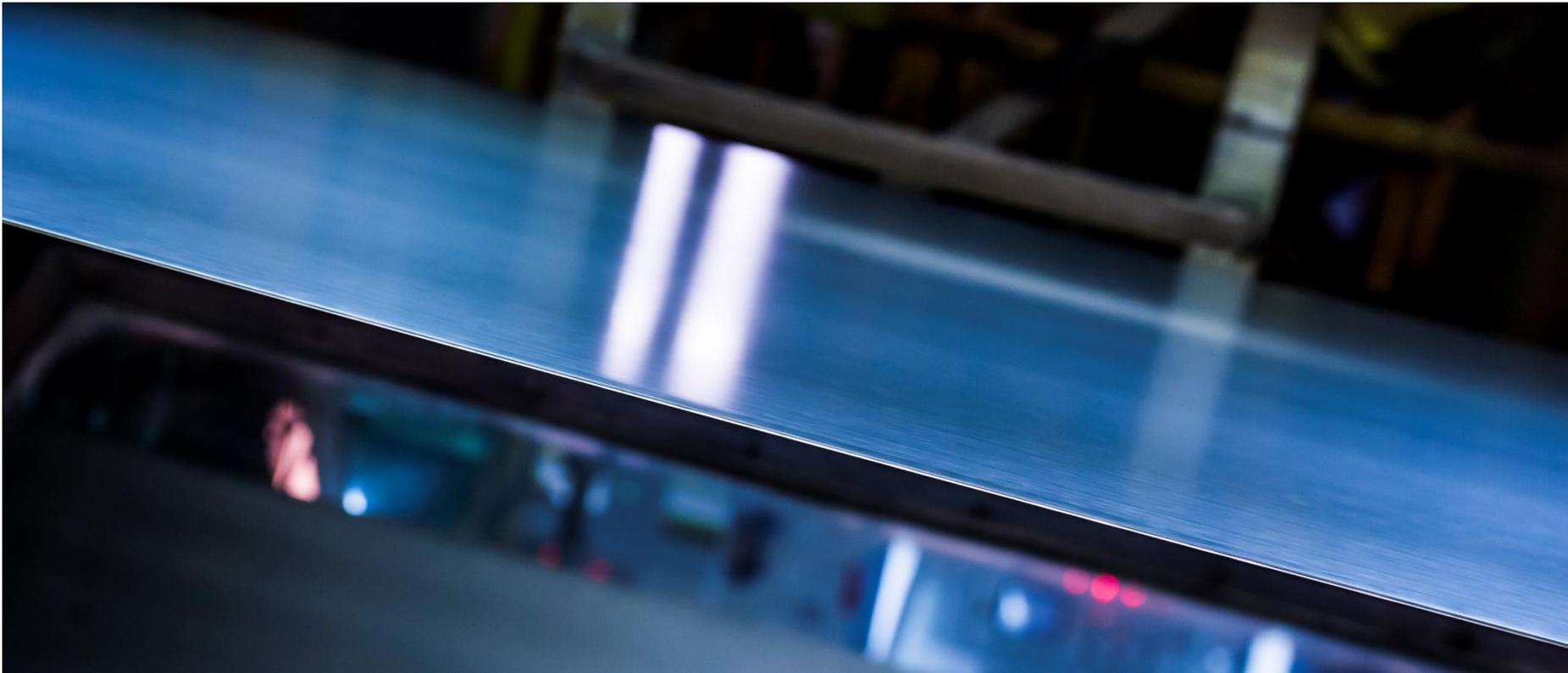


## **Global Steel Market Outlook**

OECD Steel Committee Meeting, March 5, 2018, Paris



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## **Key observations:**

### **Steel industry continues globally shared demand recovery, but fails to reflect global economic strength**

- Developed economies maintain strengthening recovery momentum with favourable investment cycle
- China returns to the contraction mode
- The emerging economies are benefitting from the benign global economic environment and reforms, but their steel demand momentum lacks strength
- Global steel demand in 2018 will show only moderate growth with further deceleration in 2019

# Global Overview

Steel demand, finished steel (SRO October 2017)

<b>2016</b>
<b>1 515.9 million tonnes, 1.0% growth</b>
<b>2017 (forecasts)</b>
<b>1 622.1 million tonnes, 7.0/ 2.8%* growth</b>
<b>2018 (forecasts)</b>
<b>1 648.1 million tonnes, 1.6% growth</b>

>> 2019 to show further deceleration

\* : Growth rates based on adjusted Chinese crude steel production for 2016

# On China

- Forced closure of induction furnaces in 2017 has generated some statistical issues

