

**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY  
STEEL COMMITTEE**

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**OUTLINE OF THE STEEL MARKET SITUATION IN KOREA**

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*This presentation by Mr. Sung-Woo Kim from the Korea Iron & Steel Association will be presented at the Steel Committee meeting on 17 May 2007, Istanbul, Turkey.*

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## **The Overview of Economy**

- The Korean economy showed a stable growth in 2006 with real GDP growth by 5.0% led by continuing increase of private consumption and robust exports. Notably, private facilities investment has steadily improved on the back of increased corporate profits and the inflation ended up with a low 2.2% growth.
- In 2007, Korea's economy is predicted to go upward albeit there remains such the possible impact of economic changes including any fallout from a slump in the U.S. housing market and a possible tightening of Chinese economic policy. During the first quarter of 2007, Korea's economy has improved 0.9% with growth at a gradual pace as exports increase and domestic demand picks up. This marked a 16th consecutive quarter of expansion in GDP.

## **Crude Steel Production and Crude Steelmaking Capacity**

- Korea's crude steel output in 2006 showed an increase of only 1.3% totaling 48.4 million tons. The majority of the increase took place in electric arc furnaces while blast oxygen furnaces dropped from relines.
- The 2007 outturn is expected to rise by 3.5% to 50.1 million tons year on year. The blast oxygen furnaces will reverse to pick up by 2.4% compared to the year earlier figure as domestic demand expands from the automotive and shipbuilding segments that are very likely to grow. During the first quarter, crude steel production recorded 12.7 million tons, up 9.2% on the corresponding period earlier figure.
- Based on recent examination of steelmaking capacity, Korea's crude steelmaking capacity in 2006 reached 56.4 million tons. This showed a 3.2 million ton growth versus the previous year due largely to revamping of facilities pursued by domestic steel companies.

## **Steel-consuming Industries**

- Korea's steel demand from steel-consuming industries continued to be firm in 2006 fueled by automotive and shipbuilding. By major demand sector, the construction industry has seen a slight recovery in 2006 with a 0.4% growth in receipt of orders. Orders from the public sector dropped by 1.7% while the private sector showed an increase of 1.4% year on year. In 2007 construction market is predicted to remain sluggish with orders from construction projects decreasing by 4% compared to the previous twelve months.
- In manufacturing, automotive production in 2006 increased 3.8% year on year thanks to the gain in both domestic demand and export sales –rising by 1.8% and 2.4%, respectively. We predict that in 2007 the output will show a 4.2% growth to in excess of 4 million units, with substantial growth in the home market by 3.1% and in exports by 5.7%.
- A strong continuing boom in the shipbuilding industry contributed to lift steel manufacturing too. Korea's shipbuilding tonnage in 2006 has risen 13.6% to 11.6 million CGT as orders continued to build up and productivity enhanced.
- The industrial machinery sector has been strong over the past twelve months. In particular, upgrading of outdated facilities in the industry has driven up domestic consumption in the machinery sector, while quality improvement of domestic products pushed up overseas demand.

Thus, production has increased 13.2% in 2006 and is expected to remain firm through the next four quarters.

- Production in the electronics market in 2006 decreased 4.1%. This was due, in part, to plant transfers to overseas. Substantial growth, but, is expected for 2007 with a gain by 1.1% on the background of the recovery in exports.

### **Apparent Domestic Consumption and Production of Steel Products**

- Steel consumption in Korea has been growing steadily over the past twelve months as demand from several user segments, in particular, automotive and shipbuilding, improved. This represented a rise of 5.3% in 2006 totaling 49.6 million tons year on year. The increase turned out to be represented more by the long product categories than the flat product. In 2007 further substantial improvements are forecast in the flat product categories and the domestic steel demand is likely to ensue in excess of 51 million tons, commencing the first 50 million ton consumption phase. The performance during the first quarter was estimated at 13.4 million tons – up by significantly 21.5% compared to the same period of last year.
- Production of steel products in 2006 registered 57.2 million tons. This represents a rise of 4.0% on the previous year's outturn. The gains took place in the flat product categories such as plate and galvanized iron & sheets. In 2007, we expect a pick up by 3.8% to be 59.4 million tons. For the first quarter of the year, a 15.4% increase rate turned out to be achieved to 15.0 million tons.

