

Global Steel Market Outlook

OECD Steel Committee Meeting, March 25, 2019, Paris



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Key observations:

Mild deceleration in steel demand amid elevated uncertainties

- **Steel demand in 2018 remained resilient despite volatile environment**
 - 2018 saw rapid deterioration in environment with peaking of cycle, elevated uncertainty
 - Chinese steel demand showed stable deceleration thanks to boost from mild stimulus on real estate. Some statistical issues
 - Emerging economies continued to recover, but weaker than expected growth
- **2019/20 will continue to see deceleration in global steel demand**
 - Uncertainties remain escalated, mostly politically driven
 - Developed economies moderating, still positive growth in EU and US expected
 - China's deceleration will be cushioned by stimulus measures
 - While featuring overall slow growth, the picture of other developing economies seems mixed: resilient Asia vs slowly recovering LA vs troubled Turkey vs muted CIS vs emerging North Africa vs struggling Middle East
- **Downside risks vs upside risks**

Global overview

Steel demand, finished steel (SRO October 2018)

2017

1 595.4 million tonnes, 5.0%/ 2.6%* growth

2018 (forecasts)

1 657.9 million tonnes, 3.9%/ 2.1%* growth

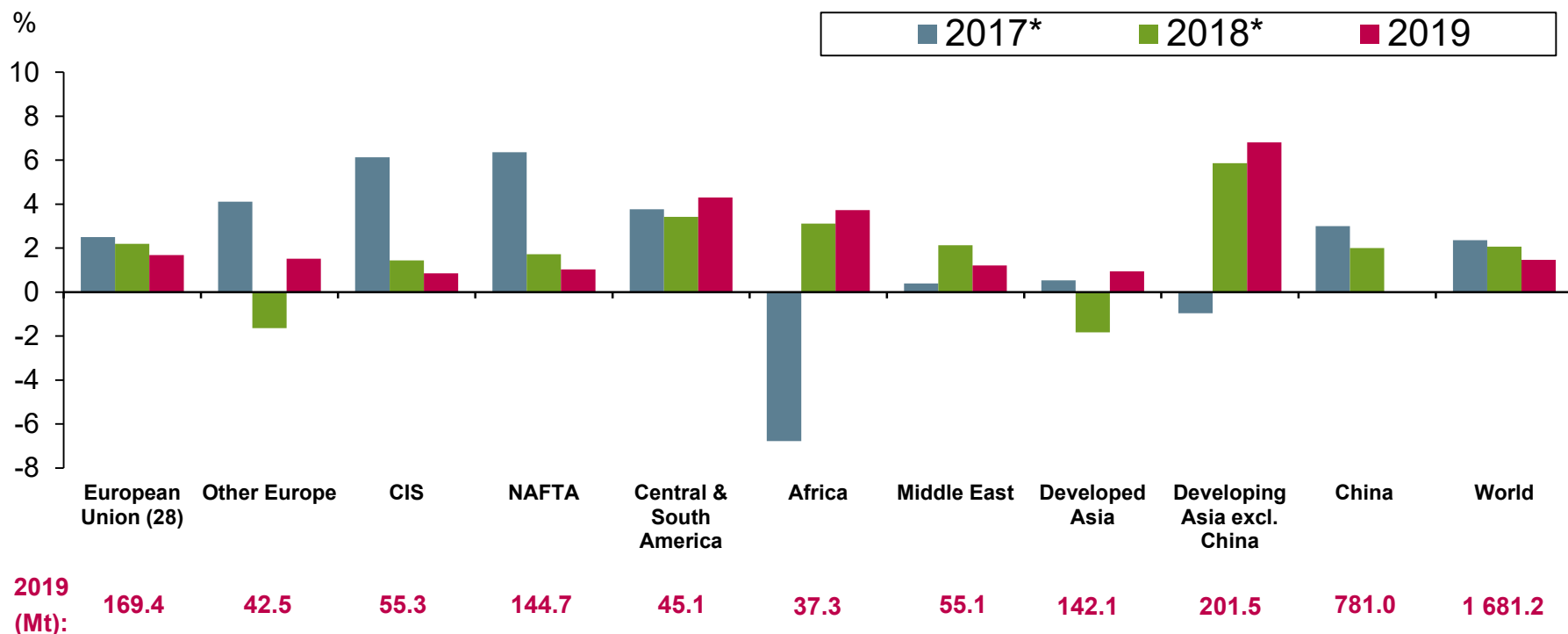
2019 (forecasts)

1 681.2 million tonnes, 1.4% growth

*- Series based on Chinese steel using sectors dynamics

Regional summary

Steel demand, finished steel (SRO October 2018)



