

Korean Steel Market in 2017

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Korea Iron and Steel Association



General Economy

GDP

- ◆ ('16) Korean economy recovered at a steady pace with the growth rate of 2.7% thanks to increased domestic demand supported by construction sector.
- ◆ ('17) Expected to increase by 2.5% due to an increased exports and equipment investment.

Private Consumption

- ◆ ('16) Last year's private consumption showed the modest growth rate of 2.4%.
- ◆ ('17) A decline in wage and employment growth will slowdown the increasing trend of private consumption.

Equipment Investment

- ◆ ('16) Decreased by 2.6% owing to external uncertainties for enterprises and domestic industrial restructuring.
- ◆ ('17) Expected to grow by 2.5% due to increased demand for investment in IT sector.

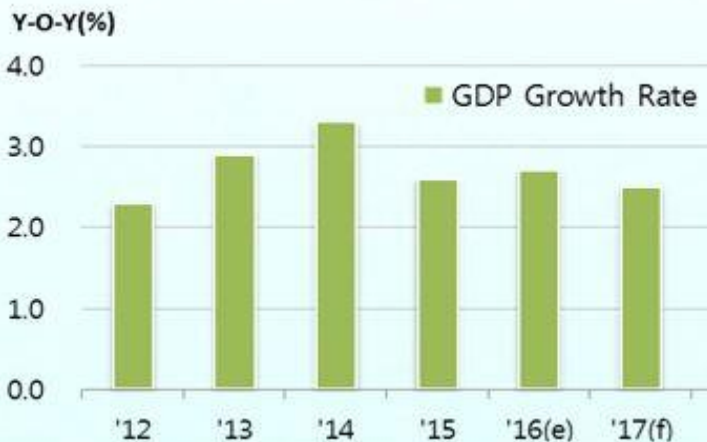
Construction Investment

- ◆ ('16) Increased by 10.9% with active residential construction.
- ◆ ('17) Forecasted to slowdown due to decrease in the construction commencement area and number of houses in the market.

Exports & Import

- ◆ ('16) Export grew by 0.9% with a recovery in exports of IT products during the 2H while import continue to increase.
- ◆ ('17) Export is expected to grow steadily due to gradual recovery in the world demand while import increased by 2.3%.

Economic Indicators in Korea



	2015	2016(e)			2017(e)		
		1H	2H	Total	1H	2H	Total
GDP	2.6	3.0	2.5	2.7	2.4	2.6	2.5
Private Consumption	2.2	2.7	2.1	2.4	1.9	1.9	1.9
Equipment Investment	5.3	-3.6	-1.5	-2.6	3.0	2.0	2.5
Construction Investment	3.9	10.3	11.5	10.9	5.9	3.0	4.3
Exports	0.5	0.1	1.7	0.9	2.9	2.0	2.4
Imports	2.0	0.7	2.5	1.6	4.3	0.5	2.3

(Y-O-Y %)

* Source : Bank of Korea

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Steel-using Industries

Construction

- ('15) Due to revitalization in the private construction, construction commencement area grew by 36.3%.
- ('16) Decreased by 5.7% due to base effect of sharp increase in the previous year.

Automobile

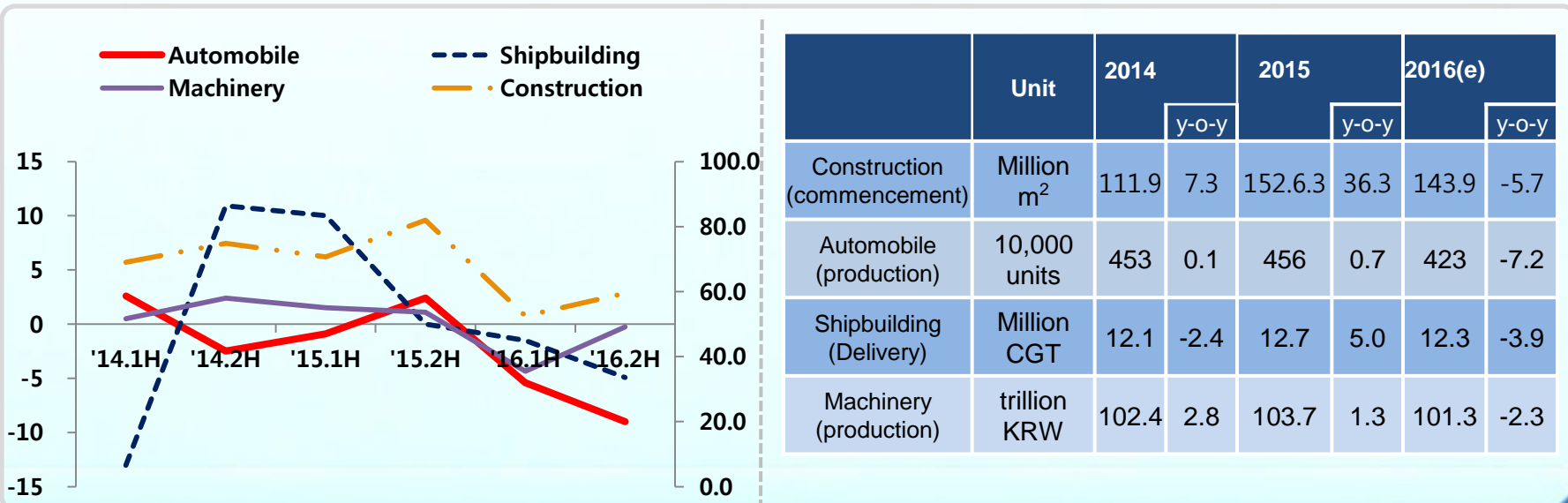
- ('15) Posted a slight increase with releases of new models and individual consumption tax cuts.
- ('16) Dropped by 7.2% due to strike and economic recession in emerging countries, leading export to fall.

