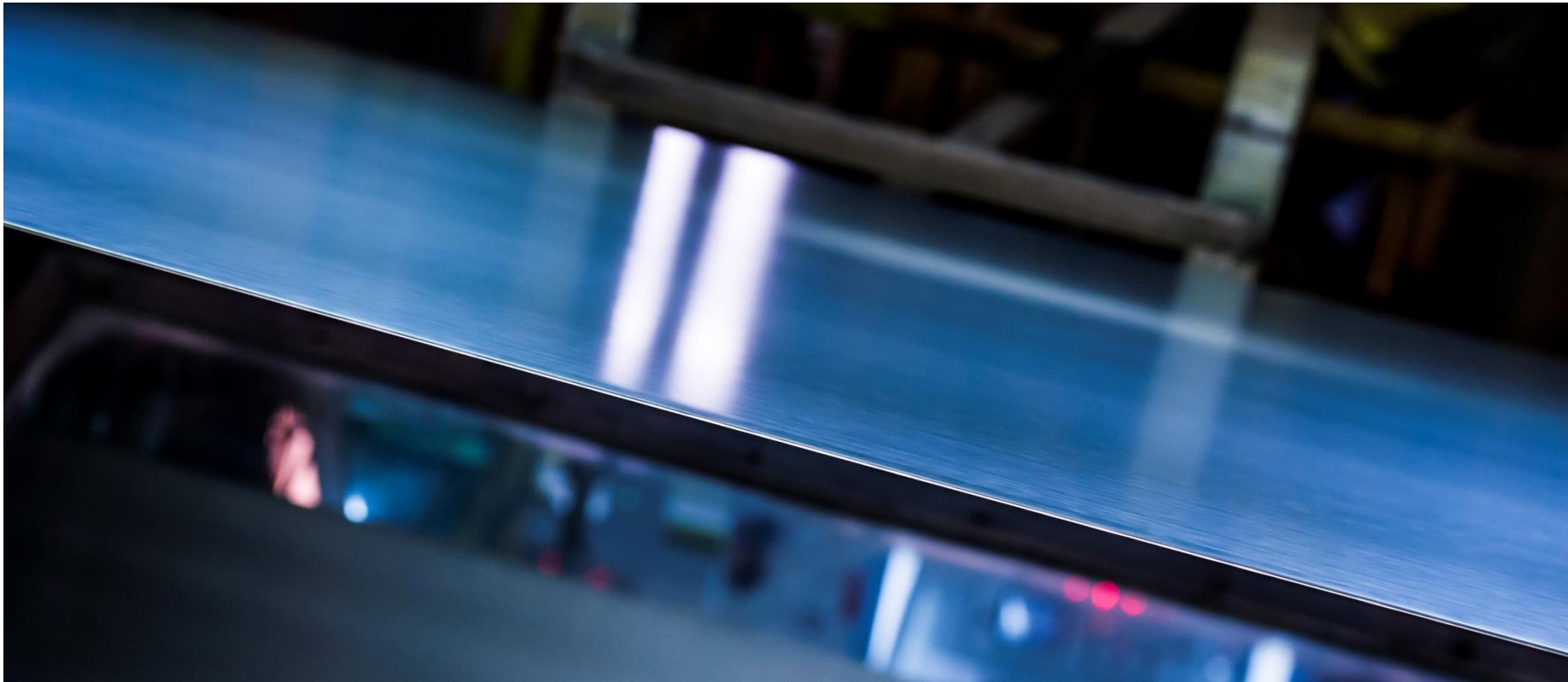


Global Steel Market Outlook

OECD Steel Committee Meeting, September 17, 2018, Paris



Disclaimer text

This document is protected by copyright. Distribution to third parties or reproduction in any format is not permitted without written permission from worldsteel. worldsteel operates under the strictest antitrust guidelines. Visit [worldsteel.org/About us](http://worldsteel.org/About%20us) for detailed antitrust guidelines.

