



**81<sup>st</sup> Session of the OECD Steel Committee**



***Russian Steel Market and Policy  
Challenges***

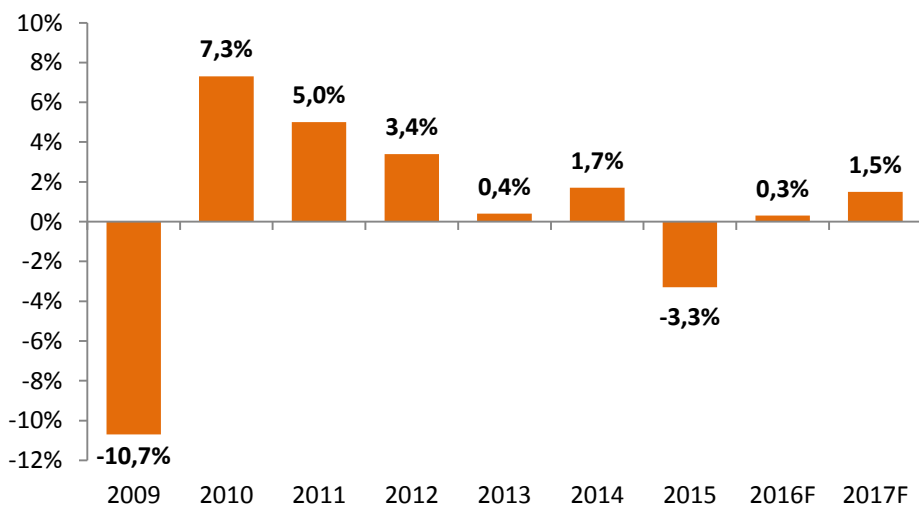
**Russian Steel Consortium  
Yuri Mishin, Chairman of the Steering Committee**

**Paris, France  
8-9 September 2016**

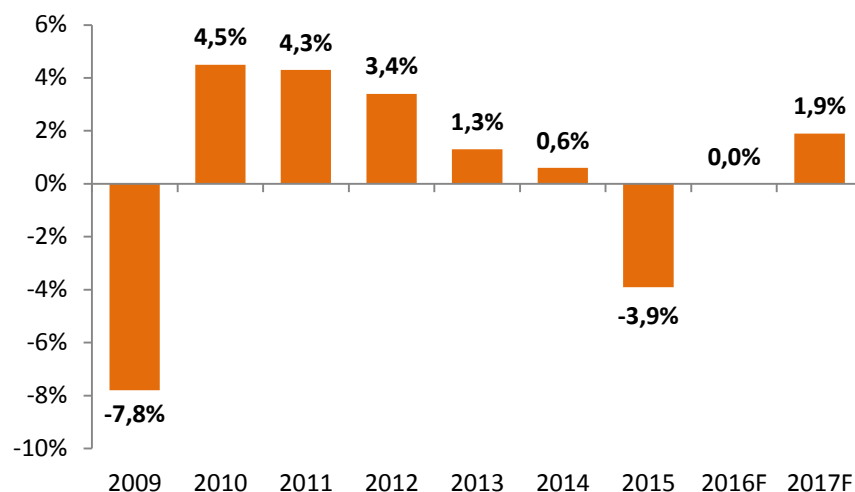
# MAIN ECONOMIC INDICATORS

- Significant decrease of the main economic indicators in 2015
- Slowing down of negative trends in the 1H of 2016
- Further stabilization is expected in the end of 2016 and turn to growth in 2017

