Steel Market Developments provide up-to-date information on global and regional steel markets. Reviewed and approved by the OECD Steel Committee, they are disseminated approximately twice a year to allow policymakers, industry, media and academia to keep abreast of the main trends and recent developments taking place in steel markets.

The reports provide an overview of recent supply and demand developments and, when available, forecasts from publicly available sources. Topics of special interest are occasionally covered, such as developments in steel-related raw material markets, steelmaking capacity trends or updates on specific regions that are important for the global steel market.
STEEL MARKET DEVELOPMENTS

2ND QUARTER 2014

by Laurent Daniel

OECD, Paris

Note for Israel
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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Global summary

Global steel consumption decreased by 0.8% year-on-year in the first quarter of 2014 after growth of 9.3% in the third quarter of 2013 and 8.7% in the fourth quarter of 2014, according to the Commodity Research Unit (CRU). The sudden halt in global steel consumption growth in the first quarter of 2014 was driven by the 0.7% decline in Chinese steel demand in the first quarter of 2014, following strong steel demand increases of 15.3% in the third quarter and 12.0% in the fourth quarter of 2013 (in year-on-year terms).

The data indicate that a recovery in steel demand is taking hold in the European Union (EU), with consumption increasing by 4.2% in the first quarter of 2014, according to EUROFER. In North America, steel consumption contracted by 1.9% in the first quarter of 2014. Japan’s apparent steel use decreased by 0.7% year-on-year in the first quarter of 2014, after a 12.7% yearly increase in the last quarter of 2013. Korean steel use increased by 1.2% in the first quarter of 2014, after growth of 6.3% in the last quarter of 2013. In South East Asia, steel consumption decreased by 8.2% in the first quarter of 2014 as compared to the same period in 2013, its first yearly decrease since the last quarter of 2010.

Industrial production, an important indicator of steel demand, in advanced economies increased by 3.1% year-on-year in the first two months of 2014 driven by strong industrial activity in Japan. Industrial production in Japan increased in the first two months of 2014 by 7.9% year-on-year. In the United States, industrial production growth slowed to 2.9% year-on-year in the first two months of 2014 from a rate of 3.3% in the last quarter of 2013. In the euro area, industrial production increased by 1.5% year-on-year in the first two months of 2014, the same growth rate than the one registered in the last quarter of 2013.

In emerging economies, the average yearly growth rate in industrial production decelerated slightly from 4.4% in the last quarter of 2013 to 4.1% in the first two months of 2014. Yearly growth rates have been slowing in emerging Asia from 7.7% in the third quarter of 2013 to 5.9% in the first two months of 2014. In Latin America, the industrial production growth rate remained weak with industrial activity only growing 0.9% year-on-year in the first two months of 2014. Central/Eastern European industrial activity went up 3.1% in the first two months of 2014 driven by the uptick of industrial production in the Europe Union. Industrial activity in Africa and the Middle East has been in contraction since the first quarter of 2013.

In the first quarter of 2014, global steel production increased by 3.7%, year-on-year, to 1 616 mmt in annualised terms. Chinese steel production increased by 4.9%, year-on-year, in the first quarter of 2014, reaching 804 mmt in annualised terms. In the world excluding China, steel production was 812 mmt, in annualised terms, in the first quarter of 2014, up 2.5% compared to the first quarter of 2013.

According to the April 2014 forecasts of the World Steel Association, world apparent steel use (ASU) is expected to increase by 3.1% in 2014 and by 3.3% in 2015, down from a growth rate of 3.6% in 2013. In 2014, apparent steel use in developed economies is expected to increase by 2.5%, marking a turnaround following the 0.3% demand contraction likely recorded in 2013. In emerging markets, apparent steel use
growth is expected to slow down to 3.2% in 2014, from a rate of 5.1% in 2013. Chinese steel consumption is expected to rise by 3.0% in 2014 after 6.1% in 2013.

According to the OECD Economic Outlook released on 6 May 2014, macroeconomic risks are overall better balanced although still tilted to the downside. These risks include financial tensions in emerging markets that can have bigger spillovers than anticipated, falling inflation in the euro area that could turn into deflation and geopolitical risks that have also increased since the start of the year. Some risks could more specifically affect major steel consuming or producing economies including a potential further slowdown of major steel consuming sectors in China, notably the construction sector, as well as a potential extended period of stagnation of the U.S. housing market driven by rising interest rates and a potential sharp contraction of the economic activity in Ukraine and spillover effects in the region.