	Mt			%			2018 as % of 2007
	2016	2017	2018	16/15	17/16	18/17	
<b>World*</b>	1 515.9	1 622.1	1 648.1	1.0	2.8	1.6	134.7
<b>China*</b>	681.0	765.7	765.7	1.3	3.0	0.0	183.0
<i>China</i>				1.3	12.4	0.0	

\*- Growth rates for World, Asia and China are based on adjusted Chinese crude steel production for 2016

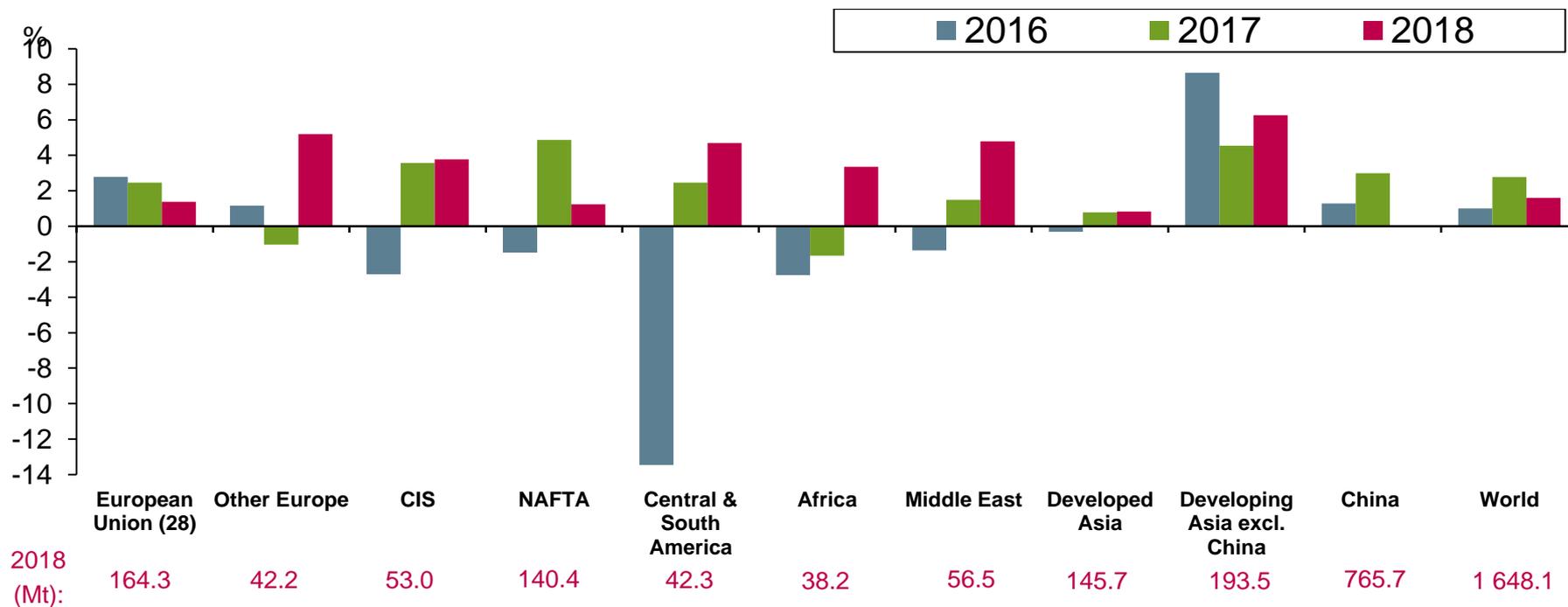
## China's steel using sectors' performance

Steel Using Sectors	2016	2017	2018
Construction	1.3%	3.5%	-0.5%
Domestic Appliances	-0.5%	3.0%	0.5%
Electrical Equipment	1.5%	1.0%	0.5%
Mechanical Machinery	0.5%	2.5%	1.0%
Metal Products	-2.0%	2.0%	-0.5%
Automotive	7.5%	2.5%	1.5%
Other Transport	-0.5%	1.5%	0.0%
<b>SWIP</b>	<b>1.3%</b>	<b>3.0%</b>	<b>0.0%</b>

Source: worldsteel

# Regional Summary

Steel demand, finished steel (SRO October 2017)



