STATE ENTERPRISES IN THE STEEL SECTOR

OECD Steel Committee
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Background

• The report assesses the extent of state ownership in the steel industry by looking at firm-level data.

• Increased presence of the state in the steel market and growing concerns regarding activity of State-enterprises (SEs).

• Important to determine whether SEs enjoy preferential market conditions and how these might affect market functioning.

• Serious concerns about the behavior of SEs in the steel sector.

• Inclusion of a SE-specific additional intermediate objective in the Mandate of the Steel Committee (2013).
State presence in the steel sector

SEs shares of crude steel production

- % SE, Top 100 firms (LHS)
- % SE, Global production (LHS)
- SE production (RHS)

% SE, Top 100 firms (LHS) | % SE, Global production (LHS) | SE production (RHS) (mmt)
---|---|---
2011 | 434 | SE production 545
2012 | 427 | PE production 543
2013 | 625 | Unidentified 586
2014 | 652 | 595
2015 | 632 | 579
2016 | 643 | 522
State enterprise and economic performance

A. Average ROA (Return on Assets)

B. Average operating profitability (EBIDA/SALES)
State enterprise and economic performance

A. Leverage (Debt/Assets)

B. Solvency Ratio
## SEs and steelmaking capacity

<table>
<thead>
<tr>
<th>Recent investments in new capacity (by ownership type and status)</th>
<th>Operating/Underway</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SEs</td>
<td>PEs</td>
</tr>
<tr>
<td>Capacity (mmt)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OECD</td>
<td>0</td>
<td>25.8</td>
</tr>
<tr>
<td>non-OECD</td>
<td>152.7</td>
<td>120.3</td>
</tr>
<tr>
<td>No. investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OECD</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>non-OECD</td>
<td>70</td>
<td>89</td>
</tr>
</tbody>
</table>
## SEs and steelmaking capacity

<table>
<thead>
<tr>
<th>Capacity closures by type of ownership</th>
<th>Number of closures</th>
<th>Capacity closed (mmt)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SEs</td>
<td>PEs</td>
</tr>
<tr>
<td><strong>OECD</strong></td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td><strong>non-OECD</strong></td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>
SEs and steelmaking capacity

Operating performance and capacity

- avg EBITDA/FIXED ASSETS (SEs)
- avg EBITDA/FIXED ASSETS (PEs)
Key findings (a recap)

• **Significant presence of SEs** in the global steelmaking industry.

• **SEs are associated with lower economic performance and higher debt.**

• **SEs retrieve lower profits for each unit of capacity** than their comparable private counterparts.

• **SEs are investing more in capacity than PEs**, while the number of SE closures in the last two years is significantly lower than for PEs.
Issues for discussion

• What are the rationales for the existence of SEs operating in the steel sector?
• How has state ownership in the steel sector evolved in the past 5 years?
• Have steel companies in your economy been affected by foreign SEs?
• What are the motivations for steel SEs to invest abroad?
• Should SEs be used as instruments for restructuring efforts?
• What are the most common forms of support to SEs?
• Should SEs be considered a policy instrument to support the steel sector?
• What policy solutions could be used to address the challenges created by SEs in the steel sector?