The economic background

Macroeconomic developments

In its Economic Outlook released on 6 May 2014, the OECD forecasts a moderate strengthening of global growth and trade during 2014 and 2015 (Table 1). Economic activity in OECD economies will be boosted by accommodative monetary policies, supportive financial conditions and a fading drag from fiscal consolidation. In Japan, GDP increased by 5.9% in the first quarter of 2014, in quarter-on-quarter annualised terms, driven by strong household consumption as consumer anticipated the 3 percentage point rise in the value-added consumption tax that took effect on 1 April 2014.

<table>
<thead>
<tr>
<th></th>
<th>2013Q3</th>
<th>2013Q4</th>
<th>2014Q1</th>
<th>2014Q2</th>
<th>2014Q3</th>
<th>2014Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>4.1</td>
<td>2.6</td>
<td>0.1</td>
<td>3.9</td>
<td>3.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Euro area</td>
<td>0.6</td>
<td>0.9</td>
<td>0.8</td>
<td>1.3</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Japan</td>
<td>1.3</td>
<td>0.3</td>
<td>5.9</td>
<td>-3.1</td>
<td>1.8</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Sources: Datastream, OECD Economic Outlook released on 6 May 2014.

The ISM manufacturing purchasing managers index (PMI) for the United States reached 54.9 in April 2014, and has been oriented upwards since January 2014 (Figure 1). Despite economic weakness in the beginning of the year associated with severe winter weather, these data suggest underlying strength in the manufacturing sector. In Japan, the manufacturing PMI decreased sharply in April 2014 to reach 49.4, the first time under the 50-point threshold since February 2013. In Korea, the manufacturing PMI decreased slightly to 50.2 in April 2014 and has remained close to 50 since September 2013. In the European Union, the manufacturing PMI reached a reading of 53.9 in April 2014. After having been oriented upwards from 47.3 in April 2013 to 54.4 in January 2014, the EU manufacturing PMI remained around 54 points between January 2014 and April 2014. This provides further evidence that a gradual recovery in EU manufacturing is taking hold.
GDP yearly growth rates in large emerging economies have been substantially lower in 2013 than they were in the period between 2010 and 2012. According to the May 2014 OECD Economic Outlook, the deceleration in the major emerging market economies is reflecting cyclical slowdowns from overheated starting positions. Growth in many of the large emerging market economies is expected to remain modest relative to past norms, with tighter financial and credit conditions as well as past policy tightening taking effect. Supply-side constraints are also expected to dampen potential output growth in these economies.

According to figures from Datastream (Table 2) Chinese GDP increased by 7.4% year-on-year in the first quarter of 2014, after growth of 7.7% in the last quarter of 2013. In India, the GDP growth rate was 4.7% in the last quarter of 2013, remaining close to the 4.8% growth registered in the third quarter of 2013. In Brazil, the rate of GDP growth slowed to 2.0% in the last quarter of 2013, year-on-year, from 2.2% in the third quarter of 2013. Russian GDP growth has been oriented slightly upwards since the first quarter of 2013, with the growth rate reaching 2.0% year-on-year in the last quarter of 2013. In Turkey, GDP increased by 4.4% in the last quarter of 2013, after 4.3% in the third quarter of 2013. In South Africa, the GDP growth rate picked up to 2.1% in the last quarter of 2013 from 1.8% in the third quarter of 2013.
### Table 2. Yearly GDP growth rates

<table>
<thead>
<tr>
<th>Country</th>
<th>2013Q1</th>
<th>2013Q2</th>
<th>2013Q3</th>
<th>2013Q4</th>
<th>2014Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>7.7</td>
<td>7.5</td>
<td>7.8</td>
<td>7.7</td>
<td>7.4</td>
</tr>
<tr>
<td>India</td>
<td>4.4</td>
<td>4.4</td>
<td>4.8</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>1.7</td>
<td>3.3</td>
<td>2.2</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>0.8</td>
<td>1.0</td>
<td>1.3</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>2.9</td>
<td>4.5</td>
<td>4.3</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>2.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: Datastream.

