The Philippine Iron & Steel Industry

Mr. Reynaldo D. Lignes
Iron & Steel Sectoral Champion
Board of Investments
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Presentation Outline

I. Introduction
II. Key Economic Trends in 2013
III. Iron & Steel Industry Performance
IV. Economic and Steel outlook in 2014
V. Salient Features of the Industry Roadmap and Industry Support Measures
Introduction

The Board of Investments (BOI), as the national investment promotion agency of the government, reflects the country’s keen interest in keeping its doors open to investors – both foreign and domestic.

BOI’s efforts are based on the government’s set goals of encouraging more economic activities that will take the country to a higher level of global competitiveness, and opening more opportunities that will generate more gainful employment for the people.

The BOI also handles industry development that includes Iron and Steel and many other industries.
THE PHILIPPINE BOARD OF INVESTMENTS

• Due diligence assistance
  • Information support
  • Visit program development & investment briefing
  • Business matching

• Business registration facilitation
  • Networking with IPUs and other government agencies on pre-operational business requirements
  • Fast tracking with registration procedures
  • Assistance with local government requirements

• Aftercare service
  • Presence of government network to quickly respond to concerns
  • Regular supervision & monitoring

Philippines: Key Economic Trends in 2013
Stable and Resilient Economic Growth

- GDP (2013): 7.2%
- GDP (2012): 6.8%
- Headline Inflation (2013): 3.0%
- Headline Inflation (2012): 3.2%

Source: National Statistical Coordination Board & National Statistics Office

Steady Investment Flows

- TOTAL BOI & PEZA APPROVED INVESTMENTS (in US$ Billion)
- Steady Investment Flows

2013 TOP SECTORS (% of Total Investments)
1. Electricity, Gas, Steam & Air Conditioning
2. Real Estate Activities
3. Manufacturing
4. Transportation & Storage
5. Accommodation & Food Service Activities

2013 TOP SOURCES (% of Total Foreign Investments)
1. British Virgin Islands
2. U.S.A.
3. Japan
4. Netherlands
5. Singapore

Source: Invest Philippines
The Philippine Iron & Steel Industry Structure

**LONG PRODUCTS**
- Scrap
  - Electric Furnace Steel Making
  - Ingots Billets
    - Imported Billets
    - Rolling
    - Bars Deformed/Plain Shapes/Section
      - Imported Wire Rods
      - HR Plates
        - Hot Rolled Coils
          - Construction Fabrication
            - Shipbuilding Pipes
              - Construction/Fabrication Stockists/Hardware
                - Food Cans Containers

**FLAT PRODUCTS**
- Imported HRC
  - Cold Rolling
    - Cold Rolled Coils
      - Fabrication
        - GI/PPGI Sheets
          - Can Making
            - Construction Fabrication
              - Appliance Stockists/Hardware
                - Can Making Food Cans Containers

- Imported Slabs
  - Hot Rolling
    - HR Plates
      - Hot Rolled Coils
        - Construction Fabrication
          - Shipbuilding Pipes
            - Construction/Fabrication Stockists/Hardware
              - Food Cans Containers

- Imported Slabs
  - Hot Rolling
    - HR Plates
      - Hot Rolled Coils
        - Construction Fabrication
          - Shipbuilding Pipes
            - Construction/Fabrication Stockists/Hardware
              - Food Cans Containers
Apparent steel consumption reached 6.58 million MT in 2013, growing by 9.2% compared to 6.03 million MT in 2012.

