

Global Steel Demand Outlook

OECD Steel Committee Meeting, September 26, 2019, 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 demand remains resilient in the challenging environment

- **In 2019, downward revisions in all regions except China & CIS; contracting steel demand in many regions**
 - In developed economies, no growth or small contraction is expected; severe contraction in Germany
 - Timid growth expected in the emerging world due to severe contraction in Turkey and MENA
 - Chinese steel demand grew strongly to enable positive growth in global steel demand
 - Globally shared recession in the auto industry. Significant impact is expected if US section 232 tariffs on auto were to be implemented
- **2020 outlook mixed across regions, but steel demand will continue to grow**
 - Strong growth expected in India, ASEAN and Brazil
 - China will decelerate unless massive stimulus is undertaken
- **Significant downside risks, but upside potentials as well**

Short Term Steel Demand Outlook

(Finished steel, SRO April 2019)

2018

1 712.1 million tonnes, 4.9%/ 2.1%* growth

2019 (forecasts)

1 735.0 million tonnes, 1.3% growth

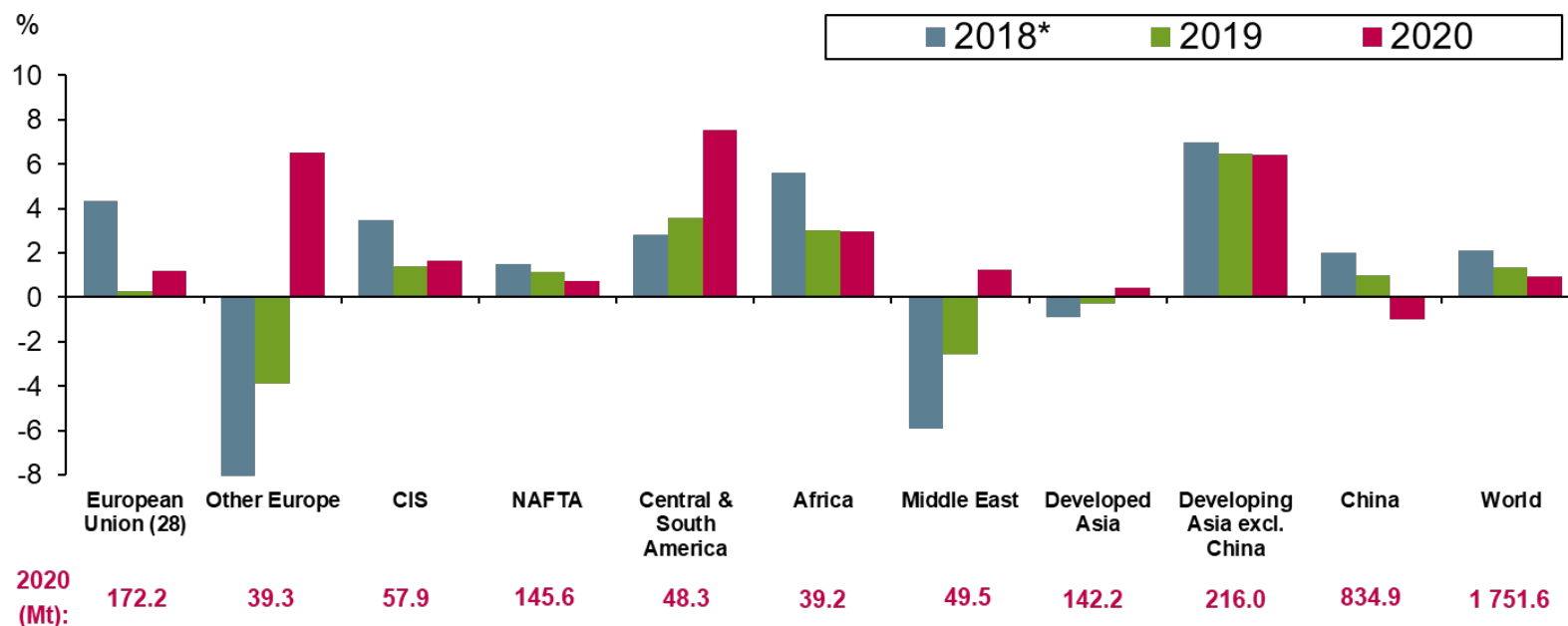
2020 (forecasts)

