

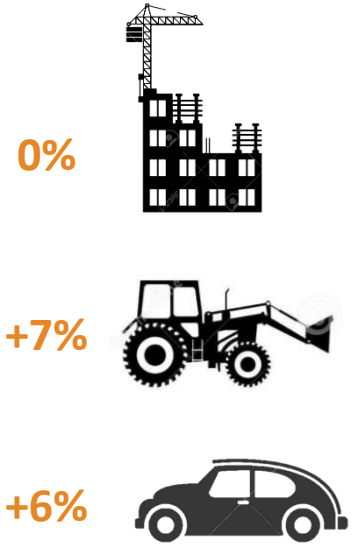
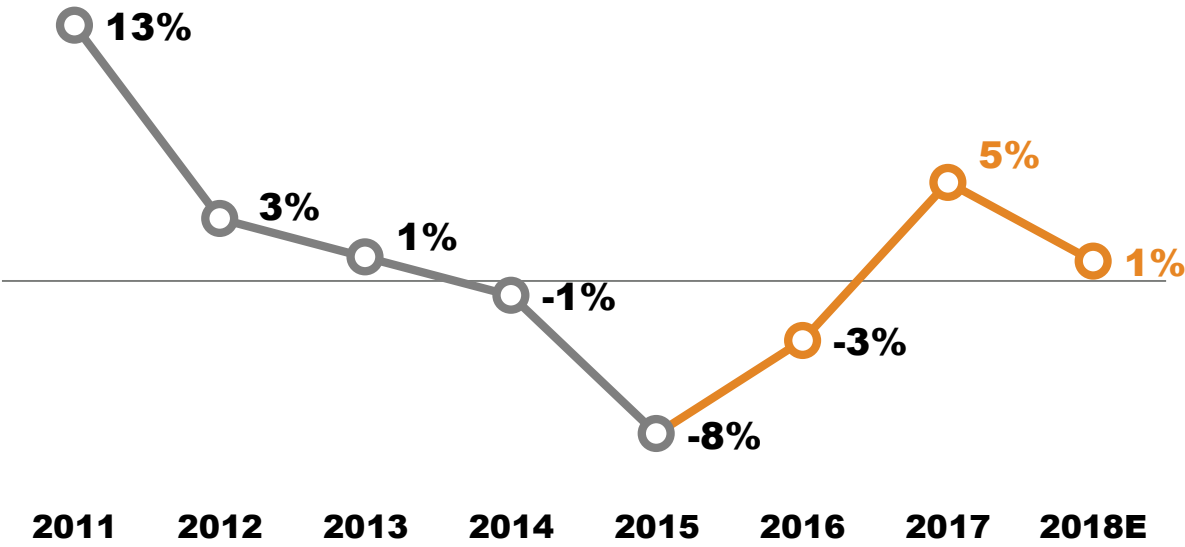


