

Korean Steel Market in 2016

September 9, 2016

Korea Iron and Steel Association

GDP

- ◆ Korea's GDP growth rate is estimated to be 2.7% in 2016 and 2.9% in 2017, and the Korean economy will be recovered at a steady pace thanks to increasing domestic demand supported by construction sector.

Private Consumption

- ◆ This year's private consumption will record 2.3%, however, there are many variables such as a decline in wage and employment growth rates.

Equipment Investment

- ◆ A substantial decrease in equipment investment is expected in 2016 owing to external uncertainties for enterprises and domestic industrial restructuring.

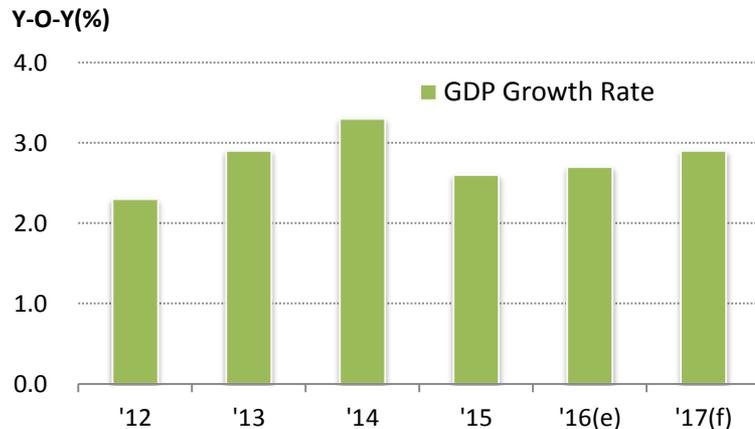
Construction Investment

- ◆ Construction investment is expected to increase by 10.1% with active residential construction this year, but the government's SOC budget reduction will lead to a slowdown in civil engineering projects.

Exports

- ◆ Exports will increase by 0.9% this year because exports of IT products such as semiconductor and display panel are expected to show signs of recovery in the second half.

Economic Indicators in Korea



* Source : Bank of Korea

(Y-O-Y %)

	2015	2016(e)			2017(f)		
		1H	2H	Total	1H	2H	Total
GDP	2.6	3.0	2.4	2.7	2.6	3.1	2.9
Private Consumption	2.2	2.7	1.9	2.3	2.0	2.3	2.2
Equipment Investment	5.3	-3.6	-0.6	-2.1	4.5	2.1	3.2
Construction Investment	3.9	10.1	3.9	6.7	2.3	3.6	3.0
Exports	0.5	0.1	1.7	0.9	3.1	2.2	2.6
Imports	2.0	0.6	0.1	0.3	3.0	1.1	2.1

* Source : Bank of Korea

(1) Steel-consuming Industries

Construction (Orders)

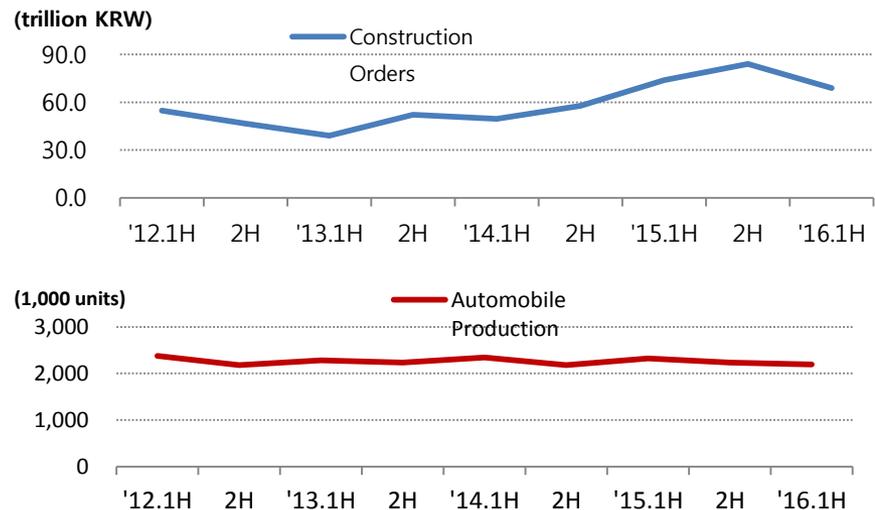
- ◆ Construction orders reached a record-high of 158 trillion KRW with an increase of 47% year-on-year in 2015 with favorable real estate market and slightly decreased in the first half of this year with a slump in overseas construction projects caused by low oil prices.
- ◆ The construction boom in private residential sector has boosted the demand for construction steel products although civil engineering has been on the downward trend.

