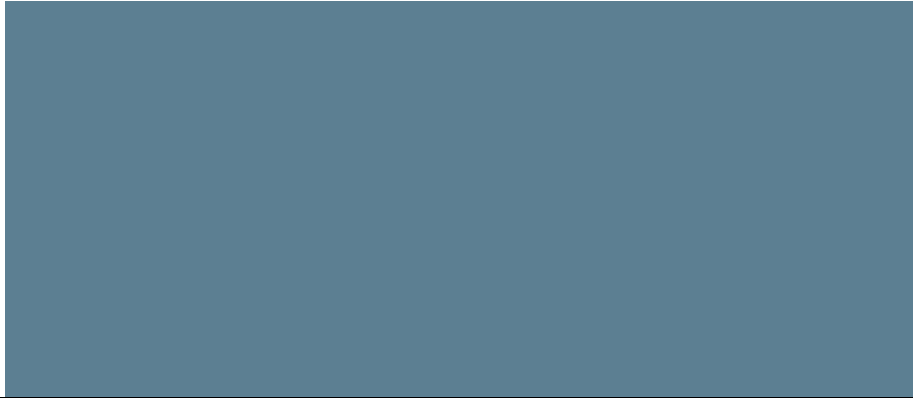


Global Steel Market Outlook
OECD Steel Committee Meeting
Paris, 11-12 May 2015



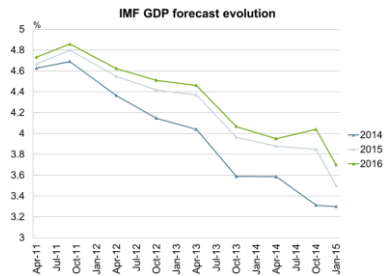
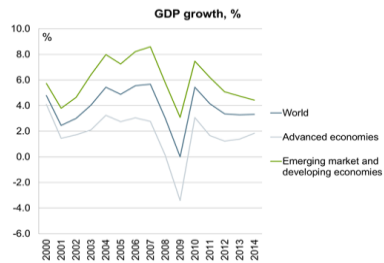
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Steel Demand Forecast 2015-16



Global macro environment remains difficult

- Global GDP growth has slowed down
- Global economic recovery continues to disappoint
 - Structural problems in many advanced and emerging economies
 - Ongoing geopolitical conflicts
- Low oil price to generate overall positive net impact on growth over the longer term, even if limited



Sources: IMF

SRO 2015-16: Global overview

Apparent Steel Use, finished steel (SRO April 2015)

2014

1 537.3 million tonnes, 0.6% growth

2015 (forecasts)

1 544.4 million tonnes, 0.5% growth

2016 (forecasts)

1 565.5 million tonnes, 1.4% growth

SRO submissions cover **91%** of the ASU world total (based on 2016)

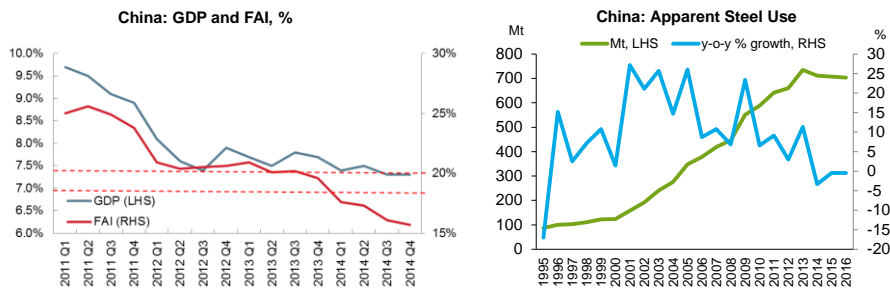
Regional Summary

Apparent Steel Use, finished steel (SRO April 2015)

	million tonnes (Mt)			%			2016 as % of 2007
	2014	2015	2016	14/13	15/14	16/15	
World	1 537.3	1 544.4	1 565.5	0.6	0.5	1.4	128.2
European Union (28)	146.8	149.9	154.1	4.5	2.1	2.8	76.9
Other Europe	37.0	38.0	38.5	0.2	2.8	1.4	126.6
CIS	56.5	52.4	52.2	-4.9	-7.3	-0.3	92.7
NAFTA	144.6	143.3	145.1	11.3	-0.9	1.3	103.0
Central & South America	48.1	46.5	48.1	-3.9	-3.4	3.4	116.4
Africa	36.9	39.6	41.5	4.2	7.4	4.9	182.4
Middle East	51.9	53.3	55.6	3.7	2.8	4.2	126.7
Asia & Oceania	1 015.6	1 021.5	1 030.4	-1.0	0.6	0.9	150.3
China	710.8	707.2	703.7	-3.3	-0.5	-0.5	168.2

Focus on China: First negative demand growth since 1995

- Government rebalancing efforts led to sharper than expected deceleration in GDP and investment in 2014 w
- Depressed real estate market provoked a sharp deceleration in the construction sector lead to -3.3% decline in apparent steel use in 2014
- In 2015-2016, steel demand expected to continue negative growth