# **Russian Steel Markets Developments**

## **OECD Steel Committee**

**Dmitriy Kolomytsyn**  
**Russian Steel**  
**September 2018**

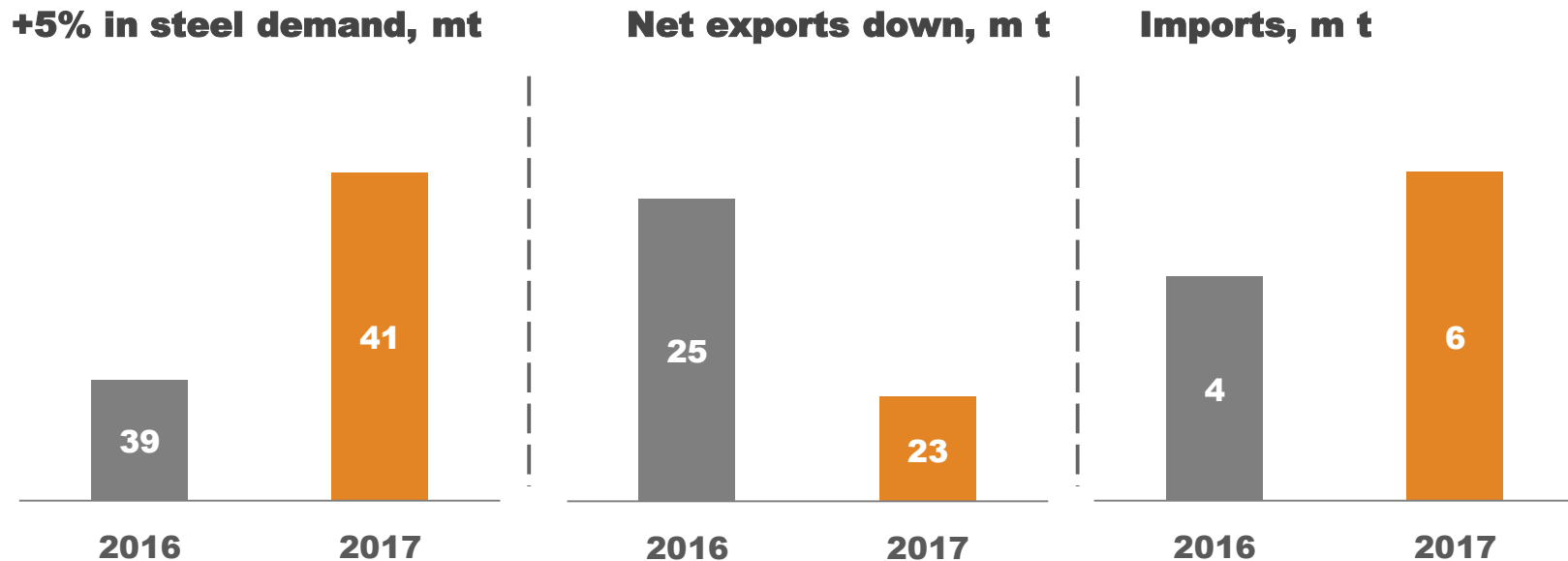
# Steel demand recovery continues



<b>Recovery of investment activity and cost of funding decline</b>	<b>Demand growth (real disposable income stabilization, sustained drop in inflation)</b>	<b>Import spare parts price growth is easing paving the way for better dynamics in machinery and automotive</b>
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Source: Russian steel, companies data

# Russian market balance

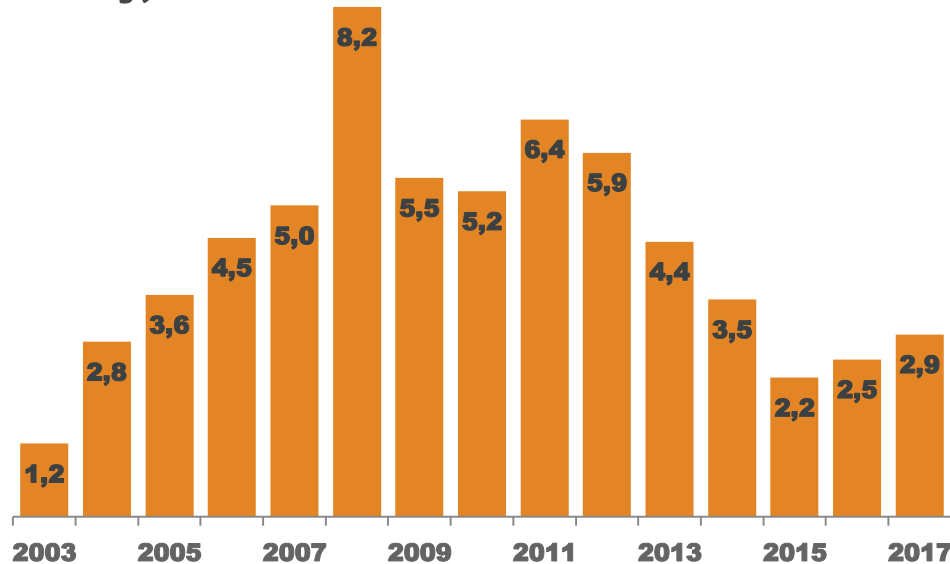


- **Demand recovered in 2017 (but still 6% below 2013 levels)**
- **Net exports are down on stronger demand y-o-y and spike in imports**

