32 | 6 | 90 |
| France | 24 | 20 | 4 | 49 |
| Mexico | 21 | 14 | 7 | 40 |
| Russia | 15 | 9 | 6 | 257 |
| Rest of the World | 302 | 239 | 63 | 1,338 |
| Total World | 2,520 | 2,023 | 498 | 6,079 |

Source: OECD, Eurostat, official national statistical sources, Oxford Economics Global Industry database and forecasts, World Steel Association estimates and Oxford Economics estimates.

GVA per job in context

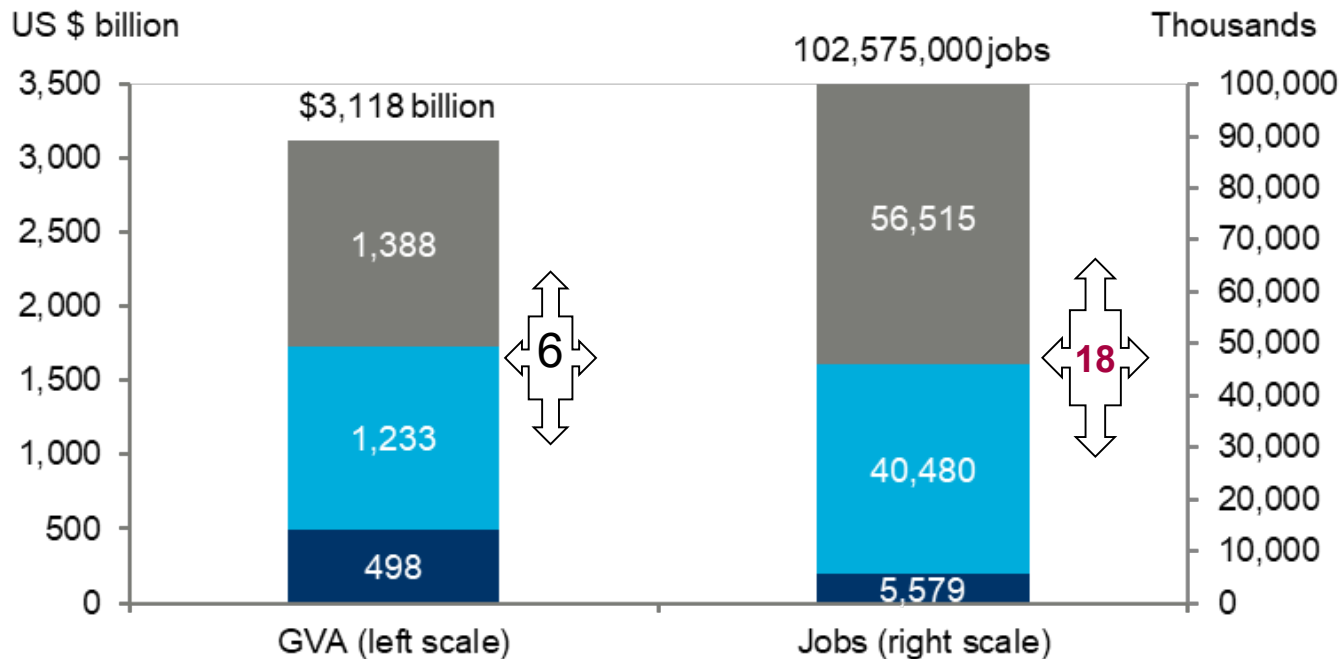
US \$ per job per year



Source: Oxford Economics

Total impacts

Total GVA and jobs by channel of impact