In China, the manufacturing PMI has been under 50 since January 2014 and settled at 48.1 in April 2014 (Figure 2). In India, the manufacturing PMI remained stable at 51.3 in April 2014. In Indonesia, the manufacturing PMI increased to 51.1 in April 2014 from 50.1 in March 2014. In Viet Nam, the manufacturing PMI has been oriented upwards since July 2013 and reached 53.1 in April 2014. In Brazil, the manufacturing PMI decreased to 49.3 in April 2014, the first month below the 50-point threshold since September 2013. In Russia, the manufacturing PMI has remained under 50 since November 2013 and reached 48.5 in April 2014. In Turkey, the manufacturing PMI decreased to 51.1 in April 2014 after a reading of 51.7 in March and has been generally declining since December 2013. In South Africa, the Manufacturing PMI decreased sharply to reach 47.4 in April 2014 from a reading of 50.3 in March 2014.

![Figure 2. Manufacturing PMIs](image)
STEEL MARKET DEVELOPMENTS

Source: Markit.
Production developments in key steel-using sectors

Industrial production

Industrial production in advanced economies increased by 3.1% in the first two months of 2014 as compared to the same period in the previous year, driven by strong industrial activity in Japan where industrial production increased by 7.9% year-on-year in January-February 2014 (Table 3) and has been following a steady growth since early 2013 compared to recent years (Figure 3). In the United States, industrial production growth slowed to 2.9% in the first two months of 2014, from a rate of 3.3% in the last quarter of 2013. In the euro area, industrial production increased by 1.5% year-on-year in the first two months of 2014, the same growth rate than the one registered in the previous quarter.

Table 3. Yearly growth rates of industrial production in advanced economies (in per cent)

<table>
<thead>
<tr>
<th></th>
<th>Advanced Economies</th>
<th>Euro Area</th>
<th>Japan</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2013</td>
<td>-0.7</td>
<td>-2.3</td>
<td>-6.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>0.1</td>
<td>-0.9</td>
<td>-2.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>1.0</td>
<td>-1.0</td>
<td>1.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Q4 2013</td>
<td>2.7</td>
<td>1.5</td>
<td>5.4</td>
<td>3.3</td>
</tr>
<tr>
<td>JANUARY-FEBRUARY 2014</td>
<td>3.1</td>
<td>1.5</td>
<td>7.9</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Sources: CPB, Datastream.

Figure 3. Industrial production in advanced economies

Index=100 in 2005, seasonally adjusted

Sources: CPB, Datastream.
In emerging economies, industrial production growth moderated from 4.4% in the last quarter of 2013 to 4.1% in the first two months of 2014 (Table 4). Yearly growth rates have been slowing in emerging Asia from 7.7% in the third quarter of 2013 to 5.9% in the first two months of 2014 (Figure 4). In Latin America, the average industrial production growth rate remained weak with industrial activity only growing 0.9% year-on-year in the first two months of 2014. Central/Eastern European industrial activity went up 3.1% in January and February 2014 as compared to the same period in the previous year, driven by the uptick of industrial production in the Europe Union. Industrial activity in Africa and the Middle East has been in contraction since the first quarter of 2013.

Table 4. Yearly growth rates of industrial production in emerging economies

<table>
<thead>
<tr>
<th></th>
<th>Emerging Economies</th>
<th>Emerging Asia</th>
<th>Central/Eastern Europe</th>
<th>Latin America</th>
<th>Africa &amp; Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2013</td>
<td>3.8</td>
<td>6.8</td>
<td>0.2</td>
<td>0.1</td>
<td>-2.5</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>3.8</td>
<td>6.4</td>
<td>0.8</td>
<td>0.9</td>
<td>-1.8</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>4.5</td>
<td>7.7</td>
<td>1.9</td>
<td>0.4</td>
<td>-3.2</td>
</tr>
<tr>
<td>Q4 2013</td>
<td>4.4</td>
<td>7.1</td>
<td>3.0</td>
<td>0.8</td>
<td>-3.0</td>
</tr>
<tr>
<td>JANUARY-FEBRUARY 2014</td>
<td>4.1</td>
<td>5.9</td>
<td>3.1</td>
<td>0.9</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

Note: The CPB defines advanced economies as OECD economies excluding Turkey, Mexico, Korea and Central European economies. Emerging economies are those in Asia, Central and Eastern Europe, Latin America, and Africa and the Middle East.

Sources: CPB, Datastream.

