



Korea's Steel Market

Recent Trends and Outlook

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Korea Iron and Steel Association



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Executive summary



Steel making capacity

- Recent trends show Korea's steel making capacity has remained at stable level for the past 5 years. Particularly, It even decreased by 600 thousand MT in 2018 due to exit of EAF facilities



Domestic supply and demand

- Steel consumption in 2019 slightly increased compared to 2018 but failed to recover at the level of 2016. Korea's steel demand is expected to decrease 1.9% - 3.7% in 2020 due to a slump in steel consuming industries



Steel trades

- Steel export decreased by 0.2% in 2019 compared to the previous year and likely to maintain in 2020 at around 30 million MT.
- Steel imports reached 16.8 million MT by y-o-y 9% increase in 2019.
- Long product Imports have significantly increased by y-o-y 12.9%, and China occupied 50.6% of the volume



Trade remedies on steel products

- Global steel industries are facing the era of trade remedies. 31.7% of trade remedies from 1995 to 2018 were on base metals & articles according to WTO.
- Korea, on the other hand, has applied only for 6 AD on steel imports.

The background features abstract, overlapping blue rectangular shapes in the corners, creating a modern, digital aesthetic. The shapes vary in opacity and color intensity, ranging from light sky blue to deep navy blue.

01

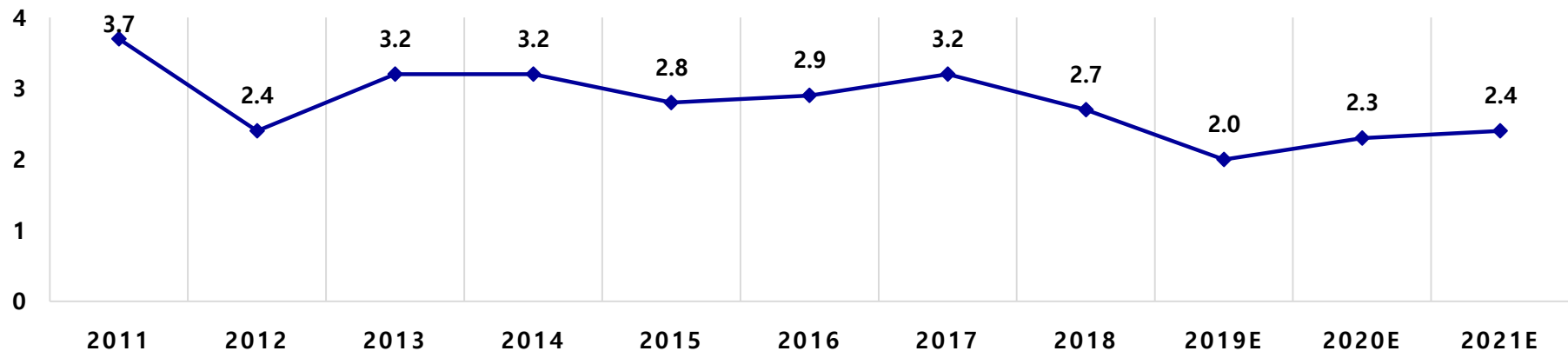
General economic outlook

01. General economic outlook

Overview

- Korea's GDP has maintained a stable level around 2% - 3% growth for the past 10 years
- Bank of Korea has expected increase by over 2% in 2019, but is keeping a careful watch on economic uncertainties sparked by COVID-19 outbreak

	2017	2018	2019e	2020 (e)			2021(e)
				1H	2H	TOTAL	
GDP	3.2	2.7	2.0	2.2	2.3	2.3	2.4
Private Consumption	2.6	2.8	1.9	1.9	2.2	2.1	2.3
Equipment Investment	14.6	-2.4	-7.8	5.7	4.2	4.9	5.2
Construction Investment	7.6	-4.3	-4.3	-3.6	-1.2	-2.3	-0.9
Exports	3.8	3.3	-0.4	2.3	2.1	2.2	2.4
Imports	7.4	1.6	-1.6	2.4	2.3	2.4	2.9