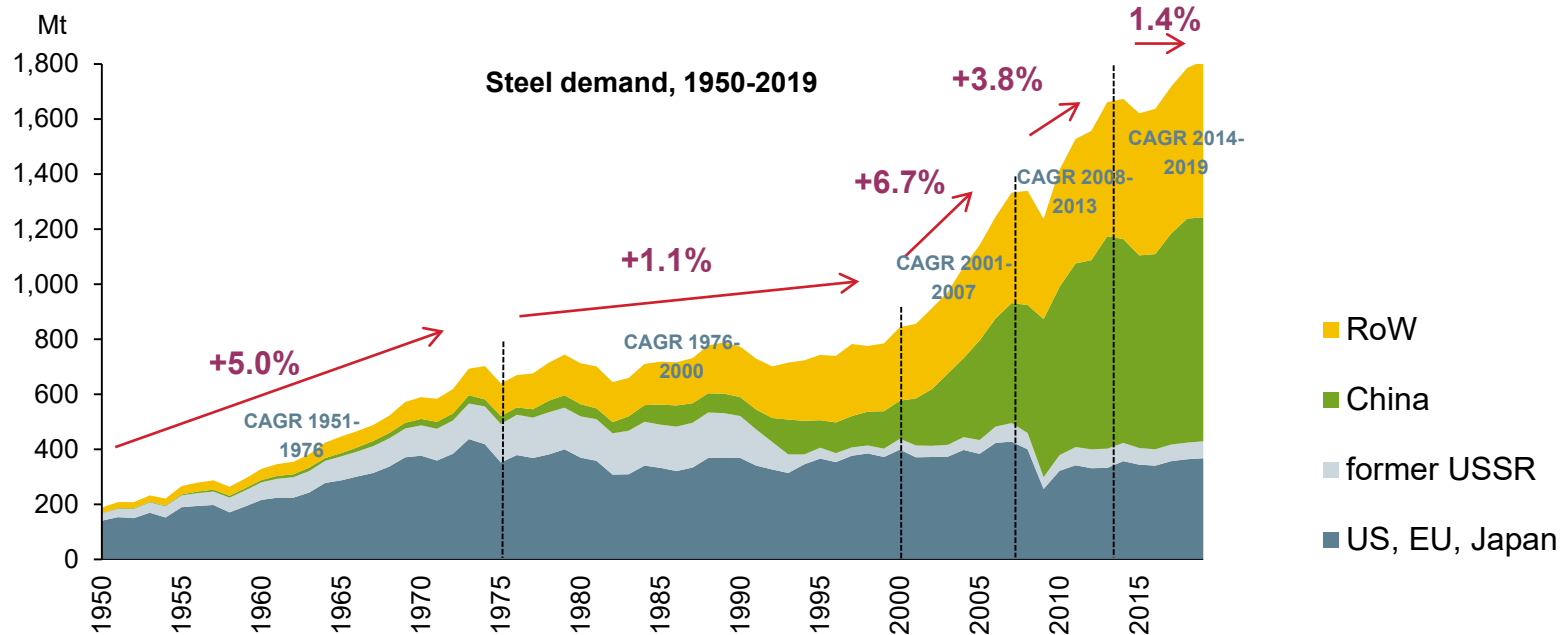


Source: Oxford Economics

Long term steel demand outlook

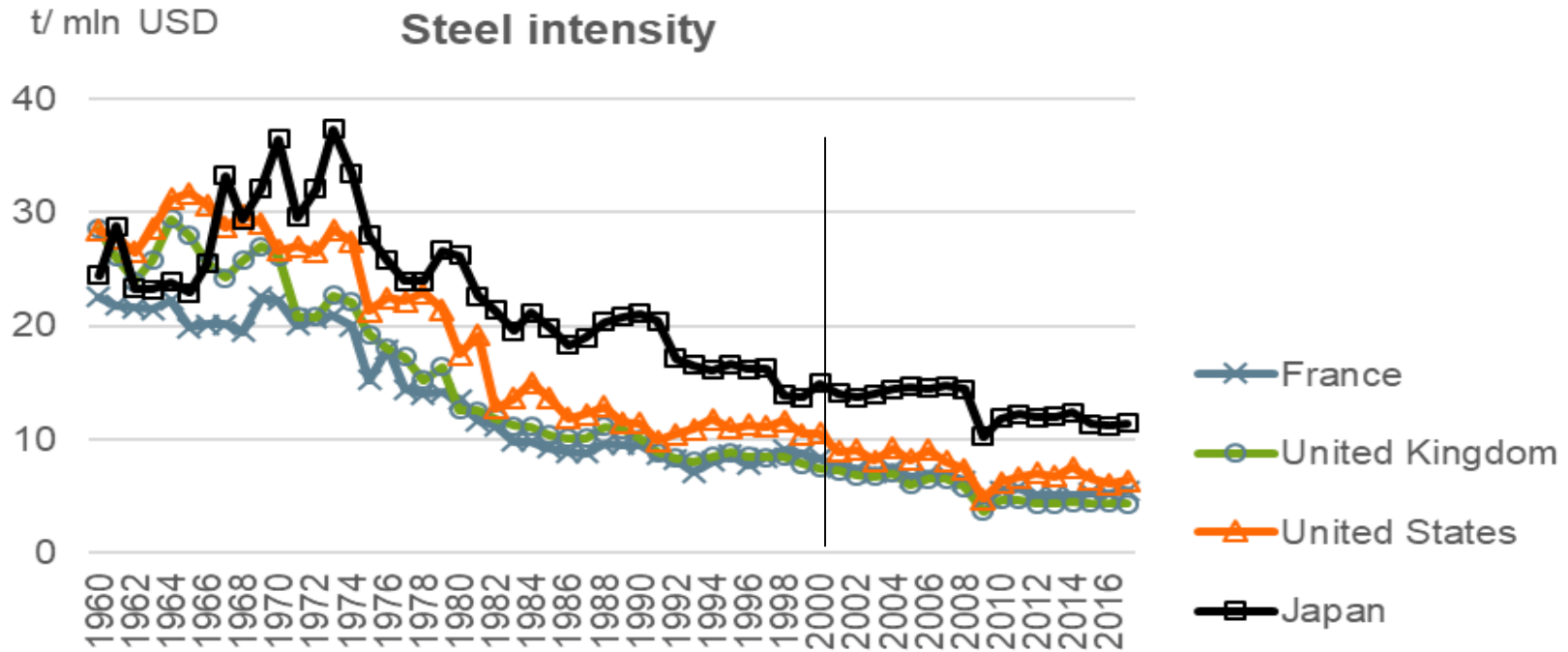


Long term trend in steel use



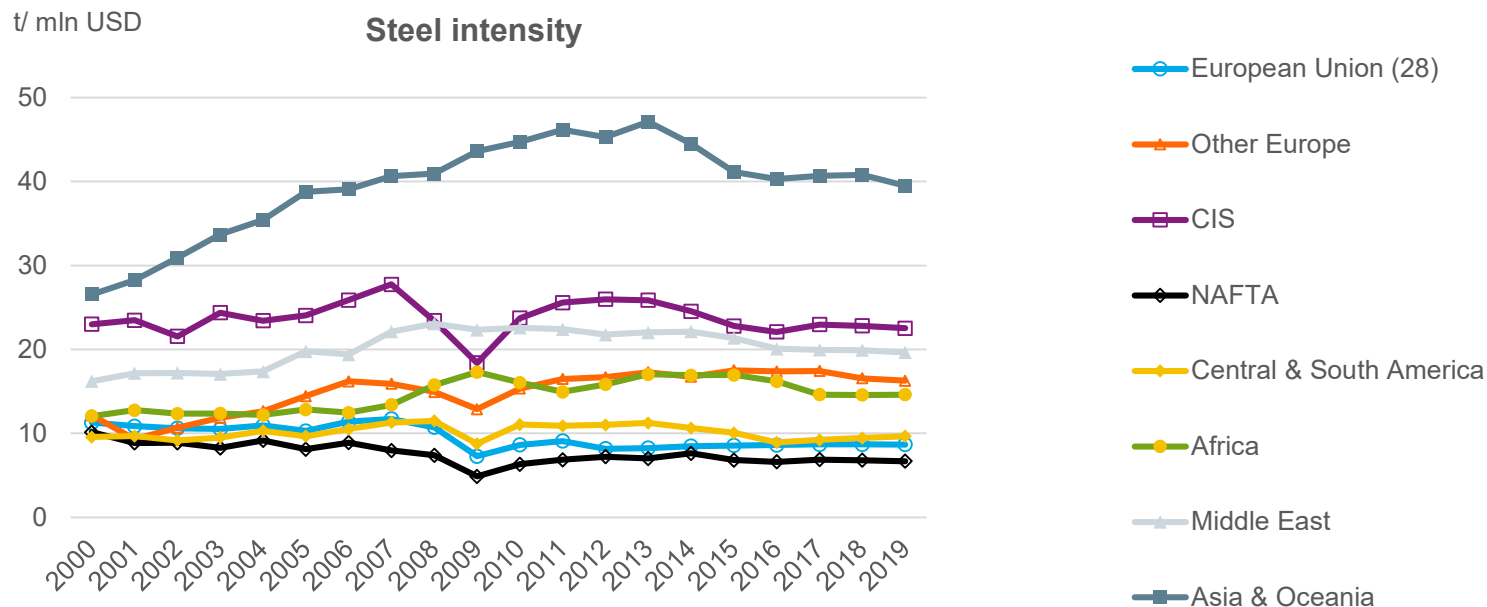
Source: worldsteel, SRO October 2018, steel demand crude steel equivalent