Figure 4. Industrial production in emerging economies

Index=100 in 2005, seasonally adjusted

Source: CPB.
Automotive industry

In the European Union, new car registrations reached 11.8 million units for the 12 months ending in March 2014 and have been oriented upwards since the third quarter of 2013 (Figure 5). New car sales in the European Union grew 9.5% in March 2014 compared to the same quarter the previous year. New car sales in the United States increased by 5.6% year-on-year in April 2014 to 16 million units in annualised terms, but remained below their pre-recession average sales of 16.5 million units in 2005-2007.

In China, new passenger car sales have been moving upwards since the beginning of 2012 and reached 18.4 million units in the 12 months ending in March 2014. In India, Russia and Brazil, new car sales have been generally declining since 2013. In India, new car sales reached 2.5 million units in the 12 months ending in March 2014, down 5.0% compared to the same period one year earlier. In Brazil, new vehicle registrations amounted to 3.8 million units in the 12 months ending in March 2014, down 1.7% year-on-year. In Russia, new car sales decreased by 6.0% in March 2014, and reached 2.8 million units in the 12 months ending in March 2014.

Figure 5. New car sales and registrations in selected economies

Last 12 months, cumulative, in millions of units

Source: Datastream.
STEEL MARKET DEVELOPMENTS

Construction

Construction expenditures in the United States, in annualised terms, have been recovering from USD 754 billion in February 2011 to USD 946 billion in December 2013 (Figure 6). Since the beginning of 2014, construction expenditures have stabilised at a level close to USD 940 billion, and remained still 22% below their peak of USD 1 213 billion reached in March 2006 (Figure 6).

Figure 6. Construction expenditures in the United States

In billions of USD, annualised

Source: Datastream.

In the European Union, after reaching a very low level of -40 in March 2009, the construction confidence indicator has recovered only slightly and was still at a reading of -26 in April 2014. This compares to positive indicator readings before the Financial Crisis of 2008 (Figure 7). Construction activity in the EU decreased by 3% in 2013 and is expected to bottom out in the second quarter of 2014, marking the end of a seven-year period in which construction activity decreased by 18% in the EU (EUROFER, 2014)
In China, the Real Estate Climate Indicator decreased to 95.8 in April 2014, a significant drop compared to an average of 102.7 during the period 2000-2012. The weak sentiment in the Chinese real estate sector in early 2014 is an important factor explaining the annual decrease of steel demand in the first quarter of 2014 as construction activity accounts for more than half of steel consumption in China.
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Steel market developments

Global steel demand

Global steel consumption decreased by 0.8% year-on-year in the first quarter of 2014 (Figure 9), reversing the strong positive growth trend observed in the third and fourth quarters of 2013, i.e. 9.3% and 8.7%, respectively, according to data supplied by the Commodity Research Unit (CRU). The sudden halt in global steel consumption in the first quarter of 2014 was driven by the 0.7% year-on-year decrease by of Chinese steel demand in the first quarter of 2014 as compared to an increase of 15.3% in the third quarter of 2013 and by 12.0% in the fourth quarter of 2013.

Developments were different in the European Union, however, where steel consumption increased by 4.2% in the first quarter of 2014, according to EUROFER. In North America, steel consumption contracted by 1.9% in the first quarter of 2014. Japan’s apparent steel use decreased by 0.7% year-on-year in the first quarter of 2014, after a 12.7% yearly increase in the last quarter of 2013. Korean steel use increased by 1.2% in the first quarter of 2014, after 6.3% growth in the last quarter of 2013. In South East Asia, steel consumption decreased by 8.2% in the first quarter of 2014, its first decrease since the last quarter of 2010.

Figure 9. Finished steel demand, yearly growth rate in China and the rest of the world

![Figure 9](image)

Source: Commodity Research Unit (CRU).

Production and capacity

In the first quarter of 2014, global steel production increased by 3.7%, year-on-year, to 1 616 mmt in annualised terms (Figure 10). Chinese steel production increased by 4.9% year-on-year in the first quarter of 2014, reaching 804 mmt in annualised terms. In the world excluding China, steel production was 812 mmt, in annualised terms, in the first quarter of 2014, up 2.5% compared to the first quarter of 2013.
According to the World Steel Association, the world-wide steelmaking capacity utilisation rate was 79.0% in March 2014 (Figure 11), down 0.4 of a percentage point as compared to March 2013, but higher than the average of 78% registered for the period between January 2010 and March 2014.
Steel prices