*- Series based on Chinese steel using sectors dynamics

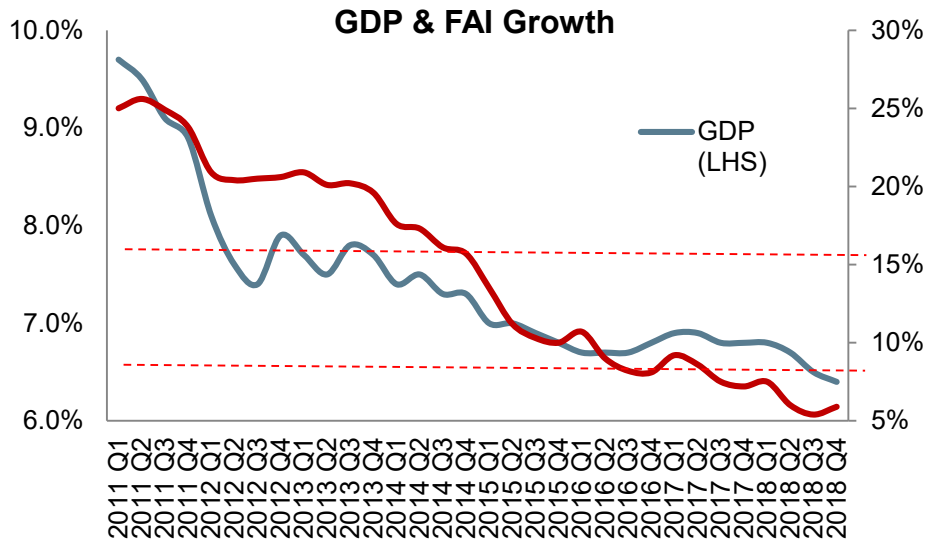
	Mt			%			2019 as % of 2007
	2017	2018	2019	17/16	18/17	19/18	
World	1 595.4	1 657.9	1 681.2	5.0/ 2.6*	3.9/ 2.1*	1.4	137.4
Developed Economies	407.2	411.2	416.1	3.1	1.0	1.2	87.8
Emerging & Developing Economies excl. China	451.3	465.7	484.1	1.7	3.2	3.9	145.9
China	736.8	781.0	781.0	8.2/ 3.0*	6.0/ 2.0*	0.0	186.7

Developments in China

	Mt			%			2019 as % of 2007
	2017	2018	2019	17/16	18/17	19/18	
World	1 595.4	1 657.9	1 681.2	5.0/ 2.6*	3.9/ 2.1*	1.4	137.4
China	736.8	781.0	781.0	8.2/ 3.0*	6.0/ 2.0*	0.0	186.7

Steel demand, finished steel (SRO October 2018) *- Series based on Chinese steel using sectors dynamics

- In 2018, despite decelerating economy and poor industrial performance, mild stimulus on real estate supported steel demand, but not as high as nominal growth rate suggests.
- In 2019, stimulus measures to finetune the economy are expected to boost steel demand. Upside risk from the effect of stimulus is noted.



Developments in key regions (1/4)

■ Asia

■ *India (October 2018 SRO for 2018&19: 7.5% & 7.3%)*

The Indian economy is returning to faster growth overcoming the twin shocks of demonetization and GST. Steel demand will be supported by plentiful infrastructure projects, strong consumption and recovery of private investment.

■ *ASEAN 5: (October 2018 SRO for 2018&19: 3.8% & 6.2%)*

After a contraction in 2017 due to stock building and delay of construction projects, ASEAN steel demand resumed high growth in 2018 backed by infrastructure development and industrial growth. Outlook for 2018/19 remains strong. Elections, deceleration of the global economy and trade tensions raise challenges.

■ *Japan: (October 2018 SRO for 2018&19: 0.2% & 0.5%)*

Steel demand got boost from favorable investment environment and public projects and the effect of consumption tax in 2018, but outlook will weaken as these effects fade and export environment worsens.

■ *Korea: (October 2018 SRO for 2018&19: -4.1% & 1.1%)*

Steel demand contraction is expected due to weak steel using sector activities, in particular auto and shipbuilding. Toughened real estate measures and deteriorating trade environment will put additional pressure on steel demand despite some recovery in shipbuilding.

Developments in key regions (2/4)

- **EU** (*October 2018 SRO for 2018&19: 2.2% & 1.7%*)

- EU economy which passed the peak of business cycle during 2018 gets additional pressure from trade tensions and Brexit uncertainties. Industrial production is decelerating sharply especially in export dependent economies. Investment and construction is also expected to moderate with falling confidence.

- **NAFTA**

- **US** (*October 2018 SRO for 2018&19: 2.3% & 1.3%*)

US economy is likely to decelerate in 2019/20 to potential growth, with the effect of fiscal stimulus fading. Steel demand growth is expected to decelerate in 2019/20 with most steel using sectors slowing down. Investment in the energy sector is also expected to decelerate.

- **Mexico** (*October 2018 SRO for 2018&19 : -1.9% & 1.2%*)

In 2018, uncertainties surrounding the NAFTA renegotiation and the election took toll on Mexican steel demand with declining auto production. Weak mining investment, fiscal budget constraint and slowing US economy along with policy uncertainties are likely to continue to constrain Mexico's steel demand in 2019/20.

Developments in key regions (3/4)

■ South America

- Broadly shared recovery of South American economies is taking place despite deteriorating external environment, but faces policy uncertainties.