### **Steel Trade – major changes by origin and destination**

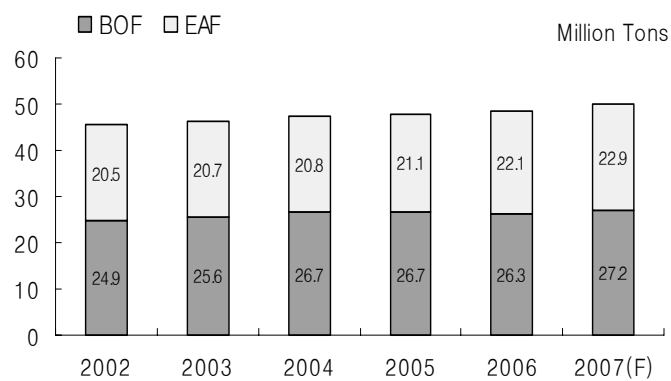
- Korea's steel exports increased 11.7% to 18.1 million tons last year. The majority of the increase was represented by wire rods, plates, hot-rolled sheets & strips, galvanized iron & sheets and pipes & tubes. Exports to the United States, European Union and Middle East increased while exports to China and Japan decreased. In 2007 steel exports are predicted to grow 5.6% year on year.
- Imports of steel products in 2006 increased 19.1% to 22.4 million tons, entailing Korea as a net steel importing country for the 5th year in a row since 2002. Imports of hot-rolled sheets & strips, H-beams, reinforcing bars, color sheets and steel wires surged into the domestic market. In particular, imports from China jumped 52.8% compared to the previous year, totaling in excess of 10.3 million tons with a 46% share of steel imports from abroad. Steel imports are predicted to be higher to 23.3 million tons in 2007 with the first three months seen a 33.4% hike.

–Statistical information about the current situation of the Korean steel industry–

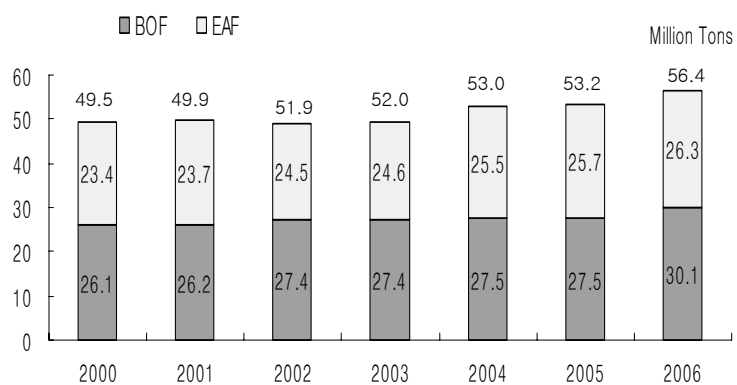
### Overview of Korean Economy

	2005	2006			2007(F)
		1st Half	2nd Half	Yearly	
GDP growth rate	4.2	5.7	3.9	5.0	4.4
Private Demand	3.2	4.6	3.8	4.2	3.6
Facilities Investment	5.1	7.2	6.5	6.8	4.9
Export	12.0	13.8	14.2	14.0	8.7
Import	16.4	19.6	17.5	18.5	9.0
Consumer Price	2.8	2.3	2.7	2.2	2.5