The global composite\(^1\) hot-rolled coil price has been oriented upwards from USD 612 per tonne in May 2013 to USD 649 per tonne in April 2014, i.e. representing an increase of 6% during this period (Figure 12). However, it has not fully recovered the 30% decrease that occurred from April 2011 to May 2013. In April 2014, domestic hot-rolled coil prices (measured in U.S. dollars) decreased by 7% year-on-year in Germany and by 12% year-on-year in China. In Japan, domestic hot-rolled coil prices increased by 17% year-on-year to reach USD 718 per tonne but remained 23% below the level of USD 935 per tonne reached in June 2011. Hot-rolled coil prices increased by 9% year-on-year to USD 721 per tonne in April 2014 in the United States.

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\(^1\) The global composite hot rolled coil nominal price is the average of domestic prices of hot-rolled coil in the United States, Germany, Japan and China.
The global composite rebar price decreased slightly by 1.7% year-on-year in April 2014, falling to USD 643 per tonne. In April 2014, domestic prices of rebar decreased by 0.1% year-on-year in the United States, 2.1% in Germany and 13% in China. In Japan, the rebar price increased by 7.6%.

2 The global composite rebar price is the average of domestic rebar prices in the United States, Germany, Japan and China.
Steel demand forecasts for the short-term and associated risks

According to the April 2014 forecasts of the World Steel Association, world apparent steel use (ASU) is expected to increase by 3.1% in 2014 and by 3.3% in 2015, down from a growth rate of 3.6% in 2013. In 2014, apparent steel use in developed economies is expected to increase by 2.5%, reversing the 0.3% contraction experienced in 2013. In emerging markets, apparent steel use is expected to grow by 3.2% in 2014, slowing from a 5.1% growth rate in 2013. Chinese steel consumption is expected to rise by 3.0% in 2014 after 6.1% in 2013.

In its March 2014 quarterly report, the Australian Bureau of Resources and Energy Economics (BREE) forecast global crude steel demand growth rates of 2.7% for 2014 and 2.1% for 2015. BREE expects Chinese steel demand to increase by 3.0% in 2014 and 2.9% in 2015.

In its Economic Outlook released on 6 May 2014, the OECD indicated that macroeconomic risks are overall better balanced although still tilted to the downside. These risks include financial tensions in emerging markets that can have bigger spillovers than anticipated, falling inflation in the euro area that could turn into deflation and geopolitical risks that have also increased since the start of the year. Box 1 mentions selected risks that could affect major steel consuming or producing economies including a potential further slowdown of major steel consuming sectors in China, notably the construction sector, as well as a potential extended period of stagnation of the U.S. housing market driven by rising interest rates and a potential sharp contraction of the economic activity in Ukraine and spillover effects in the region.

Box 1. Selected risks in major steel consuming or producing economies

- **Potential further slowdown of major steel consuming sectors in China**: As shown in the section on the construction sector, real estate activity indicators in China have been on a declining trend. Moreover, inventories of unsold homes in Chinese cities are also rising. The Chinese State council introduced in March 2013 restrictions on the purchase of secondary houses and raised taxes on capital gains in the property sector. Overcapacity in steel-consuming sectors weighs on investment and, consequently, on steel demand in China. Investment in the manufacturing sector slowed down to an annual growth rate of 15.2% in the first four months of 2014 as compared to 18.4% in the corresponding period of 2013. A further slowdown in Chinese GDP growth in the second quarter of 2014 is possible given the moderation in the industrial production value-added growth rate from 8.8% in March 2014 to 8.7% in April 2014, in addition to the slowing annual rate of retail sales growth from 12.2% in March 2014 to 11.9% in April 2014. The Chinese manufacturing PMI remained at a low level of 48.1 in April 2014, below expectations and pointing to a further slowdown of industrial production in China.

- **Potential extended period of stagnation of the U.S. housing market**: Before the Joint Economic Committee of the U.S. Congress, the Chairwoman of the Federal Reserve, Janet Yellen, indicated that many recent indicators suggest that a rebound in spending and production in the U.S. is under way in the second quarter of 2014, pointing to a solid growth. However, she indicated that the recent stagnation of the housing market could continue for longer than expected. Higher interest rates for long-term treasuries and mortgages in early 2014 as compared to 2012 and early 2013 are expected to weigh on the recovery of the housing sector in the U.S. For instance, interest rates on 30-year mortgages averaged 4.4% in the first quarter of 2014, one percentage point higher than in January 2013.