- *Brazil (October 2018 SRO for 2018&19 : 4.9% & 6.2%)*

Despite the disruptions from the truckers' strike, recovery in steel demand continued in 2018. Despite uncertainties on reform policies, confidence is high and construction sector is expected to recover to support continued recovery in 2019&20.

■ CIS and Other Europe

- *Russia (October 2018 SRO for 2018&19 : -1.1% & 0.3%)*

Steady recovery in steel demand continues, but at a slow speed, due to structural issues and geopolitical tensions.

- *Turkey (October 2018 SRO for 2018&19 : -2.3% & 1.5%)*

Currency crisis of August 2018 continues drag down the economy and 2019 will continue to see contraction of steel demand.

Developments in key regions (4/4)

■ MENA

■ *GCC (October 2018 SRO for 2018&19 : 1.7% & 1.9%)*

While economic diversification continues, fiscal consolidation continues to constrain steel demand with scaled down construction projects .

■ *North Africa (October 2018 SRO for 2018&19 : -1.9% & 1.2%)*

Outlook for North Africa improves, with recovery in oil price, infrastructure projects and investment friendly policies. Egypt is expected to rebound strongly with improved fundamentals following structural reforms and infrastructure spending on energy and housing development

■ *Iran (October 2018 SRO for 2018&19 : 2.5% & 0%)*

Reinstatement of US sanctions weakens the economy and hence steel demand outlook.

Revisions from October 2018 forecasts

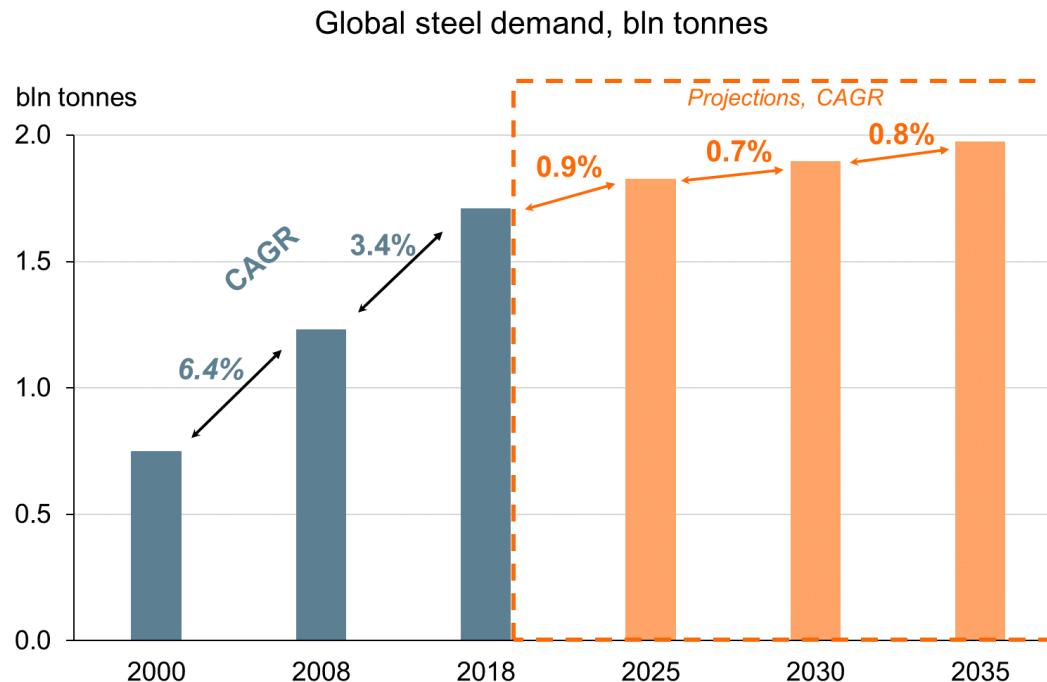
Steel demand, finished steel (October 2018 and April 2019)

	Mt		%		Mt Δ		growth rate Δ		accel. 20/19
	2018	2019	2018	2019	2018	2019	2018	2019	
	SRO October 2018				SRO April 2019				
World	1 657.9	1 681.2	3.9/2.1*	1.4					
EU (28)	166.6	169.4	2.2	1.7					
Other Europe	41.9	42.5	-1.6	1.5					
CIS	54.8	55.3	1.4	0.9					
NAFTA	143.2	144.7	1.7	1.0					
C&S America	43.2	45.1	3.4	4.3					
Africa	36.0	37.3	3.1	3.7					
Middle East	54.5	55.1	2.1	1.2					
Asia & Oceania	1 117.8	1 131.9	5.0	1.3					
China	781.0	781.0	6.0/2.0*	0.0					
Developing Asia excl. China	188.6	201.5	5.9	6.8					
Developed Asia	140.8	142.1	-1.8	0.9					

*- Series based on Chinese steel using sectors dynamics

Long term steel demand outlook

- Global steel demand expected to grow, very slowly
- Shift in global economic & political environment + megatrend forces will have further impact on steel demand
- The impact of circular economy thinking is like to grow over time and needs to be assessed carefully



Thank you for your attention.

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