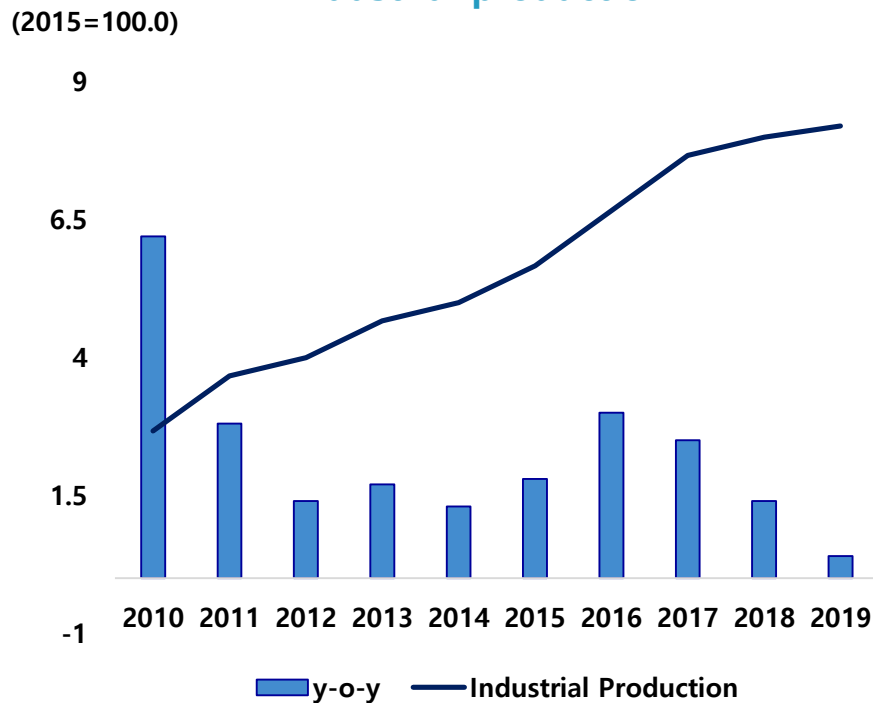


01. General economic outlook

Productions and business sentiment

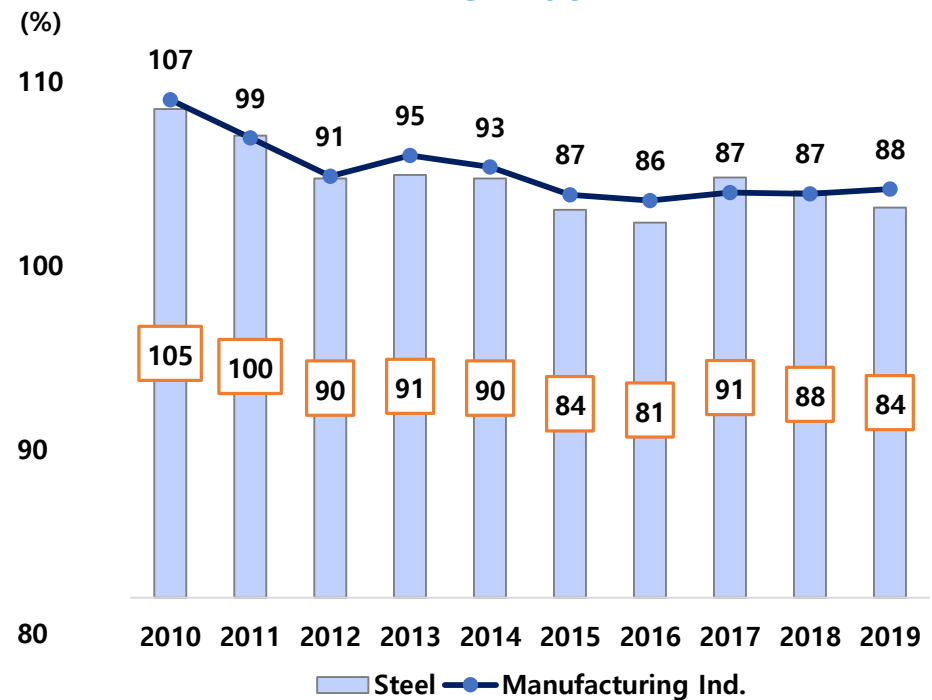
- Korea's industrial production has constantly increased by y-o-y 0.4% during 2019 but the growth is slowing down
- BSI index has shown a negative record of steel sectors below the manufacturing industries