1 751.6 million tonnes, 1.0% growth

* World growth rates based on adjusted Chinese growth rates

Regional steel demand outlook 2019-2020

SRO April 2019

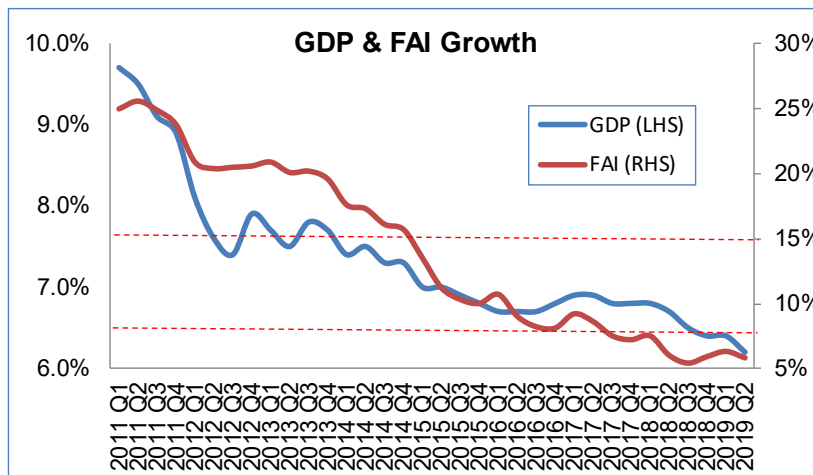


*- growth rates based on adjusted Chinese growth rates
Source: worldsteel Short Range Outlook April 2019

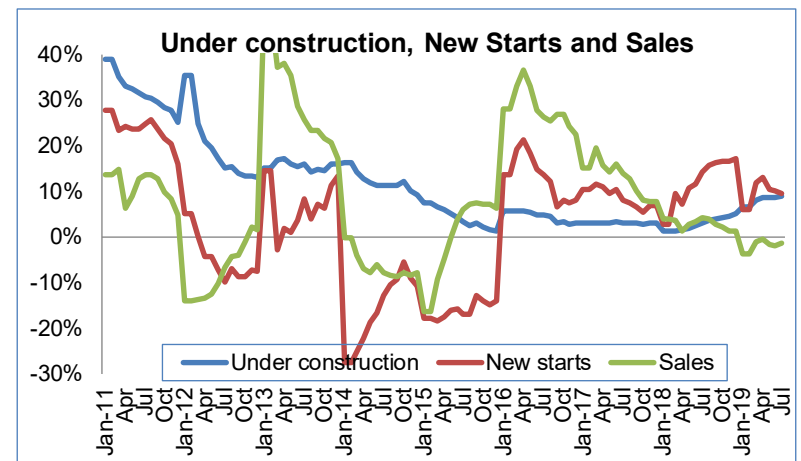
	Mt			%		
	2018	2019	2020	18/17	19/18	20/19
World	1 712.1	1 735.0	1 751.6	4.9/ 2.1*	1.3	1.0
China	835.0	843.3	834.9	7.9/ 2.0*	1.0	-1.0
RoW	877.2	891.7	916.7	2.2	1.7	2.8
Developed	414.0	415.2	418.1	1.8	0.3	0.7
Emerging & Developing	463.2	476.5	498.6	2.5	2.9	4.6

Development in China

- Deceleration of GDP/investment continues; lowest GDP growth since 1992
- US-China trade tension adds further pressure to the economy, hitting business sentiment and manufacturing
- Contraction of auto production deepens in 2019
- Real estate sector contributes to strong demand growth in 2019 due to relaxed controls in tier 2~4 cities
- In 2020, steel demand to decelerate with no stimulus on real estate, while targeted stimuli on infrastructure and consumption to provide some buffer