Long term steel intensity declines during economic development



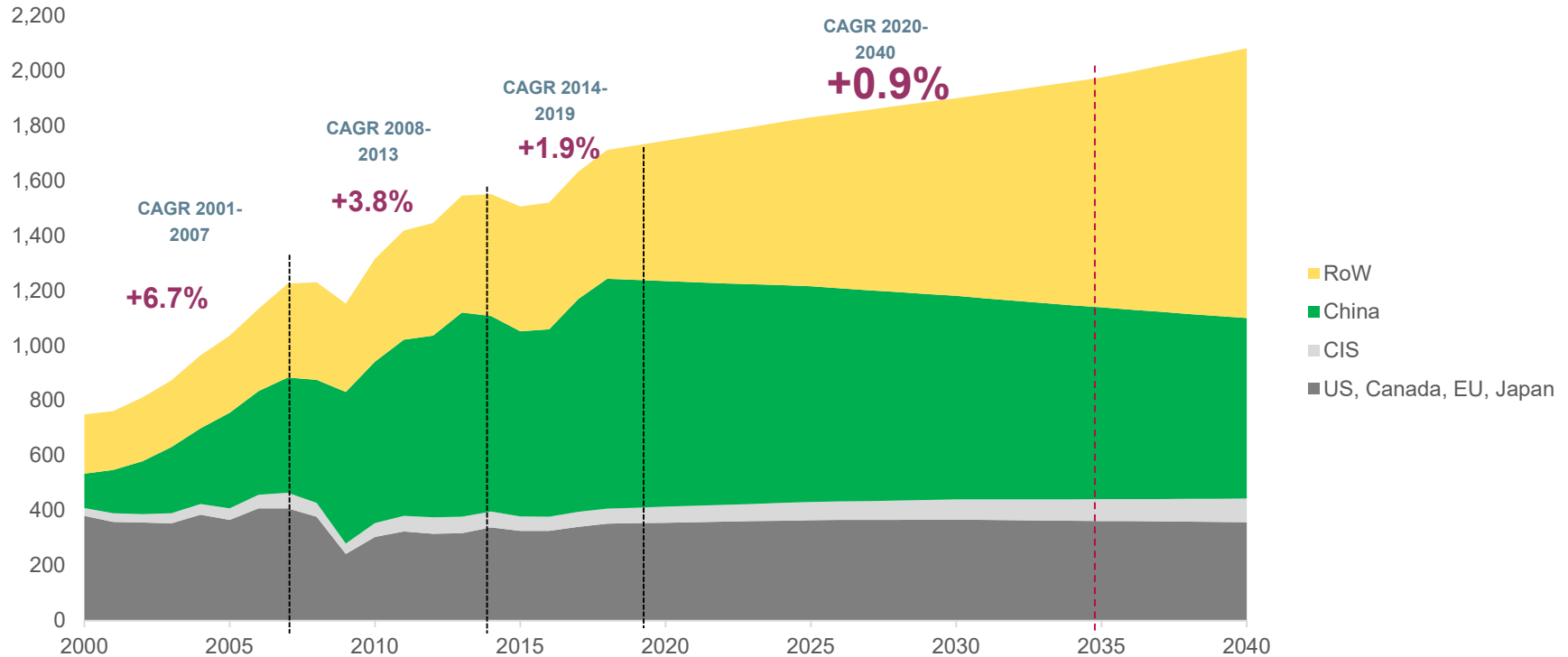
Source: World Steel Association, World Bank

Steel intensity in selected regions.