Industrial production



* Source : Kostat

BSI index



* Source : MOTIE, KIET

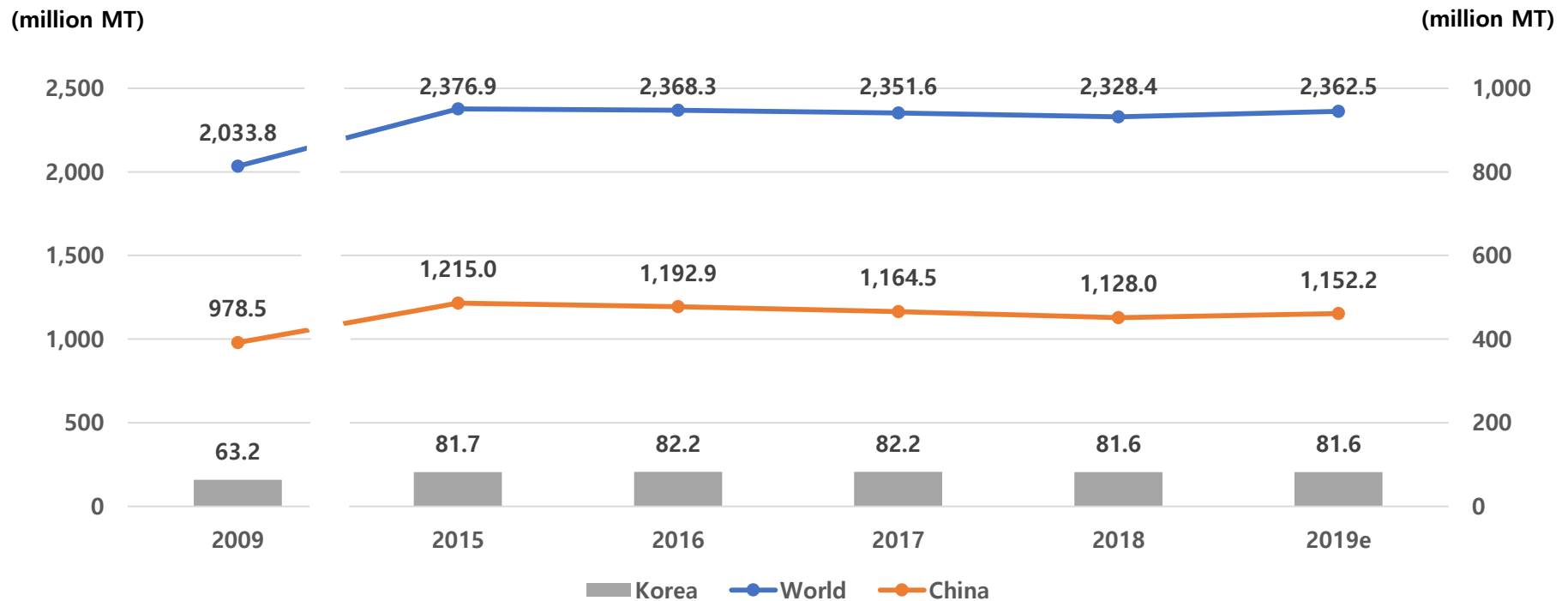
02

Steel making capacity development

02. Steel making capacity development

Capacity development over time

- Global steel making capacity has rapidly increased by 16.2% over the decade compared to 2009
- China occupies about 48.8% of global steelmaking capacity and Korea only about 3.5%
- Korea's capacity has rather decreased about 600 thousand tons in 2018, and maintained the same level in 2019



* Source : OECD (Mar. 2020)

03

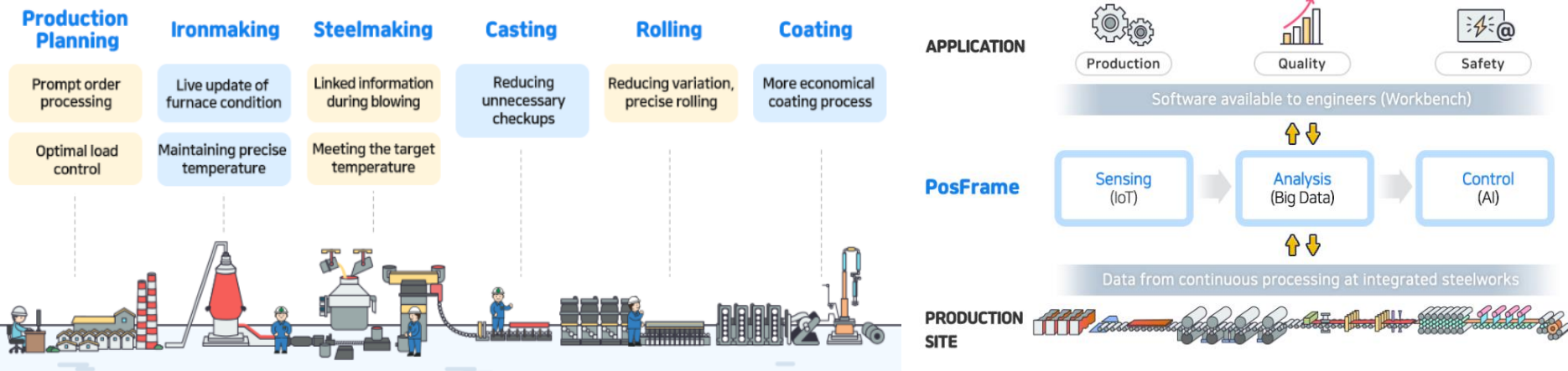
New Challenges of the industries

03. New challenges of the industries

POSCO the Lighthouse Factory

- World Economic Forum has appointed POSCO smart factory as Global Lighthouse Factory in 2019. It was the first official recognition as a Korean iron and steel company.
- POSCO is one of the front-runners dare to apply new technologies including big data analysis to steelmaking processes, and PosFrame is the world's first smart factory platform designated for continuous steelmaking process.
- POSCO has completed more than 320 projects to establish smart factories from 2016 to 2019 and was able to cut cost about 2,520 hundred million KRW

