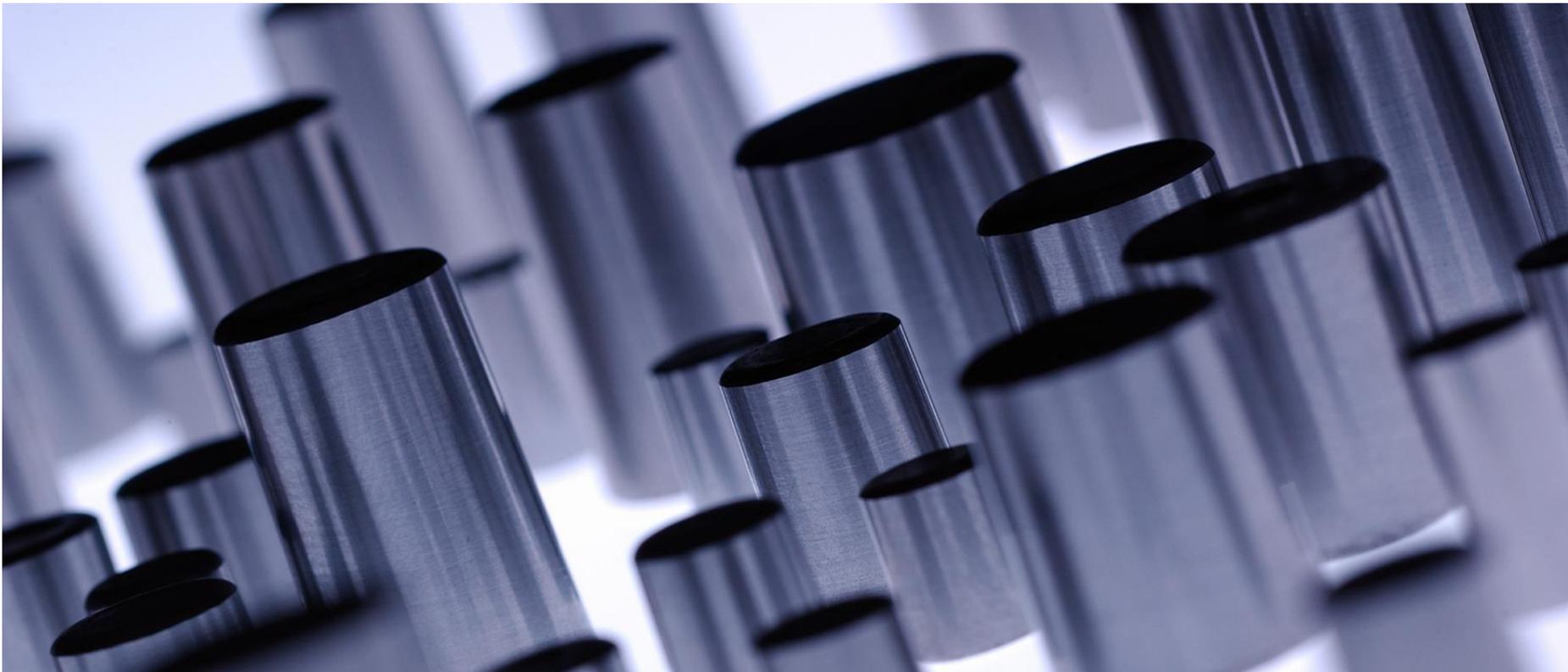


Global Steel Market Outlook

OECD Steel Committee Meeting, March 23, 2017, Paris



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Key observation:

Steel recovery strengthens amid rising uncertainties

- New dimension of uncertainties in the global economic environment with rising populism and protectionism

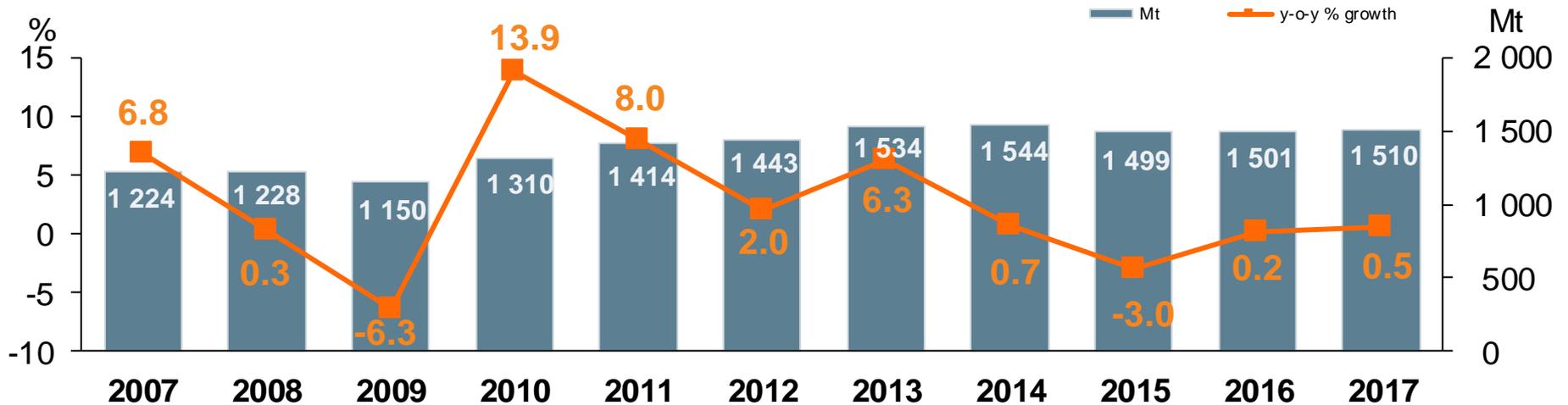
- Despite elevated uncertainties, steel demand recovery is gaining momentum (at least in the short run) with:
 - Upside surprise from China (at least in 2016 and 2017)
 - Developed world cementing its recovery
 - Strengthening growth in the emerging and developing world with Russia and Brazil coming out of the recession