Shipbuilding

- ('15) Increased by 5%. which was supported by relatively favorable orders received in '13 and '14.
- ('16) Showed a negative growth of 3.9% with decreased shipbuilding orders caused by low oil prices.

Machinery

- ('15) Recorded a modest growth of 1.3% due to increased investment in private equipment.
- ('16) Declined by 2.3% due to a decrease in exports to major overseas markets.



	Unit	2014		2015		2016(e)	
			y-o-y		y-o-y		y-o-y
Construction (commencement)	Million m ²	111.9	7.3	152.6.3	36.3	143.9	-5.7
Automobile (production)	10,000 units	453	0.1	456	0.7	423	-7.2
Shipbuilding (Delivery)	Million CGT	12.1	-2.4	12.7	5.0	12.3	-3.9
Machinery (production)	trillion KRW	102.4	2.8	103.7	1.3	101.3	-2.3



Overview

- ◆ ('15) Consumption and production remained at the similar level, but both export and import decreased.
- ◆ ('16) Production stagnated at the same level as 2015, while consumption increased slightly by 2.2%. However, exports decreased by 1.8% and imports surged by 7.5%, which used up the most share of increased consumption.

(Unit : Mil. MT)

Year	Consumption	Export	Production	Import
'14	55.5 (7.3)	32.3 (10.5)	74.1 (7.2)	22.7 (17.3)
'15	55.8 (0.6)	31.6 (Δ 2.2)	74.2 (0.1)	22.1 (Δ 3.0)
'16	57.1 (2.2)	31.0 (Δ 1.8)	74.3 (0.2)	23.7 (7.5)

* Source: Korea Iron & Steel Association



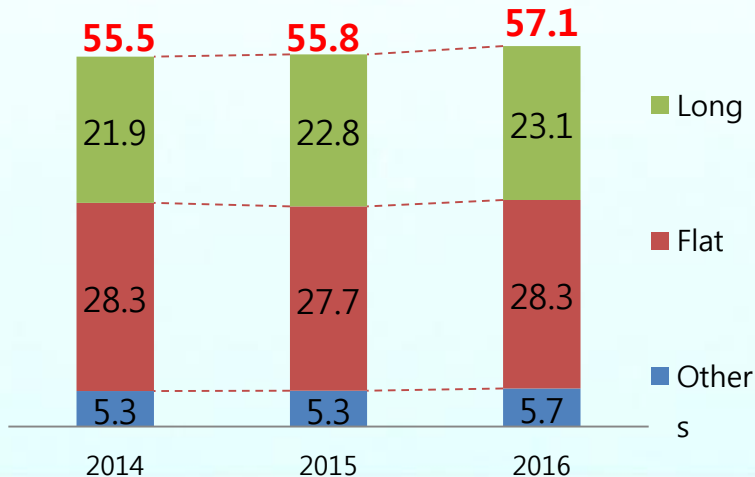
Steel Consumption

- ◆ ('15) Despite a strong recovery in construction, the increase in cheap imports hindered profitability improvement.
- ◆ ('16) Despite contraction in major steel consuming industries (automotive, shipbuilding, machinery), steel consumption recorded slight increase of 2.2% due to the strong upturn in the construction industry.

