

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

DSTI/SU/SC(2007)11  
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**THE RECENT DEVELOPMENTS IN THE CHINESE STEEL INDUSTRY**

17 May 2007

*Presentation by Mr. Wu from the China Iron and Steel Association. Steel Committee meeting on 17 May 2007, Istanbul, Turkey.*

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**The Recent Development  
on Chinese Steel Industry**

**Wu Jingjing**

**CHINA IRON AND STEEL ASSOCIATION** May. 17-18, 2007 Istanbul



中国钢铁工业协会  
CHINA IRON AND STEEL ASSOCIATION 

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**Part I The Performance of Chinese Steel  
Industry in 2006**

- Steel production from rapid growth to moderate growth
- Product mix adjustment
- China shifted from a importing country to a exporting country of steel products
- Steel Market and Fixed assets investment in steel industry

Steel production changed from rapid growth to moderate growth

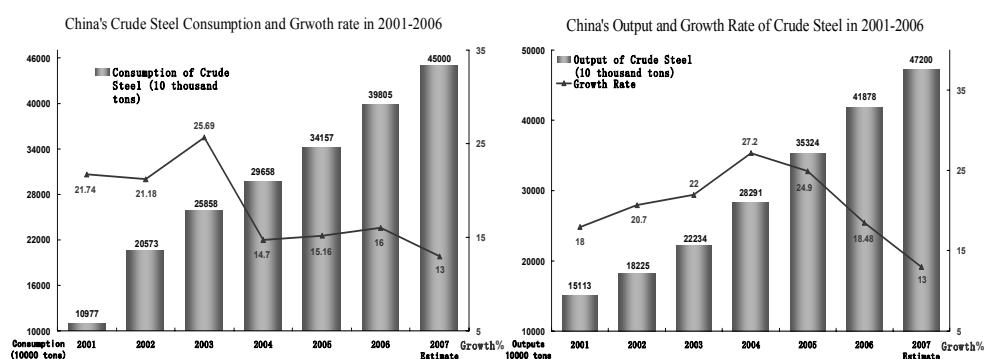
Output in 2006 unit: 10000tons

	2006	2005	yoy	yoy%
Crude Steel	41878.2	35344.95	6533.25	18.48
Pig Iron	40416.7	33741.13	6675.57	19.78
Steel Products	46685.43	37513.28	9172.15	24.45
Coke	28054.15	23903.45	4150.7	17.36
Iron Ore	58817.14	42623.2	16193.94	37.99

The growth of Steel production in 2006 is driven by the strong market demand.

The annual actual consumption of Crude Steel in China is 398.05 Mt, up by 16% yoy.

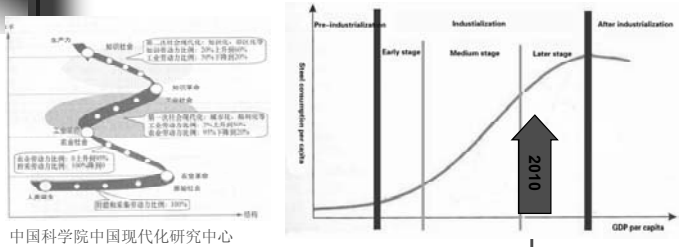
Net export 34.7257 Mt



The prominent characteristics of China's steel production is that its development speed was determined by market demand and the magnitude of steel production increase determined by intensity of steel demand growth.

The demand for crude steel in China is shifting from rapid growth to moderate growth, which decides that China's steel production will change correspondingly to moderate growth.

According to CISA's statistics, The annual actual consumption of Crude Steel of China is 21.74%, 21.18%, 25.69% from 2001 to 2003 respectively, with rapid growth; the figure in 2004-2006 is 14.7%, 15.16%, 16%, shifting to moderate growth.



Industrialization is common rule for economic development in each country, and is necessary for a developing country to realize modernization.