### Korea's Crude Steel Production 2002 ~ 2007(F)

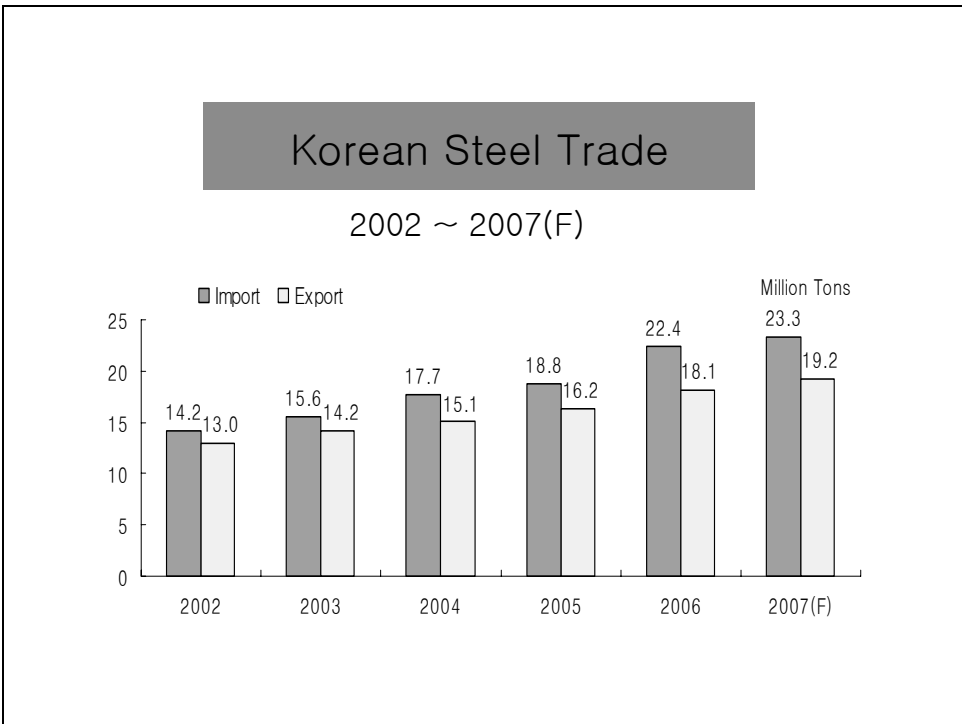
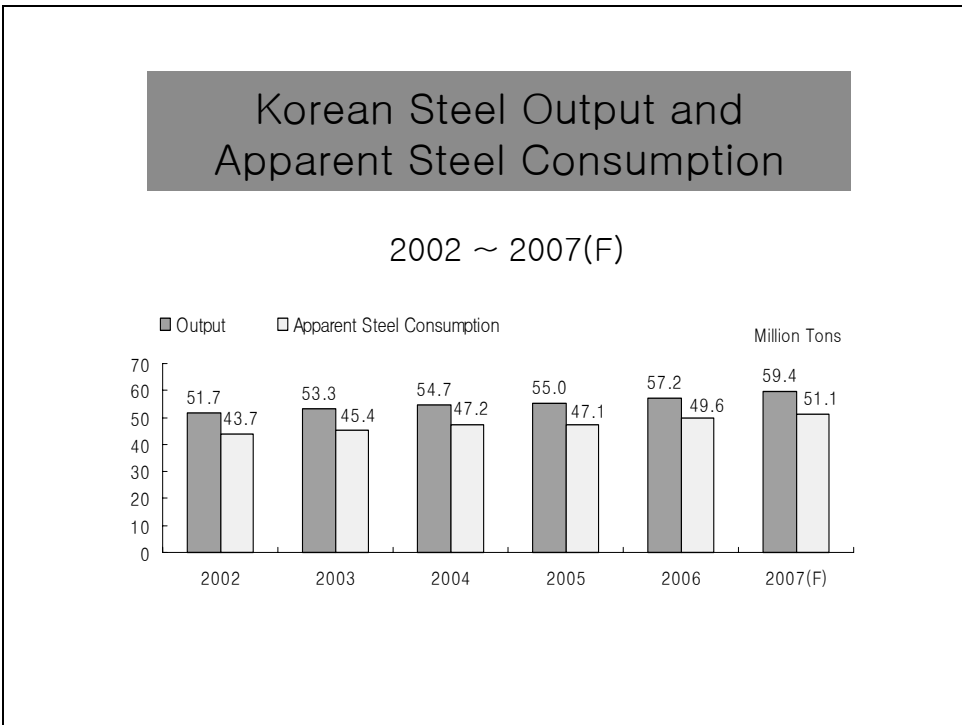


## Korea's Crude Steelmaking Capacity



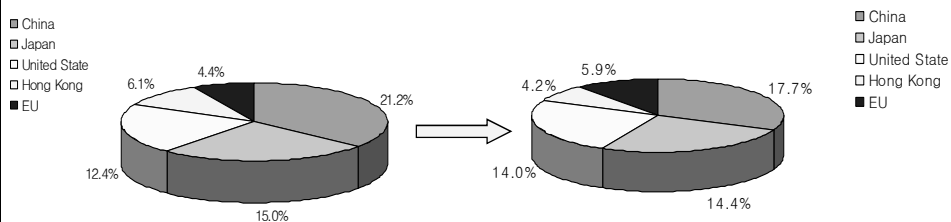
## Growth of Steel-consuming Industries

	2006	2007(F)
Construction	0.4	-4.0
Automobile	3.8	4.2
Shipbuilding	13.6	12.1
Machinery	13.2	10.7
Electronics	-4.1	1.1



## Korea's Steel Export by Destination

2002 → 2006



## Korea's Steel Import by Origin

2002 → 2006