Smart steelmaking and How PosFrame works



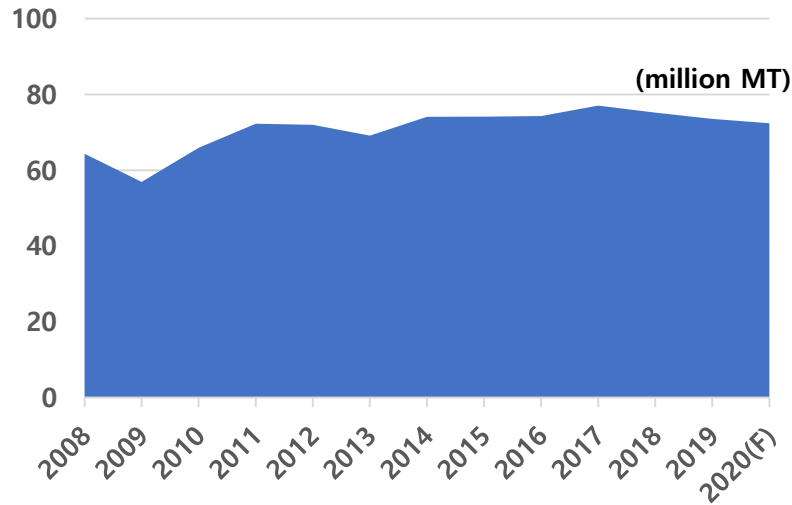
* Source : POSCO Newsroom

04

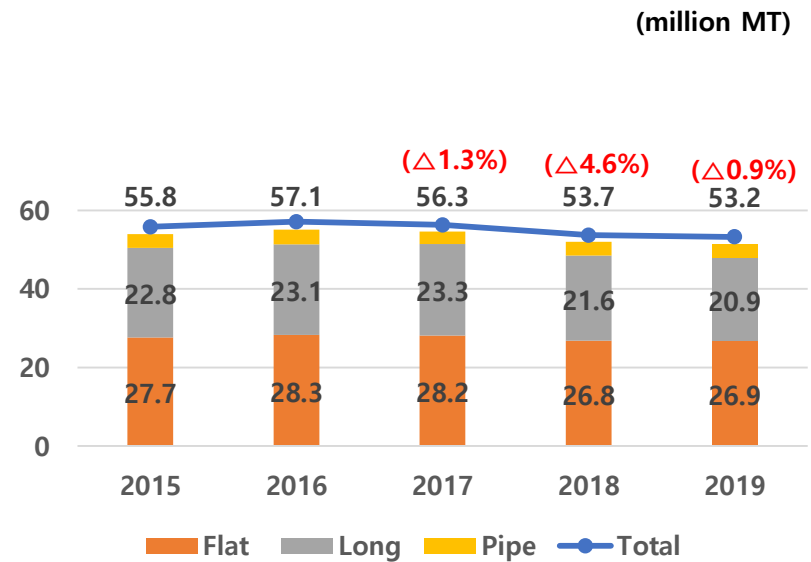
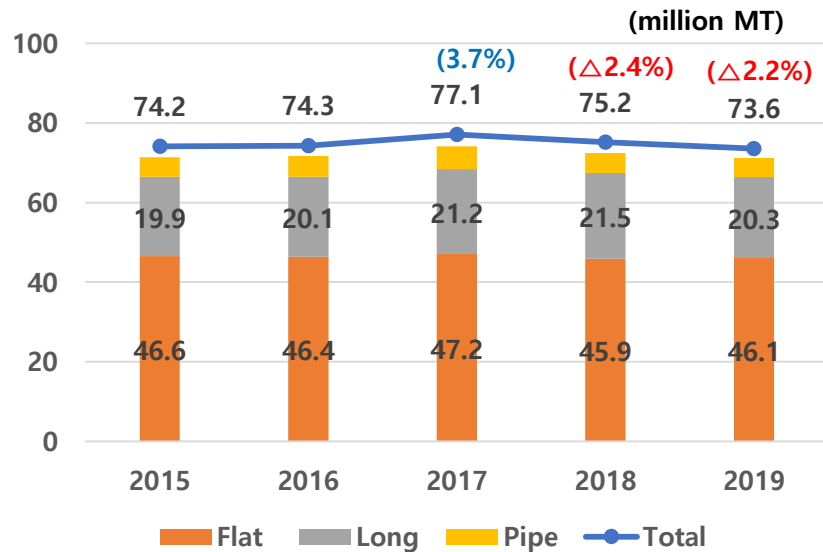
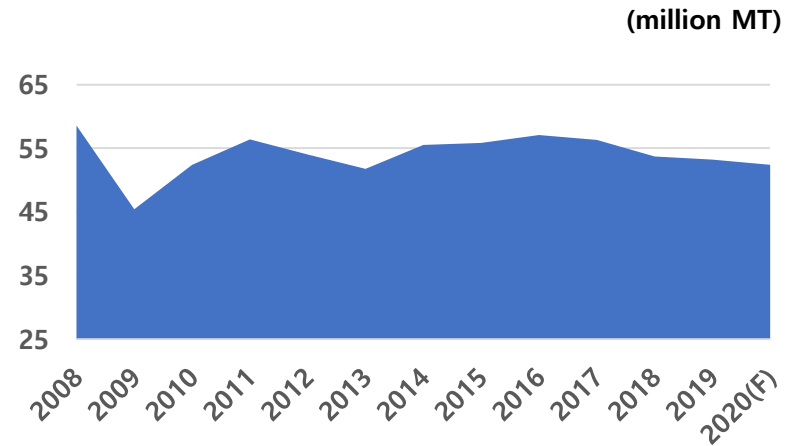
Domestic supply and demand

04. Domestic supply and demand

Steel Production



Steel Consumption



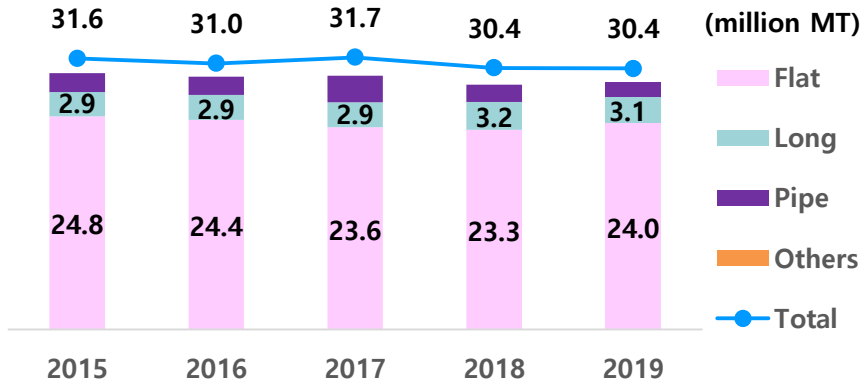
* Source : Korea Iron & Steel Association