Steel Production

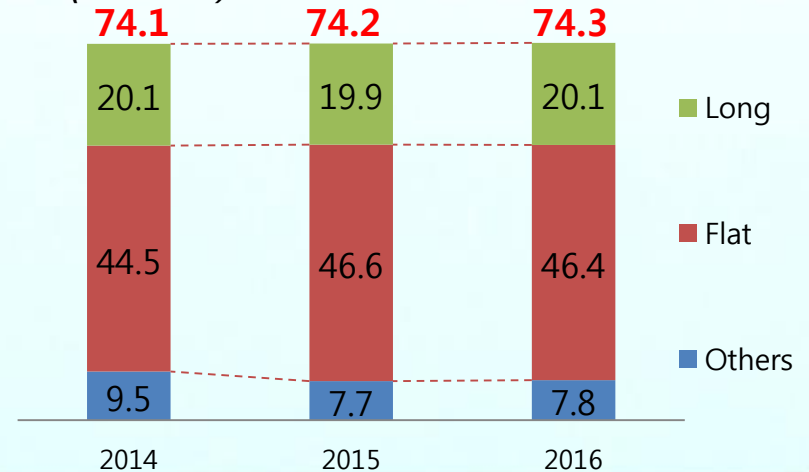
- ◆ ('15) Recorded no growth for the most group of products.
- ◆ ('16) Maintained the previous year's level due to domestic steelmakers' maintenance works.

(million MT)



* Source : Korea Iron & Steel Association

(million MT)

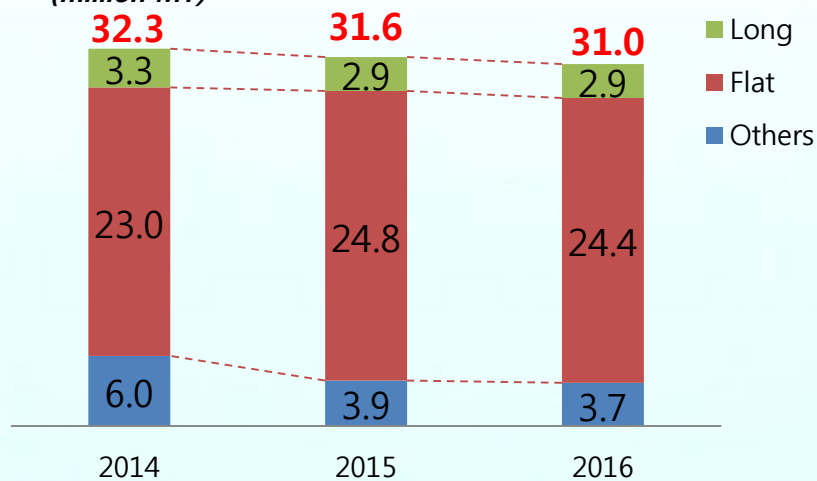


* Source : Korea Iron & Steel Association

Steel Exports

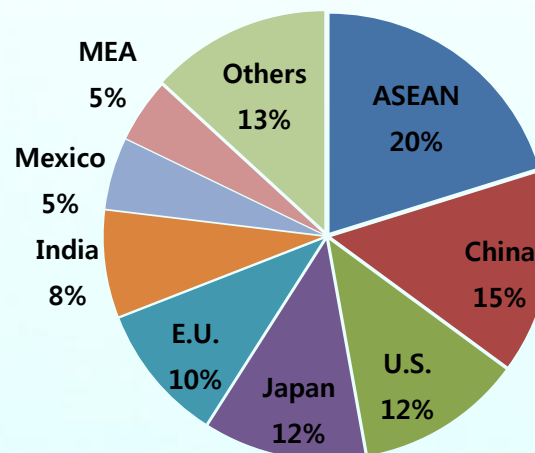
- ◆ ('15) Severe slump in world prices and sluggish overseas' demand contributed to a decrease in exports by 2.2% to 31.6million tons.
 - ▶ Decrease in exports by region: ASEAN (-3.6%), China (-12.4%), US (-30.7%), Japan (-10.3%)
- ◆ ('16) Slowdown of global steel demand caused decrease in exports by 1.8% to 31.0 million tons.
 - ▶ The proliferation of the protectionism and strong competition are exerting downward pressure on steel exports

(million MT)