# What is next?



## Investments in Russian steel industry, \$ bn



## Planned Infrastructure Investments

Period	2019-2024
Investments	> \$110 bn
# of projects	691
# of regions	31

*Ministry of Economy forecast, August 2018*

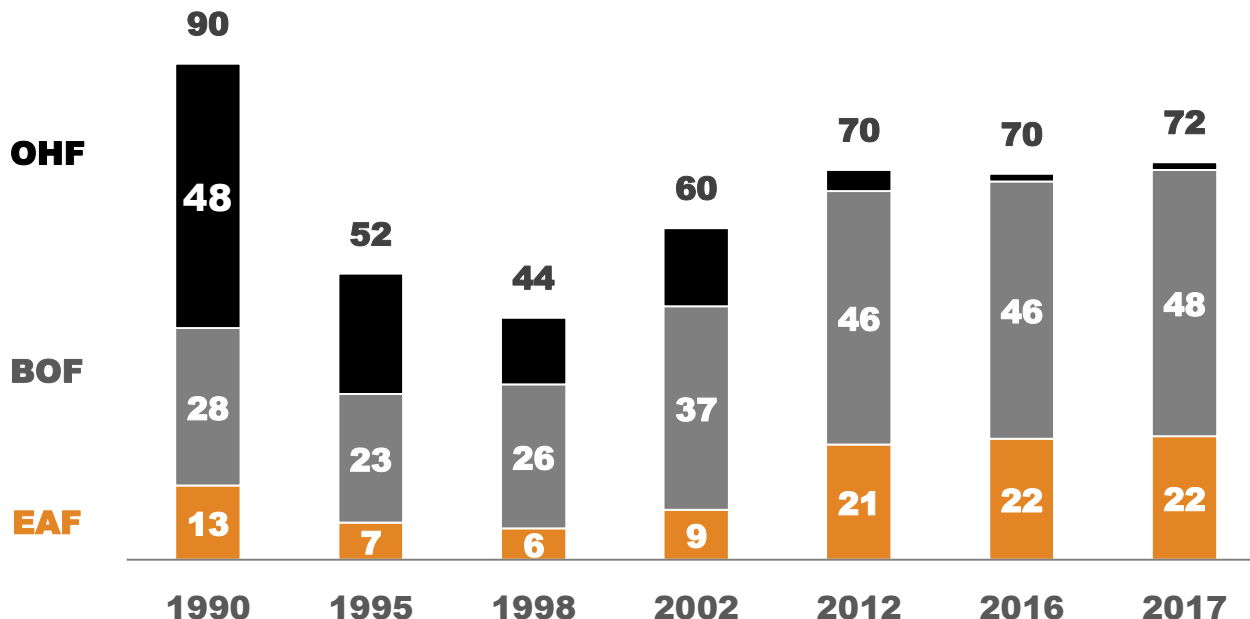
### Capex focus shifted to modernization and downstream development

- Downstream projects to meet domestic demand
- Digitalization
- Sales channels (e. g. online sales platforms and warehouses)
- Environmental and energy efficiency investments

**Domestic demand to pick up on new infrastructure projects with large investments**

# Market drove capacity modernization and rationalization

Output in million t




**50% of 1990 capacity was shut down (equivalent of over 47 m t) on poor economics and sustainability factors**

**OHF capacities were phased out replaced by modern EAFs and BOFs**

**20% of net capacity decrease (vs 1990) with further capacity rationalization on the way (extra 0.5 m t of OHF shut down in 2018)**

## **Concluding remarks**

- **Russian economy continues to recover**
- **Steel consumption is expected to grow over the next several years on better fundamentals and pent-up demand of 15 m t**
- **Further infrastructure investments expected**
- **Shift in investment focus on maintenance, eco-friendly & energy effective decisions, improved operational efficiency (incl. digitalization), product quality**
- **Stated and tracked goals of major producers: productivity, sustainability**



**Thank you for your attention!**