- **Potential sharp contraction of activity in Ukraine and spillover effects in the region**: According to the May 2014 Report on Regional Economic Prospects by the European Bank for Reconstruction and Development (EBRD), events in Ukraine have significantly increased economic uncertainty. As a consequence, EBRD revised downwards its GDP growth forecast for Ukraine from a positive growth rate of 1.5% in 2014 to a 7% contraction. Ukrainian steel production decreased by 10.1% in the first quarter of 2014. Ukraine is a major exporter of iron ore, semi-finished and finished steel products. EBRD also revised downwards its Russian GDP growth forecasts in 2014 from 2.5% in January 2014 to 0 in its April 2014 report. The latest EBRD report considers that an escalation of the crisis or a disorderly adjustment of Ukraine’s economy could have significant negative impacts on investor confidence, growth, trade, and possibly energy security in the region.
ANNEX: Recent economic and steel data for individual economies

Asia

In China, GDP increased by 7.4% year-on-year in the first quarter of 2014, following growth of 7.7% in the previous quarter (Figure 14). The yearly growth rate of China’s secondary industry (depicting manufacturing activity) was 7.3% in the first quarter of 2014, down from 7.8% in the previous quarter, and at its lowest level since the second quarter of 2009.

Figure 14. Chinese GDP (total and secondary industry) yearly growth rates

![Graph showing Chinese GDP growth rates](image-url)

Sources: DataStream.

A further slowdown of Chinese GDP in the second quarter of 2014 is possible given the slight decrease of the industrial production value added growth rate from 8.8% in March 2014 to 8.7% in April 2014, in addition to the slowdown in retail sales annual growth from 12.2% in March 2014 to 11.9% in April 2014 (Figure 15).
The Chinese real estate climate index decreased in March 2014 to 96.4, below its 2000-2012 average of 102 points. According to CRU, finished steel consumption in China decreased by 0.7% in the first quarter of 2014 compared to the same period in 2013, the first quarter with a negative growth rate since 2008. Chinese steel production amounted to 804 mmt, in annualised terms, during the first quarter of 2014.

Table 5. Steel production and consumption in Asian economies during the first quarter of 2014

<table>
<thead>
<tr>
<th></th>
<th>Steel production (mmt)</th>
<th>Growth rate (%)</th>
<th>Finished steel consumption (mmt)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>1089.3</td>
<td>4.4</td>
<td>1030.1</td>
<td>-1.2</td>
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<td>China</td>
<td>804.2</td>
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<td>Japan</td>
<td>110.3</td>
<td>3.5</td>
<td>72.9</td>
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<td>India</td>
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<td>Korea</td>
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<td>63.6</td>
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<td>19.9</td>
<td>-10.6</td>
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<td>ASEAN</td>
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<td>N.A.</td>
<td>50.7</td>
<td>-8.2</td>
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</tbody>
</table>

Sources: World Steel Association, DataStream, CRU.

GDP growth in India moderated slightly to 4.7% year-on-year in the last quarter of 2013, from the 4.8% rate of growth registered in the previous quarter. Manufacturing production decreased by 3.7%
year-on-year in February 2014, and has been stagnant or in contraction since October 2013. Indian steel production increased by 1.6% year-on-year in the first quarter of 2014.

Figure 16. Indian GDP yearly growth rate

![Indian GDP yearly growth rate](image)

Source: DataStream

In Korea, the annualised quarterly GDP growth rate was 3.8% in the first quarter of 2014, up from 3.6% in the last quarter of 2013. Korean manufacturing production increased by 2.8% year-on-year in March 2014. Finished steel consumption increased by 1.2% in the first quarter of 2014 compared to the same period in the previous year. Korean steel production increased by 5.3% in the first quarter of 2014.

Chinese Taipei’s GDP increased by 3.0% year-on-year in the first quarter of 2014. Manufacturing production decreased by 3.5% year-on-year in March 2014. Chinese Taipei’s steel consumption decreased by 10.6% while steel production increased by 2.3%, year-on-year, in the first quarter of 2014.

In Japan, GDP increased by 5.9% (q/q, annualised) in the first quarter of 2014, driven by strong household consumption as consumers reacted to the anticipated 3 percentage point rise in the value-added consumption tax that occurred on 1 April 2014. Japanese manufacturing production increased by 7.0% in March 2014.