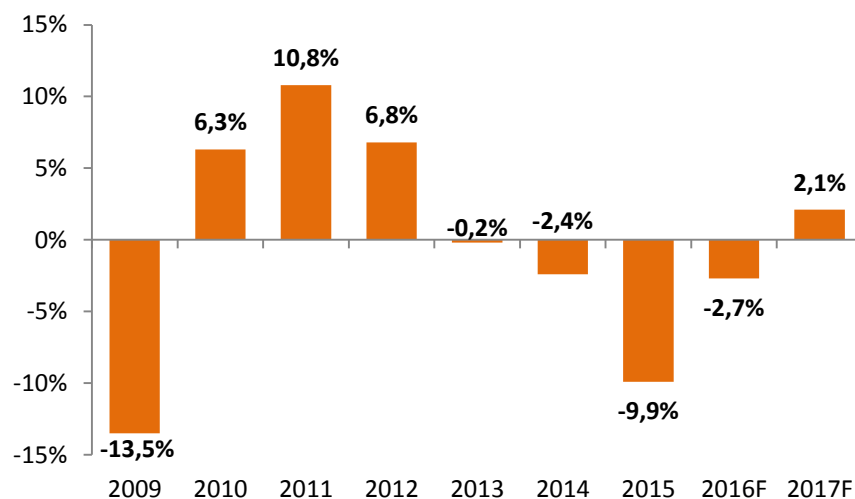
## Industrial production



## GDP



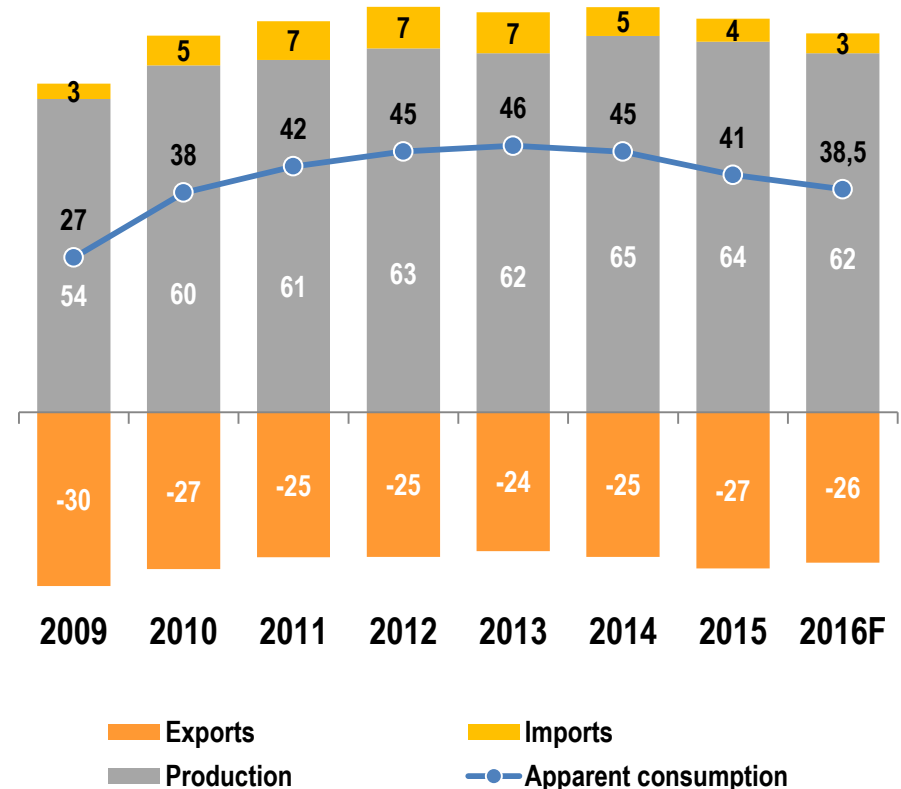
## Fixed assets investments



# FINISHED STEEL PRODUCTS BALANCE

- **2015:** reduction of domestic consumption by 4 mln. t and import by 1 mln. t., increase of export by 2 mln. t.
- **1H 2016:** further reduction of domestic demand but at lower rate (abt. -2%)
- **2016 forecast:** internal consumption may decrease by up to 6%, reductions of import deliveries and export sales are expected.

