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DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE

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GROWTH IN WORLD STEEL MARKETS

17 May 2007

Presentation by Anthony de Carvalho, OECD. Steel Committee meeting 17 May 2007, Istanbul, Turkey.

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Growth in World Steel Markets

Steel Committee Meeting
Istanbul, Turkey
17 May 2007

Anthony de Carvalho

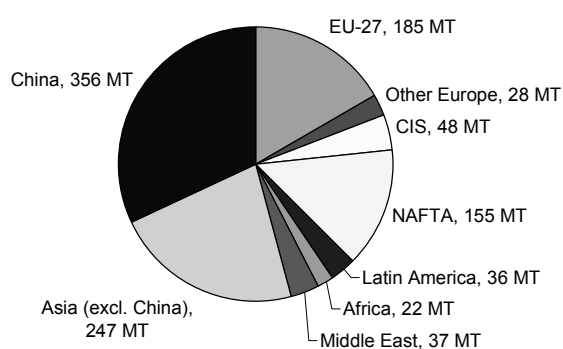
World Steel Markets are Booming

- Stagnation in the mid 1970s-2001
- In 2002-2006 industry has taken on new life
- Global demand for steel has surged fuelled by China
- World production of steel up by 8% per annum over last five years

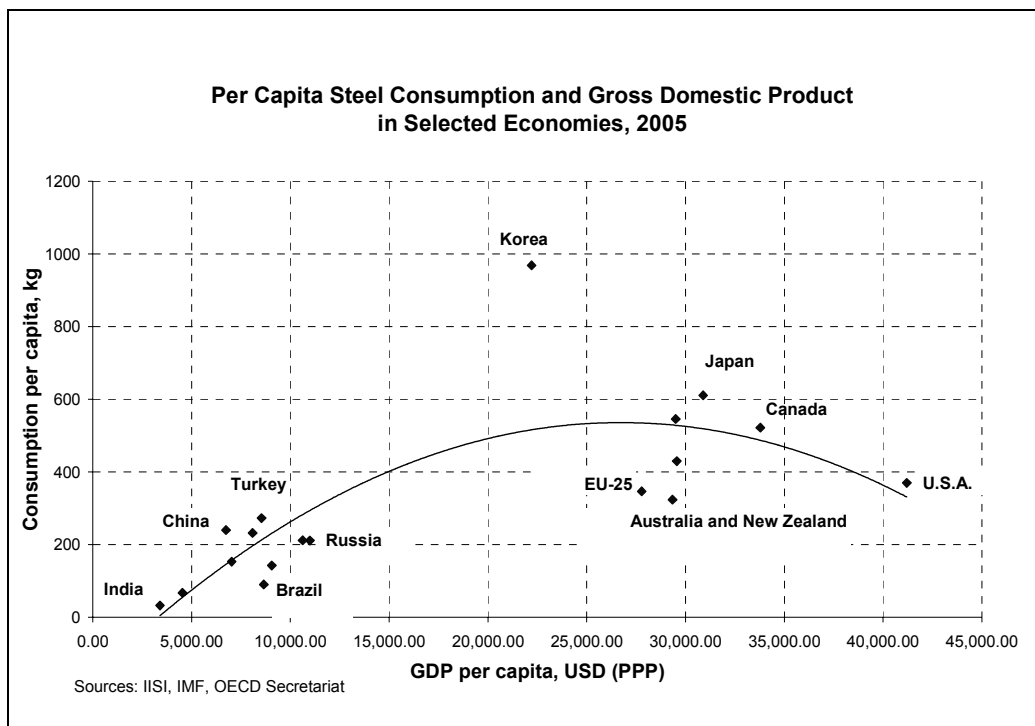
Restructuring of the Industry

- Steel industries in many economies have undergone rapid restructuring:
 - Consolidation
 - Privatization
 - Modernization