Key Developments in 2013

STEEL DEMAND
- Continuing growth of real estate developments
- Reconstruction of typhoon and earthquake affected areas
- Increased government infrastructure spending

STEEL SUPPLY
- Significant rise of imports for billets, wire rods, rebars, pipes and tubes
- Significant rise of local production for rebars, pipes and tubes
Comparative Steel Demand

2013
- Construction: 81%
- Light & Heavy Fabrication: 14%
- Packaging: 4%
- Ship building: 5%
- Others: 1%

2012
- Construction: 81%
- Light & Heavy Fabrication: 9%
- Packaging: 4%
- Ship building: 1%
- Others: 1%

Summary of Key Steel Statistics

<table>
<thead>
<tr>
<th></th>
<th>In Metric Tons</th>
<th>Yr-Yr Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRUDE STEEL PRODUCTION</td>
<td>1,307,849</td>
<td>3.8%</td>
</tr>
<tr>
<td>FINISHED STEEL PRODUCTION</td>
<td>4,169,969</td>
<td>30%</td>
</tr>
<tr>
<td>FINISHED STEEL IMPORT</td>
<td>3,675,527</td>
<td>8.6%</td>
</tr>
<tr>
<td>FINISHED STEEL EXPORT</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>APPARENT STEEL CONSUMPTION</td>
<td>6,588,473</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

Adjusted for double counting
### Apparent Consumption: SEMI-FINISHED STEEL

<table>
<thead>
<tr>
<th></th>
<th>In Metric Tons</th>
<th>Yr-Yr Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td><strong>BILLETs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>1,307,849</td>
<td>1,259,627</td>
</tr>
<tr>
<td>Import</td>
<td>1,681,666</td>
<td>1,285,733</td>
</tr>
<tr>
<td>Export</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Apparent Consumption</td>
<td>2,989,515</td>
<td>2,545,360</td>
</tr>
<tr>
<td><strong>SLABs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Import</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Apparent Consumption</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Apparent Steel Consumption:

<table>
<thead>
<tr>
<th></th>
<th>In Metric Tons</th>
<th>Yr-Yr Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td><strong>LONG PRODUCTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production¹²</td>
<td>3,019,969</td>
<td>2,653,000</td>
</tr>
<tr>
<td>Import</td>
<td>1,321,826</td>
<td>763,971</td>
</tr>
<tr>
<td>Export</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Apparent Consumption</td>
<td>4,341,795</td>
<td>3,416,971</td>
</tr>
<tr>
<td><strong>FLAT PRODUCTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production¹</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Import</td>
<td>2,346,678</td>
<td>2,619,145</td>
</tr>
<tr>
<td>Export</td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td>Apparent Consumption</td>
<td>2,246,678</td>
<td>2,619,145</td>
</tr>
<tr>
<td><strong>Total Long &amp; Flat Products</strong></td>
<td>6,588,473</td>
<td>6,036,116</td>
</tr>
</tbody>
</table>

Sources: Bureau of Customs (BOC), Department of Trade and Industry (DTI) and Industry Sources

¹ Covers hot rolled products only in order to avoid double counting
² Excludes bar products converted from wire rods
### Breakdown of Finished Steel Production in MT (2013 vs. 2012)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>In Metric Tons</th>
<th>Yr-Yr Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LONG PRODUCTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bars1</td>
<td>2,744,065</td>
<td>15%</td>
</tr>
<tr>
<td>Shapes and Sections1</td>
<td>261,000</td>
<td>6%</td>
</tr>
<tr>
<td>Wires</td>
<td>220,000</td>
<td>0%</td>
</tr>
<tr>
<td><strong>FLAT PRODUCTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hot Rolled Coils</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cold Rolled Coils</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GI/Pre-painted/Zn-Al Coated Sheets</td>
<td>464,265</td>
<td>(18%)</td>
</tr>
<tr>
<td>Pipes and Tubes</td>
<td>99,000</td>
<td>200%</td>
</tr>
</tbody>
</table>