South East Asia

In Indonesia, GDP increased by 5.2% in the first quarter of 2014 compared to the same period in 2013, its lowest growth rate since the third quarter of 2009. Manufacturing production went up 1.5% year-on-year in the last quarter of 2013 after growth of 7.2% in the third quarter of 2013. In Viet Nam, GDP increased by 5.4% in 2013, well below the 7-8% pace seen in 2004-07. In Malaysia, GDP increased by 5.1% year-on-year in the last quarter of 2013. Manufacturing production increased by 9.9% year-on-year in February 2014. In Thailand, GDP increased by 0.4% in the last quarter of 2013 compared to the same quarter the previous year. Manufacturing production decreased by 10.4% in March 2014. In the Philippines, GDP increased by 6.5% year-on-year in the last quarter of 2013 and manufacturing production decreased by 0.8% in March 2014 after increasing by 6.2% in February 2014.
STEEL MARKET DEVELOPMENTS

North America

In the United States, GDP increased by 0.1% in the first quarter of 2014 following growth of 2.6% in the last quarter of 2013 (q/q annualised). In March 2014, manufacturing production in the United States climbed 3.0% year-on-year. The manufacturing ISM index increased to 54.9 in April 2014, from 53.7 in March 2014. Construction expenditures reached USD 942 billion in annualised terms in March 2014 and were still down 22% compared to their peak reached in March 2006. Steel production in the U.S. increased by 0.1% in the first quarter of 2014.

In Canada, quarter-on-quarter annualised GDP growth accelerated to 2.9% in the fourth quarter of 2013 following a 2.7% expansion in the third quarter. Manufacturing production increased by 2.7% year-on-year in February 2014, the fifth consecutive month of yearly increase after 13 consecutive months of contraction. Steel production in Canada decreased by 6.8% in the first quarter of 2014.

In Mexico, GDP increased by 0.7% in the fourth quarter of 2013 (q/q annualised). Manufacturing production in Mexico increased by 2.1% in February 2014 compared to February 2013. Steel production in Mexico increased by 9.6% in the first quarter of 2014.

<table>
<thead>
<tr>
<th>North America</th>
<th>Steel production (mmt)</th>
<th>Growth rate (%)</th>
<th>Finished steel consumption (mmt)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>86.1</td>
<td>0.1</td>
<td>86.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Mexico</td>
<td>20.0</td>
<td>9.6</td>
<td>14.6</td>
<td>-4.0</td>
</tr>
<tr>
<td>Canada</td>
<td>12.2</td>
<td>-6.8</td>
<td>11.5</td>
<td>-15.7</td>
</tr>
</tbody>
</table>

Table 6. Steel production and consumption in North American economies during the first quarter of 2014

Annualised level in mmt and annual growth rate in % (compared to the same period in 2013)

Sources: World Steel Association, DataStream, CRU.

South America

In Brazil, the yearly GDP growth rate decelerated to 2.0% in the fourth quarter of 2013, from 3.3% in the second quarter and 2.2% in the third quarter. Brazilian manufacturing production increased by 1.5% year-on-year in February 2014. Steel production in Brazil increased by 0.3% in the first quarter of 2014.

In Argentina, annualised quarterly GDP decreased by 0.7% in the third quarter of 2013, compared to 9% in the second quarter of 2013. Industrial production declined 5.8% in March 2014 year-on-year. Steel production in Argentina increased by 12.7% in the first quarter of 2014.
Table 7. Steel production and consumption in South American economies during the first quarter of 2014

Annualised level in mmt and annual growth rate in % (compared to the same period in 2013)

<table>
<thead>
<tr>
<th></th>
<th>Crude steel production (mmt)</th>
<th>Growth rate (%)</th>
<th>Finished steel consumption (mmt)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South America</td>
<td>43.7</td>
<td>-0.5</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Brazil</td>
<td>32.9</td>
<td>0.3</td>
<td>24.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Argentina</td>
<td>5.0</td>
<td>12.7</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1.7</td>
<td>-32.2</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Sources: World Steel Association, CRU.

Europe

**Euro area** GDP increased by 0.8%, in annualised terms, in the first quarter of 2014, the fourth quarter with growing activity after six consecutive quarters of GDP contraction. Manufacturing production in the euro area increased by 3.4% year-on-year in February 2014.