Source: World Steel Association

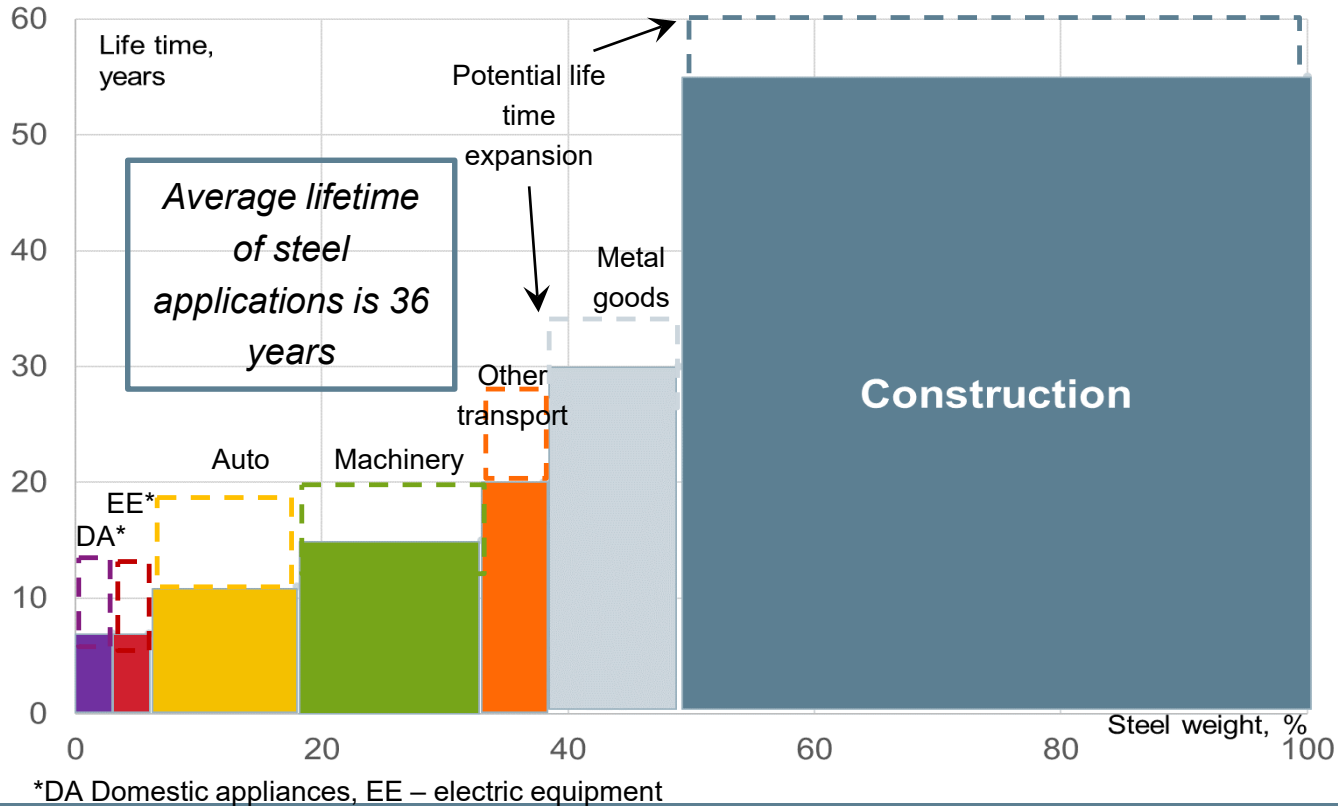
Long term expected steel demand trends



Source: worldsteel, SRO and MTF, steel demand finished steel

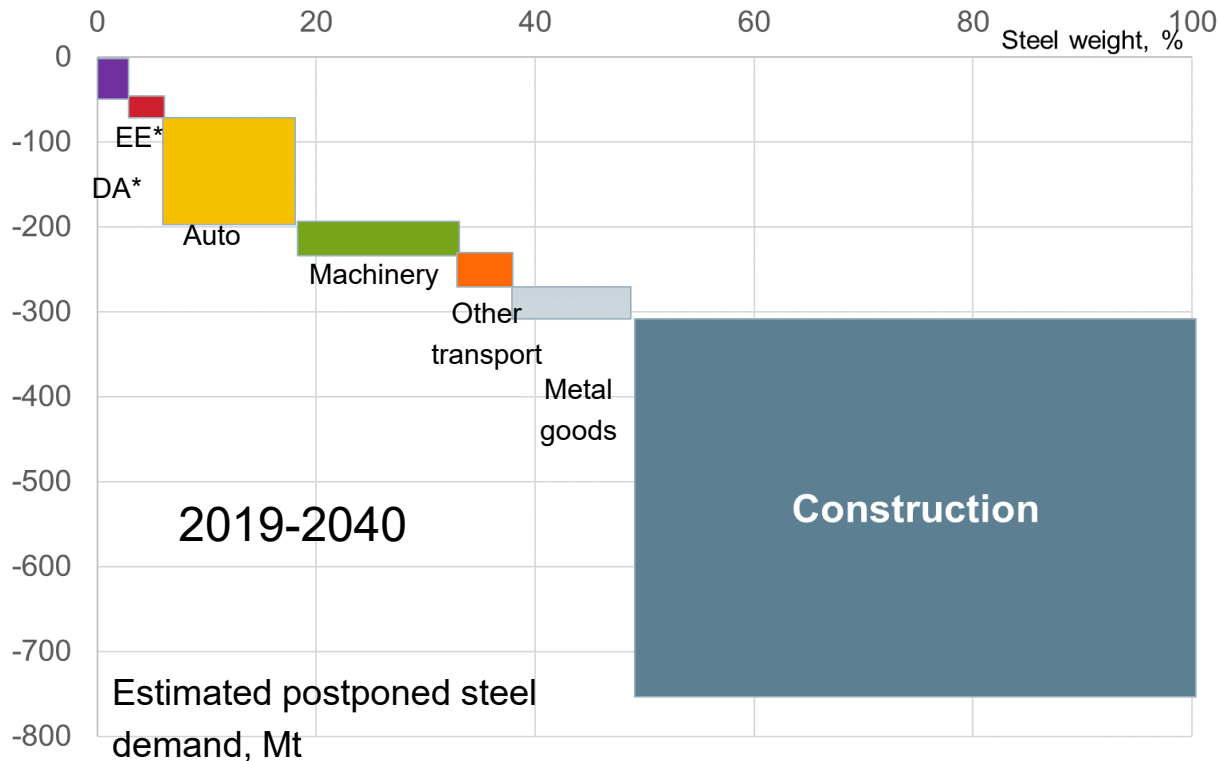
Circular Economy

- Impact on lifetime of steel applications is industry specific



Circular Economy

- Some sectors react faster than others



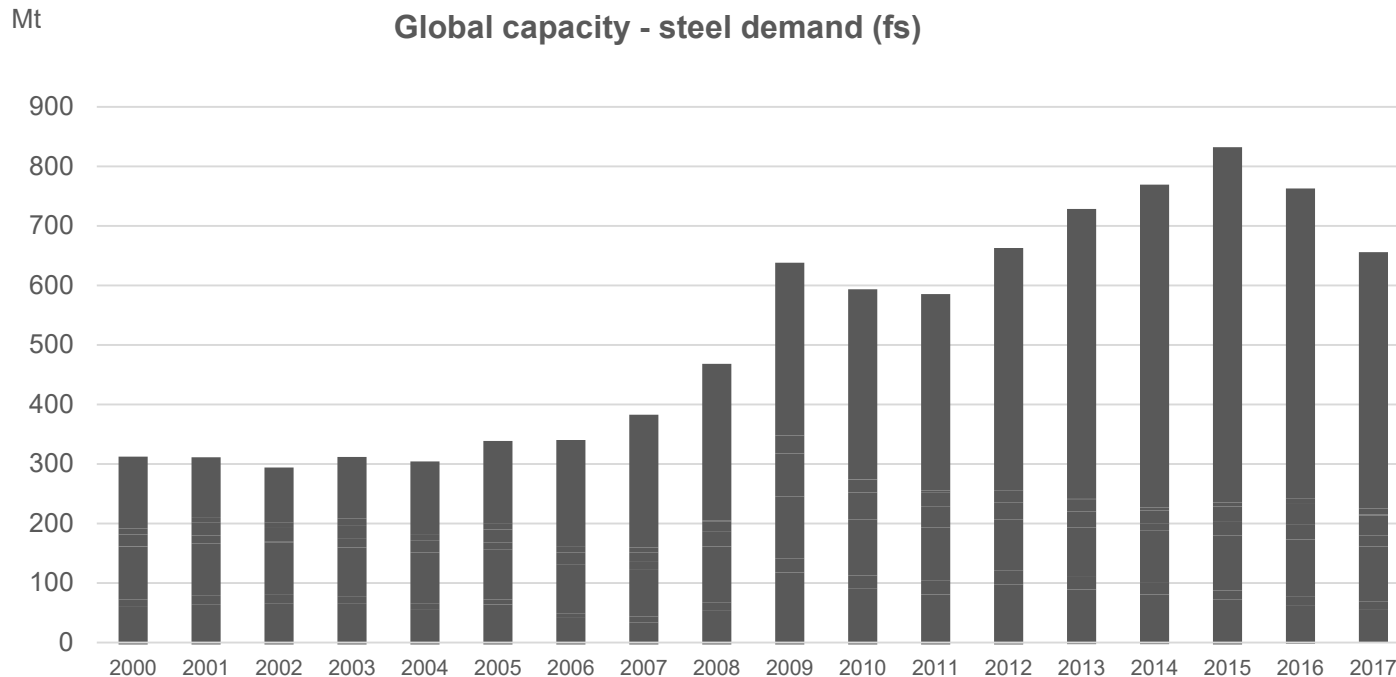
*DA Domestic appliances, EE – electric equipment

Progress in GFSEC

Proposed policy solutions agreed during November 2017 ministerial

- I. Global challenge, collective response
- II. Enhance market function (1) Refraining from market distorting subsidies and government distorting support measures
- III. Enhance market function (2) Fostering a level playing field in the steel industry
- IV. Enhance market function (3) Ensuring market based outcomes in the steel industry
- V. Encouraging adjustment and thereby reducing excess capacity