05

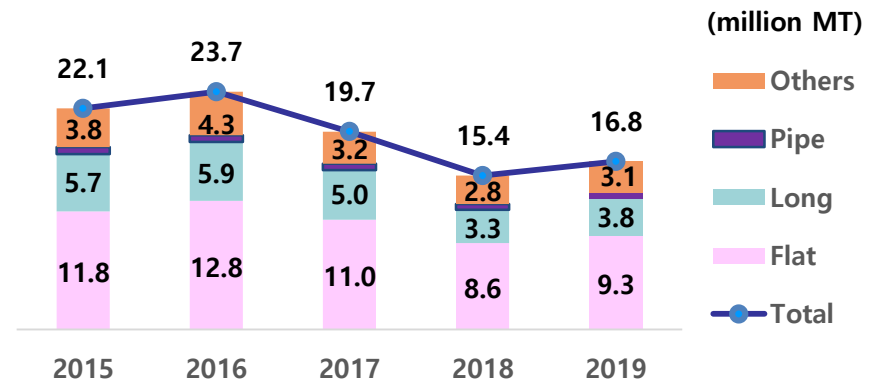
Exports and imports

05. Exports and imports

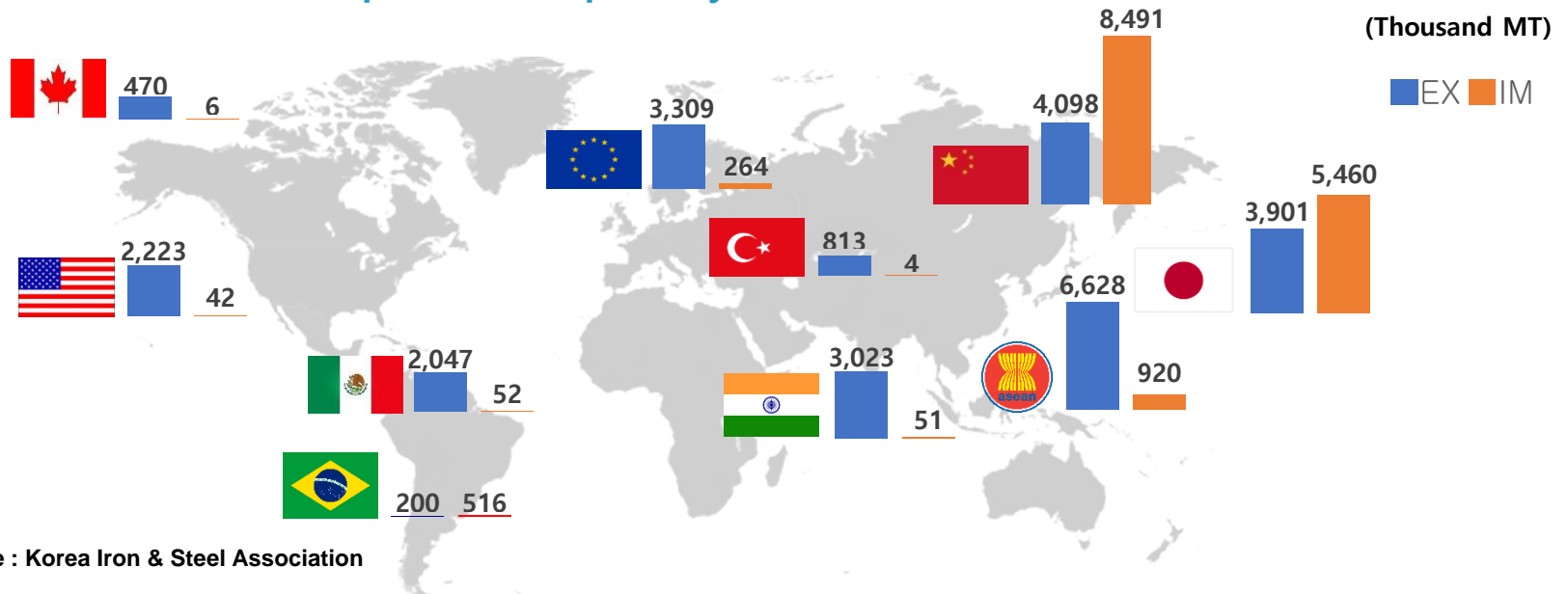
Exports by products category



Imports by products category



Exports and imports by countries in 2019



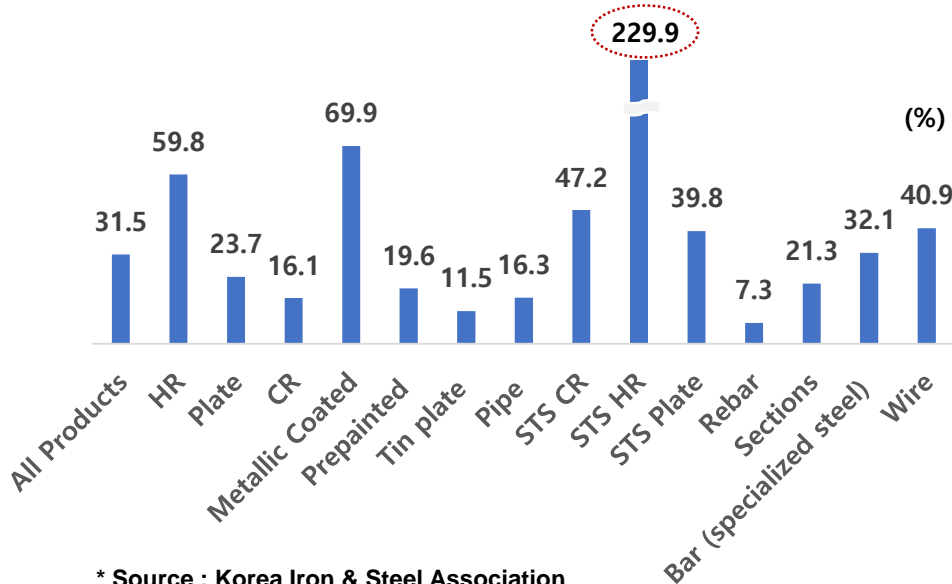
* Source : Korea Iron & Steel Association