Automobile (Production)

- ◆ Korea's automobile production decreased by 5.4% to 2.2 million units in the first half of 2016.
- ◆ Exports dropped by 13.0% due to low oil prices and depressed overseas markets, however domestic sales increased by 8.7% with releases of new models and individual consumption tax cuts.

Developments of Steel-consuming Sectors in Korea

	Unit	2014	2015		2016.1H	
				Y-O-Y		Y-O-Y
Construction Orders	trillion KRW	107.5	158.0	47.0	69.0	-6.6
Automobile Production	1,000 Units	4,525	4,556	0.7	2,196	-5.4

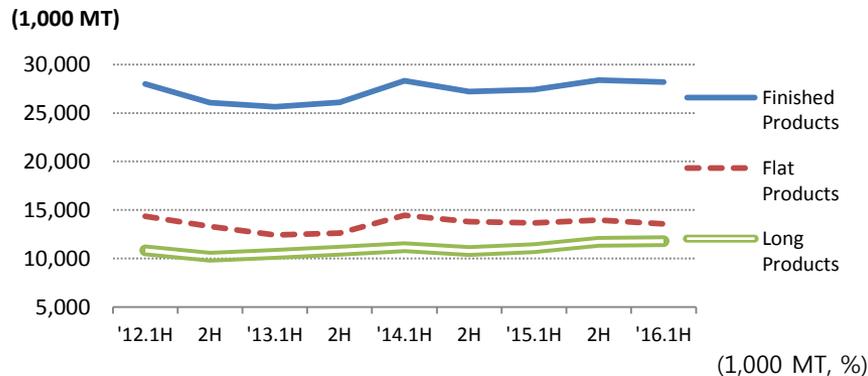


* Source : Relevant Associations(CAK, KAMA)

(2) Steel Demand and Supply

Steel Consumption

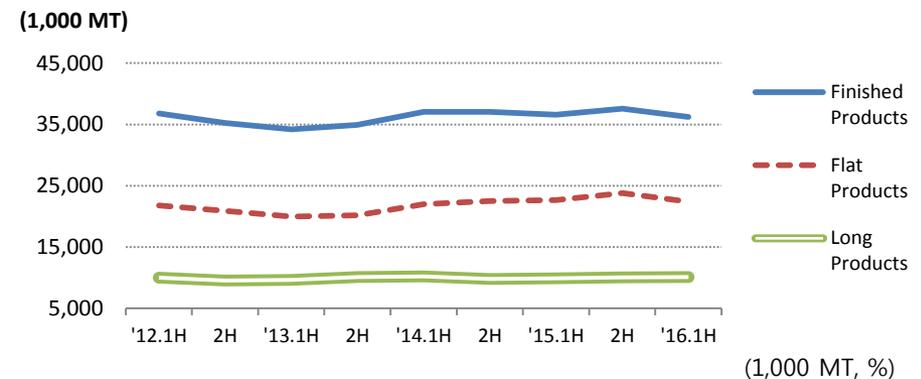
- ◆ Korea's steel consumption went up by 2.8% to 28.2 million tons in the first half of 2016 with active performances in construction as well as steel consumers and distributors' efforts to secure inventories in response to rising market prices.
- ◆ Since reaching an all-time high level in 2015, active construction orders have contributed to a growing demand for long steel products.



* Source : Korea Customs Service

Steel Production

- ◆ Korea's steel production in 2015 remained at a similar level of the previous year and it showed a modest decline in the first half of 2016 due to domestic steel-makers' maintenance works and production adjustments.
- ◆ The positive growth(2.4%) in long products was seen by a continuing construction boom.

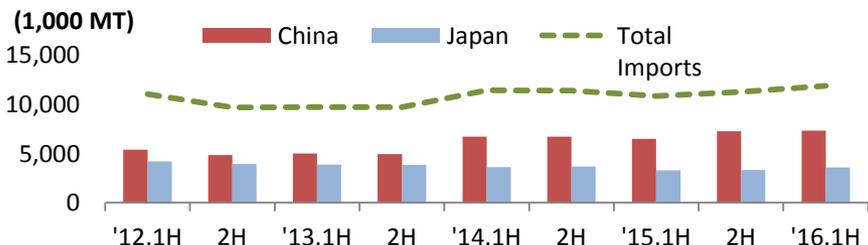
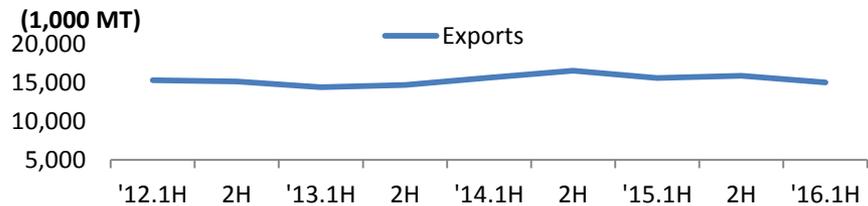


