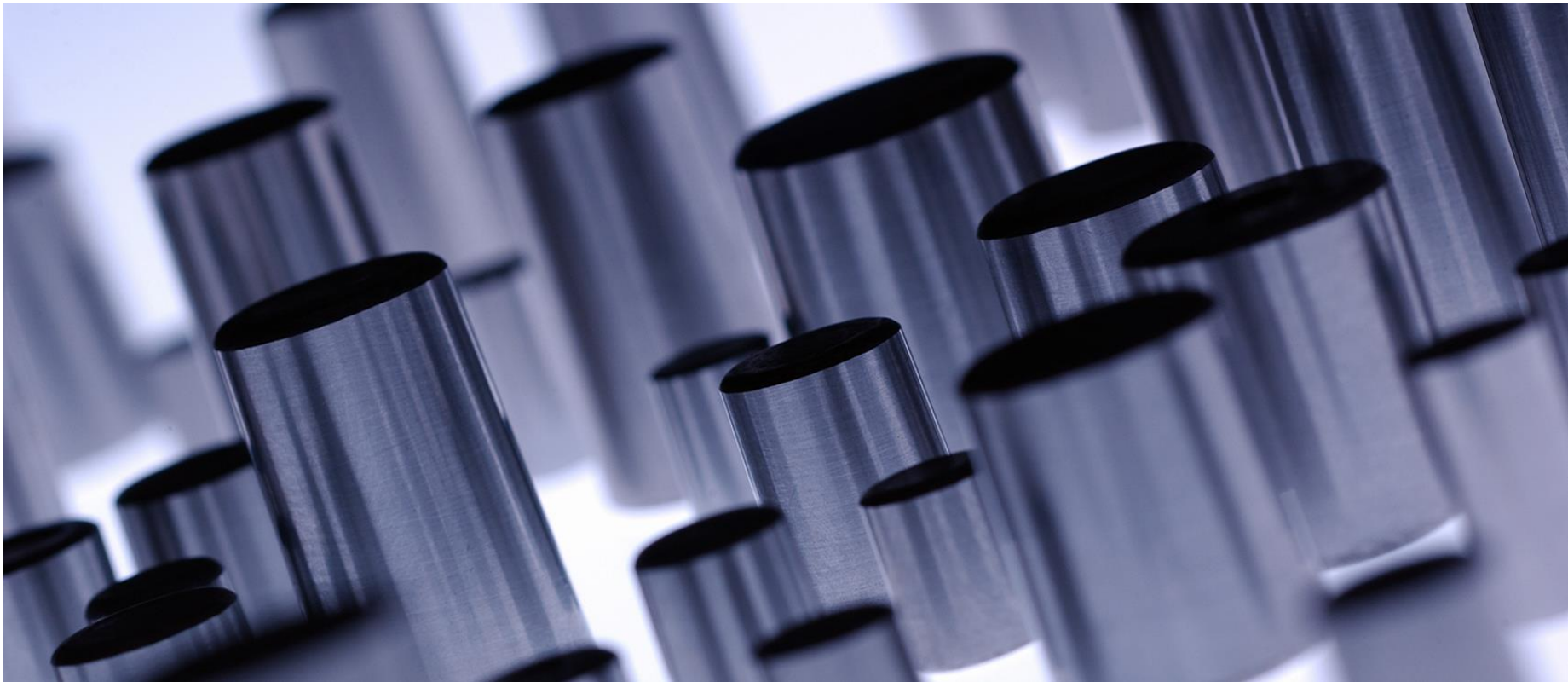


Global Steel Market Outlook

OECD Steel Committee Meeting, September 8-9, 2016, Paris



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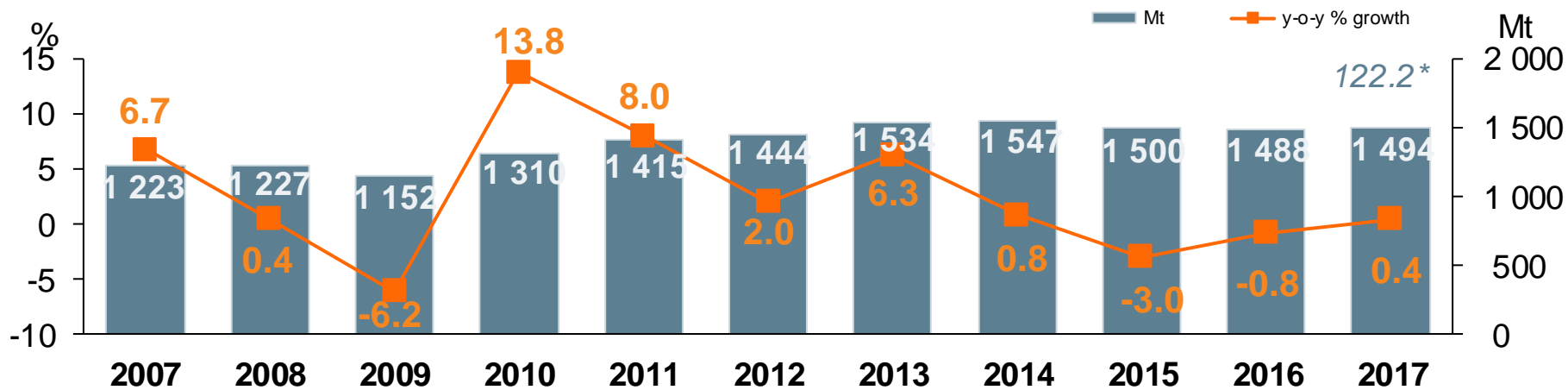
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Steel Industry continues to face challenge

- China deceleration continues leaving impact on resource dependent economies
- Globally weak investment despite low interest rate environment
- Mounting uncertainties, mostly geopolitically driven, further weakening investment
 - Syria, IS, Brexit, US election, ...
- Low oil price environment impacts on steel demand
 - energy sector investment, public spending in oil exporting countries
- Timid recovery in the developed economies continues
- Emerging economies continue to struggle to grasp momentum

Global Overview

Steel demand, finished steel (SRO April 2016)



	million tonnes (Mt)			%			2017 as % of 2007
	2015	2016	2017	15/14	16/15	17/16	
World	1 500.1	1 487.7	1 493.6	-3.0	-0.8	0.4	122.2
Developed Economies	399.1	405.9	410.4	-4.0	1.7	1.1	86.4
Emerging & Developing Economies excl. China	428.6	436.3	457.1	2.0	1.8	4.8	138.9
China	672.3	645.4	626.1	-5.4	-4.0	-3.0	149.6

* 2017 ASU as a share of 2007 ASU

Developments in key regions

■ Asia

- **China:** Post peak demand decline continues with rebalancing and weak manufacturing. But government stimuli on infrastructure and real estate market alleviate steel demand decline. Real estate stimuli not sustainable.
- **India:** Sound steel demand growth driven by consumption boosting reform and booming construction
- **ASEAN:** Despite China deceleration, consumption and construction drives strong growth in steel, especially in Vietnam