05. Exports and imports

Continuous import penetration of stainless steel products

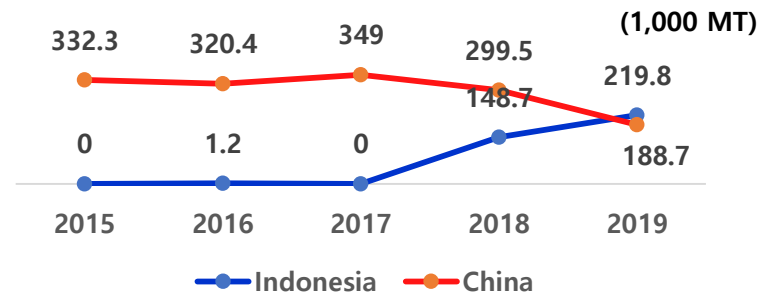
- Korea's import penetration rate is relatively higher than other major steel producing countries with highest record on STS above of 220% in 2019.
- STS flat products(HR-CR) imports from Indonesia rapidly increased in 2019 and particularly STS HR was even higher than that of China
- Import penetration rate by country(2018, Worldsteel) : US 31.8%, Japan 9.2%, Korea 27.8%

Korea's Steel Import penetration in 2019
(Import / Domestic demand)



* Source : Korea Iron & Steel Association

Korea's STS HR import(2015-2019)



Korea's STS CR import(2015-2019)



06

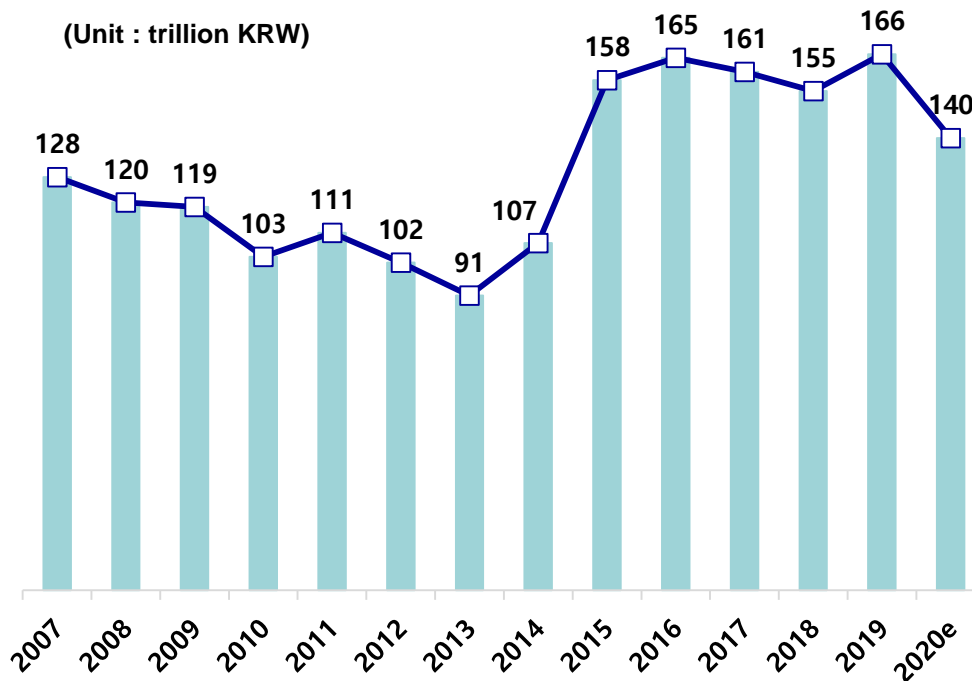
Domestic consumption

06. Domestic consumption

Construction

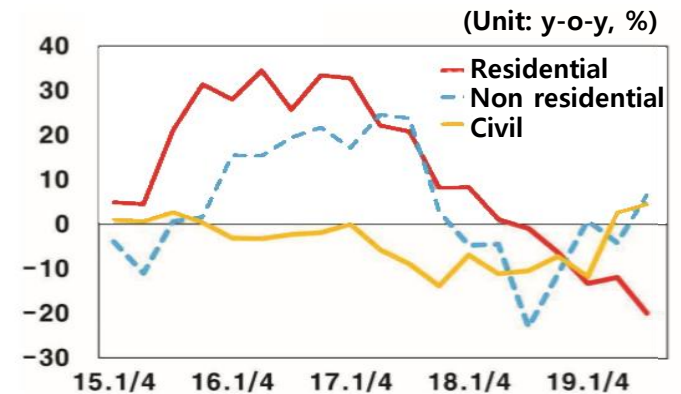
- Construction order amount slightly rebounded in 2019 due to government temporary stimulus package on residential & public sectors but continuously keep going down since 2017
- Construction investment focused on residential sectors is likely to maintain downtrend