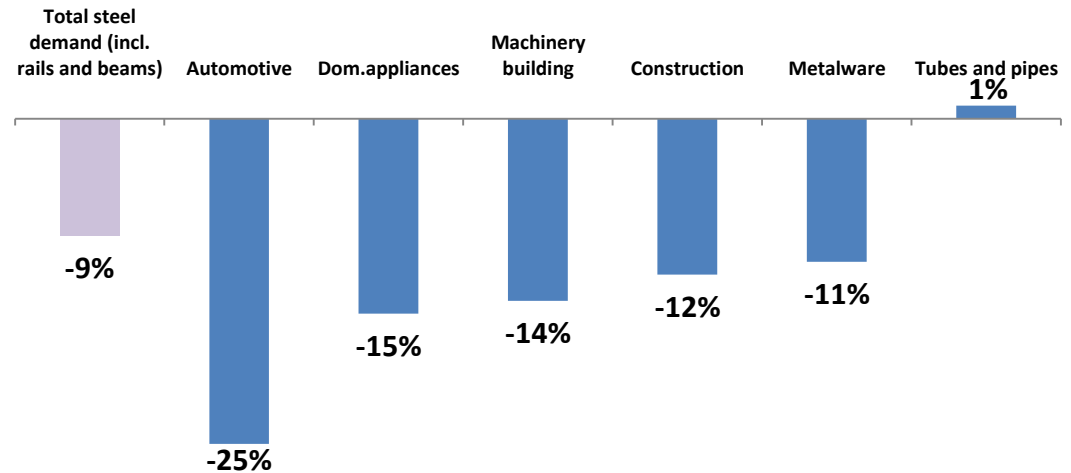
**FINISHED PRODUCTS BALANCE, MLN MT**



# RUSSIAN STEEL DEMAND BY SECTOR

- In 2015 domestic steel demand fell by 9% with negative growth almost in every sector
- 1H 2016: some sectors have shown signs of stabilization, negative trend is slowing down in comparison with 2015.
- There are more optimistic expectations for 2017 driven by some sectors, infrastructure projects and further import substitution

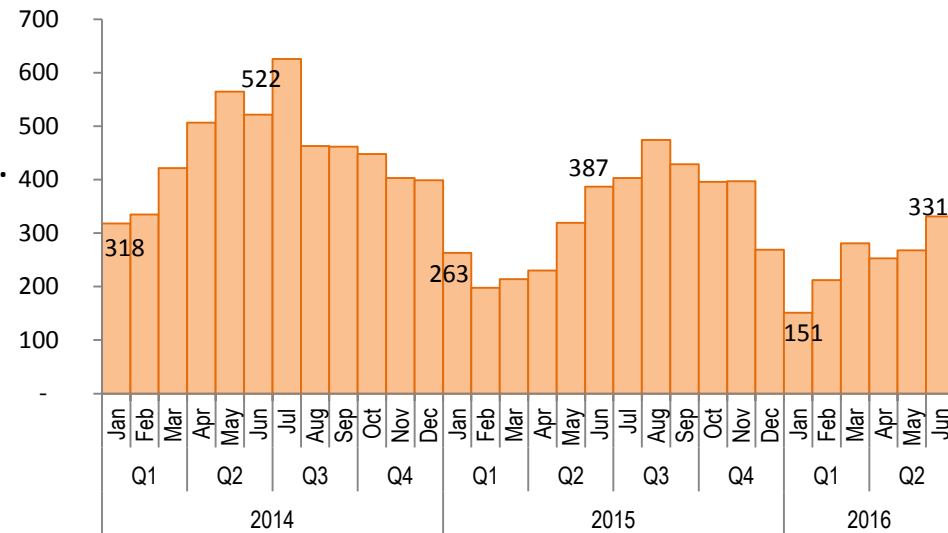
**Consumption of steel by sectors 2015 vs. 2014**