Apparent Steel Consumption by Major Area in 2006
World Total = 1,113 MT



Source: IISI



Chinese Steel Demand Will Continue to Grow Rapidly

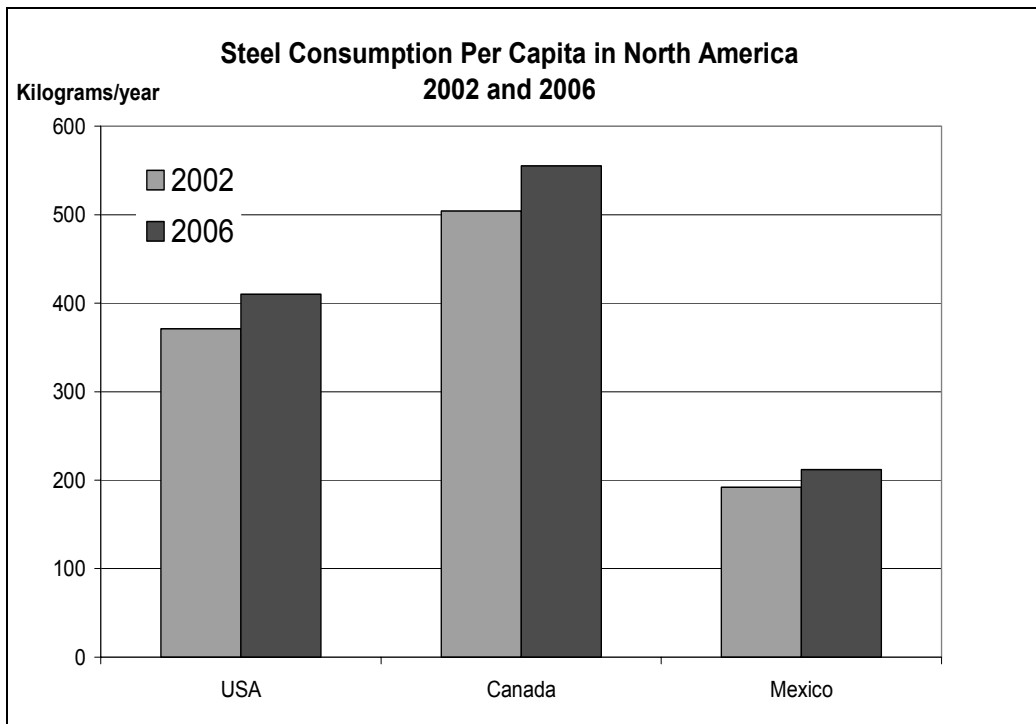
- Per capita consumption is still low
- Construction sector accounts for more than half of Chinese steel demand:
 - Economic growth will fuel building of factories and industrial buildings
 - Rapid urbanization will fuel massive infrastructure expansion and housing construction
- Vigorous growth in industrial production will boost steel consumption:
 - Strong growth in automobile production, shipbuilding and manufacturing of household appliances
- Steel consumption expected to grow by 9% per annum until 2011 to reach 550 MT from 356 MT today

Potential for Strong Growth in Indian Steel Consumption

- Per capita consumption is only one-eighth of China's
- In recent years, consumption has been driven by demand for:
 - Building machinery
 - Machine tools
 - Textile equipment
- Indian government plans to invest heavily in infrastructure
- Strong population growth, the need for housing and rising incomes
- The automobile industry is also flourishing
- Steel consumption expected to rise to around 75 MT by 2011 from around 47 MT today

Russian and Brazilian consumption prospects good

- In Russia, consumption has been rising rapidly fuelled by the expanding oil and gas sector and the economy's rapid growth
- The consumer boom to spread more to automobiles and housing, which would stimulate consumption of steel
- The replacement of aging infrastructure including oil and gas pipelines, roads, railroads, and bridges
- In Brazil, the automotive and construction sectors will continue to support consumption growth of around 1-2 MT per annum over next five years



EU Consumption of Steel

■ EU consumption of steel rose from 175 MT in 2002 to around 200 MT in 2006

- Much of the growth stems from the new Member States
- Last year, consumption supported by strengthening demand from:
 - Construction sector
 - Automotive
 - Mechanical engineering
 - Domestic appliances
 - Tubes
 - Shipbuilding
- Outlook is generally positive thanks to the economic recovery

Challenges Facing Steel Industry

- **Trade issues:** risk of oversupply of steel and trade frictions?
- **Cost of production inputs:** raw materials, labour, energy
- **Skills:** the available pool of new workers for the industry will shrink in some economies.
- **Environmental issues.** How can steelmakers address emissions restraint while ensuring their cost competitiveness?