Source: NBS



Source: NBS

Developments in key regions (1/4)

■ Asia

■ *India (April 2019 SRO for 2019&20: 7.1% & 7.2%)*

India's steel demand in 2019 did not meet the expectation as the economy decelerated sharply due to uncertainty during the general election, liquidity crisis. Capital goods, real estate, auto sectors slumped. Post-election improvement in sentiment and infrastructure investment is expected to pull up steel demand growth to a higher level in 2020. Private investment is expected to remain weak.

■ *ASEAN 5 (April 2019 SRO for 2019&20: 5.6% & 5.5%)*

Steel demand growth momentum in ASEAN 5 countries weakened slightly due to weakness in Thailand, but higher growth is expected in 2020 driven by infrastructure investments. The region is benefitting from trade diversion following the US-China trade conflict.

■ *Japan (April 2019 SRO for 2019&20: -1.0% & -0.8%)*

While public projects provide some supports to steel demand, steel demand is expected to contract slightly reflecting deteriorating global economic environment.

■ *Korea (April 2019 SRO for 2019&20: -0.4% & 1.3%)*

Domestically, weak construction and investment, high household debts are constraining steel demand. Deteriorating export market further adds pressure to the manufacturing sector, despite some recovery in shipbuilding.

Developments in key regions (2/4)

- **EU** (*April 2019 SRO for 2019&20: 0.3% & 1.2%*)

- Uncertainty and slowing trade is taking a heavy toll on the EU economy with sharply weakening confidence and manufacturing, despite so far resilient domestic demand. German manufacturing is in deep recession as result of slowing exports and Brexit uncertainty. The German auto industry is particularly severely hit. Spill over to the consumer sector and other EU economies further raises recession risk in EU.

- **NAFTA**

- **US** (*April 2019 SRO for 2019&20: 1.3% & 0.3%*)

The US economy is decelerating as the effect of fiscal stimulus fades and trade related uncertainty affects confidence and manufacturing. Hence, steel demand will see deceleration with weak capital goods sector and moderating construction. Recent monetary easing and announced fiscal stimulus could cushion deceleration in 2020.

- **Mexico** (*April 2019 SRO for 2019&20: 1.6% & 0.9%*)

The Mexican steel demand will contract in 2019 affected by policy uncertainty, cancellation of oil projects and fiscal budget constraint. Industrial activities fared better than the contracting construction sector thanks to exports, in particular the auto industry and appliances. Despite weak economy, confidence is improving under the new government and 2020 will see some recovery in steel demand.

Developments in key regions (3/4)

■ South America

- The region's recovery saw a setback in 2019 as external environment worsened and Argentina and Venezuela show large contractions. While a recovery is penciled in for 2020, policy uncertainties loom large downside risk is high.

- *Brazil (April 2019 SRO for 2019&20: 4.6% & 5.6%)*

Recovery in 2019 disappoints due to policy uncertainty and worsening trade environment. But GDP managed to stay in the positive zone, even though industrial activities were sluggish. Construction finally started to show signs of recovery. 2020 will see a more positive development with a breakthrough in pension reform and other reform policies leading to rising confidences.

■ CIS and Other Europe

- *Russia (April 2019 SRO for 2019&20: 0.7% & 1.0%)*

Steady and slow recovery in steel demand continues, with relatively stable macroeconomic conditions.

- *Turkey (April 2019 SRO for 2019&20: -4.9% & 8%)*

Currency crisis of August 2018 led to a large contraction in steel demand in 2019. Macroeconomic indicators are stabilizing and a mild recovery is foreseen in 2020.