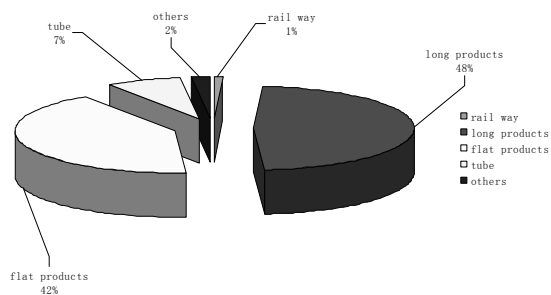
中国科学院中国现代化研究中心

		250万年前				1763				1970							
		原始经济				农业经济				工业经济				知识经济			
劳动力结构变化	狩猎采集	100	100	98	95	90	45	5									
	农业				2	6	50	88	90	80	50	20	10	8	5	2	1
	工业				1	1	1	2	2	12	30	50	48	32	25	18	16
	普通服务业				1	1	2	2	3	6	16	20	22	30	28	25	18
	知识产业				1	1	2	2	2	2	4	10	20	30	42	55	65

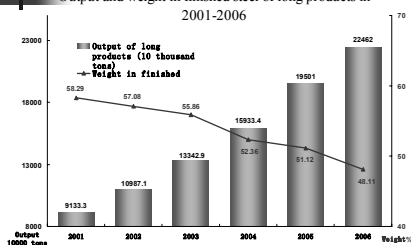
During the last few years of Eleventh Five-year-plan period, China may enter into later stage of industrialization, which will see sustainable and moderate increase of China's economy from rapid increase, which will result in slow-down the growth of steel market demand

## Product structure adjustment

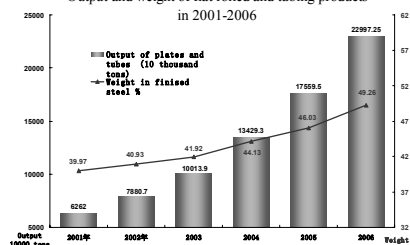
Total output of flat and tubing products is 229.9725 Mt which is 224.6242 Mt more than long products for the first time in history.



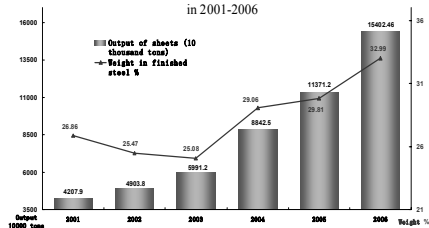
Output and weight in finished steel of long products in 2001-2006



Output and weight of flat rolled and tubing products in 2001-2006



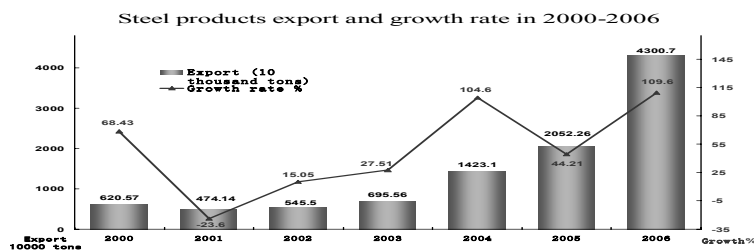
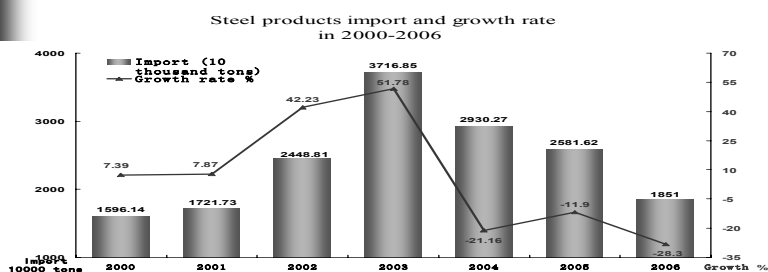
Output and weight of sheet in finished steel in 2001-2006



## China shifts to an steel products exporting country from an importing one

In 2006, China exported 43.007 Mt of steel products and 9.0355 Mt of semi-finished, or a total of 54.306 Mt crude steel.

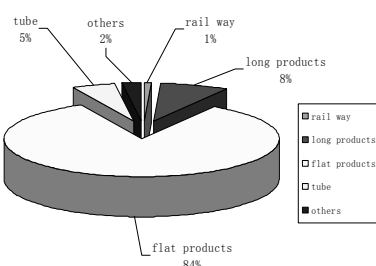
In 2006, China imported 18.51 Mt of steel products and 0.3704 Mt of semi-finished, or a total of 19.8546 Mt of crude steel.



