

## Economic Health of the Steel Industry: A Decade of “Pain” following a Half-Decade of “Gain?”

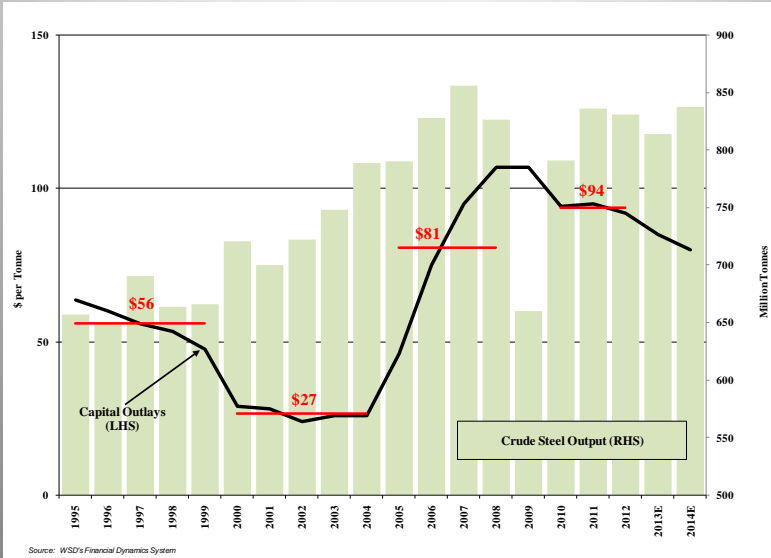
OECD Steel Committee  
December 5, 2013

## Outline

- Stacking the “Deck” against industry profits one card at a time:
  - Capital Outlays
  - Labor Cost
  - Materials Expense
  - Interest Expense
  - Depreciation
  - Bottom line....