- **Japan:** Postponement of consumption tax, weak export plus outstanding structural issues lead to weak steel demand
- **Korea:** Struggling with weak domestic demand and manufacturing export

Developments in key regions

■ EU

- Amid Brexit uncertainty, recovery in EU takes hold supported by consumption and recovery in construction
- Recovery in investment is still weak and BREXIT adds uncertainty
- Major impact of BREXIT is on UK so far. Long term effect unpredictable

■ NAFTA

- **US:** Strong dollar/weak manufacturing and low oil prices, destocking affecting US steel demand negatively despite favorable economic condition
- **Mexico:** low oil price and slow industrial activities in US, tight fiscal policy stance suppresses economic performance and steel demand

Developments in key regions

■ South America

- Disappointing performance in 2016 with significant internal and external challenges
- **Brazil:** Recession coming to stabilization with rising confidence in 2016, steel recovery is lagging with double digit fall. Stabilization expected in 2017.
- **Pacific Alliance countries:** Performing below potential despite stable macro outlook

■ CIS

- Situation stabilizing CIS after steep declines, but downside risks
- **Russia:** Structural issues and sanctions, falling oil prices causes steel demand contraction, but recovery foreseen in 2017
- **Ukraine:** Positive growth in steel demand expected from a very low base

■ MENA

- **GCC:** Reforms to adapt to low oil prices weakens steel demand growth
- North **Africa:** Generally favourable outlook in Egypt and Morocco
- **Iran :** Benefits of lifting sanctions will need time to work through