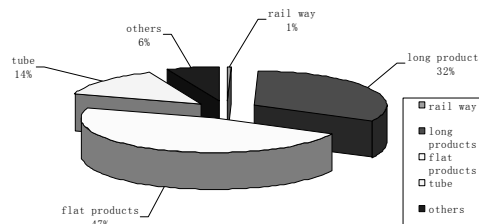
The structure of imports and exports unit: 10000tons

2006	Steel products	Rail way	Long products	Flat products	tube	others
import	1851	16.1	145.9	1553.26	96.95	38.78
export	4300.7	23.79	1375.1	2037.5	587.52	277.25

Imports



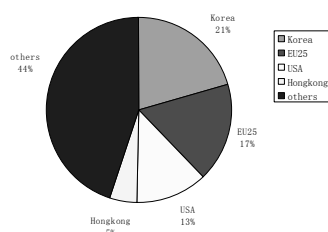
Exports



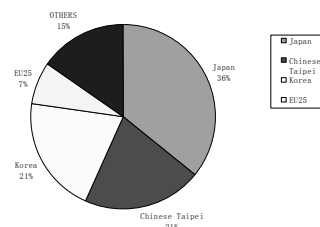
The structure of imports and exports unit: 10000tons

exports	Korea	EU25	USA	Hongkong	others
4300.7	881.7	737.7	540	204	1937.3
imports	Japan	Chinese Taipei	Korea	EU25	others
1851	661.4	387.5	382	138.1	282