## Ex-China Capital Outlays

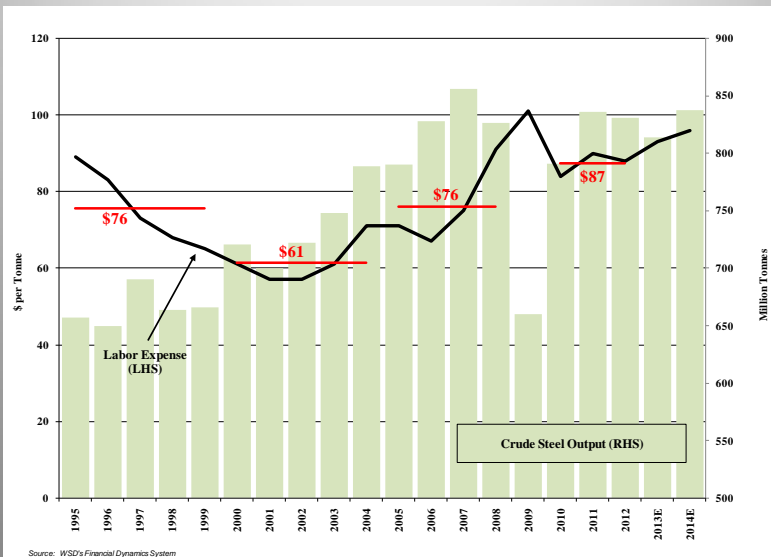
*Ageing plants and rapid expansion*



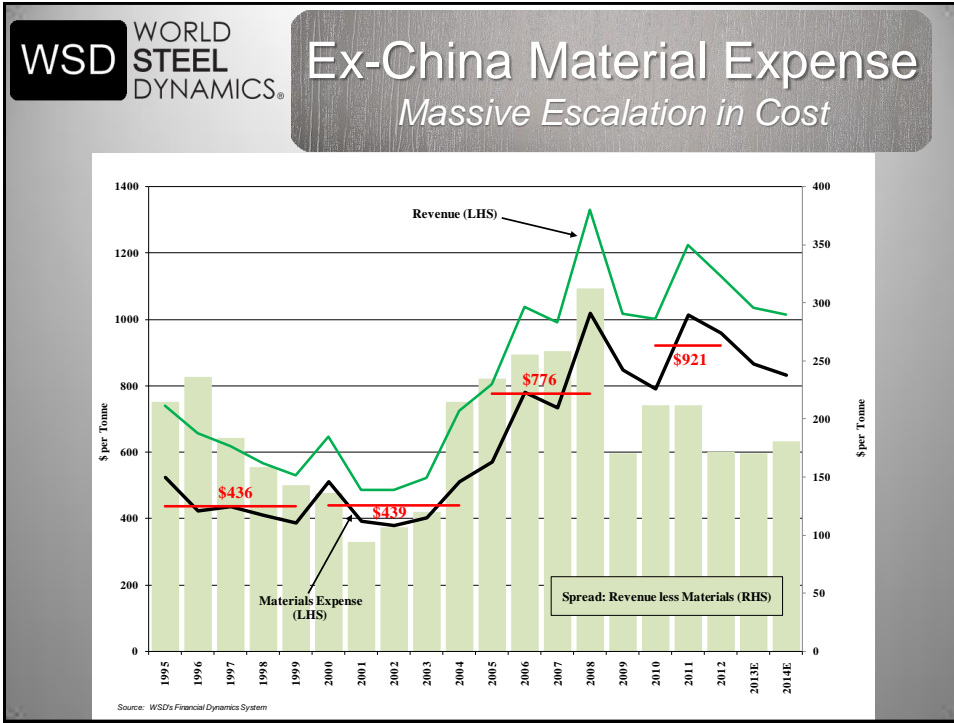
Source: WSD's Financial Dynamics System

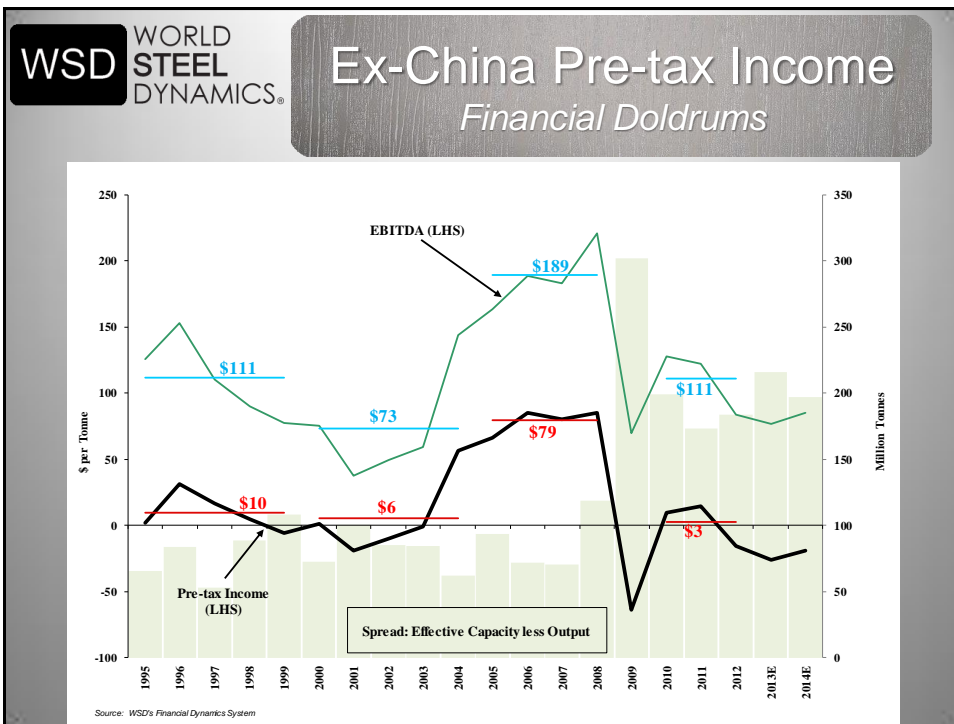
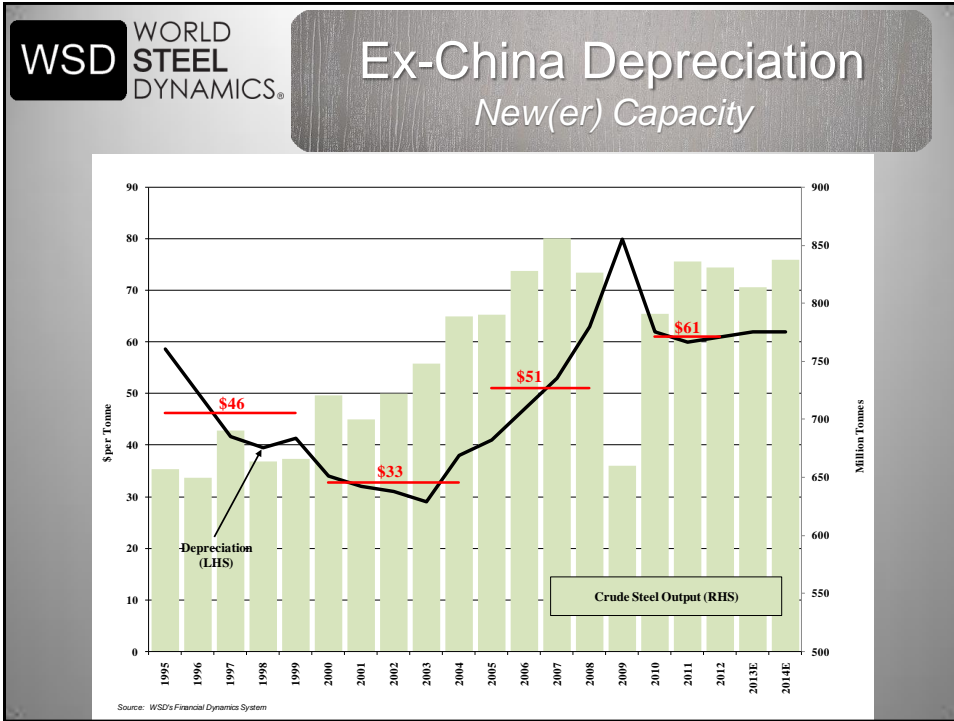
## Ex-China Labor Expense