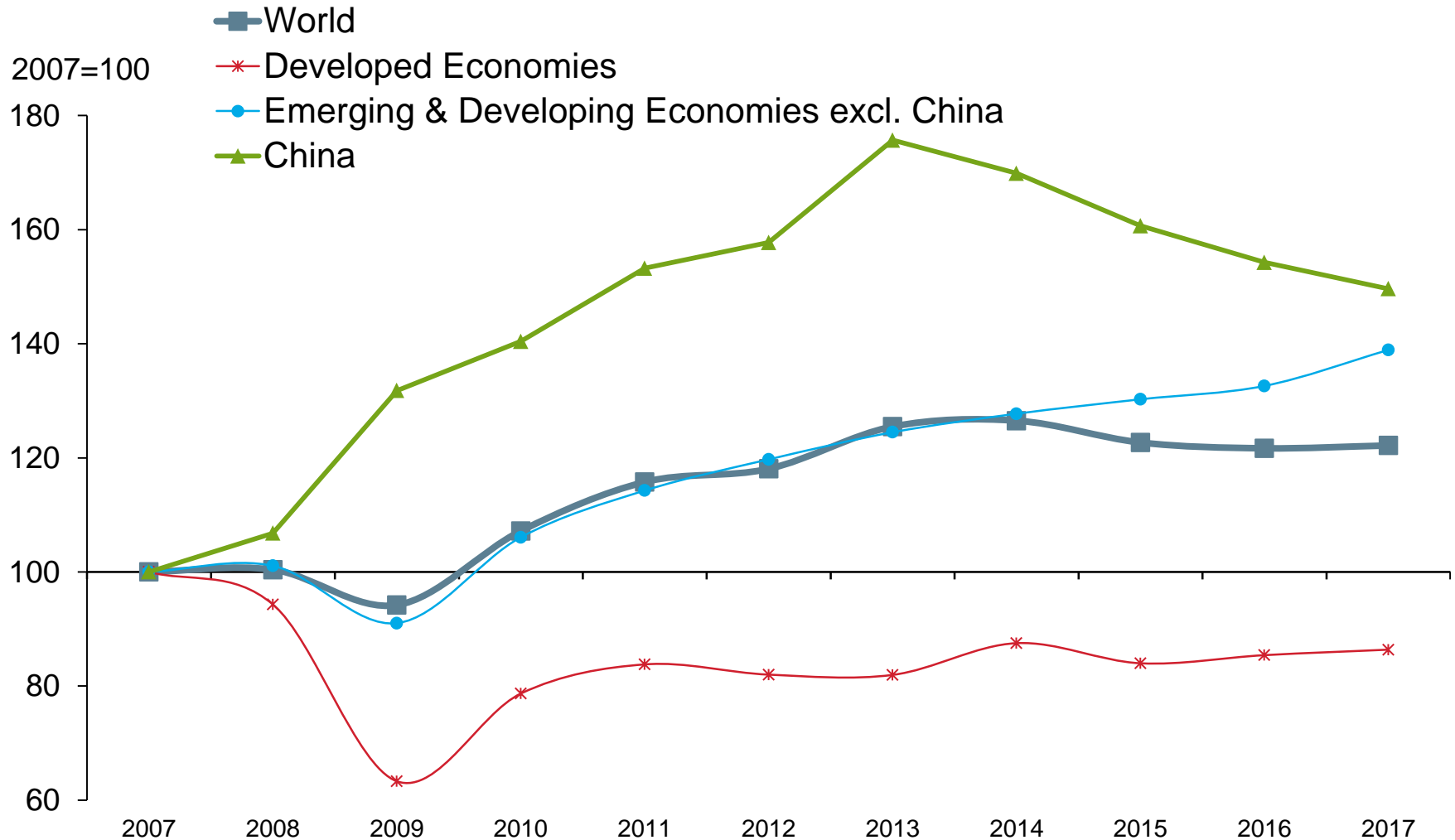
Revision from April 2016 Forecasts

Steel demand, finished steel (SRO October 2016)