- Increase in the oil prices seems to support steel demand so far

- Yet, steel demand growth fails to be exciting with growth driven mostly by consumption rather than investment

Global Overview

Steel demand, finished steel (SRO October 2016)



	million tonnes (Mt)			%			2017 as % of 2007
	2015	2016	2017	15/14	16/15	17/16	
World	1 498.7	1 501.3	1 509.6	-3.0	0.2	0.5	123.4
Developed Economies	398.7	399.5	403.8	-3.6	0.2	1.1	84.8
Emerging & Developing Economies excl. China	427.7	436.2	453.4	1.9	2.0	4.0	137.8
China	672.3	665.6	652.3	-5.4	-1.0	-2.0	155.9

Developments in key regions

■ Asia

- **China:** While the deceleration and rebalancing of the Chinese economy continues, short term outlook improves due to mini stimuli which boosted real estate market and infrastructure spending. Expected to return to the post peak decline track gradually.
- **India:** Recovering from the demonetization shock at the end of 2016, steel demand growth prospects improves for 2017-18 despite weakness in corporate investments. India continues implementation of reforms, including the new GST which may further strengthen steel demand.
- **ASEAN:** After exceptional growth in 2016, steel demand outlook remains strong on the back of resilience of ASEAN economies to external headwinds, rebound in commodity prices and strong construction activities. Vietnam and Philippines to show strongest growth.
- **Japan:** Positive steel demand outlook due to government stimulus, works on Tokyo Olympic facilities and an implementation of delayed projects.
- **Korea:** Korean steel demand is expected to decline as construction investments decelerate and the automotive and shipbuilding industries struggle.

Developments in key regions

■ EU

- Following strong performance in 2016, the recovery continues on despite uncertainties surrounding EU. In 2018 recovery is expected to strengthen on the back of improving capital goods and export-oriented sectors. Concerns about the impact of Brexit and US policies may dampen potential capital expenditure growth.

■ NAFTA

- **US:** Along with strong economic fundamentals, the new policy agenda to prompt growth in manufacturing and to enhance infrastructure investments provides positive momentum for steel demand although strengthening dollar might hurt manufacturing competitiveness. The effect of long expected rebound of investments in the oil and gas sector may be weaker given an increased efficiency of producers.
- **Mexico:** Despite favourable domestic drivers, rising public debt, challenging trade environment with new US trade policy and currency depreciation are undermining economic prospects. GDP and steel demand outlook are being revised down.

Developments in key regions

■ South America

- **Brazil:** Despite signs of stabilisation, reform efforts and improving confidences, the economy is slow to recover from the deepest recession. Steel using sectors confidences are lagging behind and a meaningful recovery in steel demand will need to wait till 2018

■ CIS

- **Russia:** Steel demand outlook improves as the Russian economy returns to growth led by private consumption on the back of stabilizing currency and inflation
- **Ukraine:** A strong rebound in steel demand (from a very low base) is expected fuelled by improving export markets, stabilization of national currency, increase in capital investment

■ MENA

- **GCC:** Improved steel demand outlook due to oil price rebound. Expanding tax revenue base and focus on non-oil sector growth is expected to drive stronger investments activity
- **North Africa:** The Egyptian economy continues to improve despite short term uncertainties, supported by reforms, whereas Algeria and Libya continue to struggle
- **Iran:** Benefitting from increased oil exports in the post-sanction era. But ongoing tensions with the US could undermine the prospect.