Key observations:

Steel cycle at a turning point amid headwinds from global trade tensions

- **Steel demand in 2018 remained resilient, but deceleration in 2019**
 - Steel demand in the developed economies maintained the momentum with high confidence and strong investment recovery
 - China's steel demand gets boost from a mild stimulus
 - Recovery of the emerging economies continued, albeit at a slower than expected
 - Global steel demand in 2018 and 2019 will show only a mild deceleration over 2017
 - Most emerging economies growth expected to accelerate
- **Downward pressures are building up amid rising uncertainty**
 - The global economy seems to have peaked
 - Uncertainties are re-escalating
 - Trade tensions and currency volatility could speed up and sharpen the downturn along with long term consequences

Global Overview

Steel demand, finished steel (SRO April 2018)

2017

1 587.4 million tonnes, 4.7% / 2.4%* growth

2018 (forecasts)

1 616.1 million tonnes, 1.8% growth

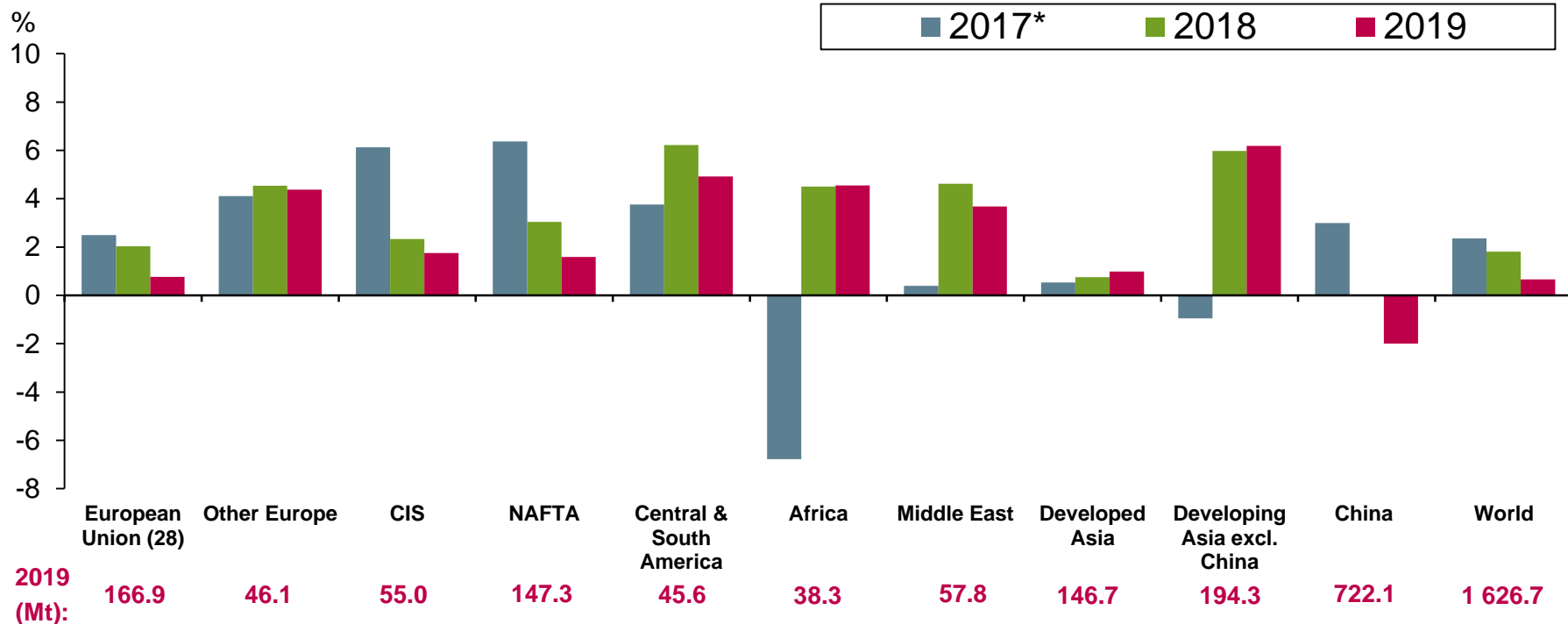
2019 (forecasts)