	Mt		%		Mt Δ		growth rate Δ	
	2016	2017	2016	2017	2016	2017	2016	2017
	SRO April 2016				SRO October 2016			
World	1 487.7	1 493.6	-0.8	0.4				
European Union (28)	155.4	158.1	1.4	1.7				
Other Europe	41.3	42.6	3.0	3.0				
CIS	46.3	48.4	-7.4	4.6				
NAFTA	138.8	142.3	3.2	2.6				
Central & South America	42.6	44.0	-6.0	3.2				
Africa	40.5	43.1	3.8	6.5				
Middle East	54.3	56.4	2.4	4.0				
Asia & Oceania	968.5	958.7	-1.7	-1.0				
China	645.4	626.1	-4.0	-3.0				

World, 2007=100

Steel demand, finished steel (SRO April 2016)

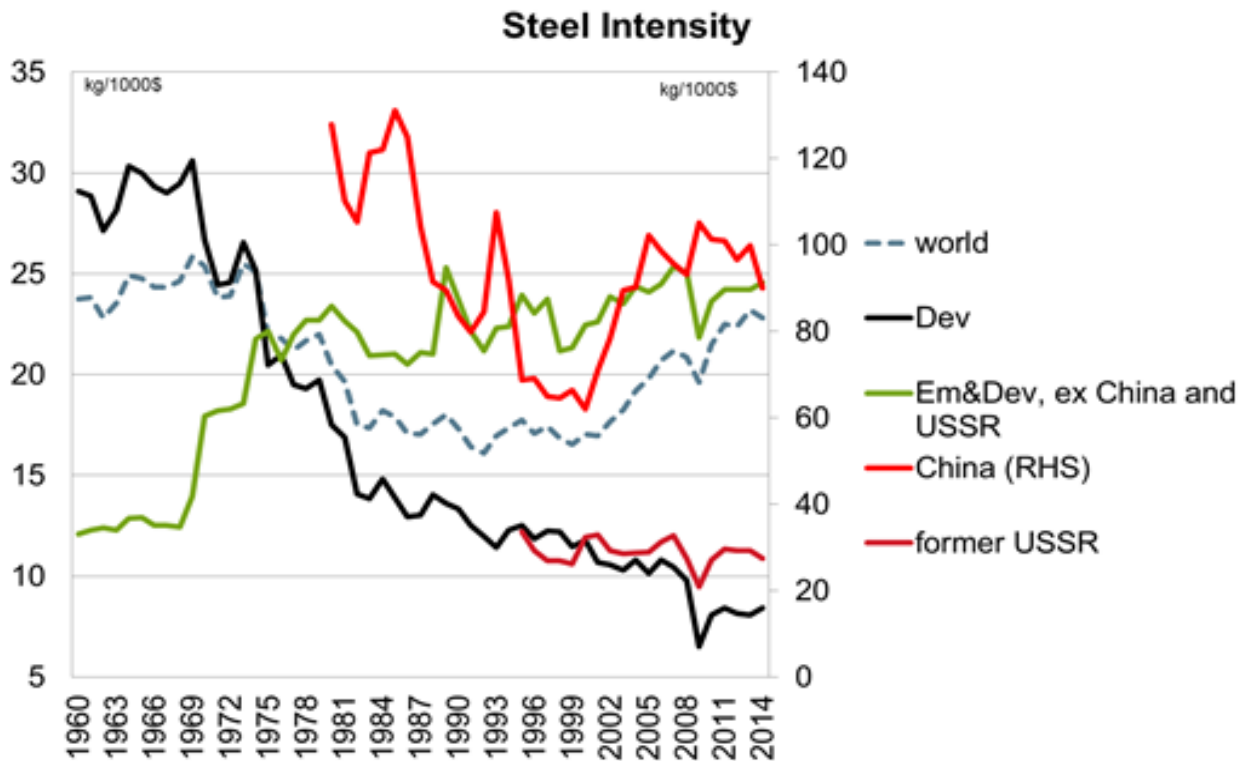


Long term factors affecting steel demand

- Secular stagnation of the global economy
- Rising income inequality threatening growth and middleclass base
- Deceleration of population growth and aging population
- Premature deindustrialization
- Climate Change and Circular Economy impact on steel demand

Steel Intensity Trend

Steel intensity of GDP, tonnes / million real 2010 USD



Summary and Conclusions

- Better than expected growth in 2016, mainly due to china
- Worst is over, but growth momentum is subdued
- Developed economies stable at low growth
- Diverging emerging economies
- Growth is consumption driven, weak investment continues
- No immediate turn around of weak growth momentum, risks remain elevated
- Megatrend factors suggest less favorable long term volume growth potential

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