*Surprisingly Stagnant*



Source: WSD's Financial Dynamics System





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## Ex-China Pre-tax Income

### Short-run v. Long-run Conflicting Interests

#### Steel's Effective Steelmaking Capacity and Capital Spending Outlook

(million tonnes, except capital outlays)

Year	Rest of World ex-China gross capacity (mmt)	Rest of World ex-China effective capacity (mmt)	Ratio Effective Capacity/ Gross	Rest of World ex-China Capital Outlays (\$ million)	Rest of World ex-China Steel Production (mmt)	Non-Chinese Capital Outlays (per tonne)	O.R. %
2000	943	793	0.84	19	721	\$24	90.9%
2001	945	801	0.85	18	700	\$22	87.4%
2002	934	807	0.86	16	722	\$20	89.5%
2003	946	832	0.88	18	748	\$21	89.9%
2004	961	851	0.89	19	789	\$22	92.7%
2005	992	884	0.89	34	791	\$38	89.5%
2006	1,009	900	0.89	57	828	\$64	92.0%
2007	1,029	927	0.90	75	856	\$81	92.4%
2008	1,047	945	0.90	81	827	\$86	87.4%
2009	1,063	962	0.91	64	660	\$66	68.6%
2010	1,090	990	0.91	67	791	\$68	79.9%
2011	1,110	1,009	0.91	72	836	\$72	82.8%
2012	1,116	1,015	0.91	69	831	\$68	81.9%
2013	1,132	1,030	0.91	62	814	\$60	79.0%
2014	1,150	1,035	0.90	60	833	\$58	80.5%
2015	1,150	1,024	0.89	50	858	\$49	83.8%
<b>2016</b>	<b>1,125</b>	<b>990</b>	<b>0.88</b>	<b>45</b>	<b>865</b>	<b>\$45</b>	<b>87.4%</b>
<b>2017</b>	<b>1,150</b>	<b>1,001</b>	<b>0.87</b>	<b>50</b>	<b>882</b>	<b>\$50</b>	<b>88.2%</b>
2018	1,180	1,027	0.87	60	900	\$58	87.7%
2019	1,190	1,035	0.87	65	920	\$63	88.9%
2020	1,200	1,044	0.87	70	938	\$67	89.8%

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## Thank You

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