2018 (Mt):	European Union (28)	Other Europe	CIS	NAFTA	Central & South America	Africa	Middle East	Developed Asia	Developing Asia excl. China	China	World
	164.3	42.2	53.0	140.4	42.3	38.2	56.5	145.7	193.5	765.7	1 648.1

	million tonnes (Mt)			%			2018 as % of 2007
	2016	2017	2018	16/15	17/16	18/17	
<b>World</b>	1 515.9	1 622.1	1 648.1	1.0	7.0 / 2.8*	1.6	134.7
Developed Economies	398.8	408.1	412.0	0.0	2.3	0.9	86.5
Emerging & Developing Economies excl. China	436.0	448.2	470.4	1.5	2.8	4.9	142.9
China	681.0	765.7	765.7	1.3	12.4 / 3.0*	0.0	183.0

Note. Growth rates for World, Asia and China are based on adjusted Chinese crude steel production for 2016

# Developments in key regions (to be updated)

## ■ Asia

- **China:** In 2017 the mild stimulus on real estate market and infrastructure supported steel demand to some degree, thereby avoiding a severe deceleration. But the stimulus was limited and investment continued to decelerate. Going forward, rebalancing and environmental protection will continue to weigh on investment/real estate market, hence construction outlook is negative. China's steel demand is expected to decelerate/contract.
- **India:** As the Indian economy is slowly recovering from the shock of reforms, steel demand is gradually shifting to a higher gear. However, private investment is still not picking up, but stronger growth can be expected when the ongoing bankruptcy proceedings improve investment environment.
- **ASEAN:** After strong growth in 2016, apparent steel use in ASEAN contracted in 2017 due to severe stock movements. Economic fundamentals remain robust for emerging ASEAN economies and steel demand will show high growth in 2018/19. Vietnam and Philippines to show the strongest growth.
- **Japan:** The Japanese economic outlook remains stable and so does the steel demand outlook. Labor shortage continues to constrain the construction sector and the expected consumption tax in 2019 will affect steel use dynamics
- **Korea:** The Korean government is trying to boost consumption through income-supporting policies, but high household debts continue to limit consumption recovery. Toughening measures on real estate against rising house prices along with depressed shipbuilding sector clouds steel demand outlook.

# Developments in key regions (2/3)

## ■ EU

- The EU economy is gaining further strength with all components of GDP showing robustness and more synchronized growth across countries. GDP growth is above the trend and economic sentiment is strong. A particularly welcome trend is that growth is now driven by investment. Construction outlook is bright with non-residential construction finally picking up. Outlook for mechanical engineering is healthy thanks to investment. On the other hand, the automotive sector is expected to decelerate due to saturation. While strong euro and political issues raise some concerns over export, EU steel demand outlook remains positive.

## ■ NAFTA

- **US:** US economic fundamentals continue to be strong with strong job market and high confidence. Both manufacturing and investment are supported by favorable economic conditions at home and abroad. But the automotive sector is expected to slow down. The recent tax reform is expected to further boost the economy through enhanced investment despite long-term concerns and there are worries about overheating economy. After a particularly strong 2017, steel demand growth will decelerate in 2018/19, but relatively optimistic outlook is maintained. Steel demand could get further boost if the announced infrastructure initiatives get implemented, which is unlikely in the short term.
- **Mexico:** While steel using manufacturing sectors are showing robust growth, Mexico's steel use projection turned less positive due to fall in government spending and political uncertainties at home and abroad. The upcoming elections are causing uncertainty, in particular regarding the future of economic reforms. Also, lingering NAFTA renegotiation and US tax reform is undermining investment sentiment.

# Developments in key regions (3/3)

## ■ South America

- Recovery of the Latin American countries is taking place (except in Venezuela) on the back of rising commodity prices and improved economic fundamentals as some reform measures were implemented. The Latin American economies could show stronger momentum over time with further reforms, but uncertainty surrounds the presidential elections in Brazil, Mexico, Colombia in 2018.
- **Brazil:** Since 2017 a slow economic recovery started led mostly by consumption. GDP is expected to grow by 3% in 2018/19. However, construction recovery has not started yet and recovery of other steel using sectors is rather mild except for the automotive sector. Steel demand will continue to maintain the moderate but steady recovery momentum in 2018/19.

## ■ CIS and Other Europe

- **CIS:** Russia continues slow but steady recovery partly overcoming the impact of sanctions but still constrained by them. Lack of reform is hampering the region's recovery.
- **Turkey:** With the government investment support program and strength in the auto sector, Turkish steel demand will show a stable growth.

