Recent Market Developments in the Global Steel Industry

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Market Sentiment

The global steel PMI has declined in recent months, indicating weakening sentiment.

Source: Markit Economics.
Growth of Key Steel-Using Sectors

The output of key steel-using sectors is expected to continue to grow moderately.

Source: OECD based on data from IHS Global Insight.

Impacts of Lower Oil Prices

Lower oil prices are having important effects on demand and prices for pipes and tubes.

Sources: International Monetary Fund for crude oil price index, Baker Hughes for world rig count and Platts Steel Business Briefing for steel pipes & tubes prices.
Mixed Impacts of Lower Oil Prices

Negative effects
• Affects many steelmakers’ business, particularly in the OCTG market segment
  – Large energy companies plan to cut capital spending by 10-20% in 2015
  – OCTG demand may fall by 30% in 2015
  – Pipe destocking, decreases in pipe production, mill closures, layoffs and a deterioration of business earnings
  – Future reduction in steel demand for infrastructure investments financed from oil revenues

Positive effects
• Several studies suggest positive impacts on the economy (Jimenez-Rodriguez and Sanchez, 2005; World Bank, 2013; IMF, 2014; Arezki and Blanchard, 2014; OECD, 2015; etc.)
  – Increase GDP output of major oil importers by several percentage points
  – Higher household incomes and lower production costs for major oil importers

Iron and Steel Making Investment Projects

Regions that are net importers of steel products are continuing to add new capacities

<table>
<thead>
<tr>
<th>Region</th>
<th>Economy</th>
<th>Company</th>
<th>Location or Project</th>
<th>Type</th>
<th>Unit</th>
<th>Capacity ('000 tpy)</th>
<th>Start Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Europe</td>
<td>Turkey</td>
<td>Kardemir</td>
<td>Karamahi</td>
<td>BF</td>
<td>x 1</td>
<td>1280 m^3</td>
<td>1200</td>
<td>2015 January</td>
</tr>
<tr>
<td>CIS</td>
<td>Kazakhstan</td>
<td>ArcelorMittal Temirtau</td>
<td>Temirtau</td>
<td>BF</td>
<td>x 1</td>
<td>(1500 – 2000 m^3)</td>
<td>1500 – 2300</td>
<td>2014 December</td>
</tr>
<tr>
<td>Middle East</td>
<td>Iraq</td>
<td>Next Global Investment</td>
<td>Bukamal</td>
<td>EAF</td>
<td>x 1</td>
<td>1291</td>
<td>1500</td>
<td>2015 December</td>
</tr>
<tr>
<td>Asia</td>
<td>India</td>
<td>JSW</td>
<td>Surajpur, West Bengal (ISISCO)</td>
<td>BF</td>
<td>x 1</td>
<td>na</td>
<td>500</td>
<td>2015 December</td>
</tr>
<tr>
<td>Asia</td>
<td>Malaysia</td>
<td>Iscor Steel</td>
<td>Kuantan, Terengganu</td>
<td>EAF</td>
<td>x 1</td>
<td>na</td>
<td>700</td>
<td>2014 December</td>
</tr>
<tr>
<td>Asia</td>
<td>Viet Nam</td>
<td>POSCO SS-Vina</td>
<td>Phu My, Ba Ria-Vung Tau</td>
<td>EAF</td>
<td>x 1</td>
<td>1201</td>
<td>1000</td>
<td>2015 December</td>
</tr>
</tbody>
</table>

1/ Official start up.
Note: Iron and steel making investment projects that have started up since the last meeting of the Steel Committee in December 2014.
Source: OECD based on various sources.
Regional Crude Steel Production

Weaker steel demand has caused major steel-producing countries to cut steel production.

Source: OECD based on data from the World Steel Association.

Raw Material and Steel Prices

Falling raw material prices have placed downward pressure on steel prices.

Sources: Commodity Research Unit for iron ore and coking coal prices and Platts Steel Business Briefing for global steel prices.
Outlook for Steel Prices and Profitability

Excess capacity has led to a deterioration of the financial situation of steelmakers

Source: OECD based on data from World Steel Dynamics.

Conclusions

• The outlook for the steel sector remains weak.
• Many uncertainties cloud the prospects for the global steel industry:
  – World economic growth
  – Geopolitical tensions
  – The future evolution of oil and raw material markets
  – The impacts of excess steelmaking capacity