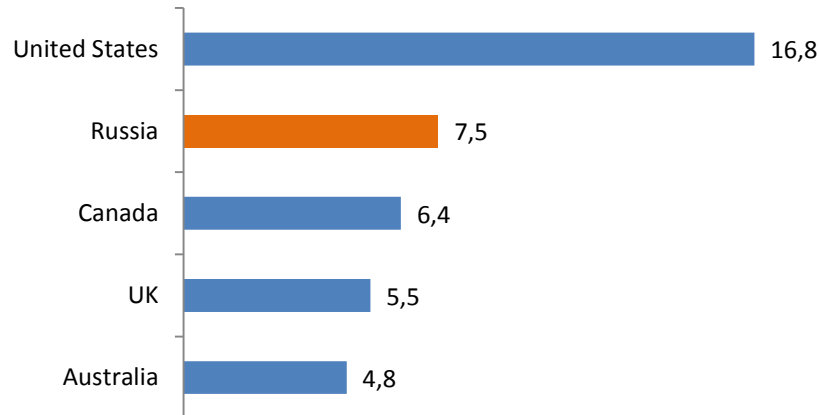
# IMPORT INTO RUSSIA

- Steel imports driven by market forces – high correlation with domestic prices
- Local consumers shifted to domestic suppliers leading to a fall in imports of 27% (2015 vs.2014) due to devaluation of Rouble. In 1H2016 steel import dropped by 7%
- Imports of steel decreases, but Indirect steel imports are still substantial

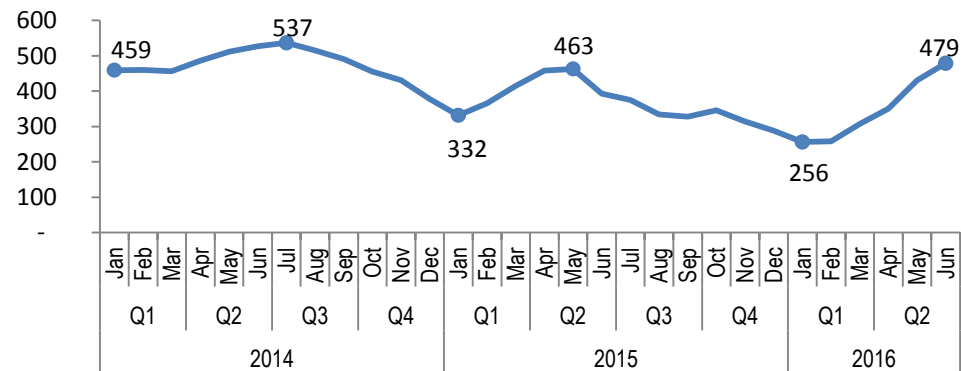
**Steel imports 2014-6M2016, thousand MT**



**Net Indirect Imports, mln MT, 2014**



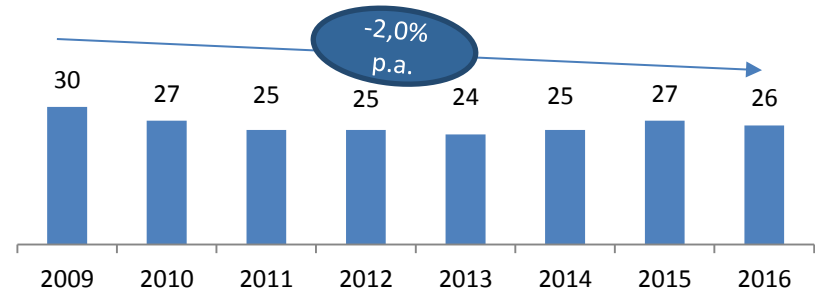
**HRC Russian price (EXW, excl. VAT), USD/MT**