Emerging Economies in Focus

Apparent Steel Use, finished steel (SRO April 2015)

- Outlook for Brazil and Russia worsening with structural problems
- Russian outlook hamper both by structural and geopolitical issues
- India's outlook brightens with improving business sentiment
- Most emerging economies performing below potential

	Mt			%			2016 as % of 2007
	2014	2015	2016	14/13	15/14	16/15	
World	1,537.3	1,544.4	1,565.5	0.6	0.5	1.4	128.2
India	75.3	80.0	85.8	2.2	6.2	7.3	166.7
Brazil	24.6	22.7	23.4	-6.8	-7.8	3.1	106.2
Russia	43.1	40.2	39.6	-1.4	-6.7	-1.6	98.1
Turkey	30.7	31.7	32.0	-1.8	3.0	1.1	134.6
MENA	70.1	72.9	76.3	5.0	4.1	4.7	139.9
ASEAN (5)	61.4	65.3	68.5	4.2	6.4	4.9	169.6
Emerging & Developing Economies excl. China	414.7	424.5	441.5	2.3	2.4	4.0	134.1

Developed Economies in Focus

Apparent Steel Use, finished steel (SRO April 2015)

- US steel demand to stagnate in 2015 due strong dollar, material competition in the auto sector and drop in shale Investment
- EU: Recovery is broadening and being aided by weak euro and low oil prices. But country divergences persist

	Mt			%			2016 as % of 2007
	2014	2015	2016	14/13	15/14	16/15	
World	1,537.3	1,544.4	1,565.5	0.6	0.5	1.4	128.2
United States	106.9	106.5	107.2	11.7	-0.4	0.7	99.0
Japan	67.5	65.9	66.6	3.5	-2.4	1.1	82.0
South Korea	55.4	56.9	58.0	7.0	2.7	2.0	105.1
European Union (28)	146.8	149.9	154.1	4.5	2.1	2.8	76.9
Germany	39.2	39.8	40.7	3.0	1.5	2.3	95.2
Spain	10.8	11.0	11.6	3.2	2.6	5.0	47.3
Developed Economies	411.9	412.6	420.3	6.2	0.2	1.8	88.7

Top 10 Countries in 2007, 2011 and 2016

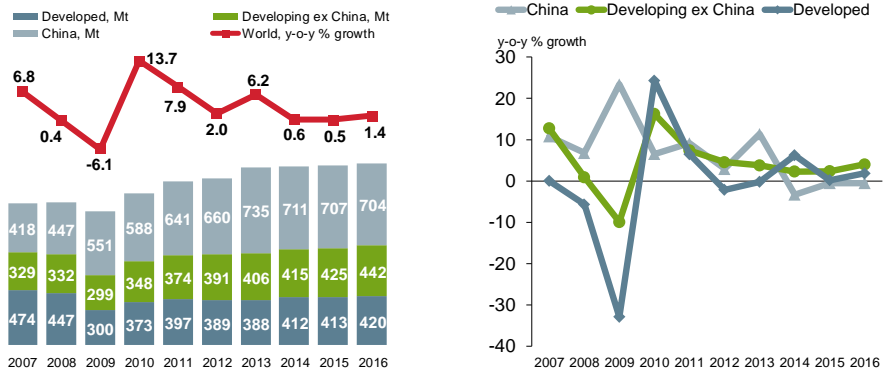
million tonnes

TOP 10 (2007)		TOP 10 (2011)		TOP 10 (2016)	
China	418.4	China	641.2	China	703.7
United States	108.3	United States	89.2	United States	107.2
Japan	81.2	India	69.8	India	85.8
South Korea	55.2	Japan	64.1	Japan	66.6
India	51.5	South Korea	56.4	South Korea	58.0
Germany	42.7	Russia	41.5	Germany	40.7
Russia	40.4	Germany	40.7	Russia	39.6
Italy	35.9	Turkey	26.9	Turkey	32.0
Spain	24.5	Italy	26.5	Mexico	24.0
Turkey	23.8	Brazil	25.0	Brazil	23.4

Top 10 accounts for 75.4% of world ASU in 2016

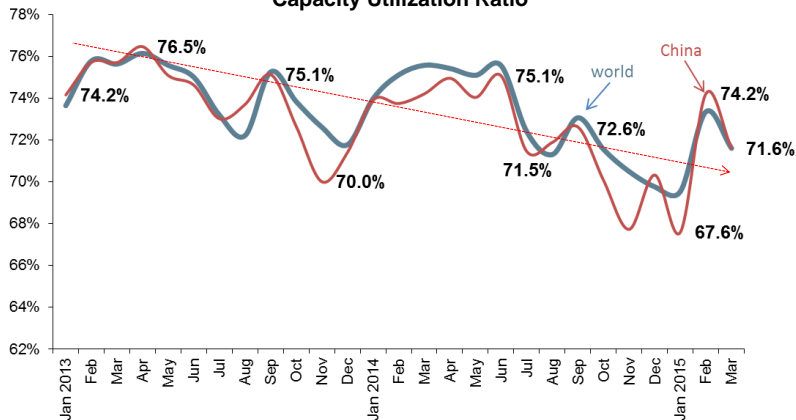
Steel industry faces new normal of low growth