1 626.7 million tonnes, 0.7% growth

* : Growth rates based on adjusted Chinese crude steel production for 2016

Regional Summary

Steel demand, finished steel (SRO April 2018)



	million tonnes (Mt)			%			2019 as % of 2007
	2017	2018	2019	17/16	18/17	19/18	
World	1 587.4	1 616.1	1 626.7	4.7 / 2.4*	1.8	0.7	132.9
Developed Economies	410.7	417.9	422.7	2.9	1.8	1.1	88.7
Emerging & Developing Economies excl. China	439.9	461.4	481.9	0.8	4.9	4.5	146.3
China	736.8	736.8	722.1	8.3 / 3.0*	0.0	-2.0	172.6

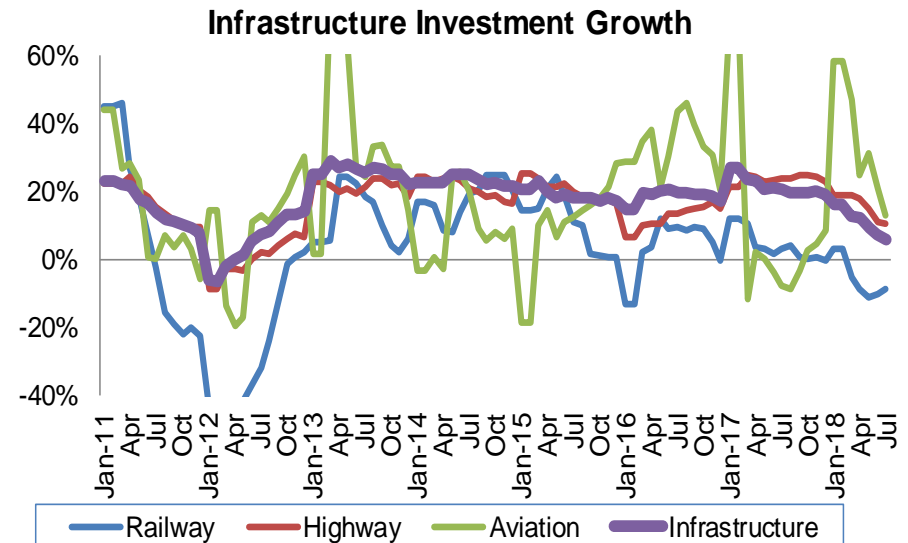
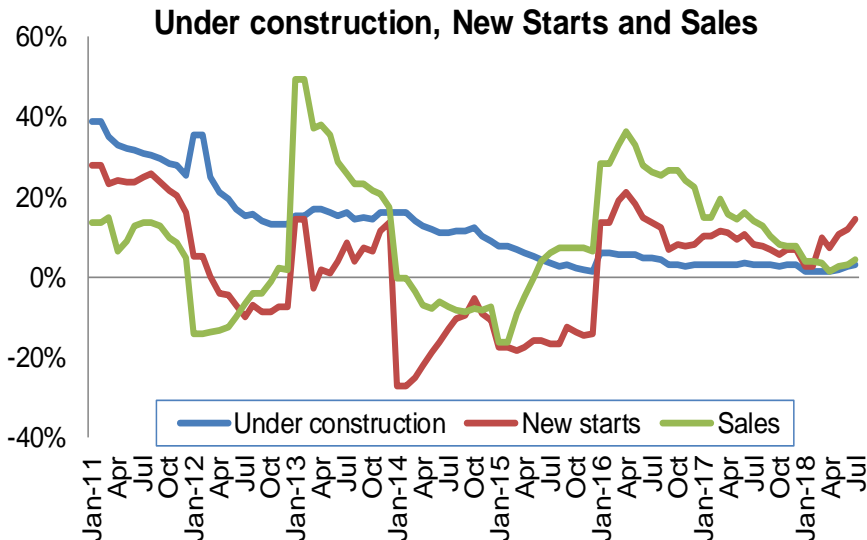
* : Growth rates based on adjusted Chinese crude steel production for 2016

China

Steel demand, finished steel (SRO April 2018)

	Mt			%			2019 as % of 2007
	2017	2018	2019	17/16	18/17	19/18	
World	1 587.4	1 616.1	1 626.7	4.7 / 2.4*	1.8	0.7	132.9
Asia	1 053.6	1 065.1	1 063.1	5.6 / 2.0*	1.1	-0.2	157.0
China	736.8	736.8	722.1	8.3 / 3.0*	0.0	-2.0	172.6