Source: Industry Sources

1 Includes bar products converted from wire rods

### Breakdown of Finished Steel Imports in MT (2013 vs. 2012)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>In Metric Tons</th>
<th>Yr-Yr Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wire Rods</td>
<td>334,923</td>
<td>92%</td>
</tr>
<tr>
<td>Bars</td>
<td>93,822</td>
<td>167%</td>
</tr>
<tr>
<td>Shapes and Sections</td>
<td>270,311</td>
<td>12%</td>
</tr>
<tr>
<td>Sheet Piles</td>
<td>32,297</td>
<td>59%</td>
</tr>
<tr>
<td>Wires</td>
<td>25,481</td>
<td>158%</td>
</tr>
<tr>
<td>Rails</td>
<td>2,578</td>
<td>4%</td>
</tr>
<tr>
<td>Others (Alloy &amp; Stainless Steels)</td>
<td>14,885</td>
<td>(60%)</td>
</tr>
<tr>
<td><strong>Flat Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plates</td>
<td>559,474</td>
<td>(9%)</td>
</tr>
<tr>
<td>Hot Rolled Coils/Sheets</td>
<td>528,451</td>
<td>(4%)</td>
</tr>
<tr>
<td>Cold Rolled Coils/Sheets</td>
<td>488,762</td>
<td>(24%)</td>
</tr>
<tr>
<td>GI Sheets/ Pre-painted/Zn-Al</td>
<td>530,953</td>
<td>4%</td>
</tr>
<tr>
<td>Tinplates/TFS*</td>
<td>222,194</td>
<td>(3%)</td>
</tr>
<tr>
<td>Pipes and Tubes</td>
<td>129,511</td>
<td>28%</td>
</tr>
<tr>
<td>Others (Alloy &amp; Stainless Steels)</td>
<td>96,102</td>
<td>(9%)</td>
</tr>
</tbody>
</table>

Sources: Bureau of Customs (BOC), Department of Trade and Industry (DTI) and Industry Sources
### Breakdown of Finished Steel Exports in MT (2013 vs. 2012)

<table>
<thead>
<tr>
<th>Product</th>
<th>In Metric Tons</th>
<th>Yr-Yr Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bars / Sections</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wires</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hot Rolled Coils/Sheets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cold Rolled Coils/Sheets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GI Sheets/ Pre-painted/Zn-Al</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pipes and Tubes</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100,000</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: National Statistics Office and Industry Sources

### Philippines: Economic and Steel outlook in 2014
Philippine Economic Outlook for 2014

- Government forecast is for GDP to grow 6.6% in 2014
- However, there are downside risks arising from:
  1. Power shortage
  2. Political distractions due to corruption
- The challenge to the Philippines:
  1. Good governance
  2. Continue infrastructure development
  3. Increase FDIs.

Steel Outlook for 2014

**Steel demand to benefit from:**
- Implementation of big-ticket government infrastructure
- Reconstruction of typhoon and earthquake affected areas
- Housing backlog and re-development of urban centers

**The steel supply situation in 2014:**
- Increased local production of rebars, shapes and sections
- Increased importation of billets, CRC and coated steel products (GI, Zn-Al & PPGI)
Salient Features of the Philippine Iron & Steel Industry Roadmap

**Vision, Goals & Targets**

**Vision**
- By 2030, the Philippine Iron & Steel industry sees itself as a globally competitive provider of quality steel products for domestic users

**Goals**
- ASC of 20 Million MT by 2030, translating to 130 kg per capita (from 50 kg per capita in 2013)

**Targets**
- 70% Local Production share of Finished Goods by 2030 (from 50% in 2013)
- Secured and competitively-priced raw material requirements for steel-making by 2015
Industry Profile/Situationer

- BOI-registered Investments amounting to PHP 42.3 Billion as of 2013
- Every new investment of P100 million leads to ...
  - a higher domestic output of Php 260 million
  - an additional HH income of Php 24 million
  - And additional 117 new regular jobs

* Based on raw data from (a) 2009 Annual Survey of Philippine Business and Industry; and (b) Center for Research & Communication (UA&P) estimates of updated Input-Output tables for 2008