Apparent Steel Use, finished steel (SRO April 2015)

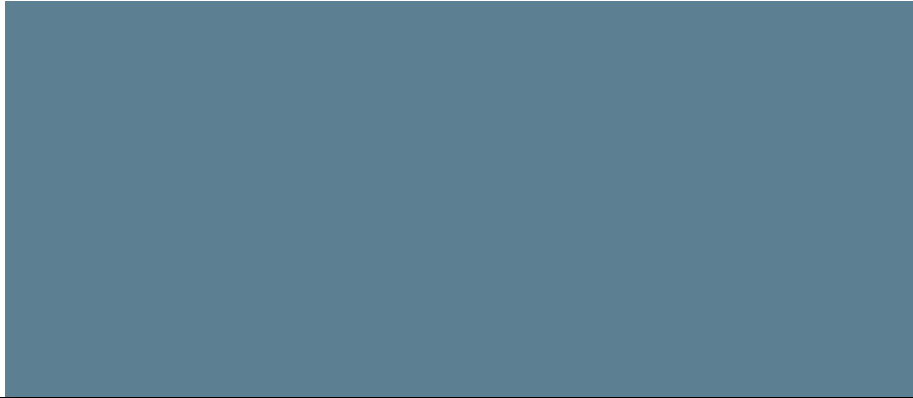


Overcapacity lingers with slow demand growth

Capacity Utilization Ratio



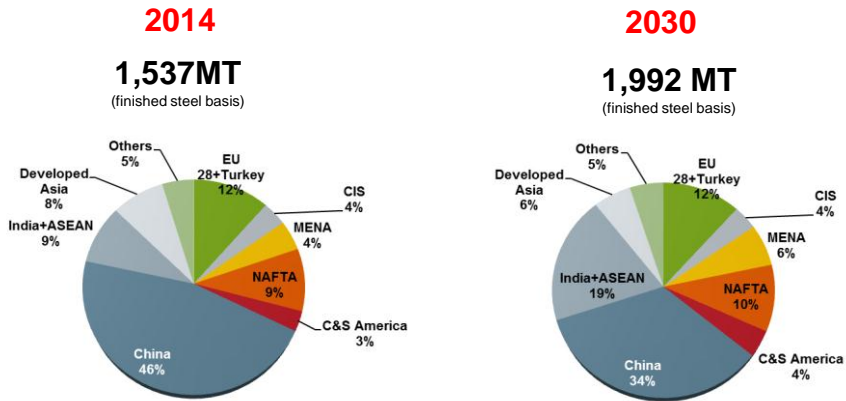
Long Term Outlook for Steel Demand



Megatrend factors affecting steel demand

Global	Regional
New technology in the energy sector <ul style="list-style-type: none"> • Energy prices • Renewables 	Population growth and middle class expansion, urbanisation
Technological changes in steel using sectors <ul style="list-style-type: none"> • Steel intensity trends and inter-material substitution 	Government reform agenda
Regulation <ul style="list-style-type: none"> • Trade protectionism • Environmental: strengthening and aligning among regions 	Changes in regional competitive positions of manufacturing and steel industry. <ul style="list-style-type: none"> • Evolution of manufacturing value chains

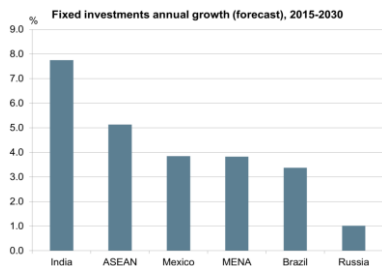
Steel demand outlook till 2030



- Global steel demand growth momentum to stabilize at lower level
- China to show a steady decline
- India, ASEAN, MENA to emerge as fast growing regions

Diverging growth prospects of the developing economies

- Structural reform will determine growth potential
 - Brazil and Russia trapped in structural problems
 - Mexico to strengthen growth potential thanks to strong reform agenda
 - MENA outlook weakened by low oil prices and geopolitical instability
 - ASEAN countries with reform agenda will outperform others
 - India getting ready for a take off with renewed reform initiatives



	GDP/capita (thou USD)		Urbanisation (%)		Population (million)		Steel use/capita (kg)
	2014	2030	2015	2030	2014	2030	2014
India	1.6	9.5	33	40	1267	1476	59
Indonesia	3.4	12.3	54	63	253	293	54
Vietnam	2.0	8.1	34	43	93	102	138
Thailand	5.6	14.2	50	64	67	68	258
Mexico	10.5	22.8	79	83	124	144	182

Summary and Conclusions

- The steel industry faces new normal of low growth with peaking of Chinese steel demand and structural changes in the world economy
- In the longer term, we expect some emerging economies lead growth on the back of urbanization and growing population. But implementation of reforms and political stability needs to be accomplished
- Future steel demand growth potential will be undermined due to aging population and inter-material competition and more efficient use of steel. But steel is well positioned to capture opportunities arising from the environmental regulations
- Industry will need to focus on value-added instead of tons

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