Developments in key regions (4/4)

■ MENA

■ *GCC (April 2019 SRO for 2019&20: -1.2% & 0.9%)*

Scaling down of construction activities, finalization of Expo related projects led to contraction of steel demand in UAE and hence GCC. Subdued outlook continues for 2020.

■ *North Africa (April 2019 SRO for 2019&20: 3.6% & 3.1%)*

The North African economy continues to grow fast but steel demand will contract in 2019 due to completion of construction projects in Egypt. Reforms and infrastructure will continue to drive steel demand in the region.

■ *Iran (April 2019 SRO for 2019&20: -5.5% & 0.8%)*

Reinstatement of US sanctions weakens the economy and hence contraction of steel demand. Outlook for 2020 is uncertain under the current environment.

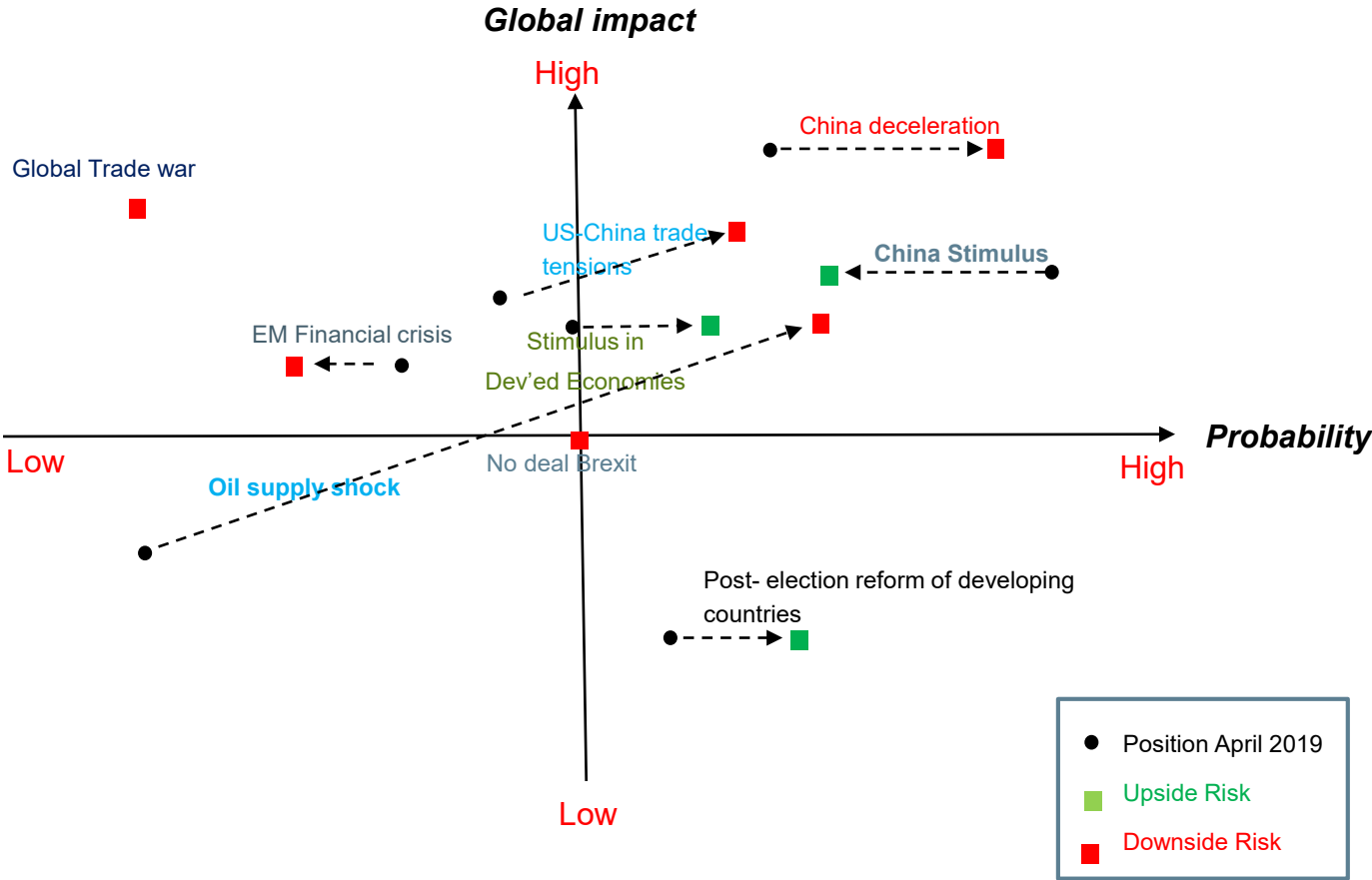
Revisions from April 2019 forecasts

(SRO April 2019 vs October 2019)

	Mt		%		Mt Δ		growth rate Δ	
	2019	2020	2019	2020	2019	2020	2019	2020
	SRO April 2018				SRO October 2019			
World	1 735.0	1 751.6	1.3	1.0				
EU (28)	170.2	172.2	0.3	1.2				
Other Europe	36.9	39.3	-3.9	6.5				
CIS	57.0	57.9	1.4	1.7				
NAFTA	144.5	145.6	1.1	0.8				
C&S America	44.9	48.3	3.6	7.5				
Africa	38.1	39.2	3.0	3.0				
Middle East	48.9	49.5	-2.6	1.2				
Asia & Oceania	1 194.6	1 199.6	1.7	0.4				
China	843.3	834.9	1.0	-1.0				
Developing Asia excl. China	202.9	216.0	6.5	6.4				