<table>
<thead>
<tr>
<th>PRODUCT/SERVICE COVERAGE</th>
<th>FLAT STEEL PRODUCTS: Hot rolled coils/sheets/plates, &amp; cold rolled coil/sheets, tinplate, galvanized &amp; pre-painted galvanized steel, pipes and tubes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAJOR PLAYERS</td>
<td>Flat Steel Products: AC Steel, Chuayuco, Galvaphil, Goodyear Pipe, IPI, Mayer, Puyat Steel, Philmetal, Sonic, Super, Union Galva</td>
</tr>
<tr>
<td></td>
<td>Inactive: Global Steel Philippines (SPV-AMC), Steel Corp, Sacramento Steel</td>
</tr>
<tr>
<td>INDUSTRY ASSOCIATION/S</td>
<td>Philippine Galvanizers and Coaters Association (Flat Downstream Coated Products)</td>
</tr>
<tr>
<td></td>
<td>Philippine Iron &amp; Steel Institute (Flat &amp; Long Products, Suppliers &amp; Traders)</td>
</tr>
<tr>
<td></td>
<td>Philippine Steelmaker’s Association (Long Products)</td>
</tr>
<tr>
<td>LINKAGES</td>
<td>Upstream: Sintered Iron Ore (Philippine Sinter Corporation)</td>
</tr>
<tr>
<td></td>
<td>Potentially: Mining sector</td>
</tr>
<tr>
<td></td>
<td>Downstream: Construction (Public &amp; Private), Fabrication, Shipbuilding, Automotive, Can-making</td>
</tr>
</tbody>
</table>
Geographical Location (Flats)

- Tower, Goodyear Pipe, Mayer, NCR
- Chuayuco, Sonic, Philmetal, Union Galva, Cavite
- Puyat, Steelcorp, Batangas
- Super Industrial Pipe, IPI Cainta
- AC Steel, Galvaphil, Cebu
- Sacramento Steel (Inactive) Phividec, CDO
- Global Steel (Inactive) Iligan City

Geographical Location (Longs)

- Pag-asa Steelworks, Inc., NCR
- Capasco/Cameco, Cainta, Taguig & Novaliches
- Steel Asia Mfg. Corp., Bulacan, Batangas
- Stronghold, SKK, Pampanga
- Steel Asia Mfg. Corp, Cebu
- Elegant Steel Phividec, CDO
- Treasure Steel, Iligan City
Supply Chain Gaps

- Flat sector
- Basic iron making

Key Constraints

- High cost of power
- Technical smuggling
- Outdated facilities
- Tariff distortions

Policy Response/Support Measures

- Incentives to encourage iron making facilities and flat products mfg
- Incentives to modernize and rehabilitate facilities
- Strictly enforce customs laws and technical regulations
- Discourage export of iron ore and scrap iron
- Support R&D for product development
- Review tariffs to remove distortions
Current Initiatives

- Commissioning of the comprehensive feasibility study on the ISM project, to start before 2015.
- Support “key enabler” action items for horizontal issues in common with other sectors such as infrastructure, power, transport, smuggling, etc.
- Prepare the domestic steel industry for the 2015 ASEAN market integration.

**Investment Priorities Plan 2013**

I. Preferred Activities

Regular List:
- Agriculture/Agri-business and Fishery
- Creative Industries/Knowledge-Based Services
- Shipbuilding
- Mass Housing
- **Iron and Steel**
- Energy
- Infrastructure
- Research and Development
- Green Projects
- Motor Vehicles
- Strategic Projects
- Hospital/Medical Services
- Disaster Prevention, Mitigation and Recovery Projects

II. Export Activities

- Manufacture of export products
- Services exports
- Activities in support of exporters

III. Mandatory List

IV. ARMM List
Thank You

Contact Details

Reynaldo D. Lignes  
Iron & Steel Champion  
Industrial Policy Service  
Board of Investments  
896-9288  
rdlignes@boi.gov.ph