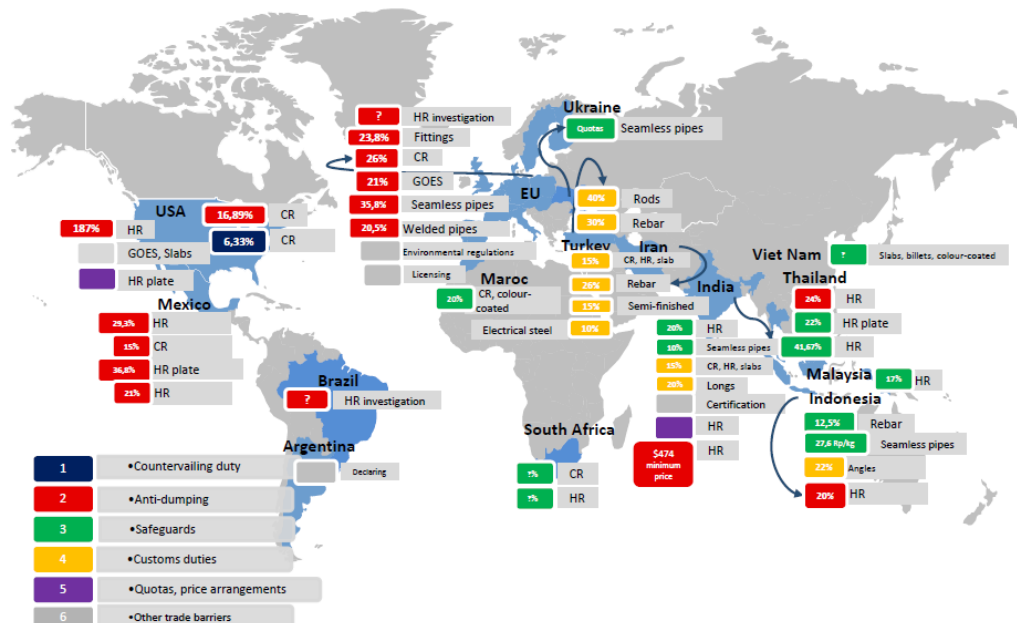
# EXPORT IS RELATIVELY STABLE

- During the last decade export of steel from Russia remain relatively stable or slightly declining (2% per annum since 2009).
- The main part of export is represented by semi finished products (56% in 2015), supplied also to captive re-rollers outside Russia
- Russia is also one of the leading suppliers of SRM, including pig iron, DRI & HBI
- Increase of protectionism: Russian producers are facing with trade restrictions in many markets