Exports



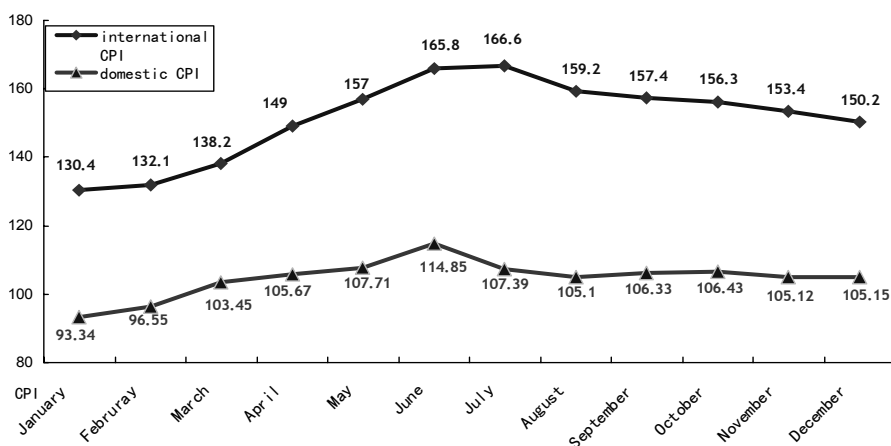
Imports

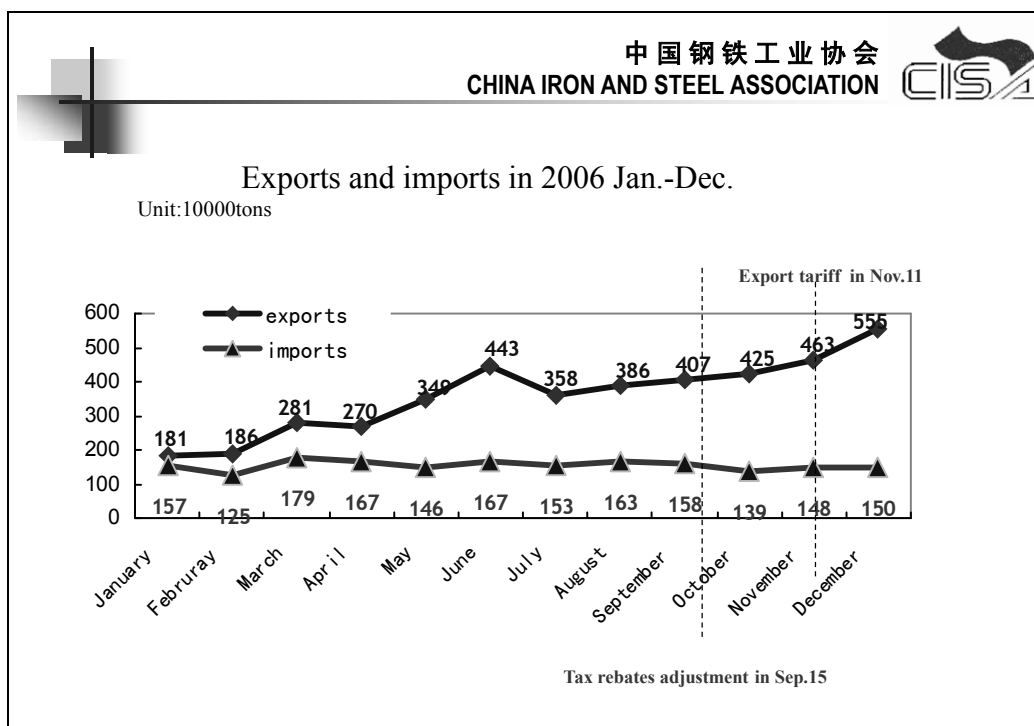


Several reasons for the rise in export and decline in import of steel in China in 2006

- China's steel enterprises modernized their facilities and technologies for a bigger variety and better quality therefore strengthened their international competitiveness and fostered their capability in satisfying some international market demand.
- The international market in 2006 was very strong and fell short of supply as a whole. According to IISI publications 2006, the output of crude steel in countries and regions other than China increased by 4.39%, but the demand increased by 6.4%.
- The difference of steel price in international and domestic market in 2006, was favorable to China's steel export.
- The expectation to the adjustment of tax rebates on steel products export and other measures.

Composite Price Index of steel in international and domestic markets in 2006





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Considering China's situation, the development of steel industry is targeted to satisfying the requirements of variety, quality and quantity in its domestic market, which is guiding principle of the Chinese steel makers.

Meanwhile, in today's economic globalization context, it is important for China to export and import a moderate amount of steel products to maintain and facilitate international competition and cooperation.




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The export situation of China's steel products in 2007

In 2007, China's steel export will face many uncertain and unfavorable factors.

- The state to adopt restrictive policies to curb the export of those product of a high energy-consuming, high pollution and resource nature.
- The state to strengthen macro control by lower tax rebates on steel product export and applying export duty, which will affect the export cumulatively in 2007.
- If the exports continues to rise, it is possible that new restrictive measures will be applied until the rapid growth of exports has been controlled.