- VI. Ensure greater transparency as well as review and assessment of the implementation of GFSEC policy solutions

Excess capacity above demand



Source: OECD, World Steel Association

Net exports by region

Net exports (+)/ imports (-) by region

| | 2015 | 2016 | 2017 | 2018 | |
|---------------------------|---------|---------|---------|---------|---|
| Extra-European Union (28) | -11,315 | -20,354 | -19,136 | -27,749 | |
| Other Europe | -5,432 | -3,983 | -1,557 | 3,253 | ? |
| C.I.S. | 40,427 | 43,103 | 36,889 | 38,903 | |
| Extra-NAFTA | -34,846 | -29,086 | -34,107 | -32,140 | |
| Central America/Caribbean | -4,245 | -4,447 | -4,464 | -3,815 | |
| South America | 388 | 2,592 | 3,984 | 2,098 | |
| Africa | -28,305 | -26,733 | -19,254 | -10,430 | ? |
| Middle East | -22,289 | -21,231 | -12,577 | -5,396 | ? |
| China | 98,378 | 94,485 | 60,899 | 55,130 | |
| Other Asia | -27,913 | -31,530 | -8,919 | -601 | ? |
| Oceania | -2,250 | -1,586 | -1,691 | -1,645 | |

Source: World Steel Association

The way forward



The way forward

- After two decades of strong growth, demand for steel appears to be at the beginning of a period of slower growth
- Some progress has been made on reducing excess capacity, largely owing to efforts by China, but the excess capacity problem still persists and demand growth alone will not solve the problem:
 - where large excess productive capacity exist, the need for further efforts to reduce capacity must be evaluated
 - where large demand growth is expected in the future, care should be taken not to work with over-optimistic assumptions
- Progress on the policy recommendations still need to be cemented (GFSEC draft report, 20 Sep 18, Box 2).
 - Progress on database of market distorting support measures need to continue.
- Steel industry supports a continuation of the forum, and request for an extension of the mandate beyond 2019.

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