* Source : Korea Iron & Steel Association

Korea's Steel Exports by Country in 2016

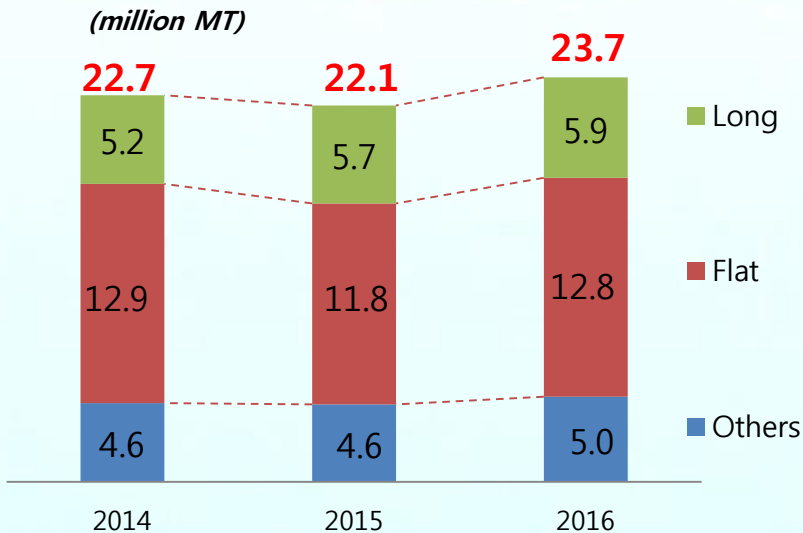


* Source : Korea Iron & Steel Association



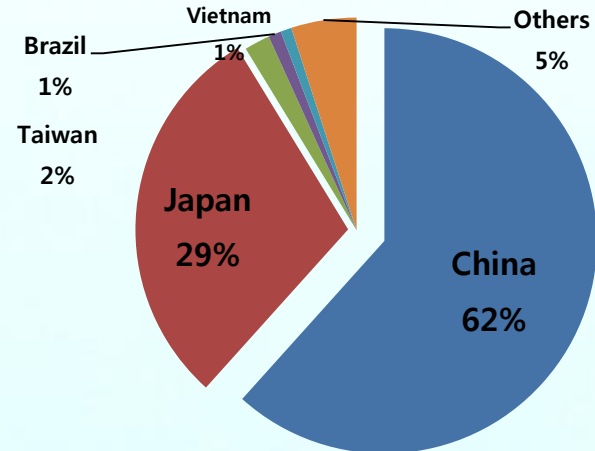
Steel Imports

- ◆ ('15) Due to the decrease in demand, imports declined by 3.0% to 22.1 million tons in 2015.
* Import shares : China 13.7 million tons (62.2%), Japan 6.6 million tons (29.9%)
- ◆ ('16) Despite the domestic companies' efforts to replace imports, imports increased by 7.5% to 23.7 million tons in 2016.
* Import shares : China 14.6 million tons (61.7%), Japan 7.0 million tons (29.6%)
* Jumped to the 4th largest volume, fueled by significant increase of steel products import for end-users



* Source : Korea Iron & Steel Association

Korea's Steel Imports by Country in 2016



* Source : Korea Iron & Steel Association



Steel Imports (Cont'd)

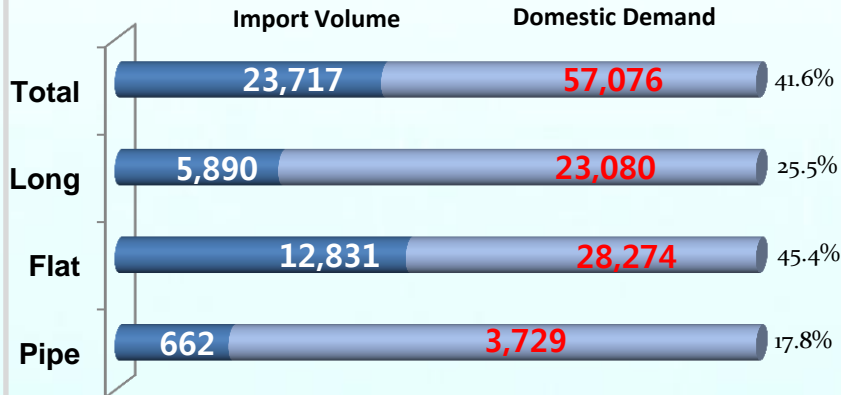
(%)

- ◆ The import penetration rate for the Korean steel market recorded 41.6% in 2016, which increased by 2.1%p y-o-y.
- ◆ Compared to the import penetration rates of the major countries, Korea is on the highest level.

* Major countries' penetration rate('16) : Korea 41.6%, Japan 8.8%, China 1.9%, USA 28%

Import Penetration Rate (2016)

(1,000 MT, %)



*Import Penetration Rate('15) : China(1.9%), Japan(9.4%)

* Source : Korea Iron & Steel Association

Import Penetration Rate Trends



THANK YOU