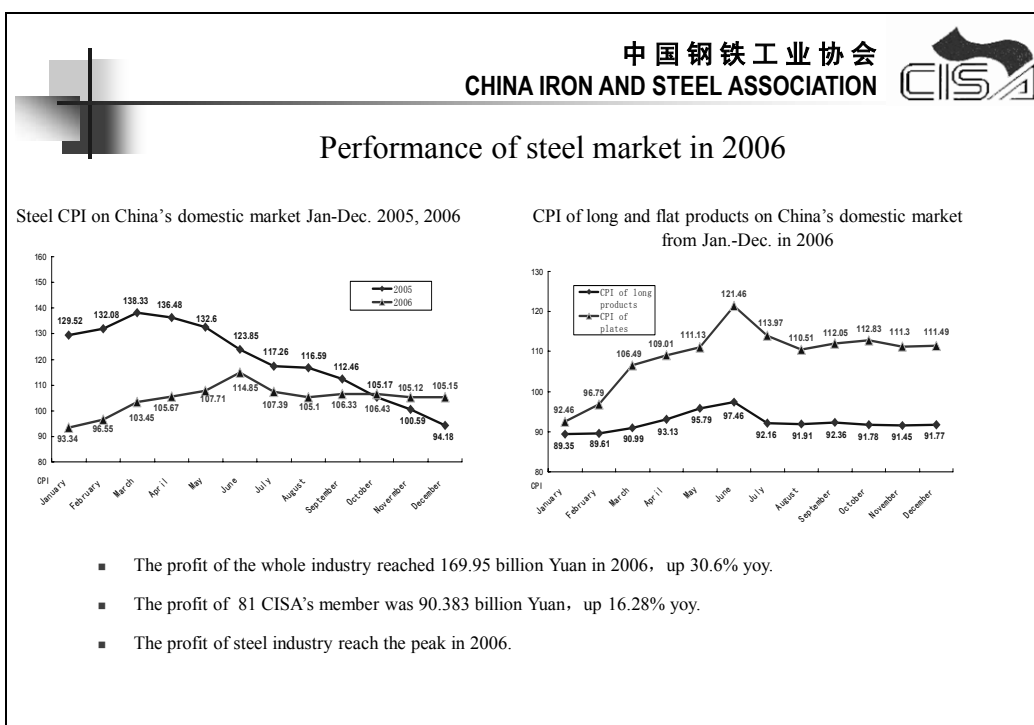
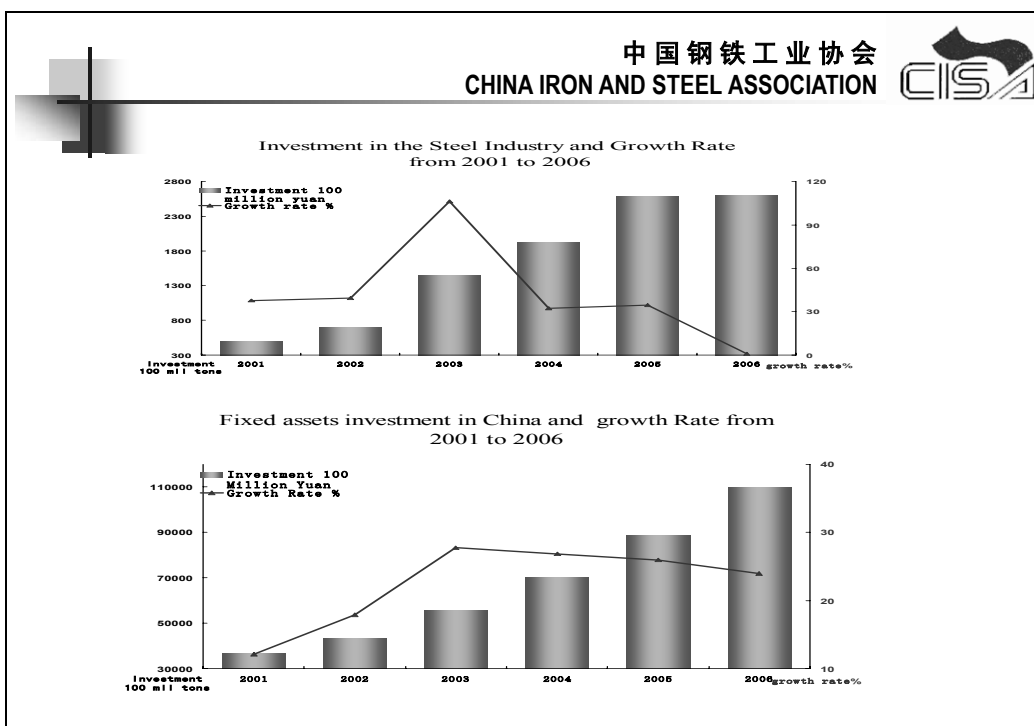


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Fixed assets investment in steel industry and performance of steel market

- In 2006, China's steel industry had a fix assets investment of 260.299 billion Yuan, up 0.81% yoy.
- Investment in mining is 35.649 billion Yuan, up 28.2% yoy;
- Urban investment in steel projects is 224.65 billion Yuan, a decline of 2.5%, which is the only industry with negative growth among all industries in China.



