



ITEM 3B: STEEL MARKET DEVELOPMENTS

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Outline

1. Steel Markets

- **Consumption**
- **Production**
- **Prices**

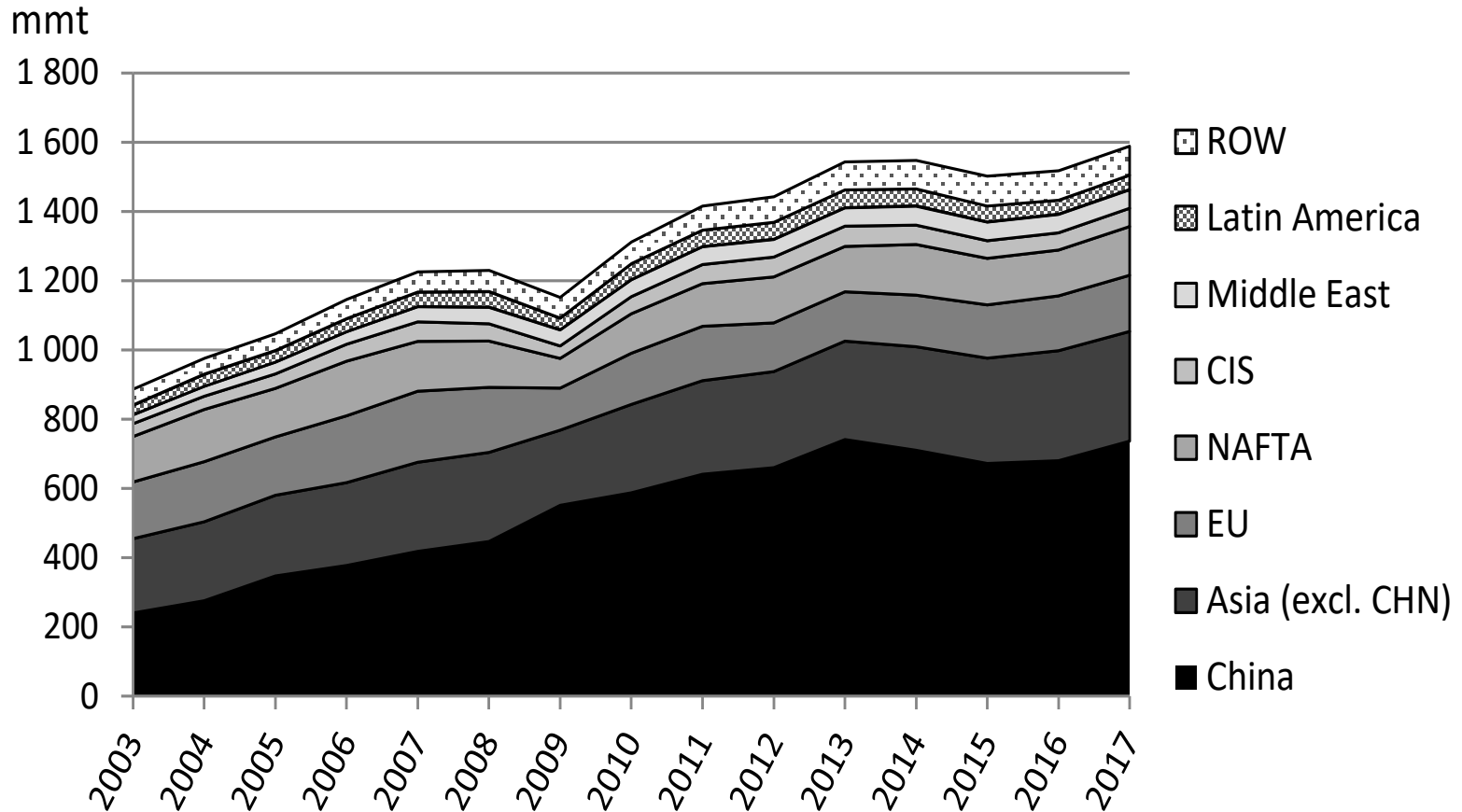
2. Steel Futures Markets

3. Financial Performance

4. Concluding Remarks



Apparent Steel Use



Source: World Steel Association

Global apparent steel use continued to increase in 2017



Crude Steel Production

World crude steel production developments in 2017 and 2018

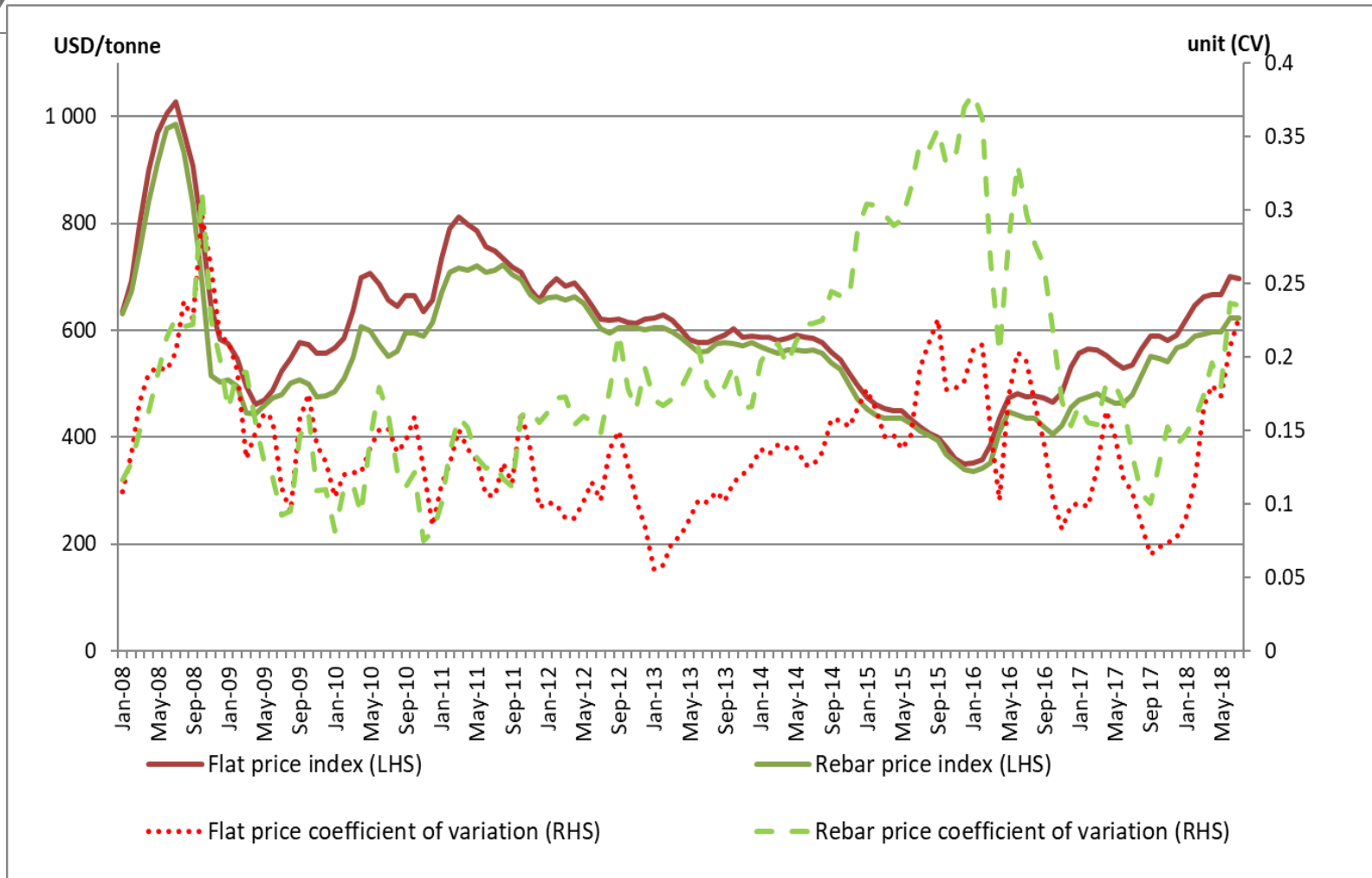
	Level, thousand mmt		% change, year-on-year		% change, year-on-year
	May 2018	2017	May 2018	2017	Jan-May 2018
EU	14 979	168 458	5.4	8.3	1.8
Other Europe	3 614	40 633	11.7	6.3	5.1
CIS	9 035	100 932	14.1	7.2	2.8
North America	10 107	115 761	4.7	7.6	3.1
South America	3 522	43 689	3.5	7.0	3.0
Africa	1 216	13 593	16.4	5.1	6.8
Middle East	2 995	32 020	12.5	2.8	14.0
Asia, of which:	108 814	1 166 207	9.8	6.9	5.0
China	81 127	846 947	10.8	6.6	6.0
Oceania	574	5 985	13.9	3.2	13.4
World	154 856	1 687 277	9.3	7.0	4.6

Source: World Steel Association, as of June 2018. Data are based on monthly production data and can differ slightly from annual data published after December of each year.

World crude steel production increased by 4.6% y-o-y in the first five months of 2018, with all regions registering growth.



World Steel Prices



Notes: The flat price and rebar price indices are defined as the arithmetic average of the individual regional Platts price series for the U.S., North Europe, China, Japan, India and Russia, when available. This simple arithmetic average had the closest fit to the two global Platts price indices used in previous Market reports, which were discontinued by Platts from September 2017 onwards. The coefficients of variation (CV) are defined as the ratio of the standard deviation of the regional Platts price series making up the indices to their (arithmetic) mean.