## ■ MENA

- **GCC:** Recent recovery in oil prices, fiscal consolidation and economic diversification helped rebound of the GCC economies. With resumption of construction projects, steel demand will also rebound.
- **North Africa:** After the shock of the exchange rate reform, the Egyptian economic outlook improves and strong rebound in steel demand is expected with infrastructure and housing programs.

# Revisions from October 2017 Forecasts

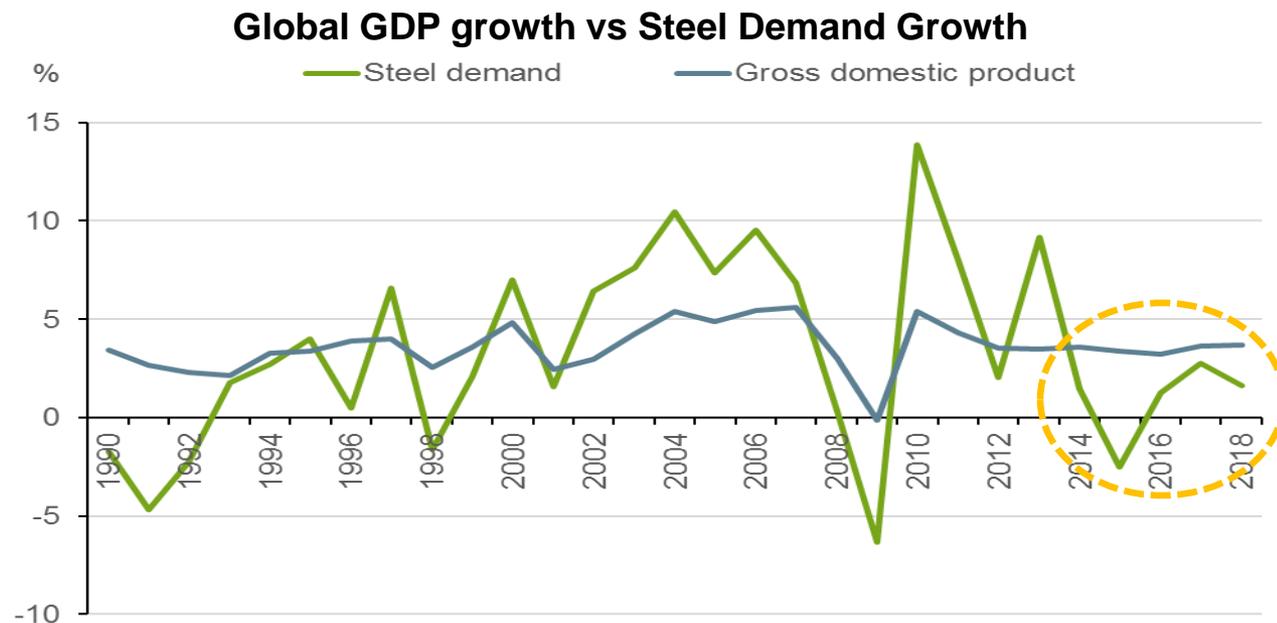
Steel demand, finished steel (SRO October 2017/April 2018)

	Mt		%		Mt Δ		growth rate Δ		accel.
	2017	2018	2017	2018	2017	2018	2017	2018	19/18
	SRO October 2017				SRO April 2018				
<b>World</b>	<b>1 622.1</b>	<b>1 648.1</b>	<b>7.0 / 2.8*</b>	<b>1.6</b>					
EU (28)	162.1	164.3	2.5	1.4					
Other Europe	40.1	42.2	-1.0	5.2					
CIS	51.1	53.0	3.6	3.8					
NAFTA	138.7	140.4	4.9	1.2					
C&S America	40.4	42.3	2.5	4.7					
Africa	37.0	38.2	-1.6	3.3					
Middle East	53.9	56.5	1.5	4.8					
Asia & Oceania	1 098.8	1 111.1	9.3	1.1					
China	765.7	765.7	12.4 / 3.0*	0.0					
Developing Asia excl. China	182.1	193.5	4.5	6.3					
Developed Asia	144.5	145.7	0.8	0.8					

\* : Growth rates based on adjusted Chinese crude steel production for 2016

# Summary: Manifestation of the new normal

- Global steel demand will maintain moderate growth momentum with limited risks on the back of the strong global economy
- But steel demand growth is expected to remain below GDP growth
- The divergence between the performance of the global steel industry and the global economy could be the reflection of the megatrend forces, in particular, the circular economy trend



Source: worldsteel (steel demand, SRO October 2017), IMF (World Economic Outlook, October 2017)

Thank you for your attention.

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