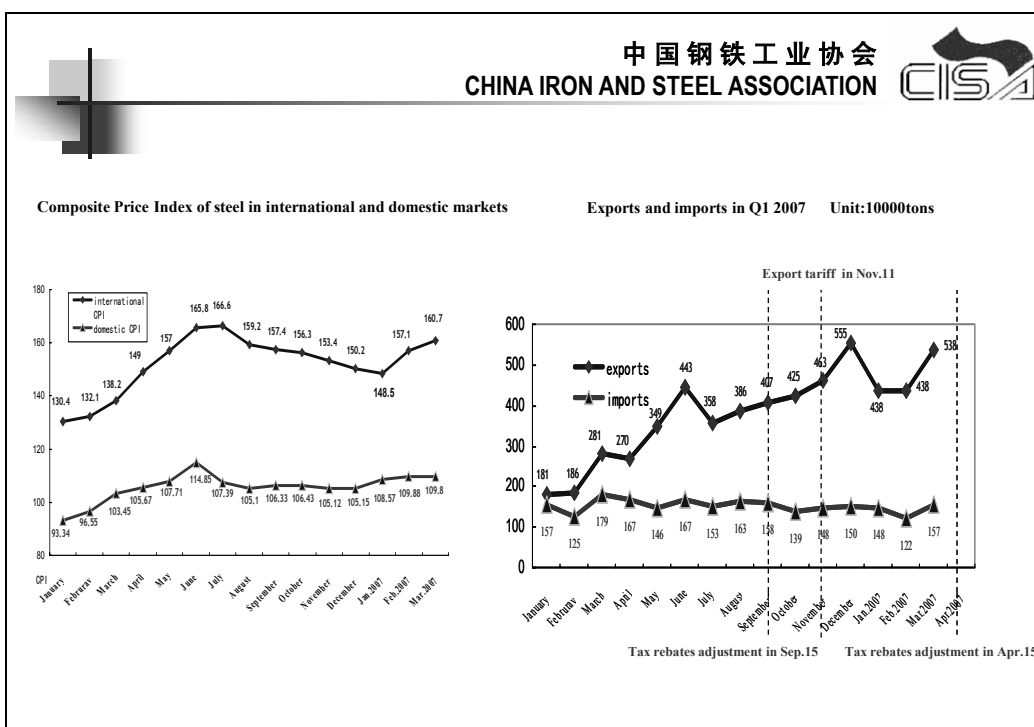
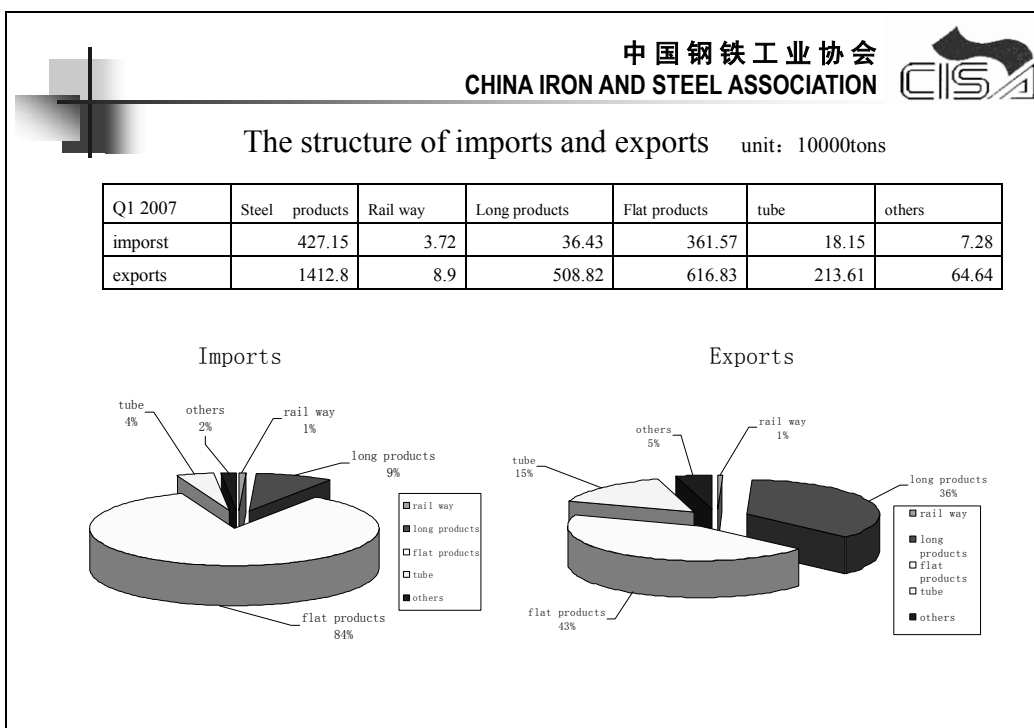
## Part II Development on china steel market in 2007

- Steel market in first quarter 2007
- Forecast on steel market in 2007

### Output in Q1 2007

unit: 10000tons

	Q1 2007	Q1 2006	yoy	yoy%
Crude Steel	11470.42	9375.99	2094.43	22.34
Pig Iron	10852.14	9066.09	1786.05	19.7
Steel Products	12634.42	10009.33	2625.09	26.23
Coke	7300.88	5902.49	1398.4	23.69
Iron Ore	13752.25	10273.96	3478.29	33.86



Forecast on china steel market in 2007

- The consumption of crude steel :  
up 16% yoy in 2006 ,  
up 10—14% yoy in 2007
  
- In 2007, the output of crude steel might reach 462—475 Mt, 10—13% yoy.
  
- In 2007, there are several uncertain and unfavorable factors against exports.