1. Macro-economic Overview
2. Steel-using Sectors
3. Current Situation of the Steel Industry
4. Conclusions
1. Macro-economic Overview (1)

Economy stagnates since mid-2012.
✓ Growth in Q3 plunged by minus 0.9%.
✓ Private consumption, investment and exports all declined.

Chart 1. Contribution to quarterly changes, seasonally adjusted

Source: Cabinet Office

1. Macro-economic Overview (2)

Industrial production is declining.
✓ Slowdown in global economy and strong yen are putting pressure on production.

Chart 2. Index of Industrial Production (2005=100)

Source: Cabinet Office
1. Macro-economic Overview (3)

Strong yen adds hardships for export industries.

- Yen remaining at unrivaled high level.

2. Steel-using Sectors (1)

Housing starts show moderate growth.

- Supported by low interest rate and increase in reconstruction works.
2. Steel-using Sectors (2)

Public works orders are increasing.
- Backed by reconstruction budget.
- Effects are expected over a long period of time.

Chart 5. Public Works Orders (change yoy)

Source: Ministry of Land, Infrastructure, Transport and Tourism

2. Steel-using Sectors (3)

Automobile production declines after September.
- Expiration of eco-friendly car subsidies.
- Acceleration of outward shift in production.

Chart 6. Automobile Production

Source: Japan Automobile Manufacturers Association, Web site of auto companies and others
3. Steel Industry (1)

Steel production declines after September.

- End of effects from supportive policy measures.
- Slowdown of overseas economies.

![Chart 7. Crude Steel Production](source: METI)

3. Steel Industry (2)

Inventory increases again.

- Decrease in shipment to domestic market after summer.
- Another pick up in inventory in Q3.

![Chart 8. Demand for Ordinary Steel Products](source: METI, JISF)
3. Steel Industry (3)

Uncertainties are mounting in exports.

- Recovery since the beginning of 2012.
- Slowdown in Asian economies, and high-level global production.

![Chart 9. Steel Exports by Destination](image)

Source: Ministry of Finance

3. Steel Industry (4)

Main export items are flat products.

- Satisfying needs from overseas users for high-end steel products.

![Chart 10. By Product Category (Jan.-Sept. 2012)](image)

Source: Ministry of Finance
3. Steel Industry (5)

Imports remain high.
✓ Korea, China and Chinese Taipei accounting for most of imports.

Chart 11. Steel Imports by Country of Origin

Source: Ministry of Finance

3. Steel Industry (6)

Main import items are flat products.
✓ HR, CR and coated coils/sheets accounting for more than 40% of the total.


Source: Ministry of Finance
4. Conclusions

• Situations are becoming even tougher.
  ✓ Slowdown in global economy, with Asian emerging economies no exception.
  ✓ Continued build up in steelmaking capacity.
  ✓ Persistent strength of the yen.
  ✓ Hollowing out of manufacturing basis.
  ✓ Concerns about stable electricity supply.