Construction order amount



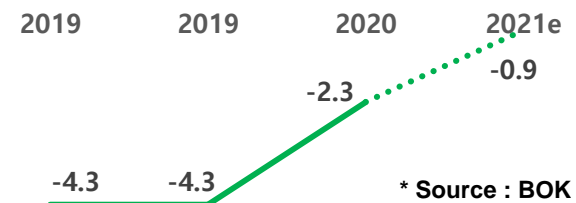
* Source : CAK

Construction investment by type



* Source : BOK

Construction investment forecast



* Source : BOK

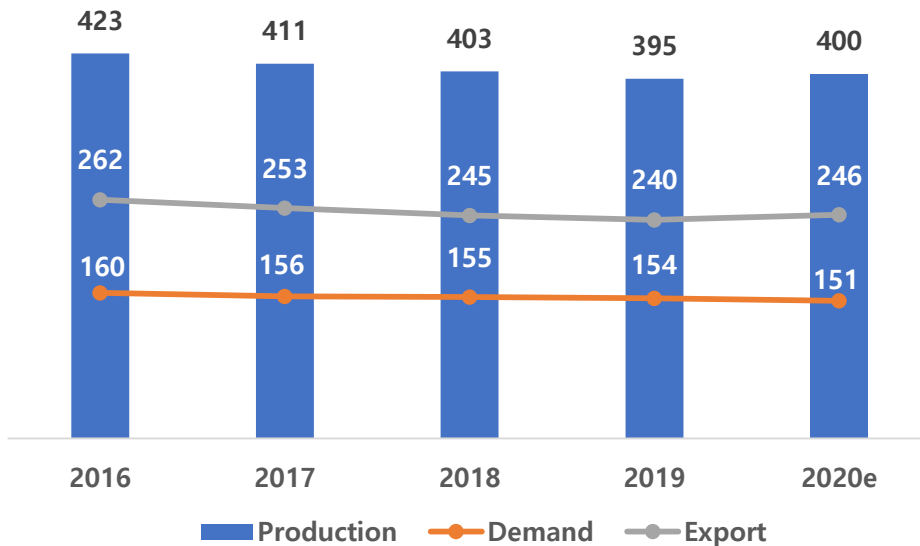
06. Domestic consumption

Automobile

- Korea's auto mobile production has slightly decrease in 2019 due to domestic consumption decline and overheated competition sparked by trade tensions between G2
- Slight improvement is expected in 2020 but less likely to recover at the level of 2018 due to global demand decline
- Global demand (% , y-o-y) : (2017) 2.3%, (2018) -0.8%, (2019) -3.3%, (2020f) 0.9%, (2021f) 3.3%

Korea's automobile supply & demand

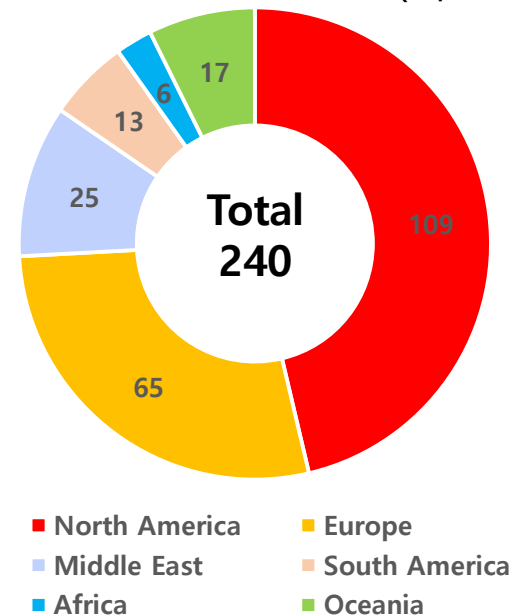
(10,000 units)



* Source : Korea Automobile Association & POSRI

Export destinations in 2019

(10,000 units)