In **Germany**, the annualised quarterly GDP growth rate in the first quarter of 2014 was 2.9%. German manufacturing production increased by 4.5% year-on-year in February 2014. German steel production increased by 4.3% in the first quarter of 2014.

In **France**, GDP increased by 0.1% (q/q annualised) in the first quarter of 2014, down from 0.7% growth in the fourth quarter of 2013. Manufacturing production increased by 1.2% year-on-year in February 2014. French steel production increased by 2.9% in the first quarter of 2014.

In **Italy**’s GDP decreased by 0.5% in annualised terms in the first quarter of 2014, after a 0.2% growth rate in the fourth quarter of 2013. Manufacturing production increased by 1.4% in February 2014 compared to the same period last year. Italian steel production increased by 9.3% in the first quarter of 2014.

In **Spain**, GDP increased by 0.7% in annualised terms in the fourth quarter of 2013. Manufacturing production increased by 4.4% year-on-year in February 2014. Spanish steel production increased by 8.3% in the first quarter of 2014.

In the **United Kingdom**, GDP increased by 3.2% in annualised terms in the first quarter of 2014. Manufacturing production increased by 3.8% in February 2014 in year-on-year terms. UK’s steel production increased by 18.8% in the first quarter of 2014.
Table 8. Steel production and consumption in the EU 28 during the first quarter of 2014

Annualised level in mmt and annual growth rate in % (compared to the same period in 2013)

<table>
<thead>
<tr>
<th></th>
<th>Steel production (mmt)</th>
<th>Growth rate (%)</th>
<th>Finished steel consumption (mmt)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 28</td>
<td>175.3</td>
<td>6.8</td>
<td>151.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Germany</td>
<td>45.1</td>
<td>4.3</td>
<td>40.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Italy</td>
<td>26.5</td>
<td>9.3</td>
<td>26.5</td>
<td>2.3</td>
</tr>
<tr>
<td>France</td>
<td>16.4</td>
<td>2.9</td>
<td>13.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Spain</td>
<td>14.2</td>
<td>8.3</td>
<td>11.0</td>
<td>2.1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12.9</td>
<td>18.8</td>
<td>10.0</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Sources: World Steel Association, DataStream, EUROFER.

In **Russia**, the yearly GDP growth rate was 2% in the fourth quarter of 2013. Manufacturing production increased by 0.2% year-on-year in March 2014. Russian steel production increased by 0.1% in the first quarter of 2014.

In **Ukraine**, GDP increased by 3.3% in the fourth quarter of 2013 compared to the same quarter in 2012. Manufacturing production decreased by 6.8% in March 2014. Ukrainian steel production decreased by 10.1% in the first quarter of 2014.

In **Turkey**, GDP increased by 4.4% in the last quarter of 2013 compared to the same period in the previous year. Manufacturing production increased by 4.4% year-on-year in February 2014. Turkish steel production decreased by 0.5% in the first quarter of 2014.

Table 9. Steel production in Russia, Ukraine and Turkey during the first quarter of 2014

Annualised level in mmt and annual growth rate in % (compared to the same period in 2013)

<table>
<thead>
<tr>
<th></th>
<th>Steel production (MMT)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>68.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Ukraine</td>
<td>30.1</td>
<td>-10.1</td>
</tr>
<tr>
<td>Turkey</td>
<td>33.7</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

Sources: World Steel Association, DataStream.
Middle East and Africa

African steel production increased by 2.1% year-on-year in the first quarter of 2014. Steel production in South Africa increased by 12.4% in the first quarter of 2014. In contrast, Egypt’s steel production decreased by 10.1% year-on-year in the first quarter of 2014. Steel production in Iran increased by 7.7% and in Saudi Arabia by 4.2% in the first quarter of 2014.

Table 10. Steel production in selected economies in the Middle East and Africa during the first quarter of 2014

Annualised level in mmt and annual growth rate in % (compared to the same period in 2013)

<table>
<thead>
<tr>
<th></th>
<th>Steel production (mmt)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>15.2</td>
<td>7.7</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>5.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Africa</td>
<td>15.3</td>
<td>2.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>7.1</td>
<td>12.4</td>
</tr>
<tr>
<td>Egypt</td>
<td>6.1</td>
<td>-10.1</td>
</tr>
</tbody>
</table>

Sources: World Steel Association, DataStream.
REFERENCES

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