* Source : Korea Customs Service

Steel Exports and Imports

- ◆ **(Exports)** Continued a downward trend. (-1.7% to 31.6 mil. tons in 2015 & -3.8% to 15.0 mil. tons in 1H of 2016)
- ◆ **(Imports)** Maintained a high level of more than 20 million tons a year. (up by 9.4% to 11.8 mil. tons in 1H of 2016)
 - **(By Country)** Imports from neighboring countries, China and Japan accounted for more than 90% of the total volume.
Korea's imports from China and Japan increased by 12.5% and 9.1% respectively in 1H of 2016.
 - **(Market Penetration Rate)** Exceeded 40% in 2014 and also recorded 42% in 1H of 2016.

Korea's Exports and Imports

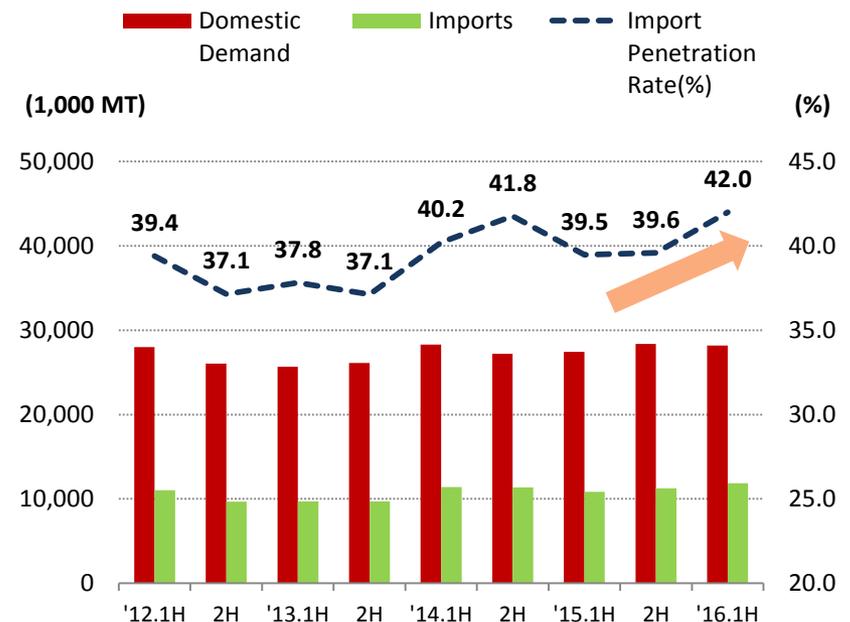


(1,000 MT, %)

	2014		2015		2016.1H	
				Y-O-Y		Y-O-Y
Total Imports	22,749	22,057	-3.0		11,844	9.4
China	13,407	13,733	2.4		7,304	12.5
Japan	7,306	6,601	-9.7		3,576	9.1

* Source : Korea Customs Service

Import Penetration Rate in Korea



* Source : KOSA

3. Closing Remarks

- ◆ **Korea's steel production has been flat due to a delayed recovery in manufacturing sectors, however an increase in steel demand has been supported by a construction boom which led to a moderate recovery in Korean steelmakers' business performances in the first half of 2016.**
- ◆ **Korea's steel imports maintained a high level of more than 20 million tons a year while steel exports have been on the downward trend over the recent 2 years. The market share of imported steel products in the domestic steel market(import penetration rate) recorded 42% in the first half of 2016.**
- ◆ **Over the last 5 years, Korean steelmakers have tried to conduct active and voluntary restructuring based on the principle of the market economy in order to overcome the current crisis without any kinds of government supports or interventions.**
- ◆ **However, there are growing concerns over unfair imports which may aggravate the business environment and impede effective restructuring in the steel sector. The Korean steel industry also expresses serious concerns that excessive trade remedy measures may decrease the competitiveness of the steel industries by hindering from steelmakers' participation in Global Supply Chain of the steel-using industries such as shipbuilding, automobile, home appliance and etc.**
- ◆ **The Korean steel industry believes that all countries should take WTO-consistent trade remedy measures and industrial restructuring should be implemented in line with open trade markets in order to avoid negative impacts stemming from the abusive use of trade remedies.**

Thank you !