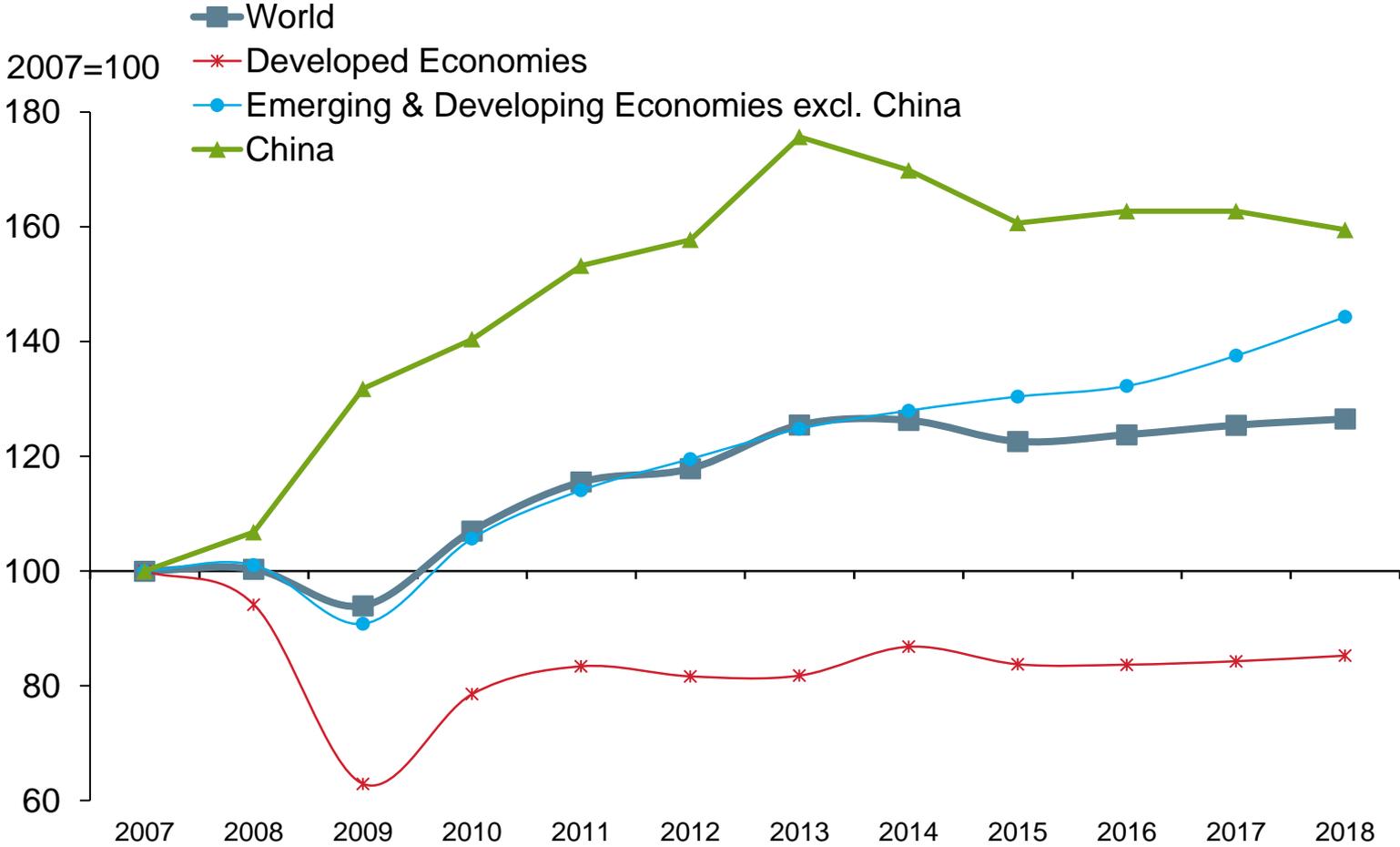
Revision from October 2016 Forecasts

Steel demand, finished steel (SRO April 2017)

	Mt		%		Mt Δ		growth rate Δ		accel.
	2016	2017	2016	2017	2016	2017	2016	2017	18/17
	SRO October 2016				SRO April 2017				
World	1 501.3	1 509.6	0.2	0.5					
EU (28)	154.8	156.9	0.8	1.4					
Other Europe	42.1	43.7	4.1	3.7					
CIS	49.6	50.7	-1.6	2.1					
NAFTA	133.6	137.4	-0.1	2.9					
C&S America	40.8	42.5	-10.4	4.1					
Africa	39.5	41.1	2.2	3.9					
Middle East	53.0	53.1	0.3	0.1					
Asia & Oceania	987.9	984.3	0.5	-0.4					
China	665.6	652.3	-1.0	-2.0					
Developing Asia excl. China	170.5	180.7	6.7	6.0					
Developed Asia	144.6	144.3	0.5	-0.2					

Growth is increasingly driven by emerging and developing economies excluding China

Steel demand, finished steel (SRO April 2017), 2007=100



Summary and Conclusions

- Global steel demand poised to a cyclical upturn in 2017-2018
 - Emerging economies to show accelerating growth, while developed economies recovery solidifies
 - Emerging Asia continues to drive growth
 - China expected to stay on post peak decline track
- As a result, global steel demand will maintain a modest growth momentum

- Risks to the forecast in the short term
 - Upside risks in China in the short term despite long term risks associated with the debt problem
 - Uncertainties related to the US trade policy and dollar appreciation

- Longer term challenges
 - Possible retreat from globalism and free trade poses medium and long term down side risks
 - Megatrends forces weigh down on steel demand growth: Aging population, circular economy, premature deindustrialization, digitalization
 - At the same time, new business opportunities emerge along the challenges

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