Source: Platts Steel Business Briefing.



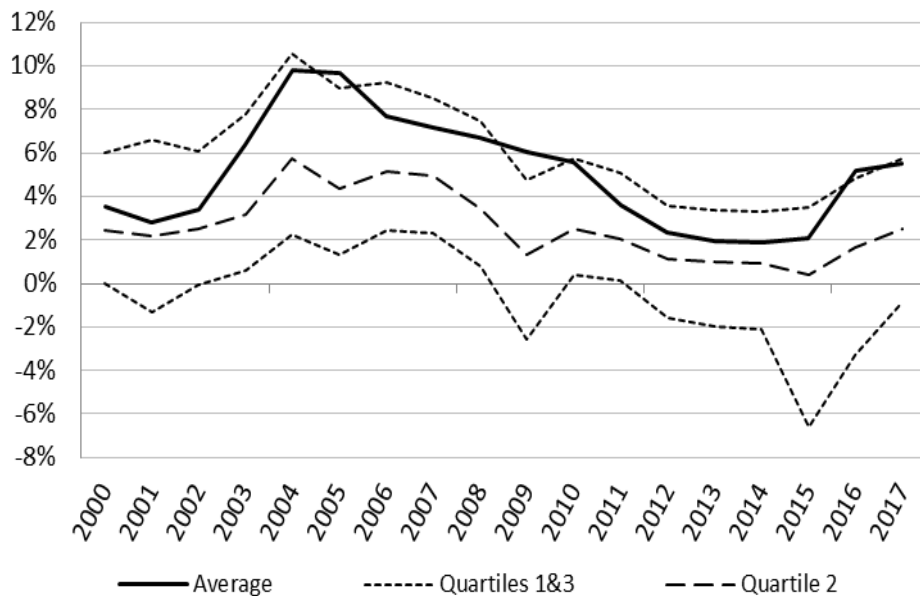
Steel Futures Markets

- Question: Could steel spot prices be influenced by speculative trading?
- Statistical tests on daily price series show that variations in steel futures prices can help better predict variations in steel spot prices.
- Possibility that trading on steel futures markets influences steel spot prices.

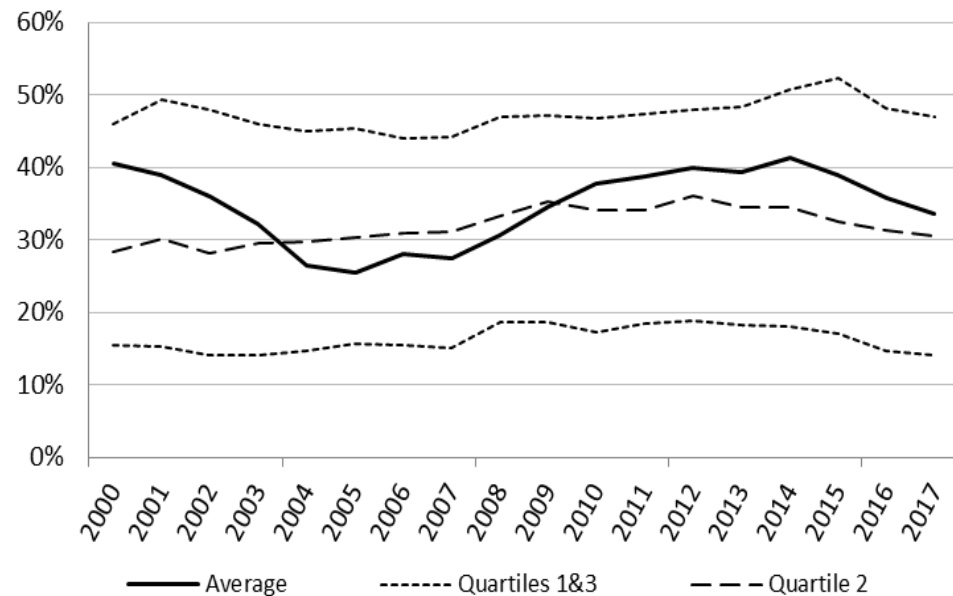


Financial Performance of Steel Companies

Evolution of net profits between 2000 and 2017



Evolution of indebtedness between 2000 and 2017



Source: OECD calculations based on data from Thomson Reuters Eikon.

Net profit margins increased, but 26% of steel firms made net losses in 2017

Indebtedness declined, but still amounted to 34% of debt on total assets in 2017, underlining the need to accelerate efforts to deleverage



Concluding Remarks

- Steel market conditions continued to improve, but recovery looks fragile because of persistent structural imbalances.
- Some steel companies have seen improvements in their financial performance, but deleveraging needs to continue.
- Policy makers should focus on removing barriers to exit in order to facilitate restructuring, which benefits the steel industry as a whole.



Thank you for your attention