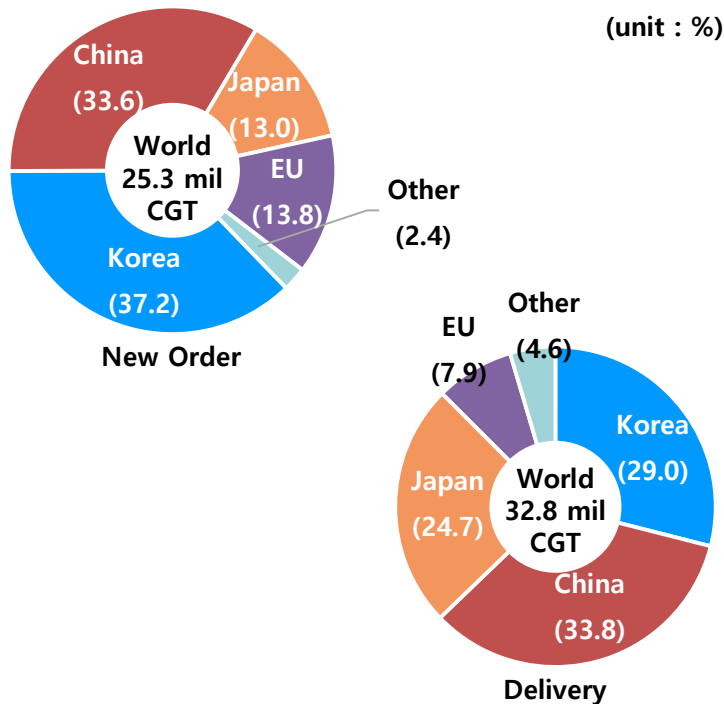
* Source : Korea Automobile Association

06. Domestic consumption

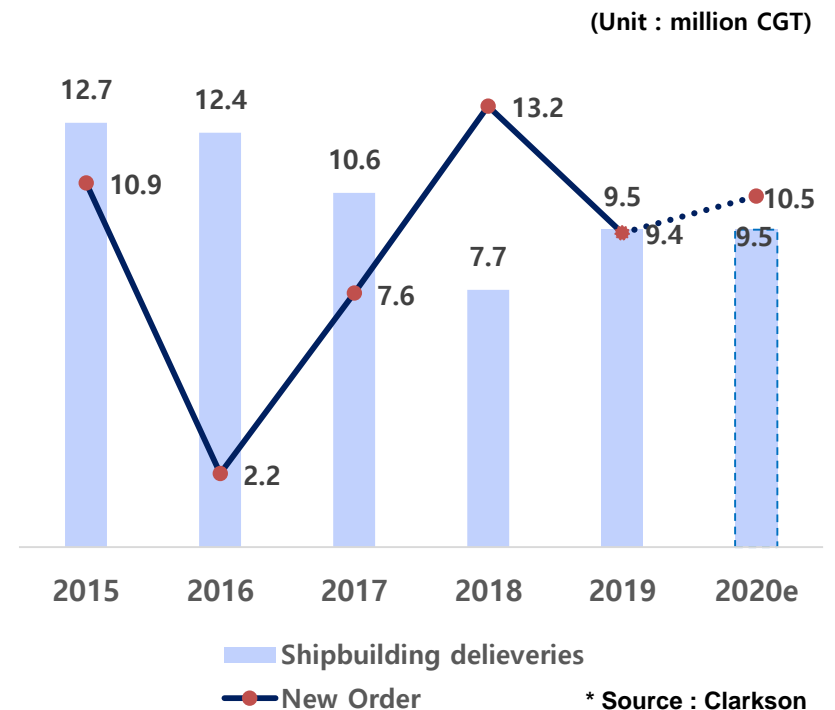
Shipbuilding

- Korea occupied about 37% out of total world orders, and 29% of world deliveries in 2019
- Korea's shipbuilding orders rapidly decreased by 28.8% last year due to weak global economic recovery and deterioration of global trade volume
- Orders and deliveries are expected to recover continuously mainly in LNG shipbuilding industry

Order and delivery by country in 2019



Order and delivery amount





07

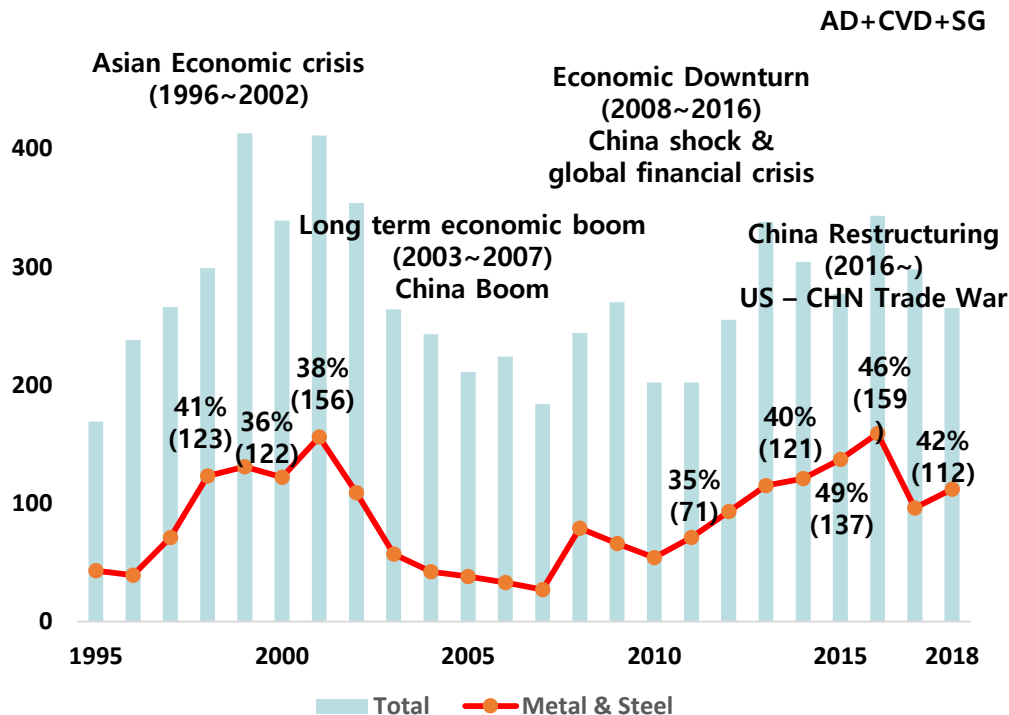
Trade remedy actions

07. Trade remedy actions

Trade remedies on iron & steel products

- Iron & steel industries have been the main target of global trade remedy from 1995 to 2018 based on 2,094 cases out of 6,613 were on Iron & steel products
- Korea, on the other hand, has initiated only 6 cases of AD on steel products since 2004

Global trade remedy from 1995 to 2018



Korea's remedy action on steel imports

Product	Country	Period
H beam	CHN	5 yrs (Jul. 2015 – Jul. 2020)
STS Bar	JPN, IND, ESP	14 yrs (Jul. 2004 – Jun. 2020)
	TAW, ITA	5 yrs (May. 2019 – May. 2024)
STS Plate	JPN	8 yrs (Feb. 2011 – Feb. 2019)
Ferrosilico manganese	VNM, IND, UKR	5 yrs (Nov. 2017 – Nov. 2022)
Zinc coated Wire	CHN	5 yrs (Aug. 2018 – Aug. 2023)

6 ADs

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THANK YOU

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