* : Growth rates based on adjusted Chinese crude steel production for 2016



Source: NBS

Developments in key regions

■ Asia

- **China:** The mild stimulus on real estate market and exports supported steel demand in 2018 amid decelerating investment. Rebalancing and environmental protection will continue to weigh on steel demand leading to weakening steel demand outlook for 2019 and forward. Risk from trade tensions and corporate debts to be noted.
- **India:** As economic shocks from the twin reforms recede, the Indian economy is in a recovery mode and steel demand is likely to be supported by strong consumption and government infrastructure programs. Private investment started to recover slowly with improved balance sheets. High interest rates and inflation remains a concern.
- **ASEAN:** Apparent steel use in ASEAN contracted in 2017 due to severe stock movements and delay of construction projects. 2018 also saw sluggish steel demand growth, despite strong economic fundamentals. In 2019, the region is expected to resume a high growth.
- **Japan:** Japan's steel demand outlook remains stable with some boost from high corporate earnings and public infrastructure programs. Labor shortage is restraining construction activities and boosting investment in automation.
- **Korea:** Despite the new government's income led growth policy, consumption remains constrained and corporate investment is sluggish. Toughening regulations on real estate will lead to negative growth in construction. Korea will see contraction of its major steel using sectors in 2018 and only a minor recovery is expected in 2019.

Developments in key regions (2/3)

■ EU

- The EU steel demand continued a healthy momentum in 2018, even though less strong compared to the exceptionally high growth in 2017. Investment and construction recovery remains strong while the automotive sector is to decelerate due to saturation effect. Deceleration in steel demand will continue into 2019, but outlook for the EU overall remains positive. Growth in the EU is now more domestic demand driven and less contribution from export is expected. No deal Brexit and trade war pose risks.

■ NAFTA

- **US:** The US economy remains strong, above the potential growth, with high confidence and low unemployment backed by government fiscal stimulus and trade policies. However, steel demand growth is expected to decelerate after the strong 2017 due to slow down in the housing construction and energy related investments. Manufacturing is expected to continue to rebound, even though the auto sector will moderate.
- **Mexico:** Even though uncertainties related to NAFTA negotiation and the presidential election are behind, they hurt the performance of Mexico in 2018. A sluggish manufacturing sector, especially the auto sector, and the low level of public investment in infrastructure, and fall in mining investment will lead to contraction of steel demand 2018. A slow recovery is expected in 2019.

Developments in key regions (3/3)

■ South America

- Recovery of the Latin American countries continues at a slow pace benefitting from rising oil prices and reforms (except for Argentina and Venezuela), yet remains fragile to the global environment and political uncertainty. .
- **Brazil:** Recovery of the economy and steel demand continues. Investment has started recovery and the automotive sector is showing a strong growth. But construction is expected to contract in 2018 again and only to start recovery in 2019. The outcome of presidential election is highly unpredictable and casts uncertainty about continuation of the necessary reforms. Steel demand is expected continue to maintain the moderate recovery momentum in 2018/19.

■ CIS and Other Europe

- **Russia:** Steel demand continues slow but steady recovery partly overcoming the impact of sanctions. Despite the recovery in oil prices, recovery is hampered by sanctions and lack of structural reforms .
- **Turkey:** The Turkish economy showed a good performance in 1H 2018, but the currency crisis in 2H 2018 led to a dramatic swing in the economic situation, making a contraction in steel demand in 2018 inevitable. Any outlook on Turkey critically depends on the scenarios.

■ MENA

- **GCC:** Recent recovery in oil prices, fiscal consolidation and economic diversification helped rebound of the GCC economies, but steel demand momentum in the region remains weakened.
- **North Africa:** Strong rebound in Egypt is expected after the reform shocks
- **Iran:** Resumption of US sanctions led to darkening of economic and steel demand outlook