Developed Asia	141.6	142.2	-0.3	0.4				

*- Series based on Chinese steel using sectors dynamics

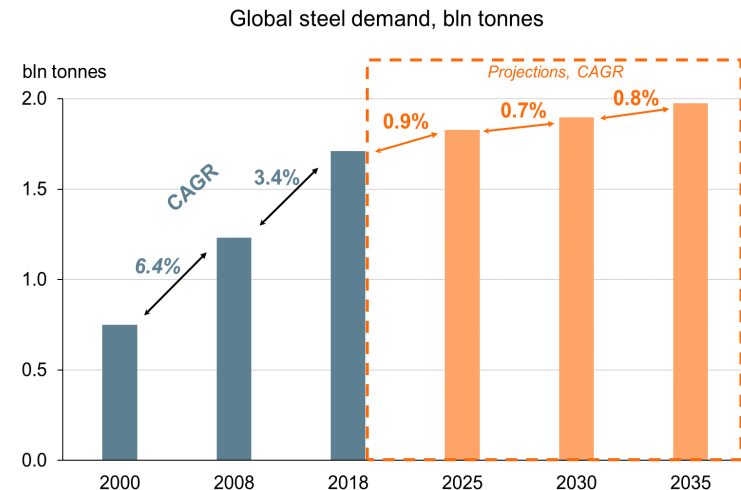
Significant downside risks, politically driven



Long term steel demand outlook

Worldsteel view

- Steel demand growth will stay on a low growth gear
- Substantial demand increase is expected only in India and ASEAN (but this is also where steel capacities are growing rapidly)
- Globally, current installed capacities are sufficient to meet steel demand till 2035



Steel demand, Mt	2017	2020	2025	2035
Global steel demand (finished steel)	1 632	1 751	1 828	1 974

Source: worldsteel, SRO & MTF April 2019

Conclusion

- Very low visibility in the global economy with uncertainty hitting confidence and investment
- China's steel demand will decelerate in 2020, barring extensive stimulus
- Outlook in the rest of the world is mixed loaded with uncertainty; India and ASEAN will remain the bright spot
- Significant downside risks, mostly politically driven
- Upside potential: government stimulus, resolution of geopolitical conflicts, orderly BREXIT
- Disruptions to the existing global value chains due to trade tensions will have lasting impact
- Mounting challenges for the longer term outlook as well

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