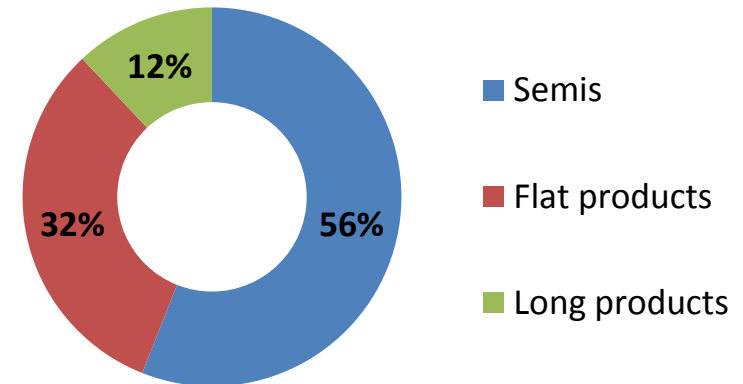
Steel exports 2014-2Q2016, mln MT



## Trade restrictions against steel from Russia

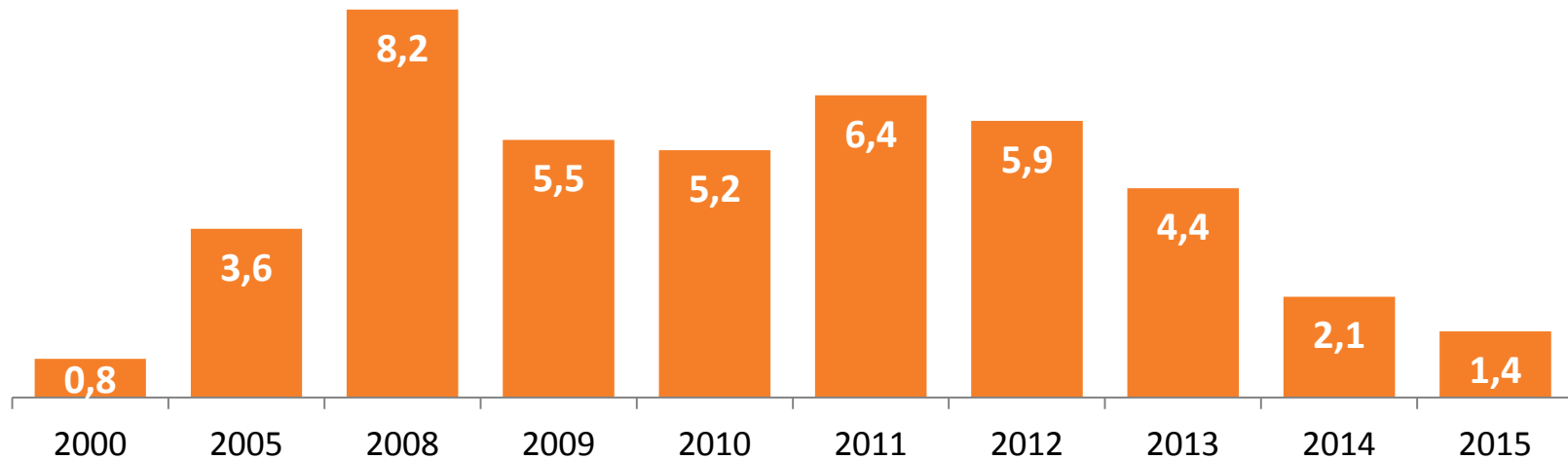


Steel exports structure, 2015



# STEEL CAPEX: INDUSTRY RESTRUCTURING

## Fixed asset investments of Russian steel companies, bn \$



Source: Worldsteel, Russian steel consortium estimates, companies data

- Investments of Russian steel companies provided profound restructuring of the steel industry. During the last 25 years crude steel production was reduced by over 20% (from 90 to 70 mtpy). Old capacities were partly substituted by more efficient, energy-saving and environment-friendly technologies.
- Active investment phase is now over, CAPEX focus is redirected to technological innovation, improvement of environmental performance and safety
- Russian steel companies are private, many of them are public; there is no state financing, state support or subsidies in the steel sector. Investment projects are financed by own funds of steel companies and loans from commercial banks.

- Environmental regulation – new initiatives:
  - Triple increase of payments for “negative environmental impact”
  - Increase of fees for waste accumulation
  - New water pollution regulation: construction of additional water treatment facilities
- Installation of equipment for automatic control of emissions from stationary sources.
- Legislation on transition to the principles of Best Available Technologies
- Renewable energy support
- Development of Carbon Emissions Regulations: Mandatory GHG Reporting from 2017



- The macroeconomic situation in Russia: significant decrease of the main economic indicators in 2015, stabilization in 2016, turn to positive growth is expected in 2017
- Steel domestic demand: 9% decrease in 2015, further reduction in 2016 is forecasted up to 6%, while so far the H1'16 demand decreased less than 2% year on year
- Import of steel products during the last 2 years is going down due to weak ruble, low domestic prices and demand.
- Export of steel products remain relatively stable for the last decade with very high share of semis – 56% in 2015
- Active investment cycle provided restructuring of the steel industry: crude steel capacities and production for the last 25 years decreased by over 20%, old capacities were partly substituted by more efficient, energy-saving and environment-friendly technologies.
- Russian steel companies are private, many of them are public; there is no state financing, state support or subsidies in the steel sector; investment projects are financed by own funds of steel companies and loans from commercial banks.
- Latest industrial policy measures are aimed mainly at environmental, safety, energy-saving and climate change issues; new regulations significantly increase pressure on existing steel producers and create additional barriers for new capacities development.

**Thank You!**