Revisions from April 2018 Forecasts

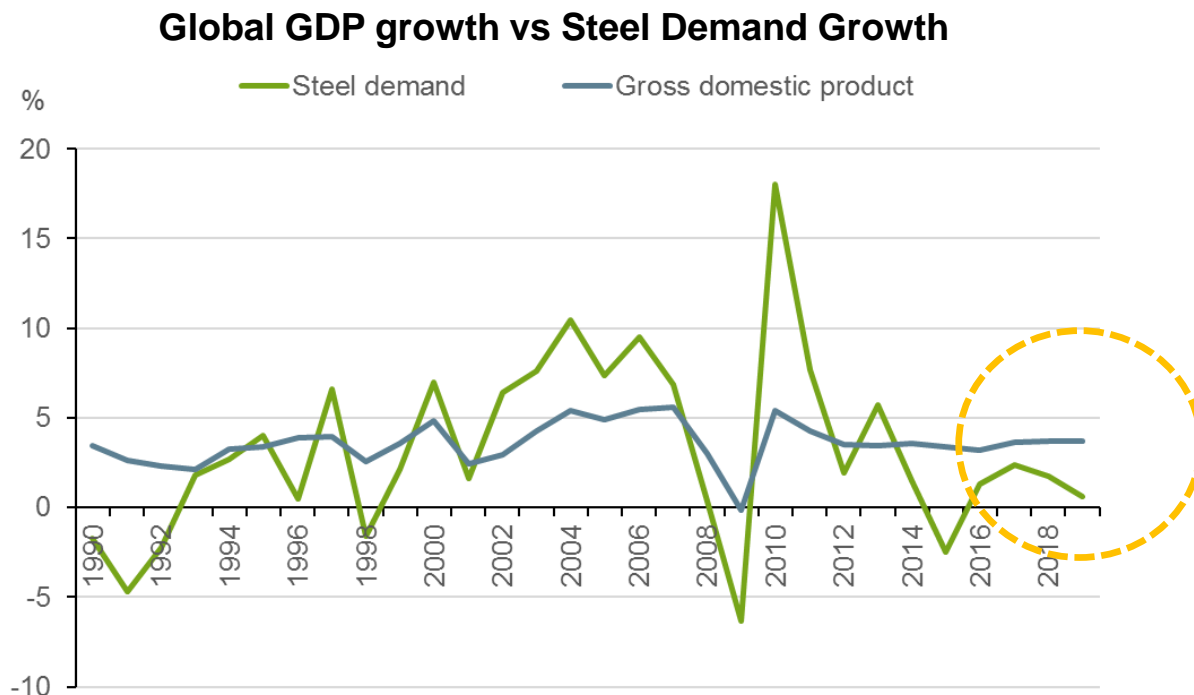
Steel demand, finished steel (SRO April 2018 / October 2018)

	Mt		%		Mt Δ		growth rate Δ		accel. 19/18
	2018	2019	2018	2019	2018	2019	2018	2019	
	SRO April 2018				SRO October 2019				
World	1 616.1	1 626.7	1.8	0.7					
EU (28)	165.6	166.9	2.0	0.8					
Other Europe	44.2	46.1	4.5	4.4					
CIS	54.0	55.0	2.3	1.8					
NAFTA	145.0	147.3	3.0	1.6					
C&S America	43.5	45.6	6.2	4.9					
Africa	36.6	38.3	4.5	4.6					
Middle East	55.7	57.8	4.6	3.7					
Asia & Oceania	1 071.4	1 069.7	1.1	-0.2					
China	736.8	722.1	0.0	-2.0					
Developing Asia excl. China	183.0	194.3	6.0	6.2					
Developed Asia	145.2	146.7	0.8	1.0					

*- Series based on Chinese steel using sectors dynamics

Conclusion

- Global steel demand outlook for 2018/19 remains stable over the April SRO; slightly better than expected
- Downside pressure and risks are accumulating with escalating trade wars
- Global steel demand growth is expected to continue stay on the low growth track
- Circular economy impact, in particular, that of reuse/remanufacturing to be new structural factors to be followed



Source: worldsteel (steel demand, SRO April 2018), IMF (World Economic Outlook, October 2017)

Thank you for your attention.

For further information contact:

Dr Nae Hee Han | Director, Economic Studies and Statistics
World Steel Association
han@worldsteel.org | T: +32 (0)2 702 8913 | worldsteel.org

worldsteel

A S S O C I A T I O N

worldsteel.org